



## Conclusion: Generating Equilibrium, Generating Power Cycles

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**ABSTRACT.** Power cycle theory, both as description and as explanation, is a robust framework of analysis that facilitates the examination of the rise and decline of relative state power according to the “single dynamic” linking state and system. Discussing the key driving forces of economic development from remarkably differentiated perspectives, three writers of economics, Karl Marx, Amartya Sen, and David Landes, reveal one important aspect of the power cycle—what generates it. The article reflects on Japanese economic renewal and the implications of change on the power cycle for dynamic equilibrium.

**Keywords:** • Dynamic equilibrium • Economic development • Power  
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Power cycle theory is a robust framework seeking to account for the foreign policy behaviors of national actors placed in competitive situations. It is a comprehensive examination of the rise and decline of states according to a pattern of relative power change that integrates state and system in a “single dynamic” (Doran, 1991). It serves as a descriptive summary and an explanatory scheme of the nature and dynamics of international politics. The articles in this special issue have introduced power cycle theory and its applications from various angles. In this conclusion I would like to address two essential questions that policy analysis and policy-making pose for the power cycle framework.

First, I ask how foreign policy analysis done outside the theoretical framework of power cycle theory meshes with that theory, keying off my own published assessments over a decade ago as a test case. If power cycle theory is a valid conceptualization of world politics, it must be able to show correspondence to observations about foreign policy behavior outside the constraints of any given theory. The theoretical focus of this section is “dynamic equilibrium” and how it

operates. The central question is how the trend of a nation's power cycle affects dynamic equilibrium.

Second, I ask to what extent policy-makers can affect the nation's trend on its power cycle. I step back a bit from the power cycle itself and think about what underlies it. Focusing on the remarkably differentiated arguments on the key driving forces of economic development advanced by such diverse writers on economics as Adam Smith, Karl Marx, Amartya Sen, and David Landes, I would like to discuss how economic development (Inoguchi, 2001a, 2001b) may be conceptualized and related to world politics. Because economic development brings about wealth in the broad sense, and because wealth constitutes one important component of power again in the broad sense, discussing economic development encourages one to reflect on power and the power cycle at its source.

### How Dynamic Equilibrium Operates

Some years ago my assessment of "Four Japanese Scenarios for the Future" (1991 reprint), with its relevance concerning the operation of dynamic equilibrium in world politics, was published, in English and Japanese. The scenarios are:

1. *Pax Americana Phase II*, in which America deftly prods and cajoles its allies "into joint action," not as a hegemon that dominates but as a larger actor that leads;
2. *Bigemony*, in which the American and Japanese economies "become one integrated economy of a sort;"
3. *Pax Consortis*, in which "the major actors proceed by busily forging coalitions to make policy adjustments and agreements among themselves;" and
4. *Pax Nipponica*, in which "the Japanese economy reigns supreme."

What does power cycle theory have to say regarding the plausibility of each of these scenarios?

Since dynamic equilibrium in power cycle theory depends on the trend of change as well as the level, the theory would not seem to support the *Bigemony* interpretation. The American and Japanese economies seemed to be performing at arms length from each other. In the 1980s, the Japanese economy was booming and the American economy was burdened with huge debts and declining productivity. In the 1990s, Japan entered a protracted economic recession and the United States experienced the longest economic boom in its history. The two economies seemed to be out of sync most of the time.

Power cycle theory offers specific evidence to counter the plausibility of the *Pax Nipponica* scenario in a simulation published in Doran (1991). The figure (reproduced as Figure 7 in Doran's article in this issue) was entitled "Continuation of 'Present Trends' in Absolute Growth of GNP: The Japanese Rise will *not* Continue." In that simulation, Japan's GNP continued to grow at a vigorous 4 percent per year from its level in 1986 through year 2030, but the graph of relative share showed Japan slowly but surely moving to a long flat plateau. The cause of Japan's ultimate plateau on its power cycle (its power relative to other states in the system) was not competition from the United States but from much smaller China, which had a growth rate of 7 percent throughout the simulation. Such are the "conflicting messages" of absolute and relative power growth, and the complexities of structural change, disclosed by power cycle theory. The theory rejects the notion of a "hegemon," arguing that the nature of the system is pluralistic, not

hegemonic. Although states are of decidedly unequal power, no single state dominates the central system.

The collapse of the Soviet Union, the reform of the contemporary American corporation, and the impact of the technological revolution together explain why the United States is able to maintain a leadership position as envisioned in *Pax Americana II*. Power cycle analysis would acknowledge this. But it would emphasize that this leadership position does not mean that the United States operates in isolation from its allies or in spite of their political preferences, as a hegemon surely would.

This reinvigoration of the American economy means that the United States is undoubtedly more prominent than “one state among equals,” as envisioned in *Pax Consortis*. An analogy might be that the United States is manager of the board of directors. As such, it is more powerful than any individual director but serves at their collective discretion. Were the United States to overstep its bounds, the others could form a coalition against it, something that they have had no cause to do.

Power cycle theory also sheds light on an observation I made in that article. “Some may argue that my overall scenario—a soft-landing scenario proceeding from *Pax Americana II* to the *Pax Consortis*—is more than mildly optimistic” (Inoguchi, 1991: 174). The reason why is found in Kohout’s article (this issue). Each of the other theories he discusses (hegemonic stability, transition, and long cycle) is a hegemonic theory in which power is transferred from one “dominant” state to another, and the means by which that power is transferred is major war. As Kohout observes, power cycle theory is the only theory that accounts for peaceful change, and a peaceful transfer of power from one type of system to another very different structural system. Power cycle theory proposes a strategy to accomplish this transfer of power via a dynamic equilibrium of power and foreign policy role (Doran; Lahneman, this issue). The idea that a “soft landing” is possible is a logical extension of the theory’s assumptions and articulation.

My conclusion is that, in the power cycle perspective, the future of the international system is likely to look like a combination of *Pax Americana II* and of *Pax Consortis*. This is the pluralistic system in which states are very unequal in power terms and subject to dynamic change affecting their roles.

What are the structural changes that this “soft-landing scenario” will have to confront? Much of the stability of the current international system is attributable to the immutability of the core structure involving the United States, the European members of NATO, and Japan in Asia. What would happen to this stability if Japan were to peak, or even to enter relative decline? Given that Japan was shown to be peaking even with a GNP growth rate of 4 percent, and that Japan’s economy has been struggling, this question is not academic. As Doran observes in his concluding section, “what happens to Russia’s and Japan’s power and role matters greatly to dynamic equilibrium.” The question becomes what is happening to Japan’s power, which raises the question of what drives economic development itself.

### **Three Key Driving Forces of Economic Development**

Adam Smith’s *An Inquiry into the Nature and Causes of the Wealth of Nations* (Smith, 1776), describing the production and accumulation of wealth from the perspective of latter 18th-century Europe, is still full of deep insights even to the

eyes of modern readers. Consider a couple of such examples. "Freedom promotes economic development." "In economic activities, there are two kinds of people: those who make astute judgments and take timely actions and those who do not." As economics after Smith's time started to revolve around concepts of materialism and utilitarianism and gained a more theoretical orientation, many key ideas of Adam Smith have escaped the contemporary mind. A breakthrough occurred at the end of the 20th century. Amartya Sen wrote *Development as Freedom* (Sen, 2000) from the perspective of economic philosophy, and David S. Landes published *The Wealth and Poverty of Nations: Why Some are So Rich and Some are So Poor* (Landes, 1997) from the area of economic history. Following these contributions, a revival of sorts seems to be occurring in terms of theories of economic development, many of them built on concepts formulated, if in an elementary fashion, by Adam Smith.

Sen's argument, in brief, is that when individuals attain their highest degree of freedom, the society as a whole realizes its maximum potential because the human development of the individual brings out the underlying potential for the society as a unit. In other words, the key to economic development is the fullest realization of the human potential of the individual.

Sen focuses on political rights and civil freedom. When these two factors are suppressed, free flows of information become impossible, and accordingly, economic activities fail to achieve optimality. For example, famine was rather common in British India, but there has been none since India's independence. Independence has bestowed on India a caring government that quickly implements measures to locate food (inside or outside the country) during food shortages, thus preventing large-scale famine from taking place. Also, India is richer today than it was in the 19th century and before. For Sen, the most serious problem is the fact that there are numerous household environments, educational systems, economic conditions, political systems, social backgrounds, and the like, that prevent individual potential from being fully realized, regardless of the reality that all people are born with boundless possibilities.

From the viewpoint of economic history, Landes is critical of the fact that economic development has been studied as interactions among anonymous, faceless "economic beings." Simply put, Landes claims that there are two kinds of people: those who promote economic development and those who resist economic development. There are those who make a breakthrough in technological innovation; and there are those who hinder innovation and cling to the past for ideas and information.

What lies at the heart of the analysis by Landes are such things as curiosity towards new things, eagerness for technological innovation, firm belief in education, and the intelligence and adroitness necessary for making profits. He draws upon the case of the 13–14th-century Iberian Peninsula, where Christians drove out the ruling Muslims and put all their energy into creating a purely Christian kingdom. With all non-Christians expelled, the Iberian Peninsula not only lost its sophisticated financial and industrial systems, but it also lost a large social group of people who were vigorous and creative about technological innovations (mainly Muslims and Jews). Consequently, according to Landes, Spain and Portugal centered their economic activities on predatory overseas trade and extortionate conquest.

### Illustrations by Way of Policy Prescription

In light of the growing importance of three social forces that have been relentlessly unfolding, i.e., globalization, digitalization and democratization (Inoguchi, 1999, 2001a, 2001b), I look at the different causal arguments for keys to the recovery of the long-depressed Japanese economy.

Manufacturing is what had been at the heart of the English economy of Marx just as it was for the Japanese economy during the 20th century. The Japanese are strong at manufacturing certain tangible goods like automobiles and semiconductors. But they may not be at their best in dealing with non-tangible production such as complex system designs, journalism, and financial services. If the Japanese are able to develop their expertise in complex system designs, information processing, and financial services, and combine these fields of expertise with their ability in the Marxian world of manufacturing, a glorious new “craftsmanship” renaissance might be in the offing.

The core of Sen’s ideology is the realization of freedom (liberty). His first priority is the total abolition of harmful economic restrictions (regulations). Along with this comes his belief in liberal, creative education that would bring out individual potential contributing to the realization of a fair and vibrant society. Sen’s ideal education continues through each individual’s lifetime, with institutional education continuing until around 30 years old. This is probably the “slow but fast” education, preached by the late Professor Hiroshi Inose, who is known for having made dramatic technological breakthroughs in the areas of telecommunications and traffic control. Japan also needs to address issues of gender inequality. For example, the ratio of female to male Japanese employees in the United Nations is two to eight. The ratio is nothing but a mirror of the male chauvinistic gender inequality within Japanese society.

Landes’s argument is that identifying and assigning the best person for each job is essential for economic development. Memorization and over-standardized teaching styles and teaching materials are depriving Japan of its potential to train individuals who can be recognized as outstanding even from an international viewpoint. In agreement with Landes, Japan needs to “import” outstanding professionals. In the fields of finance, law, journalism, and computer science, it has already started to allow for a number of foreign professionals to immigrate. But in addition to foreigners of Japanese extraction, Japan should employ other foreigners in industries that are short of labor, giving them legal status.

To break out of its current depression and stagnation, Japan needs to seriously embark on policy measures based on these three perspectives of economic development. Japan should:

1. enhance sectors dealing with information processing, complex systems design, and financial service, and combine these with the Japanese expertise in manufacturing;
2. moderate its excessively collectivist spirit and remold education and employment toward the realization of a more liberal and fair society; and
3. reward and promote outstanding individual talent and encourage foreign professionals to immigrate to Japan.

## Conclusion

From the power cycle perspective, the capacity to alter the trend in absolute capability, by increasing economic productivity according to the precepts of these three writers, is possible for Japan. But the power cycle is composed of a power ratio with the absolute capability of one state (e.g., Japan) in the numerator, and that of other states in the denominator. Other states (e.g., China) are continuing to grow rapidly, shifting power share away from Japan. Hence the peaking of Japan on its power cycle is also externally induced.

Why should other governments care about the trend of a single state on its power cycle? World order is the result of a dynamic equilibrium among governments in terms of power and foreign policy role. When one state's trajectory is suddenly altered, every other state is affected. The complex structural change occurring in Asia will fundamentally alter the nature of world order in the 21st century.

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### Biographical Note

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