

Interview - Hilton Root

Written by E-International Relations

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Where do you see the most exciting research/debates happening in your field?

A harsh debate divides the community of economists between equilibrium-based theories and those considering complexity, heterogeneity, and connectivity that contribute to the dynamic aspects of economic exchanges. The most exciting research frontier is to explore the *terra incognita* that lies beyond this debate. The general equilibrium revolution in economics impacted the study of political economy by leading researchers to put aside topics once central to political economy—innovation, structural change, collective action, and history. Attention moved to questions of resource allocation, e.g., employment, consumption, distribution, production, and prices. Political economy, which had occupied a central place in economic analysis before World War II, receded. However, the tools and the data that have proved useful to describe the economy's allocative functions are not well suited for describing the formation of its structure.

The continuing interest in the distribution of power and wealth kept political economy current within the realm of political and social sciences. But within economics, the study of history went in the direction of mechanistic simplification, inquiring about problems that could be solved in purely technical terms. The elimination of imbalances to attain equilibria became the key analytical device to explain change and shape policy. The moral drama that informs history and sociology was eclipsed by the idea that experts could fine-tune the market into a positive-sum equilibrium.

The sidelining of political economy analysis began to find a remedy in the works of scholars like Daron Acemoglu, Avner Greif, Douglass North, James Robinson, John Wallis, and Barry Weingast. They are scholars who apply assumptions of microeconomics to study the role of institutions in economic growth. They stimulated a wealth of new research, but I question whether repurposing the same equilibrium models are the most prudent ways to revive it. Brian Arthur's studies of increasing returns to agglomeration of economies in geographical locations made apparent that a general equilibrium approach left important questions in economics unanswered. Looking at systems dynamically, there could be typically more than one equilibrium and the solution indeterminate. Small random events can steer the system sometimes into one equilibrium, sometimes into another. These shortcomings are particularly apparent in historical political economy. Equilibrium analysis fails to offer useful depictions of the great transitions that arise from time to time and do much of the work enabling social change. An economy forms and changes as agents introduce new elements that are constructed out of existing ones. These changes occur with sufficient regularity in

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the economy that it is de facto in a state of non-equilibrium.

How has the way you understand the world changed over time, and what (or who) prompted the most significant shifts in your thinking?

I am one of many researchers that have changed the priorities and perspectives of their work in response to events lived and observed. In the 1990s, consulting on the political economy of development in numerous countries for global institutions enabled me to see that our models of global development needed to be reformulated. Although some people claim the world changed on 9/11, the terror attacks in 2001 merely brought into sharp focus the fact that the world is far less stable and predictable than previously thought. Since then, we've seen terrorism spike across Europe, Asia, the Middle East, and the Americas. Civil wars, drug cartel wars, trade wars, military aggression, ethnic cleansing, and other man-made catastrophes have brought about massive flows of refugees and internally displaced populations.

The global economic crisis of 2007–2009 was the worst since the Great Depression. It contributed to the retreat from democracy in the developing world and to rising populist hostility to notions of free trade and globalization. My confidence in the linkage between economic and political development had already been shaken by a decade of intense and often fruitless work in the area of global governance and institution building. This is the background that needs to be evaluated, as it has been the source of hollow optimism for the direction of change.

What effects have contemporary economic shifts had on global development models?

In the second half of the twentieth century, in the wake of World War II, social scientists began to tweak development models built and based on the economic trajectory of the West. Their hope was to use these models as guides for policy and forecasting. Their hope was also to make economic growth and institution building seem manageable and understandable worldwide. There was every reason for optimism: from the late 1950s, those models were close approximations to Western reality.

The United States and its European and Asian allies were enjoying stable economic growth. There was no depression on the horizon and no war between global powers (who were waging the Cold War by proxies). Advances in technology were bringing about higher wages, social mobility, and better health and quality of life. Small wonder then those social scientists looked to the West's experience to build their models of international development through bilateral and multilateral assistance. They held that the processes of change—often referred to as modernization—would produce rising incomes, improved health, economic openness and cooperation, along with greater pluralism and tolerance. History would end with a broad convergence of the world's nations, operating with free markets and limited government, and the most productive and desirable mode of social order would prevail.

The upheaval of the first two decades of the twenty-first century has shocked social scientists in great part because they continue to update their development models, still hoping to portray a world of converging ideals. But their models are failing in the real world to predict important patterns in the development of the global economy. In truth, they worked best for closed systems near or at equilibrium. The convergence that modernization would produce worldwide has been predicated on the belief that the global system in which it would occur was also edging toward some state of equilibrium. Scholars aren't sure what the right model is, but there is no longer a general consensus about the direction of social and economic change. The race is on for an underlying intellectual framework that will help us to understand the change processes we are experiencing and to conduct policy analysis amidst greater uncertainty.

It is now clear that this relationship between economics and political liberalism is not straightforward. Prosperity appears alongside nationalism and intolerance. It coexists with religious violence. It can be found coincident with nuclear proliferation and heightened risk of war. It thrives in authoritarian states as readily as full-fledged democracies. Meanwhile, convergence seems well out of reach, over some ever-shifting horizon. What becomes clear is that global societies are not part of a single, overarching, convergent social order that can be fine-tuned and managed with equilibrium models. Instead, global societies are, as they have always been, parts of open, adaptive,

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complex systems. Not only are their dynamics less predictable than we are comfortable acknowledging, but they are subject to large cyclic swings and cascades of change.

Here is where the models have failed: Contemporary social thought in the West uses the ideas of “globalism,” “world order,” “modernization,” and “models of development” as if these were synonymous and reflecting a continuum in which one instantiates the other. Yet once we start to recognize that global society is a complex adaptive system, we must begin to consider the dynamics to which such systems are prone. This also raises a fundamental question upon which future inquiry will rest: Is change best conceived in terms of mechanical or organic processes?

In some quarters there is hope that big data will save us, but to use it effectively requires valid conceptual frameworks for interpreting patterns in the data. Meanwhile, we live in a world in which political leaders insist on narratives to justify the policies they advocate. This often entails a pretense of knowledge that is unsupported by scientific evidence. Since we are nowhere near the point of model validation, today uncertainty plays a larger role in people’s decisions. College students are anxious about what profession to choose; investors are not sure about what projects will yield economic returns and scholars are unsure about which paradigms will resolve the uncertainties we are facing. People are living more in the present and clinging to familiar identities based on an imagined past. But this is an unproductive reaction to the challenges we face. My hope is that a complex systems approach to global-political economy will contribute a more realistic treatment of uncertainty and thereby support productive policymaking.

You have previously discussed the concept of ‘preventative chaos’ on the global market – can you explain what this means?

I fear that the aspiration that all countries should try to adopt the same model of globalization may, in fact, carry its own seeds of destruction. A world economy that is in sync can only reduce volatility for a limited period and synchronized growth may very well lead to synchronized market failure. As national economies become increasingly integrated, the failures of one economy can surge like an avalanche across the system. I propose that a little chaos today caused by a diversity of experiments may diffuse pressures that can cause a massive eruption later. This happened in 2008 when the failure in US mortgage-backed securities spread with amplifying consequences. Yet during that downturn, China—whose economy was disconnected from global norms and calibrated to a different setting—was able to sustain its partners. Similarly, India was less affected by the crisis of 2008 because it had fewer linkages with international financial markets, but it also had fewer trading partners.

Is there a point at which extensive global economic integration can lessen the effects of the first episode of contagion? Is it possible that pluralism of liberalism will discover the next generation of economic opportunities, with different countries experimenting with a diversity of constitutional, religious, and economic arrangements? The idea is similar to what occurs in a diversified investment portfolio, though on a much greater scale. The impact of initial failure in one economy, the theory goes, could be mitigated by diversification among the portfolios of different sectors and actors, reducing their sensitivity to a failure of any particular link. But there is a tradeoff: increased risk sharing among national economies and firms reduces sensitivity to one’s own investment choices. This adversely reduces the potential gains from innovation and risk-taking more generally. If a sweet-spot exists we still do not know where it is.

In your experience of the global market, can local peculiarities be preserved or will liberal values subsume the unique cultural voices of individual countries?

In my experience path dependency and sensitivity to initial conditions can preserve local peculiarities. The recognition that the acquired beliefs of local culture, community, and institutions are the filters through which people frame essential issues and solve problems is one way to understand the impact of the global market on local cultures. Evolutionary social psychology illustrates the ways that people solve their problems by drawing on their own cultures. It also instructs us as to why it is so difficult to transfer strategies, norms, or institutions across cultures. A population is more likely to refer to its own cultural history and traditions—and to reinforce its differences by doing so—before accepting a solution from other populations.

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This leads me to conclusions that differ from the postulates of microeconomics. For example, competition in a global market of many players will promote convergence toward a single set of optimized goods. Also, growth occurs as more efficient social technologies, institutions, regulations, or firms supplant variations that are less efficient at providing the market, e.g., consumers or regimes with the optimized products it demands. I disagree with the notion that deviations from best practice would be eliminated by competition; leading all firms, industries, and societies toward the same endpoint.

Evidence is accumulating that as connections in the growing global economy become denser, variation is increasing. Global growth creates opportunities for horizontal alliances among developing country partners that can enable a proliferation of diverse coexistent behaviors. In fact, as discussed in the previous question, resilience is enhanced through variation—not convergence to an optimal model. As each nation uses its own traits to secure a niche for itself, it creates evolutionary space for others to find new strategies for their own survival.

Thus, as the size of the global market increases, novelty will arise via resource competition among many different cultures and this will drive the world economy toward greater specialization and variation. This will create new capabilities that in turn introduce new strategic options for the renewal, replenishment and transformation of different cultural voices. This is another way of saying that local diversity will increase and will contribute to the possibility of novel reactions leading to further increased diversity. This also means that the momentum of global growth is not going to move all countries in the same direction.

In your book *Dynamics among Nations*, you mention the interdisciplinary nature of complex integrated systems. How important is it to cross disciplinary boundaries in order to understand an interdependent global society?

As mentioned, the great advances in economic theory have generally been associated with the application of equilibrium models derived from mechanical physics. However, in a world of ever-increasing interdependency, we should not expect a return to a definite equilibrium. We must shift our attention away from the microscopic levels of particular agents—either individuals, groups, nations or policy interventions—and toward their dynamic interactions. Networks of global interdependence can be structured in many different ways.

New forms of interdependency will also mean new forms of risk that are not readily discernable or amenable to top-down solutions. My approach is to seek theories, analytics, and methods, within the foundational sciences, that grasp human and societal behaviors. I also adapt models, applying them to systems with varying degrees of freedom. This way we can place the political economy of global development on a new footing of complex adaptive systems. This new foundation will enable scholars and policymakers to better understand the past; to identify the change cycles of a far longer duration than previously considered; and to engage with the interconnected, multidimensional risks and uncertainty we face today.

Has complex systems theory advanced in its ability to comprehend complex social systems since the publication of *Dynamics among Nations* in 2014?

A considerable literature on the economics of networks has developed that addresses the diffusion of behaviors, opinions, ideas, fads, learning, innovations, and diseases. Researchers utilize various methodological perspectives, including field experiments, laboratory experiments, and econometrics. Theoretical work in network formation—in which the interaction between linkages and behavior are explored—has also been carried out through studies of repeated games played on networks. In developing countries, where formal institutions do not function effectively, studies show that social networks fill the gaps, playing a vital role in the coordination of a wide range of activities. These studies, mostly field experiments, allow researchers to better understand agent behavior. They study why individuals join groups and how they are affected by the preferences of others through peer monitoring, enforcement, and risk sharing. They generally do not query the origin of structure.

I have sought to expand this canon by looking at how structure and change are linked. A new book *Networks in Economic Transitions: A Complex Systems Approach to World History* is forthcoming this fall from Cambridge

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University Press. It explores continuity, change, and universality in historical regimes by examining the relationship of network structure to the flow of information in the processes of social transformation. This pursuit is informed by considering historical regimes of long duration, for example, Europe or China, to be a universal class whose structures comprise many different patterns of intersections but which share one fundamental property: they are giant webs of communication.

Applying network science to political economy analysis brings to light the varying characteristics of stability and resilience that shape the feasible set of institutional possibilities of divergent historical regimes, such as pre-modern Europe and Imperial China. It allows us to delve into learning effects, knowledge transfers, and the adaptive capacity for innovation. We get a better sense of how the social dynamics inside societies are bound up with international regimes and wider-world historical trends. With better tools to chart the topography of the interdependent webs of interactions that link the economy and the polity, we can evaluate the impact of increasing returns, path dependency, and sensitivity to initial conditions on regime transitions. A new age of comparative economic analysis is unfolding, with the dynamics of connectivity becoming central to the analysis of change.

What are the current non-Western perspectives on International Political Economy?

Much non-Western work on political economy is about the eclipse of the West and the rise of the 'Rest' and focuses on who will occupy the place at the top of the hierarchy of nations. Often there is speculation about a China-dominated world. There is also speculation about the emergence of a global middle class. But I fear even if that middle-class shares consumer preferences, they will not have the same values concerning freedom and the relationship of the individual to the collective whole.

Regarding the eclipse of the West and the rise of the 'Rest,' I see the global system acquiring hierarchical properties that differ significantly from those of the Cold War, with local players having an expanded regional role. In the new global topology, the influence of centralized control levers will be flattened. This enables regimes such as Iran, North Korea, Saudi Arabia and Turkey to step out of dependent relationships and to exercise their muscles in pursuit of greater regional influence. It also means that many different value systems will compete to be heard and to shape global order.

There are risks that as the higher-order structures of the past grow unstable, volatility can be systemic. When assessing stability in the interstate system, we thus need to pay attention to whether lower-level changes are contained by a stable hierarchical structure at higher levels. When we look at the sources of stability in international relations, we observe a rapid transition away from the Cold War and even post-Cold War patterns. Higher- and lower-level systems no longer behave "hierarchically," but as increasingly entwined, self-organizing, and ever-shifting resource flows and alliances. This has implications for global stability. At some threshold, network densification itself can propagate shocks, making the entire system more fragile. When stable hierarchical conditions no longer exist to cushion system-level stability from lower-level disorders, instability can originate anywhere in the system and spread rapidly. And since 2001, higher-order stability has been dissipating, while lower-level networks are transforming rapidly. At the same time, the differences in fundamental values among different populations seem to be entering an acute phase, in which the importance of path dependency becomes increasingly apparent.

What is the most important advice you could give to young scholars of International Political Economy?

Read foundational science, focus on dynamic models, avoid comparative statics, and focus on the interaction as the fundamental unit of analysis. Seek to understand the relationship between system properties and transformation processes that arise from the bottom. In doing so, social scientists will discover congruence in the change processes of both science and political economy. I strongly believe that a world examined for its complexity presents an opportunity to reduce the distance between the hard sciences and political economy. There will be shared perspectives on the links between agency and structure.

In the years ahead, scholars engaged in applying complex system and network analytics to global political economy are likely to raise new topics for inquiry. They will discover new ways to interpret issues of long-standing concern that

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a more traditional institutional or game theoretic bargaining model would not detect. Tools like network theory, widely used in the analytics of complexity, can help researchers to characterize changes in the structure of interactions and the diffusion of behavior.

My greatest hope for young scholars of international political economy is that a complex systems approach will inspire new ways to think about transformations of the big structures in world history. This might enable research on large-scale change to resume its central place in economic inquiry and produce a new paradigm of modernization, making us aware of change processes that might not otherwise be apparent. An amalgamation that brings in complex systems, computational analysis, as well as the rigorous and precise mathematical reasoning of network science, will make political economics the frontier for a new generation of scholars.