

Review of the Co-Relations between Economic Factors and International Power Status

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Abstract: In a state of international anarchy, power status is not only highly relevant to national interests, but also is the fundamental dynamic of the international interactions and the general mechanism of international relations. Although different academic schools have their own emphasis, however, the material resources in the power status are consistently testified in terms of value and function. In the current great power competition situation, the economic factors in the foundation of material power have gradually become the preferred option of strategic investment and even the superior choice of winning the great power competition. In theory and practice, the analysis of the economic capability is handled with a pervasive modus operandi which mainly focuses the scale and total sum. However, compared with more profound and comprehensive methods such as power analysis combined with economic development cost and structure of international division of labor, the method of examining economic capability by economic aggregate may neglect the non-convertibility of economic factors, multi-calculation of the economic aggregate, and paradoxes with historical cases.

1. Introduction

It is said that under the state of international anarchy, the core mechanism of international interactions can be the great power competition. This competition often leads naturally or deliberately to a progression and outcome known as the balance of power, therefore, the balance of power is often directly related to the stability and order of the international system. According to the popular schools' articulations, especially for great powers within the system, the overlap of power accumulation and national interests has reached such a point, so much so that the difference between them is probably only meaningful in the sense of semantics. Since power status has been widely recognized as the fundamental dynamic of international interactions and the general mechanism of international relations, therefore, the discussion on what constitutes power status, what are the decisive power factors in the current international process, and whether great power competition will lead to the classical tragedy of great power politics, naturally becomes the core concern and fundamental proposition of the basic research on international relations[1].

2. A Theoretical Analysis of International Power Status and Its Constituent Factors

As an effect of a certain kind of relative dominance relationship, power status is determined by its material foundation. This material foundation can be reduced to more fundamental military and economic capabilities. With the development and changes of the international process since the Second World War, economic factors have more and more priority in underpinning the national power status in the world[2].

2.1 Theoretical Contention of International Power Status

The assertion of power is the consensus view of the popular schools of international relations, the only difference lies in how to define the connotation and factors of power status. Both realists and liberalists research the power status in the sense of materialism, while constructivist reshaping

the understanding of the power status from the dimension of the idealism[3].

The reduction of power to military and economic elements is neither original nor exclusive to realists, though that is their salient assumption. John Mearsheimer argued that the effective power of a country in the international politics ultimately derives from its military capabilities. The realists don't object to such a judgement because of the historical inspection that before the balance of terror brought about by the atomic bomb, the international war served a function similar to domestic elections--only more deadly and primitive--in restraining international threats and dominating international affairs. A.J.P. Taylor put it more succinctly: whether it is a great power or not, the war decides. Nicholas Spykman also hold the same opinion, but he also emphasized that modern war wouldn't be sustainable without the support from the national economic. Besides, according to the process of international distribution of labor and globalization, some realists judge the key pillar of power status as economic factors. For example, Robert Gilpin took a country's position in the world market--so called international division of labor--as a principle determinant of its international power status. And Paul Kennedy, who claims that he opposes economic determinism, is also generous enough to admit that the winner of a great war often goes to the side with the last penny[4].

The liberal emphasis on materialism is probably centered on international institutions. The international institutions here not only guarantee cooperation and long-term expectations, but is also seen as a reflection of "soft power". Robert Keohane argues that, in international relations, common interests don't automatically lead to cooperation, and international institutions are a necessary condition for achieving cooperation because they cannot only reduce uncertainty but also improve information asymmetry. One theoretical concept that needs to be clarified here is the soft power. According to Joseph Nye, soft power is a way to use power-with coercion, payment, and persuasion--rather than power per se. That said, the perception that culture equals to soft power is, at the very least, a misunderstanding. And if soft power reflected as influencing other actors through cooperation, then it means that to make adroit use of agenda framing, persuading, and positive attraction eliciting, in order to achieve the desired outcomes. Hence, applying international power through the construction and operation of international institutions is a typical embodiment of the effect of soft power[5].

Alexander Wendt thoroughly rethought this materialistic idea, rather than the distribution of capability, he believes that it is the right way to conduct theoretically international politics in upholding the distribution of ideas, especially culture, where material power is controlled by the power of ideas. That is to say, Wendt brings the understanding of international power back to the ultimate interrogation of "weapons don't kill, human kill". The mechanism of security dilemma lies not in the material factors, but in the concept and cognition.

As a research paradigm, constructivism is full of humanistic care and progressive warmth. However, in terms of practice, among the three popular schools mentioned above, the influence of constructivism is obviously weaker than the former two, especially realism. This essay doesn't attempt to adjudicate the dispute between materialism and idealism, but argues that, even under the logic of constructivism, as the related things of power and interests, and even under the constrains and use of ideas and progression, material power resources also have its key role and critical value. In other words, the examination of a country's material power resources, which are mainly constructed by economic and military elements, isn't inconsistent with structural cultural characteristics; In addition, it is often the pessimistic expectations of policy makers about international processes that lead to an emphasis on and apply to material forces. And written more than a hundred years ago, James Fairgrieve defined history as a progression in material terms as human's increasing capability of controlling over energy, although the author also argues in the same book that idea is also a force that makes history. In this regard, Spykman has more deterministic expressions that the promotion of cultural rationality and cooperation for political purposes is an absolute and pathetic wishful thinking.

2.2 The Economic Foundation of International Power Status

As mentioned before, realists and liberals are both exponents of the materialism power status. Of course, this kind of materialism is not to neglect the role of ideas, but to regard material factors as the priority of national interests. If the military and economic are core factors of the material resources of power status, then, in the current great power competition situation, which of the two is the more preferred strategic investment choice?

When Joseph Nye discusses the soft power, he points out that: nowadays, the definition of power is losing the emphasis of previous eras on force and conquest; And the factors of technology, education and economic growth are becoming more and more essential to international power status. Another research argues that, since the end of Cold War, one of the principle features in international affairs is the decline of military utility and the gradual increase of economic power, at least among the major developed states. Importantly, compared with economic factors, the extreme importance of effectiveness of military or force in international affairs is waning. The first reason is that the strategic stalemate created by nuclear weapons, in other words, the static pattern of mutually assured destruction (MAD) has become a constant in international security realm. Therefore, the reduced effectiveness of force doesn't mean that force isn't no longer effective, but it means that force can't become a decisive realm of great power competition, at least not a field of pre-emptive action.

At the same time, economic power, or economic factor, can be seen either as a more fundamental factor to contribute to military power or as the only way to achieve superiority in great power competition in the context of above mentioned security structural stalemate. In terms of former, Stephen G. Brooks and William C. Wohlforth argued that, how strong a state's military capability is, how high its requirements of advanced technology are. In other words, the leverage of a state's military achievements reflect the leverage of its economic. In terms of the latter, Kuang Yunfeng argues that, economic power as the foundation of military capability is the critical variable to observation of great power competition, a powerful state which can't achieve success in economic realm also can't shake the Pax Americana. More fundamentally, for Gilpin, unbalanced development is an enduring dynamic for systemic change, this unbalanced development is naturally determined by the productivity that takes technology as the first and core dynamic. In this way, the investigation of economic factors which including technology and finance in a broad sense naturally becomes the priority and inevitable researching way in the current international situation.

3. The Settings and Pitfalls of Sheer Economic Size in Studying International Power Status

As previously mentioned, whether from the perspective of theoretical deduction or quantitative reduction, it is an acceptable analytic method to reduce the material power foundation to the investigation of economic power factors. Then, the resulting extension must address a popular argument of the determinism of sheer economic size, in particular the determinism on the international share of Gross Domestic Product (GDP).

3.1 The Theoretical Proposition of Economic Aggregate as the Core Variable.

Paul K. MacDonald and Joseph M. Parent made a detailed analysis of the international power transition and the great power competition which may be triggered in their prominent book *Twilight of the Titans: Great Power and Retrenchment*. The authors argued that the causal effect between great powers' decline and their choice of strategic retrench is not only direct but constant. What needs to be cited in this essay is the definition of the premise of strategic retrench--the decline of power status. This book underlines that, as a prerequisite of the construction of academic theory, an emphasis on material factors should be given priority, because compared with other methods, such materialism is not only fundamental but also measurable for academic analysis of the national power status; Although others factors can't be neglected either, there is no doubt that material resources are fundamental. According to this assumption, a measure based on sheer economic aggregate followed--they measure the wax and wane of relative power status by comparing states'

global shares of GDP; Then, a state's decline can be identified as mild, moderate or severe, depending on the magnitude of the decline from 2% to 4%. Defending their approach, the authors argued that the priority given to economic factors is due to their transferability, that is, economic capabilities can be translated into various factors of power such as politics, military and culture; In addition, if power and wealth have the effect of interchanges and coincidence, then economic ability can be taken as the best measurement standard because of its function as stock measure.

Besides, a team of Harvard researchers led by Graham Allison, a renowned scholar of international relations, has recently also taken a detailed research of the issue of great power economic competition in the new era. Their analysis also argues that a country's GDP is the basis of its international power status, and while GDP can't automatically translate to economic or military power, history identified that countries with larger GDP have correspondingly more influence in shaping world affairs; When measured by market exchange rates, the traditional measure of GDP, the economies of China have risen from 10% of U.S. GDP to 78% in 2021. There is even plenty of evidence that China is rapidly overtaking the U.S.--China's GDP has increased 40 times since 1978.

All the above researches take international power status and sheer economic aggregate, mainly the relative share of GDP, as the core variable to measure the international process. This is intuitive and simple, within the international system, no matter for the anxious dominant power, or for the optimistic emerging power, they can get the result they want from this simple reasoning and prove the trend of their claims. However, this essay holds that when observing the operation of international politics through such a related mechanism, there must be pitfalls that can hardly avoided and erode the truth of international politics.

3.2 The Pitfalls of Sheer Economic Size Method

There are some blind spots in analyzing the international power status by the sheer economic aggregate of a country: firstly, the convertibility of economic factors; second, the calculating method of economic aggregate; And third, the paradox of international practice.

In the domain of economics, currency, as a form of expression and storage of capital, has the status of a general equivalent. Hence, actors in the market are all trying to monetize the goods they produced. However, in the world of politics or international relations, economics, or wealth, does not necessarily have the same effect. As Professor Zheng Bijian clarified in a paper in 2005 that economic growth is accompanied with partial and unbalanced development, therefore, it is impossible to make an overall judgement on the developmental leverage of a country based on the index of economic growth alone. David A. Baldwin pointed out the two fallacies of this fungibility of economic power: "Fungibility" means that power resources can transfer relatively easily between different issue-areas; And problems precisely lie in here. Imagine that, if economic factors are the general equivalents of power resources, then, should the lack of fundings responsible for the poor progression of global governance challenges, including international counter-terrorism, climate governance, health and epidemic prevention, be attributed as the culprit? Besides, another fallacy is that even this fungibility is possible, it still requires a process, or a high cost of time--only in the long run, this fungibility is reliable.

There are two popular ways to calculating the size of a country's economy: market-exchange rate calculation and purchasing-power parity (PPP) calculation--also known as the "Big Mac Index". Based on market exchange rates, excluding the supranational community--European Union, the U.S. is still the world's largest economy, while China was ranked second in 2015. Nevertheless, in terms of purchasing-power parity, China's economy is not only larger than America's, but had accounted for 18% of global GDP. From this point of view, the international political process derived from different calculations can vary greatly.

In book of *Twilight of the Giants*, the authors made one observation based on their preconceived approach to sheer economic aggregate: China and America never had experienced decline. In fact, compared with Angus Madison's work, the two authors' judgement is still conservative. According to the former, China's share of world GDP in 2003 was more than double of what it was in 1820(15.1:32.9). In addition, it is a well-known fact that during the Cold War, in its great power

competition with Soviet Union, in order to support Japan, the United States chose to self-discriminate--unilaterally open its markets to Japan without seeking reciprocal treatment. This strategic choice would naturally have a huge positive effect on Japan's manufacturing industry and foreign trade, and as a result, Japan's sheer economic size soared beyond that of the United States for a time. In both cases, however, it is not clear that a country's power status has directly changed as its share of GDP has fluctuated. Then, if the assumption that economic is the core factor in measuring a country's power status remains true, how to correct the prevailing preference of sheer economic size in the studies of international relations?

4. The Re-Examination of the Economic Ingredient in International Power Status

This essay holds that the reducing method of materialism has obvious advantages for the research of international power status. Economic power, as a more basic item in the material factors, is indispensable with its scale or sum as a necessary condition for great power. However, it is essential to note here that the analysis of scale extracting, as well as the analysis of structure of division of labor, is an effective remedy to avoid the aforementioned pitfalls.

4.1 The Sheer Economic Size Extracting

The rise of emerging power and the decline of existing hegemony can be regarded as the greatest characteristics of the practice of international relations in the new era. Such power position transfer can be roughly known only from the quantitative assessment of the respective economic development and the forecast of the developing trend. However, this popular aggregate determining method is challenged by Michael Beckley.

Beckley argues that, scholars neglected the consideration of cost when they research great power competition; When this omission is overhauled, the advantages of the dominant power over the emerging power within the existing system is even greater. The academic basis of this claim is that Beckley argues that a country's power is determined not by its gross resources but its net resources, that is the amount of resources left over after the cost is subtracted. These costs include production costs, welfare costs and security costs, which can affect a country's position of power, and surely they can have an eroding effect on a country's power status as well. Actually, before that, Professor Zheng Bijian made much the same claim, he believed that China will still face three major problems before reach the level of modern medium developed country in 2050: resource shortage, environmental problems, and unbalanced development of economic society.

According to his scientific reasoning, Beckley developed a method of extracting the net resource: $GDP \times GDP \text{ Per capita}$. A simple application of this formula leads to a clear conclusion that although today China's power status is fundamentally better than what it was in the 19th century, the mismatch between its power status and the nominal economic rank in the global stage is obvious. As for the meeting of the respective power development curve of China and America, it is far from happening. Beckley's analysis provided insight into the use of economic aggregate or recourse aggregate to analyze international power status: firstly, it links great power competition to governance capability. Great power competition is not an independent field or an isolated matter, in order to enhance international power status, the rational choice is of course to reduce the costs of resources, hence, it is necessary to improve the governance ability and deepen the reform process. Secondly, it balances international strategy with domestic needs. Policy choices must pay for the cost of opportunity--that is, limited resources cannot feed all demands. Whether improving international strategy or meeting internal needs, both require investing numerous resources. Nonetheless, resources are always scarce. Therefore, in great power competition, the balance of resource deployment should be a more priority guiding principle, furthermore, creating a domestic society conducive to openness, innovation and inclusiveness may be a more urgent choice. This is also the advice on how to avoid a new Cold War from prominent historian Melvyn P. Leffler.

If the investigation of the economic aggregate requires a perspective of a country's internal governance capability, especially the innovative ability as a key variable even played a decisive role in great power competition, hence, the structural analysis of international division of labour based

on the comparative advantages becomes another remedy to avoid the pitfalls caused by sheer economic aggregate determinism.

4.2 The Structural Analysis of International Division of Labour

As what mentioned above, the way to reduce the cost of resource rely on innovative technologies to improve resource utilization and create new economic growth area. Hence, Science & Technology has become the most powerful and persistent factors of driving society reformation and the process of international relations. In other words, the level of technological development, for the great power competition, not just determines the relative comparative advantages, but also configures the position in the chain of international division of labour. It can be said that the more vigorous and active the society and the technology innovation are, the more stable and favorable the national economic power and the position in the division of labor will be, and the asymmetric advantage obtained from which is also more obvious. What needed to be emphasized here is that, firstly, the scale or total sum of the economy is not unimportant, but in great power competition, under the influence of such structural factors as global value chain (GVC) and production network (GPN), the power status derived from scale effect alone is neither direct nor efficient; Secondly, the possession of core technology in great power competition is an essential preponderance to be the winner.

A research report published by Rand corporation in 2000 claimed that, the measurement of national power in the post-industrial era can be broadly divided into three areas: The first area includes the level of resources available to or produced by a country; The second area includes national performance, which arises both from the external pressures a country faces and from the efficiency of its governing institutions nominally called “state” and its whole society; Finally, the third area includes military capability, which understood as operational proficiency or efficiency.

The study also argued that national power is ultimately the product of the interaction of two factors: a country’s ability to dominate the economic innovation cycle at a given time, and then use this dominance to produce effective military capabilities. These capabilities, in turn, reinforce existing economic advantages and produce a stable political order, which while maintained primarily for national strategic advantage, but is also beneficial to the international system; Therefore, in the sense of power politics, the ultimate value of being able to dominate major sectors of the global economy is that it makes it possible to acquire and maintain hegemony. For example, there is evidence that gaining an early leading position in the innovation cycle is critical for generating hegemony. Because initial economic dominance can often help innovative country counter emerging challengers.

In brief, the more innovative a country is, the more power advantages it has in the economic sphere. Hence, when measuring economic power, it is essential to examine the capability of technology innovation. The technology innovation ability is closely related to the resource convertibility. The stronger the innovation ability is, the higher the resource convertibility, resource utilization rate, and the economic growth from the same share of resource output will be. However, at each stage of the industrial revolution, the dependence on core technology areas is also different. Since entering the information age--or the knowledge economy--information is now at the heart of cutting-edge technology, even considered power status itself.

Of course, technology as a variable is considered to be the key factor affecting the rise and fall of great powers. Whereas, in addition to this, the dominance of international currency is also another pillar of great power competition that being as important as technology. Susan Strange in her book *States And Markets* pointed out that the so-called structural power is a combination of four dimensions, which includes security, finance, production and knowledge. At least, the international distribution of power since the Second World War has been based on these four foundations, and there is no sign of much substantial change even in the foreseeable future. At last, according to Immanuel Wallerstein’s analysis, the dominance of international power status means that simultaneous possession of Agro-industrial edge, Commercial edge, and Financial edge. Nonetheless, with the era of interdependence and optimization of international division of labor,

occupying all the edges of three economic sectors simultaneously is impossible to be realized. In this case, either the power abdication or coronation depends on the main advantage derived from finance. Based on actual observations and experiences of international process, this trend may be more sound than other articulations.

5. Conclusion

The blossom of technology has made war, especially total war, almost completely ruled out as a possible option to great power competition, however, great power competition itself has not ended up. If nuclear weapons have brought about a negative interdependence, globalization has promoted a relatively positive interdependence. Based on the two major events, how to rely on the economic competition including technology and finance to contribute the new paradigm of great power competition, is not only the significant to profound changes unseen in a century, but also the inevitable choice of a responsible major power. This essay claims that what determines the process and outcome of great power competition is not simply aggregate or scale edge, but maintaining innovative economy, improving governance capacity, and simultaneously optimizing comparative advantages and upgrading structural positions on this basis.

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