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Instead, they help countries that would like to cooperate but find it difficult to do so because of information asymmetries and high transactions costs. Ultimately, enforcement power still rests with the individual countries that are members of the institution.

Liberal institutionalism has been widely criticized by realism for its reliance on international institutions. Realists dubbed Wilson’s liberal institutionalism ‘idealism’ and blamed it for World War II. International law was a chimera, they argued, and the makers of foreign policy would do best to ignore it, since states were never constrained by law but by power (see law, international). Catt’s The Twenty Years’ Crisis (1939) is an example of this type of argument.

Keohane and fellow liberal institutionalist scholars have also been criticized by realists, particularly neo-realists (see neo-realism). Neo-realists claim that liberal institutionalists fail to recognize the relative nature of power. Today’s cooperative partner may be tomorrow’s enemy, they argue. If two countries do not gain equally from cooperation, the country which gained relatively more may use those gains against the relative loser in the future. Therefore, each country must attempt to gain more from any cooperative venture than the country with which it is cooperating. When two countries are contemplating a cooperative venture, each must ask itself: ‘Will I gain more from cooperation than non-cooperation?’, but: ‘Will I gain more than the country with which I am cooperating?’ Since each country is attempting to maximize relative gain and since both countries cannot gain relative to each other at the same time, cooperation will be more difficult and rarer than liberal institutionalists let on, according to realists.

Little progress has been made reconciling the two schools of thought. Ultimately, whether cooperation is likely and whether international institutions help is an empirical question. Liberal institutionalists point to the remarkable degree of cooperation in trade policy under the auspices of GATT, in international finance through the IMF and in regional integration in the European Union (EU) (to name a few of the more prominent examples) as evidence for their contention.

Finally, it is important not to equate liberal institutionalists with world federalists – that is, liberal institutionalists do not call for a world state. On the contrary, Kant believed that nations should have the right to govern themselves as they see fit and that a world state would be global tyranny. He saw international law as a way for enlightened nations to defend their own and each other’s autonomy, not do away with it. Not unlike Kant, Keohane sees international institutions not as some incipient world government but as tools sovereign nations use to improve their welfare by cooperative foreign policy.

References and further reading


Michael J. Gilligan

Instrumentalism

Instrumentalism is Adolph Lowe’s alternative methodological approach for economic theory and public policy. Rather than taking only the initial conditions as given and directing theory to predicting outcomes, Lowe proposed also taking as given a vector of macro-economic goals. The task then becomes the derivation of the social and technical paths by which those outcomes might be achieved, of the behavioural and motivational patterns capable of setting the system onto a suitable path, of the environmental contexts capable of encouraging those patterns, and of the policies for creating those contexts. Economics is thus concerned not with the determination of macro-goals but with the means for their attainment.

Lowe was increasingly concerned with the inability of the nation-state to address the problems of contemporary political economy. In particular, he felt an effective authority to regulate multinational corporations (MNCs) was needed. He also believed that the macro-economic charge of achieving full employment would have to be increasingly be addressed by supranational organizations such as the United Nations (UN). Instrumentalism may provide a useful framework for devising and implementing economic policy in the age of globalization.

Further reading


Mathew Forstater

Insurance Industries

Private insurance activities have grown during the last fifty years at a rate of 5 per cent per year in real terms the world over. The growth is due to the necessity of economically managing vulnerabilities linked to the mature phase of the industrial revolution. Such vulnerabilities concern the new technologies, industrial production, environmental issues and personal vulnerabilities (health, accidents, retirement and unemployment), as well as social vulnerabilities (from political instabilities up to the reorganization of the welfare state).

Although insurance companies are the largest group of financial services operate under specific principles of:

- the identification of risks, their magnitudes and the context in which they occur
- the risk management of risks, their magnitudes and the context in which they occur
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It must also be stressed that very often a synonymy of activities but of fiscal systems, an element of transfer or of different classes or groups.

Some economists consider the market as an example of 'market failure' rather than a market equilibrium where the activities of investors are not available. In fact, insurance deal with information which is not perfect and therefore will not find the equilibrium system. Any claim must have a probability and finally the dynamic sense. The price of a contract at any given time is a reasonable probability at a known time after a period, tool, system or service, is its performance in time and therefore a constituent.