

Absolute and Relative Gains in the Real World

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FEINA CAI, APR 28 2011

The differences between absolute and relative gains in IR theory indicate the major differences between neoliberalism and neorealism. Though in agreement with the anarchic context of international relations, neoliberals move away from the realists' state-centric framework and advocate a mixed-actor model that includes international organizations, NGOs, multinational corporations, and other non-state players. They believe that the IR agenda has been greatly expanded in the twentieth century, especially since the end of the Cold War. Thus, comprehensive concerns beyond military and diplomatic dimensions should be taken into account. Consequently, they concentrate on the pursuit of "absolute" rather than "relative" gains in international interactions. According to neoliberals, states are individualistic or "rational egoists", and define interest in terms of individual gains (Grieco, 1988). The "absolute gain" theory measures the total effect, comprising power, security, economic, and cultural effects of an action. Neoliberals are indifferent to relative gains. Referring to a non-zero-sum game, they suggest that all states can benefit peacefully and simultaneously by virtue of comparative advantages. In contrast, the realist "relative gain" theory is single-minded in weighing the effects of an action towards power balances. Since it is a zero-sum game, states have to compete with each other to increase their own benefits. Obviously, both "absolute gain" and "relative gain" theories are derived from the context of international anarchy, in which states have incentive to cheat and fear being cheated. They both agree with the importance and necessity of international cooperation. However, realists are pessimistic and argue that it is much harder to achieve and maintain cooperation than alleged (Grieco *et al*, 1993).

It is interesting that both neoliberals and neorealists criticize each other for oversimplifying the complexities of the real world. The highly power-focused neorealism is blamed for ignoring the multiple sources that shape the dynamics of international relations, such as non-state actors, institutions, processes, rules, and norms. Thus, it is out of date in dealing with contemporary IR issues (Evans and Newnham, 1998). On the other hand, neorealists fight back and accuse neoliberals of being naive in discounting the threat of conflicts and war. As is widely recognized, states have neither permanent friends nor permanent enemies, only permanent interests in international relations. It is true, in reality, that states always keep an eye on each other, even during the honeymoon period of bilateral relations. Therefore, realists emphasize that states should be cautious of their collaborators and keep track of relative gains. Present allies, strengthened by greater relative gains, might turn out to be enemies in the future. The worries of aiding potential foes through cooperation constitute another fundamental barrier to cooperation. In line with this logic, regardless of the absolute gains, a smaller relative gain can be regarded as a loss for states.

The real world is too complicated to be explained by absolute or relative gains alone. Both theories treat states as rational and unitary actors. However, interest groups play significant roles in politics. Due to the diversity of interests, it is not easy to define a unitary national interest in some issues. Consequently, gains *per se* sometimes cannot be clearly stated. In addition, states are not always rational. Historical, cultural, and religious factors can make states adopt emotional actions from time to time. For instance, retaliatory trade policies are not unusual in international news.

Absolute gains are more feasible in calculation and comparison. Nonetheless, the self-help international system urges states to demand more in order to occupy an advantaged relative position. The mechanism neoliberals use to rule out the problem of cheating is repeated by game theory, but Powell (1991) criticizes that it does not eliminate the virtual threat of war. Therefore, relative gains have stronger roots in reality. Even so, it is too early to say that relative gain is a better indicator than absolute gain. As Mastanduno (1991) points out, a focus on relative gains suggests

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more concern regarding benefit distribution, and sometimes even creates less overall benefits. In a word, the problem is not scarcity, but inequality. States therefore, need to weigh the pros and cons of relative and absolute gains when making decisions. Reactions will vary according to the involvement of allies or adversaries; the relational arena in question, such as economic, cultural, or military; initial conditions, such as national strength, technology, and economic size. In the real world, relative gains are more important in some conditions and less in the others. For example, the US would not care too much about the relative gains achieved by Nauru, a South Pacific island state with 9267 inhabitants. In terms of relative gains, I would argue that only counterparts matter, just as boxers at different levels cannot compete in the same match.

Furthermore, stressing relative gains may cause other problems. Mastanduno indicates that “relative gains calculations can be destructive, to the extent that they lead to or reinforce the twin evils of protectionism and nationalism” (1991: 76). Both put states at the risk of losing opportunities in the globalizing world, as more often than not, there will be substitutes willing to cooperate. According to Snidal (1991), the inhibiting effects of relative gains towards international cooperation are not as crucial as asserted. He claims that relative gains, to some extent, hinder cooperation in the two-state model, but do not have effects to the degree that neorealists suggest in the large-n model. The large number of states in the real world adds to the complexities of gain analysis.

In sum, absolute gains and relative gains go hand in hand in the real world. It is a tough task to make proper calculations separately, given the complex international context. In general, if the possibility and costs of war and conflicts are low, prospects for cooperation are bleak, in accord with relative gains. On the other hand, if the fighting cost is high enough to prevent potential conflicts, cooperation is feasible, in line with absolute gains. Globalization and international integration are processes that push the real world towards the latter path. Hence, calculations of absolute gain are becoming increasingly significant in contemporary international relations.

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Date written: March 2011