

Open Economy Politics Revisited

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Abstract and Keywords

Scholars of International Political Economy (IPE) working in the open economy politics (OEP) tradition use interests, institutions and international bargaining to explain economic policies, as well as international economic relations. A large amount of research in IPE today fits squarely within the OEP paradigm, which makes OEP itself an expedient subject for investigation. This chapter describes the OEP framework and discusses recent developments that have challenged it, including the behavioral revolution and the growing importance of economic geography. An evaluation of how the paradigm has evolved in response to these challenges is undertaken. The chapter concludes with a discussion of emerging issues that confront the OEP paradigm going forward, including the rise of China and the growing political backlash against globalization and the liberal international order.

Keywords: open economy politics, international political economy, economic geography, China, globalization, imports, preferences, interests, institutions

Scholars of International Political Economy (IPE) working in the open economy politics (OEP) tradition use interests, institutions and international bargaining to explain economic policies, as well as international economic relations. Because a large amount of IPE research today fits squarely within the OEP paradigm, OEP is itself an expedient subject for investigation. In 2009, Lake provided a candid and detailed discussion of the OEP framework—describing its intellectual origins, contributions to IPE scholarship, and potential weaknesses. At that time, Lake described OEP as “an emergent paradigm” (2009a, 220). How has it fared since then?

In this chapter, I examine the progress of the OEP paradigm over the past decade. I begin by briefly describing the OEP framework. I then discuss recent developments that have challenged the OEP framework, including the behavioral revolution and the growing importance of economic geography and consequent politics of place. I evaluate how the paradigm has evolved in response to these challenges. Finally, I conclude with a discussion about emerging issues that confront the OEP paradigm going forward, including the rise

of China and the growing backlash against globalization and the liberal international order.

What Is OEP?

Interests, institutions, and international bargaining lie at the heart of the OEP paradigm. Scholars working in the OEP tradition use these factors to explain countries' economic policies and international economic relations. Although all three factors play a role in shaping international economic relations, OEP adopts a partial equilibrium approach where scholars typically focus on part of the causal chain to gain tractable leverage over theoretical puzzles. In the OEP framework, the causal chain implicitly proceeds from the micro-level (i.e., individuals' interests) to the macro-level in a linear fashion—reflecting the idea that politics flows up from individuals to interstate bargaining in a unidirectional manner (Lake 2009a).

The OEP paradigm first gained traction in the mid-1990s. At that time, scholars working in the OPE tradition focused primarily on international trade and sought to explain countries' varied trade policies using interests, institutions, and international bargaining. By the late 2000s, scholars had adopted the OEP framework to investigate a wide range of international economic phenomena including, as Lake noted at the time (2009a, 225–6): monetary and financial relations (Frieden 1991), foreign direct investment (Jensen 2006), immigration (Scheve and Slaughter 2001), foreign aid (Milner 2006), regulation (Mattli and Woods 2009), corporate governance (Gourevitch and Shinn 2005), and global governance (Kahler and Lake 2003).

In the subsequent decade, OEP scholars have continued to be highly productive. The body of scholarship has progressed to include an ever wider range of international economic phenomena, including, for example, global supply chains (Johns and Wellhausen 2016; Kim 2017; Osgood 2018), labor rights (Caraway et al. 2012; Mosley 2010), populism (Colantone and Stanig 2018a; Hays, Lim, and Spoon 2019), offshoring (Owen 2017; Rickard 2021), and the environment (Bechtel, Genovese, and Scheve 2019).

A striking observation emerges from these wide-ranging, recent studies, namely that public support for globalization is waning. Although globalization has always attracted skeptics, opposition to globalization—and the liberal international order more generally—appears to be rising. Hostility towards globalization materializes in precisely those areas most exposed to foreign imports (e.g. Colantone and Stanig 2018a, 2018b). This development presents challenging questions for IPE scholars, many of which now lie at the forefront of OEP research, including: will globalization's success doom its future (e.g. Margalit 2012)? Is the liberal international order facing an existential threat (Lake et al. 2021)? What, if anything, can governments do to shore up public support for economic openness (e.g. Rickard 2015)? The OPE framework—with its focus on interests, institutions and international bargaining—promised to offer insightful answers to these emergent questions.

Challenges to OEP over the Past Decade

Although the accumulating body of scholarship in the OEP tradition over the past decade has advanced our understanding of world politics, the paradigm has nonetheless faced challenges. I discuss two such challenges here—the behavioral revolution and growing importance of economic geography—and evaluate how the OEP paradigm has responded to each. A key point emerges from this assessment, namely that the OEP framework has not remained static over the past decade but has instead evolved to respond to intellectual challenges and important events in the global economy. In this way, the OEP framework has proven to be remarkably flexible.

The behavioral revolution

The behavioral revolution broadly refers to the large and growing body of empirical research on preferences—often conducted via surveys (DellaVigna 2009; Hafner-Burton et al. 2017). Survey research in IPE has proliferated as scholars probe voters' preferences on a range of topics including, international trade (e.g. Guisinger 2017), offshoring (e.g. Mansfield and Mutz 2013) and foreign aid (e.g. Milner and Tingley 2010) —to name just a few. The growing empirical evidence on voters' preferences is potentially a boon for OEP scholars because preferences lie at the heart of OEP; in fact, they make up the first link in the paradigm's implicit causal chain (Lake 2009a). However, some recent studies call into question a keystone of the OEP paradigm: the connection between economic theory and preferences.

In the OEP framework, preferences over alternative outcomes (i.e., interests) are derived from economic theory. Deducing interests from economic theory was one of the core innovations of OEP (Lake 2009a). By using economic theory, OEP scholars identify the key actors in a given policy area and the actors' preferred outcomes. In the area of trade, for example, some OEP scholars employ the specific factors model (e.g., Gilligan 1997; Rickard 2009). This model was originally articulated by Jacob Viner and builds on Ricardian trade theory; as a result, it is sometimes referred to as the Ricardo-Viner model. The model was developed and formalized mathematically by Jones (1971) and Mussa (1974). The specific factors model implies that industries play a key role in trade politics because workers and owners of capital employed in the same industry share common economic interests. Their interests align because they are stuck in their current industry of employment in the short to medium term due to the high costs of moving to a different industry. Because the economic fortunes of workers and capital owners are tied to the economic performance of their current industry, the two groups share a common economic interest.

OEP scholars have built on this insight. Some studies argue and find evidence that industries producing goods for the domestic market demand protection from foreign imports when the costs of adjustment are high (e.g., Hiscox 2001). Others show that voters employed in export-oriented industries are more likely to support liberalizing trade agreements than those working in import-competing industries (e.g., Hicks et al. 2014). In this

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way, economic theory provides the micro-foundations for OEP by identifying both the key actors in a given policy area and their economic interests.

In recent years, however, this foundation has been shaken by a growing number of studies that find little support for the predictions derived from economic theory (Mutz 2018; Rho and Tomz 2017). For example, some studies find that the vulnerability of a respondent's industry to foreign competition has little effect on individuals' trade preferences (Blonigen 2011; Mansfield and Mutz 2009; Rho and Tomz 2017). In contrast, non-economic variables such as identity (Scheve and Stasavage 2006) and gender (Guisinger 2016) appear to have relatively large effects on peoples' preferences about economic policies.

Although conclusions from the behavioral revolution are many and varied, one key point emerges: individual preferences are more complex and varied than economic theory alone would propose. This observation has important implications for OEP because if individual preferences do not conform to economic theory, then the foundations of OEP may be unsound. However, in order to fully assess the challenge posed by the behavioral revolution, OEP scholars must understand *why* preferences diverge from economic theory. The reasons why individuals' preferences differ from economic theory may, in fact, be consistent with the OEP framework. Two such reasons have been suggested to date: incomplete information and increasing returns to scale.

The role of information

Incomplete information may explain why individuals' preferences diverge from economic theory (Rho and Tomz 2017). It may be unclear to many people how complex economic policies impact their personal economic well-being. They may lack the information necessary to connect specific economic policies, such as freer international trade, to their own pocketbook. As a result, individuals may express preferences that are inconsistent with their economic self-interest, and consequently economic theory. They do so not because they are irrational but rather because they are poorly-informed. Once individuals are informed about the distributive effects of the policy in question, the correlation observed between economic self-interest and expressed preferences may tighten, as Rho and Tomz (2017) demonstrate with respect to international trade.

The OEP framework builds on theories that assume complete information. However, the OEP framework could be modified to relax the assumption of complete information. Relaxing this assumption would open up new avenues for future research on the role of information and elite cues in preference formation. Although these topics have spawned a substantial amount of research in other fields, considerable scope remains in IPE to explore these subjects. If citizens lack a comprehensive understanding of trade policy, for example, they may take cues about the economic impacts of trade from trusted sources, such as political parties, the media, or labor unions. Membership in the International Longshore and Warehouse Union (ILWU), for example, has been shown to affect members' trade policy preferences and may help to explain why their preferences do not con-

form to predictions derived from economic theory (Ahlquist et al. 2014). Further investigations of the role of information in shaping preferences and the sources of such information presents a fruitful avenue for future research in the OEP tradition.

New, new trade theory

New, new trade theory (NNTT) provides a second potential explanation for the unexpected individual-level heterogeneity in trade policy preferences. Owners of assets, such as capital and labor, employed in the same industry—but at different firms—often express different trade policy preferences. Variation in trade preferences within a single industry contradicts expectations derived from the specific-factor model of trade discussed above. Such variation is, however, consistent with NNTT.

NNTT demonstrates that within a given industry, some firms export while other firms produce goods exclusively for the domestic market. In other words, some industries export and import at the same time. Such “intra-industry trade” occurs because of consumers’ love of variety and increasing returns to scale (Krugman 1985). Intra-industry trade was “not a subject of significant research” in the OEP framework 10 years ago (Lake 2009a, 236). However, it has garnered greater attention in recent years and the framework has been successfully adapted to accommodate the realities of intra-industry trade.

Originally, the OEP paradigm worked with the assumption that all production is characterized by constant returns to scale—that is, a doubling of inputs leads to a doubling of output. By relaxing this assumption to allow for variation in the returns to scale, a new generation of firm-centered studies has emerged in the OEP tradition (e.g., Jensen et al. 2015; Kim et al. 2019; Osgood 2017). Some seek to understand the distributive consequences of intra-industry trade (e.g., Kim 2017; Osgood 2016). These studies typically build on the Melitz (2003) model, which uses firm-level heterogeneity in productivity to explain why only a minority of firms in an industry export goods abroad. Because only the most productive firms in an industry export (Bernard et al. 2007), firms in the same industry can have different international profiles and given their varied positions in the international economy, firms in the same industry will hold different policy preferences. This observation provides a potential explanation for the unexpected within-industry individual-level heterogeneity in trade preferences. Contrary to expectations derived from the specific factor model, individuals employed in the same industry may express varied opinions about trade if they are employed at firms with different international profiles. Individuals employed at exporting firms will likely support trade openness, and globalization more generally, because it benefits their employer and thereby themselves. In contrast, people employed in the same industry but at an import-competing firm will likely oppose trade openness because competition from lower-cost foreign imports could reduce their wages or even result in unemployment.

This discussion makes a straightforward, yet noteworthy point. Innovation in economic theory often engenders advances in OEP. Because OEP scholars derive interests from economic theory, their specification of interests will change as economic theories advance.

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OEP research can similarly advance changes in economic theory, for example, by demonstrating the importance of politically-oriented dynamics that, when not accounted for, limit economists' models. In this way, OEP provides a bridge between economics and political science (Lake 2009a, 225). Working within agreed standards of scientific inquiry facilitates scholarly interactions across the two fields (Lake 2009a, 231).

Going forward: The role of identity

Further research is needed to develop a more nuanced, yet still deductive conception of interests. One source of interests that merits further attention is identity. Identity appears to play an important role in shaping economic interests and conditioning the effects of economic shocks on preferences. Cultural identity drives support for populists (Inglehart and Norris 2016) and racial identity influences individuals' support for trade (Guisinger 2017). Whites and non-whites seem to respond differently to manufacturing decline in their communities (Knowles and Tropp 2018). Combining identity politics with economic interests is an important challenge for the OEP paradigm going forward (Broz et al. 2021).

The Politics of Place

Place-based politics present a second challenge to OEP. Place-based politics emerge when the locality in which people live influences their economic interests, policy preferences and voting behavior. People living in prosperous regions appear to have different interests than people living in economically distressed regions. In affluent regions, voters are more likely to support continued economic openness, while voters in distressed regions are more likely to demand protectionist policies, like trade barriers (Malgouyres 2017). Voters' interests also differ between urban and rural areas (Rodden 2019). Voters in rural regions appear to be increasingly skeptical of trade, while those in urban regions tend to be more supportive of globalization.

The growing importance of geography and the ensuing "politics of place" have several implications for the OEP framework. First, place-based politics provide another potential explanation for individual-level heterogeneity in preferences. Second, the politics of place suggest an alternative unit of analysis for OEP research, which has traditionally focused on countries. Third, place-based politics renew questions about the ever-present aggregation issue—that is, how institutions aggregate interests. I discuss each of these in turn, after first describing some of the potential sources of place-based politics.

What explains the politics of place?

While globalization has shrunk the importance of distance between countries, geography matters now more than ever within countries (Rickard 2020). Economic activities, such as production and employment, occur unevenly across space within countries. In the United States, for example, the footwear industry was largely concentrated in the Northeast, particularly Massachusetts, and in the corridor from St. Louis to Wisconsin (Sorenson and

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Audia 2000). Because economic activities like footwear manufacturing are unevenly distributed across areas within countries, globalization impacts various regions differently. Some regions benefit from globalization, while other areas lose out because of their varied employment and production profiles (e.g., Autor et al. 2013; McCann 2016). Areas heavily reliant on footwear manufacturing in the US were hit hard by rising imports of foreign-made shoes, which often enjoyed a cost advantage.

Economic geography—that is, the distribution of employment and production across space—engenders place-based politics (Rickard 2018, 2020) and erodes voters' trust in politicians and institutions. In England, for example, the uneven distribution of economic activity fuels voters' suspicion of politicians. Many voters, observing that London enjoys a disproportionate share of the country's wealth, believe that politicians shower London with unfair amounts of government money (Rickard 2020). In this way, the concentration of wealth in London and the south east of England erodes voters' confidence in politicians and politics. The UK's uneven economic geography is also credited with the geographic pattern of votes to leave the EU in the 2016 referendum (Colantone and Stanig 2018b).

Similarly, the French government faces rising discontent from voters frustrated by geographic inequalities. The *gilets jaunes* protests of 2018 were inspired, in part, by the availability of public services in Paris, as well as the city's relative wealth. An increase in the fuel tax initially sparked the protests. The proposed higher taxes would fall disproportionately on people living outside of Paris where public transport is less readily available. The fuel tax rapidly set alight other grievances among people living in rural and suburban areas (Lichfield 2019).

The growing geography of discontent and related “politics of place” arise, in part, because of the uneven distribution of employment and particularly manufacturing employment. Within countries, some region's populations are primarily employed in manufacturing while other regions have little, if any, manufacturing employment. Regions with high shares of manufacturing employment find themselves increasingly vulnerable to globalization and specifically to imports from developing countries. In contrast, regions with large shares of the population employed in services or non-tradable sectors face less disruption from globalization. In short, the economic costs of globalization fall unevenly across regions within countries because of economic geography.

The “China shock”—where imports from China generate negative employment and wage effects in local labor markets (Autor et al. 2013)—transpires precisely because of the uneven geographic distribution of manufacturing employment. Import shocks from low-cost producers like China put downward pressure on wages and employment in affected local labor markets (Autor et al. 2013). These labor market effects lead to cascading regional effects: labor force participation in the area declines, young people leave, property values drop, local tax revenue falls, and local public services deteriorate (Feler and Senses 2017; Broz et al. 2021). At the same time, more affluent places increasingly pull away from poorer ones (Venables 2008). The productivity gap between the most productive 10 percent of regions and the bottom 75 percent grew by nearly 60 percent over the past 20

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years in developed countries (Economist 2017). In the US, the largest metro areas (i.e., those with more than one million residents) accounted for 72 percent of the nation's employment growth since 2008 and over three-quarters of growth since 2015—even though these areas accounted for just 56 percent of the overall population (Hendrickson et al. 2018).

Yet even as regional disparities grow, people move less often within countries. In the US, the percentage of Americans who moved across state lines each year fell by 50 percent during the period from 1990–2018. Many people consequently remain in “left-behind places” with fewer and fewer economic opportunities. As areas within countries grow apart economically, voters pull apart politically. National politics in many countries is becoming increasingly polarized along regional and geographic divisions (Colantone and Stanig 2018a; Dippel et al. 2015; Dorn et al. 2020; Malgouyres 2017; Rodden 2019).

Implications for interests

Because of growing economic disparities among regions within countries, peoples' interests are increasingly shaped by where they live. Residents in areas with vibrant local economies prefer policies and politicians different to those favored by residents in areas with declining local economies (Rickard 2021). Yet, despite the growing importance of geography, the importance of place is missing from standard theories of trade, which typically assume that individuals are atomistic and their welfare depends only on their individual income. As a result, standard theories overlook a potential source of influence on individuals' preferences.

The politics of place provide another potential explanation for the unexpected heterogeneity in individual level preferences. People living in a given region may hold more similar preferences than economic theory would predict. Because they live in the same community and experience the same local economic conditions, even people who work in different industries, sectors or firms may share similar trade preferences with their neighbors. Workers in non-tradable service sectors, for example, may support trade protection because of the negative impact imports had on their community even though their own sector of employment does not face any direct competition from foreign trade. Similarly, individuals employed in the same industry may hold different policy preferences if they live in communities differentially effected by globalization.

A new unit of analysis

Place-based politics also suggests a new empirical focus for OEP research. Historically, countries were the most common unit of analysis in empirical OEP research and many investigations took the form of large-N, cross-national studies. In recent years, however, a growing number of OEP studies focus on subnational units within countries. Recent research also places a greater emphasis on causal identification and often seeks to randomize treatments—either via survey experiments (e.g., Chaudoin 2014) or field experiments (e.g., Findley, Nielson, and Sharman 2013).

The growing number of subnational studies in IPE may be due, at least in part, to the rising importance of economic geography and place-based politics. While this development repudiates critics' claim that OEP is overly state-focused, it raises several challenges for OEP scholars. First, IPE scholars must be mindful to explain how single-country, subnational studies contribute to understanding international relations. Second, researchers must be careful not to "overstretch" theories originally developed to explain state-to-state relations. Nations interact with one another differently than subnational units within countries and bargaining theories developed at the national level may not be appropriate for explaining political behavior at the subnational level. Subnational research may therefore require new or modified theories. Third, methodical concerns about spatial interdependence at the international level must be adapted for subnational research (Harbers and Ingram 2019).

Fourth, scholars must identify what subnational units are most theoretically appropriate. The answer will, of course, depend on the research question. Local labor markets offer one possibility. Local labor markets make up sub-economies within countries and often experience differential trade shocks because of their initial patterns of industry specialization (Autor et al. 2013). As a result, local labor markets may provide theoretically relevant units of analysis with which to explore the consequences of globalization. However, local labor markets are often difficult to identify *ex ante* and data is rarely available at this level of disaggregation. To overcome these methodological challenges, Autor et al. (2013) approximate local labor markets using commuting zones. In the UK, Ballard-Rosa et al. (forthcoming) use "travel to work areas", which are self-contained, sub-regional labor markets that are constructed using commuting data. Other scholars adopt units that are more distant approximations of local labor markets, such as the EU's NUTS regions, which are territorial units used to compile statistics.

Geographically-defined electoral districts provide an enticing unit of analysis with which to examine the political consequences of globalization's varied regional effects. Geographically-defined constituencies aggregate voters' revealed preferences at election time. The aggregation of voters' preferences influences the identity of the political parties (and politicians) in government and ultimately policy outcomes. A number of studies in the OEP tradition have adopted politically-meaningful units of analysis, including, for example, electoral districts in Norway (Rickard 2018), states in the US (Broz 2011), and municipalities in both Brazil (Owen 2019) and Spain (Rickard 2021).

Going forward, OEP scholars may eschew arbitrary geographic boundaries and instead seek to identify individuals' relevant community. For many individuals, their pertinent community may not be their electoral district or local labor market. Instead, they may identify with their block, street, or school district. To identify an individual's relevant community, scholars could ask survey respondents to trace their community on a map. This method would allow respondents to define the geographic community most relevant to them (e.g., Coulton et al. 2011).

Finally, as the trend toward subnational research gains momentum, it is important not to lose sight of national-level variables. Country-level characteristics continue to influence politics and may systematically condition the effects of geographically-concentrated economic shocks. For example, some evidence suggests that the “China shock” elicits anti-globalization backlash only where income is already highly unequal (Georgiadou, Rori, and Roumanias 2018; Rogowski and Flaherty 2019). In countries with more equitable income distributions, exposure to imports may generate little or no support for anti-globalization movements (Rogowski and Flaherty 2019). Going forward, novel insights may be gleaned from combining subnational analyses with country-level variables, such as inequality.

Revisiting the aggregation issue

The aggregating issue refers to how theories move from individual to collective decision-making. Institutions play a central role in this process because political institutions aggregate individuals’ preferences to produce political outcomes and ultimately policy decisions. Precisely how institutions aggregate individuals’ preferences depends on both the institutions themselves and the distribution of preferences. However, many studies focus exclusively on institutions. For example, a prominent study of electoral institutions simply assumes that the distribution of policy preferences is similar in all electoral districts (Persson et al. 2007). But this assumption is unlikely to hold because economic activities are unevenly distributed across space within countries (e.g., Autor et al. 2013; Rickard 2012, 2018) and as previous studies have shown, voters in regions with different economic profiles have systematically different political preferences (e.g. Colantone and Stanig 2018b, Dorn et al. 2020).

Ignoring the geographic dispersion of voters with shared interests would be innocuous if politicians elected via different institutions were equally responsive to geographically concentrated (or geographically diffuse) interests. But different electoral systems provide varied incentives for politicians to represent geographically concentrated (or diffuse) interests (Rickard 2012, 2018). In countries with plurality electoral systems and candidate-centered election competition, politicians face powerful incentives to privilege the interests of geographically concentrated groups—particularly groups concentrated in their own constituency. As a result, policy outcomes more closely reflect the interests of geographically-concentrated groups in plurality systems. In proportional representation (PR) systems—and particularly closed-list PR systems with party-centered elections—leaders have incentives to cater to the interests of geographically diffuse groups and as a result, policies in PR systems tend to better represent the interests of geographically diffuse groups (Rickard 2012, 2018).

Other political institutions may also generate varied incentives for elected leaders to privilege either geographically concentrated or diffuse interests. Federal institutions accommodate territorially based diversity (Bermeo 2002), and as a result, concentrated interests may enjoy relatively greater expression in federal systems. Subnational governments may also be especially responsive to the policy demands of economic actors concentrated

in their region (Rodden and Wibbels 2010; Wibbels 2000). In short, the politics of place bring renewed attention to the aggregation issue in international relations and suggests novel avenues for research in the OEP tradition.

Going forward: The geography of firms

One potentially productive topic for future research is the connection between new, new trade theory—with its focus on firms—and the politics of place. The geography of firms—that is, where firms are located and where their employees live—may influence their political clout. Firms with employees in multiple states or electoral districts may enjoy greater political influence in some political systems than others. Firms with employees in multiple countries may enjoy more political leverage than firms with employees in a single national jurisdiction. The geography of firms, together with countries' electoral institutions, may help to explain certain types of policy outcomes, such as subsidies, and governments' varied responses to economic shocks.

A nascent literature has begun to explore the geography of firms in the OEP framework. Huneus and Kim (2018) measure firms' political connections based on the geographic proximity between their headquarter locations and politicians' districts in the US. Bisbee and You (2019) demonstrate how the geographic distribution of a firm's subsidiaries creates links between legislators and firms. These studies point to a productive new research agenda that links the politics of place with new, new trade theory and potentially deepens our understanding of the aggregation issue.

Challenges Going Forward

The OEP framework has evolved over the past decade in response to intellectual developments and momentous events in the global economy. Going forward, OEP will continue to face new challenges. In the near future, two developments are poised to confront the OEP paradigm: the growing power of China and the backlash against globalization and the liberal international order.

The backlash against the liberal international order

In recent years, the liberal international order—a core set of principles and practices that structure international relations among democratic, capitalist, and industrialized countries—has come under increased attack (Lake et al. 2021). Since the late 1940s, the rise of free trade and international capital mobility, as well as spreading democracy, and promoting human rights have been credited to the liberal international order. But in recent years, the liberal international order has come under growing pressure from both internal and external forces, as documented by Lake et al. (2021).

Some of the stresses on the liberal international order raise questions for the OEP framework. In the OEP framework, a one-way causal chain is implicitly assumed that begins with interests, moves through domestic institutions, and ends with international bargain-

ing. However, international bargaining is not the end of the story, as the growing backlash against the liberal international order makes clear. Instead, international bargaining and the outcomes agreed via negotiations between states feedback into the causal chain.

Internationally negotiated outcomes shape interests. Globalization is itself an internationally agreed outcome. Over the past several decades, successful negotiations among states, including those concluded under the auspice of the World Trade Organization (WTO), have significantly lowered policy barriers to international trade. The movement of goods, capital and, in the case of the EU, people across national borders represent an internationally agreed upon outcome. These flows have, in turn, shaped peoples' views about economic openness and generated discontent with the liberal international order (e.g., Colantone and Stanig 2018a; Malgouyres 2017). Public support for economic globalization has fallen in recent years and some facets of globalization have provoked particular ire, including immigration (e.g., Goldstein and Peters 2014) and offshoring (e.g., Mansfield and Mutz 2013).

Opposition to globalization appears to be growing fastest in places most exposed to international markets. This observation emerges in a variety of countries—often using an innovative measure of globalization originally estimated by Autor et al. (2013) and commonly known as the “China shock.” Autor et al. (2013) use Chinese exports to estimate the effects of globalization because China's exports to developed countries are plausibly exogenous to subnational labor markets and allow for causal identification. China's exports increased dramatically over the period from 1991 to 2007. The increase stemmed largely from China's spectacular economic growth during this period and also from China's admission to the WTO in 2001 (Autor et al. 2013).

Because economic activities are unevenly distributed across space within countries, some areas are more exposed to imports from developing countries like China. As a result, globalization impacts different regions in countries differently, depending on their economic profiles. People living in regions more exposed to globalization, as measured by Autor et al.'s “China shock,” are more likely to express skepticism towards globalization and the liberal international order than people living in less trade-exposed regions. In the UK, for example, citizens living in areas exposed to greater inflows of Chinese goods voted to leave the EU at higher rates in the 2016 referendum (Colantone and Stanig 2018b). In France, voters in local labor markets exposed to greater Chinese imports over the period 1995–2012 voted at higher rates for the far-right, anti-globalization *National Front* party's candidate in the 2012 presidential election (Malgouyres 2017). And across 15 European countries, regional import shocks from China are associated with higher vote shares for isolationist, anti-globalization parties (Colantone and Stanig 2018a). This evidence suggests that internationally agreed outcomes, like China's accession to the WTO, can feedback into the causal chain by shaping interests.

Studies of environmental politics provide further evidence that outcomes reached via international bargaining can shape interests. Bechtel and Scheve (2013) demonstrate that the design of an international climate agreement can influence public support for a global

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climate agreement. Tingley and Tomz (2020) show how voluntary international commitments on climate change can shape public opinion. They find that public support for emissions control policies is much higher in scenarios where the US government joined the Paris Agreement than in scenarios where it had not.

Taken together, these studies suggest that internationally agreed outcomes, such as trade liberalization or global climate treaties, can alter interests. Feedback from the international arena to domestic politics is consistent with the core assumptions of the OEP paradigm. However, the OEP framework typically takes interests as the starting point and internationally agreed outcomes as the end point. Modifying the OEP framework to incorporate feedback from the international arena to domestic politics, and specifically interests, seems potentially valuable and perhaps a natural evolution of the framework.

The rise of China

The rise of China is arguably one of the most significant recent developments in the global economy. Although critics of OEP contend that the paradigm ignores the issue of structural power, OEP researchers have productively addressed at least some of the implications of China's growing power in recent years. For example, OEP scholars have become more attentive to the effects of policy-induced price distortions. Traditionally, OEP adopted the "small country" assumption of international economic theory, which posits that production and consumption in any single state are sufficiently small relative to global totals that all actions, including government policy, will have no noticeable effect on world prices (Lake 2009a). In recent years, however, OEP scholarship has relaxed the small country assumption and recognized that some countries can act in ways that affect international prices, as demonstrated by the recent US-China trade war.

The US-China trade war made it clear that a single country can, in fact, impact global prices. In 2018, China imposed tariffs on a variety of US products in response to the Trump administration's trade policy actions. China imposed a 25 percent tariff on soybeans from the US. As the world's largest importer of US soybeans, China had considerable market power and following China's implementation of the tariff, US exports to China collapsed and soybean futures fell (Taheripour and Tyner 2018). The price of a bushel of US soybeans dropped by more than a dollar in June 2018 and hit a 10-year low in September that year (Chyzh and Urbatsch 2019). US soybean producers' revenue decreased by 10 percent from what they might have expected to earn, and profits fell even further (Chyzh and Urbatsch 2019).

More work remains to be done to fully understand the functioning of China's economy and its role in the global economy. The OEP paradigm could, for example, be productively used to illuminate the identity of the winners and losers from globalization in China. In China, factor returns do not conform to expectations. Incomes for low-skilled labor have increased by roughly 100 percent, but incomes for skilled labor have increased by about 200 percent and for employees in state-owned enterprises by about 250 percent (Lake 2020). This pattern is inconsistent with economy theory, which predicts that the greatest

gains from globalization should go to unskilled labor given China's factor endowments. Perhaps the relatively high returns to skilled workers reflect the structure of political power in China. OEP scholars are well-positioned to explore how the political realities in China mediate factor returns and the distributional effects of trade.

Normal science

A final challenge to the OEP paradigm comes from its own success. Critics sometimes allege that IPE research is “boring.” This allegation may arise from the fact that much of the IPE scholarship produced today can be described as normal science—that is, research that slowly accumulates detail in accord with established broad theory, without questioning or challenging the underlying assumptions of that theory (Kuhn 1962). OEP provides an established theoretical framework. Many IPE scholars work within the OEP paradigm either deliberately or reflexively and most do so without challenging its underlying assumptions, particularly in the US. As a result, much of modern IPE research can be described as normal science. The trend toward normal science research in IPE reflects a maturing discipline where knowledge builds on earlier findings and advances incrementally.

Some critics of OEP would seem to prefer less detailed answers to bigger questions rather than tightly constructed answers to smaller questions. Of course, answering big questions is important. But normal science may ultimately produce answers to big questions via the accumulation of knowledge. To accomplish this goal, scholars must be careful to build on, rather than reproduce, existing research. The claim that IPE research is “boring” may stem, in part, from scholars' inattention to prior scholarship. To avoid this charge and ensure that OEP research builds on—rather than duplicates—earlier findings, scholars must be careful to read, review and cite relevant prior research. Such due diligence becomes ever more important as the field matures and the body of knowledge grows. Although this responsibility falls equally on all scholars, differences in PhD training and the varied requirements for comprehensive PhD exams often means that knowledge of prior IPE scholarship varies. However, these differences are not insurmountable and scholars on both sides of the Atlantic must ensure that their research builds on earlier findings, connects with ongoing theoretical debates, and advances our understanding of the world. Only by reading broadly and engaging meaningfully with existing scholarship can completion of the bridge across the Atlantic, proposed by Lake in 2009(b), be achieved.

Conclusion

OEP has matured and developed over the past decade. As a framework, it has proven to be enormously productive and adaptable—integrating diverse economic phenomena under a common theoretical umbrella and providing a framework flexible enough to react to significant events in the global economy, such as the rise of China and the growing backlash against globalization and the liberal international order. The accumulating body of

scholarship in the OEP tradition has moved our understanding of world politics decisively forward. Critics of OEP have yet to offer an alternative, more empirically powerful theory and as a result, OEP continues to progress as the dominant paradigm in IPE research, most notably in the US but in other parts of the world as well.

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