

The Chinese State's Perception of International Monetary Order

**A Dissertation**

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**Declaration of authorship**

I hereby declare that I have completed the dissertation independently without the use of the literature and resources other than those specified.

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Weihaio LIU



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**Abstract**

This dissertation analyzes what has framed and conditioned the Chinese State's perception of international monetary order, which is so far of problematic interpretation. Market economic reforms can be seen as what indicates its views on the matter. However, the unfulfilled promise to open the capital account since 2007 and the concurrent crisis in the international monetary system constitute what has perplexed the interpretation of its perception. It is problematic not only to the US imagination of China but also to China's imagination of itself. So, this research will conduct a critical analysis of several issues in what regards the postwar international monetary system, neo-liberalism, the being of the Chinese State, and its perception. Thus, the research is situated within a broad, ongoing debate concerning the rise of China and the future of the liberal international order. The first issue concerns the State's general being and its perception that will be addressed through an in-depth inquiry into the metaphysical foundation, which underlies neo-liberalism, the modern conception of the State, and the relationship between knowledge and perception. The second issue concerns the "nature" of the postwar international monetary system that will be addressed through the analytics of American IR knowledge and discourse to show how the international monetary system has been conceptualized differently and how the dominant power/rising power relationship has been framed accordingly. This analysis will analyze each paradigm's narrative ground that renders possible the quasi-perception of the other's perception and the "scientific" determination of China's identity, interest, and power relationship with the United States. The analysis will revisit two critical junctures – i.e., the collapse of the Bretton Woods system and the US subprime mortgage crisis – and compare France and China's characters in two stories. The mismatch between the theoretical expectation and China's actual behavior necessitates a new approach. The third issue concerns China's being that remains "enigmatic" to conventional IR knowledge due to the lack of in-depth theorization of the Chinese State. All three IR paradigms look for a continuous, coherent representation of unity. To address this issue, this dissertation adopts a Foucauldian inspired perspective that allows observers to see discontinuity and inconsistency.

The research will recontextualize the post-1978 economic reforms, especially the 2007 financial reform, against a backdrop of growing regional heterogeneity in China since the 1950s. This analysis will point to the acute interregional confrontations since the 1980s and the subsequent formation of a triadic political economy (Beijing-Shanghai-Shenzhen). This dissertation argues that the derailment of the 2007 capital account reform has little to do with the concurrent global financial crisis, which only plays a reinforcing role, nor with the resentment at the dollar's hegemony. Quite the contrary, the Wen Jiabao government supports the international dollar standard by cooperating with the United States. The derailment of the reform momentum is just a matter of more complex struggle within China and has everything to do with the triad-based interests. The reason is closely related to the political economy of interregional relations, and the established fiscal, exchange rate, and capital account regimes. An analysis of the identities of Tientsin, Beijing, Shanghai, and Shenzhen will show the different impacts of their identities on China's politics. This dissertation thus helps formulate an alternative theory that can explicate what has affected China's perception of the international monetary order. In the end, this dissertation raises attention to the rise of the Beijing-centric economic geography and the ideological lineage between Beijing's own urban project (i.e., "Big Beijing" since the early 2000s) and the "One Belt One Road" (since 2013).

**Keywords:** China, Chinese state, discourse, international monetary order, international monetary system, knowledge, neo-liberalism, perception, power relations, exchange rate, capital account, Foucault





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**Abbreviations**

ADB: Asian Development Bank

AIIB: Asian Infrastructure Investment Bank

BRICS: Brazil, Russia, India, China, and South Africa

CAS: Chinese Academy of Sciences

CASS: Chinese Academy of Social Sciences

CCP: Chinese Communist Party

CCTV: China Central Television

CNKI: China National Knowledge Infrastructure

CNN: Cable News Network

GFC: Global Financial Crisis

IMF: International Monetary Found

IR: International Relations

KMT: Kuomintang

NCCPC: National Congress of Communist Party of China

NDB: New Development Bank

OBOR: One Belt One Road

OECD: Organization for Economic Cooperation and Development

PBoC: People's Bank of China

QDII: Qualified Domestic Institutional Investor

SDR: Special Drawing Rights

UN: United Nations

## **Introduction**

China's role is of central concern to a great number of researches that study the international monetary system. Many observers attempt to uncover the true nature of its comportment, anticipate the possible variation of its mode of being, and decipher the real intention behind its words and deeds. After all, with the present narratives to-hand in the relevant literature, the rapid rise of China is usually perceived as a critical and uncertain element of the current system, so much so that the unforeseeable mutation of China's Being would induce, to various degrees, some change to the current international monetary order – which also grounds itself upon an idea system – i.e., a paradigm or a discursive regime that reflects, on the other hand, the meticulous exercise of the preponderant power of the United States since the end of the Second World War. Nevertheless, any theoretical perspective, whatsoever may it be, presupposes an ontological understanding of China's general being in the international life on the one hand, and with the pretense of a “good” apprehension of what China may “technologically” perceive of the international monetary system in the present on the other hand.

Meanwhile, in the field of world political economy, nothing is more tempting than establishing a global monetary order for any great power in modern times, for it would confer a pre-eminent position upon the author within this international financial architecture. Basically speaking, such an order, be either spontaneous or planned, is characterized by “a system of elements”, at the fundamental level of which there exists an order of things. It organizes itself into what appears to the perceiving beings – the other states. Systems or regimes, which ground themselves upon the order that exists prior to any intervention, reflection, or interpretation of what would come to these beings' horizon of perception, are rendered manifest thereby into that which they ought to respect. Therefore, it also prescribes the principles that arrange the structure of that, shape the form of that, and rationalize the mode of that, in which these states are placed, manifested, and perceived. Indeed, for the international monetary order, it consists of “elements” or “things” that are manifold in terms of form and meaning, such as the states and international organizations. However, it may also consist of symbols, beliefs, and practices, such as economic capabilities, currencies, exchange rate policies.

From an economic perspective, any international monetary order, whether it be “planned” like the Bretton Woods regime or “spontaneous” in Hayekian terms, is perceived as a constellation of exchange-rate arrangements, be either or both pegged and floating. The current international financial architecture resembles the latter one to the extent that “it is not the result of an international treaty obligation – but nonetheless has a number of well-defined characteristics” (Eichengreen, 2016, p. 22). Therefore, it displays some elements of disorder. Being the rejection of the essence of the core Bretton Woods arrangements, the current international monetary order represents *ipso facto* “nothing.” It is the non-being of what is once deemed as “wrong.” That is why some observers apperceive the current state of affairs as the international monetary “non-system” or “non-regime” (Williamson, 1977; Grilli, 1999). It is clear that they like to see a return to the original, stable Bretton Woods system.

### **1. The beginning of the reordering of things**

Nonetheless, whatsoever it may be called, it is only after 1971 when this “non-regime” has come into being that the new US government has started to operate in a new strategic direction leading to the eventual rapprochement with China so that the latter has been brought into being as opening up itself to the global capitalist system. Thereafter, from 1978, following a sequence of reforms initiated since 1971, China has seen a gradual transformation of its socio-economic system, which is established upon a new, domestic political order. This new order has given rise to new discourses that render acceptable what has been unthinkable, unsayable, and undoable in the Maoist epoch, be some of the elements that constitute a so-called socialist market economy. That is to say, since then, a distinct, new China model emerges as it breaks with the past.

This new politico-economic order has also materialized into a substantial form. By 2010, China has overtaken Japan as the world’s second-largest economy. Subsequently from the West, concern has soon sharply arisen about what regards the principal orientation in China’s ontological understanding of its own role in the international political, economic life. Researchers across the disciplines come to contemplate what they have seen so far, this unprecedented phenomenon – the rapid economic ascendancy of China. Especially for observers in the field of international political economy, both the being of China and the being of the international monetary system are once again brought into a state of indeterminacy within their perceptual field. Against this new geo-economic context, many theories have been formulated under

different paradigms to speculate the implications of China's rise in the future form of the global monetary system. It is noticeable here that the existing international monetary system is not as stable as the Bretton Woods system. Since the 1971 breakdown of the Bretton Woods monetary regime, the punctuated global financial crises, which have been gradually framed as more or less the "normal" phenomena within the neo-liberal discursive formation, are certainly made possible only on the condition of the existence of a neo-liberal politico-economic order (Mezias, 1994). Therefore, China's general being could not be properly grasped without an epistemological inquiry into what constitutes the positive ground of its knowledge that engenders the perceptual codes structuring its view of the international monetary order.

Such an inquiry must proceed first to understand the norms, values, assumptions, and worldviews that are built into these codes. Otherwise, any imagination of China's being, no matter how lifelike it be, manifests only its non-being – a form of phantasy, especially when an IR paradigm or an IR tradition in Kuhnian terms creates in effect a phenomenal world, that is, to a large extent, made of non-existing things. Such a scientific tradition always tends to erase nearly all the presence of the truth in the nature and existence of what does not fit in with the present paradigmatic commitment to the tradition itself. As the founder of the modern phenomenology movement, Edmund Husserl once said, "establishing a tradition means forgetting its origins" (Merleau-Ponty, 1964, p. 195). In the quest to develop a parsimonious scientific discourse, conventional IR theories usually give precedence to hypothesis over experience or experimental experience over time and matter (reality), while forgetting that their scientific enterprise is actually built upon the world as directly perceived. Thus, they produce nothing else but the "phantasy" that imagines itself and realizes itself. They are nothing else but the "garb of ideas" or the "garb of symbols," as Husserl (1970) terms, and it is through these garbs "that we take for being true what is actually a method" (p. 71). Hence, their explanations tend too often to impose interpretations on experience rather than to use that experience as the data to be interpreted, and instead, create the images that would, in effect, distract us from what is really being out there.

## **2. Main question**

In order to apprehend what actually has been erected in the perceptual field of the Chinese State, rather than to look at its relationship with the international monetary system through the schematic lens of what is present-at-hand, it is necessary to look at what kind of knowledge, what type of rationality, and what regime of truth in presence, that come together to make possible the emergence and functioning of power relationships which structure the political and economic system of China. Hence, it is a matter

of *discourse, practice*, and the organizing *principle* of the economy. It is also a question of what is the “right” disposition of things as a reflection on the rationalization of the Chinese State for the corresponding epoch, the answers to which may help explain why was China itself disposed towards the American-centric international monetary order before the 2008-2009 global financial crisis, whereafter it has become increasingly discontented with the US dollar hegemony? Or, more precisely, from 2007 to 2010, why the Chinese State did not fulfill the promise of liberalizing the capital account regime? Otherwise, if the reform were achieved, it would be a milestone in China’s path towards the open economy, thus towards the liberal international order; Or, within what structure of the domestic political economy the subsequent formulation of the “One Belt One Road” strategy has been made possible?

At first glance, it is easy to assume that the 2007-2008 global financial crisis as a concurrent event had changed the Chinese State’s perception of the dollar-centric international monetary system during that period. Certainly, this research will refute this assumption. But nor does it mean that the Chinese State has pursued a consistent long-term strategy to undermine the existing international (monetary) order. In effect, the research question itself cannot be solved by a simple answer from a holistic perspective and a cost-benefit analysis owing to the fact that the complexity of Chinese state formation has not been adequately explored. The intricate power relations of capital and oligarchy (in terms of the metropolis) constitute regulated and concerted systems that operate under the same regime of knowledge/power in force, which makes possible the transformation of the entire State and the synchronous formation of regional economic heterogeneity within the State. As a place where beings encounter other beings, the State reflects an ontological structure that makes a particular perception and arrangement of the State possible. This reflection on the ontological structure of the State is drawn upon a regime of truth grounded in assumptions about itself and the world so that the Being of beings can identify a particular “dogma” such as central planning economy or free-market economy as the principal organizing practice to shape and reshape the State through an uneven development. No matter what form it be, it always favors certain and disfavors the others. For the latter, this practice creates then in terms of its effect, a “market” as the new “nature” of the State, and, in the same time, gives rise to an irremediable trend in the hierarchization of the State, and, then, to the new epicenters of economic growth within the boundaries of the State.

However, for this economy of power relations to function, it must establish a regime of truth that represents all “things” in terms of qualifiable and measurable objects so as to divide the country according to dichotomies – not merely between the planning and the market, the central and the subnational or the rural



and the urban, but also between the old and new industrial base, the advanced and backward area, the rich and poor region, the good and bad model, the ordered and disordered market, and the strong and weak currency, thus between the being and the non-being – which however reinforce this economic trend of accruing regional heterogeneity. It also brings forth an irremediable tendency for the rationality of this economy to look towards the outside fields, that the neo-liberal “truth” with Chinese characteristics which this rationality produces for itself leads to the change in the Chinese State’s perception of international monetary order because relations of power always “necessarily extend beyond the limits of the State” (Foucault, 2000, pp. 122-123).

### **3. Research design**

The present research aims first at addressing several issues in the present literature on China and its relationship with the existing international monetary system. For undertaking this task, this research will conduct a critical review of the current theories regarding the postwar international monetary system and its guiding principle, the encounter of China with neo-liberalism since the “end of history,” the modern conception of the State and its perception. The critical review of these scholarly discourses would help render manifest their theoretical deficiency and open up a discursive space for new possible interpretations of such “things” as an international order or an authoritarian state. Therefore, this research has recourse to a Foucauldian inspired epistemological approach to understand what neo-liberalism, international (monetary) order, and the State are. In particular, in regard to the Chinese State, the study has chosen the so-called “socialist” transformation of Tientsin from the 1950s to the 1970s as a case to de-mythify both Beijing’s post-revolutionary discourse and the Being of the Chinese State as a collective mobilization of the entire country. The growing complexity of power relationships across the regions and cities within China no longer permits us to imagine China’s perception in terms of how technical elites, powerful groups, or political leaders see the world. The case of the 2007 financial reform would help expose an analytical problem that such “thing” as an international monetary order may mean unevenly to the Being and non-Being of the State.

This problem brings then *perception* to the fore. An adequate theorization of perception does matter to this research project because it is what connects the Chinese State and the international monetary order. Meanwhile, perception is also very problematic in the extent to which it has been subject to various

philosophical traditions. Hence, for finding the answers to such questions as what are perception, knowledge, and discourse, the dissertation goes through a quick philosophical journey into metaphysics. Through dialogue with philosophers such as Immanuel Kant, Henri Bergson, Martin Heidegger, and Michel Foucault, this research will provide analytics of knowledge and ideas to understand the relationships of perception with reality and truth. Perception will be understood as the restructuring of reality, and reality is not tantamount to truth. The research will show that perception provides an epistemological basis upon which certain beliefs of truth are built. Truth is not only a matter of Being but foremost of knowledge/power regime. Through comparing *techne* and *episteme*, this dissertation propounds that epistemology precedes both *ontology* and *technology* because *episteme* is the positive ground of discourse, in which truth is formed, stabilized, and expressed. Then, the research will compare two other key terms *paradigm* and *discourse* to show that *perception* means differently to these two concepts. Paradigm is an explicit, systematized, powerful frame of perception, whereas discourse is an unspoken system of codes, rules, and principles that regulates the ways in which “things” are perceived. Perception is thus a matter of order, culture, and discourse.

This metaphysical inquiry into perception also aims to sophisticate the Foucauldian inspired approach to study the relationship between the dominant discourses and China’s perception since discourse is itself a perceptual regime that renders “things” readable to the world. Therefore, it is necessary to examine the discursive formation of the American IR discipline because it is this specialist knowledge that has shaped the contour of such thing as the international monetary system in the perceptual field of the world. Then, this dissertation will use this adapted epistemological approach to analyze the dominant IR paradigms such as neo-realism, neo-institutionalism, and social constructivism that constitute the American IR discipline. Through disassembling the “trichotomy” between them, this research shows that they – not the others – have been invited to join the discipline for dealing with such recurrent “collective problems” as the growing economic competition, the Triffin dilemma, and the increasing complex interdependence since the 1960s, which have successively emerged “out there” in the wake of each epochal mutation in geopolitical and geo-economic terms since the end of the Second World War. Therefore, these three IR paradigms belong in effect to a single order of discourses that have the purposes of mitigating such challenges as the rise of Europe, Japan, and China and maintaining the US hegemonic leadership – i.e., dominance and prestige.

Then, the analysis proceeds with uncovering the discursive mechanisms that are embedded in neo-realism, neo-institutionalism, and social constructivism, respectively. The task aims at three objectives. First, it aims

to decipher the narrative ground of each discourse that renders possible a quasi-perception of the other's perception. Second, it aims to analyze how the international monetary system's nature has been conceptualized in these three discourses, and accordingly how they define the dominant power/rising power relationship – i.e., the narrative management of their characters in the creditor-debtor relationship. Third, it aims at looking for the truth principles that have made possible the formulation of the American postwar geostrategy. Particular attention will be paid to its relationship with the rise of neo-liberalism since the 1970s. The analysis consists in showing that these three American IR discourses have helped to formulate the truth standards respectively. They have enabled the US government to “scientifically” determine the extent to which the international (monetary) system, the other states' interests and identities, would constitute a threat – or a certain utility – to the United States. In order to illustrate how “truth” is formulated within each discourse, this research have chosen to reexamine such cases as the collapse of the Bretton Woods regime and the American subprime crisis, in which the research will revisit the role of European countries, especially Gaullist France in the story of the collapse of the Bretton Woods system, and the role of China in the 2008 global financial crisis. This analysis consists in revealing the discursive production of truth in the American recounting of the stories. It also helps outline the contour of power relationships between the creditor country and debtor country in the postwar international monetary order; the functioning of this US-dollar centered international monetary system dependent on a “necessary evil” – i.e. US deficits as the “natural” consequence of the Triffin dilemma; and the ways in which China's perception has been strategically framed. The other selected cases also include the creation of the Asian Infrastructure Investment Bank.

This discursive analysis will show how China's rise and its perception have been interpreted so differently within the American IR discipline. In effect, from geopolitical and geo-economic perspectives, China's economic rise can mean very different “things” to the United States – i.e., spoiler or pillar of the dollar regime. Needless to say, China has been imagined as an infinitely non-Western “other” culturally incompatible with the Western order in most literature of realism and social constructivism. By comparing the discursive productions of others in these three theories, the analysis will point out a lack of in-depth theorization of the Chinese state as what has perplexed China's identification in the hegemonic discourse. These different interpretations may, in effect, also reflect an increasing divergence between geo-economic and geopolitical interests within the United States “in here,” rather than what China really is “out there.”

Thus, this identity problem necessitates a new perspective on China, which does not look for coherence and continuity. Therefore, it requires doing away with those “encoded eyes.” The analysis in this stage will resume the discussion on the Being of the Chinese State and continue demythologizing the belief that the Chinese State is a coherent unity. Then, the research will analyze the different principles and practices that have made possible the changing formation of the Chinese State since 1949; and what has affected the Chinese State’s perception of international monetary order. Through revisiting the Maoist decentralization since the mid-1950s, Deng Xiaoping’s reform and opening-up since 1978, and the legacy of the Zhu Rongji government (1998-2003), the dissertation will depict a different picture of China’s domestic political economy, in which interregional confrontations have marked the formation process of the Chinese State. The outcome of this violent reform process by 2003 is an oligarchical structure of the domestic political economy made of three major municipal entities – i.e., Beijing-Shanghai-Shenzhen.

Then, through this new perspective, the dissertation will revisit the 2007 financial reform, especially the derailment of the (Hongkong-Tientsin) “Through Train” scheme that was supposed to launch in August 2007 for *de facto* opening China’s capital account. However, it was obstructed despite the support from the State Council and the municipal government of Tientsin at that time. Indeed, if it were achieved, it would be a milestone in China’s path towards the open economy – thus, towards the liberal international monetary order. Hence, the study of this rarely recounted case will help answer the research question.

In this new perspective, the 2008 global financial crisis might only play a reinforcing role. The crisis itself had not changed the State’s perception of international monetary order at that time. The derailment of the reform was just a matter of a more complex struggle within China. It is a struggle that can only be comprehended based on an understanding of a heterogeneous China other than as a coherent unity. The research will compare the identities of Tientsin, Beijing, Shanghai, and Shenzhen through analyzing the respective regional discourse. This analysis will also show the different impacts of their identities on China’s politics, particularly the cosmopolitan identity of Tientsin and the feudal identity of Beijing. This analysis thus helps formulate a theory that attempts to explicate what has affected China’s perception of the international monetary order, and what motivates the State’s ongoing effort of re-concentrating power since 2013. In the meantime, the analysis raises attention to the rise of the doctrine: the Beijing-centric economic geography, and the ideological lineage between Beijing’s own urban project (i.e., “Big Beijing” since the early 2000s) and the “One Belt One Road” (since 2013). By analytically doing away with the conventional theoretical frames, this dissertation offers a more promising perspective on the Chinese State and its

perception. Overall, this study requires longitudinal research over a long time frame from the 1950s to 2013 but will focus on the periods around the two critical junctures in the history of the postwar international monetary system – i.e., the collapse of the Bretton Woods system in the late 1960s and early 1970s and the recent global financial crisis and China’s financial reform in 2007 and 2008.

The documentary sources in Chinese will be selected based on the level of influence and authority, for example, the official journal *People’s Daily*, the state-owned broadcaster *China Central Television (CCTV)*, the primary news website *People’s Daily Online*, *Sina Finance*, and the academic articles from China National Knowledge Infrastructure (CNKI), etc.

#### **4. Plan of dissertation**

This dissertation will develop an epistemological approach and lead an inquiry into the ground of power/knowledge, upon which such “things” as states, international monetary regimes, reserve currencies, are evaluated and observed. In the first chapter, I am going to explore the continued discussion about “the rise of China,” “neo-liberal globalization,” and “international monetary system” in the current literature. Through a critical review of the existing state theories, I will introduce the Foucauldian theory of the State and apply it to demythologize the being of the Chinese State by analyzing Tientsin’s financial being before and after the communist revolution. In the end, I will point out the theoretical lacuna in the interpretation of the State’s perception in the existing IR literature.

The second chapter will reexamine the metaphysical foundations of theories of perception, the relations of *perception* with *reality* and *truth*. Through an in-depth discussion, I will also attempt to outline the relations of *reality* and *truth* with *paradigm* and *discourse*. Then, I will introduce the Foucauldian theory of knowledge to see how such elements as order, culture, discourse, economy, perception, truth, and practice are interconnected with one another so as to be rendered possible to form a thinkable structure.

Chapter three will apply the Foucauldian inspired approach to shortly analyze the economy of American IR discourses. Through this critical analysis, I will outline the epistemological and epochal ground of this sophisticated IR knowledge, and the relationship between this knowledge and the hegemonic power. This

critical process will help generate the theoretical ground for the further inspection into this order of discourses so as to bring to light the ways how Europe's, Japan's, and China's aesthetic principles have been rendered readable to the hegemonic power.

In the fourth chapter, I will use the discursive approach to uncover the mechanisms by which the three discursive strategies – i.e., neo-realism, neo-institutionalism, and social constructivism – have helped to formulate the respective truth standards for helping determine the extent to which the other states' interests, identities, and interdependency relationships constitute a threat – or a certain utility – to the United States; as well as how these three discursive practices have generated mechanisms to help imagine the others' perception of the international (monetary) system, respectively. This approach will also bring to light the two competing logics – i.e., *realpolitik* and *geo-economics* – that have guided the formulation of US postwar geostrategy. After all, this chapter will revisit two major events – i.e., the collapse of the Bretton Woods system and the US subprime mortgage crisis – and compare the roles of France and China in these two stories. This chapter will also de-mythify several concepts regarding the international (monetary) order, such as the Triffin dilemma and “Tianxia” [under the sky]. Correspondingly, China's institutional statecraft, such as the Asian Infrastructure Investment Bank and the Yuan internationalization, will also be discussed.

Chapter five will revisit the formation of the Chinese State since 1949, changes in the guiding principles and practices, Beijing's perception of the international monetary order before 1978. In this chapter, I will recontextualize the decentralization effort since the mid-1950s, the one-sided economic reform since 1978, and the ensued fiscal and exchange rate reforms in the 1990s. I will also study the regional discourses and identities and interregional confrontations in order to reevaluate their impacts on China's politics and political economy. In particular, I will discuss the fiscal, exchange rate, capital account regimes, and the structure of the domestic financial order. The case study will focus on the 2007 financial reform, its derailment, and posteriority. I will offer an explication why the Chinese State did not fulfill its promise of liberalizing the capital account in 2007 through a domestic perspective, whether it had changed its perception of the international monetary order from 2003 to 2013, and what had made it suspend the reform. In the end, I will raise attention to Beijing's own discourse, identity, and the rise of the Beijing-centric economic geography.

## **Chapter I**

### **International Monetary Order, Neo-liberalism & the Chinese State**

#### **1.1) Literature review on international monetary order and the rise of China**

It might merely be a coincidence that the effort to internationalize Yuan (Renminbi) began in the late 2000s with the outbreak of the 2008 global financial crisis. However, what is undoubtedly true is that since the moment, the conduct of China's economic policy, particularly in the matter of currency and exchange regulations, draws a great deal of attention from governments and scholars worldwide, especially in the West. Nevertheless, most empirical analyses have been conducted primarily to examine the effects at the international or domestic level, rather than to investigate what constitutes such kind of conduct. In the meantime, there is a common analytical tendency to oversimplify the complex nature of the management of China's economy into a rather mechanistic process that either only considers its acts in terms of duality ("good" versus "evil" for example), or frames its government in terms of (technical) elites, powerful groups, or political leaders.

However, what is left in the forgetfulness in these analyses is the necessity to see the Chinese State as what it is. Powerful leaders or groups, no matter who they are, nor who govern, are only a small part of this complex ensemble of things "out there." For understanding the Chinese State's perception, what really matters is the knowledge, practice, and truth in presence in the whole field of action both inside and outside China. It is that which has transformed the entire country into the discontinuous form of the State as seen from the West today – as a "mysterious" form of being both the "success" and the "failure" of the neo-liberalization of the world economy. If any change has occurred in its consciousness or its perception of the present international monetary order, it should not be simply attributed to the consequence of either China's overreliance upon the US dollar or its dissent to the current international monetary system. Globalization always implies a network of relationships of mutual dependency. So, the reasons may lie in what had constituted the Being of the Chinese State so far since the very moment when China opened up itself to the neo-liberal world economy, which reflects a hierarchical and spatial inequality of distribution both outside

and within the country. In the meantime, China, as a heterogeneous field, there also exists “the loci of the greatest accumulation of capital” (Wallerstein, 2010, p. 26). Such a spatial inequality is characterized not only by a division of labor but also by a division of true and false, between different regions in the country. The logic that derives from the management of certain regions accounts then much more for the rationality of the Being of the Chinese State than the logic that derives from the management of the others. Through this internal management of China’s economy, a certain practice of government emerges as a result of the rationalization of the entire State. It is this specific practice, being named as the “Beijing model,” neo-mercantilism or authoritarianism whatsoever, that applies the strategy and tactics for organizing the different fields of power relations. These arrangements reflect a regime of knowledge/power that determines what is visible, sayable, and doable for a given epoch, that operates as also a discursive regime which decrees the ways to schematize the observation and evaluation of what appears to the Chinese State.

Meanwhile, each epoch demarcates a particular form of the State that overwrites its past. As such, to understand its perception does not mean to mirror its own image of itself, but, on the contrary, to deconstruct the mythology it has built for itself, for bringing to light the grids of perception it tends to deploy. Therefore, it is of central concern to analyze what rationality explains or prescribes this practice, what principle formulates its rationality, and what discursive rule organizes its perceptual field. These questions will remain to be answered in further discussion. The current section will analyze what has exerted effects upon our perceptual field in which the “things” like “international monetary system” or “the China model” appear with a greater or lesser dependence on the field itself.

a) the postwar international monetary system and the rise of China

In the current literature, as regards the fate of the liberal international monetary order, the “exorbitant privilege” once ascribed to the US dollar henceforth must face growing challenges from peer competitors such as Euro and Yuan, as the US unipolar moment is supposed to come to an end inevitably (Ikenberry 2008). These trends reflect an ongoing shift in the scholarly perception of the world financial system, that the global economy is experiencing a transition towards a more multipolar world order – a more balanced oligopoly of key floating currencies (Bibow 2008; McNamara, 2008; Eichengreen, 2009) – and that the world is entering “an era of a new pentarchy, a world of rival capitalisms” (Gray & Murphy 2013, p. 191). In this theoretical view of the future global politico-economic order, the United States will remain as the leader at the center of this new world order but has to share the burden of management with a wider array



of states including the European Union and the other rising powers such as China (Eichengreen, 2009; Schott, 2009; Schweller & Pu, 2011; Ikenberry, 2011; Gray & Murphy, 2013; Nye, 2017).

On what pertains to China's rise, some observers claim that the rapid rise of an authoritarian state poses an ontological threat to the existing liberal international order. The process of China's currency internationalization reflects a paradigm of politico-economic governance or a regime of government practices that differs quite much from what has been familiar to the Western world. Meanwhile, some argue that China's actions have severely undermined the West-dominated capitalist system (Mearsheimer, 2010; Friedberg, 2012). All the concurrent trends would lead to an eventual ontic modification of global politico-economic order into a less liberal one when China would become confident enough to seize the central position in the international relations system to defy the United States (Stephen, 2014; Nölke et al., 2015). On the other hand, some other scholars highlight that China has, in fact, no interest in seeing the catastrophic collapse of the extant global economic order.

On the contrary, it does appreciate it a lot, for it has considerably benefited so much from the liberal economic institutions. The emerging giant is still far from displacing the US as the new hegemon (Stephen, 2014; Nölke et al., 2015). So, rather than to rebuild an alternative global order, the emerging powers such as China, India, wish only to increase their influences within the existing global economic order, not to rebel against it (Ikenberry, 2011; Gray & Murphy 2013; Nye 2017). Before reviewing their arguments more carefully, it is worth taking a close look at what constitutes our knowledge of the international monetary system.

#### b) Bretton Woods system: center and periphery

Above all, major states matter in an increasingly interdependent global economy (Watzl 1979, p. 94; Keohane 1984, p. 49; Kindleberger 1986, p. 72; Ikenberry 1992, p. 319; Gilpin 2001, p. 23). Among major states, the dominant one plays the most important role as a stabilizer, provider of public goods, or patron in an international monetary order, according to different strands of thought. Its national macroeconomic policy (such as exchange rate policy, monetary policy, and fiscal policy) can affect, to various degrees, the prospect of all other countries in the same system (Frieden & Broz 2012, p. 7).

In the post-second war era, there have been two particular versions of the international monetary system, which can be identified as parts of the continuum of the US-led international monetary order. First, the so-called Bretton Woods system was born out of the end of the Second World War. In the year of 1944, the US and the other leading Allied powers, especially Great Britain, had decided to create a new global political and economic order which was designed so as not to repeat the mistakes of the 1930s and 1940s (Willonsom, 1990; Ikenberry, 1992; Dodge & Murray, 2006). Suffice it to say, the postwar international monetary system exemplifies an Anglo-American vision of international financial life, in which the hierarchy of currencies is structured according to this postwar world order (Ikenberry, 1992; Cronin, 2006). However, the Bretton Wood system ceased to exist after 1971. The succeeding one, which has maintained to function until today, is described as the post-Bretton Woods system that has been established in virtue of what is called “Washington Consensus.” The term, which was coined by John Williamson (1990), implied a set of core economic policies that constituted what was later named the neo-liberal paradigm. This new paradigm aimed to create a new politico-economic reality in the global capitalist system that would differ from what had been perceived in the Bretton Woods epoch.

The Bretton Wood system was featured by a fixed-exchange-rate system, in which the member states pegged their currencies to the gold-backed US dollar. However, this system did not function as smoothly as expected. It reached the end in 1971 when the Nixon Administration declared the suspension of the convertibility of the US dollar into gold. In the wake of the collapse of the Bretton Woods system, most of the world’s large economies agreed upon a new set of exchange rate arrangements. The prices of their currencies could float freely against one another. They could also peg their currencies to the other currency or a basket of currencies. They could even adopt the currency of the other country, or participate in a currency bloc, or form a monetary union.

In the early 2000s, three Deutsch Bank economists, Michael Dooley, David Folkerts-Landau, and Peter Garber (2003b) have identified the emergence of a revived “Bretton Wood system” since the 1980s. Within this new system, China plays an important role (Goldstein & Lardy, 2005). They depict an image of the world economic system, which contains two areas: center and periphery. In the Bretton Woods system, the US dollar positioned itself solely in the center. Europe and Japan constituted the periphery. Then in the revived one, the center has welcomed the entry of Europe and Japan into the club. China and some other emerging economies constitute then the new periphery.

Nonetheless, the US dollar still occupies an incontestable central position therein. In this sense, the entire system does not genuinely evolve, only occasionally reloads its periphery. Hence, the three Deutsche Bank economists have provided a quite parsimonious account to explain why China has chosen an export-led growth strategy based upon its currency undervaluation. However, some observers suggest that this currency practice may not be a persistent element to be always consistent with China's overarching development strategy (Goldstein & Lardy 2005, p. 5). Their debate raises then attention to China's behavior in terms of exchange rate policy. Unfortunately, they focused mainly on geo-economic phenomena while overlooking what conditioned China's mode of being at both domestic and international in each epoch. To further the reflection, it is necessary to look at the relationships between the market system and the political regime.

### **1.2) The paradoxical outcome of the encounter of China with neo-liberalism since the “end of history”**

The postwar bipolar epoch has ended in a way which many were not able to anticipate. It has nonetheless opened up a new “uncharted space” for who comes to presence as the “explorers” of the new world. As a kind of causality, they are “naturally” given the right to overwrite the old stories that no longer connect the men and things in the world with a new vision of what those “things” are and how those men should live. In the wake of the shattering of the old space that was politically and economically delimited by the equilibrium of the two poles, the coming new epoch has been demarcated by the accelerated globalization of goods, capital, and money – i.e., “the same system of exchange everywhere” (Bauman 2009, p. 176; Klassen, 2014). However, such an “end of history” is just the “start” of new stories. In the new narratives, the character and meaning of “China” cannot escape from this epochal planetary mutation. As a “strange” state, China has opened up itself once again to the capitalist world economy in its history since 1945. Given its significant heft in the world economy today, the “Beijing model” has become somehow a paradoxical outcome of this encounter, which reflects at the same time the being and non-being of what characterizes neo-liberalism.

#### **a) The new epochal narrative about market and democracy**

There is a widely held view that the international order in the immediate aftermath of the last Great War did not center around one pole – the United States. Instead, it was a bipolar one. Before the Soviet Union demise, countries belonging to the Communist Bloc had consolidated themselves into a separate politico-

economic system that was a strange but evenly matched politico-economico-military organization in rivalry with the US-led Western Bloc. The outcome of this global geopolitical confrontation is now self-evident. In 1991, the dissolution of the Soviet Union marked the retreat of the bipolar world order. On the eve of this great epochal mutation, Fukuyama (1989, pp. 3-4) hastily proclaimed that history has come to an end and that both economic and political liberalism will eventually triumph jointly all over the world. The Reagan and Thatcher administrations put forth that the synthesis of open market and free trade would bring peace and democracy (Cronin 2006, p. 10). During the same period, the world saw a wave of democratization in Latin America and Eastern Europe, where the authoritarian regimes were overthrown due to the failures of their non-liberal economic model and the local people's enthusiasm for democracy. In some literature on transitional economies, the studies had shown a positive correlation between democracy and economic development (Lipset 1959, p. 72). Economic development can foster democracy (Burkhart & Lewis-Beck, 1994, p. 907; Londregan & Poole, 1996, p. 28). This empirical evidence had made it plausible to argue that "markets and democracy were genuinely compatible and self-reinforcing" (Cronin 2006, p. 10), owing to the postulate that political liberalism inevitably follows economic liberalism (Fukuyama 1989, p. 10). Given these theoretical anticipations, a Kantian image of global peace seems to be on the verge of being brought into presence, as long as the liberal hegemony maintains to have an exceptional power of attraction over the rest of the world.

b) neo-liberalism

The "end of history" has not only concluded the decades-long duel between the Soviet Union and the United States. It has also announced the coming to presence of a new epochal truth that is acknowledged as a product of the neo-liberal discursive regime, which has delineated the contour of the world economy for nearly half-century since the late 1970s (Stiglitz 2019). This new epochal discursive regime has made possible the formation of the so-called Washington Consensus that prescribes what constitutes "good" economic policies. This "new political consensus on economic management" has been gauged in its origin to oppose "the dominance of Keynesian-style approaches to macroeconomic management" over the post-war period from 1945 to 1980 (Palley 2005; Mudge 2008, pp. 710-719). As a policy paradigm, it defines new normalcy that guides the practice of governance. The neo-liberal policies include: "the *privatization* of public firms," "the *separation of regulatory authority* from the executive branch – the creation of a politically independent central bank," "the *depoliticization* of economic regulation by insulating regulatory authorities from political influence," "the *liberalization* of the domestic and international economy by opening markets to multiple service providers," and "*monetarism* or, in other words, the manipulation of the supply of money rather than demand management via fiscal intervention" (Mudge 2008, pp. 710-719).

At the same time, neo-liberalism is also considered a shared doctrine among the world's elites – which indoctrinates a new type of rationality as the central guiding principle of economic thought and management (Harvey, 2007). From the very beginning, the neo-liberalization of the global economy was not merely a worldwide economic phenomenon, but also, at the same time, an intercontinental political movement that took place in several epicenters around the globe. Since the years of 1970-80s, the governments of “Volker, Reagan, Thatcher, and Deng Xiaoping,” undertook simultaneously revolutionary efforts to transform their respective states and the entire world into that in which we are living today. All of them engaged in “a broad commitment to pro-free-market policies” (Harvey, 2007, pp. 1-4; Kiely, 2005, p. 97). As a result, the postwar world economy entered then its new phase – the age of neo-liberalism.

However, neo-liberalism has become a troubled term in the academic milieu, for it has been broadly used to signify different meanings in different fields of knowledge. For example, in the study of International Relations, neo-liberalism refers to the theory or paradigm that Joseph Nye and Robert Keohane formulated in the late 1980s. Their paradigm is also dubbed as *neo-liberal institutionalism* or *neo-institutionalism*. Meanwhile, neo-liberalism is believed to be a revived or revised version of liberalism – as “the recovery of lost tradition” (Thorsen & Lie, 2006, p.3). However, as a term employed in the title of academic products, “neo-liberalism” first appears in Jacques Cros’ doctoral thesis, *le “néo-libéralisme” et la révision du libéralisme* [neo-liberalism and the revision of liberalism], where it refers to a form of political ideology that aims at rejuvenating classical liberalism based on the belief that the best guarantee of individual freedom is the free market economy. Led by Wilhelm Röpke and Friedrich Hayek, their concerted efforts sought for a radical return to the principle of *laissez-faire* economics as opposed to the other of William Beveridge and John Keynes. From a Hayekian view, the truth is the necessary withdrawal of the state from the market for the common good of a society or its citizens’ general interests (Thorsen, 2010, pp. 9-10).

Last but not least, sometimes, liberalism and neo-liberalism, from an Anglo-American perspective, are almost interchangeable in terms of what they prescribe to the rest of the world for they manifest in effect Great Britain and American co-hegemony. According to Cronin (2006), neo-liberalism or liberalism is not merely a political philosophy but also a policy paradigm. The neo-liberal policy framework was carefully crafted in response to the perceived crises and failures during the 1970s. In this sense, the coming to presence of neo-liberalism is considered a paradigm shift in the Kuhnian term. Rested upon “the military superiority of the US” or “the Anglo-American alliance,” neo-liberalism as a regime of discourses and practices manifests in effect what “the US and UK now exercise, or seek to exercise, is a distinctly post-

imperial and liberal hegemony” (Cronin 2006, p.1-2). Between the old and new epochal narratives, what somehow rest invariant is the American global financial hegemony and China as an even more significant part of the new story.

Hence, neo-liberalism is a new conduct of government that has been consciously designed to generate policies and practices for establishing a new world order, that is, for developing a new global economy of power relationships that structure the world system today. As this new economic regime broke deliberately with the Keynesian policy paradigm and the model of welfare state followed by both Britain and America in the first quarter-century after the Second World War, it has then brought into being what was once deemed undesirable or inappropriate, but that which has been “shaping our world today” (Thorsen, 2010, p. 8). That is to say, it has created a new thing that did not exist, but which has been since then inscribed in reality. As such, once one impossible thing becomes a reality. This new reality soon after grows globally – i.e., the neo-liberal globalization. Within this new global reality, some observe that in China, there emerged a particular version of “neo-liberalism with Chinese characteristics” so that the neo-liberal restructuring of China’s domestic economy has mirrored in effect what has been going on throughout the globe (Harvey, 2007, pp. 120-123). neo-liberalism will be later discussed as an art of government from a Foucauldian perspective.

c) the implication of the “China model” for the theory of the state

Against this new geo-historical and cultural reality defined as the neo-liberal globalization, the Clinton administration decided to productively engage China into the liberal international order. Such engagement policy was underpinned by an evolutionary theory of politics, according to which China would change gradually to become a Western-like country owing to its everyday contacts with Western values and culture in the process of its economic integration into the global liberal order (Cronin, 2006). However, the current phenomenon of the co-existence of nationalism and economic liberalization in China seems to reject this idealist thesis. Albeit interesting, it is not the purpose of this research to examine this thesis about the causal relationship between democracy and economic growth. Instead, the problem unveiled above gives rise to the other interests in this research about the outcome of China’s encounter with the liberal international order – i.e., China’s distinct model of state capitalism and the particular mode of being of the Chinese State. Because what constitutes its unique mode of being also conditions its perception, it is then unavoidable to talk about what is the State.

### **1.3) State theories: a critical analysis**

States are always at the center of the debates within both international relations and political economies because any change in their policies, decisions, and practices will affect the other states that live in the same international system. Without a proper understanding of their characteristics, one cannot easily comprehend the power relations that underpin the hierarchical organization of them within a given international order.

#### a) a sociological conception of the state

From the standpoints of sociology, the State is defined as an organizational actor endowed with sovereignty, which possesses a monopoly of the legitimate use of physical force (Weber 1946); or as a governmental organ consisting of particular groups of functionaries in charge of representing sovereign authority (Durkheim 1950). Both Max Weber and Émile Durkheim are aware that the State is a special organization acting independently of society (Cladis, 1992; Volk, 2015). Their contributions are essential to understanding this modern architecture of government. As Alexander Wendt (1999, p. 197) put forth, “concrete individuals who as agents form ‘governments’ play in instantiating states.” This sociological lineage is also inherited in international relations scholarship. The conventional IR wisdom suggests that states are unitary actors, which are irreducible to their parts, as principal constituents of world politics (Waltz, 1979; Keohane, 1984; Wendt, 1999). For Waltz (1997, p. 67), “variations in the quality of the units are not linked directly to the outcomes their behaviors produce, nor are variations in patterns of interactions.” For Gilpin (1981), the State is an autonomous entity performing the same set of general functions, no matter what kind of regime it is. For Wendt (1997), states are not only ontologically prior to the interstate system, but can also be like units in terms of their corporate identity. They are isomorphic to the extent that their type identities are alike. Thus, all of them treat states as exogenously given homogeneous entities, notwithstanding their theoretical disputes over the agent-structure problem. Therefore, their ontological understandings of the State rest upon a common ground of sociological knowledge.

#### b) the state in political economy

On the other hand, “political *oeconomia*” as an intellectual discourse originally signifies the wise and legitimate government of the state for the common good of the whole state (Rousseau, 1755). Along with other intellectual figures such as Adam Smith, Thomas Malthus, David Ricardo, Karl Marx, Ludwig von Mises, Charles Kindleberger, John Maynard Keynes, Robert Gilpin, Robert Keohane, nowadays it becomes already an interdisciplinary school of thought that is interested in studying state, economy, society, and the

relationships between them. However, it is important to notice that in the history of this discipline, the term “political economy” had been gradually replaced by “economics” since the second half of the nineteenth century, owing to the “marginal revolution” which was initiated by Alfred Marshall, according to Thorstein Veblen (1900). This revolution had led to the ramification of the original discipline of political economy and given rise to the emergence of the neo-classical discourse, which became thereby a study relying upon the quantitative methods of analysis that seek a true and absolute reality at exclusively the ontic level. By contrast, political economy, in the classical age, was an ontological science. According to Heidegger (1996, p. 11), ontologies “precede the ontic sciences and found them.” The founder of political economics, Adam Smith, was not just an observer of an emerging reality – economy, but actively looking for the essence that constitutes the general being of the economy at the ontological level (Perelman, 2000). So, classical political economists aimed primarily at theorizing the meaning and identity of what constitutes an economy rather than simply at the empirical validations thereof.

During the interwar period, the Keynesian school quickly rose since 1936. It led another revolution in the field of economic knowledge against the empirical and theoretical foundation of the neo-classical economic discourse underpinned by hard-money standards, Say’s law. In particular, Keynes disputes the validity of Say’s law – i.e., supply creates its own demand. His new theory then gives rise to what is called now as *demand-side economics*. On what concerns the relationships between State, market and economy, Keynes rejected the idea that the economy would return to a natural state of equilibrium, because “markets can stay irrational longer than you can stay solvent” (as cited in Dempster & Leemans, 2006). It is, therefore, the role of the State who must intervene to help the market restore its equilibrium (Marglin, 2018). Notwithstanding his skeptical attitude to a natural market equilibrium mechanism, the Keynesian school of economics provides in effect another set of principles, from which the State can deduce some simple rules that are supposed to govern the economy (Codington, 1976; Boyer, 2017). That is to say, the rules derived therefrom to define the interactions between labor, production, and consumption (Jahan et al., 2014). In the meantime, Keynes disagrees with the perfect rationality assumption – i.e., *homo oeconomicus* that underlies the neo-classical economics, for it reduces the human being to an automatic calculating machine. In Keynesian economics, economic actors are sometimes fundamentally irrational. “Human decisions affecting the future, whether personal or political or economic, cannot depend on strict mathematical expectation” (as cited in Lawson, 1985). As such, Keynesian economics establishes a new discourse that provides a new strategical choice of theory for the coming epoch.



In the twentieth century, the so-called *mainstream economics* has arisen as a result of what is called “neo-classical synthesis” whose founder is the American economist, Paul Samuelson. His effort, which combines the neo-classical and Keynesian principles together, has led nonetheless to the return of the core norms of neo-classical doctrine – i.e., “the invisible hand should be free to operate” (Vercelli, 2016, p. 21). Thus, the market phenomena are once again reduced to what simply consists of rational individual choices. Meanwhile, this new discourse recognizes a minor role that the State should play to make policy intervention in case of macroeconomic failure. Therefore, neo-Keynesian economics has been regarded as the development of neo-classical economics rather than Keynesian economics. Under this new paradigm, “the economy is a system that coordinates choices about the production with choices about consumption, and distributes goods and services to the people who want them” (Ray & Anderson, 2010, p. xxvii). In a market economy, “production and consumption are the results of decentralized decisions by many firms and individuals” (Ray & Anderson, 2010, p. xxvii). Therefore, “economics is the study of scarcity and choice” (Ray & Anderson, 2010, p. xxvii).

By contrast, “heterodox” economists call into question the rationality assumption and its appropriacy to both the modeling of the decision-making process and the theorization of the State. They reject the idea of building an “apolitical” economic science, because the State’s political action, such as public spending or currency policy, always produces what constitutes an economy. Instead, these economists want to build what James Buchanan (1968) calls a “scientific” political science which must adopt thereby what can permit empirical verification so that the synthesis of the modern economic canons such as methodological individualism, *homo oeconomicus*, and “politics as exchange” has to be introduced into this new discipline. In this new current of thought, the State is still an expression of the function of expected utility – either a *maximizer* or a *satisficer* under certain hypothetical constraints. The State is analogous to a “super firm” (Coase, 1960, p. 17), and its role is to minimize market transaction costs. This “normative” view of the State presupposes, above all, an old ontological understanding of the State as similar as a “benevolent despot” who cares about the problem of social cost, rather than only about the well-being of the public. Nonetheless, they concede that “government departments often seemed more concerned to defend their own interests than those of the country” (Coase 1996, p. 107).

However, the Condorcet paradox has undermined this effort to make it possible for us to see the internal contradiction that resides in the conventional understanding of the relationship between voting systems and rational actors. The voting result may not necessarily correspond to the collectively rational expression of

individual desires (Amadae 2005). Kenneth Arrow (1951) further argues that it is impossible to aggregate individual preferences into group preference in an entirely rational way – which means that a social choice function must satisfy a set of presumptions such as universality, Pareto efficiency, independence of irrelevant alternatives, and non-dictatorship all at the same time. To put it simply, for Arrow, “a rule for deriving, from individual ordering of social states, a social ordering consistent with some reasonable conditions cannot be found in general” (as cited in Sadri, 2012). In this sense, the State is a locus where citizens or their elected representatives encounter one another for deliberating the State’s political and economic actions in their exclusive interests. Hence, the State is only made of “rational” men. These men, such as “politicians and bureaucrats,” according to Buchanan, “are no different from the rest of us. They will maximize their incentives just like everybody else”, instead of maximizing the general interest or well-being of the nation (as cited in Reksulak et al. 2013, p. xv). In fact, *homo oeconomicus* as the fundamental axiom has also been subject to reinvented again and again with slight nuances. However, all its variants are grounded upon one original model that stems from the idea of Reason of the Enlightenment, in which all humanity does the same thing – pursuing the same set of fixed, rational ends and thus learning over time (Claar & Forter 2019). Upon this ontological assumption of Man, the State is unavoidably modeled, thereby based on a variety of rational (political and collective) agents such as interest groups, parties, coalitions, and transnational networks.

c) a brief critique of modern political economics on the state

Nevertheless, no matter a “romantic” or a “realistic” description of politics in these currents of economic thought, the same is what these empirical economic approaches attempt to provide to the study of the State and its comportment. In effect, all of them are committed to establishing a common system of codes, symbols, beliefs, and practices that somehow reflect one homogeneous worldview at a higher level of epistemological arrangement (Krugman, 2019). This vision of the State at issue clearly inherits the liberal political philosophy in the Anglo-Saxon culture, such as that of Thomas Hobbes and that of John Locke in the age of Enlightenment. That is to say, the general being of the State under this perspective is rendered manifest against the State of nature – that is a hypothetical condition of human beings prior to any form of civil society or social contract. Either a state of nature in which, as Hobbes believes, independent and selfish men live in a war of all against all; or a state of nature in which, as Locke believes, free and self-interested men live in an insecure environment without the protection of the government for their rights (Cammissa & Manuel 2003). In this sense, the State is just a place where conflicts occur between beings or groups of beings who pursue their own interests. It is now obvious that as a form of theoretical knowledge, this political philosophy is in its origin to seek to gather all possible conditions in favor of the emergence of

social institutions – the State. It is also this form of theoretical knowledge that gives meaning to the objects of these modern empirical sciences and explains the specific mode in which the State is perceived as *maximizer* or *satisficer*.

As shown above, these modern economic programs operate only at the empirical level and attempt gradually to avoid any ontological inquiry into the fundamental being of what accounts for reality as that which appears as self-evidence to them. According to Mehta (2008), in modern economic inquiry, presuppositions about the fundamental mode of being of things are taken for granted in advance and embedded in the concepts and methods deployed by inquiry. Henceforth, modern economics forget history (Hodgson 2002). In this sense, the difference between the diverse modern economic approaches, which include both the “orthodox” and “heterodox,” is just what lies in their nuanced implicit ontological orientations (Lawson 2006). Meanwhile, these ontological orientations emanated in effect from the changing epochal regime of discourses. It is thus the epochal change in the mode of being of knowledge that eventually divides political economy up and rearranges it into the seemingly separate subfields, such as neo-classical, Marxian, welfare, Keynesian, micro-, and macro-, economics.

In general, modern political economists are preoccupied with the idea of looking for a coherent and consistent unity – the State-in-itself (Sawyer, 2015). The government is defined as a rational (conscious) unitary actor as compared to society or market – an ocean of unconscious cooperation (Ricketts 2008). The rationale of its existence is to provide necessary public goods and to maximize the welfare of the society. Therefore, it is unsurprising to see considerable parallelism between the modern economic discourses such as neo-classical, Keynesian discourses and their synthesis on the one hand, and the IR discourses such as neo-realism and neo-liberal institutionalism on the other hand. That is to say, the so-called conventional wisdom takes the State as an exogenously given agent (Basu, 2000). For example, political economists such as Gilpin (1981) and Keohane (1984), the State behaves either according to the principles of pure rationality or under the constraints of bounded rationality. Therefore, its comportment is also the expression of certain empirical codes that constitute this unity carrying its own *raison d'être*, and by which all policy choices are rationally made. Certainly, it is convenient to assume the State as an exogenously given rational or limited rational actor. However, it systematically oversimplifies the heterogeneous generation of preferences inside the State.

d) the Marxist view of the state

From the Marxist perspective, the State is a system of organized coercion that functions invariably to support the superordinate position of dominant classes or groups over subordinate classes or groups (Skocpol, 1979). Their theories of the State tend to essentialize the two salient aspects of this collective representation of one coherent unity: first, the exercise of the hegemony of the ruling class through the State; second, the exercise of state power through the agencies (press, television, university) of ideological domination of the ruling discourse – i.e., capitalism (Hunt, 1977). Some researchers attempt to apply this ontological reflection to approach what is the mode of being of the Chinese State (Hui 2016, 2018). In general, they point out that the State is an expression of the interests of dominant classes or groups. As they view the State as an arena of conflicting interests, then they discover the heterogeneity of preferences within it. Gilpin (1981) has also noticed this problem and argued that the interests and policies of the government reflect the preferences of the governing political elite, the pressure of powerful groups within a national society, and the nature of the national system of political economy. Certainly, it is less naïve than assuming all interests of a national society are homogeneous. However, it becomes more difficult to talk of the State's interests without accurate and timely observations on its internal structure, which sometimes changes soundlessly, especially in those countries undergoing economic transition. The nature of their systems and institutions usually remains very opaque. In this transition process, one can find that there arises a common phenomenon, in which new interest groups emerge and are often associated with insiders or reformers. These interest groups may then hamper the later reforms that would reduce their power or undermine their interests (Stiglitz, 1999; Roland, 2002). Regarding this problem, Theda Skocpol (1979, p. 27) put forth that the State is “an autonomous structure – a structure with a logic and interests of its own not necessarily equivalent to, or fused with, the interests of the dominant class in society or the full set of member groups in the polity.”

e) The Foucauldian theory of the state

In contrast to how the State has been conceptualized in the various approaches presented above, Foucault has, on the other hand, propounded a governmentality approach for theorizing what constitutes the State (Foucault, 1991). In a series of lectures given at the Collège de France from 1977 to 1979, through a genealogical analysis of government, he has rendered exposed “a general problem” that resides in our understanding of the State that exists somehow as a universal (Foucault, 1991). The way in which the State has been conventionally approached is the result of what he called the “historicist reduction” – a term sometimes is also named as *historical reductionism*. This reductionist technique, in general, consists above

all in establishing a system of universal categories either empirically generalized or conceptually schematized. Then, all these established “universals” are taken as “already given object, notions such as the sovereign, sovereignty, the people, subjects, the state, and civil society” for analyzing what is considered “real governmental practice” (Foucault, 2008, pp. 2-3). Therefore, a historicist reduction would make the State appear as “being a kind of natural-historical given” – like a “*monstre froid*” [cold monster] who grows up from a given moment but gradually erases its true history (Foucault, 2008, p. 6). Meanwhile, there exists also another reductionist technique that consists in essentializing some specific functions of the State, “such as the development of productive forces and the reproduction of relations of production” (Foucault, 1991, p. 103). Indeed, these functions constitute, in general, what the role of the State should perform. However, it nevertheless narrows our understanding of the State. Thus, these reductionist techniques, which are employed in many forms of analysis such as political, historical and economic ones, all tend to reduce the State to an exogenously given entity whose essence is either schematized through a chosen paradigm or overgeneralized to the point of being merely some specific characteristics of the government of the State.

Instead, from the Foucauldian perspective, the State, which is taken as a universal category in many modern theories of the State, is just a “fiction” (Foucault, 1991, p. 29). A fiction has come to dominate our imagination of the State since the “modern Western state” emerges as a result of the formulation of a particular type of rationality into governmental practice during the sixteenth century, that is to say, *raison d’État*, which “defines the state and separate it out as both a specific and autonomous, or relatively autonomous, reality.” This “governmental ratio is what will enable a given state to arrive at its maximum being in a considered, reasoned, and calculated way.” Therefore, ontologically speaking, the State is an ensemble of things arranged according to the principle of *raison d’État* to make itself strong and wealthy, “in the face of everything that may destroy it” (Foucault 2008, p. 4). In many modern theories of the State, the State is envisioned as a uniform entity or like-unit. In contrast, the State is considered in the Foucauldian approach not only a specific and autonomous reality but also a discontinuous one (Foucault, 1982). Owing to the fact that there has been existing nothing in human history like an imperial structure or a world-empire that actually englobe all things on this planet in the name of one God (absolute truth), “the state only exists through itself and for itself, and it only exists in the plural” (Foucault, 2008, p. 5). In other words, the political and economic form of the State is not invariant and ahistorical.

It comes then to notice the second important feature of the Foucauldian theory of the state, for it distinguishes the government from the state. In modern days, state and government are interchangeable

terms on many occasions – a governing body or system of a nation. However, for Foucault (2000, p. 341), “government” does not simply refer to political structures or the management of the states. Rather, it designates merely a particular way of governing – “the exercise of power,” “a conduct of conducts,” and “a management of possibilities” – which is more or less equivalent to the conception of “art” as an end in itself. In this sense, the actual definition of “the government of the state” is the political form of government, which is based on what is called “art of government” – a notion was introduced since Machiavelli’s *The Prince* (Foucault, 2000, p. 202). As such, the government of the state involves in effect a technological application of an “art” – “the reasoned way of governing best and, at the same time, reflection on the best possible way of governing” (Foucault, 2008, p. 2). That is to say, in the Foucauldian approach, government and state do not equate to one another in a strict sense. Instead, the government is constituted of rules, whereas the state is what the government brings into being through its practice. Each form of government presupposes then a nuanced type of governmental rationality – a specific “art of governing,” according to the principle of which the corresponding governmental practices are rationalized. For example, mercantilism is not merely an economic doctrine, but more precisely is a form of government. “It is a particular organization of production and commercial circuits according to the principle” of mercantilist governmental reason, which includes 1) enriching the state through monetary accumulation; 2) maintaining the growth of population; 3) ensuring the self-preservation of the state in perpetual competition with foreign powers (Foucault et al., 2008, p.5). From mercantilism to contemporary liberalism, neo-liberalism, or communism, they are all considered as distinct as different forms of government (Grenier & Orléan, 2007). Each of them presupposes a sort of “art of governing” that comes to defines the norms of international relations for a given epoch and to formulate the principles of rationalization into such governmental practice as *raison d’État* or *laissez-faire*, by which the corresponding forms of the state are constructed.

Indeed, a state as an ensemble of things that “is already there” (Foucault et al., 2008, p. 4). That is to say, a state is, in its origin, a state of nature before any form of government comes to presence. So, it ontologically precedes the government. When this ensemble of things is encountered meaningfully, it manifests itself as this or that, as something (Jan, 2019). A state is no longer a “state of nature” only after a government encounters it. It organizes itself, according to the practice of this government, into a meaningful shape as somewhat we now understand as “the State.” Once a government comes to presence into a given state (a field of action), then both of them immediately enter into a reciprocal relationship that the state confines the government within its border – “the framework of a state,” and, at the same time, the practice of government has the objective of constructing the state. As such, government is, in fact, a discourse, and its practice organizes the structure of the state. Hence, state is also a discursive field. Its consciousness is what

guides the government and, at the same time, reflects on the government – i.e., a type of rationality based on a kind of meta-discourse. Meanwhile, the principle of governmental practice, such as *raison d'État* is fixed by “the art of government” that has the purpose of rationalizing this particular practice of government and “bringing into being of what the state should be” (Foucault 2008, p. 4). As such, the art of government reflects a form of technological knowledge. It defines a discursive field in which a “governmental practice” is to be rationalized for exercising power over the state. Therefore, power is also a matter of “government” (Foucault, 2000, p. 341). Because the governmental rationality of *raison d'État* has the objective of strengthening and preserving the state’s independence, this technological knowledge of running a state must presuppose thereby a “good” and “efficient” government of it (Foucault, 2008, p. 32).

Above all, government itself is a matter of economy. According to Foucault (2000, pp. 207-208), the art of government consists essentially in bringing into political practice, “economy” which signifies a form of “good government” at the time when Rousseau introduces it into the knowledge of “the general running of the state” in his seminal article on “political economy.” Therefore, to govern a state means to apply economy – “to set up an economy at the level of the entire state.” The essence of government is the art of exercising power in the form of the economy, and according to the model of the economy. As such, political economy opens up, within the state, a new field of action, a new space of discourse, and a new level of reality for the eventual coming to being of new possible governments, such as classical liberalism, ordoliberalism, and neo-liberalism. These variants of liberalism are grounded upon the nuanced principles that are akin to – but also differ from – one another. The same between them is the primordial significance of market economy that serves as what is common to their respective theoretical formulations of market – “market is essentially a staged competition” (Heath, 2014, p. 5). However, it is implausible to subscribe to the illusion that, as taken in many contemporary discourses, neo-liberalism is believed to be the resurgence of the old form of classical liberalism formulated in the eighteenth and nineteenth centuries. Instead, neo-liberalism is a new general art of government consisting in developing an untraditional liberal form of political economy that intends to do away with *laissez-faire*. In contrast, the classical liberal principle of market consists of “exchange,” “the freedom of market,” “the non-intervention of a third-party, of any authority whatsoever, and a fortiori of state authority” – that is to say, the principle of *laissez-faire* (Foucault, 2008, pp. 117-118, pp. 131-132). Ordo-liberalism, on the other extreme, consists in essentializing the abstract structure of *competition* as what should constitute the “organizing and regulating principle of the state” (Foucault 2008, p. 116). After all, neo-liberalism elaborates on a program that models the global exercise of political power on the formal principles of a market economy while attempting to decouple the market economy from policies of *laissez-faire* – that is to say, a liberal government beyond states. Hence,

neo-liberalism as a new form of practice and type of rationality, unlike classical liberalism, has everything to do with “permanent vigilance, activity, and intervention” (Foucault, 2008, p. 132). In this sense, modern political economy as a discursive formation (or economic science) could be considered that guides the theoretical formulation of the principle of truth which constitutes the rationality of the art of the government; that which rationalizes the practice of the government; and that helps “discern which governmental practices are correct and which are erroneous” (Foucault, 2008, p. 32).

In general, political economy is a reflection on the governmental practices themselves and an assessment of these practices in terms of their effects (Foucault, 2008, p. 15). This general reflection on governmental practice has one important feature for it establishes in fact “a particular regime of truth” which institutes “the principle of maximum/minimum” instead of “*raison d’État*” as a new principle of truth that characterizes liberalism and brings to light a new “art of government” since the middle of the eighteenth century. However, this shift does not lead to the “*Aufhebung*” of “*raison d’État*.” In fact, this new “art of government” consists in issuing a “reasoned” award on the rules for conducting the arbitration between the maximum and the minimum limitation of the forms and domains of government action. Or, more clearly, it seeks “the least possible government.” So, this new principle of truth does not really contradict “*raison d’État*.” Instead, it has the objective of refining it internally based on “the reason of the least state” or “the reason of least government” as the organizing principle of “*raison d’État*” itself (Foucault, 2008, p. 28). As such, this new “art of government” articulates “a set of practices” upon “a particular type of discourse,” which “legislates and can legislate on these practices in terms of true and false” (Foucault, 2008, pp. 17-18). Political economy exists as a guiding discourse in the age of market economy for dictating to government, “a good type of conduct” that “a good government has to function according to truth” (Foucault, 2000, p. 32) – that is to say, the self-limitation of government as its principle. Hence, modern government organizes itself upon some principle which is formed based on an “art” that aims at arranging a particular regime of truth, a specific type of governmental rationality, and a specialized discourse on political economy into an interconnected trinary structure, so much so that the discourse provides the positive ground for the theoretical expression and formulation of the regime of truth; and the regime of truth provides the standard for the calculation of the rationality of the government (Foucault, 2008, p. 29). Upon this precise structure, a particular form of government can be articulated so as to be possibly applied to “the state as a whole” (Foucault, 1991, p. 91). After all, government is a matter of order. It presupposes order because no man can rightly and duly govern without order (de La Primaudaye & Bowes, 1614, p. 683). It is “the right disposition of things, arranged so as to lead to a convenient end” (Foucault, 2000, p. 210). In this sense, there is a natural duty, upon any governor or government, to bring all things to a



convenient end. Therefore, government is a good manner of managing and arranging the entire state – the ensemble of things – for the sake of the state rather than those who govern. It is thus the expression of a superior order which every man (including such rulers as Monarch, Emperor, King, Prince, Lord) ought to respect.

Since government is defined as a reasoned practice that aims at organizing an ensemble of things into what can be understood as the state, the state's existence is, in effect, contingent upon the way of governing. In this sense, the modern state is certainly not equivalent to what took form as "*l'État, c'est moi*" in the 17<sup>th</sup> century. Those which are called the state in history are, in fact, not consistent representations of things, but the discontinuous representations of things in relation to one another in history. Therefore, the state is not only the phenomenal representation of things as what they are, but also that as which are organized under different forms of government, so much so that "the state is at once that which exists, but which does not exist enough" (Foucault, 2008, p. 4). That is to say, the state can either remain indeterminate or become another being by breaking with its past government. After the state has opened up itself to a new government, the state is rendered governable again on new conditions of possibility, thereby. It becomes clear then that, in the Foucauldian theory of the state, "the state does not have an essence" (Foucault, 2008, p. 77), it is just "the correlative of a particular way of governing" (Foucault, 2008, p. 6), "the mobile effect of a regime of multiple governmentalities" (Foucault, 2008, p. 77). Therefore, the state is a "being-for-itself." It is nothing else, but what it makes of itself. It exists only in so far as it realizes itself. That is to say, "the state only exists through and for itself." Thus, the state is nothingness. It is an ensemble of things which government seeks to transform into what they are not themselves. Hence, as a "nothingness," the state is also conscious of its own consciousness (subjectivity) – that is to say, its government or more precisely, the practice of its government can reflect on itself (Foucault 2008, p. 3). This practice concerns with things that it governs. "The things, in this sense, with which government is to be concerned are in fact men, but men in their relations, their links, their imbrication with those things that are wealth, resources, means of subsistence, the territory with its specific qualities, climate, irrigation, fertility, and so on; men in their relation to those other things that are customs, habits, ways of acting and thinking, and so on; and finally men in their relation to those still other things that might be accidents and misfortunes such as famine, epidemics, death, and so on" (Foucault 2000, pp. 208-209). As such, government has to deal with this "complex of men and things" – the state. In the same time, as a form of practice, government also aims at applying to this "complex of men and things," the "art of government" that seeks "the principles of its rationality in that which constitutes the specific reality of the state" – i.e., a correct form of the economy. Thus, the art of government aims to discover what are "rational principles that are intrinsic to the state," so that the state should be governed

accordingly. Therefore, “the state, like nature, has its own proper form of rationality, albeit of a different one” (Foucault, 2000, p. 213).

Political economy, on the other hand, is precisely the “science” aiming at uncovering the “universal” law that regulates this nature – the State. Though political economy, a particular set of governmental practices are validated in terms of their effects for what they bring about are congruent with the invisible “nature” of the underlying State; and for how and what they produce both in harmony with the “natural” mechanism of the objects which the government is manipulating and with the “natural” consequence of what the operations of government induce. As such, a particular regime of truth is established for sanctioning the principles technologically uncovered from the nature of things, which fix then the maximum/minimum limits for the practice of government. Marvelously, the coordination between this particular set of practices and the regime of truth can make appear into reality, the things that do not exist. For example, politics, the economy, ideologies are what a governmental regime such as liberalism brings into existence. Therefore, these things are nothingness, since they are the effects which “power/knowledge regimes” produce through the discourse on political economy and the coordinated practices (Foucault, 2008, pp. 17-22). Hence, the State could be considered what reflects or manifests the being of “truth” that is, however, episodically produced in its discontinuous history through the strategic, scientific, and technological exercise of power under a culture-contingent and episteme-dependent discursive regime embodied in each society.

In short, since the State is the correlative of a particular practice of government, the State is then a being-for-itself. It can thus interpret its past and foresee its future in light of a body of specialist knowledge regarding the question of how to govern the State itself best. This knowledge is the science of political economy. As a result, the State can be configured – and reconfigured – according to this rational knowledge of being not in-itself. Therefore, the State is the manifestation of what is arranged into an order of things according to the principle of truth that organizes what constitutes the practice and rationality of government. Against the presence of this complex of things and men – i.e., the State, there are also “things” such as madness, delinquency, market failure, which, however, exist in the mode of non-being, as objects for government intervention within the State. In the meantime, it is all the same for the civil society that is also the correlative to a technology of government. The State and society, even the world, is, therefore, a stage for the confrontation of being and non-being, reason and unreason, truth and error, and real and imaginary. Thus, the State, through its behavior, by no means, necessarily represents the general interest or the will of the entire polity. Instead, policies, especially currency policies, made by the government, produce

distributional effects which always establish a *de facto*, general, and rational division, between who is to be privileged and who is to be disadvantaged, between what is to be done and what is not to be done in the practice of government, according to the counseling of what is recognized as professional or scientific knowledge. However, given the permanent effects of scarcity within the State, no economic order can stop the growing heterogeneity, nor can obliterate it. As a result, those groups of beings who suffer the distributional impact on their fortunes will seek necessary means to make policy change or even regime change possible in favor of themselves again.




After all, government must then find the “correct” ways of producing truth for the exercising of its power over the state and society. Government, as conduct of conducts or a regime of practices, prescribes the coherent methods of programming ways of doing things, distinguishing true and false, and governing oneself and others. Thus, government acts as a discursive mechanism that builds schemes, and at the same time, as a regime of practices that apply them. Hence, these schemes of practices are strategically elaborated in accordance with the regime of practices. As these schemes have “both prescriptive effects regarding what to be done (effects of “jurisdiction”) and codifying effects regarding what is to be known (effects of “veridiction”),” they are thereby deployed as “grids for the perception and evaluation of things” (Foucault, 1991, pp. 75-82). As such, the state’s perception is dependent upon its general mode of being, thus upon the form and practice of both its own government and the general art of government in a given epoch, which then involves unavoidably the interplay between power, knowledge, and discourse. Hence, by developing a methodology of how to analyze what has been designated in history as the state and government in the way other than that which tends to reduce them metaphysically, the Foucauldian theory of the state can thus reveal “government’s consciousness of itself” – i.e., the art of government according to which the state organizes itself through a regime of power/knowledge and maintains itself through the economy of power relations (Foucault 1991, p. 102; 2000, p. 341; 2008).

However, in many theories, the underlying assumption about what characterizes these multifarious forms of the State and the political regime is related to the difference in terms of the mechanism of political change. In contrast to those that are categorized as the liberal regime, this mechanism is different when it pertains to the non-liberal regime. For Ludwig von Mises (1998, p. 863), these changes can be done peacefully through elections in a liberal democracy, but more violently in an autocracy. As the latter inherits the strong and centralized apparatuses of the Jacobin State, it is not surprising to see the recurrence of political purges within these opaque institutions. When taking the Chinese State as a referent, it is no longer convenient to

treat it always as an exogenously given, monolithic actor. After witnessing years of struggle and reform in the country, China is beset by “profound problems associated with its rapid and late industrialization: structural imbalances, financial instability, deep social inequalities, and endemic unrest” (Gray & Murphy, 2013, p. 186). All these problems are uneasy to solve and become more salient as the country pursues the path of reform towards market economy. Against this national background, there emerges a complex network of power relations associated with a large web of interests within both the State and society. Then, the Chinese State’s behavior, as an outcome of an opaque decision-making process, reflects complex structures, motives, and pressures from both inside and outside. At the domestic level, to understand its perception and decision, it requires a new lens of analysis to address this vast network in which the nodes reside as the loci of knowledge, wealth, and power. These nodes are represented by metropolises, subnational governments along with their associated areas, all of which constitute a national configuration reflecting the geographical repartition of disparity and authority.

#### 1.4) The demythologization of the Chinese State

Table 1. 1. Governments in China since 1912

Government	Peiyang Government	KMT Government	CCP Government
Period	1912-1928	1928-1949	1949-1977 (Pre-reform)
Flag			

The nostalgic argument that the Chinese State is the manifestation of the Being of the Chinese Proletariat is certainly obsolete, notwithstanding what the State’s constitution proclaims (“Constitution,” 2004, March 14). However, its self-identification as a socialist state under the regime of People’s democratic dictatorship is a clear expression of the nature and the organizing truth of the contemporary Chinese State. It is also a configured discursive field that has emerged as a result of the decades-long struggle not only between the Chinese Communist Party (CCP) and the Chinese Nationalist Party (Kuomintang or KMT) but also between them and China’s feudal monarchy (Qing Dynasty), as well as between them and the Peiyang Circle. That is why it is not a surprise to discover what is the same that, as a common organizing principle of both the CCP and the KMT governments, the Party-State which is a form of mono-partisan regime effectuates itself repeatedly as the characteristic and constitutive element of the general mode of being by which these two

consecutive governments exist and act upon the State of modern China since 1928. Albeit the same could be found between them, it has been expressed through the two rival discourses which sanction respectively two kinds of governmental practice. However, what is barely mentioned and usually left in the forgetfulness by both of them is the Peiyang government, which had governed China from 1912 to 1928. Intriguingly, the political and military confrontation with the Peiyang government serves as the connection that unites the KMT and the CCP's discourses, because the Peiyang government does not operate according to the principle of Party-State but to its exact opposite. These three governments enable respectively in terms of their effects, three specific ways to organize and re-organize power relations that structure the State. As such, they have actually rendered the modern Chinese State developed into three discontinuous forms. Deng Xiaoping's China is another form.

a) the advent of the socialist economy under Beijing's government upon the state

According to the present constitution, the ownership of the Republic by the People is what today must be unquestionably accepted by the entire Chinese State in terms of its self-reflection as a historical landmark of its break with the past KMT regime. That is to say, a new economy of the State (*Staatswirtschaft*) emerges since then. For this socialist economy to be launched, a new regime of truth has to be set up so as to divide everything in the country's present and past into two opposing sides that have, however, a metaphysical connotation: Being and non-Being. Proletariat was on the side of non-Being; Bourgeoisie was on the side of Being. At the same time, as a kind of natural-historical given, the CCP is thus seen as the one who victoriously stood out for the Being of the non-Being of Proletariat. Hence, by mythologizing the socio-economic conflicts into the dialectical oppositions, in a single movement, what was once deemed the "nature" is covered up, and what is now regarded as the truth is discovered. Accordingly, in the early years of the People's Republic of China (PRC), an "ordered" planning economy has then been established to annihilate the "disordered" capitalist market economy. This new planned economy involves then a "socialist" restructuring of the entire State and the redistribution of capital and labor, which has been carried out under the centralized planning programs such as Five-Years Plan. These quinquennial programs have been meticulously conducted under the supervision of the vigilant central government in Beijing, which has institutionalized new power relations between cities and regions in accordance with the new regime of truth – that involves a general and rational division which has been put in effect concomitantly with the coming to presence of the new communist government. Such a rationalized division reflects the way how the power of Beijing looks at the other beings – i.e., the other cities and regions in the rest of the country – and, at a more profound level, Beijing's knowledge of itself, them, and the world. Upon this new unity of knowledge and power, a new discourse has been formalized. It entails a new division of the country's

perceptual field, in which everything must be re-arranged in accordance with the rationality of the new State's power.

b) the non-being of Tientsin as the paradoxical effect of Beijing's imagination

In this process of restructuring, Tientsin (Tianjin) presents a paradox under the new economic normalcy (Hendrischke et al., 1999). The city as the northern terminus of the Grand Canal, which carries a clear *raison d'être* to be of economic significance since the very moment when the Grand Canal was built during the Sui dynasty (581 – 618 AD), had hitherto faced a great challenge to its very existence as the financial, commercial, and economic capital of North China (Commerce, 1919). As “the chief commercial city of North China,” Tientsin was also “one of the most important industrial cities in all of China” (Commerce, 1919, p. 139). It had been all the same in the domain of banking and finance that the city of Tientsin, like its southern homolog – Shanghai, found itself in a pre-eminent position in the financial management of the country's economy, as well as, in the international capital flow network (Commerce, 1919; Reed 1980).

However, everything was quickly rewritten following the coming of a new epochal normalcy. The onset of the Cold War announced the birth of a new global epochal narrative that antagonized the different states across the planet and imposed upon them, an imperative division of the East and West and socialist and capitalist. This Cold War division is not merely ideological, but also economic, and foremost, perceptual (Shih & Shi 1993). In the early 1950s, the “leaning to one side” policy signified the complete formation of the new rationality of Beijing, and the emergence of the new practice of socialist governance – that is to say, “a predisposition to emulate the Soviet model of economic development” (Mesiner 1999, p. 110; He 2009). The entire country was driven into this vast process of socialist restructuring for the purpose of correcting every nothing that was deemed unbalanced, backward, colonial, feudal, capitalist.

Beijing's practice of socialist governance is supposed to suppress all historical, socio-economic dichotomies so as to correct regional heterogeneity which it considers a legacy of the synthesis of Chinese feudalism and Western imperialism, However, its socialist practice might not bring a determinate solution to the persistent inequality but generate for sure new regional economic heterogeneity. Under the socialist transformation program, Tientsin – the “Ultima Thule of Asia alias” – which has been seen as a “glorious city” in terms of foreign trade and international finance in East Asia, was suddenly rendered into the non-being of its own past (the no longer) and the being of its nothingness under the new regime (Kuiper, 2017,

p. 217). In the new discourse – i.e., the discourse of the socialist central power – Beijing, the capitalist nature of Tientsin City has soon seen a rapid erosion and degenerated gradually into simply one center of industrial production. As being itself, the natural representation of the financial market of North China, the Tientsin Stock Exchange, which was the first socialist stock market of the PRC opened since 1949, had to be abolished in 1952 (Banyai 1974; Dittmer, 1982). At the same time, foreign trade that is considered “responsible for the formation of a number of industrial centers in the coastal areas” of China was almost shut down completely due to the Cold War (Greeley, 2017, pp. 24-25). As a result, the economic conditions for the growth of Tientsin in the north and Shanghai in the south were dramatically altered, so much so that the open economy of Tientsin was paralyzed.

Last but not least, under the First Five-Years plan from 1952 to 1957, “the most striking aspect of China’s pattern of provincial industrial development is the relatively slow growth of most of its leading industrial centers” (Lardy, 1978, pp. 153-5154). The program aims at reducing regional economic heterogeneity through re-balancing the uneven industrial development between the “coastal” and “inland” areas that constitute which Beijing deems as the “unreasoned” structure of industrial distribution – i.e., as what represents the non-being of China’s “semi-colonial and semi-feudal” past (Li, 1955). In consequence, under this quinquennial state program, China’s most industrialized areas such as Tientsin, Shanghai, Kwangtung (Canton), where per capita industrial output was above the median level, experienced, however below-median rates of industrial growth. This “abnormal” and “paradoxical” phenomenon occurred due to the fact that Tientsin had been required to remit the vast amount of its revenue to the new central power of Beijing. Meanwhile, the return flow of resources to the city in the form of direct central government investment was almost zero (Ye & Liu, 2012, February 6).

Whereas Tientsin has undergone serious dispossession of capital and wealth, Beijing – the relic of old Feudal China – soon re-emerges not only as the capital but also as the powerhouse of “new China” through this re-allocative practice. All these first reflected in Beijing’s discursive practice, its narrative production of an “old Tientsin” aims precisely at nullifying that which constitutes the positive ground upon which Tientsin manifests its great economic significance. In Beijing’s narrative, although modern Tientsin has undergone nearly 140 years of industrialization, the pre-revolutionary Tientsin was a “lopsided” industrial and commercial city full of the presence of foreign capitals – an alien in the eyes of revolutionary Beijing. The material foundation and the technological basis of old Tientsin society are considered “extremely weak.” Its industrial technology was “backward,” and its development was “extremely slow.” By contrast, Beijing,

deemed as a Chinese city of 3000 years long history, resumes its “lost” glory and tradition under the “correct” governance and leadership of the CCP (National Statistic Agency, 1999, pp. 1-53). In some narratives, Tientsin’s decline is considered a “good” thing for the State’s common good (Yang, 2004).

Obviously, Beijing’s story of Tientsin is nothing else but a product of the insane imagination of nothingness through which Beijing discloses the non-being of its imagined past and the being (non-being) of its remembered future (not yet). The image of “old Tientsin” is nothing else but what Beijing creates for itself to justify what seems to it, “correct” disposition of things at present. Hence, by overwriting Tientsin’s past in the State’s discourse, Tientsin is persuaded to break with its own past and to accept its new function in the new epochal narrative, as a source of revenue from which the central budget of the Beijing government is financed. Under the new regime, Beijing grants upon itself a unique and advantageous position in the state system of regulating the allowance of financial resources, as well as in the power relationship with Tientsin. Beijing not only actively competes with Tientsin for domestic and foreign investment projects but also finances the regional competitors of the Tientsin port such as Tangshan. Even though Tientsin has even invited Beijing to run joint management of the Tientsin port, Beijing is still determined to deliberately marginalize Tientsin through the state planning of transport and logistic. Indeed, everything Beijing has done aims to burying Tientsin’s “historical role and economic function” as the center of the Bohai Rim region, which seems so obviously ready to hand. Or, more precisely, what Beijing (Jing-Jin-Ji) really desires is to stand out in juxtaposition with Shanghai (Yangtze Bay) and Shenzhen (Pearl River Delta) as a ternary structure for representing the Being of the Chinese State (Hendrischeke et al., 1999, pp. 195-196). Hence, Beijing’s governmental practice blatantly reflects egocentric rationality regarding whom shall be deemed as the “state” and who shall be deemed as the “non-state,” as well as, regarding whose interest shall be valued and whose interest shall be dismissed.

No matter whether or not the current Chinese State manifests itself as the expression of the interest of the classes of workers and peasants, it is important to see through this encounter of “new” Beijing with “old” Tientsin that somehow this reflexive knowledge sheds a positive light on our way to understand what actually constitutes the Being of the Chinese State. As such, the Being of the Chinese State is not so much a result of the collective mobilization of the entire State for the general good of all – that is usually a poetic imagery which a post-revolutionary discourse tends to accredit; Rather, it is an effect of a vast scheme and of a steady practice of disposing things towards certain ends and not others. It reflects a specific power relationship in which one being tries to control the conduct of others through various tactics. This



relationship produces, as the effects of power/knowledge regimes, exactly a dialectical division between being and non-being.

Table 1. 2. China's International Financial Centers from 1900 to 1975

Government (Capital)	late Qing (Beijing)	Peiyang (Beijing)	KMT (Nanjing)	CCP (Beijing)
North	Tientsin	Tientsin	Tientsin	
Center	Shanghai	Shanghai	Shanghai	
South	Hongkong	Hongkong	Hongkong	Hongkong

*Note.* compelled from Reed (1980).

*c) de-mythifying the Chinese State via analysis of Tientsin's financial being*

Now, if returning to the domain of money, banking, and finance, this correlative effect is more evident, and the Being of the Chinese state is even clearer. Under the late Qing government (1900 - 1912) and the Peiyang government (1913 – 1928), Tientsin was ranked as an important banking hub in Asia on an equal footing with Tokyo and Hong Kong in the hierarchy of international financial centers. Meanwhile, as the old feudal capital, Beijing was not seen by all measurements as being of the same significance as that of Tientsin, Shanghai, or Hong Kong, which mattered so to the international monetary order at that time (Reed, 1980). It is noticeable that the late Qing period demarcates a transitional point in the management of financial activities in China. Since the middle of the nineteenth century, dramatic historical episodes had led to the accelerating opening-up of China's domestic financial market to the global capitalist system that was characterized by the principle of *laissez-faire*.

Meanwhile, the “native” banks that had flourished in both Tientsin and Beijing for hundreds of years since the Ming Dynasty (1368-1644) started henceforth to face this great epochal mutation of epistemological order. By a series of strokes such as Boxer Rebellion (1899 – 1901) and the 1911 Revolution, or perhaps even more significantly, as a result of coming into conflict with the West, native banks that tended to concentrate in Beijing in their final years were gradually eliminated. By contrast, since 1902, “the Tientsin money market took a new appearance”; modern banks were established; and, native banks were eventually

re-organized by modeling themselves on modern banks (Ming, 2018, p. xi). All these were done according to the modernization principle that embodied itself in a new practice of government that had “the purpose of setting in order the money market and guiding it into the right path” (Ming, 2018, p. x). This new practice thus reflected simultaneously the exercise of power – Tientsin metropolitan viceroy – Yuan Shih Kai, and, at the same time, the normalization of new knowledge – that is to say, a rational division between the modern and native, the foreign and Chinese, thus, between reformation and restoration at the time (Ming, 2018). What is subsequent to this episode is thus an unpleasant story to the collective unconsciousness of Beijing. From the 1900s to the 1920s, Tientsin was undoubtedly the pivotal center in the national and international hierarchy of trade, investment, financial, and even government transactions. Together with Shanghai in southern China, the Tientsin City was directly responsible for running the management of the money market that involved both domestic and foreign investors. Since the late nineteenth century, the City, as opened to the world capitalist system, asserted itself upon the stage of the international financial market as being itself a natural center of such activity. By 1928, Tientsin’s banking market is tenfold larger than Beijing while representing 20,8% of “most important banks” in terms of capital, even though the city had actually suffered a significant loss in terms of the number of banks due to the coming to presence of the KMT government in the country. The KMT government moved “the massive state banks, like the Bank of China and the Bank of Communications, to Shanghai” (Escherik, 2002, p. 55). In 1931, the geopolitical uncertainty exploded into pandemic unease due to the Japanese invasion of Manchuria. From 1931 to 1935, the panic caused bank capital to flee from the north to the south. This episode was the final but lethal stroke to Beijing, so much so that it had accelerated the decline of Beijing – the disclosure of its basic nature – continued since the late nineteenth century. Nonetheless, Tientsin remained as an important hub of the financial network in China, even though the City’s international position was considerably weakened (Escherik, 2002).

However, if one attributes the coming to the presence of Tientsin as one systematically important center in the field of international finance to the dominance of Peiyang Circle – a group of political and military elites in China, one will fall immediately in old Beijing’s narrative frame (Escherik, 2002). It means that one is unconsciously directed to see China’s past through what the old feudal capital has schematized – that is a rationalized division of “good” and “evil.” Intriguingly, the Peiyang government is only one rare thing that represents a “bad government” to all three rivals in China – i.e., restorationists of the Qing empire, KMT and CCP, and Japanese militarists. So, according to Beijing’s own recounting of the episode, the financial rise of Tientsin would have largely resulted from three factors: a) the strong presence of foreign

capital in Tientsin; b) Tientsin as the center of the Peiyang Army military reforms; c) the concentration of capital of Peiyang Circle in Tientsin (Escherik, 2002).

It is quite easy to defeat this argument if one does away with Beijing's frame. As shown above, Tientsin has already established itself as one important traditional center of China's domestic financial network long ago. Meanwhile, as modernity came to presence in China, "the ascendancy of Tientsin as the trade and commercial capital of North China owed much to an expanded trade hinterland provided by five trunk railway lines. Between 1900 and 1912, the real value of Tientsin's export trade jumped more than eightfold, and its share in the national total export-import trade rose from 1.3% to over 1.6%" (Rawski et al., 1996, p. 28). Needless to mention that the industrial capacity of Tientsin City was as sizable as what should be regarded as "a provincial-level unit" (Field et al., 1975, p. 422). Even by the establishment of new China in 1949, Tientsin's industrial output was still considerably larger (almost fourfold) than that of Beijing and as the second-largest Chinese city behind Shanghai (Field et al., 1975). Regardless of years of state programs under the Beijing regime, it must wait another two decades until 1971, where Beijing finally surpassed Tientsin in terms of industrial output (Analysis et al., 1976). This trend of dispossessing Tientsin's economic capacity has been even continued into the early years of "open door" policy. From 1978 to 1994, the traditional centers of industrial production, such as Tientsin, Shanghai, and Liaoning, comparing to the other southern coastal provinces, had experienced a very slow pace of growth (Ying, 1999). Unmistakably, Tientsin, once China's international financial center, has been rendered now into the being of nothingness since the city's own nature represents exactly nothing else but the non-being of what ought to be qualifiable for representing the Being of the Chinese state in the eyes of Beijing.

However, it should not be mistaken that international trade is undoubtedly the key determinant of the formation of international financial centers and that Tientsin as a city enjoyed with a greater geographical superiority is certainly capable of making itself clear to disclose what nature it is to the international trade system (Poon, 2003). However, through this short analysis of the power relationship between the old feudal capital and the modern capitalist metropolis, what can be apophatically ascertained is that, compared to Beijing, how Tientsin perceives the international monetary system does not matter to the present Chinese State. Indeed, there is no proof to support that the state-steered and -permeated concentration of capital in Beijing as what it is yet would make it become a global financial center as a natural-historical given accredited by its self-justifying narrative. However, its practice underway is clear evidence that Beijing wants a return to the Being of the Chinese State. It also should not be mistaken that solely Beijing itself

would represent the Chinese State. Chapter five will discuss again the triadic structure of Beijing, Shanghai, and Shenzhen as what constitutes the Being of the Chinese State. Indeed, it is their perceptions that matter. Their reflections on an issue are being appreciated. Hence, an imagery or a strategy will be constructed around the narratives which they recount. Thus, the Chinese State manifests a special synthesis of truth, power, knowledge, and, after all, a specific practice that enables certain but not others to think out their own positions on complex issues. The State is just an instance to reflect on their values and opinions. It is especially true in the field of international finance, because international monetary order means unevenly to the Being and the non-Being of the State.

### **1.5) The conventional interpretations of the State's perception in IR**

Suffice it to say, states can perceive themselves, others, and structures. As regards the liberal international monetary order, there has been a widespread perception among developing countries about financial globalization that produces economic instability and insecurity, rather than which reduces the volatility of consumption or improves international risk sharing, according to an IMF report (Kose et al., 2007; Bibow, 2008). In a CNN interview with former Chinese Prime Minister Wen Jiabao in 2008, the Chinese statesman expressed his government's concern about the global financial crisis and an eventual US economic recession, which would create by consequence severe impacts upon the Chinese economy. The interview interrogated the Chinese statemen about how he saw Sino-American economic relations and the U.S.-led international monetary order. It was obvious that China did not expect a total collapse of the US economy, as the Premiere put forth "if the financial and economic system in the United States go wrong, then the impact will be felt, not only in this country but also in China, in Asia and in the world at large" (CNN, 29th September 2009). However, in contrast to this first intuition about China's perception and intention, according to some researchers, the discourse and practice of the Chinese State in the past recent years showed that the erosion of US hegemony, in Chinese leaders' view, has provided strategic opportunities for exploiting the existing international order pragmatically (Schweller & Pu, 2011, p. 52). Although it is disputable whether such a scholarly assumption is tenable, these findings still have reflected the significance of perception in international affairs.

In the theoretical literature, regardless of different schools of thought, all theorists agree that perception matters as one of the critical determinants affecting state behavior (Jervis, 1976; Waltz, 1979; Gilpin, 1981;

Wendt, 1999). For realist theorists, depending on their theoretical stances, state actors can perceive quite accurately, either or both, the structural constraints of the international system and the roles of the other states in the international hierarchy of prestige without any ideational interference. In other words, the State's perception is a direct product of systemic processes. As soon as the international system's material structure is coagulated, the State's perception can hardly be changed. This perceptual immediacy, as an underlying cognitive postulate codified in the realist paradigm, contributes then to its materialistic explanation of state action.

For liberal IR theorists, political actors such as the state or its governmental body (the government) can also perceive where and whether they have any interests in common or in conflict. Subsequently, these perceptions thereof determine their policy behavior. In comparison with what is conceived in the realist paradigm, the state's perception is regarded herein as a product of interactive processes between state actors without perceptual bias under the neo-liberal institutionalist paradigm, once the games/interactive systems of different types attain the stable states of equilibrium. Their beliefs and perceptions of interests are adjustable via learning and memory (Keohane & Nye, 1977). Hence, the neo-liberal institutionalist paradigm also encodes an axiological belief into an implicit postulate that the state's perception is a direct result of the meticulous calculation of the symbolic values in objects and situations (Sahlins, 1976, p. 169).

On the other hand, for social constructivists, the liberal and realist theories only present an incomplete description of the structure of an international system and an insufficient explanation of the state's behavior. Instead, an international structure consists additionally of the distribution of ideas such as knowledge and norms. Thus, the state's behavior depends on its perception of three different structures that reflect the distributions of power, interests, and ideas in an international system (Wendt, 1999). It is clear that the social constructivist paradigm embraces openly scientific realism as its guiding philosophy. It means that it accepts the existence of a mind-independent world. However, social constructivists do not agree with the epistemic realists that objective reality determines the object's perception. Instead, it is only perceived objectivity that exerts effects on behavior. It is the extent to which perception corresponds to reality (perception of incongruity) that affects the behavior choices that actors may make (Wendt, 1999).

So, akin to what Kuhn believes, all observation or perception is theory-laden under the social constructivist paradigm. Perception or observation is meant to depend upon the ontological assumptions one would make

about oneself rather than about the objects at issue in an inquiry, such as international monetary order, in particular when such an object does not grant any direct perceptual access for observers. Noticeably, it is all the same for any kind of observer, and no matter whether they are individual researchers or collective organizations such as states. In such a situation, what ontologies one may formulate thereof condition then one's perceptions, and inevitably influence the content of the substantive theories one would formulate (Wendt, 1999).

Meanwhile, as what is officially adopted into the social constructivist paradigm is, in fact, an idealist ontology, state interests are then considered to be made of ideas or beliefs that reflect a hierarchy of preference. Therefore, state actions are, in effect, structured culturally and regulated discursively. Social constructivism also suggests that states have collective cognitions. This metaphysical supposition has been taken for granted as an accepted fact under the social constructivist paradigm, according to which states are regarded as somewhat social facts that are collective representations of the collective consciousness or group mind (Wendt, 1999). Here, collective representations, as a sociological concept used in the social constructivist paradigm, are macro-level structures that have their logic and life, which are irreducible to actors' perceptions or behavior. In the meantime, ontologically speaking, the existence of these social structures depends upon the instantiations at the micro-level, therefore upon the ways in which actors perceive one another and choose to interact with one another, for example, the patterns of amity and enmity. Hence, the logic of these collective representations here also depends on Ego's perceptions of the Alter (Wendt, 1999).

This cognitive proposition of how actors perceive the world is important in explaining their actions is somehow trivial. It is notwithstanding admitted under the social constructivist paradigm. However, given the social constructivist paradigm adopts a metaphysical stance of structuralism and holism, it suggests that these social structures have then effects of shaping identities and interests. Moreover, what condition these effects are discursive formations – distribution of ideas in the system – and material forces (Wendt, 1999). In the meantime, owing to the ontological commitment to idealism, social constructivism has chosen to deploy the schema theory to hypothesize perception. It means that schemata play a more important role in shaping perceptions and explaining actions. Thereby, what social constructivists actually believe about the correspondence between perception and reality is that the former does not directly reflect the latter (Wendt, 1999).

Hence, the cognitive postulate, which is implicitly encoded into the deductive framework of the social constructivist paradigm, is actually that belief systems shape perceptions (Wendt, 1999). And perceptions are mostly learned through socialization to culture, rather than through interaction. For example, the reasons, why some states choose to act as a status quo power and the others do not, cannot be really inferred by the realistic explanations as somewhat the instinct desires they must pursue, such as the codified material need for security, stability or power on these rationalistic paradigms; Nor can they be fully informed by the patterns of their interactions in the past. Instead, some states prefer the status quo because of “their perceptions of the international order and their place within it as desirable” (Wendt, 1999, p. 124).

Unlike the ways these international relations theories treat the perception as the signals or meaning that unitary actors learn through either interactive or intersubjective processes at the systemic level in an aggregate manner, it is more cautious about the State’s perception in political economy scholarship. Because the latter considers that the State has its own logic and interests that do not necessarily coincide with the interests of the dominant class or groups. The growing heterogeneity does not permit any longer a conventional, holistic argument on the State, its government, and its perception. Rather than an aggregate of perceptions by the full set of member groups in the polity, the State’s perception reflects the meaning which one prevailing faction ascribes to the conjuncture of circumstances that occur at both domestic and international levels. After all, the government (the governmental body) of the State is merely one special kind of social organization, a particular group of individuals, made of the real flesh-and-blood men. They can be virtuous and corrupted, especially when their practice will directly redistribute power and wealth in the whole country. Thus, to understand the State’s perception of a particular object, it demands a deeper investigation into the epistemic backdrop that sustains the justification of its beliefs, and a closer study on various international and domestic structures. Before doing it, it is necessary to analyze the functional relations of analytical tools such as *paradigm* or *discourse*, with *perception*; and thereby analyze the metaphysical foundations that underly the theories about the State’s *aesthesis*.





## Chapter II

### Some Metaphysics on Perception, Knowledge & Discourse

#### 2.1) Introduction

In this research project, perception is what connects the Chinese state and the international monetary order. This chapter will attempt to establish the connections between perception and order through an in-depth philosophical discussion to explore how *perception* becomes problematic when one attempts to theorize the perceptual relation between different levels of structure. This exploration will show how perception has been subject to various conceptualizations in different philosophical schools. Particular attention will be paid to the realistic relevancy of the Foucauldian approach to this research project for it systematically articulates all aspects such as perception, order, culture, discourse, economy, institutions, and society into one interconnected ensemble – one thinkable structure that also has its merits in positivistic terms.

#### 2.2) Relations of *perception* with *reality*

In terms of theoretical significance, *perception* – as a psychological concept – is unquestionable in the fields and subfields of social sciences. Its conceptual capacity involves human's understanding, imagination, memory, and action in the world. And its theoretical implications are much more profound than the other concepts under discussion in this project, such as *paradigm* and *discourse*, for not only sciences but also philosophy. It is a much older notion than the other modern analytical constructs and positioned at a much deeper level in the entire architecture of human knowledge.

Basically speaking, such modern analytical devices as paradigm and discourse are all grounded on some specific theorizations of *perception*. Hence, it should first and foremost ask a “positivistic” question here, what relationship (how) does such a potent concept – which has been employed in various approaches to knowledge – retain with *reality*? Herein “reality” is “real” just because it is what is. As this question

concerns the relationship of perception with reality, it then recalls an old metaphysical question, what can we know?

a) realism vs anti-realism

In general, there have been two kinds of answers, which many philosophers have suggested throughout history, to this ontological inquiry of nature and the possible limit of human consciousness. And, their arguments can be categorized into two metaphysical camps – realist and anti-realist. The demarcation line that separates these two worldviews is very clear. Philosophically speaking, in the first instance, when a subject denies the existence of any objective reality “out there,” it is then safe to say that he is an anti-realist, akin to George Berkeley (1685 – 1753), whose famous dictum is “*esse est percipi*” [“to be is be perceived”]. According to this view, the experience of human consciousness is empirically determined. Like a *tabula rasa* or a receptor of exterior stimuli, the human mind can only know the world through feeling and sensible experience, which will never allow humans to reach the exactitude of things-in-themselves. As such, radical empiricism or absolute idealism then codifies this denial of a mind-independent world.

On the other hand, being a realist will resolutely lead to the denial of the claim that nothing such as signifiers, realities or universals can exist outside the mental world of human experience, like René Descartes whose canonical formulation, “*ego cogito; ergo ego sum*” [“I think therefore I am”]. Contrary to the skepticism of radical empiricism about a mind-independent world, Descartes argued that one must know one’s existence is real, given that one’s mind is capable of doubting one’s own existence. In the meantime, the existence of one’s mind is also guaranteed, even though it is empirically improvable (Uttal, 2011). Thus, for Descartes, the ego’s perception is to grasp the ego’s feelings in the presence of things-in-themselves “out there.” However, in the view of Cartesian rationalism, perception is not a reliable way of obtaining knowledge. Because what the human mind perceives through the organs of sense is “in many instances, very obscure and confused” (Descartes 2008, p. 116). It is *ratio* that corrects *sense-perception* in cases of disagreement or conflict between the two faculties – i.e., reason and perception (Leob, 1990, p. 3). Akin to Descartes, Baruch Spinoza propounded that “it is reason that settles the conflict between dogma and reality” (as cited in Imaben, 2003). In this worldview, reason is believed to be capable of revealing the nature and structure of the universe. It is the immense potency of reason that enables humans to “understand the universe as a system, through the use of models and idealizations, and thereby to grasp the eternal truths” (Dea 2007).

Hence, the rationalist agenda is to elaborate a universal method that will allow human to make the best use of reason to create a *mathesis universalis* – i.e., a universal science that will make human “masters and possessors of nature” (as cited in Ribe, 1997). As such, the rationalist/realist project is thereby grounded on the idea that it exists a universal order entirely accessible to the faculty of reason, through which all phenomena can be explained by uncovering the invisible laws that regulate them. Thus, according to the rationalist worldview, all true and certain knowledge must come through reason and reasoning, which is thereby independent of sense experience. In other words, perception, under the classical rationalist paradigm, is therefore not simply equal to the feeling generated by the organs of sense but becomes an intellectual activity – interpretation in virtue of reason that performs the function of organizing and inferring immediate sense-data of the external physical world, from which knowledge of the corresponding reality is so constructed.

However, these two philosophical answers to what humans can know were not satisfactory enough for the other ambitious thinkers like Immanuel Kant to stay content living with either of these two worldviews. Instead, he had presented his own version of idealism – a famous refutation that opposes realism by extending classical empiricism and criticizing Cartesian rationalism (Mulder, 2015; Kant, 2011). His philosophy was skeptical of the omnipotent faculty of reason, which rationalist posited as sole means capable of penetrating all mysteries of nature. Instead, he admitted the empiricist idea that human knowledge mainly comes from the experience of the sensible world. He then developed it further by synthesizing the rationalist idea that reason is yet capable of knowing some important truth that is, however, confined within the realm of mathematics. Therefore, Kant argued in a way similar to Nicolas Copernicus that it was necessary to rethink this relationship between object and subject; and to recognize that it is the mind of the cognizant that actively participates in the creation of the world that the cognizant experiences. Hence, the real nature of the object, such as the “Ding in Sich” (the [“thing in itself”] or noumenon), will remain eternally unknowable to human – only knowledge of its appearances is possible (McCormick, 2014). So, perception of the world is actually what the mind provides to itself as a systematic structuring of its representations. Scientific knowledge is then systematic knowledge of the representations of things as they appear to the subjects rather than as they are in themselves (Mulder, 2015). In short words, perception is not reality, due to the invincible unknowability of reality. Perception is simply what the mind understands (cognition) and feels (sensation) about its surrounding world, and it is just a proof of the existence of the things-in-themselves (McLear, 2015).

Indeed, in Kant's epoch, this *via media* (middle way) as a third road which his transcendental philosophy provided was of great service to the refinement of "Wissenschaft" ["knowledge"] against cosmological, theological and psychological speculations in his epoch. However, under today's perspective, his system of beliefs rather prohibits than encourages scientific inquiry into what lies outside the sensible world. Because for him, any kind of metaphysics is impossible. The inquiry of this kind was regarded as metaphysical speculation that would inevitably give rise to illusions or misperceptions. It is noticeable that, in Kant's days, experience and science as two closely cohered spheres were not so much distinct from one another. There was not too much distinction between what it appears to be and what it really is (no one had an electron microscope in the eighteenth century). Moreover, the questions regarding non-experienceable objects such as God, the soul, and the universe remained largely inconclusive, even mysterious. For example, since time and space were accorded the transcendental status, Kant believed these cosmological concepts were absolute. However, modern science informs that, as Albert Einstein has proven, even time and space are not *a priori* but *a posteriori*, dependent upon experience. They can indeed become objects of the physical inquires, and thus be subject to change and observation because both time and space depend on the observer's motion state – on the observer's reference frame (Bloss & Keinknecht, 2016).

In fact, in the twentieth century, unlike what had been in the eighteenth century, not only the universe but also the soul and God became the objects of the scientific discussions. Then, it may seem like an unfair criticism of Kant's idealism for that the change of epochs has correspondingly rewritten almost all branches of science since his time onward; and that the prodigious advancement of human knowledge about the human self, the world, and the universe has made his ahistorical claims untenable, although he did not explicitly deny the existence of a possible reality (Lawler 2014). After all, even Kant's transcendental idealism cannot escape from the changing epochal conditions that are sovereign over the epistemological configuration of time and motion. With the time passing, unknowability is no longer the warrant for all that he considered immune to be historized.

Furthermore, according to the realist account of perception, what is perceived is reality. At least, the ontological status of the world is unnecessary to be regarded as an intelligible constraint on the human mind's capacity to read the world. If the mind has so far received a myriad – even conflicting – images of what exists "out there," it is simply because the question of what is real "out there" depends on the observer's subjective interpretation of reality (Baker, 2016). However, this subjective judgment does not alter the fact that the subject exists as "being in the world," not as "meaning in the consciousness of the

world.” Thus, the verification of what is real is of epistemological concern rather than of ontological concern for the perceiver.

b) modern realist accounts of perception

The famous twentieth-century philosopher, Henri Bergson (1911) pointed out that metaphysicians from Plato to Kant had an obsession of seeking for a coherent, true, and absolute reality in itself. Instead, he argued that the matter is “an aggregate of images” rather than “an aggregate of sensations.” And perception is a selection of images of the world through the process of subtraction from a totality (Bergson & Mullrkey, 2002, p. 354). As such, Bergson offers an utterly realistic account of perception in the sense that what the perceiving subject responds to is not some impression of the world that has been transformed into a subjective mental image. Instead, the perceiving subject selects images of the world already “out there,” as modern physics informs that color is light reflected off of objects and then absorbed by the organs of sense (Brown & Stenner 2009, p. 140). So, the image exists already outside the human body; and perception is, therefore, “in” matter (Trifonova, 2007, p. 229). It is then safe to posit that perception is reality.

By filling the rift between knowledge and reality with images that are themselves matters, Bergson’s approach of perception and reality came to circumvent, even rendered unnecessary, Kant’s Copernican Revolution. The perceiving subjects or living beings, who are also images as parts of this infinite material realm – the universe, suppress all parts of the objects that are of disinterest for them. Thus, perception actually rests on a great surface of images that reflect remoteness, infinity, and profundity of the cosmic background. Through the act of perception, the subject selects a finite number of options from an infinite number of images. The mind simply chooses one image from what is provided by the act of perception (Rubin, 1996).

According to the phenomenological account of perception, what is perceived is real. In an intellectual affinity with Edmund Husserl, Merleau-Ponty (2002) made a strong assertion that “we must not, therefore, wonder whether we really perceive a world, we must instead say: the world is what we perceive” (p. xviii). It is to say that experience is not a register of different states of consciousness or the mere correlative of knowledge. It must be recognized as a certain fact that the perceived reality exists in the mind-independent world. “Perception owes nothing to what we know in other ways about the world” (p. xviii). By the act of perception, a perceptual field is opened up against a surface in contact with the world, which is presented

to the perceiving subject as a reconstruction of the world. In short words, perception is the restructuring of reality.

Heidegger considered that perception is the experience of concerning with how *things-in-themselves* present themselves to *Dasein* (Hass, 1988). In other words, perception is not mediated by any mental representation but direct and non-representational (Wrathall, 1998). Similar to Bergson's account of perception, he also agreed that "every perceived object is perceived as having some significance or value in relation to the perceiver's life" (Smith, 2005, p. 106). In Bergsonian words, the image of object must be of interest to the perceiving subject. Heidegger also suggests that "no perception is possible in the absence of some 'affect' relating to the object" (Smith, 2006, p. 106). It is also to say that perception is yet capable of recreating reality. However, it is impossible to make reality out of only raw mental states deprived of any contact with the external world.

### **2.3) Relations of *perception* with *truth***

So far, so clear, whether what is perceived is real is no longer an ontological question in suspense. Then, it must cede to another fundamental question, the answer to which sustains every system of beliefs or regime of truth, whether what is perceived is true? It is a question on what concerns the epistemological structure of knowledge and the experience of the perceiver's life.

#### a) modern accounts of truth: Bergsonism & Phenomenology

Indubitably, perception is reality; nevertheless, what is real is not tantamount to truth. According to the rationalist account, truth is the product of human judgment. Descartes argued in the *Second Meditation* that it is the faculty of understanding capable of knowing, distinguishing what is true from what is false, and conceiving things. When cogito perceives, it is his judgment that structures all that appears to him and attributes to the real, its meaning of truth. So, judgment works as an intellectual operation that enables the perception/apperception of an object – i.e., the apprehension of its meaning in the presence of the object. Thus, it is human judgment that underlies the truth and the unity of perceptions.

Interestingly, in Bergson's analysis of perception, "the eyes see only what the mind is prepared to comprehend" (as cited in Dake, 2012). It is to say that the perception of reality does not prevent artificial images (false beliefs) such as hallucination and illusion from arising into the mind. On the contrary, they may arise, especially when there is an unidentified incongruity between the perception of images and the recollection of images. The latter resembles the former in great detail. Meanwhile, perception can develop images, even artificial images, under the direction of the mind. However, these illusions are connected with real facts. When the images of the absent objects persist and remain in mind, it does not mean that these mental phenomena are sufficient for the production of images. It is the external objects, among the images of which the interesting ones give birth to perceptions. And then actions are made ready. Thus, in the Bergsonian language, truth is an artificial product of the perception and the mind. And they consciously preside over action and enlighten choice. So, the perceiving subject selects images. Its mind makes a choice – even the result of which can never reconstruct the complete image of reality. As Albert Einstein – Bergson's contemporary physicist – argued, perception is the reality of a mere "illusion albeit a very persistent one" (Einstein, 2006). In other words, an artificial image must contain the true parts of the whole reality that is nevertheless infinitely greater than any human perception.

However, the synthesis – a mind-independent reality but an image-dependent truth – is precisely what is unthinkable in the Kantian discursive regime. For Kant, the subject is the condition of possibility for any possible experience of reality. Before any description of the empirical world is possible, there must be a thinking subject who is aware of his own existence and can apprehend it (Merleau-Ponty et al., 2007). In so reasoning, the whole world rests upon the pre-existence of a "necessary unity of consciousness," which is, beyond any individual one, a transcendental intersubjective consciousness (Elliot, 2004, p. 96; Harré, 2004). In retrospect, the world is nonetheless reduced to some mental representation, as Kant claimed that "we can only know the presentations that we make of things but never 'Das Ding an sich' – the thing in itself" (as cited in Quiroga, 2017). Thus, the corollary of this transcendental deduction presents then consciousness or the unity of consciousness as that without which the world would not exist. Any individual subject is only meaningful through developing a *weltbedeutung* of himself as similar as a "word" in the ocean of all "what is said."

Edmund Husserl, the founder of the modern phenomenology, criticizes the Kantian idealism. To him, Kant has performed a metaphysical reduction of the "world as totality" into the "world as meaning." This hypermental representation resides in the intersubjectivity – the shared understanding or value by every

individual consciousness. It presupposes that nothing exists beyond the exterior of intersubjectivity, neither reality nor truth (Merleau-Ponty, 2002). In opposition to Kant's thinking subject, and from a phenomenological perspective, "the true Cogito does not define the subject's existence in terms of the thought he has of existing, and furthermore does not convert the indubitability of the world into the indubitability of thought about the world, nor finally, does it replace the world itself by the world as meaning. On the contrary, it recognizes my thought itself as an inalienable fact and does away with any kind of idealism in revealing me as 'being-in-the-world'" (Merleau-Ponty, 2002, p. 51).

So, in phenomenological language, the Cogito precedes, in fact, any revealed truth or error. Perception (*Wahrnehmung*) is an act of placing a particular belief in the world – of attaching a specific faith, "at a stroke, in a whole future of experiences, and doing so in a present which never strictly guarantees the future." Therefore, perceptual truth always stands against the background of absurdity – an absurdity which so many doctrines, dead or living, claim to be able to convert into truth or to formulate as a thesis (Merleau-Ponty, 2002, pp. 343-346).

Indeed, phenomenologists concede the pre-existence of one sole "Logos of the aesthetic world" (Merleau-Ponty, 2002, p. 498). However, the Logos has not so much to do with everyday themes and life, for which "relative truths and evidences suffice" (Husserl, 1982, p. 12). However, science, which claims to unveil the veridical structure of the Logos, is far from attaining actualization of a system of absolute truths. In fact, what is true has been modified repeatedly in the various forms of systematization of scientific knowledge throughout epochs in human history. This ever-changing structure of knowledge pursues the absolute truth through "an infinite horizon of approximations" (Husserl, 1982, p. 12). Thus, science involves an order of cognition, chronologically from the earlier ones to the later ones. Nevertheless, these cognitions, unlike what idealists believe, have their real "basis in the nature of things themselves," not just in the mental representations of them (Husserl, 1982, p. 12).

As such, Husserl and Merleau-Ponty actually claimed that it is the human conception of truth which underlies the reconstruction of reality as what is perceived. In his words, the human idea of truth is always grounded on the perception of reality, which can be described by human knowledge of the real. That is to say, human perception, in an endless process of restoring the absolute truth, produces, however, its own concepts of truth. This belief of truth helps to know the difference between imaginary and real. According



to phenomenologists, philosophy is like art, the act of bringing truth into being. Their philosophy then throws light on how to distinguish what is real (reality) from what is unreal (dream). It is very easy to tell the difference between these two phenomena, owing to the fact that such distinction is already made prior to undertaking any analysis. “It is because I have an experience of the real as of the imaginary, and the problem then becomes one not of asking how critical thought can provide for itself secondary equivalents of this distinction, but of making explicit our primordial knowledge of the ‘real,’ of describing our perception of the world as that upon which our idea of truth is forever based” (Merleau-Ponty, 2002, p. xviii). Thus, the perception of what is real or unreal provides the epistemological basis upon which certain beliefs of truth are built.

Heidegger also disagreed with Kant’s view that “what is perceived by the senses is unreliable and that human understanding can only be gained through systematic theory-building” (as cited in van Deurzen & Kenward, 2005, p. 100). For him, perception is an intentional act that directs oneself towards the noumenal realm without any sort of representational mediation. Certainly, his theory of perception also refused the intermediacy of any mental schema between the subject and the object. However, in contrast to Kantian idealists and other phenomenological philosophers, he further made an even stronger assertion regarding the potency of perception that “perception is always true” (as cited in van Deurzen & Kenward 2005, p. 100). In other words, what is real is always true. However, such a strong affirmation of a so easily accessible truth through perception, which also presumes an infallibility, makes his theory dubitable and thus open to reexamination.

Some reviewers interpreted his statement as “if the thing being looked at is looked at properly, it can only be perceived in that way” (as cited in van Deurzen & Kenward, 2005, p. 100). However, subjective perception cannot assuredly guarantee the bringing to light of the hidden truth in all cases whatsoever. In fact, Heidegger’s esoteric phenomenology tends to confound the ontological problems (what is real) and the epistemological questions (what is true). It is then necessary to revisit the polemics on *aletheia*, *logos*, and *physis*.

#### b) Polemics on truth, discourse, and being

Akin to Husserl, the first received definition of *logos* was understood by Heidegger as speech – i.e., a “discourse” by which human beings stand in a dialogical relation with the world – “the discourse that lets

things be seen as they are” (Burik, 2018, p. 130). So, for him, *logos* initially means “to make manifest what one is talking about in one’s discourse” (as cited in Corrigan & Farrell, 2009, p. 264). In general, he intended to show that it was by speaking about something to bring something to light. Thus, *logos* enables perception and directs the way to see what is talked about – to see what is uncovered by the act of speaking about what it is. This act of speaking is then related closely to the ancient Greek notion of truth – “*aletheia*” – which means literally “not concealing” or “not forgetting.” Through the *apophantic* function of Logos, things can be seen as what it is (the real) or as what is indicated by the most authentic speech (the true). So, it is obvious that the antique Greek word *aletheia* indicates simultaneously two modern notions, reality and truth.

However, Heidegger was not content with the traditional meaning of *logos* received in the western philosophical thought. He had undertaken an archaeological excavation of the antique Greek language based on the ancient texts retranslated for unearthing the “true” meaning of the ancient Greek concepts, including *aletheia*, *logos*, and *physis* by himself. After the *Sein und Zeit* [Being and Time] of 1927, it has been observed in the development of his philosophy a fatalistic tendency in terms of ideology, and his discursive strategy became even more obscure and radical from then on. So, his main work consisted in searching for the most originary meaning of *aletheia*, *physis*, and *logos* in the epoch of pre-Socratic Greece. Conventionally, these concepts were usually interpreted as truth, nature, and discourse. However, for him, all of the standard understanding of the term *logos* are either wrong or unhelpful (Wisnewski, 2008). The ancient concepts such as *aletheia*, *physis*, and *logos* should be reinterpreted as “unthought truth,” “Being,” and “gathering.” Whatsoever he tended to express, it was rather clear here that Heidegger had deployed a very specific discursive practice which consisted in “recovering” the alternative ways of apprehending these ancient Greek terms by privileging one definition over another.

For example, for Heidegger, the real or originary meaning of *aletheia* was obliterated because of the romanization and christening of this Greek word into *veritas*. Then it underwent the modernization into *certitudo*. However, originally, *aletheia* can be literally translated as *un-concealment* and *un-oblivion* in pre-Socratic Greek. However, instead of choosing the usual definition, “un-concealment,” Heidegger privileged “un-oblivion” (Caputo, 1993, pp. 23-24). The result of this practice then induced a renewed understanding of some individual words and a deconstruction of the fundamental ontological structure of the known history in which these terms played a significant role.

On the other hand, Heidegger believed that *modernity* had led the Western tradition to a dead end – the complete lack of need to think about Being – a radical “oblivion” of all, due to “all the ease, efficiency, and power that come from dominating beings” (Caputo, 1993, p. 20). It was a *mythos* – a millennium plot deemed by him – to destroy man, nature, and the gods – the fundamental ontology of Being, the authentic world, and the absolute *Seyn*. Therefore, “the history of ontology is to be deconstructed down to its roots by showing that, regardless of the sorts of things that are said about Being overtly, every historical ontology is covertly committed to a temporal account of Being. *Dasein* has grown up in a tradition to which it has fallen prey so that the ‘primordial sources’ of that tradition have been blocked off. Thus, this tradition must be destroyed ‘down to’ its original experiences” (Caputo 1993, p. 11). However, Heidegger’s philosophical system may not hold up under the predominance of the *Logos* defined as Discourse. In this case, not necessarily may perception be always true, due to the always possible misinterpretation of Discourse by human beings.

c) Heidegger’s discursive technique and its theoretical implication for the role of perception

However, if *logos* and *physis* are also redefined like *aletheia*, then not only would it make his theory of Being more coherent, but also the entire structure of the western philosophical system could be reconfigured thereby. It is precisely in such a subversive endeavor in which lay Heidegger’s ambition – an ambition to conjure the fundamental ontology, which gave rise to all other ontologies and had the deep purpose of bringing to presence the most originary way of life for all beings. In so doing, it was supposed to uncover the forgotten Being of *Dasein*.

Usually, *physis* is understood as nature in modern times (Harman, 2011, p. 107). However, for Heidegger, *physis* qua nature leads nevertheless to a nuanced ambiguity so that it seems to refer to the notion of essence. For example, this sort of interpretation can be found in the expression of “the nature of the universe.” In other words, it means here that “*physis* is the essence of things that have within themselves the principle of movement” (Adam, 2001). In this sense, *physis* represents that which functions or grows by itself. Therefrom arises the modern concept of nature. In so reasoning, this self-governing nature must follow some universal laws or cosmic principles that are traditionally understood as *Logos*, effecting the order of all things – the laws of the universe (Thiry, 1981; Liu 2008). In this sense, *logos* can be interpreted as reason and its logical and ideational expression. Thereby, *Logos* signifies the universal truth about the world (Hoffman, 2006).

However, Heidegger added a different interpretation of *logos* and considered it as gathering or re-collection. Because the Greek verb, *legein* (therefrom derives *logos*), means both “to say” and “to gather.” In fact, Heidegger thought of “*logos* as how Being functions as ground, in the sense that Being grounds beings, but also in the sense that beings ground Being.” Then, *logos* could be interpreted as the gathering of all beings into one (Burik, 2018, pp. 28-29). Meanwhile, according to Heidegger, the modern concept of *physis* also deviated so much from its originary meaning that was not what had been understood as “nature” in the modern age. *Physis*, for him, conveyed multiple meanings. Above all, *physis* was derived from *phyein*, which means “to grow,” “to produce,” “to appear,” “to shine.” Obviously, it was the meaning of “to grow,” which gave birth to the modern interpretation of *physis* as nature (Trevvarthen, 2016). Then, in the second place, “*physis* is Being itself, by virtue of which beings first become and remain observable” (Van Camp, 2012, p. 48). As such, the meaning of *physis* extends beyond the traditional representation of the realm of natural things. Because, in Heideggerian language, Being is the existential condition that concerns Dasein, and Dasein refers to the ontological description and interpretation of human being in the world (Kisiel, 2014; Yu, 2014). Third, *phyein*, as well as *physis*, also could mean “to shine,” “to appear.” As such, *aletheia* and *physis* both contain the same message, “emerging into presence from concealment.” So, he believed that he had recovered an obliterated relation between *physis* and *aletheia* – “the early saying of Being as *physis* (as *aletheia*)” (Capobianco, 2014, p. 50). Hence, *aletheia* was what *physis* had produced and reflected the order of *meta-physics*.

Under the discursive surface generated from Heidegger’s occult jargonization of metaphysics – the ontology of Dasein – the theory of the Being-in-the-world, the message that he wanted to reveal and conceal at the same time is as such: *logos* as the originary “gathering” consist of beings, by which *physis* could emerge as one unity – Being. Meanwhile, it was precisely in this state of gathering (*logos*), the common identity of beings emerged against the other antagonists (who are the other different beings) that, nonetheless, rendered the Being of beings (*physis*) manifest. For Heidegger, “what is established according to rank is the stronger ... Because existence is *logos*, *harmonia*, *aletheia*, *physis*, *phainesthai*, it does not manifest itself in just any way. The truth is not meant for everyone, only for the strong” (Farias, 1989, p. 225). So, beings who belonged to the *logos* were gathered together into the order of *logos* as *physis*. Thus, the strong makes *aletheia*, and *logos* is the order of the beings who prevail in presence as *meta-physics* (Farias, 1989).

d) Heidegger & Merleau-Ponty: two political phenomenologists

In the *Letter on Humanism* of 1947, Heidegger defines Human existence or Dasein as essentially “standing out into the truth of Being.” Due to this infinite openness, perception is always open to the discourse of presence. The mode of human existence is granted a decisive power in determining the boundaries of the discursive field of Being. As such, perception is not merely what is received by sense organs. Instead, as beings are already situated in the discursive field of Being, perception is always attuned to and directed to what Being conceives as truth.

It is not of interest in this project to expound Heidegger’s philosophical kinship with National Socialism. However, it was rather clear that Heidegger’s thinking, especially his reinterpretation of the ancient Greek philosophy by the occult jargonization, had undergone a consistent radicalization towards the ideology of National Socialism (Farias, 1989). For him, perception is simultaneously true and real, owing to the interpretation that “as a form of truth (clearing), “technology” is grounded in the history of metaphysics, which is itself a distinctive and up to now the only perceptible phase of the history of Being” (Derrida, 2016, p. 53). It is the logic of the prevailing Being that constitutes reality and chooses the form of technology to deploy for bringing forth its truth. In other words, truth is what Being produces. Without technology, simple perception is ineffectual regarding truth.

On the other hand, Merleau-Ponty was also actively engaged in postwar Europe’s leftist movements and provided another form of jargonization. For him, “proletariat is universal *de facto* ... the sole authentic intersubjectivity because it alone lives simultaneously the separation and union of individuals” (Breugh et al., 2015, p. 64). It was supposed to provide the necessary means to bring about a classless society. Nonetheless, he remained critical of Marxism, arguing that Marxist solution to the problem of human coexistence is a failure. Because, unlike identity in difference, being, like being, is still what characterizes the ternary arrangement of the proletariat, the Party, and the leaders. In a similar fashion, he also argued that “historical truth emerges from the movement of creative expression whereby the Party brings the life of the proletariat to explicit awareness, which requires, in return, that the working class recognizes and understands itself in the Party’s formulations” (Toadvine, 2016). In other words, truth is an artifact of creative art by who remains in presence.

In this sense, Heidegger and Merleau-Ponty stand in diametrical opposition to Husserl in the realm of phenomenological philosophy. For the former, their philosophies consist in recovering the fundamental ontology of Dasein for providing beings the ways to regress to its strong unity – Being or to the origin of truth. Truth and *logos* would be made thereby. In other words, *logos* are not considered the primary site of truth. For them, it is in the regression from the metaphysics of presence to the originary life of Being to seek the truth of truths. However, for the latter, Logos is a pre-existing source from which emerges an absolute truth about the nature of the world and human being. It is therefore desirable for human to approximate truth through phenomenological inquiry. Thus, phenomenology aims to compete with natural science and to provide better insights about the human being itself and the natural world. It is in the progress of human understanding of the objective world and human self that one must pursue the knowledge of truth. On this road of forward approximation, human perception of truth is thereby subject to possible failure due to its deviation from the genuine truth, unless a pure perception of the object is possible because it does not activate any a posteriori judgment owing to its straightforwardness and singularity. Otherwise, any *aisthesis* (perception) will entail certain judgments of what is perceived on the part of the observer.

#### 2.4) Knowledge and Being

##### a) What is knowledge?

Two other terms are also worth bringing to the fore, which are *episteme* and *techne*, for they pertain to truth, discourse, and being. *Episteme*, understood as knowledge today, stems from the verb *epistasthai*, which means “to learn, to know how to do something” in the ancient Greek language. For Socrates, *episteme* could mean “knowledge in general” or “a field of knowledge” simultaneously. For example, estate management (*oikonomia* - *economy*) was the name of a type of *episteme* like medicine, smithery, and carpentry (Parry, 2003). On the other hand, *techne*, derived from the word technology, originally had not much to do with the meaning of skill or ability, which the word “technique” means today. Nor did it refer to “practice” at all. According to Heidegger, both *episteme* and *techne*, in their origin, refer to some theoretical form of knowledge. In an etymological perspective, *techne* shared the same root with the verb *tikto*, which means “to bring forth or to produce” (Kuperus & Oele, 2017, p.58). As such, *techne* was actually meant for ancient Greeks: “making something appear, within what is present; letting something appear like this or that, in this way or that way” (Kuperus & Oele, 2017, p.58). Heidegger argued that both words, *episteme*, and *techne*, were almost equivalent to – and closely connected with – one another in Plato’s epoch.

i) *Techne*: Heidegger's ontological imperialism

In Plato's doctrine of *eidos* (ideas), *techne* is the disclosure of the essence of things in general – the seeing of *eidos*. It assumes the role of denoting the knowledge of Being in its pure and simple form – of describing the Being's perceptual relations with beings as such. So, *techne* is the knowledge obtained through perceiving beings in their unconcealed-ness to let the hidden essence come to actual existence in beings. Hence, *techne* plays a role in guiding the way of *poiesis* (producing) (Smith, 1995). In this sense, *techne*, as being applied for grasping Being or for perceiving the essence of beings, is therefore characterized by a certain kind of violence – a struggle to overcome the concealment of the essence. Since *techne* is carried out purposefully against the natural appearance of beings in order to control and make their essence becoming more productive, it is also considered a theory for interfering nature. In other words, *techne* provides the epistemological conditions of practice for uncovering and controlling the Being of nature (*physis*). Given this unique characteristic of *techne* as a theoretical form of knowledge that renders the hidden essence of beings manifest, it was even considered by Plato the highest theoretical knowledge – the highest *episteme* (Rojcewicz, 2006). As seen, both *episteme* and *techne* are supposed to be able to disclose the true nature of beings. As such, they are connected with the verb *aletheuein*, which derived from *aletheia* (truth) to mean “to let something to be seen from hiddenness into un-concealment” (Kockelmans, 1985, p. 170). So, *logos*, *episteme*, and *techne* represent the different modes of *aletheuein* that are supposed to bring access to the truth.

It was in Aristotle's epoch in which these two forms of knowledge commenced to differentiate from one another, between pure theory (*episteme*) and practice (*techne*). Aristotle contrasted these two terms by showing that *episteme* concerns knowledge of what is pure (eternal and unchangeable) and what is simple (for its own sake), whereas *techne* concerns knowledge of changeable things for the sake of producing. So, for Aristotle, *techne* refers to both craft and knowledge simultaneously because “it is a practice grounded in an ‘account’ – something involving theoretical understanding” (Parry, 2003). The primary function of *techne* is to allow those who master this form of theoretical knowledge (technology) to see (to perceive) and to contemplate (to theorize) the essence of the thing in advance – the general being (Being) of some particular beings. Indeed, *techne* is more practical than *episteme*, but not in terms of direct manipulation. Instead, it plays the role of guiding and ordering the process of manipulation. On the other hand, *episteme* is considered a pure and simple form of theoretical knowledge. Therefore, it is the most genuine form of knowledge – ontological knowledge that is philosophy or understanding of Being as such. Since *episteme* aims at the unchangeable Being and is a rational formula (*logos*) for explaining what is eternal and universal, e.g., geometry, it is thus the main theoretical way of accessing truth. Thereby, as two

modes of *aletheuein*, *episteme* represents the theoretical side of knowledge and *techne* the practical side. However, according to Heidegger, *techne* is also as qualified as *episteme* to be designated as an important paradigm that leads to the most universal and theoretical form of knowledge – *sophia* (wisdom), because *techne* has a tendency to become “an autonomous *episteme*” (Rojcewicz, 2006, p. 63). In so reasoning, *techne* attains the same highest state as *episteme* does on the theoretical side of knowledge leading to an understanding of the highest object, namely Being.

By recovering the originary function of *techne* in ancient Greek life, Heidegger has elevated technology from the mere practical manipulation of things to the level of *episteme* – theoretical knowledge. For him, the modern understanding of technology as a practical matter is only secondary in its “true” meaning. Contrary to what is commonly understood today, technology concerns, in the primary instance, the theoretical understanding of Being. Hence, it is rather theoretical knowledge that perceives the “truth” in what constitutes beings in general on the ontological level and, at the same time, determines the practice of how to deal with individual beings. In this sense, technology can be regarded as a special science put into practical use against beings.

As discussed above, for Heidegger, perception is always true, and technology is at the same time both theoretical knowledge and a mode of *aletheuein* [to bring to light the truth]. Therefore, the Heideggerian paradigm of technology is, in fact, grounded on a belief that one can see the true nature of beings in advance and then can open up the hidden essence of them by a struggle (practice) against their ordinary appearances that obscure their Being. Hence, “technology” is a form of theoretical knowledge that “makes it possible for Being to shine forth in beings and render it possible to be what they are” (Kockelmans, 1985, p. 171). In other words, technology must be applied before everything else with the act of seeing beforehand, then with the act of appropriation. However, what is paradoxical here is that a view or a spectacle (*thea*) beforehand of a hidden object is an imagination rather than perception. That is why such a beforehand seeing of the hidden – almost imperceptible – essence is today called *thea-horetical* [a spectacle to be seen] or speculative. Thereby, the Heideggerian paradigm of technology presupposes after all a pursuit of truth not through scientific methods but conjecture and imagination. In this sense, the so-called essence of beings is merely a product of imagination and speculation about Being. Contradictorily enough, this paradigm of technology would suppose a situation in which the essence of beings is in effect produced by those who use technology to imagine it and to proceed against it at the same time. Thus, this special form of technology is *phantasia* [fantasy] rather than theory in a modern sense.



Such a contradiction may probably result from his purposeful confusion of ontology and epistemology. In his mythical, philosophical thought, it is found a profound disdain for epistemology and a desire to appropriate epistemology into ontology. Heidegger said that “any epistemology arises within a given discourse. The form of the discourse itself inevitably makes ontological assumptions. Therefore, an epistemology that is ontologically neutral is not possible. Therefore, epistemology cannot be used to found an ontology” (Waterhouse, 1981, p. 24). In other words, for him, ontology and epistemology stand in a dichotomic relationship. A theory of knowledge is impossible without a theory of being, but vice versa is possible. Any epistemology must be grounded on a priori ontology. Obviously, Heidegger dislikes modernity. To him, it is absurd that epistemology is enshrined by modernity as the central area of philosophy. Modernity has reduced all human beings to mere objects without essence. The modern world has erased all mystery and traces of the presence of Being in all things (Tymieniecka, 2012, p. 89). For the sake of restoring the obliterated Being, recovering the lost technology of Being is necessary. Because, for Heidegger, “technology is what makes Dasein be Dasein” in the sense that “technology makes Dasein a place where Being is understood” (Rojcewicz 2006, p. 56). Indeed, his technological project aims at a primordial pillar of the western philosophical tradition – at reworking the entire western metaphysics with a desire to dethrone epistemology from its central position and to conjure up the lost but absolute Being of beings (Dupré, 2017). In this respect, his mystical discourse about truth, logos, and Being is only intelligible based on quasi-religious experience (Waterhouse, 1981). In short, for him, perception is actually fantasy-laden, and truth is nonetheless dependent on “them” who are perceiving.

In the general arena of philosophy, Heidegger’s fundamental ontology clearly indicates a dismissive attitude towards *epistemology*. However, his goal of ousting the theory of knowledge by a radical theory of Being raises an enigma nevertheless on the former. As shown above, Heidegger’s theory of Being proposes an innovative paradigm of technology that presupposes that truth as a product of Being is analogous to an artifact of a productive craft of technocracy. Owing to this unique feature that technology is capable of disclosing “something or other, beyond what just anyone can see” (cited in Rojcewicz 2006), Heidegger believes that technology as a form of ontological knowledge is therefore deserved more than epistemology to be called *episteme* – the highest theoretical knowledge – as the royal road leading to the divine wisdom – *sophia*.

ii) *Episteme: Foucault's understanding of knowledge and being*

In contrast to this mystical and determinist view of metaphysics, the French thinker Michael Foucault provides a different account for *episteme*. In his seminal work *The Order of Things*, Foucault defines *episteme* as an “epistemological field” in which “knowledge grounds its positivity” and “manifests a history ... of its conditions of possibility”; in this history (narrative) and within the space of wisdom (*savoir*) emerge the (epistemological) configurations which have given rise to the diverse forms of discourses be scientific, economic, ideological (Foucault, 2005, pp. xxiii-xxiv). He also emphasizes an essential feature of *episteme* that “in any given culture and at any given moment, there is always only one *episteme* that defines the conditions of possibility of all knowledge, whether expressed in a theory or silently invested in a practice” (Foucault, 2005, p. 183). More interestingly, Foucault rejects the traditional mode of linear historical analysis. On the contrary, his archaeological project attempt to delineate the history of knowledge, not in terms of continuity but discontinuity. According to him, it is possible to identify three *epistemes* in the western history of knowledge – the *episteme* of the Renaissance (sixteenth century), the classical *episteme* (mid-seventeenth to late eighteenth-century), and the modern *episteme* (nineteenth to mid-twentieth century). In each time, when a historical disjuncture dilacerates in-depth the western history of knowledge, a new epistemological arrangement will emerge and succeed the about-broken configuration of the preceding *episteme*. For example, according to Foucault, it is possible to discern in the general space of knowledge, from 1775 to 1795, an “irremediable modification” in terms of the nature and form of positivity, which can be found “in the works of Ricardo, in the case of economics, of Cuvier, in the case of biology, and of Bopp, in the case of philology” at the turning of the eighteenth century (Foucault, 2005, pp. 272-275). So, contrary to the post-modernist enterprise, Foucault’s archaeological project does not so much aim to undermine the history of sciences established in the present – to dispute their validity or to diminish their scientific nature, as to reveal what is common to the various discourses be naturalistic, linguistic, political, and economic in a given period. His project is, therefore, an attempt to discover what is “not present in the consciousness of the scientist” – to reveal the general “rules of formation” that are hitherto unknown to scientists. These “anonymous” rules have the functions to define the objects, to form the concepts, and to build the theories, proper to the very own study in each domain of knowledge (Foucault, 2005, pp. xi-xii). However, it is not meant to say that for a given period, those concurrent changes in different disciplines obey the same laws, or that the reorganization of a certain science follows the same model. Nor does it support heroic narratives celebrating the genius of individuals, the ethos of an epoch, or a single miraculous discovery (Foucault, 2005, p. xiii). It would be better to describe “the combination of corresponding transformations” that characterize the appearance of a certain discipline such as political economy. Instead of looking at the formal structure of discourse, it would be better to explore a discourse

from the perspective of “the rules that come into play in the very existence of such discourse”, and to describe what conditions have to be fulfilled in order to give, e.g., political economy, value and practical application as scientific discourse (Foucault, 2005, p. xiv). Simply putting it, in the Foucauldian perspective, discourse itself is a complex reality. In order to inspect it, it is necessary to develop a theory of discursive practice, rather than a theory of the knowing subject – i.e., human being (Foucault, 2005, p. xv; Woodson, 2019, p. 109).

Obviously, Foucault rejects the phenomenological approach and then proposes a theory of discursive practice that attempts to explicate the unity of human knowledge formation rather than to prescribe the ontological structure of Being – i.e., the origin of all historicity (Lewis, 2010, p. 46). According to Foucault, since the beginning of the modern age, there has been an irremediable trend that Man is doomed to disappear as a consequence of the advent of the modern *episteme* on account of modernity culminating in “the rationalization of all spheres of living” (Woodson, 2019, p.109). In this new epoch, what beings’ experience conditions beings’ own experience. Therefore, the unthought is hardly experienceable by beings and recoverable by thought. Moreover, that mythical origin of the unthought is at the same time taken away from and imminently given to Man. Henceforth, Man is no longer considered ontologically integral in its unbroken continuity because “Man is in the process of disappearing” with “the absolute dispersion of Man” (Foucault, 2005, p. 420). Under the modern *episteme*, it is thus futile and inefficacious to seek to locate “the locus of origin of living beings, needs, and words,” or “the primitive seat of their truth” (Foucault, 2005, pp. 340-341), since philosophy is in the process of coming to an end (Foucault, 2005, p. 421). Instead of speculating the abstract structure of Man, the modern age presupposes a new form of theory – an “ontology without metaphysics” (Foucault, 2005, p. 370). What underlies this new form of ontology is a commitment to the idea that *episteme* has the role of constituting “man’s particular mode of being and the possibility of knowing him empirically” (Foucault, 2005, p. 421). In Foucault’s view, Man’s being is governed by social, cultural, and historical conditions for a given period – namely – *episteme* or historical a priori.

As such, Foucault contests the ontological imperialism which Heidegger has championed in the area of philosophy. For Heidegger, only ontology is legitimate as a genuine philosophy that is capable of bringing to light what constitutes the authentic being of Man (George, 2015, p. 50). However, for Foucault, it is the totality of knowledge for a given period that holds sovereign sway over the mode of being in which Man comports himself in his ordinary encounter with the world. It is culture, history, and discourse that provide the positive ground on which knowledge or theory becomes possible. It is the epochal *episteme* that

designates the conditions of possibility of all knowledge about man and then characterizes man's mode of being within finitude. Thus, it is principally the epistemology of thinking, knowing, and speaking that reveals the form of existence of human beings. In other words, epistemology precedes both ontology and technology.

b) Truth & Reality in the Foucauldian perspective: a realist, rationalist, and positivist tradition

In general, reality is an ontological theory in which the subject believes with certitude. Truth is an epistemological theory which the subject recognizes as valid. As discussed above, the early Greeks believed that there exists an independent world of objects, either or both abstract and concrete. For Plato, reality consists of two levels, the sensible (perceptible) world of ordinary physical objects and the intelligible world of abstract forms (Frede, 1999, January). Although he regards only the higher reality as the realm of truth, perception (*aisthesis*) is capable of revealing the nature of that which is sensed. Therefore, it provides the necessary underlying ground upon which experience and meaning are constituted (Porter, 2010; Scheweighauser, 2016). In short words, perception can grant for the perceiver access to reality (Remes, 2014). Interestingly, Aristotle rejects Plato's theory that abstract-universal properties exist independently of the objects which instantiate them. Instead, he believes that reality does not exist apart from the thing, but in the thing itself (Hagen, 2000). Those abstract prosperities are constitutive of the essence of all things and beings, including human beings, in this visible world. Moreover, perception can grant true access to this mind-independent reality, but it also involves imagination (*phantasia*) (Stüwe-Thanasoula 2016; Hartman, 2008). Thus, human cognition could be fallible in terms of falsity.

Certainly, as shown above, what is perceived by the subject is always real to the subject. However, when assessing the veracity of the recounting of what is perceived, truth is dependent on the perceiver's judgment, which is directed to establish a veracious relation between image and reality. If the image is deemed to have a veridical relation to what actually is, the perceiver is then committed to the truth of the contents associated with the image. For example, Kant can still believe that what is presented to him by sense perception is not real, due to the fact that he refuses to acknowledge any veracious account to be possibly established between what is perceived and what exists "out there." In this sense, it is his faith and judgment, based on which persistent untruthfulness resides permanently in the perceptual relation that connects him with the thing-in-itself "out there." Thus, for him, and his followers, such as social constructivists, it should be in the competence of schemata or frames to help determine how truthful the thing-in-itself would present itself to

the subject. In other words, perception is theory-laden, and reality is theory-dependent (Wendt, 1999, p. 370). It is important to note here that Thomas Kuhn is also akin to this strand of metaphysical thought.

On the other hand, René Descartes conceives of “an objective, wholly independent reality,” nevertheless, “hidden from us by ignorance, ineffective methodologies, and intellectual (largely religious) bias” (Prado, 1992, p. 97). The so-called Cartesian dualism involves then a worldview in which “there is a material world on one side, and mind, sense perception, experience, epistemic conditions, knowing on the other” (Lelas, 2001, p. 34), and this material world is therefore independent of the human mind. To gain true knowledge about the external world, one must carry out an intellectual inquiry to investigate the objective reality “out there,” separate from the self. Remarkably, centuries before Descartes’s *cogito*, Aristotle also maintains that adequate and appropriate inquiry “leads us from what is known to us to objective principles known by nature, naturally *priori*, and informing us of an independent reality” (Irwin et Irwin, 1990, p. 35). Simply speaking, there exists a mind-independent world. In order to gain knowledge of it, one must seek truth in the objects through reason and rational thought.

As the precursor of positivism, Descartes has laid bare “the inquiring and skeptical power of the mind,” and thereby established *cogito* as the foundation of true knowledge in determining “the demarcation between rational knowledge (knowledge of what is true) and false knowledge” (Loeve et al., 2018, p. 69; Delantly, 2005, p. 19). This rudimentary distinction between subject and object has opened up the eventual coming of positivism and, subsequently, modernity. Suffice it to say, since the time of Auguste Comte, positivism – for which Descartes laid the groundwork – has been the dominant paradigm that guides scientific activities for discovering “the ‘true’ nature of reality and how it ‘truly’ works.” Akin to rationalism, positivism asserts that valid knowledge can be measured, defined, and accumulated through the use of logical reasoning. This idea is reflected in the *Aufklärung* [Enlightenment] agenda that aims at freeing the thinking subject from the Medieval Christian metaphysics, which Comte saw to be dogma and had to be jettisoned out of the field of the scientific enterprise (Marcuse 2013, p. 351). Based on this rationalist approach to truth, positivism aims to apprehend real reality through empirical observation and logical analysis for uncovering the immutable natural laws and mechanisms that govern the universe. As such, positivism has inherited the cartesian epistemology from the rationalist tradition, which distinguishes subjective experience from the objective world and admits the truth of a mind-independent reality (Riegler, 2005). Therefore, rationalism/positivism is also committed to a realist ontology (Khana, 2018).

Intriguingly, Foucault's theory of discursive practice underpins a tacit ontology affine to the realist tradition insofar as he does recognize the existence of a material world "out there" (Peters, 2003, p. 212). First, in *The Order of Things*, Foucault admits that there is a world-in-itself existing prior to the appearance of Man, of which modern culture has conceived since the end of the classical *episteme* at the moment when *The Analysis of Wealth* becomes economics (Foucault, 2005). It is in the context of the modern *episteme*, on this new ground of knowledge and within the new discourses, that Man arises as a truth yet finite and objectified. Therefore, it presupposes a realist worldview that things-in-themselves exist "out there" in their own order, thus outside of any mental representation before Man's coming to presence. Later, in the *Archaeology of Knowledge*, Foucault (1972) claims that discourse itself as a group of statements cannot be separated from the material world, since every statement must have a material existence (p. 100). In parallel, materiality – time, place, substance, support (economic and institutional) – is also constitutive of the statement itself and characterizes then the discourse (Foucault, 1972). As such, it must presuppose the pre-existence of a material world as the basis in which Foucault grounds his system of thought.

More interestingly, as an epistemologist, Foucault also takes a rationalist position regarding the relationship of man and society with truth and science (Rousseau, 2020). However, instead of following a classical rationalistic perspective of knowledge and truth, his epistemology aims at outlining the epochal system of anonymous and historical rules – i.e., discursive practices (Foucault, 2002). It organizes "the opposition of truth and error, the rational and irrational, the scientific and the non-scientific" (Foucault, 1972, p. 190). Hence, unlike Descartes, Comte, and Marx, Foucault does not believe that true knowledge comes necessarily from the so-called "truth of the objects" (Foucault, 1972, p. 349). However, nor does it mean, like what Heidegger believes, that genuine knowledge should be found in the ontological truth of Being – the primordial source of beings (Foucault, 2002). Instead, Foucault ponders discursive practices that produce those notions, such as genuine knowledge or the objective truth. So, what concerns Foucault is neither the true discourse, nor the truth of the objects, nor the truth of the subject. Instead, his work consists in bringing into question the demarcation lines, which Descartes and Comte have drawn between science and non-science and which Hegel and Heidegger have drawn between the return and retreat of the origin (Foucault, 2002; Gane, 2006). As such, his uncompromising questioning of both the history of science and the human sciences clearly inherits the critical tradition of rationalism, according to which the mind should remain skeptical about what has been taken for granted and use the power of reason to investigate what constitutes the *a priori* conditions of what appears as evidence (Foucault, 2002).

Last but not least, despite Foucault's consistent critic of positivism for it is caught up in the naïve trap of what constitutes its own "truth of discourse defined on the basis of the truth of the object" (Foucault, 2002, p. 349), his theory, however, acknowledges what accounts so far for "scientific knowledge" as a result of the (additive) accumulation of confirmations (or truths), all dependent on one another. So, the analysis of a discursive formation should be proceeded with establishing *positivity* that plays the role of "a historical a priori" – "a condition of reality for statements" – which characterizes the specific forms of accumulation. Therefore, "positivity" is admitted as a legitimate notion to designate the condition of existence for the statements that constitute a discursive formation (Foucault, 1972, pp. 125-127). Furthermore, in response to the accusation of the Foucauldian discourse theory as positivism, Foucault declares himself as an "honored" positivist (as cited in Kelly, 2010, p.26).<sup>1</sup>

c) The question of truth in the discourse & paradigm approaches

Meanwhile, the question of truth is also closely linked with *episteme* and *discourse*. According to Foucault, the answer to the question – what is true – depends on the historical, social, and economic conditions which constitute, for a given period, the complex ensemble of forms of knowledge – that is *episteme* (Foucault, 2005). As shown above, it is *episteme* as a ground of positivity that gives rise to the various forms of discourse, in which truth is formed, stabilized, and outlined. So, it is through discourse that truth is expressed.

Obviously, Foucault's stance is shared neither by Heidegger nor by Kuhn regarding truth. For Heidegger, both reality and truth are ontological concepts. In this sense, truth is a mode of Being, and it is concealed in the Being-in-the-world. Then, Dasein as "openness to Being" presupposes truth, because Dasein as disclosure of Being is "in the truth" (Broackes, 2012, p. 106). Therefore, the Heideggerian concept of truth is "the ontological condition for the possibility that assertions can be either true or false" (Heidegger, 1962, p. 269). Truth can be uncovered and covered up at the discretion of Dasein. "All truth is relative to Dasein's Being (Heidegger, 1962, p. 270). However, even Heidegger himself is unable to comprehend "why truth and Dasein must be" in itself (Heidegger, 1962, p. 271). His account of truth is only an imperious presumption that must be categorically trusted by whoever follows him.

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<sup>1</sup> "eh bien, je suis un positiviste heureux", (I would like to translate it as "well, I consider myself a 'honored' positivist" in this context)

On the other hand, Thomas Kuhn proposes an utterly anti-rationalist, anti-positivist, and anti-realist model of the paradigm shift, according to which the progression of human knowledge is characterized not so much by the cumulative process of facts as by the accumulation of anomalies (Brown, 2020). For Kuhn, the former is an inaccurate recounting of the history of science, for it fails to distinguish what is “superstition” and what is “scientific” (Kuhn 1970, p. 2). Moreover, the latter is presumed to reflect the true image of scientific development – a series of revolutionary reforms of the preceding paradigms. He claims that reality (facts) cannot exist independently of and prior to any paradigm (theory/truth claim). Instead, it is paradigm that functions to transform the available information into reality so that paradigm and reality fit one another. Simply speaking, reality emerges simultaneously with paradigm. For Kuhn (1970), there is no reliable way to reconstruct what is really there nor to rescue the notion of truth. It is paradigm that controls what shall be perceived as real and as true. Hence, it indicates an odd formula that it is “ontology” to establish the veridical relationship between what theory would construct and what is really there. Thus, truth is no longer a matter of epistemology but ontology. More radically, it is noticeable that, in Kuhn’s perspective, scientific progress has been achieved usually in irrational ways. It is to say that “the competition between paradigms is not the sort of battle that can be resolved by proofs” due to the unmediatable incommensurability of pre- and post-revolutionary paradigms (Kuhn, 1970, p. 148). Therefore, Kuhn’s account of paradigm change challenges at the same time the rationalist, positivist, and realist worldviews that there is a real world independent of any mental representation, and the truth of this world is approachable through the positive accumulation of verified knowledge of it.

In contrast to the Heideggerian and Kuhnian theories that confound ontology and epistemology, it is obvious that Foucault treats truth as an epistemological concept. Not only can truth be “of the same order as object” – like the truth in the conventional positivistic language, but also can it be “of the order of discourse” – like the truth in “the true discourse” of Heidegger’s fundamental ontology (Foucault, 2005, p. 348). In this sense, Heidegger has actually written a mythic grammar, which arbitrarily claims to be capable of showing the ways towards the truth through his fundamental ontology of Being. Meanwhile, Kuhn asserts that both reality and truth are in no way to be possibly guaranteed since they are theoretical constructs. Thus, knowledge (justified true belief) does not depend *ipso facto* on the rationality of any given paradigm but only upon the efficacy of its experimental practices for solving puzzles.



In contradistinction to these two extremes nihilating reciprocally, Foucault considers that truth is dependent upon the various ways it is systematized teleologically. This conceptualization of truth is then discourse-dependent. It sits on a priori epistemic ground that defines the epochal rules for what shall be thinkable, sayable, and visible in a given time and space, which make discourses possible. Upon this ground of positivity, either “the true discourse anticipates the truth whose nature and history it defines” or “the truth of the object determines the truth of the discourse that describes its formation” (Foucault, 2005, p. 349). As such, an *episteme* can be regarded as “a space of knowledge” arranged according to a certain *ratio* and coherence embedded in each *episteme* itself. This space of knowledge discloses “a certain fundamental Sameness” that characterizes then “a space of inclusion” governed by the “epistemic principles,” which “determine what objects can be identified by the community, how they can be marked, and in what ways they can be ordered. They make certain perceptions, certain statements, certain forms of knowledge possible, others impossible” (Bannet, 1989, p. 144). Thereby, *episteme* renders certain perceptible truths emerge on the fundamental basis of the order of things, which is intricately interconnected with discourse, society, culture, and regime.

## 2.5) Episteme, paradigm & discourse

As one may observe, paradigm and discourse are two terms increasingly popularized in the field of social sciences. They were coined respectively by Thomas Kuhn in the 1960s and Michel Foucault in the 1970s. Since then onwards, these two concepts, which serve as important analytical devices, have been widely employed in almost all branches of knowledge, ranging from cultural studies, economics to international relations. Sometimes, they are broadly used as conceptual devices for designating some elaborate constructs, such as policy paradigm; other times, they are expediently applied as techniques for the narrative production of the subject, such as discursive power. However, intriguingly, both concepts in their origin aim at illuminating the structural changes and patterns in the history of science.

### a) Paradigm vs discourse

Indeed, for describing the historical process of development of ideas, norms, and knowledge, both concepts of discourse and paradigm can designate some particular theories, some specific practices, or a special set of principles that are shared by any given community in order to define what is possible to see, to think, and to say, and thereby what is possible to do (Kuhn, 1970; Foucault, 1972). For example, the Copernican

revolution was a perfect example of a paradigm shift in which the Ptolemaic theory of a geocentric universe was successfully suppressed and replaced by the Copernican theory of the heliocentric solar system. In Kuhn's narrative about pre-modern astronomy, the Copernican model of the planetary system stood in diametrical opposition to the Ptolemaic model in so far that heliocentrism and geocentrism were considered two irreconcilable world views of the universe, therefore two incommensurable paradigms. Similar narratives can also be found in the international relations literature and will be discussed in the later section. In the case of Foucauldian discourses, mercantilism and physiocracy are also regarded as two opponents in the same field of knowledge – political economy (Foucault, 1972, p. 213). In the physiocratic discourse, the labor force is regarded as the primary source of value. However, in the mercantilist discourse, it is “the exchange of utilities,” which provides “the subjective and positive foundation of all values” (Foucault, 1972, p. 216). Mercantilists believed that value was created by exchange and thus based upon the need of man. By contrast, physiocrats contended that value was produced by (agricultural) labor from the land and thus dependent upon nature and its fecundity. Therefore, to increase the wealth of the nation, the former emphasized the importance of keeping a positive balance of trade through protectionist or liberal measures. The latter stressed freedom and private ownership as the basis of the wealth. Physiocrats believed that upon this basis, it exists the laws of the natural order. It is necessary to maintain the natural order as perfect as possible so that the productivity of the whole land (the state) will increase. Hence, mercantilism and physiocracy can also be regarded as two conflicting discourses in the same field of knowledge.

However, there is a crucial difference between the Kuhnian conception of paradigm and the Foucauldian conception of discourse. For the latter, the conflicting discourses can coexist with one another under one *episteme* in the same field and the same epoch, even though they stand in dialectical opposition to one another, like mercantilism and physiocracy in the first three-quarters of the eighteenth century. By contrast, for the former, the competition between paradigms will lead to a fundamental reconstruction of the field of knowledge, and the destruction of the less performant paradigms in the problem-solving. As a result, there is only one possible prevailing paradigm for the entire field. Once the competition ends, the entire visual field will be transformed accordingly to the prevailing paradigm (Kuhn 1970, p. 112). In other words, the rival paradigms in the same field must be incompatible with one another due to “the incommensurability of competing paradigms” (Kuhn 1970, p. 150). However, Kuhn's theory is so much radical so that it makes Foucault's theory more realistic. For example, it is utterly unjustifiable to say that Copernican and Ptolemaic paradigms were incommensurable because Euclidean geometrics served as the underlying ground for both astronomic models. They certainly could be judged on the basis of the shared Euclidean standards (Omodeo, 2016).

It is only at a much higher level of epistemological configuration that Kuhn's theory of paradigm shift may be seen to be similar with the concept of *episteme* in Foucault's theory of discursive practice, to the limit that the *episteme* of one historical epoch is claimed to be incommensurable with those of another. However, *episteme* is a much more comprehensive concept than paradigm in terms of depth and breadth. It does not merely designate a single discipline, one epistemic community, or a particular group of people. Instead, as previously presented, *episteme* is a historical *a priori* that gives rise to various forms of discourse (paradigm) for a given epoch. It can be understood as an unspoken system of discourses that comes to dominate a given historical period. Thus, in this sense, a paradigm is *ipso facto* to a certain extent similar to discourse when pointing to a particular theory; or to a discursive formation when indicating a community or discipline. For instance, Kuhn (1970, pp. 147-150) believes that the Newtonian and Cartesian paradigms are incommensurable with one another. However, they are, in fact, not so much mutually exclusive so that they eventually merge into what calls the Cartesian-Newtonian paradigm. However, from a Foucauldian perspective, all two paradigms can be subsumed within the same discursive formation – namely rationalism – under the classical *episteme*. Therefore, *episteme* represents what can be described as an invisible pattern of relations between all paradigms (or discourses) for a given period of time.

b) Paradigm & discourse in what pertains to their relations with perception

i) Perception in the Kuhnian approach

The Kuhnian discourse of paradigm shift subscribes to the primacy of paradigm, as “the entire constellation of beliefs, values, techniques, and so on shared by the members of a given community,” over perception, so that it determines *a priori* how the members learn to see the same objects or how they contemplate what they have seen (Kuhn 1970, pp. 175-195). In this sense, the paradigm's role is similar to lenses – i.e., “encoded eyes” – which determine what would be presented into the observer's visual field. Only through lenses, the entire world manifests to the observer. Therefore, a new paradigm coming to presence entails a revolutionary transformation of vision (Kuhn, 1970, p. 112). Thus, paradigm orders perception and trains it on how to function. Obviously, what underlies Kuhn's argument is an ontological commitment to the radical empiricist thesis that there does not exist a mind-independent world (Sanders 2004). For Kuhn, different epistemic communities live in different worlds (Kuhn, 1970, p.193). *Ipso facto*, he also subscribes to the primacy of experience in the constitution of paradigms, so that his philosophy opposes Kant's idealism by denying that there exists a world-in-itself. The perception of the same things varies with the subject's previous training and experience. It is his previous visual-conceptual experience (paradigm) that

imparts him the knowledge of the same things (Kuhn, 1970, p. 113). Hence, paradigm change leads to shifts in perception. This postulate suggests that the perceptual shift gives rise to the fundamental reconstruction of the entire phenomenal world in which the perceiver has previously lived. Thus, Kuhn's paradigm shift theory implies the constant shifts of the phenomenal world. Last but not least, his theory of perception also opposes rationalism for his discourse subscribes to the primacy of sensory experience over reason. For him, the experience and knowledge of nature are already embedded in the survived paradigms that "have been selected" ready to hand as "so very few ways of seeing" the truths (Kuhn, 1970, p. 196). Therefore, it is wrong to consider perception as an interpretive process in which rules and laws are acquired and unconsciously applied. Instead, contrary to Descartes, Kuhn (1970) distinguishes interpretation from perception. He believes that interpretation is a deliberative process in which paradigms are consciously deployed to explain the perceptions of the world. Perception is thereby reduced to a simple act of seeing – to receive the stimuli. In adhering to different cultures, communities, and groups, different people learn to see the different phenomenal worlds on the receipt of the same stimuli. In other words, paradigm is a fundamental technique shared by a given group for arranging systematically the same sensory presentation of the same objects. Thus, paradigm is a frame of perception, a specific schematization of experience, revolutionarily selected, irrationally constituted, but culturally determined.

As presented previously, for Kuhn (1970), perception is belief-laden because what is real is dependent upon "generalizations or descriptions," which are of nature mental schemata that create and recreate the "reality" at issue, such as "the sun, moon, Mars and earth" to Copernicus or as "free fall, pendular, and planetary motion" to Galileo (pp. 200-201). It is the theory of choice that informs the observer what is really "out there." Perception succumbs entirely to the theories of choice that characterize paradigms. Since all interpretations presuppose a paradigm, it is the role of paradigm not of perception to determine what actually represents "the same constellation of objects" to the observer (Kuhn, 1970, p. 122). Thereby, the observer must have recourse to a paradigm, like wearing a lens, for interpreting what confronts him in his horizon of perception. As Kuhn has narrowed the question "what is true" as same as "what is real," truth is simply determined by the prevailing paradigm. That is to say, truth is paradigmatic and emerges from the crisis period of the previous paradigm.

By referring to revolution, Kuhn (1970, pp. 92-94; 167-168) has also drawn parallelism between political and scientific development. In the realm of politics, each society, culture, or civilization lives in a distinct phenomenal world. In it, technology, art, religion, political system, laws manifest in a distinct shape.

Among them, the civilizations that descent from Hellenic Greece are most successful. Each one has its own paradigm that institutes a particular political order – a special constellation of political institutions. These established political institutions are meant to solve the “legitimate” problems that the adopted paradigm defines. A successful paradigm will be maintained due to the efficacy of the conceptual and instrumental techniques that the paradigm provides in regard to “lawlike” problems. In this sense, a political community consciously defines its goals, designs its instruments, and directs its thoughts towards the problems. A political change may only occur until a legitimacy crisis breaks out. That is to say, the existing paradigm can no longer properly explain the perception of the problems it frames and defines. In other words, the self-sufficiency of what is embedded as reality that carries its own *raison d'être* within the existing paradigm is gradually broken. As the crisis deepens, the established political institutions must face more anomalous phenomena emerging into the horizon of perception. Because the existing political order fails to provide adequate techniques and effective solutions regarding the same anomalies, the accumulation will eventually lead to a fundamental shift simultaneously occurring in the perceptual field and the paradigmatic foundation of the political order. These anomalies will give rise to some sort of struggle between different groups or competing political institutions that strive to institute their own paradigms in order to establish a new political order in favor of themselves and at the expense of the others due to the incommensurability between the rivalrous groups, political institutions, and paradigms.

*ii) Perception in the Foucauldian approach*

In general, given the realistic, rationalistic, and positivistic legacies, the Foucauldian approach posits that perception can ascertain that there is a mind-independent world – i.e., a world-in-itself out there. The thinking subject is active in perception that simultaneously restructures and interprets what comes to his horizon of reality. Therefore, what a thinking subject perceives is real, be an image of international monetary order. His perception posits the image of this constellation of objects as real or actual. However, perception is not reliable to the extent that it cannot guarantee an unbiased truth. Whether such an image is true or false is a matter of subjective judgment and a matter of discourse. It is the role of discourse, discursive formation, or paradigm that makes those ordinary truths come to light. It is their function to schematize the perceptual relations, the experience of the thinking subject with the world out there, insomuch that they generate truths. However, these schemata (discourses or paradigms) are not merely ready-to-hand (as practices) to be consciously deployed, as what Kuhn may argue. Instead, they influence the thinking subject's perception and behavior thereby, so that he would act accordingly but without being necessarily aware of the authoritarian presence of those discourses or paradigms, nor being aware of the presence of the *episteme* that is situated at a more profound level of knowledge. Because discourse or a

discursive formation “presupposes the same way of looking at things, the same division of perceptual fields, the same analysis of the pathological fact ... the same system of transcribing what one perceived in what one said” (Foucault, 1972, p. 33).

From a Foucauldian perspective, perception is first and foremost, a matter of order and culture. Order precedes perception and is independent of any perception thereby. Any order, even the simplest form of it, must rest upon a system of elements that can make differentiations among things so that it renders the perception of those things possible. Ontologically speaking, order is at the same time the inner law that resides in things, and the hidden network that determines the perceptual relationships between them. It only exists in the grids of perception, attention, and language. Only through this pre-delimited space, it can manifest itself in profundity. The process of establishing an order among things is empirical. Culture provides the fundamental codes for establishing the empirical orders in which the subjects live. Its codes govern “its language, its schemas of perception, its exchanges, its techniques, its values, the hierarchy of its practices” (Foucault, 2005, pp. xxii). Below these spontaneous orders, culture finds itself faced with a very fact that there exist things-in-themselves that are arranged according to and belong to a certain unspoken order – an *episteme*. Upon this unspoken order, scientific theories (empirical knowledge) and philosophical interpretations (reflexive knowledge) are constructed to explain why order in general exists. Thus, *episteme*, which is culture- and epoch-dependent, is the most fundamental of all. It precedes its expressions such as discourse, perception, and behavior. And it makes manifest the modes of being of order – empirical theories or metaphysical foundations. Thus, each culture has its own fundamental order upon which rests the truth of truths.

Meanwhile, perception is also a matter of truth, which is the product of interplay between power and knowledge in a given time horizon. Unlike Kuhn’s conception of truth, Foucault (1980) posits that “truth is a thing of this world: it is produced only by virtue of multiple forms of constraints. And it induces regular effects of power. Each society has its own régime of truth, its ‘general politics’ of truth: that is, the types of discourse which it accepts and makes function as true; the mechanisms and instances which enable one to distinguish true and false statements, the means by which each is sanctioned; the techniques and procedures accorded value in the acquisition of truth; the status of those who are charged with saying what counts as true” (pp. 131-132). For Foucault (1980, pp. 112-119), paradigm can be qualified, thereby as a discursive regime of truth. In this sense, what is called a paradigm shift is, therefore, a matter of regime change.

However, contrary to Kuhn's revolutionary theory of paradigm shift, a regime change refers to a gradual transformation of a certain type of discourse, in the process of which there is a global modification in the rules of formulating the "true" proposition, in the ways of speaking and seeing, and in the ensemble of practices. Such a modification is not a change of theoretical form (renewal of a paradigm), but a question of the politics of the discursive regime. Thus, a regime change is a matter of the political economy of the truth. It involves the role of the dialectical pair of power/knowledge that produces truth. Power and knowledge are interdependent upon one another. On the one hand, power is society-dependent and embodied in the regime of truth. It is constituted through the accepted forms of knowledge that produces truths. On the other hand, power forms knowledge and produces discourse. For example, the relationship between economic power and economic knowledge, according to Foucault (1980), cannot be understood without being aware that "the exercise of power perpetually creates knowledge and, conversely, knowledge constantly induces effects of power" (p. 52). Therefore, "knowledge and power are integrated with one another, and there is no point in dreaming of a time when knowledge will cease to depend on power" (p. 52). "It is not possible for power to be exercised without knowledge," and "it is impossible for knowledge not to engender power" (p. 52).

## 2.6) Conclusion

Hence, order, culture, and society, all play important roles in shaping perception. They are constituted of manifold relations of power. These relations of power are established, consolidated, and implemented with the production, accumulation, circulation, and functioning of a discourse. They involve therein "a certain economy of discourses of truth" (Foucault 1980, p. 93) Perception is thereby subject to the production of truth through power and, at the same time, to the exercise of power through the production of truth. In any society, it is culture that provides the fundamental codes for constructing reality and schematizing its images. It is, therefore, discourse that brings into being the phenomena of what is "out there." Reality is thus what is constantly but unconsciously restructured according to the perceptual codes embedded in each culture and each society. Hence, all perception must be expressed through discourses which co-exist or conflict with one another under nonetheless one regime of truth in a given society. Also, such a discursive regime resides, however, in one *episteme* which exerts its unspoken dominance over a given period. *Grosso modo*, discourses, perceptions, falsity (or truth), and the practice of some beliefs for a given period in any society or culture, all these obey "the laws of a certain code of knowledge" (Foucault, 2005, p. x). Perception is therefore epoch-dependent, socio-culture-contingent, discursively regulated, and dialectically articulated

between being and non-being, reason and unreason, true and wrong, good and evil, and so on – all are reciprocally established under a given *episteme* (Foucault, 1988). Thus, the Foucauldian approach aims at the discovery of “the truth of all truth” that engenders the unspoken system of perceptual codes (Foucault, 2005, p. 372).



## **Chapter III**

### **The Economy of American IR discourses**

#### **3.1) Introduction**

Every paradigm embeds in itself the conditions of possibility that frame how we look at certain things and the world out there. In practice, these paradigms attempt to present us with a series of metaphors such as animal, corporate, black box, jungle, arena, prison. These metaphors are designed so for helping us to understand and to experience a phenomenon. However, no matter what their purposes are, our vision is often ironically blurred by the images they produce in terms of their discursive effects. These images often tend to supersede things, when (or even before) those things come to our observation. Hence, they impede, to a certain degree, our reflexive understanding of what really appears out there. Therefore, for bringing to the fore what they tend to cover up schematically, we must do away temporarily with those discursively constructed frames in order to enable ourselves to analyze what actually conditions the formation of the being (such as China or the Chinese State) in our current perceptual field, and, thereby, to reconstruct how things will appear in the being's own perceptual field.

It is especially important to notice this phenomenological problem in the field of international relations, the disciplinary contour of which has been primarily shaped by American academic hegemony since the end of the Second World War (Waeber, 1998). This scholarly hegemony certainly manifests the postwar academic dominance of American culture. Therefrom derives a particular type of rationality that underlies the discursive formation of American IR community – i.e., an epistemic community that shares common criteria for what is accounted as “right” dispositions of the epistemological arrangement, and, for what is accounted as “good” practices of knowledge generation and utilization. As a result, this knowledge creates in terms of its effects, a phenomenal world in which we are regulated to see the two concurrent phenomena – i.e., the rise of China and the decline of the dollar-centric international monetary order. Both of them, as the objects of this specialist knowledge, are subject to its narrative production. In this sense, the American IR discipline is part of the synthesis of knowledge, truth, and practice, which reflects the postwar US hegemonic order. In this short chapter, the research will turn to analyze the management of this knowledge

– i.e., the economy of American IR discourses through an epistemological perspective in order to see how the three American IR paradigms have emerged successively against the recurrent “discoveries” of “collective problems” in the wake of each tectonic change in geo-economic and geopolitical terms in the postwar era. Through disassembling the Kuhnian trichotomy, this analysis will reveal their paradigmatic commitments to “the common knowledge of the game” – i.e., the maintenance of US hegemonic leadership.

### **3.2) The successive emergence of three American IR discourses**

In the past several years, the scholarly debate, on what regards China’s rapid ascent to great power status in the international arena and its impact on the international monetary order, actually harbors a latent assumption: the extent to which a given international monetary order is sustainable depends upon the cost perception on the part of both the leading powers and rising powers in regard to the preservation or the alteration of the status quo. That is to say, amidst the escalating friction between the United States and China, the latter’s perception and intention matter. Whether or not the US led-international monetary order will be sustainable depends upon whether China’s behavior is violent or peaceful; or, in other words, whether or not the dominance of US dollar in the global financial system will remain incontestable is primarily determined by whether Beijing poses an existential threat to Washington.

#### **a) Two rationalist approaches: neo-realism and neo-institutionalism**

In respect of the same theme and the same object, liberal (neo-institutionalist) and neo-realist paradigms have delivered two sets of conflicting descriptions, designations, and expectations about China’s future role within the US-led liberal international order. In each one, China’s attitude and behavior are anticipated and interpreted in terms of its “good” or “bad” will, either a status quo or a revisionist state. However, if one carefully examines the points of divergence between realist and liberal narratives, one may soon discern between these two modes of narrative production a significant correlative relationship. Both theories embody the same procedural principle derived from the utilitarian model. According to it, rational actors pursuing their material interests on either zero-sum or non-zero-sum conditions prescribed by game theory (Hirata, 2004). As a result, the interaction between state actors will be shaped only by two opposite effects: conflictual or non-conflictual interest, thus into two scenarios: “win-win” (mutual gains) or “win-lose” (conflictual outcomes). Hence, neo-realism and neo-institutionalism, albeit competing with one another in

terms of interpretation of international affairs, their debate did not lead to an incommensurable mutual exclusion between two discourses.

Instead, these two approaches eventually come closer to one another by sharing a broad set of similar ontological claims, epistemological premises, and methodological tools. As a result of this asymptotic convergence, they became “no longer incommensurable” (Keohane 1984, p. 80). In a discursive analysis perspective, they co-exist in effect in the same discursive formation, for they share the same metaphors in accordance with the principle embedded in the rationalist discursive practice. That is why the debate between these seemingly disparate discourses, which had dominated the IR literature for at least one decade, has been considered very narrow and sterile (Powell, 1994).

b) The rise of social constructivism

If the tedious quarrel between neo-realism and neo-institutionalism has been considered somehow an intra-paradigmatic debate (Villa & Souza, 2014), it was not too long after the appearance of neo-intuitionism that another important contemporary IR paradigm surged in the 1990s contributing to the enlargement of this great surface of IR discourse. Since the 1980s, American scholars, such as John Ruggie (1998) and Alexander Wendt (1999), launched a wave of attacks against neo-realism and neo-institutionalism in the academic milieu. The diverse approaches in this new camp are commonly characterized by cognitive, sociological, interpretive, and hermeneutic features that constitute new conditions of possibility, which opens up a new discursive space. Therefrom derive new principles that enable the formulation of representations of new possible objects. As a result, the epistemological arrangement is restructured so as to bring about an additional surface, which allows the emergence of social constructivism. This new paradigm, which has stood in contrast to the other two rationalist ones, has reshaped the landscape of contemporary IR discourse. In the meantime, Robert Keohane (1988) has observed in the field of IR study, this emerging new body of knowledge that produced narratives that appeared more or less coherent with one another and were seen as articulated together in an ordering fashion. As this group of statements became gradually united in a cohesive manner to the quest for a common truth, they were perceived as what constituted a viable theoretical alternative to the dominance of rationalism over the entire IR discursive formation. Then, Keohane (1988, p. 381) designated this group of scholars as “the reflective,” for they did not share the rationalistic view of world politics.

### 3.3) The discursive formation of the American IR discipline

The fast rise of social constructivism since the 1990s in American IR scholarship made it appear like a valiant cavalier to challenge the intellectual imperialism of rationalism on the terrain of IR knowledge. Through this discursive effort, social constructivism soon achieves its “scientific” status in the post-Cold War era. It appears as the third “royal road” laid side by side with neo-realism and neo-institutionalism in the field of IR knowledge. On the façade, this fierce debate between American IR scholars makes it easy to argue that the IR literature has been dominated since the end of the Cold War, by the three rival paradigms which offer in each turn seemingly conflicting explanations for fast-changing politico-economic reality observed in an increasingly globalized post-Cold War world (Walt, 1998). However, without an in-depth investigation into the epistemological arrangement that sustains this debate, one would mistake it as a “Kuhnian battle” for a single valid paradigm.

Contrary to their self-reflection, these three American IR paradigms actually belong in effect to a single order of discourses which has been placed in a dominant position on the global stage for the narrative production and reproduction of the US hegemonic order since the end of World War II. Neo-realism, neo-institutionalism, and social constructivism enable themselves to enlarge, rather than subvert, this great surface of discourse successively, to accommodate non-discursive practices that manifest in the new collective problems which emerged out there in the post-Cold War era. That is to say, the increasing economic turbulence, persistent stagnation in the capitalist world economy since the mid-1960s, and the growing cultural heterogeneity in terms of national identities in the world since the 1970s (Sterling-Folker, 2000). In the late 1980s, Gorbachev’s “New Thinking” wrote an epilogue to the Cold War. The shock of this “unreasoned” act rendered manifest inability of neo-realist and neo-institutional scholars to predict *ex-ant* or explain *ex-post* the sudden turnabout of this decades-long ideological rivalry. Nor could they provide, based exclusively on a rationalistic interpretation of material interests and power, any plausible account for the worldwide phenomenon of an accelerated spread of liberal democratic values at that time, nor for the rising significance of humanitarian norms upon the enactment of international interventions.

As a response to the new collective problems originated “out there,” rather than “in here,” social constructivism appeared in the late 1980s. It emphasizes the role of ideas, norms, shared meanings, and collective knowledge to explain international politics. In this respect, identities, interests, and preferences

are products of intersubjective meanings and social interaction (Schimmelfennig, 1999). These ideational factors, instead of making only “cameo appearances” in neo-realism or of playing “a limited causal role” in neo-institutionalism, are sought to be constitutive of international reality; to be expressive of collective intentionality; and, to be normative in instituting “constitutive rules” that “prestructure the domains of action within which regulative rules take effect”. Ideational factors that range from “culture and ideology to aspirations and principled beliefs” shape the outlooks and behavior of actors (Ruggie, 1998, pp. 865-879). Moreover, the international structure is viewed to be a social structure made up of socially knowledgeable and discursively competent actors who are subject to constraints that are in part material, in part, institutional. The actor’s behavior is not so much determined by the logic of consequence, according to which the actor would invariably seek the best outcome of a cost-benefit equation. Instead, the actor behaves in accordance with the logic of appropriateness, in which its perception of values, norms, and legitimacy matters. This fundamental difference makes social constructivism manage a bit more room than the other two American IR paradigms for including cultural specificity in its deductive architecture.

Hence, against the recurrent occurrence of problems in the wake of each epochal mutation in geo-economic and geopolitical terms since the eve of the Second World War, the American discursive formation opens up at each turn a relatively narrow space for initiatives of this kind. However, the released space is in its origin contained in the conceptual and procedural limits of the discursive formation that provides the possibility of recognizing a differentiated autonomy in some specific thematic areas, which does not concede major epistemological latitude but the broader methodological or ontological margin of maneuver to a chosen discourse. As such, autonomy conferred is dependent upon the competence of each discourse and upon its narrative imagination of the past and future, if the chosen discourse can fulfill the function and burden of the role accorded by the prevailing order of discourses.

a) A Trichotomy from a Kuhn perspective

Indeed, if one intends to deploy a Kuhnian grid of specification for sorting these three paradigms, one would consider them “incommensurable” insofar as they constitute a trichotomy in the field of IR knowledge because they differ from one another in terms of elements such as issue areas, concepts, and metaphysical stances. These differences tend to render them separate rather than cohesive with one another (Ruggie, 1998; Donnelley, 2000; Toth, 2014).

*i) Kuhn's view of scientific evolution*

According to Kuhn (1962, pp. 52-53), a paradigm is considered a model, a tradition, or a commonly accepted practice by a group of people. It defines what legitimate problems and methods in a field of study are. It also determines a particular world view. Therefrom derive the scientific standards that regulate what problems, concepts, and explanations are permissible. In Kuhn's perspective, scientific enterprise involves inevitably in its course of advancement the recurrent discoveries of anomalies, from which new and unsuspected phenomena emerge. When new anomalous phenomena enter the perceptual field of disciples, the discovery of them awakens then their awareness of anomaly, for it violates the expectations induced by the given paradigm. Thereafter, the contradiction between the empirical results and the paradigm theory leads naturally to the exploration of the area of anomaly, which eventually gives rise to the invention of new radical theories in order to assimilate the newly discovered facts. The outcome of such a process will be the adjustment of the paradigm theory insofar as the anomalous becomes expected. As such, through the process of regular discovery and adjustment, a new set of rules under a new paradigm is inadvertently elaborated in a trend to replace the older ones under the older paradigm.

In so conducting, scientific research under the governance of a given paradigm becomes "a particularly effective way of inducing paradigm change" within itself (Kuhn, 1962, p. 52). Moreover, the perception of anomaly, which is unanticipated by the established paradigm, plays an essential role in initiating the process of discovering what may open up "a strange new world" to disciples. It can also bring about crises leading to "large-scale changes of paradigm." Thus, it induces new theories. In this regard, theories in a given field would be put to the contest until one particular theory become "the paradigm theory." Hence, anomaly constitutes the condition of possibility for the discovery of what would dethrone the older paradigm. Thus, it provides "an occasion for paradigm change" (Kuhn, 1962, pp. 61-65).

For Kuhn (1962), "science-as-cumulation" is also misconceived. The paradigm transition is not a cumulative process. It is of revolutionary nature for the succeeding paradigm will be incompatible with the preceding one and will destroy the latter. Kuhn (1962) believes what differentiates these scientific schools are their distinct worldviews that are nonetheless characterized by incommensurable ways of seeing the world and practicing science in it. However, his anti-cumulative view of science, which tends to historicize the oppositions into conflicts, is itself a prisoner of the dialectical and metaphysical trap: paradigm and non-paradigm in a common field of knowledge have to go through a Hobbesian competition – a "paradigm war."

One suppresses another with an invariable aspiration to hegemony due to their immanent mutual incompatibility.

*ii) The first dichotomy between classical realism and neo-realism*

From Kuhn's view on the formation of scientific discipline, it is quite simple to differentiate IR paradigms, based on their distinct usages of theories, concepts, models, and primarily, on their categorical worldviews – a worldview reflects a fundamental division of the world. These distinct elements are embodied in each IR paradigm so as to articulate their own realities. For instance, classical realists clearly place an overarching emphasis on imperfect human nature. International conflict and war originate “in here.” As regards the concept of anarchy, they treat it as merely one form of the social world that exists in the absence of a global leviathan. Anarchy is seen as a projection of human nature onto the collective plane (Morgenthau, 1948). It is deprived of any causal force at the system level. In other words, in the classical realist worldview, the anarchy of world politics is ultimately rooted in the power-seeking nature of human beings. Hence, classical realism does not deny the causal effects of ideational factors such as morality and ideology on state behavior (McElroy, 2014). Obviously, this tradition sees the world through a frame that is incompatible with the one that embeds itself in the neo-realist paradigm.

By contrast, neo-realists believe that they deliver a modern interpretation of war and conflicts based on new ontological claims. They accentuate upon a new conception of anarchy that is considered the ordering principle of the international system. Furthermore, the structure of the international system is not defined by an ideational factor, but solely by the distribution of material capabilities across the units in the system. In this regard, anarchy is conceived as an independent variable (explanans) in a new ontological position vested with causal power to explain contemporary world politics. Hence, it should be anarchy, rather than human nature, that must be considered as an axiom (a law-like statement), from which the other (corollary) statements that describe “the event to be explained” (explanandum) are deduced. As such, classical realism and neo-realism are two concurrent paradigms that do not share one identical worldview but tend to differentiate from one another in terms of the phenomenal world that human nature or anarchy creates in terms of its effect.

*iii) The second dichotomy between neo-realism and neo-institutionalism*

By the same token, when its new variant gradually overshadowed classical realism in the 1960s, neo-institutionalism arose against neo-realism in the 1970s. The world entered a new epoch marked by increasingly salient effects of transnational economic cooperation, competition, and integration. In the meantime, power became dispersed in the international system. In this new epoch, Joseph Nye and Robert Keohane (1977) have identified these two phenomena with one another and recognized the problems that emerged in the confrontation of existing theories with actual experiences of world politics.

They made use of complex interdependence as a new concept to designate the anomalous phenomena that the neo-realist model could not properly address. Thenceforth, they began to challenge neo-realism that had dominated the American IR community so far. They set forth a set of new assumptions about the way the actual world does – or should – work, that constitutes then a new paradigm which is dubbed as neo-institutionalism (also neo-liberalism). This new paradigm succeeded in gathering the support of a group of proponents in the American IR community (Baldwin, 1993).

In general, neo-institutionalists disagree with neo-realists on a wide range of points that, however, constitute the positive ground for the discursive formation of both paradigms, which include such elements as the role of *power*, the significance of *relative* and *absolute gains*, the fungibility of *capabilities*. Neo-institutionalism questions neo-realism only in terms of their effectiveness, not their shared underlying ground. It is the differences in terms of interpretation of the effects that demarcate the borderline, which divides these two rationalist theories. As a result, the different choices of conceptualizing these theoretical elements articulate into two differing models. Each of them reflects a particular worldview. One sees the world full of opportunities for interstate cooperation; another sees the ubiquitous presence of constraints upon cooperative behavior in the anarchical international system. Certainly, the utilitarian conception of rationality is commonly accepted in both models for operationalizing the agency of state actors. However, it has been expressed differently in terms of its constitutive principle. In the neo-realist model, state actors generally maximize their short-term power. But, in the neo-institutionalist model, actors pursue the maximization of long-term utility. From these differing principles derive then nuanced assumptions, and subsequently very different accounts of international institutions. For instance, neo-realists believe that international institutions (regimes) are merely epiphenomena of the underlying capability of great powers – which means they exert no actual effects on independent sovereign states (Strange, 1984; Mearsheimer, 1994). Instead, neo-institutionalists consider that their behaviors are affected by norms, rules, and



procedures embodied in international institutions or regimes (Keohane & Nye, 1977). As a result, neo-institutional scholars put forth an “augmented” rationalist paradigm that frames the phenomenal world in a nuanced way, not just as an arena on a geopolitical ground.

*iv) The third dichotomy between IR rationalism and social constructivism*

In the wake of the preceding debates, it was then the turn for social constructivism that emerged onto the surface of American IR discourse in the 1980s. The rising tensions between this new paradigm and the other two tended to produce a self-reflection that social constructivism as a “revolutionary” IR theory attempts to evoke a paradigm shift in the American IR community. Indeed, the new paradigm has codified standards, norms, and rules that deviate considerably from the beliefs, values, and techniques which the other two espouse.

From a social constructivist point of view, both neo-realism and neo-institutionalism adopt a positivist/empiricist epistemology that underlies the techniques – i.e., game theory or expected utility theory models in their rational choice analysis of war and cooperation. At the metaphysical level, both of them also embody an individualist ontology, which means the structure of the international system is reducible to the properties of its constitutive units, states (Wendt, 1987, 1992). However, it should not surprise us, because both rationalist paradigms are the transposition of neo-classical economic knowledge. That is to say, they model the international system on the formation of the market system. Hence, their ontology and epistemology are undoubtedly in their origin individualist and positivist/empiricist.

Unlike the two rationalist paradigms – which generally admit the pre-existence of metaphysical concepts such as anarchy, interests, and rationality as universals given in the minds of the states, social constructivists believe that those concepts are the products of social interactions. They result from intersubjective processes of meaning creation, rather than from some transcendental knowledge. That is to say, both rationalist theories believe that they are independent of any individual state’s experience (Wendt, 1992). So, what is considered incommensurable between the two rationalist paradigms, is no longer regarded as irreconcilable under the social constructivist grid of interpretation (Wendt 1992; Lehmann, 2013). In the meantime, social constructivists point out that neo-realism and neo-institutionalism have a serious metatheoretical problem. Their shared epistemological stance contradicts their own ontological commitment to individualism. For instance, rationalist theorists generally define international regimes as “principles, norms, rules, and

decision-making procedures around which actor expectations converge in a given issue-area” (Krasner 1982, p. 186). Hence, the international monetary regime is considered “inherently intersubjective in nature,” rather than what results from some pre-existing universals such as anarchy or human nature (Ruggie, 2002, p. 85). As the intersubjective basis of international regimes is not compatible with the metaphysical dualism embedded in both rationalist paradigms, a meta-theoretical anomaly is then discovered in their regime analyses, that is, “epistemology contradicts ontology” (Ruggie, 2002, p. 95).

By contrast, social constructivism chooses to embrace scientific realism – i.e., a philosophy admits in principle the legitimacy of ascribing ontological status to unobservable structures or entities such as social relations or generative structures, which exert nonetheless observable effects on the constitutive units – states (Wendt, 1987). Later, Alexander Wendt (1998, p. 107) made clear his metaphysical strategy of delimiting the areas of IR knowledge in accordance with a meta-theoretical principle that divides the entire field of knowledge into what is based upon a materialist ontology, and, what is based upon an idealist ontology of the world – thus, natural versus social. Hence, he metaphysicizes these ontological differences into two opposing domains of knowledge for the natural and the social sciences. For him, one observes physical facts, and the other interprets meanings. On account of these meta-theoretical differences, it seems plausible to say that social constructivism operates under a quite distinct paradigm – which may be mainly assumed incommensurable with the rationalistic worldview embodied in neo-realism and neo-institutionalism (Toth, 2014).

It seems that there has been no consensus among American IR scholars about one same worldview or *weltanschauung*. From a Kuhnian perspective, each paradigm, derived from each particular worldview, embodies a specific set of standards for formulating its own definition of science (Kuhn 1962, p. 148). So, broadly speaking, these three paradigms are quite different models that seem engaged in a competition of offering better explanations of the same subject matter to establish themselves as the prevailing theory in the field of IR knowledge. On account of these criteria, three concurrent paradigms – neo-realism, neo-institutionalism, and social constructivism – are not so much commensurable as irreconcilable in Kuhnian terms.

b) A critique of the Kuhnian view of IR knowledge

The attempt to deploy a Kuhnian grid of specification may lead the audience to accept, as a natural consequence, a convenient belief that all three paradigms mentioned above have already achieved complete autonomy in each turn. They stand in a competitive relationship with one another in order to establish intellectual hegemony in the field of IR knowledge.

i) *The evolutionary analogy of paradigms with “species”*

On this point, one may easily find a surprising confrontation of two resembling ideas, across time and space, between Darwin’s view of species and Kuhn’s view of sciences – which corresponds in the Foucauldian analysis of science and knowledge, to one form of similitude. That is, *analogy* that has once played a constitutive role in Western culture knowledge – which is an old concept already found in ancient Greek science. With its power, reversibility, and polyvalence, this form of similitude can establish an order of things by applying the “universal” principles embodied in itself. *Analogy*, together with *succession*, as two modes of ordering or historizing, organizes the general ground of empirical knowledge as the source for the use of such and such sciences or disciplines that are susceptible to emerge when they are ready to be rolled out (Foucault, 2002).

Unsurprisingly, this form of similitude can be found in the analogy of the evolution of species to “the evolution of scientific ideas” (Kuhn, 1962, pp. 171-173). Ironically, the Kuhnian paradigm of paradigms, in the content it signifies – that is, in its analogy to the theory of evolution, excludes the possibilities of symbiotic relationships between paradigms, nonetheless. In modern biology literature, symbiotic relationships have already challenged Darwin’s theory of evolution since animals and plants of different species can, in fact, cooperate with one another for the benefit of all together (Witzany & Nowacki, 2016). As such, Thomas Kuhn has obliterated the traces of asymptotic convergence between paradigms as a sacrifice for pursuing an alluring objective of discovering general laws of scientific development. Thus, it has fallen in the temptation of establishing a universal order unifies all human knowledge under one imperialistic scientific culture.

ii) *The disassembling of trichotomy*

From a Kuhnian perspective, these three paradigms are juxtaposed with one another in the shape of trichotomy. However, in the Foucauldian grid of analysis, these adjacency patterns between them do not necessarily presuppose a logical chain that connects them and predisposes them to a particular structure that frames the entire field of IR knowledge. Indeed, each paradigm consists of a specialized body of knowledge that presupposes the same way of looking at the world, which induces “the same division of the perceptual field,” the same analysis of the causes and effects of wars and the state’s actions, and the same system of transcribing what is perceived into what is said. Each of them chooses its own “subject” of study as its “object” and undertakes to deploy it as its field of knowledge. Each one perceives the world from a different angle according to specific rationality embedded in the respective paradigm. Hence, all of them tend to articulate their own reality in their own language and to dictate their own scientific “truth” (Foucault 1972, pp. 30-37).

Nevertheless, from a Foucauldian perspective, what previously differentiates them constitutes now neither the necessary nor the sufficient conditions for the delimitation of discursive areas. In effect, neither a dialectic view of conflicts between concepts, images, themes, and strategies nor an invariant view of them, can be sufficiently accounted as what contributes to the unequivocal individualization of groups of statements. Instead, these competing groups of statements or “mutually exclusive architectures” – which one may name as paradigms or discourses – are in effect enabled to appear side by side successively onto one same surface by “a unity of distribution” at a higher level – like *the Analysis of Wealth* for political economics. It is that which “opens a field of possible opinions” for them (Foucault 1972, pp. 65-66). In short, what Kuhn perceives as an object is regarded as a subject by Foucault. In contrast to Kuhn’s effort to objectify the changing ideational structure of “scientific” knowledge, Foucault explicates that it is the discursive formation of subjectivity, which is central to knowledge construction (Kelly, 2010). For instance, in the early years of the modern age, the subjectivity of political economists depends, to various degrees, upon a convenient belief that some unvarying truth underlies economic law (Scott, 2013).

Through an analysis of the epistemological configuration of the field of IR Knowledge, the conflicts between these American theories can be mediated, and these competing paradigms are not so much irreconcilable as commensurable (Makinda, 2000). By the 1990s, the entire American IR discipline has undergone a rapid rearrangement characterized by convergence rather than trichotomy. The self-delimited and self-reflected triangular pattern reflects in effect a division of labor between the three American IR

paradigms. Each of them tends to specialize in one area (Waever, 1996). In the meantime, none of them has established a complete autonomy in the respective area. They should be regarded as parts of the same system, integrity, and continuum (Ruggie, 1993). This division of labor is the self-reflection of the American IR community, for it must “remain cognizant of realism’s emphasis on the role of power, keep liberalism’s awareness of domestic forces in minds, and occasionally reflect on constructivism’s change” (Walt, 1998, p. 44). It also reflects a new form of rationality that aims at guiding the US government to the formulation of new principles regarding the new problems emerging out there in the new epoch. For instance, China’s ascent or the rise of the euro has cast an unclear shadow in the mind of US elites. Comparing to “a single theoretical orthodoxy,” “a diverse array of competing ideas” would serve much better American policymakers in the post-Cold War era where “old norms are being challenged, once clear boundaries are dissolving, and issues of identity are becoming more salient” (Walt, 1998, pp. 30-41). Hence, the trichotomization of the field of IR knowledge should be regarded as a consciously organized arrangement between several “groups of scholars with reasonable agreements as to how to describe and interpret the real world” for the purpose of providing the most useful guiding theory to US leaders and policymakers (Baldwin, 1993, p. 10). It aims thus in its origin at suppressing incommensurability and at facilitating convergence and reconciliations between them.

*iii) The first reconciliation: neo-neo synthesis*

The first reconciliation amid the 1980s between neo-realism and neo-institutionalism has given rise to neo-neo synthesis (Waever, 1996). There was not any radical confrontation between these two rationalist paradigms (Baldwin, 1993). It is not a dialectical conflict between the inclination to deduce what should be from what was and what is, and the inclination to ignore what was and what is in contemplation of what should be (Carr et al., 1946). In fact, “the sharp disagreement between Realism and Liberal approach is overrated. The two approaches can be complementary” (Nye, 1988, p. 238). It was a reasonable discussion that unfolded in the American IR community. As a result, this “reasoned” discussion brought forth a synthesis, rather than a radical disjunction between them (Laos, 2015). In effect, they are connected in an additive fashion (Nye 1988, p. 251). Realist approaches, including both classical and neo-realism, are not regarded as antitheses to the neo-institutionalist program. Instead, their methods can supplement the neo-institutionalist theory of “complex interdependence.” As “realism and liberalism both have their roots in a utilitarian view of the world,” they constitute then “necessary complements” to one other (Keohane & Nye, 1987, pp. 728-729). “Neo-realism would be most appropriate at the structural level of systemic theory; neo-liberalism would more often be fruitful at the process level” (Nye, 1988, p. 251). As such, they are arranged

in each one's specialized domain, according to a division of labor that is regulated by the principles which emanate nonetheless from the same worldview.

*iv) The second reconciliation between rationalism and reflectivism*

The second reconciliation occurred between rationalists and so-called reflectivists in the 1990s. However, the debate between the two neatly dichotomized discourses on the question of epistemology developed towards an ironic rapprochement of these two polarized camps. It eventually gave rise to eclecticism after both rationalist theories failed to anticipate the end of the Cold War and provide plausible explanations for it. The unexpected collapse of the bipolar world order "opened up space for cultural and sociological perspectives, often referred to as 'constructivists,' that had been neglected by both realists and liberals" (Katzenstein, Keohane & Krasner, 1998, p. 670). Hence, this epochal geopolitical mutation induces not only a geo-economic restructuring but also a geo-cultural change. A new paradigmatic space was then opened up for the advent of social constructivism in the field of IR knowledge. It was disposed in juxtaposition with neo-realism and neo-institutionalism in the American IR discipline (Waever, 1996).

Intriguingly, social constructivists criticize the meta-theoretical inconsistency of both neo-realism and neo-institutionalism, and, at the same time, distance itself from the post-modernist criticism of rationalist epistemology, so as to position itself in a middle ground, upon which it strategically amalgamates positivist epistemology and post-positivist ontology (Ruggie, 1998; Wendt, 1999). Thereby, they claimed to have reconciled rationalism, post-positivism, and post-modernism through overriding incommensurability between these mutually exclusive metatheories whose ontological and epistemological commitments are incongruous with one another (Gofas & Hay, 2010). This metatheoretical intercommunication was, albeit conflictual, soon widely accepted by the American IR community. As a result, social constructivism stands adjacent to neo-realism and neo-institutionalism (Katzenstein, Keohane & Krasner 1998a). It is crowned as the third royal road for grasping the "truth" of international politics and successfully occupies the space that was once reserved for Marxism in the field of IR knowledge. Thenceforth, a trinary arrangement emerged upon the hitherto division of labor. Whereas neo-realism and neo-institutionalism focus on the material domains of international relations such as security and trade, social constructivism focuses on the ideational structure that frames the interests and identity of states, which are regarded as malleable products of specific historical processes (Walt, 1998).

### **3.4) Conclusion: a trinary configuration of the economy of American IR discourses**

As an eclectic approach, social constructivism is placed for its unique merit in the discursive formation of the American IR discipline, for “rationalist theories are more compelling when they are combined with constructivist insights into the importance of norms and identities” (Hemmer & Katzenstein, 2002, p. 601). Social constructivism provides some technique that frames the description of the intersubjective process of the norm, identity, and interest formation. It is designed so as to enlarge the American understanding of system: structure (neo-realism), systemic process (neo-intuitionism), intersubjective process (social constructivism) (Nye, 1988; Wendt, 1992b, pp.183-184). All three paradigms complement one other and share the “common knowledge of the game” (Katzenstein, Keohane & Krasner, 1998, p. 680). After all, “on issues of epistemology and methodology, however, no great differences divide conventional constructivists from rationalists” (Katzenstein, Keohane & Krasner, 1998, p. 675).

Hence, contrary to Kuhn’s view of paradigm change, the discursive formation of IR knowledge in the US is an additive enlargement rather than a subtractive redaction. Despite some “reasonable disagreements” between three mainstream paradigms, they are growing commensurably (Stein, 2008, p. 217). Because they all are committed to the common knowledge of the game that is encoded in the same discursive practice, that is why the entire epistemological space of the IR “science” can be so quickly reorganized into a trinary arrangement for it reflects an order of things whose principles are formulated upon the abstract relation of some other authority to the constellation of IR knowledge. So, the Foucauldian approach helps underscore what may be in an inconspicuous position to influence the discursive formation of the American IR discipline (Foucault 1972).

In a departure from the Foucauldian line of inquiry, one may quickly discover in the field of IR knowledge, the dialectics of such opposites as positivist versus post-positivist, modernist versus post-modernist, individualist versus structuralist, realist versus idealist, American versus non-American, Western versus non-Western. These binary oppositions can be then transcended (deconstructed) by tracing the evolution of mentalities – that is, a process of reinvesting some “historico-transcendental themes” in the “recollection of Logos” or “the teleology of reason” (Foucault, 1972, p. 121; Wendt 1992b, pp. 183-184). In so analyzing the economy of mainstream IR knowledge, it helps highlight that some shared norms are encoded into one discursive practice, which defines and redefines the division of labor in the American IR discipline. This

division of labor welcomes the entry of neo-realism, neo-institutionalism, and social constructivism successively, for they rest upon the same epistemological arrangement at the deepest level of Western knowledge (Foucault, 2002) – what Jacques Derrida (2001) called the metaphysical core of Western thought. Thereby, from examining these opposing perspectives, one may perceive an “economy of discursive constellation” that exists at a higher level and in a broader space, which guides the economy of American IR discourses (Foucault, 1972, pp. 66-67). That is why neo-realism, neo-institutionalism, and social constructivism that have taken shape by selectively using the analytical tools (models, paradigms) and devices (concepts) that are nonetheless derived from the other sources such as neoclassical economics, functionalism, behavioral sciences, game theory, and epistemological individualism.

As this economy of discursive constellation operates, one can see the recurrent formation of narratives on the same subject matter, for example, the stories about the rise of Germany and Japan in the past, and the rise of China in the present. Moreover, the construction of these stories surrounds one theme – the mitigation of challenges – for sustaining the US hegemonic leadership (dominance and prestige) nevertheless. Thereby, these discussions provide an intriguing window of opportunity for theorists in the domain of discourse analysis to explore this great surface of discourse – that is, a systematic but anonymous network of relations between empirical, conceptual, logical, methodical and procedural elements that constitute a regulatory order for the production of those narratives – upon which those seemingly contending paradigms appear (Foucault, 1972, p. 79). Furthermore, more deeply, the analysis of them provides an opportunity to inspect the specific mode of epistemological construction (perception), by which “China” is made known as a historical subject that appeared in the respective discourse. In effect, it is “tautological” to say that “China has not changed fundamentally” (Cunningham, 2018, pp. 62-63). Therefore, this analysis indicates a necessity to investigate the specific mode of ontological classification, by which China is fitted into the historical category of revisionist power. That is to say, it ought to play an antagonist character in the narratives that are nonetheless produced outside the “China out there” in the real world. The following chapter will turn attention to the narrative production of China and its perception.



## **Chapter IV**

### **The American IR knowledge & China's perception of the international monetary system**

#### **4.1) Introduction**

This chapter will discuss how the nature of China and international (monetary) order is speculated under the three dominant IR paradigms, how the being of them is shaped by discursive mechanisms that link together these paradigmatic practices and their effects, and what principles are formulated into these mechanisms. It is necessary to uncover them because it is these epistemological arrangements between the perceiver and the perceived, which enable those mainstream theories to trace China's entry into the American imagination of neo-liberalism and to carve out a place for it in the order mandated by the postwar international political and economic regimes.

Although evolving towards a more pluralistic order, the global discipline of international relations is still acknowledged as being dominated by American academic culture. This "American culture" provides hence the fundamental codes that constitute the positive ground of its knowledge, upon which a discursive regime establishes itself (Waeber, 1998). This American discursive regime – the paradigm of paradigms – constantly regulates the production of knowledge for the exercising of American hegemonic power. It induces the effects of this power over the ways of looking at the world and things out there. It reflects an economy of discursive constellation and power relations – that is, a politics of power/knowledge which produces truth in terms of its effects. So, in this American academic culture, we can see, therefore, that there exists a particular regime of truth that institutes the principle which organizes the perceptual fields. Therein the opposing things such as status quo versus revisionist states or international monetary regimes versus non-regimes take appearance.

Despite the rising voices from non-American cultural spheres such as Europe or the rest of the non-Western world, this “American academic hegemony” has profoundly influenced “the theoretical profile of the discipline” (Waeber 1998, p. 668). This discipline provides to both the hegemon and the others, powerful frames that have rendered possible the recurrent manifestations of collective problems in the postwar era, which include not only the sequential collapses of the Bretton Woods system and the Soviet Union but also the successive rises of the other States such as France, Germany, Japan, and China. It also provides strategic and tactical counseling that helps set up the global political economy of power relations, which operates upon the basis of a rationalized division of the world's whole perceptual field. These changing power relations underpinning the international (monetary) order are established in accordance with the principles that constitute the regime of truth embedded in the postwar American strategic culture. Hence, the American IR discourses play an important role that helps formulate this truth and generate stories about those rising states. However, these stories must suppose a conception of these rising states' perceptions, which is nonetheless emanant in effect from the subjectivity of the American IR community “in here.” Therefrom emerges an “absurdity” that presupposes this conception of percepts to exist in their minds antecedently to the existence of their perceptions themselves “out there.” The consequence of this production of the phenomenal (perceptual) world (the existence of perceptual illusions) leads the audience to a misbelief about that the thing-in-itself produces the perceptual object (percept) outside consciousness (“out there”), rather than actually conceived inside consciousness (“in here”).

In the following discussion, this chapter will first speculate the link between China's image and US geostrategic rationality, for different images of China justify different strategies respectively. Then, the discussion will try to offer an explication of the discursive mechanisms that enable the formulation of “American grand strategy,” and, more deeply, of a particular US geostrategic rationality. In effect, this rationality reflects “the synthesis of realist and liberal thinking,” thus the unity of neo-realist (*realpolitik*) and neo-liberal (geo-economic) principles (Art, 2003; Ikenberry, 2014). Along with social constructivism, this chapter will study these three discursive logics separately to see how they enable the “scientific” determination of not only the becoming and being of the international (monetary) system, but also the rising State's identity, interest in and perception of the international (monetary) system. The study will focus on two critical junctures in the postwar history – i.e., the collapse of the Bretton Woods regime and the global financial crisis of 2007-2008, and two main characters – i.e., Gaullist France and China. Through analyzing the narrative production of those events and characters, this chapter will attempt to uncover how this American IR knowledge foresees a future, and, at the same time, imagines a past. The synthesis of this remembered future, and this anticipated past constructs a specific mode of being, into which China as “the

Other” has been brought. It is this specific mode of being that conditions China's perception of the international monetary system in those stories. Particular attention will be paid to the neo-realist, neo-institutional and social constructivist understandings of the liberal international (monetary) order to compare how the Chinese State's perception has been framed so differently by studying these three divergent understandings of China's perception and institutional statecraft. This chapter will also discuss the relationship between liberalism, neo-liberalism, neo-institutionalism.

#### 4.2) The American geostrategic rationality and the conflicting images of China

It would not be a coincidence to see geopolitics as “an integral branch of realist theories in international relations,” for geopolitics shares with American “realist theories the same theoretical assumptions or ‘biases’” such as power politics, international anarchy, egoistic state actor as well as the balance of power theory (Wu, 2018, p. 787). In the years of Cold War, famous American realists such as Henry Kissinger, Zbigniew Brzezinski, or Collin S. Gray, all of them predicate their practice and theory upon a particular geopolitical tradition that considers itself the only one which survived the World War II – i.e., it refers to “Anglo-American geopolitics.” In contrast, the other two, German *geopolitik* and French *géopolitique*, have been considered “faded out” (Wu, 2018, p. 790).

##### a) Two logics: geopolitical and geo-economic

Since “(the Anglo-American) geopolitics” is self-reflected as an “aid to statecraft” for the purpose of rationalizing “strategic analyses” or justifying “policy recommendations,” it is clear that the specific rationality which embeds itself in the neo-realist thinking is of a geopolitical kind. Essentially speaking, geopolitics refers to “the production of economic value through spatial strategies, and, of harnessing this value in the constitution and maintenance of territories of political power” (Moisio, 2019, p. 41). It is hence a form of ontological reflection on “the restructuring of spatial configurations” that is “motivated by historically contingent ways of comprehending the nature of inter-territorial competition and conflict” (Moisio, 2019, p. 41). Thus, geopolitics is a synthesis of geography, economy, history, and strategy. In the meantime, as an ontological reflection on the spatial construction of identity and difference, a geopolitical strategy is therefore considered “a speculative practice that explores foreign policy and acts of state mainly through binary spatial imaginations such as the East and the West, you and us” (Weidong, 2019, p. 55)

On the other hand, owing to the waning “relevance of military threats and military alliances” in the post-Cold War era, geo-economic rationality has emerged to rival geopolitical rationality in diverse fields of government action (Kundnani, 2018, p. 61). Especially after the 2008 financial crisis, the emergence of new centers of economic power and fast changes in telecommunication, high-speed railway, and digital technology has significantly altered the geopolitical calculations of the State. In this new epoch, geopolitics is doomed to be supplanted or superseded by geo-economics. This new knowledge aims at redefining the rules and principles which intend to constitute new conduct of state behavior. That is to say, it attempts to establish a new discursive regime and a corresponding regime of practices, which intend to provide new policy guidance for the State about how to exercise its power over itself and its control over the others. Hence, a geo-economic strategy can be broadly defined so as to refer to the “geostrategic use of economic power” in the pursuit of “economic objectives” rather than of “broader geopolitical goals” (Wigell, 2016, p. 137-145). Intriguingly, geo-economic strategies have been very roughly differentiated in terms of whether a given strategy treats economic power as a means to achieve other aims or as a goal in itself. According to this grid of specification, Russia and China are believed to have pursued a “neo-imperialist” and a “(neo-)mercantilist” geo-economic strategy respectively, whereas the United States and the European Union, have taken a different strategic orientation under neo-(liberal) institutionalism. This neo-institutional paradigm embodies a particular type of geo-economic rationality that consists in deploying markets as the principal means of implementing regional economic strategies to meet a broader – either or both political and economic – hegemonic aspiration (Kundnani 2018, p. 71).

b) The impact of China's rise upon the US geopolitical and geo-economic rationalities

The breakdown of the Bretton Woods system announced the prelude of the neo-liberalization of the world economy. Since then, the formation of a global market has made cooperation and competition accrued among trading states. Later on, the collapse of the Soviet Union demarcated *de facto* the advent of the new era that “is characterized not so much by political or ideological rivalry but by economic competition” (Wigell, 2016, p. 136). Henceforth, the neo-liberal geo-economic rationality has prevailed on most occasions over the neo-realist geopolitical one as the guiding principle of state action for the US government. For instance, the continued US engagement with China since the early 1990s can be regarded as a result of the geo-economic calculation of this American neo-liberal logic. However, since the onset of the 2008 global financial crisis, America's sluggish economy has made the American State restart to reflect on its own government's China strategy – that has been a “two-pronged strategy combining engagement and balancing” (Friedberg, 2012, p. 48). However, this strategy, which the US has consistently pursued since the Cold War, begins to face a dilemma that the 2008 world economic recession has posited. A “China” –

that “continues to grow richer and stronger while the CCP remains in power” in the post-crisis era – has rendered “the engagement half of this strategy” frustrated, and, at the same time, “the balancing half of US strategy” less effective. In other words, “the attractive force of China’s massive economy” is now capable of countering “nascent balancing efforts against it” so as to restructure the regional power relations on its own behalf. Ironically, from an American geopolitical perspective, one reason for the coming of this “dangerous” situation is attributed to the Obama administration’s “pivot to Asia strategy” that is deemed “lacked serious substance” amidst the economic downturn. As a result, an unchecked China has been considered left in East Asia in the absence of US power, due to both “impending cuts in US defense spending” and the Obama Administration’s “softer stance” towards China (Friedberg, 2012, pp. 49-57).

Obviously, from this particular narrative management of the US-China relationship, derives a *realpolitik* logic that tends to impose itself once again upon the US government, for the US rationality is to be re-gauged in accordance with the principle which this particular logic prescribes. Henceforth, these two concurrent types of rationalities compete with one another acutely within the American State. Meanwhile, both geopolitical and geo-economic logics strive to look for a schematically consistent unit that would represent what ought to be – rather than what is “China out there”. As a result, their respective tenants would see nothing else but a phantasmal image that does not possess an independent being of its own – which is thus not “China as such.” Therefore, we see the recurrent appearance of an entirely “dissatisfied China” in the American realist discourse, and, at the same time, of a somewhat “satisfied China” in the American neo-institutional discourse. To understand this mechanism that makes possible this paradoxical appearance of two “Chinas,” I am going to analyze then this specialist knowledge that aims to rationalize our perceptual field according to its own imperatives, which render things readable to us.

#### **4.3) The neo-realist theater: tragic logic, monotonous perception, and an impatient China**

Following the behavioral revolution, neo-realism emerged as a scientific reformulation of classical realism – i.e., a doctrine is considered a long tradition whose roots can be traced back to Thucydides and Machiavelli. Kenneth Waltz, whose work is also dubbed as “structural realism”, criticizes classical realists such as Hans Morgenthau, for they espouse explanatory reductionism. By contrast, Waltz (1979) proposes a new IR paradigm in his book *Theory of International Politics*, in which he refuses to accept the causal significance of the character of state leaders in explaining state behavior (Onuf, 2009; Suganami, 2009). Instead, Waltz (1979) argues that the international structure’s anarchic nature is the fundamental ordering

principle of the international system. His discursive strategy consists in opposing something to its non-being, such as domestic systems to international systems. For him, the former is self-evidently organized hierarchically around one political order; the latter is, however, the determinate negation of order and government – that is, anarchical and decentralized. Indeed, Waltz models the international system analogically on Hayek's conception of market competition. It generates through the independent actions of many actors, a spontaneous order that organizes systems in opposition to the deliberate, planned ones (Klein 2007). This decentralized system manifests the absence of central authority – thus, anarchy. So, what is embedded in the Waltzian system is the classical model of “perfect competition.” In Waltz's theory, nation-states are primary, rational, and self-interested actors. Their actions are guided by the principle of “self-help” – i.e., the ordering principle of the international system. Hence, under the anarchical condition, no matter France, Japan, or China, their perceptions are as clear as unanimous of fear – insecure and uncertain, so much so that they perform the same function so as to pursue the same set of fixed, rational ends – i.e., the quest for wealth, power or survival. Tragically, this intrinsic fear (or desire) conditions their behavior and prevents them from cooperating with one another.

Obviously, neo-realism does not differentiate states in terms of the forms of their government or ideology, but only in terms of their capabilities that vary in economic and military terms. It also stipulates that the distribution of capabilities determines the structure of the international system, and the number of great powers can roughly measure this distribution. So, the structure can be defined as unipolarity, bipolarity, or multipolarity. Based on this taxonomy, neo-realism creates a frame that transforms the history of international relations into some identical unities. For Waltz (1964, 2000), the unipolar system (the nineteenth century Europe) appears as the least durable of international configuration. The multipolar system (the twentieth century Europe) is neither less stable than unipolarity nor more stable than bipolarity. Only the bipolar system (Cold War) represents the most stable pattern of distribution of powers. However, the epilogue of the Cold War ended in a way Kenneth Waltz might not sincerely expect. This unexpected end renders neo-realism exposed to severe scrutiny, for it cannot predict “a small number of big and important things” (Waltz, 1986, p. 329). For instance, the breakdown of the Sino-Soviet alliance and the collapse of the Cold War bipolar order (Lebow, 1994, p. 251; Wohlforth 1994; Walt & Hanami, 2003; Cesa, 2009;).

*A counterproductive illustration: an anarchical China in the neo-realist discourse*

It is well known that neo-realism inherits an “ontological reductionism,” which tends to reify structure over its constituent units (Wendt 1987, p. 343; Hobson, 2000, p. 44). It is also intriguing to notice that the neo-realist father, Kenneth Waltz, holds on to a particular interest in China and even uses it to illustrate the supremacy of structure over agency. In his perspective (Waltz 1979), he identified Pre-War China (1912 – 1937) with anarchy. Its decentralized situation coincided with his theoretical perspective on how actors should behave under the structural conditions of anarchy. In his recounting of the story, Mao Tse-Tung's theory of “People's War” failed to help spread the Bolshevik revolution from the Hunan hills to the rest of country in 1930, for the China of that time resembled an anarchy that would prohibit the diffusion of revolution in the country. During that period, China was not a *de facto* integrity *qua* a unified nation because the political and economic connections were loose between provinces. However, these “anarchical conditions” did little help to constrain the spread of the People's War. From 1930 to 1933, the Chinese Red Army had won a series of battles against the KMT's encirclement campaigns. By 1933, the “Chinese Soviet Republic” had even enlarged its zone of influence over more than six provinces beyond the “Huan hills.” It had to wait until 1934 when the KMT won the fifth military campaign, which led to the famous “Long March” of the CCP. Needless to say, the CCP won this decades-long struggle in a “China” that had been persistently characterized by anarchical elements prior to 1949. This historical episode illustrates rather how wrong has neo-realism imagined both structure and agency, and, after all, renders exposed neo-realism's analytical and empirical deficiencies.

a) The neo-realist imagination of the systems and the Others

On account of the neo-realist logic, the bipolar structure of an international system determines state interest. Therefore, the collapse of the Bretton Woods system amidst the Cold War could not be attributed to state interest because it is considered a fixed, invariant factor as long as the international structure remains unchanged. Then what means by this is that the Bretton Woods system itself must cause its own collapse, because “the United States found that the system no longer serves its (invariant) interests.” Then, the Nixon Administration's decision to close the “gold window” must be a deliberate action as part of greater and deeper planning since “international institutions are themselves created by the more powerful states” (Waltz, 2000, p. 26). In other words, the Bretton Wood system represents nothing else but a product of power politics. It would represent nothing when it changes itself in the perceptual field of the author. This is what Waltz means when he says that “most international law is obeyed most of the time, but strong states bend or break laws when they choose to” (Waltz, 2000, p. 27).

*i) The reification of the international monetary system and structures*

Generally, neo-realism anchors itself upon the belief that “institutions have minimal influence on state behavior” (Mearsheimer, 1994, p. 7). They are nothing else but epiphenomena that can be explained as the effects of “the fundamental distribution of power in the world” (Mearsheimer, 1994, p. 7). Hence, state behavior can be explained without taking account of them. In this sense, structures should remain malleable to the degree that it could reflect changes in the distribution of capabilities that underlie the international system. However, the implicit presumption of a universal national interest (hence, an invariant percept) sets up a logical contradiction in the coherence of what is postulated to be the fundamental precept of the neo-realist discursive regime. The structure of the international system must remain of the order of anarchy, no matter whether or not there exists a supranational instance such as the IMF, so as to ensure this unchangeable perception of national interest. That is to say unless one day an imperial structure that absorbs the entire world system which will change the fundamental order of things, every change “in the system” in the present must be a real change in the “system in itself” (Waltz, 2000). It is all the same for the structures such as the institutions of the European Union (Mearsheimer, 1994). Therefore, neo-realism reifies the system and the structures as real “things in themselves.” However, Bretton Wood systems, old and new, are nothing but what the authors create for the system and these structures themselves. They exist not in terms of having a real essence but in terms of being the effect of a regime of multiple concurrent truths.

*ii) The objectification of the agency of the Others*

This logical contradiction reflects the reductionist analytical tendency in neo-realism. It tends to reduce the agency of the other states to the mere effect of the great power's behavior (Seabrooke, 2001). As such, the other states' agencies are reduced to the corollary of this neo-realist discursive alienation, by which other states cannot realize their own way of being; nor would it be possible for them to act on their own, in ways other than the strongest state dictated to them (Waltz 2000). Their agency is the product of what the strongest state has foreseen in terms of its effect. Hence, for the IMF, Mexico, Korea, or China, their fates are decided in Washington more than in Wall Street. Reform of the international monetary system cannot be done in ways other than what the US contemplates, “despite the misgivings of Germany or Japan” (Waltz, 2000, p. 17). That is to say, the agency of the other states is indifferently denied. In contrast, the agency of the only one or of very few states is overamplified. The other states have no other choice but to adapt and conform themselves to the logic of the anarchical structure that is nonetheless tantamount to the total effect of the agency of the strong states.



iii) Crises "of" the international monetary system

In fact, the fate of the Bretton Woods had been very well decided outside Washington, and already before Nixon announced suspending the convertibility of gold. "When the United States did not appear to be willing to contain its military and social spending" (on Vietnam War and other social programs), Washington's other western partners (like France, Germany, Japan) decided jointly to object it and not to support dollar (by selling their gold reserves) (Buckley & Arner, 2011, p.12). The Nixon shock – the unilateral cancellation of the US commitment to the Bretton Woods order – is, in effect, a response to the *coup de grace* initiated by the other western powers.

"In 1971, France refused to accept dollars for American export purchases and instead demanded payment in gold. In response, President Richard Nixon (1913 – 1994) took the dollar off the gold standard, thereby forcing the price of the dollar to fluctuate in the world economy. The international economic order, which had been premised on the dollar backed by a fixed price of gold after World War II, was shattered. The world, therefore, lacked economic stability in a sea of shifting rates of exchange between national currencies" (Haas, 2013, p. 160).

Hence, the reason why the old Bretton Woods regime did not survive owes precisely to the shattering of the historically established intersubjective consensus in Habermasian terms that had sustained it (Hoogervorst, 2018, p. 97). Certainly, the Bretton Woods system was established in its origin upon the principle of gold-dollar parity with the aim of restricting dollar production, for the US government would sell one troy fine ounce of gold for \$ 35 (1945) to the other member states according to the Bretton Woods Accord. However, since the second half of the 1960s, the dollar supply's dramatic increase turned the dollar shortage of the 1950s into a dollar flood (Mueller, 2019). The Fed and the American Treasury's expansionary monetary practice created the global liquidity abundance that forced the other countries to import this inflation at home. Germany and Japan, two countries that had accumulated a massive reserve of US dollars, had to accept higher rates of inflation and revalued their currencies upwards against the dollar if they wanted to maintain the functioning of the Bretton Woods system. As a result, to preserve the international monetary order, the hegemon agreed to downrate the dollar against gold and a series of other western powers' currencies at the Smithsonian meeting in late 1971. However, the hegemon's action did little help to solve the underlying problem – the Triffin dilemma. During 1972, the massive speculative inflow and outflow of short-term foreign funds made the fixed exchange rate regime unsustainable. Finally, "Germany and Japan expanded their restraints on financial flows, and other countries began to follow suit"

(Humpage, 2013). Thereby, the Bretton Woods regime was *de facto* ended due to the Others' changed perception of it despite the hegemon's desire to preserve it.

b) The narrative framing of the Other's perception of the same "things"

As demonstrated above, the neo-realist paradigm posits an invariant universal national interest that presupposes hence an invariant perception of the same things. The only distinction in this rationalized perceptual field is actually made only according to the division between the strong and the weak, the dominant and the dominated, hence, the One and the Other. The things such as "international institutions are created and maintained by stronger states to serve their perceived or misperceived interests" (Waltz, 2000, p. 20). On the other hand, weaker states have minimal effects upon the formation of the institutions so as to hardly make them "serve their own ends in their own ways" (Waltz, 2000, p. 21). It is almost impossible for these "relatively weak and divided states" to "concert their efforts to counter a hegemonic state despite ample provocation" (Waltz, 2000, p. 37). This is what Krasner (1994) means when he says that "it was the value of strong states that dictated rules that were applied in a discriminating fashion only to the weak" (p. 16). Hence, the other states' perceptions are the corollary of the structure that is, however, made essentially of great powers (Waltz, 1979). In this sense, the other states only have a residual contribution to the system's underlying distribution of capabilities. Thereby, their perception represents nothing else but what the One imagines through the narrative production for them.

As such, it would not surprise us to see through this neo-realist frame, an invariant perception that arises, however, from the varied perspectives of whom are the other states of various characters such as China, Japan, and Germany. In 1990, Mearsheimer (1990) speculated that fear of Germany would return to Central Europe in the post-Cold War Europe, for "the Germans" would "use military forces against Poland, Czechoslovakia, or even Austria" (pp. 32-41). In the absence of the American nuclear deployment in Europe, "Germany will feel insecure without nuclear weapons; and Germany's great conventional strength gives it the significant capacity to disturb Europe if it feels insecure" (pp. 32-41). Hence, his eye saw that what came in the present was "the threat of an aggressive Germany" to "the natural order of things in Europe" (pp. 32-41). However, this threat has no existence of its own apart from the nothingness of pure possibilities that nonetheless derive from the international system and its structure in terms of its effects. In other words, this threat is nothing but what is projected into the non-being of the future through deducing from the non-being of the past (the Pre-War history). Hence, the neo-realist imagination plays a formative role in this projection into the future.

In 1993, Waltz (1993, pp. 54-77) continued to stimulate this vexing speculation about fear of Germany, fear of Japan, and the rise of China. He identified the Japanese state with “mercantilist” doctrine and “unfair trade practices,” which aimed at strengthening the overall state power. In his narrative, Japan’s behavior of seeking prominence in the IMF and the World Bank and of integrating “the Asian-Pacific region under Japanese leadership” indicated clearly “a desire to play the role of a great power.” Other portents included that Japan displayed an ambition for “being a larger partner in managing the world’s economy” and had even pressed for creating and ruing an international (monetary) system suited to itself. “Japan’s leaders” also felt “insecure” in a dangerously conflictual region and ‘uneasy’ without having “a great power panoply,” so much so that it indicated their desire to “play a militarily more assertive role.” So, “the Japanese” can feel or perceive nothing else but “insecure” and “uneasy” in this narrative frame.

It is all the same for what the EU and Germany might feel in his eyes. In similarity to what Japan might perceive, Germany was also inclined to play its “old great-power role,” for it already rivaled the United States globally in the trade domain (Waltz, 1993, p. 72). On the geopolitical level, Germany’s leaders became “uneasy.” They did not hide their ambition to take over the United States’ role to “handle with eastern Europe” (Waltz, 1993, p. 63). On the geo-economic level, Germany nearly created a currency bloc “based on Deutschmark” in concurrence with the “Yen bloc” and the “Dollar bloc” (Waltz, 1993, p. 62). Hence, the process of creating the “new Bank for Eastern Europe” (the European Bank for Reconstruction and Development) in 1990 portended a future German hegemony that might come to the present in Central and Eastern Europe. Last but not least, Germany also felt “insecure” due to the “perceived vulnerabilities” and “uncertainty,” which anarchy and structural changes spawned (Waltz, 1993, p. 65).

Meanwhile, although Waltz (1993, p. 68) considered “the questions about China’s and northeast Asia’s roles are as yet unsolved,” Mearsheimer (1994, p. 6) contemplated that “fear of Japan, coupled with the rise of China” and the retreat of the American presence would compromise the “natural order of things” in Eastern Asia. In resemblance to what “the Japanese” and “the Germans” might desire, Waltz (1993, pp. 61-68) asserted that “most Chinese” wanted their country “to be a world power.” That is to say, he saw an existing – or emerging – collective problem out there in the Western Pacific region, for “the presence of China’s ample nuclear forces” and China’s growing military power produced “apprehension” and the “sense of instability.” What would appear so much to disturb the system is that China’s growing economic and military power made America – “the Cold War-weary people” – hardly balance it “while attending to other security issues.”

Obviously, neo-realism cannot refuse to lend itself to the anxious imagination of nothingness, through which it forces the other states' being into the non-being of what represents fear, uncertainty, and instability – thus, the threat to America's domination. In 2000, Waltz (2000) kept on speculating about the European, Japanese, and Chinese perceptions of themselves and the others. European leaders, especially “the Germans,” were considered “discontent” with Europe's secondary position, “impatient” to take over America's leadership, and longing for a return to a world “of several poles, not just a just a single one” (p. 31). With growing economic might but short of feeling secure and strong, Germany would lead “a coalition” for achieving “a European security and defense identity” independent of American power (p. 31). It is all the same story for the rising economic powers in the Far East. “The Chinese” perceived the intention of “the Americans” to withdraw from the region. Then, in the face of growing Japanese power, China would worry about an unbalanced neighbor and vice versa for Japan's perception of China and the possible withdrawal of the US. Hence, they must feel insecure without the US presence.

*i) A neo-realist rationalization of China's perception*

Indeed, neo-realism formally denies the State's agential power and disdains any “theory of the state” (Hobson, 2000, p. 23). However, this formal stance only obscures what is actually formulated within its discourse as truth. After the above analysis, it is rather clear that the neo-realist paradigm has everything to do with *the theory of the State* and *the State's perception*. It is not hard for anyone to imagine what would be the Chinese State's perception of international (monetary) order if he or she looks at China through the neo-realist frame. Like Germany or Japan, China will perceive nothing else but what repeats mechanically in the neo-realist universe – i.e., conflict and threat. It will see trade conflicts around the globe and feel increasingly dependent on foreign goods and capital. When it sees a massive trade surplus in its current account, it also has to see its “holding of a huge volume of US dollar denominated assets” (Hobson, 2003, p. 23). Indeed, the US current account's bilateral trade deficit has translated into an incremental increase in America's indebtedness to China. Up to the second half of 2019, China holds “about \$1.8 trillion in dollar-denominated assets” (Hobson, 2003, p. 23). This deep indebtedness that characterizes so far the Sino-American financial relationship is simply not a “happy” thing, since “theoretically speaking, this kind of financial relationship has increased the possibility for the two states to exercise financial statecraft – the use of financial instruments to realize strategic aims. As the creditor, China can use the financial asset as “debt weapons”; as the debtor, the United States can use it as hostage” (Hobson, 2003, p. 23; Li, 2012, p. 31). This is where we find again a “good neo-realist reason” that informs; however, this “mutually assured financial destruction” will make China feel vulnerable as its economy depends so much on the US dollar-centric international monetary system (Ferguson, 2010). Consequentially, China can do no other thing but

inexorably strengthen its position in the international monetary system (the IMF and the World Bank) – for survival and power. Hence, China's behavior of “increasing its level of participation and engagement with existing multilateral institutions,” and, of course, its behavior of “building new institutions, such as the New Development Bank (NDB, formerly referred to as the BRICS Development Bank), the proposed Regional Comprehensive Economic Partnership trade agreement (RCEP), and most prominently the Asian Infrastructure Investment Bank (AIIB),” all these efforts must be taken as the natural consequence of this international monetary system – as parts of the truth that begins to reveal itself in the minds of both the Chinese and the American governments or leaders (Ikenberry, 2017, p. 1). The US government has no choice but to take all these as what symbolizes “a strategy not so much for world domination on the model of Western imperialism as for reestablishing China as the Middle Kingdom – the dominant tributary state in the Asia-Pacific region” (Ferguson, 2010). As such, this neo-realist truth informs the US government of a “good reason” to believe that China has committedly planned to reduce its “unreasonable” reliance on the US dollar, for it cannot avoid “feeling American antagonism and fearing American power” (Waltz, 2000, p. 38).

Hence, neo-realism will unsurprisingly inform us that, like Germany or Japan, China's perception of international monetary order is a reflection of its fear of US hegemonic power (economic power). This US-dollar centric international monetary system will make it uneasy to act “violently” for undermining the system's being of a great asset to the United States in the postwar era. It will never feel secure until the demise of the American domination of the international monetary system so that China has worked “quietly to erode that (the position) of the United States” (Friedberg, 2012, p. 50). Prospectively, China would have built “a network of ‘counter-hegemonic’ institutions” that are deemed as what “successfully challenge – oppose and undermine – the U.S.-led global and regional institutions and the order they help sustain” (Ikenberry, 2017, p. 1). These Chinese-invented financial institutions will promote the internationalization of China's currency so as to enable the Chinese Yuan to replace the US dollar as the world's reserve currency over not so long term (Wheatley & Correspondent, 2011).

Nonetheless, all these “unhappy” things are regarded as the natural consequence of the international (monetary) system. Meanwhile, as neo-realism inherits a *realpolitik* logic, it provides also a calibrating model to help estimate the geopolitical consequence of this economic or financial threat – i.e., the expansion of China' sphere of influence, the strengthening of its position in Asia, and, in the end, the retreat of American hegemony concomitant with the return of China to “its rightful place as the preponderant regional

power” (Friedberg, 2012, p. 50). What is ironic and marvelous at the same time is that neo-realism, through its discursive mechanism, helps transform imagined China's perception of American antagonism or fear of American power into being of real danger or threat to the United States.

“The United States...can and should, still protect (itself) through unilateral control. Worries about China's growing power could also breathe new life into multilateral control mechanisms... other advanced nations in both Europe and Asia fearing (China) ... They might now be more willing to cooperate (with the US) in restricting exports (of sensitive technologies) ... to China” (Friedberg, 2012, p. 57).

This is precisely what may be called “*The Tragedy of Great Power Politics*” (Mearsheimer, 2001). A historically predetermined tragedy informs that trade war or currency war between the Hegemon and the rising states is, unfortunately (mechanically) unavoidable, because that is the natural consequence of the international (economic or monetary) system (Hughes, 2005; Ferguson, 2010). After all, fear of the future, the anxiety of uncertainty, and the feeling of insecurity, their synthesis plays a driving character in the neo-realist narrative frame that helps open up and structure the vast perceptual fields of non-being (as nothingness) according to the neo-realist truth. In sum, the rising states, Japan, China, and Germany are all imagined into the identical one as an economic, technological and military threat, both actually or potentially, to the wearied dominant power, for they represent nothing else but the threat to the natural order of things which the US has established in both regions and the world. Therefore, for the sake of “peace and calm” in both the Far East and Europe, the regional power balance should be maintained upon one intersubjective perception that characterizes an “ideal system” in which “Japan has to worry about China, and China has to worry about Japan” (Waltz, 1993, p. 68). It is all the same for the mutual perceptions of the same abyss that should be instituted as the “natural system” between European nations. Nonetheless, all these works must be done in the presence of a vigilant America.

*ii) The neo-realist formation of truth*

Through this discursive mechanism, neo-realism proposes to the American foreign policy practice, a geopolitical model as the basis of calculation for its conduct, and, at the same time, a regime of truth for rationalizing its perceptual field. More importantly, it is precisely within this neo-realist discourse where the American foreign policy practice can find a more “scientific” expression of the international (monetary)

system, and, at the same time, its theoretical formulation which institutes this system and its structures as both the site and mechanisms for the formation of truth. On account of the neo-realist precept, the system is seen as what must obey some “universal” law – that is to say, it is regulated by spontaneous mechanisms. The system as a site, therefore, allows these “natural” mechanisms to appear and to function so that they permit the formation of certain things such as (invariant) national interest, the dominant and rising states, and the international institutions, but foremost the formation of a natural order of things in this neo-realist universe. The system thus functions by itself according to its fundamental truth – self-help. Metaphorically, therefrom derive the “true things” such as what may be called, first, the “balance of power” that tends always to maintain an uneven, but competitive equilibrium between states; and, second, the dyad of the great power and the rising power “for a country to choose not to become a great power is a structural anomaly” (Waltz, 2000, p. 25).

The importance of neo-realism – or of American IR theories in general – in this case that is the theory constructed in the discourse of neo-realists and formed in their minds – hence, the importance of the theory of great power-rising power relationship owes precisely to the fact that it enables neo-realism to erect something fundamental in the perceptual field of the US government – that is, an atemporal, self-adjusting and self-regulating international system which is claimed to be able to reveal what shall be accounted as truth – that is the invisible law which governs “the rise and fall of great powers” (Waltz, 1993, p. 44). This does not mean that either the dominant state or rising state is good or evil. Instead, certain identities are determined in accordance with these “natural” mechanisms of the international system, for they constitute a standard of truth that enables the US government to discern which foreign policy practice is correct and which one is erroneous. Hence, the system must tell the truth and, consequently, from which it derives the logic that rationalizes the perceptual fields of the state actors.

*iii) A quasi-perception of the Others' perceptions*

Through this discursive mechanism, the neo-realist theory actually helps the international system formulate its own truth and proposes it to the US foreign policy practice as a rule and norm for determining certain identities. It provides the US government, models and methods to be employed within its perceptual field so as to allow the US government to imagine that it perceives within its perceptual field, other states as something threatening. As Mearsheimer (1994) summarizes the neo-realist model in the following paragraphs:

“First, states in the international system fear each other...They anticipate danger. There is little room for trust among states... Second, each state in the international system aims to guarantee its own survival. Because other states are potential threats, and because there is no higher authority to rescue them when danger arises, states cannot depend on others for their security... As Kenneth Waltz puts it, states operate in a ‘self-help’ system. Third, states...aim to maximize their relative power positions over other states. The reason is...the greater the military advantage...the more secure it is...this is the best way to guarantee survival in a world that can be very dangerous. This logic...The ideal outcome would be to end up as the hegemon in the system. Survival would then be almost guaranteed. All states are influenced by this logic” (p. 11)

Obviously, this theatrical device aims at reconstructing artificially what represents fear in others' minds. It is within this quasi-perception of fear that there is established a particular regime of truth – i.e., “a good realist reason” (Waltz, 2000, p. 7). It enables and regulates the exchange of non-being with the other states themselves. Through this exchange, the non-being of fear is turned against those states being insecure/uneasy. As a result, the other states' leaders and officials – or simply, the others such as the Germans, the Japanese or the Chinese – are all suppressed as non-being itself, for they are fulfilled with the non-being of fear – because their feelings are entirely represented by uneasiness or insecurity in this neo-realist theater. Paradoxically, though this mechanism of producing the anxious image of “the Other,” – i.e., “the uneasy,” “the impatient” or “the discontent” – are all suppressed as non-being since they are forced to acquire this new identity which represents the perceived form of threat, for they are now being of real danger to “the One.” The confirmation of their dangerousness in this theatrical phantasy brings them to a truth that, however, pushes them out of reality itself, and which makes the very being of them disappear in the “rational” discourse of neo-realists. This is precisely the instance wherein the neo-realist truth transforms the different states into one identical form, which is nevertheless subject to aesthetic appreciation in the good eye of the One – the Hegemon.

*c) Neo-realism as one choice of technology for the US government against “America's folly”*

From an epistemological level, the neo-realist discourse helps formulate the truth of the system. In accordance with that, it simultaneously formulates the principle of calculation that can be called “security.” That is to say, neo-realism makes possible the “scientific” determination of the extent to which and up to what point “states' interests” – insofar as they “are fundamentally conflictual” – constitute a threat for the national interest of the United States (Mearsheimer, 1990, p. 15). This specific type of calculation or form



of rationality consists in telling the US government: the international system is nothing but an open and unconscious field that can be explained, anticipated and ordered in accordance with the truth which neo-realism through its technology reveals to the US government so that the US government can decide for itself whether to conform its foreign policy practice to this form of rationality.

*A negation of the neo-liberal intuitional thesis*

Within the discursive formation of the American IR discipline, neo-realism performs through the same mechanism, a series of dialectical operations that dualize “trading state” and “political-military state,” “the power of the market” and “the power of the state,” international institution (e.g., the IMF) and dominant power, thus between “low politics” and “high politics.” Therefrom derives a synthesis that “states use economic means for military and political ends; and military and political means for the achievement of economic interests” (Waltz, 1979, p. 94), which nevertheless favors the domain of “high politics,” for it is of an essential significance to the state’s security and survival (Telò, 2016, p. 51). That is to say, following the neo-realist rationalization of the perceptual field, it generates a hierarchy of things in which military force is placed over economic strength, national interest over international cooperation, imperial conquest over universal peace, unilateralism over multilateralism, government over market. For instance, Waltz (2000) believes that unlike the relationship between state and market in the nineteenth century (characterized by *laissez-faire*), the global market is now under the control of major states – i.e., their governments and firms. Therefore, neo-realism establishes a regime of truth that neutralizes against “liberal ideology,” so much so that “democracies promote war”; (neo-liberal geo-economic) interdependence produces as many wars as peace in terms of its effects; “whether institutions have strong or weak effects depends on what states intend. Strong states use institutions, as they interpret laws, in ways that suit them” (pp. 16-24). Even in the eyes of a “liberal dominant power” – i.e., the United States, such international organization as the IMF or World Bank is nothing more than a tool – i.e., an instrument at its disposal for the pursuit of what it intends. As such, this neo-realist synthesis puts forwards a determinant negation of the neo-(liberal) institutional thesis, which Waltz characterizes as “America’ folly,” for the United States earnestly tends “to alienate China by lecturing its leaders on how to rule their countries” (Waltz, 2000, p. 38). In the eyes of realists, this engagement policy of a neo-liberal character, which only a foolish hegemon would follow, can do however little to prevent the “natural” mechanism of the international system from forming a new balance of power, but only to “hasten its coming” (Waltz, 2000, p. 38).

#### 4.4) The neo-institutional reframing of the perception of international monetary order

It may look like another coincidence that since the early 1970s, following the collapse of the Bretton Woods system, neo-institutionalism has soon surged as a new choice of strategy in the American IR discursive formation, for it aims at augmenting neo-realism to fit the new conditions of the coming epoch (Keohane & Nye, 2011). In fact, the global economy since the 1960s has already begun to reorganize itself in accordance with a logic that is quite different from the one that had dominated the early postwar years. That is, comparing to the past where “national economies were largely independent entities,” “since the 1960s a new transnational economy has emerged in which national societies have become integrated into a global network of trade and an interdependent division of labor” (Chase-Dunn et al., 2000, p. 77). Obviously, this remark celebrates *ex-post* the coming of “a new and qualitatively different historical epoch” (Chase-Dunn et al., 2000, p. 77). However, what it may have outlined more profoundly is perhaps the advent of a new epochal truth – that is, “a now-hegemonic neoliberal political ideology” (Chase-Dunn et al., 2000, p. 77). This new ideology embodies a distinct geo-economic logic that has quietly come to presence in the world system during the 1960s. This logic has effectively reorganized the system's fundamental ground, which has then made possible the formation of new economic governance practices, and foremost, of a new “geo-economic world” (Luttwak, 1990, p. 17). Thus, the neo-liberal ideology has made possible the formulation of a new grammar that is mainly based upon the “logic of commerce” rather than the “logic of conflict” (Luttwak, 1990, p. 17).

##### a) *Geo-economic rationality & neo-institutionalism*

This shift from the geopolitical logic to the geo-economic logic has betokened the decay of the military grammar – i.e., *realpolitik*, and, at the same time, the outset of “the new game” – i.e., the geo-economic competition. This new form of “game” refers to the “commercial quarrels” that existed from “1960s to 1980s”, between the United States and Western Europe,” and “between the United States and Japan” (Luttwak, 1990, p. 20), and which occurs now between the United States and China. Whereas the *realpolitik* logic is “a zero-sum encounter by nature,” the new logic does not always need to be (Luttwak, 1990, p. 20). However, this geo-economic rationality does not identify itself with a return to the age of “mercantilism” – i.e., the use of military force is regarded “as an admissible adjunct to economic competition” (Luttwak, 1990, p. 20). By contrast, the new strategic logic of commerce grounds itself upon what David Ricardo terms, “competitive advantage,” which does not preclude the possibility of military

confrontation, nor guarantee a universal peace. Instead, the concept supposes that market competition or free trade, if “properly” applied on a global scale, can lead to beneficial consequences for all nations.

“A new ‘trading world’ of international relations offers the possibility of escaping such a vicious cycle [episode of chaos and warfare] and finding new patterns of cooperation among nation-states. Indeed, it suggests that the benefit of trade and cooperation today greatly exceeds that of military competition and territorial aggrandizement” (Viotti, 2019, p. 391)

Hence, what constitutes this geo-economic rationality is the logic that derives from the same postulate which both classical liberals and neo-institutionalists share – i.e. (complex) interdependence can reduce the likelihood of war breaking out between closely interdependent states such as trading partners, owing to the calculation that “the effects of military force are both costly and uncertain” (Keohane & Nye, 2011, p. 23). This principle is precisely the antithesis of the neo-realist credo, i.e., military power over economic power. It is also noteworthy that neo-institutionalism actually inherits Foucault’s concept of power relation, for (asymmetrical or complex) interdependence is hypothesized “as a means of exercising power” (Keohane & Nye, 2011, p. xxvii). Through the neo-institutional analytic lens, the 2008 financial crisis would be seen as an instance that brings to light how today’s world is so deeply characterized by complex interdependence. And, asymmetries have constituted an intricate network of power relationships – i.e., the “balance of asymmetrical interdependence” or more specifically the “balance of financial terror” – between closely interdependent actors, no matter what their state character be, such as the United States, China, and most Asian and European countries (Keohane & Nye, 2011, p. xxxiv).

*b) neo-liberalism as the new metaphysical ground of geostrategic logic*

Nevertheless, what it will be a definite mistake is to think that neo-(liberal) institutionalism represents somewhat a recovery of the classical liberal tradition – for, at least, Robert Keohane and Joseph Nye clearly do not identify themselves with it (Keohane & Nye, 2011, p. 264). In fact, the new doctrine has little to do with the appeal for a radical return to the nineteenth-century *laissez-faire* capitalism during Pax Britannica (Patomäki, 2007). It has only sympathy for this classical worldview for both its “flaw” and “blessing.” In the meantime, this new doctrine has the objectives of refining the neo-realist model and of broadening its theoretical framework with new concepts and insights borrowed from liberalism in order to “account for

the anomalies that arose when realism tried to deal with issues of interdependence” (Keohane & Nye, 2011, p. 263-264). Hence, it does not completely deny the usefulness of the neo-realist theatrical device.

*i) nuclear parity*

This shift in terms of geostrategic logic within the American IR discipline does not merely reflect the waning importance of military power but an emerging synthesis of the global market and its new underlying principles. It suggests a substantial restructuring of the world economy, and, concomitantly, a gradual epistemological rearrangement of economic practice and its guiding principle – i.e., a metaphysical reflection on the postwar international (monetary) system itself. By the end of the 1960s, the nuclear parity was achieved on the geopolitical level. The Soviet Union had expanded its nuclear arsenal in order to match with the US nuclear power (Rudolf, 2018). It means that nuclear weapons exceed the culminating point of its utility. The fear of nuclear war makes non-nuclear wars unfeasible between nuclear powers. Consequentially, the postwar international politico-economic order was brought to the threshold of metamorphosis. From the 1960s to the mid-1980s, the recovery of Europe, the rise of Japan, the departure of China from the eastern bloc, and the emergence of the third world, all these events had contributed to this great epochal mutation.

“Two major changes in the 1960s were the full restoration of the European and Japanese economies, and the decolonization that greatly increased the number of economies involved in the multilateral institutions. The former change shifted the role of the US to leader among economic powers rather than sole hegemon, as reflected in the centrality of US-EEC negotiations in the Kennedy Round, and, in the revision of IMF agreements after the 1971 crisis. The latter change resulted in the UNCTAD, and later much complication in all multilateral negotiations. It should also be noted that by the 1960s, the other hegemon, the Soviet Union, had also experienced a serious decline in its leadership role, particularly as a result of the breakdown in Sino-Soviet cooperation” (Gutpa, 2012, p. 314-315).

*ii) The gold-dollar parity*

The new epochal conditions make the US government's realist practice. However, the country remained a hegemonic power, far less effective in all issue areas, especially in financial affairs. Due to the ever-active US military involvement overseas, such as the Korean peninsula and Vietnam and its ever-growing welfare

state spending during the same period, the US Treasury and the Federal Reserve created through the inflationary practice, in effect, a tsunami of liquidity that hit the international monetary market. It widened the discrepancy between the US stock of gold and the number of dollars in circulation, especially the dollars held by non-American banks. Hence, it created strong incentives for speculative capital flows and foreign governments to exchange dollars for US gold. This growing gap resulted in a paradoxical impasse: “without additional dollar reserves, the system was unworkable; with additional dollar reserves, the system was unstable” (Humpage, 2013). Therefore, the fixed exchange rates regime – i.e., the dollar-gold parity was henceforth regarded as a flaw contained in the basic structure of the Bretton Woods system – i.e., “the failure of Keynesian and development policies” (Mudge, 2008, p. 708). Keynesianism, the dominant paradigm that guided macroeconomic policymaking between 1945 and 1970, was then gradually discredited and eventually replaced by *monetarism* – i.e., “the manipulation of the supply of money rather than demand management via fiscal intervention” (Mudge, 2008, p. 719). As a result, a new arrangement of economic practices and their guiding principle has gradually emerged in the world's perceptual field.

c) Neo-institutionalism, neo-liberalism & liberalism

This new regime of practice and truth is now identified with neo-liberalism that presupposes the possibility of a self-regulated market, which is “a core assumption in classical liberalism, and an important presumption among neoliberals as well” (Thorsen & Lie, 2005, p. 8). Obviously, this neo-liberal regime echoes the idea of Friedrich Von Hayek and his mentor Ludwig Von Mises – i.e., “the general adoption of the principles of *laissez-faire* capitalism” for establishing universal peace (Von Mises, 20003). Hence, like its forefather, it harbors a global ambition as well. However, what demarcates neo-liberalism from classical liberalism is its rejection of *laissez-faire* politics.

i) The creation of a “global market” upon the new economic logic

Indeed, neo-liberalism has the ultimate objective of creating a global market by instituting the mechanisms of competition. However, unlike its forefather, it does not consider it a natural consequence of exchange – i.e., a thing produced through the spontaneous mechanisms of the market that are characterized by the principles of *laissez-faire*. Instead, the market is considered formalized through the mechanisms of competition, which is certainly not “a natural game,” because “pure competition” is supposed to be never attained. Although this condition remains purely speculative, it must be fixed as the ultimate objective – i.e., an ideal standard – for the state and its government to achieve in order to create a market economy.

Therefore, competition – and the market as its effects – can only appear if the government produces it with the “correct” methods in accordance with the competition’s “essential economic logic” (Foucault, 2008, p. 120). Hence, the state must intervene in the market and regulate the system in order to create “the condition enabling the formal mechanism of competition to function so that the regulation the competitive market must ensure can take place correctly without the negative effects that the absence of competition would produce” (Foucault, 2008, pp. 162-163).

*ii) Neo-institutionalism as an American geostrategic statecraft*

Therefore, a global market cannot be produced by anything other than a global hegemony of (neo-)liberal ideology. In order to fulfill this global ambition, neo-liberalism needs help to establish global economic governance. Coincidentally, neo-institutionalism comes to help formulate a new truth of the international (monetary) system and the corresponding principle of calculation – i.e., “interdependence,” which constitutes then a novel type of rationality that is based on not so much a geopolitical logic as a geo-economic logic. This geo-economic rationality aims to indicate the precise degree to which and up to what point transnational interdependence and its effects – insofar they are “reciprocal (not necessarily symmetrical)” – constitute risks and costs (tolerable or intolerable, i.e., the perceived distribution of benefits) to the specific interests of the United States (Keohane & Nye, 2011, pp. 7-8). As such, this new form of calculation consists in telling the US government: the present international (monetary) system, over which the United States presides as hegemon, is not the natural consequence of anarchy that is characterized by some spontaneous mechanisms of self-help. Instead, it is a complex whole made of different interdependence patterns whose processes, including economic ones, must be regulated and cannot correctly exist without a proper institutional (juridical) framework. It is then nothing other than the effect of a particular international (monetary) order created by the hegemonic power with the adequate tactics in accordance with pertinent geostrategy – i.e., based on a neo-liberal geo-economic logic. Hence, neo-institutionalism, through its novel technology, reveals to the US government the truth that nothing is natural but regulation, and only active and effective regulation will make the world conform to the US imagination. As such, it has forced a reappraisal of the US foreign policy practice and provided a reflection on how to optimize the international system by choosing the “good” practices to establish it.

Hence, it should not be a surprise to see that both neo-liberalism and neo-institutionalism anchor their root geographically within the Anglo-American academe and share the same strategic objective. In line with the neo-institutionalist logic, neo-liberalism has quietly expanded itself through developing various channels

and contacts – i.e., transnational networks of media, higher education institutions, experts, think tanks, and like-minded political elites. These networks connect the American government (or the governments in the core states in general), the OECD, the European Union, the IMF and the World Bank for exerting “coercive and normative pressure at an international level” through their production of “professional” knowledge (Mudge, 2008, p. 708). Thus, the Anglo-American neo-liberalism aims in its origin at establishing a regime of global (economic) governance through new power/knowledge practices. Meanwhile, neo-institutionalism comes to provide the necessary geo-economic counseling and tactical guidance for the United States to continue to preside the upcoming global structure.

iii) *A partial return to the laissez-faire capitalism*

Against this geo-historical and socio-cultural backdrop, Robert Keohane and Joseph Nye propounded in 1977 in their book *Power and Interdependence*, the neo-institutionalist theory, which is also dubbed as *neoliberalism*. From an epistemological perspective, neo-institutionalism could be regarded as what aims at fixing the problems that had emerged from the international system's mechanisms which neo-realists have conceived, for “many of the failures of American foreign policy in these areas (‘particularly in the area of international political economy’) had their roots in the limitations of realist assumptions” (Keohane & Nye, 2011, p. xvi). And, at the same time, it could also be regarded as what is designed to carefully guide this partial return to the *laissez-faire* capitalism with an aspiration of modeling the United States on the British Empire during its heyday (Keohane & Nye, 2011, p. 207), for “the Pax Britannica of the nineteenth century” represents to both authors as an ideal type – “the golden age of international order” (Keohane & Nye, 2011, p. 55). It is only a partial return because they recognize “the mythology of *laissez-faire*” – i.e., “complete *laissez-faire* may turn out to be a short-sighted response to economic globalism in the long run” (Keohane & Nye, 2011, p. 252). First, for hegemon, military superiority must be maintained and utilized if need be. For instance, “Britain applied military force when necessary to maintain such norms as free trade and freedom of the seas” (Keohane & Nye, 2011, p. 55). Second, “*laissez-faire* is likely to be unstable in the long term” due to “the external pressures of globalization” (Keohane & Nye, 2011, p. 255). The neo-institutional response to this systemic problem is clear: it seeks to regulate the effects of interdependence by establishing a correct form of global (economic) governance – i.e., a neo-liberal political economy of international relations.

d) The neo-institutional objectification of the neo-realist model

In contrast to the neo-realist discourse, the use of force is considered more or less ineffective under complex interdependence (Keohane & Nye, 2011). As a result of the analytical application of this new tenet, the once united perception of fear, which the states would have had no choice to avert, is now dissected into two general divisions (processes), for the states are now rendered capable of perceiving both costs and benefits (“costly effects”) rather than only losses.

This tenet is considered especially true in monetary affairs because first “international monetary issue areas conform more closely to complex interdependence than to the realist image” (Keohane & Nye, 2011, p. 98). And second, “throughout the fifty-six years under review, economic instruments – within the monetary issue area or in related areas – have been more useful than force in international monetary affairs” (Keohane & Nye, 2011, p. 90). Eventually, this new discursive strategy leads to a re-harmonization of the entire perceptual field of the world, in which things are rearranged into a different hierarchy – i.e., “no hierarchy of issues” (Keohane & Nye, 2011, p. 205) – in accordance with the principles of truth that the neo-(liberal) institutionalist regime has established. Intriguingly, these two phenomenal theaters do not annul one another but are juxtaposed side by side in the same perceptual field. In effect, the neo-institutionalist discourse has carefully confined the realist image of international relations to a particular reserve area only in which its “clear hierarchy of issue” remains valid. However, outside this area, the rest of this vast perceptual field of the world is entirely rationalized once again by neo-institutionalism, for the “world of complex dependence” is supposed to gradually eclipse the “realist world” since the 1980s (Keohane & Nye, 2011, pp. xxvii-xxxiv). As a result, it makes the neo-realist world adjunct to the new phenomenal world characterized by complex interdependence, in which economic power can sometimes be placed over military power, market over government, global peace over great war, cooperation over conflict, and multilateralism over unilateralism.

*i) the symbolic and economic source of the hegemonic power*

Following the neo-institutional rationalization, the new perceptual field appears empirically less distorted in reflecting the world, for realists' failure to portray the actual world can now be explained. In the case of the Bretton Woods system, the United States remained, militarily, the strongest nation in the 1970s from a realist perspective (Keohane & Nye, 2011). However, it failed to persuade the other Western economic powers to perceive what was congruent with the interest of the hegemonic system so as to make them voluntarily sacrifice their own economy to maintain the Bretton Woods regime. Hence, the collapse of an



international monetary system can hardly be attributed to “major shifts in the overall balance of power” (Keohane & Nye 2011, pp. 38-39). For explaining this failure, neo-institutionalists argue that the realist model lacks the “independent variable” that could reflect changes in symbolic terms – i.e., the confidence in (the perception of) the US dollar as a reserve currency and that it relies too much “on GDP figures as indices of power resources,” so that “it overpredicts regime collapse” (Keohane 1984, p. 208). That is to say, the realist model's prediction always returns to the same disorder. It consistently overlooks the inalienable interest which the US government has had in a liberal international monetary order.

Certainly, instead of reifying the national interest, neo-institutionalism allows through its discursive mechanism, the (perception of) interest to vary in accordance with the perceived vulnerability (or sensitivity) to the different governments. However, despite this conceptual difference of interest, the same is what both approaches attempt to attribute the cause of the system's breakdown to the great power of the United States. That is to say, neo-realists implicitly attribute the collapse of the Bretton Woods system to an existential change of the system in itself – i.e., the system's institutional being (regime) is no longer what serves the fundamental (invariant) interest of the author – i.e., the United States. In contrast, neo-institutionalists believe that the eventual collapse of the Bretton Woods regime owes to America's dominant economic power that makes it less vulnerable than the others in the international monetary system, for it can afford the cost of destroying the regime (Keohane & Nye, 2011). Hence, both theories confer in effect much more agential power to the United States, even though neo-institutionalists recognize the fact that “the rise in the economic capabilities of Europe and Japan clearly contributed to the collapse of the Bretton Woods regime in 1971” (Keohane & Nye, 2011, p. 116).

*ii) The subordination of the secondary states' perception to the system's logic*

It is obvious that both American IR theories share the same ontological structure of the international monetary system implicitly, for it is believed to reflect the fundamental distribution of power in the world economy since the end of the last great war. It is the US preponderant power after World War II that establishes a set of status quo arrangements – e.g., the Bretton Woods regime, through which the US enables itself “to manage monetary relations among non-communist countries” (Keohane & Nye, 2011, p. 38). In contrast to neo-realism, the difference is what underlies the structure of the postwar international monetary arrangement. Instead of touting the supremacy of military power, neo-institutionalists claim that “force, unlike financial power, has become more costly for great powers to use,” and “economic power is the basis of the underlying power structure” in the monetary issue area (Keohane & Nye, 2011, p. 128). Therefrom

derive other factors such as perception and interest that should be congruent with the underlying economic power.

On the other hand, neo-institutionalists also argue the same, that the Bretton Woods regime as “a hegemonial system” had made the other western countries subject to it through the exercise of hegemonic power that made and enforced the rules (Keohane & Nye, 2011, p. 38). That is to say, the Bretton Woods regime, which the United States itself established in 1944, had, however, restricted the supply of US dollars to itself by instituting the gold-dollar parity. Then, by synthetically reasoning therefrom, in the eyes of neo-institutionalists, this hegemonic system had functioned without always exploiting “the secondary states” economically, because “it is difficult to argue that the dollar system was causing economic harm to its members” (Keohane & Nye, 2011, p. 38). Instead, it is the uneven distribution of benefits that the dollar system generates, which made those secondary states reappraise the risk of their membership – i.e., a one-sided dependence on the hegemon’s “magnanimity.” In the meantime, their growing economic power led to the increased demand for “autonomy” and “political status” that gradually changed their perception of the regime and turned their logic into a “zero-sum” form, all of which translated then into more assertive behavior (Keohane & Nye, 2011). Nevertheless, whatever the secondary states may have done is considered insufficient to make a determinate annulment of the Bretton Woods system.

*iii) Agency, international regimes, and a “wise” hegemon*

Unlike neo-realists, neo-institutionalists believe that the agency of the secondary states should not be considered a mere corollary to the power of the strongest states. Instead, their actions are supposed to result from an optimization calculation on the hypothetical condition of “bounded rationality.” It means that they seek to attain their satisfactory goals efficiently within the multiple constraints they face. However, it is worth noting that those constraints characterized by some types of power relationships such as asymmetrical interdependence can be created, regulated, and manipulated by the dominant power. That is to say, neo-institutionalists argue the same, though in a different fashion, that it is still the dominant state whose strong economic power underlies the structure of the international (monetary) system (Keohane & Nye, 2011, p. 120). In so far as it can write rules, so can it overrule them. The difference is that neo-institutionalists reject the short-sighted “madness” the neo-realist logic informs but suggest some self-limitation regarding the use of force in order to realize higher long-term benefits. For a “wise” government of the hegemonic state, it is necessary to ponder the “cost of leadership,” and sometimes to forego a “tolerable” cost in order to achieve long-term goals, but foremost to create “discord” in order to foster cooperation (Keohane, 1984, p. 208).

Therefore, the international (monetary) regime is being of a valuable asset to – rather than of only a burden on – the United States.

#### **4.5) The comparison of French and Chinese perceptions and behaviors in the two stories of financial crisis**

From these new neo-institutional principles, one can derive a new discursive logic that aims at rationalizing once again such stories as the collapse of the Bretton Woods system on the side of this new reason. The new narrative consists in telling that the Bretton Woods regime is nothing but what is “built on the illusion of its fiduciary element into gold at a fixed price” (Keohane, 1984, p. 206). Because the very being of this postwar international monetary system relied upon the necessary creation of deficits in the US balance of payments in response to a world liquidity shortage. In short, this section of the chapter will bring to light the neo-institutional discursive mechanism that enables the narrative production of the nature of the postwar international monetary systems. This analysis aims to reveal how this discursive mechanism brings into existence such characters as Gaullist France and China in the stories of the world financial crisis of 1971 and 2008, and then to see how different modes of their being determine their perception.

##### a) The “natural” consequence of the Triffin dilemma

Indeed, the US government had amassed debts amounting to a colossal level, far exceeding the worth of its hard assets – i.e., “its gold stock at home.” However, it is considered just a “natural” consequence of the Triffin dilemma. As the monopolistic issuer of the reserve currency, the US government cannot cease to create deficits while forestalling the “liquidity problem.” Therefore, the foreign investors should not expect that the “illusion” would come into being – i.e., the US government would pay its liabilities with gold. Instead, they should work with the US government together to overcome their own “confidence problem” (Keohane, 1984, pp. 207-208).

##### *i) The “illusion” of the Bretton Woods regime*

These two problems, materialistic and symbolic, contributed to “the regime’s fragility during the 1960s”. The Vietnam War made the US balance of payments problem more acute in the last half of the 1960s. In 1970, the unstoppable monetary expansion, which was considered one reason, led eventually to an “unhappy

thing” – i.e., “huge capital outflows.” Then, the US government decided to suspend the gold-dollar convertibility so as “to force a change in the Bretton Woods regime” consequently. In other words, the Bretton Woods regime represents nothing else but “an artifact of the rules” of which the US government is entitled to the authorship (Keohane, 1984, pp. 207-208). Hence, its being or non-being, all depends upon primarily the willingness of the US government, not that of the other secondary States, to abide by the constraints which the US government had created by its own strategic action. If the nothingness of this regime is experienced as a threat to the being of the author, for the author itself must “significantly adjust its domestic fiscal and monetary policies to the demands of its partners,” it is then necessary to force the others back into the “correct” path of the wise government by means of the discord (Keohane, 1984). That is what Keohane (1984) means by citing the paragraph from Henry Aubrey:

“Surely a creditor’s influence over the United States rests on American willingness to play the game according to the old concepts and rules. If the United States ever seriously decided to challenge them, the game would take a very different course” (p. 208).

*ii) The creditor-debtor relationship*

Intriguingly, through this narrative management of the creditor-debtor relationship, neo-institutionalism does not only provide a new narrative frame that opposes the realist one, which is based on the geopolitical logic of “hegemonic stability” but also objectify the realist model into something analyzable. It has analyzed the latter’s discursive mechanism, for it focuses solely on the systemic level and material indicators while mistaking the nature of the system and the ruling power. Therefore, neo-institutionalism enables itself to explain the neo-realist model’s problem that overpredicts regime collapse and to predict the latter’s false predictions – i.e., the unexpected survival of the liberal international monetary regime. Therefore, it has suppressed the realist model that once constitutes an independent universe into which only represents now a mere object in the new discourse. Nevertheless, it must be noted that the persistence of the liberal regime – i.e., the continued patterns of cooperation – depends not only on the underlying power of the United States but also on its wise strategic action of creating discord, from which arises cooperation (Keohane 1984, p. 210). Simply speaking, neo-institutionalists believe that realists have mistaken the nature of international regimes because they are unaware of the regimes’ existence, mechanisms, and effects.

*iii) The neo-institutional objectification of the state's perception, interest, agency*

By objectifying the realist model, neo-institutionalism has questioned the realist reification of state interest – i.e., self-interest, for realists have conceived self-interest as “constants rather than variables” (Keohane, 1984, pp. 27-29). In contrast, through relaxing the realist assumption of perfect rationality and egoism, neo-institutionalism allows states' preferences to change. In other words, it adopts a Simonian assumption of bounded rationality. Hence, it enables the variations in states' behavior. However, their actions are viewed as a result of the optimization that calculates “the costs and benefits of each alternative course of action on each issue” in the presence of multiple constraints – i.e., power relations (Keohane, 1984, p. 115). Certainly, this elastic assumption of self-interest makes possible, thereby the formation of relatively differentiated preferences. It hence renders states now capable of perceiving both the being and non-being of fear (i.e., costs and benefits), rather than of perceiving only the nothingness of fear (i.e., the threat which means pure costs). That is to say, the other states had chosen to continue cooperation with – rather than balancing against – the United States, because not of fear but of “substantial common interests” (Keohane, 1984, p. 210).

However, their “autonomy” is still constrained by their power relationship with the dominant power, for they have to calculate the cost of breaking cooperation with the United States. Due to “the greater difficulty of instituting new regimes than maintaining old ones,” “the Europeans and Japanese” still shared the interest “in a liberal international monetary regime, coupled with their belief that maintenance of such a regime was feasible.” Indeed, the agency of states is now freed from the neo-realist anarchy. However, their actions are now rendered predictable by the new constraints which the dominant power creates by means of discord. Therefore, their perception is still regulated by “the rules and principles of international regimes,” despite their “demand for a restructuring of the old Bretton Woods arrangement” (Keohane, 1984, pp. 209-216).

In other words, regimes represent nothing but empty frameworks, the being of which is defined by the dominant power who can set – and unilaterally reset – the rules of cooperation that is “a highly contentious process of bargaining and mutual policy adjustment.” This framing effect of international regimes renders themselves being of a valuable asset to a farsighted power who seek to frame the others' perception and to control the conduct of their practice (Keohane, 1984, p. 216). By deploying international regimes, “actor's choices will be constrained in such a way that the preferences of the most powerful actors will be accorded the greatest weight” (Keohane, 1984, p. 71). Therefore, by discovering the nature that is specific to the government action itself, neo-institutionalism has objectified the states' perception, interest, and agency.

Hence, through analyzing the states' behavior, explaining their failure (i.e., the Prisoner's dilemma), and predicting their success (i.e., the formation or persistence of international regimes), the agency of states is granted full autonomy so as to be capable of realizing their own way of being, though still as an imagined nothingness of the self-interested actor whose conduct can be organized around the non-zero-sum logic.

b) A critical revisiting of the *coup de grace* to the Bretton Woods system

Indeed, neo-institutionalists acknowledge now to a certain extent the agential power of the other states in forming and maintaining the liberal international monetary regime, for instance, the post-Bretton Woods regime. Because “the value of international regimes is likely to be higher for” leaders or governments who act under bounded rationality (Keohane, 1984, p. 131). However, they still attribute a decisive causal significance to the “fundamental economic power” of the dominant state whose “ability to change the rules of the monetary regime” makes itself less vulnerable vis-à-vis the other states such as Japan, Germany, France or China (Keohane & Nye, 2011, pp. 119-120). Therefore, in the neo-institutionalist recounting of the Bretton Woods regime's demise, this collapse was still the result of a deliberate act by the US government. It must – and only could – be the United States to be “able to force a drastic change in the international monetary system 1971” (Keohane & Nye, 2011, p. 120).

i) *The dissolution of the Bretton Woods power/knowledge regime*

In fact, even if one sees the story through the same analytic lens of neo-institutionalism, this presumption is veritably untenable, owing to the fact that the Bretton Woods regime does enable the member states to retrieve gold from America. This regime reflects a regime of truth – i.e., a gold-exchange standard – that is constituted of the principles which organize the capitalist world's monetary system. Hence, its collapse should not be simply interpreted as what the strongest power forced so. Instead, its dissolution reflected a profound shift in the perception of the regime.

(1) *The exchange of roles between creditor and debtor*

The regime itself is comprised of the formalized mechanisms of the international currency market, for it allows different currencies to be exchanged into gold. “When foreign countries had a trade surplus, they were formally allowed, according to the Bretton Woods Accord, to exchange the excess dollars for gold from the American Treasury” (Mueller, 2019). These formalized mechanisms ensured the regulation of

economic processes, which constituted the system itself. Hence, it should not be surprising that European countries, especially the Gaullist France, could legitimately punish the United States for its improper conduct of currency policy – for the United States had in fact exploited the system's vulnerability for years, no matter how powerful the US army was (Keohane & Nye, 2011). It also was the regime itself whose economic processes enabled the enrichment of Germany, Japan, and France in the postwar world (Keohane & Nye, 2011). These economic processes reflected an exchange of roles or positions between the United States and the other western economic powers. In other words, it was this postwar international monetary system itself that made the position of the United States change from a “creditor country” to a “debtor country” (Lovett et al. 2004, p. 5).

*(2) The exchange of the debt's character*

Unmistakably, the rules of the Bretton Woods regime, which are “written largely by the United States in 1944”, aimed at protecting the “interests of creditor countries” (Keohane, 1984, p. 208). It means that the gold-exchange standard was instituted as a truth principle in order to safeguard America's financial future, because “the US was a humongous creditor country to most of the rest of the world” between the end of World War II and the Korean War (Magnusson & Stråth, 2016, p. 105). Hence, the US government was neither foolish nor myopic in terms of how it saw its national interest, how it spent its money, and how it limited itself and foremost the others. Instead, it was precisely the ever-growing deficits in the US current account balance where derived a new logic that reorganized the order of things in the United States' perceptual field. The deficits and debts have become a benefit rather than a cost for the exercise of American economic power. Accordingly, a wise and intelligent government should recalibrate the maximum and minimum limit of how to spend money – i.e., a new synthesis of monetary and fiscal policies. However, this new economic practice was exactly what the regime originally intended to prohibit – i.e., the unlimited creation of liquidity. This unregulated creation of US dollars represented not only an exorbitant privilege to the United States but nothing other than a heightening cost in the eyes of the other states in the system. Therefore, for the other wise and intelligent governments, if they are enough farsighted, there would be no other choice than to demand not only a gold redemption but also a readjustment of the US fiscal and monetary policy (Keohane, 1984, p. 209).

*(3) The evolving arrangement between power & knowledge*

From the US perspective, this problem could be fixed by devaluing the dollar so that US debts could be easily paid with cheaper money while preserving the existing international monetary system. However, under the system's rules, the US could not prevent the legal outflow of gold from the US Bullion Depository at Fort Knox, Kentucky. Hence, any currency policy move made by the US government must be coordinated with its major allies, such as France, in order to maintain the regime. Unfortunately, the major US trading partners such as West Germany and Japan, their rising economic power, made them more assertive vis-à-vis the US in the bargaining process, so that they were increasingly reluctant to revalue their currency against the US dollar (Keohane & Nye, 2011). Therefore, the survival of a regime does not necessarily depend upon the willingness of its author.

It is correct for neo-institutionalism to point out that once international regimes come into being, "they acquire an inertial force, which allows them to persist after the conditions that brought them into being have disappeared," and "the continuation of hegemony is not necessarily essential for their continued viability" (Keohane & Nye, 2011, p. 50; Keohane, 1984, p. 101). However, the regime represents nothing but what the author creates for the regime itself. As a nothingness, its institutional being does not have an essence. It exists or persists only in terms of being the effect of a special power/knowledge relationship. The Bretton Woods regime thus reflected the synthesis of Keynesian economics and US hegemonic power. Its collapse reflected the demise of Keynesian economics as the guiding knowledge of governance, and the rise of new economic powers such as France, Germany, and Japan. This new synthesis necessitated a new economy of international monetary relations that is certainly not which the US government had deliberately planned for its financial future, because "the Bretton Woods system provided substantial seignorage to the U.S." (Bordo et al. 1995, p .12).

*ii) The French State's perception*

Last but not least, the demise of the Bretton Woods system could be ascertained at least as France intended. Throughout the 1960s, Gaullist France had pursued a strategy that aimed to challenge the Bretton Woods gold-dollar standard, which had a clear objective of revising the existing international monetary system. It reflected a radical change in the French State's perception of the dollar-gold regime.



(1) A "far-sighted" French strategy

This strategy expressed in "a consistent national long-term policy" was conducted according to a vision of the international monetary system, which opposed the use of the dollar as an international reserve asset (Bordo, 1995, p. 2). Instead, the French vision favored a new form of gold exchange standard system that would enable the coexistence of multiple gold convertible currencies, which would constitute a new international currency market. This new market's mechanisms would be regulated by a multilateral surveillant power – i.e., the veto power for the Common Market countries within the IMF. In other words, this new gold exchange standard would confer on the G-10 countries, rather than the US alone, the power of reserve currency creation and regulation. Obviously, it was France that pushed the first domino, which triggered a chain reaction – i.e., a sequence of accidents between 1960 and 1968 – which led eventually to the meltdown of the dollar-gold standard system in 1971. The significant role of France in the story of the breakdown of the Bretton Woods system makes it untenable to different degrees, both American IR theories that adjudicate the determinant role to the military or economic supremacy of the United States.

In fact, the determinant role of the other western economic powers is undeniable. Even according to the neo-institutionalist narrative, without obtaining France's agreements on the matter of gold and exchange rates, the current international monetary order would not be able to be established in January 1976. That is why Keohane and Nye (2011) cite the quotes from both the US secretary of the treasury for monetary affairs and the French finance minister: "we have a monetary system again;" and, "the end of a debate lasting three years," respectively (p. 73). Besides, it was West Germany that first withdrew its support for the dollar and officially abandoned the Bretton Woods accord in 1971.

Indeed, the current international monetary order is far from the version France had conceived. However, no matter whether France's original objective was attained, the demise of the gold-dollar standard was teleologically what France's long-term strategy aimed at since the founding of the Fifth Republic in 1958. In the French view, the *de jure* gold-dollar standard enabled the United States to finance its persistent deficits via issuing, however fiduciary money without making necessary adjustments. From a long-term perspective, these deficits that were largely translated into the other countries' official reserves would make the issuer's liabilities exceed its reserve assets. This asymmetric international monetary system is thus inherently unsustainable, the economic process of which lacks necessary mechanisms to correct the prolonged deficits in the US balance of payment so as to unavoidably erode the status of the US dollar as the international reserve currency. Eventually, this asymmetric relationship will undermine the stability of

the world monetary system. Considering the world financial outlook of the 1960s, “de Gaulle foresaw correctly, as has now become clear to all – that the perpetuation of the same system would inevitably pose a similar threat to the dollar itself” (Triffin, 1968). Therefore, it could argue that France had adopted a quite farsighted international monetary strategy that was concerned with the perception of potential gains arisen from a currency system avoiding the Triffin dilemma, rather than which was dominated by the pursuit of a narrowly defined nationalistic vision (Perry & Tobin, 2010). There is no need to argue that it was in effect feasible to keep the Bretton Woods going had the United States followed better monetary policy after 1965 (Bordo & McCauley, 2019).

*(2) A “myopic” US government*

If France had consistently pursued a coherent international monetary strategy as a result of foreseeing a long-term benefit or cost, it was then the United States that adopted a short-sighted view so as to refuse to forego the short-term gains. Regarding the Bretton Woods system, although this postwar monetary regime represented as being of a valuable asset to the United States, the United States was neither willing to bear the costs of domestic fiscal adjustment, nor to pay the cost of supporting another regime of exchange rate pegged to gold (Keohane, 1984, p. 209). In fact, it is even implicitly admitted in the neo-institutionalist narrative that the US government’s unilateral cancellation of its commitment to the Bretton Woods regime was incentivized by “myopic self-interest” – that is, an act motivated by “a strong political incentive to smash the specific rules of the old regime,” even if it had an equally powerful desire to maintain the essential principles of liberalism” (Keohane, 1984, p. 98-208). Over the 1960s, the United States attempted to pursue twin objectives – “victory in Vietnam and the maintenance of a stable value for the dollar.” This strategy is proved “unsuccessful” in both geopolitical and financial terms. However, its perceptual consequence – i.e., “American economic bullying” – was proved harmful to the Western alliance (Keohane & Nye, 2011, pp. 98-99). Hence, the synthesis of the US deficit problem (linked to Vietnam War) and Gaullist France’s disobedience (within the liberal international monetary system) constituted a geo-financial challenge to the truth regime grounded upon the synthesis of Keynesian economics and US hegemonic power.

*(3) cost and benefit as the two sides of the same coin*

Paradoxically, the United States and Gaullist France both perceived the same things but in different terms – i.e., long-term (or short-term) benefits or costs. Hence, costs cannot be interpreted as the negation of benefits. They manifest in effect the two sides of the same coin. The same thing is perceived differently

only because of the choice of angle of view. Therefore, neo-institutionalism creates through its own analytic lens, in effect, a paradoxical world – i.e., a harmonized perceptual field in which “benefits” and “costs” coexist but without a determinate boundary. That is why Keohane (1984) cites the quote from Ernst Hass (1983), “changing perceptions of values and interests among actors are associated with changed behavior, though not in obedience to any pattern of rationality imputed or imposed by the observer. There is no fixed ‘national interest’ and no ‘optimal regime’” (as cited in p. 132). Hence, what France perceives as costs or asymmetric America may perceive as benefits and necessary.

The cost and benefit become in effect interchangeable in terms of their monetary being – i.e., the deficit and surplus, which, however, represent the same thing – i.e., an amount of US dollars – at the same time. The only distinction in this rationalized perceptual field of the world is actually made by a general division between deficit countries and surplus countries. It was upon this general perceptual ground where was established, a global political economy of power relations. These power relations are asymmetric since the benefits (or costs) are unevenly allocated to the countries within the system, e.g., the Bretton Woods system. It was hence this asymmetric Bretton Woods system that regulates the power relationships which defined the modes of being of these two groups of countries, France, Germany, Japan on the one hand, and the United States and Britain on the other hand. For instance, Britain ran a persistent deficit on the current account of the balance of payments throughout the 1950s and 1960s (Thirlwall, 1986). The United States was also seeing a persistent, structural disequilibrium in the balance of payments during the same period (Holbik, 1969).

*iii) The Triffin dilemma: the “benign” effect of the US deficit*

This trade deficit (or surplus) problem arose from the Triffin dilemma that was implicitly seen as a natural consequence of the Bretton Woods system itself, although the system is explicitly recognized as not natural at all. In fact, neo-institutionalists argue that it is the powerful states that make international regimes come into being by creating constraints in light of environmental factors such as geography and imposing them on the others (Keohane 1984; 71). Therefore, the Bretton Woods regime is natural to nothing else but to the action of the United States. Based on the US perception of the international economy, an interdependent economic system came into being in the western world, in which the US deficits were rendered necessary to both the recovery of the world economy and the functioning of the system itself. That is to say, the economic recovery of the postwar Europe owed to “American financial policies that had produced large payments deficits, furnishing dollars to a formerly dollar-short world” (Keohane & Nye, 2011, p. 70). Under

this hegemonic system, the European and Japanese economy grew faster than the United States did. Hence, this deficit was considered benign, for it made the Bretton Woods system workable and the western economy prosperous. Therefore, the US deficits are supposed to bring long-term benefits (prosperity) to all so as to justify the US hegemonic management of monetary relations among non-communist states. Thereby, the existence of its persistent deficits is rendered justifiable. In other words, the Triffin dilemma is systematically necessary to the being of the US dollar regime.

*(1) National debt as a national blessing for the US hegemony*

“A national debt, if it is not excessive, will be to us a national blessing” (As cited in Congress, 1963, p. 21987). This quote from Alexander Hamilton informs the US perception of deficits. The debts that might represent a curse on the stability of the international monetary system in the eyes of the others are, however, perceived as “a national blessing” to the issuer. This positive perception is explicitly expressed in the US congress, according to which (Congress 1963, p. 21987), the American might rests upon its deficits spending. Hence, these deficits must persist so as to sustain the being of the US-dollar-centric international monetary order that is considered as which legitimately succeeds the international gold standard – i.e., a sterling standard – during Pax Britannica. Therefore, the coming to presence of the sterling or dollar system is seen as the correlative effect of the hegemonic behavior of powerful states such as Great Britain and the United States since the nineteenth century.

“In the nineteenth century the financial strength of Great Britain provided the basis for a monetary system that was centered principally, although not entirely, on London. From World War II through the 1960s, the economic preponderance of the United states enabled it to manage monetary relations among noncommunist countries through the Bretton Woods system” (Keohane & Nye, 2011, p. 38).

From a neo-institutionalist perspective, this hegemonic behavior constitutes a pattern of conduct in history, for “countries with well-functioning capital markets can borrow cheaply and may be able to provide credit to friends or even deny it to adversaries” (Keohane, 1984, p. 32). That is to say, through manipulating the mechanisms of access to capital, the powerful states can control the conduct of others.

*(2) The myth of "great currency"*

Keohane identifies this pattern of conduct with the United Provinces in the seventeenth century, the United Kingdom in the eighteenth and nineteenth centuries, and the United States since 1944. From this perception of world finance history, one can derive a logic that informs the story of the rise and fall of international monetary regimes, for it reveals a relationship of great power and great currency – i.e., “great powers have great currencies” (Mundell, 1993, p. 10). As such, this geo-economic logic enables neo-institutionalism to conjure up an image of the international monetary system in the perceptual field of the US government – that is, the discovery of some controlling mechanisms in the tectonics of the system, which are connected to the rise and fall of great powers. These mechanisms constitute then a truth standard that outlines which strategy or policy is geo-economically correct in light of the global interests of the United States, for instance, the US-China rapprochement. These mechanisms also tell a truth that the other states also need to realign their behavior with these global interests for benefiting from the greater prosperity associated with the stable monetary regimes – i.e., the sort of public goods (Keohane & Nye, 2011). As a result, this logic derived from these regulatory mechanisms comes then to harmonize the perceptual fields of all states – i.e., the US deficits are blessings to everyone.

*(3) "currency war" as the failure of the realist practice*

In effect, the geo-economic consequence of “the primacy of geopolitical ambition” – i.e., “the American involvement in the Vietnam War” – was projected thoroughly clear at the level of the international monetary system – i.e., the demise of the Bretton Woods regime (Thompson, 2020). Despite America’s “ingenious schemes,” the gold-dollar standard was not saved. Since then, the “currency war” ensued – i.e., “the wide cyclical fluctuations in currency values between 1971 and 1975.” The period was characterized by “non-regime,” which means lacking a “stable set of rules” among governments and central banks (Keohane & Nye, 2011, pp. 70-73). It reflected a political disorder in the economy of the western world and, at the same time, the US diplomatic disability to coerce its allies. Even the prominent American geopolitician and realist, Hans Morgenthau admitted that the “unprincipled” pursuit of “self-interest” actually undermined “the capacity of a Great Power for constructive diplomacy based upon negotiated compromise and moderation.” In this case, as the consequence of the costly overreaching of the United States, the breakdown of the Bretton Woods system could also be seen as “a prime illustration” resultant from “a massive failure of calibration in foreign policy analysis” (Thompson, 2020). Hence, the geopolitical logic that guided America’s state behavior which buried the Bretton Woods regime by its own hand.

c) The 2008 crisis of the dollar regime

In the old story of the Bretton Woods system, China played no part because it isolated itself from the effects of international financial flows (Keohane & Nye 2011, p. 58). Almost four decades later, the postwar international monetary system was once again crumbled by the excessive creation of credit and debt that had increased liabilities and assets in the years leading up to the crisis, which began in 2008. About the story, the same is that prior to the financial meltdown, the United States was “living beyond its means,” for “cheap and easy credit” had become what accelerated the growth of US economy – i.e., the aggressive expansion of the US housing market since 2001 (Eliot, 2008). Concomitantly, loans increased when banks lent money to borrowers in the real estate sector. These loans were securitized by American financiers and sold as “subprime assets” to the investors across the world (Kohn, 2014). However, the US structural asset market became too complex, and its mechanisms lacked enough oversight (Whalen, 2008). Eventually, liabilities exceeded assets in the banking system so much so that the US mortgage market collapsed.

*i) The “success” of the neo-liberal regime of truth*

The consequence of this US subprime mortgage crisis was global and grave. However, unlike what happened in 1971, this time, the neo-liberal power/knowledge system worked. And it worked better than what realists could believe, for it successfully induced the cooperative behavior of the other countries and lead them to the imagined solution. It could argue that the neo-liberal truth regime has successfully reshaped the perceptual field of the world that includes the Chinese State's perception of the international monetary order.

*(1) China's cooperative response and positive perception*

The neo-institutionalist discourse furnishes the state actors with an imaginative mechanism that frees their perceptions from the relentless “fear” of the realist world, which always brings about the tensions and mistrust between them. Through de-mythifying (neo-)realism, it enables them to escape from the Prisoner's dilemma to a state of non-zero-sum games, in which interstate cooperation is rendered endurable because not of fear but mutual benefits. The global response to the 2008 financial crisis exemplifies this neo-liberal institutionalist truth. China's cooperative behavior results from its positive perception of the US-led international monetary order. The cause of its favorable appreciation towards this dollar regime cannot be reduced to the hegemonic power of the United States that is believed declining. Nor could it be simply attributed to China's sizeable holding of US treasury debt. Instead, what makes China behave, unlike

Gaullist France who intended to systematically undermine the gold-dollar regime, is more fundamental. That is the liberal international order itself which has successfully rationalized the Chinese State's perception of the U.S. dollar regime. Hence, neo-institutionalism presupposes the existence of "a deeper reality" – i.e., a knowledge/power structure – which precedes the American-centric international (monetary) order (Ikenberry, 2011, p. 57).

*(2) The modern episteme of international order*

It is the knowledge/power of this invisible discourse – i.e., neo-liberalism, which has gradually reordered the hierarchy of things in China's perceptual field since the 1970s. In a neo-institutionalist perspective, this discourse is grounded in "the western order" of things – i.e., the modern episteme of international order, the knowledge of which has developed through centuries since "the Peace of Westphalia in 1648" (Ikenberry, 2011, p. 58). However, this episteme does not presuppose a natural order of things as what realists believe. In effect, "today's Western order" is "the product of farsighted U.S. leadership" (Ikenberry 2008, p. 24). It is considered the synthesis of "Westphalian norms" and "liberal internationalism." The latter is regarded as a global effort, rather than merely a western endeavor. Indeed, the United States has championed it since the end of World War II. So, the "liberal order" could be seen at least in part as the geopolitical and -economic consequence of the coming into being of modernity that stems from Europe. It is, therefore, the modern episteme of international order – i.e., "the deeper international order" – which helps the "non-western" states to see "the road to modernity through – not away from – the existing international order." Thus, it is this invisible episteme that regulates all modern states' perceptions and their behavior consequently (Ikenberry, 2011, p. 60-61). As a result, "China is well aware that no major state can modernize without integrating into the globalized capitalist system" (Ikenberry, 2008, p. 32). It can see no other road than to join the IMF, the World Bank, and the WTO – i.e., the neo-liberal international politico-economic order.

Therefore, neo-institutionalists have discovered unspoken mechanisms that operate beneath the institutional level of the existing international system, creating the underlying ground for harmonizing things into order. That is to say, since the end of the Cold War, upon this deeper Western order has gradually developed a new global economy of power relationships, from which springs a new regime of truth that has profoundly reshaped the rising state's perception of the existing international order, so that they will not repeat what post-Bismarck Germany had done to the "old order." "Germany under Bismarck undertook" a reassurance

strategy. "After Bismarck's departure," Germany's economic rise enabled itself to destabilize Europe through its military power (Ikenberry, 2014, pp. 58-59).

However, today's international order, which China faces, is "highly institutionalized" and complex in terms of interdependence. Under the "nuclear terror," "the wide presence of liberal democracies across the global system" has rising powers that perceive no other choice but to accommodate the existing order rather than overturn it. It is unlikely to see China will engage in a rival hegemonic project since the existing order increases "advantage and voice." The "classical historical mechanism" – "namely, great power war" – is rendered obsolete (Ikenberry, 2017, pp. 2-16). The global financial crises and recessions make more salient economic interdependence, which creates incentives for both the established and rising great powers to bargain and moderate disputes. Even in the realist realm of security, "transnational dangers, such as terrorism, climate change, and pandemic disease," create the demand for multilateralism rather than unilateralism (Ikenberry, 2011, p. 67). Hence, the United States and China will not be necessarily trapped in "zero-sum geopolitical competition" – i.e., the Thucydides Trap (Ikenberry, 2014, p. 59).

### *(3) China's perception of the dollar regime*

On the contrary, through this neo-institutionalist frame, one would see that China's response to the 2008 global financial crisis reflects a "wise" and "farsighted" Chinese government, which helped stabilize the international monetary system for sustaining the liberal international order that benefits China on a long run. Its behavior is, in effect, very much consistent with the logic of the liberal international monetary system, for the Chinese State decided on policy options based on the neo-liberal standard of truth that demarcates what to be deemed as loss and what to be deemed as gain. In the year of the outbreak of the subprime crisis, "the major powers, including the United States, China, and most Asian and European countries, engaged in enormous fiscal stimulus, coupled with very lax monetary policies" in order to convert their effort for moderating the effects of the crisis (Keohane & Nye, 2011, p. xxxiv). Like Germany and Japan in the postwar era, China's response to the crisis is deemed proof for Western order's success. That is why Ikenberry (2008) argued that "Chinese economic interests are quite congruent with the current global economic system" (p. 32).

From a neo-institutionalist view, China's cooperative behavior is easy to understand. The international trade and currency regimes that constitute the institutional being of the order produce framing effects on the states'



perception and behavior. They make available the “quasi-legal mechanisms” for all member countries to defend themselves and to settle the disputes (Ikenberry, 2008, p. 32). Like the other member states, China is also affected. For instance, in the WTO, China accepts dispute settlement judgments that go even against it (Nye, 2017). In the IMF, China has assumed increased voting right in the management of international monetary relations. All portend that the existing global currency and trading systems are indeed valuable things not only to the Western countries but also to China. Prior to the outbreak of the crisis, China has already seen “the massive economic returns,” which only an “open-market system” can make possible. China’s “commitment to economic liberalization” has perceived increasing benefits by opening itself to trade and foreign investment. So, the existing systems generate enough incentives for China to see “the liberal international order” as being of benefit to the Chinese economy. These benefits have been partly translated into its “massive foreign reserves” (Ikenberry, 2008, pp. 26-32). Therefore, it is illogical to imagine China’s perception of the international monetary system as something entirely negative. Hence, the liberal international order is primarily perceived by the Chinese State as what benefits it rather than what suppresses it, for “it understands and appreciates” the mechanisms which the liberal order generates (Nye 2017). Thus, neo-institutionalism has harmonized within its narrative the perceptual field of all states in accordance with the neo-liberal truth.

*i) A story has no villain: the dollar system in peril*

Indeed, thanks to the neo-liberal truth regime, the dollar standard has avoided the 1971 collapse of the Bretton Woods regime. However, what makes the story intriguing this time is that no country seeks consciously and deliberately to destroy it. There is no “villain” in the story. This time, no country had acted like Gaullist France to withdraw gold from the United States – i.e., a planned liquidation of US assets. It was the collapse of the subprime mortgage and housing markets in the United States, which had quickly translated into a global systemic banking crisis due to the closely interdependent financial markets across the world, especially in developed countries. The toxic assets – i.e., US subprime mortgages – that were widely held by foreign investors in the rest of the world, including many official entities, were in effect the US household debts (Kohn 2014). In other words, it was the other countries which financed the US home loans. However, when housing prices started to decline, most American borrowers were unable (or disabled) to repay their loans. The massive sale of real estate further increased the downward pressure on the housing price. As a result, their mortgages exceeded the value of their homes largely – i.e., bankruptcy. The foreign investors, including many European banks, soon experienced a liquidity crisis, since their dollar assets were hitherto worth nothing. A global shortage of dollars made the international banking crisis come into being (IMF, 2008).

*(1) Causes of "market failure"*

Prior to the 2008 crisis, the Federal Reserve had employed a low-interest rate policy for preventing deflation in the aftermath of the September 11 terrorist attacks and the new economic bubble. The short-term interest rates had been reduced eleven times from above six percent in 2000 to only one percent in 2004. The low-interest rates created inflation, monetary excess, and the housing bubble, which constituted then the conditions of the financial crisis (Taylor, 2013, p. 2). The failure of the real estate market also owes to government intervention. The US governments – i.e., the Carter, Clinton, and Bush Administrations – had formulated a national housing strategy for stimulating homeownership for Americans. Their housing policies had incentivized the banking industry to create financial derivative products such as CDO (collateralized debt obligation) and MBS (mortgage-backed security) for mitigating the associated risks. Needless to say, Fannie Mae and Freddie Mac were also the products of US government action. These two government-sponsored enterprises were supposed to guarantee the payment of mortgage loans (Rotthoff, 2010). In the absence of adequate regulation for years, they were finally exposed to the risk of bankruptcy in 2008, for they had underwritten massive loans to poor-credit borrowers. The latter were unable to pay their mortgages. Moreover, these mortgages were held by foreign investors across the globe, from the Chinese government to money market funds. Eventually, the collapse of the US real estate market triggered the global banking crisis. This crisis situation could be diagnosed as market failure in accordance with both the neo-institutional and economic pathology.

*(2) The neo-institutional mechanism of imagination*

The outbreak of the 2008 global financial crisis enacts then the neo-institutional mechanism of imagination, for the crisis portends that complex interdependence has reached a level to which the increasing inconsistency between financial interests and national interests makes governments difficult to calculate the manipulation of interdependence. Following their narrative structure, the US-China financial relationship is characterized once again by the asymmetric interdependence between the trade deficit country and the trade surplus country. China's massive foreign exchange reserves, "mostly held in U.S. Treasury securities," makes the country itself paradoxically powerful and vulnerable at the same time vis-à-vis the United States. It is vice versa true for the United States. Thus, this power relationship increases in effect vulnerability on both sides vis-à-vis the liberal international order, for it resembles a "balance of financial terror." No one risks manipulating the other's vulnerability insofar as to jeopardize the entire system because the consequence thereof means "another Great Depression" for all – i.e., a Prisoner's dilemma. This dilemma has brought the international monetary regime once again into a state of

indeterminacy. Both sides attempt “to change the framework to reduce their vulnerabilities” on the institutional level (Keohane & Nye, 2011, pp. xxxii-xxxiv). However, melioristically speaking, the long-term benefits are supposed to induce China to work with the United States to solve the collective problem.

*(3) China's perception of the US dollar system*

To the credit of neo-institutionalism, the Chinese government was, in effect, concerned with the long-term “costly effects” of an American economic recession. The Chinese leaders did care about the future of the US economy, for they recognized that China “‘has a stake’ in the health of the U.S. economy, both as a major market for Chinese exports and in terms of persevering the value of U.S.-based assets hold by China and that a stabilized U.S. economy was in China’s own interest” (Morrison, 2009, p. 8). In other words, economic interdependence has transformed in terms of its effects China’s perception of the United States, for China now feels a need for “strong, prosperous partners around the world” (Ikenberry, 2008, p. 30). Therefore, China does not necessarily perceive the United States as exploiter or enemy based on a zero-sum geopolitical logic. If so, it would try to liquidate most U.S. assets in its hands in order to destroy the dollar regime at an intolerable cost for its geopolitical interest.

Contrary to this realist speculation that China would “dump or (threaten to dump) a large share of its holding in order to counter U.S. pressure (such as threats of trade sanctions) on various trade issue (such as China’s currency policy)” (Morrison, 2009, p. 9), the Chinese government continued to increase its holding of US Treasury bills from 2008 to 2009 at the request of US government officials. On September 21, 2008, President Bush had called President Hu to help deal with the financial crisis “by urging China to hold even more U.S. Treasury bonds and U.S. assets.” During her visit to China in February 2009, Secretary of State Clinton pressed on the Chinese government “to continue to buy U.S. Treasury securities” (Morrison, 2009, p. 8; Garrett 2010). The actual course of history shows that “the most farsighted Chinese leaders understand that globalization has changed the game,” for globalization has transformed the world capitalist system into what renders the geopolitical logic obsolete and even counterproductive. In the neo-liberal epoch of global capitalism, pursuing a zero-sum geopolitical competition is “foolish and dangerous” (Ikenberry 2008, p. 34). “A rising state and a declining hegemon” can, in effect, work together for achieving greater and long-term gains, despite “a profound shift in the distribution of global power” (Ikenberry, 2008, pp. 26-30). That is to say, neo-institutionalists discover that from this global restructuring process derives “a logic of economic relations” – i.e., a geo-economic logic (Ikenberry, 2008, pp. 30-31). This new logic has harmonized the Chinese State’s perception of the United States and the international monetary order under

US leadership, for farsighted Chinese leaders understand that they have no other choice but to choose to integrate into the existing order, rather than to overthrow it (Ikenberry 2008).

*iii) The international monetary order and China*

Certainly, the international monetary system is saved this time, thanks to the power/knowledge regime of neo-liberal truth. However, the 2008 global economic crisis still has its side effects on this regime itself – i.e., “negative externalities” in economic terms. The crisis has made “the doctrines of neoliberalism and market fundamentalism” discolored (Ikenberry, 2011, p. 65). On the empirical level of this deeper crisis, the American-led international monetary system has been subject to a critical review in terms of legitimacy.

*(1) The anxious perception of the US-led liberal international order*

“The U.S. banks and hedge funds have engaged in speculative operations in foreign exchange and commodity markets. The flood of cheap dollars has destabilized international currency markets” (Lucarelli, 2012, p. 441). “The ‘risk-based’ model of financial governance,” championed by the US financial authorities, destabilized the international monetary system and made the global economy pay “the huge economic, political, and social cost for that error of judgment” (Lee, 2011, pp. 8-9). Undoubtedly, the financial crisis has an impact on perceptions of US leadership of global financial affairs. The G-20, instead of G-7, became the site of deliberation to coordinate actions for global financial and economic recovery, and to make recommendations for reforming the international monetary system.

“During the early months of the crisis, European leaders (particularly British Prime Minister Gordon Brown, French President Nicolas Sarkozy, and German Chancellor Angela Merkel) played a major leadership role in coordinating policies and convening meetings in which immediate rescue actions as well as principles for solutions and proposed policies were addressed” (Nanto, 2009, p. 71).

The mounting social and economic costs enhanced the negative perception of the existing international monetary order under US leadership. “The crisis itself is perceived by some as weakening the U.S. position in the world and providing an opportunity for other nations to adjust the global balance of power away from the United States and toward Europe, China, Russia, and India” (Nanto, 2009, p. 21). This perception of a

weakening US economy activates then the mechanism of the anxious imagination of fear, for the United States is generally conceived as the vital supplier (or even monopoly) of “the stability of international monetary system” (Gilpin, 2001, p. 96). Its diminishing power is seen as tantamount to the decline of the liberal world economy, for both free trade and monetary stability require the existence of a liberal dominant power as the precondition of their being (Gilpin, 2001, p. 99). Hence, the crisis circumstances of 2008-2009 portend that the liberal international order was in danger.

*(2) The neo-institutional imagination of Beijing's perception*

“This narrative of liberal international decline” has been reinforced by the sluggish world economy, especially by the rise of “non-Western developing countries” such as “Brazil, China, India” (Ikenberry, 2011, p. 57). Their fast emergence brings about new challenges to “the American model of liberal capitalism,” for they “have weathered” the financial crisis “better than their Western counterparts” (Ikenberry, 2011, p. 57). Among them, China is the most potent challenger to “the American model of liberal capitalism,” for it is supposed to organize an illiberal international order on the basis of an “authoritarian capitalist alternative to Western neoliberal ideas” (Ikenberry, 2011, p. 57). The speculation that China's Yuan would “displace the U.S. dollar as the leading international reserve currency” has ever been appeased since then (Eichengreen & Kawai, 2010, p. 19; Eichengreen, 2015).

In response to this realist type of imagination, neo-institutionalists believe that the rise of “non-Western” states will not necessarily bring into being a “non-Western” order which is imagined as “a more contested and fragmented system of blocs, spheres of influence, mercantilist networks, and regional rivalries” (Ikenberry, 2011, p. 56). Indeed, China, as a “non-Western” state, is growing stronger. However, the speculation of China being of a threat to the liberal international order is highly unreasonable (Nye, 2017). First of all, the domestic maintenance of an authoritarian regime is socially costly in a liberal international environment. The cost of resisting “the pressures to liberalize and democratize” makes Beijing unable “to impose its illiberal vision on the world” (Ikenberry, 2011, p. 64). Second, economic growth and full employment, as two necessary conditions, make the mono-partisan rulership possible as the legitimate organizing principle of the Chinese State.

The Beijing model's success relies upon an open and rule-based international order. Thus, a fragmented and mercantilist international system would not make Beijing economically successful. For Beijing, the

perceived cost of building an alternative international order that is intolerably high makes Chinese leaders, if they are farsighted enough, will make no other choice but to pursue economic interests within the current system. The presumption of building an illiberal order based on a Beijing model on an international echelon is not so much tenable. Therefore, the liberal international order is unlikely to be endangered by the rise of China. That is to say, the nature of the challenge that Beijing poses to the existing international order is, which occurs “within the system,” rather than over its “fundamental principles” (Ikenberry, 2011, pp. 57-61). It is the existing international order – i.e., “its rules, practices, and institutions” that make China prosperous and tied closely to the liberal organization of world politics so that the Chinese interests are deeply embedded in the system (Ikenberry, 2011, pp. 58). It is illogical to imagine that China will perceive the existing international order as something being of a threat to itself (Ikenberry, 2011). Hence, it is not incentivized to challenge the neo-liberal economic regimes such as the IMF, the World Bank, and the WTO.

### *(3) The Yuan's internationalization*

If China's challenge to the neo-liberal organization of international economic relations is unlikely, the speculation about the Yuan's challenge to the Dollar's supremacy is also misplaced. For a country's national currency to assume an international role, it must have at the domestic level “a deep financial market,” which China clearly does not have (Wang et al., 2014, p. 161). It is theoretically impossible to construct open, competitive, and deep financial markets in the absence of “democracy and the rule of law” that are considered two essential principles which constitute the stable ground for them. Therefore, to achieve Yuan's global role, China has to model itself on the US economy. That is to say, the internationalization of Yuan will not materialize without financial liberalization – i.e., “to loosen its currency controls” and “strengthen its domestic financial rules and institutions” (Ikenberry 2011, p. 62). As a result, China will see no other way than to liberalize itself for achieving the goal. Hence, in effect, China's Yuan is unlikely to become an international reserve currency so as to challenge the US dollar's position, for the Chinese government does not risk “making yuan convertible for domestic political reasons” (Keohane & Nye, 2011, p. xxxiii).

### *(4) China: spoiler or pillar of the international dollar regime*

Indeed, the Chinese State's behavior, such as its currency practice, is considered having free ridden on the liberal international (monetary) order. However, China also has to be concerned with the adverse effects because it holds on “to maintain a stable dollar peg.” From 2002 to mid-2008, China, as well as the Euro

area, had faced the consequence of the US Federal Reserve's loose monetary policy – i.e., “the persistent weakness of the dollar.” It had made China “increasingly difficult to control its monetary bases,” for it had “experienced hot money inflows” that was contributing to its domestic economic bubble. The People's Bank of China's countermeasure – i.e., “massive sterilization efforts to mop up excess monetary liquidity” – was to “re-impose controls on capital inflows.” Its response was economically rational. Whereas the US financial authorities maintained a weak dollar policy, “China's ‘undervalued’ exchange rate” was blamed by “American politicians and economists” as “the primary cause of its sharply rising exports to the USA before the 2008 credit crunch” (McKinnon, 2010, pp. 11-14). Paradoxically, China's currency practice is exactly what must be “corrected” in accordance with the “truth” principle embedded in the neo-liberal regime, for it makes China look like a “spoiler” of the system (Ikenberry, 2011, pp. 63-64).

However, China's pegged exchange rate regime is not a coincidence. It reflects the Chinese State's perception of the US-dollar-centered international monetary system, for it recognizes that it has a stake in this American-dominated world economy. In the post-crisis period, “China could have been full-throated in its support of a Beijing consensus. Instead, China acted as a supporter of the status quo far more frequently than it acted as a spoiler of the system” (Drezner, 2014, p. 19). China's reactions to the crisis proved that it was indeed a “responsible stakeholder” of global economic governance, as US Deputy Secretary of State Robert Zoellick had expected. China has understood that the international system sustains its peaceful prosperity so that it came to help stabilize the system. In effect, the trade imbalance between China and the United States is not one-sided (McKinnon 2013, p. 197-198). On the one hand, the Yuan-Dollar standard that underpins China's fixed exchange rate regime provides a stable macroeconomic ground for its fast economic growth. On the other hand, “the vast expansion of China's dollar-based trade has made it, albeit inadvertently, a pillar of the dollar standard. China would have a lot to lose if the dollar standard were to collapse or becomes seriously damaged” (Uzan, 2015, p. 227).

*iv) Washington's reassurance of China's rise*

Indeed, owing to this unmistakable recognition of the dollar's importance to China itself, its economic interest resides undoubtedly “within the system.” However, its political regime's authoritarian character makes its promise of “peaceful rise” theoretically undetermined (Ikenberry, 2011, p. 65). The theoretical indeterminacy of the political form of the Chinese State raises uncertainty within the neo-institutionalist theater.

*(1) China as a "risky asset" to the US strategic portfolio*

This theoretical uncertainty activates then the neo-institutional mechanism of the imaginative calculation of risk, for China's economic growth is regarded as a "risky asset." The uncertainty associated with China's rise implies that the "old U.S.-led regional system is now giving way to something new" (Ikenberry, 2014, p. 51). China's growing power is considered transforming the structure of power relationships that have dominated East Asia – i.e., "America's old relationship with the region" (Ikenberry, 2014, p. 42). This phenomenon is considered "a power transition with far-reaching implications for America's strategic interests and global position" (Ikenberry, 2014, p. 42). Its indeterminacy engenders uncertainty. Thus, the risk must be mitigated through reassurance geostrategy on the part of the United States, for East Asia "is moving to a post-hegemonic order that is increasingly defined by the balance of power calculations and logics" (Ikenberry, 2014, p. 44).

However, a "geopolitical rivalry" between the United States and China is not desirable for any country in the Pacific rim (Ikenberry, 2014, p. 58). Therefore, for the sake of sustaining "the American-led liberal international order," the regional political and security system must be re-optimized so that Beijing would not choose to overturn the status quo, but to pursue economic growth within it (Ikenberry, 2014 p. 43). Hence, China's growth within the liberal system is still welcomed. Its rise just needs to be reassured in order to prevent the possible formation of "a closed, illiberal Chinese sphere of influence" (Ikenberry, 2014, p. 44). This neo-liberal institutional geostrategy is necessary to ensure the political and security order that "provides the stable underpinning of" the US-centered postwar international economic system, thus of the dollar regime (Ikenberry, 2014, p. 45-46).

*(2) Preventing East Asia from following the European path*

However, this geostrategy is not equivalent to geopolitical machination that would undermine the liberal order itself. The strategic use of military deployment in the region aims to erect what represents compulsion and inducement in East Asia's perceptual field. The strategy has three objectives: (1) the region will not devolve into a "classic multipolar order" to the extent that the countries in the region continue to tie themselves to the United States for security protection; (2) Beijing is not capable of offering "an attractive alternative model for the world" to the extent that "the United States and its liberal democratic partners are stable, prosperous, and cooperative"; (3) security and economic interdependence will make both China and the United States find "powerful reasons" to "moderate and manage their contest for supremacy" (Ikenberry,



2014, p. 60). In sum, the strategy aims at making sure that “East Asia will not follow a European pathway” (Ikenberry, 2014, p. 60). The success of this neo-liberal institutional geostrategy thus relies upon farsighted governments in both countries. For the Chinese state, its government must not see the liberal order as an obstacle to China's peaceful rise. At the same time, this geostrategy's consistency also needs a stable domestic basis – i.e., solid bipartisanship – within the United States.

*(3) Framing China's strategic perception of the US-led order*

Unmistakably, the neo-liberal institutional geostrategy has the ultimate objective of reassuring the liberal international order's longevity. It helps through its discursive mechanism transform power politics from a zero-sum game into a positive-sum game. It is a non-zero-sum game strategy that aims to strengthen the United States' power over others by inducing others' cooperation. Thus, the United States must empower others (Nye, 2017). It is precisely this point which distinguishes the neo-liberal institutional geostrategy from a pure geopolitical calculation of narrow interests. When growing economic interdependence makes all states bounded together for collective prosperity, growing security interdependence has also transcended the traditional domain of security. The uncertainty that menaces the liberal order does not come simply from the rise of a non-Western power, the risk of which is considered somehow mitigable.

The potential danger to the liberal order also comes from financial instability and climate change to terrorism and infectious disease. The hazards associated with these transnational issues constitute the common threat which has the United States and China work with one another for avoiding a total breakdown of the liberal international system. The growing complexity of today's world politics increases the cost of maintaining international (monetary) regimes (Ikenberry, 2011, p. 67). Even though a great power is as mighty as the United States, it can no longer tackle these global security issues alone. In order to ensure the supply of global public goods such as “international financial stability,” which is considered “vital to the prosperity of Americans,” the United States needs to choose neo-liberal geostrategy through constructing new institutional constraints which rely on leading coalitions in the new age (Nye 2017). The strategic use of military deployment is seen only as a means to frame China's perception and erect what represents costs in China's perceptual field so as to overawe it.

As such, the growing economic and security interdependence that characterizes the evolving international system gives rise to what aims at determining the perceptual ground of the general being of the new world

economy. Upon this new ground, the world is not divided by the traditional binary – i.e., the West and non-West, but by the new transnational duels between multilateralism and unilateralism, globalism and populism (Nye 2017). Therefore, a “zero-sum” geopolitical competition between “the United States (the West) and the non-Western rising states” is unlikely and costly (Ikenberry 2011, p. 68). If its underlying order is refurbished correctly, the current economy of power relationships can create incentives for both sides to moderate their disputes through bargaining processes. In this respect, the United States should take the lead in formulating the new organizing principles of the post-hegemonic international order. That is to say, the United States needs to assume the role of architect for building multilateral institutional arrangements that aim to accommodate a rising China by offering it status and position within the regional order in return for Beijing's accepting and accommodating Washington's core strategic interests. It is meant to create international institutions that formalize multilateral mechanisms which generate political processes for strategic bargaining between Washington and Beijing, and foremost, to construct not what only represents fear but also what represents benefit in the perceptual field of China whose concerns with economic growth and geopolitical relationship with the United States could be also reassured. These mechanisms can thus have a profound impact on China's behavioral logic because they can erect a robust and stronger image of the US-led order in China's perceptual field. China can perceive no other thing but the utility of enmeshing itself into the US-led order.

#### **4.6) The liberal order and the image of a satisfied China**

The neo-institutional thesis aims at neutralizing the realist mechanism of imagination that encourages a return to “a straightforward hegemonic order or a traditional balance of power system” (Ikenberry, 2014, p. 60). It is considered undesirable even from a geopolitical perspective. China's economic power has not translated into enough military capability to the extent in which it can destabilize the overall balance of power in the Pacific rim (Nye 2017). This neo-institutional thesis draws its confidence from their belief in the liberal order's resilience.

##### *a) The metaphysical core of the liberal international order*

The existing international order is a complex construct reflecting, at the same time, the exercising of American hegemonic power, the American paradigm of globalism, and the basic principles of the Westphalian system (Ikenberry, 2017, p. 4-6). Its cultural basis is solid and has been firmly embedded in

both developed and developing states. Metaphysically speaking, the modern international order is constructed around two widely accepted principles – i.e., the norms and principles emanate from the Westphalian Peace and the liberal internationalism. They constitute a deeper international order. This fundamental order of things will persist in spite of its changing manifestation, such as the US hegemonic organization of the global economy. Indeed, China and the other rising non-Western states sometimes contest the US leadership within the system. However, this metaphysical core of the liberal order will remain intact. The virtues of openness and markets remain worldwide valid. This metaphysical core is made of liberal values and norms that underpin the Western order. This liberal Western order is considered the valuable legacy of the Grand strategy of the farsighted US government. The postwar monetary and trade regimes established in the Bretton Woods meeting still serve the foundation that sustains “the opening and subsequent flourishing of the world economy” (Ikenberry, 2008; 2011).

*i) The framing effects of the Western order on rising powers*

Hence, the postwar international economic order presents an exceptional opportunity to the rising states, for its nature creates nondiscriminatory and accessible conditions for them to realize high benefits and rapid growth within it. Both West Germany and Japan were bound to this matrix of rules and institutions through the exercising of the US hegemonic power since the 1940s. Thus, this order is “durable and expansive” so that its nature can shape “the rising state’s choice” (Ikenberry, 2008, p. 27). That is to say, the globalized capitalist system that grounds itself upon this Western order has been proved resilient and successful in terms of assimilating the rising powers such as Germany, Japan, and China. For instance, the reunited Germany did not act, like realists had predicted, to challenge the established order in Europe and the world at large. Instead, rising states such as China now strive to work within it. It proves that after the Cold War, the integration of ex-communist countries into the system is a managed process that does not undermine its fundamental order. As such, this evolving western order renders the realist model of power transition invalid. In the neo-liberal institutional vision of power transition, the existing liberal regimes such as the IMF and the World Bank could be capitalized by the United States. The United States can, through exercising its power within these regimes, create new constraints that frame the rising states’ perception in favor of the U.S. global leadership.

For the sake of fashioning the liberal order into what favors the US leadership, the US government needs to rearticulate markets, openness, and social stability into a new synthesis for rebranding liberal institutionalism. It demands accordingly some domestic adjustments in what concerns social protections

and regulations. Up to the present, the world sees no other way than what liberal internationalism indicates to organize a better world economy. Democracy and the rule of law constitute the universal truth standard for what accounts for legitimate governance in the world. The liberal order's resilience proves the effectiveness of its framing. China's responsible response to the 2008 financial crisis and the subsequent global recession makes the existing order confident to "admit China into the inner circle of these economic governance institutions." The "internationalist-oriented elites" in the "rising non-Western states" such as China will make up a good addition to the global constituency for the liberal international order (Ikenberry 2011, p. 63).

*ii) Neo-institutionalism as a "supply-side" geo-economic strategy*

This full-fledged order itself is a powerful frame. Through its formal and informal mechanisms, it generates public (or club) goods that constitute supplies which create economic opportunities and essential means for participants to gain and bargain within the system. However, as mentioned above, the neo-liberal conception of the world economy does not suppose a perfectly self-regulated system. Intervention is necessary for optimizing the system after each (political and economic) market failure. The 2008 global economic crisis is thus a "normal" incident that requires the United States to actively intervene again in the system for making sure that the post-2008 world will still be a place that "the United States wants to inhabit" (Ikenberry, 2011, p. 68). In the face of "a rising China and a declining Russia," the neo-institutional discourse frames them into what justify the US military presence in East Asia and in Europe – i.e., the security supply of "critical reassurance for the stability that underlies the prosperity of the liberal order" (Nye 2017). Obviously, the neo-liberal institutional geostrategy is a supply-side strategy that helps the US government to refashion the world economy into a new form of being by supplying the imagination with a vision of future based on the artificial demand for security and prosperity.

*iii) The only "road to modernity" for China*

However, this reassurance strategy also aims to avoid any geopolitical collision. Only a "foolish" great power would pursue a "zero-sum" competition for geopolitical supremacy at the expense of the liberal international order. For sustaining the liberal international order, neo-institutionalism helps the US government to create a new form of global governance that will shape the conduct of others – i.e., to induce the cooperation of others. As such, the liberal order itself can deter any state from overturning it, for it can refuse to share the club goods to them, for instance, the Trans-Pacific Partnership (TPP) and the

Transatlantic Trade and Investment Partnership (TTIP). If the rising states are excluded from the club, they have to face protectionism and discrimination that would translate into a total loss in terms of “trade, investment, and knowledge sharing” (Ikenberry, 2011, p. 62). Hence, through enmeshing China into the club, the liberal order will shed light on “the road to modernity” to it so that China will see no other way than to follow the correct path of reform in order to “join the club” (Ikenberry, 2011, p. 61).

b) The neo-institutional de-mythification of the “liberal” international order

Neo-institutionalism does not, through its discursive mechanism overproduce the fear of China's rise, for China's economic interest is very much congruent with the liberal international economic order. The logic of China's economic interest itself has the Chinese State uphold a positive perception of the existing international system (Nye, 2017). Even if Beijing's authoritarian regime poses a potential threat, it can be entirely mitigable and help justify the US presence in East Asia. So, the existence of the Beijing regime, as risk and benefit at the same time, is necessary to the self-sufficiency of the American-centered international political and economic system. Therefore, the overproduction of the fear of China's rise is detrimental to the existing international order and must cover up something else in here. In effect, neo-institutionalists believe that the over-imagination of China's rise out there in effect obscures the actual threat in here. It is thus necessary to de-mythify the liberal international order itself (Nye, 2017; Ikenberry, 2017, p. 17).

i) *Washington's “illiberal” habit*

Neo-institutionalists refuse the eulogistic interpretation of the US-led liberal order. In their euphemistic language, they recognize that American hegemony is not the manifestation of a natural order of things or the natural consequence of a self-helping system. It is a recent institutional development and a product of a farsighted US government's hegemonic behavior since the eve of the end of the Second World War. In other words, the American conception of the liberal world order did spring from the American experience of the interwar period. However, it only comes into being after 1945. Certainly, Washington exhibits “a general preference for openness and democracy” (Nye, 2017). But it does not hesitate to use force to advance its national interest, which is usually defined in a straightforward and narrowed realist sense. Illiberal behavior could be identified with Washington for what appears as “cynical, self-interested moves” (Nye, 2017). Although sometimes identified as global public goods, the postwar international (monetary) system was, in fact, limited mainly to a group of like-minded states in West Europe. Moreover, its effects were not always benign. Certainly, the postwar international order does provide global public goods such

as free trade or financial stability. However, it is the powerful states' perception of the system that conditions the formation of the coalition, which underlies the production of global public goods. When the strongest powers fail to appreciate its mechanisms of production – that is to say, the shattering of the coalition, global public goods will be underproduced, and everyone would suffer thereby (Nye, 2017). The collapse of the Bretton Woods system exemplifies this neo-institutional viewpoint.

The world has its imperfections and errors which cannot be eliminated. Neo-institutionalism presupposes an imperfect system that needs to be timely optimized in order to avoid its periodic breakdowns. In the post-2008 period, it is necessary to de-mythify the romance about the panegyric relationship between the liberal world order and the exercise of American hegemonic power. “America’s record of support for Arab autocrats cannot be erased” (Atallah & Levy, 2011, February). “the ‘loss’ of China,” “a draw in Korea,” the “creation and survival of a communist regime in Cuba,” and “failure in Vietnam” (Nye, 2017), all these events signify that the US-led liberal international order has not always produced peace and prosperity. Nor has the United States always promoted the rule-based international order itself.

“When it came to the application of force, in particular, there was a double standard. Whether they admitted it or not, even to themselves, American officials believed the rules-based order occasionally required the exercise of American power in violation of the rules, whether this meant conducting military interventions without U.N. authorization, as in Vietnam and Kosovo, or engaging in covert activities that had no international sanction” (Kagan, 2018).

Nor has the United States always been willing to support the liberal regimes. In the face of the Bretton Woods crisis, the US government was motivated by strong political incentives “to smash” the regime it had created by its own action. It refused to “adjust its domestic fiscal and monetary policies to the demand of its partners” and to accept any reform that would restore an international currency regime pegged on gold or others (Keohane, 1984, p. 208). Hence, the United States’ illiberal behavior could also pose a threat to the liberal international order. The hegemonic behavior creates as much uncertainty as it can opportunistically – i.e., “the dialectical relationship between cooperation and discord” (Keohane, 1984, p. 212). In effect, the synthesis of the myths of “liberal order” and “hegemonic stability” helps deflect what actually endangers the liberal order itself.

*ii) The actual threat "in here"*

Therefore, the actual threat to the existing international order does not necessarily come from the rise of China out there. Instead, what presents a peril to the liberal order may be found probably in here. The 2017 election of Donald Trump portends the United States' retreat from the "defense of the liberal international order" (Ikenberry 2017, p. 17). The Trump administration questions "the desirability and sustainability of the order" and tends to make foreign economic policy via a "case-by-case" approach for "making sure it 'wins' rather than 'loses' on each deal or commitment" (Nye 2017). This zero-sum logic is derived in part from a populist interpretation of globalization. The increased economic inequality helps constitute a socio-demographic basis, from which arises this populist culture. This radical culture gives rise to new perceptual codes that make possible the reappraisal of the ongoing domestic socio-economic and global politico-economic trends. Therein this rising American culture ("the populist surge in the United States") helps establish a new truth regime that reorganizes the perceptual ground of the phenomenal field (Nye, 2017). Through its discursive mechanisms, the new regime ("American populism") transforms "discontent and frustration" into "the anxiety and fear that contributed to Trump's appeal" (Nye, 2017). The rapid ascent of populism in the United States has paralyzed the US leadership of the liberal international order to result in the withdrawal of the United States. However, America's retreat only increases the likelihood that the United States' hegemonic authority and privileges within the postwar international (monetary) system would be further undercut. Beijing may see the need to work hard as "a more activist defender of the status quo" (Ikenberry, 2017, p. 3). However, the worst scenario for the existing international order would be that in which "China and the Trump administration share antipathy to the liberal character of certain institutional practices" (Ikenberry, 2017, p. 3).

*iii) The myth of a China-led counter-hegemonic coalition*

The rise of non-Western powers within the system after 2008 enacts the anxious imagination of fear and uncertainty over the future (Western) liberal international order. Many observers attempt to anticipate the implication of the rise of non-Western great powers such as China for the being of the liberal order. From this discourse of the post-2008 global political economy arises a myth of an emerging non-Western counter-hegemonic bloc that is condemned to be antithetical to the liberal order. Their international institutional building, such as the New Development Bank, formerly referred to the BRICS Development Bank and the Asian Infrastructure Investment Bank, is considered "a significant challenge to the World Bank" and the Asian Development Bank (Gray & Murphy 2013, p. 184). The formalization of these institutions is seen as their counter-hegemonic practice that signifies a new phase in an ongoing process of restructuring the global

political economy. The 2008 global financial crisis is seen as what accelerates this dialectical process (West versus non-West, liberal paradigm versus non-liberal paradigm, global North versus global South, emerging economies versus developed economies). In this sense, this hypothetical anti-western bloc aims to oppose “the geopolitical and geo-economic predominance of the West” and “the global hegemony of the Anglo-Saxon model of capitalism” (Gray & Murphy 2013, p. 184).

Either, Russia, Iran, Venezuela, and China “as part of this system” are perceived as an “informal subgroup” of authoritarian states. This “non-Western subgroup” has pursued a sub-optimization strategy that aims at “undermining the Western-dominated neo-liberal capitalist system, or the Washington consensus” (Vivoda 2009, p. 22-27). Or, such emerging economies as India, Brazil, China (non-OECD countries), which “follow a non-liberal path of development,” are perceived as a “dissatisfied” group within this system, for they have adopted a hypothetical “State Capitalist Consensus.” “Liberal global institutions” are considered “sub-optimal” for them so that they will challenge rather than adapt “to the hegemonic liberal international economic and political system” (Nölke et. 2015, p. 556-561). The currency issue becomes the symbol of central contention between the United States and China. “The internationalization of the Yuan” becomes a perceptual code that represents China’s geo-financial challenge to the “exorbitant privilege” of the US dollar, for China is believed to try to organize a “currency bloc” anchored in the Chinese Yuan (Gray & Murphy, 2013, p. 187; Nölke et. 2015, p. 560). Following this narrative, the AIIB and NDB are therefore seen part of this Chinese counter-hegemonic geo-economic strategy.

*c) The neo-liberal decipherment of China's institutional statecraft*

The myth of a China-led counter-hegemonic coalition presupposes the existence of a shared institutional statecraft within the group. However, such a myth is inherently self-inconsistent. The presumption that China has orchestrated a coalition with Venezuela, Russia, Iran, Singapore, and the United Arab Emirates to sub-optimize at the expense of “the Western-dominated global capitalist system” is intriguingly quixotic (Vivoda, 2009, p. 35). The only thing that could bring them together as a homogeneous group into this myth is what characterizes their political regimes in general – i.e., “most of those countries are not liberal democracies and are authoritarian” (Vivoda, 2009, p. 26). However, the general being of beings as what they are is neither sufficient to determine what constitutes the “subgroup” or “coalition” nor to warrant that the abstraction of beings has a determinate being – in other words, it suggests only an imagined identity. In fact, there is not enough evidence to substantiate this homogeneous group. The United Arab Emirates is a sovereign constitutional monarchy. Russia is a federal semi-presidential republic. Iran is a theocratic



republic. China is a mono-partisan socialist republic. It is unimaginable that they would make as stable a coalition as the Western alliance. Besides, without developing a “state theory,” only claiming that this institutional statecraft has “deep roots in Chinese history and culture” is futile (Vivoda, 2009, p. 34).

*i) The Chinese State's technical rationality*

Instead, neo-institutionalism, as discussed above, tries to avoid this sort of mythification based on the State's character. In effect, it also presupposes the existence of institutional statecraft as what guides China's strategic choice “about its role and stance toward global and regional governance” (Ikenberry, 2017, p. 7). This “Chinese statecraft” helps formulate the guiding principles that constitute the strategic logic. It enables “China's institutional calculation” to generate through its mechanisms such objectives as to create “mutual gains,” to increase “operational influence,” to have “a greater share of mutually generated gains,” to pursue “narrower short-term interests” or to undermine “the effectiveness and legitimacy of the institution” in long-term (Ikenberry, 2017, p. 8-9).

In accordance with this geo-economic institutional logic, some technical rationality can be defined as what directs the Chinese State toward the formulation of best strategies and tactics that aim at creating a set of rules, practices, and norms that are needed to bring into existence what it imagines as the right disposition of things. Therefore, the logic that rationalizes China's perception of its own role and the international regimes is multivalent. The Chinese State may see the “responsibility to protect” as what would trespass its sovereignty, whereas it may also see the IMF and the WTO as what eventually benefits it in terms of the overall gain. It is not plausible to apply a simplistic logic to analyze China's perception or behavior in terms of a binary contrast between the options to “engage and integrate into” or to “oppose and undermine” the existing international order (Ikenberry, 2017, p. 3). In fact, rising powers usually operate at the same time within and outside the system. It must avoid overgeneralizing China's behavior since its perceptual field is not homogeneously rationalized. This geo-economic institutional logic enables the Chinese State to play such role as an “authority-seeking stakeholder” in the IMF and also makes it strive for “external innovation,” such as the creation of the AIIB (Ikenberry, 2017, p. 7-8).

*ii) The creation of the AIIB*

The creation of the AIIB and the NDB cannot be simply seen as the projection of China's growing regional and international power, but also a response to Chinese frustration over the US congress's refusal to lend

its support for the approval of increasing the voting share within the IMF for emerging economies. According to Ben Bernanke, the former chair of the US Federal Reserve, “U.S. Congress pushed China into launching AIIB” (Piling & Noble, 2015). The US government is, therefore, also responsible for the creation of the AIIB. In 2013, the Xi – Li administration proposed a multilateral initiative to strengthen China’s regional economic and financial relations with its Asian partners and neighbors. Like the NDB, the AIIB was designed to be a lending institution to developing countries, with a functional and geographical focus on infrastructure projects in Asia.

On October 24, 2014, the initial memorandum of understanding was signed in Beijing. President Xi Jinping propounded an “Asia-Pacific Dream” as an idea to conceive of the regional economic development (Tan, 2015, p. 100). The launching of this institution was soon translated into a perceptual code as what represents an existential challenge to the Western domination of the world financial system. Soon after its creation, the Obama administration warned that the new bank must meet “international standards of governance and transparency” (Denyer, 2016, June 23). Washington also appeared to tacitly discourage its allies such as Japan, South Korea, to join this China-led institution.

However, the quick expansion of the AIIB may also surprise Beijing. In early March 2015, London decided to make the United Kingdom join the AIIB. Its decision opened a sequence. Later, France, Germany, and Italy followed the path. Before the deadline of April 2015, other European states, including Austria, Denmark, Spain, Sweden, and Portugal, all applied to join. Australia and South Korean also changed their stances despite the pressure from the US government. Brazil, Russia, and South Africa also did so. By April 2015, 57 states had become the founding member of the AIIB. This development of the AIIB and the NDB has further nurtured the myth of “hegemonic decline.” The anxious imagination started to generate narratives about the future after the demise of the liberal order.

*iii) The AIIB embedded in the existing system*

Indeed, China has led to the creation of the AIIB. In conjunction with the “One Belt, One Road,” it could be potentially transformed into what would “help crystalize a more permissive set of standards in opposition to Bretton Woods” (Ikenberry 2017, p. 13). This geo-economic project demonstrates China’s ability to opt for an exit strategy in case Washington plans to marginalize it, for example, the TPP. However, the AIIB is built in accordance with the principle of multilateralism that does not contradict the basic norm of the

Western order. In fact, the AIIB's institutional legitimacy relies upon its endorsement for the multilateral approach. The non-Asian member states that come from Europe and the Middle East make it unlikely to be a tool for building a regional bloc in East Asia. In the meantime, multilateralism is a source of both legitimacy and constraint. The presence of other western states within the institution significantly reduces China's veto power by 26 percent from initially 50 percent in 2014. It effectively undercuts Beijing's unilateral control over the institution and renders the institution less non-Western.

The AIIB also adopts a market mechanism that relies on international capitals. The funds are raised on international financial markets, and international rating agencies assess its bonds. This market mechanism placed the constraints on the AIIB. The global capital markets make the AIIB accommodate market forces rather than do away with them through its mechanisms. Therefore, the international financial markets can discipline the AIIB's lending so as to constrain "the extent to which projects can be directed towards political purposes" (Ikenberry, 2017, p. 15). That is to say, the relationships of mutual dependence that constitute the current global economic system make both the rising powers and leading powers compete with one other within the system, and at the same time, costly to leave the system (Snyder, 2013). The cost of "building a rival order" is not affordable for any country in the current system (Ikenberry, 2017, p. 15). In other words, for bringing into existence an alternative hegemonic system built around the Beijing consensus, China must pay enormous costs to balance the current one. It is inconsistent neither with China's own economic interest nor with the system's logic. Needless to say, many investment projects have been carried out jointly between the AIIB and the World Bank.

*iv) The liberal order's constraint on China's institutional calculation*

The example of the AIIB demonstrates that "the global economic system is costly to leave" (Ikenberry, 2017, p. 15). As a multilateral institution, the AIIB "provides both opportunities and constraints on China's pursuit of its national interests" (Ikenberry, 2017, p. 16). This China-led institution operates in favor of the existing order rather than to disturb it because it could strengthen "the rules, practices, and norms" (Ikenberry, 2017, p. 16). As such, neo-institutionalism enables the appearance of three things in China's perceptual field – i.e., the importance of multilateralism, the necessity of international financial markets, and the cost of building a competitive order. At the same time, all represent costs and benefits associated with the strategic choices which are left to the Chinese State's discretion. Given that China is a major stakeholder of the current global economic system, the current liberal international economic order empowers and protects Chinese economic interests. "The gains enjoyed in areas such as trade are enormous"

(Ikenberry, 2017, p. 16). Through this institutional calculation, China will see nothing else but a necessity to integrate further into the existing institutional frameworks.

*v) China's geo-economic response to the United States: a mixed hedging strategy*

Accurate anticipation of China's future role in the world system is not easy to make without theorizing China's institutional statecraft – i.e., a science of political economy. The creation and function of the AIIB – i.e., a China-led multilateral development lending institution – help bring to light the logic that guides the formation of particular institutional statecraft. In effect, this institutional statecraft may not necessarily take a counter-hegemonic form that aims at overturning the existing international order. The Chinese State may choose to operate within, and at the same time, to act outside of the established institutional frameworks. It may seek to work around the existing system. It can also seek to create new international institutions. It is only a matter of strategic choice or stance. Hence, the Chinese State's choice depends on its perception of the existing international (monetary) order, which enacts some particular logic of institutional calculation. This logic guides institutional creation. Thus, the AIIB represents a tool of statecraft, the form of which represents this strategic choice. Fortunately, the AIIB operates within the current international financial system rather than promotes rules, principles, and norms that aim at building a new ground of a rival international order. Therefore, the logic of China's emerging institutional statecraft cannot be adequately grasped based on a singular generalization based on a simple dialectical contrast between the options “to support” or “to undermine” the liberal order. It results from a much more complex perception of it.

The antagonistic speculation of the AIIB obscures in effect a more fundamental threat within the western world – i.e., a drastic shift in the guiding logic of the hegemonic organization of the international system on the part of the US government. It is a populist threat that is susceptible to reversing the course of globalization, which sabotages the neo-liberal nature of the existing international system. Thus, in order to protect China's own economic interest, the AIIB, the NDB, coupled with the “One Belt, One Road” initiative, these geo-economic projects could be seen thus a mixed hedging strategy, the westward of which aims at insulating the Chinese economy's exposure to the US foreign policy – i.e., at neutralizing the impact of any radical change in the world economy; the southward of which aims at competing with the US-led TPP – i.e., at counterbalancing the American geo-economic strategy. Hence, they reflect the Chinese State's perception of cost and benefit. These geo-economic projects need a relatively stable geopolitical environment. It is unlikely that Beijing would intend to pursue a direct geopolitical competition with the

United States, for it will definitely exacerbate the instability of the existing international economic system, which is the necessary condition for China's peaceful rise.

What makes China's ascent different is the institutional environment that surrounds it. China, as a rising power, has grown up within the system. In contrast to the old order, the new order is a complex ensemble of rules, norms, and institutions, which renders the hierarchy of things more complicate – i.e., different issue areas cross one another – in the perceptual field of the rising powers. The exiting order that is characterized by complex interdependence imposes significant constraints on rising powers. The cost of overthrowing it is unreasonably high so that no state could afford it without risking collapsing the existing order. Logically, China's institutional statecraft does not necessarily follow this counter-hegemonic logic. Its future path is not necessarily a projection of the nineteenth- and twentieth-century European experience of the balance of power, which actually drives out China from its own historical and cultural reality. In the Chinese State's discourse, multilateralism is always attributed to a greater significance. It is quite consistent with its behavioral record, and more profoundly, with the hierarchy of things in its own perceptual field – i.e., economic growth over the geopolitical competition.

#### **4.7) Social constructivism: quasi-perception of perceptions and a non-Western China**

If one wants to apply the social constructivist approach to study politico-economic phenomena in the domain of international monetary affairs, one must be frustrated with so little literature on this important issue area. Among eminent American IR constructivists, only John Ruggie has propounded a dedicated analysis of the international monetary system in his famous survey of “embedded liberalism” (Ruggie, 1982).

a) A *via media* to dichotomize the world

In fact, despite years of development since the 1980s, social constructivism can hardly be described as a coherent theoretical approach. Contrary to what Alexander Wendt might originally expect, it is still “a broad church” made of very diverse philosophical stances ranged from idealism to materialism – i.e., from the extreme of being both theoretically and methodologically akin to *reflectivism* to another extreme of merely integrating the role of ideas into the explanatory framework of *rationalism* (Hay, 2002, pp. 205-208; Steans et al. 2013, pp. 183-186). As a result, the so-called social constructivists have failed to agree on a coherent

set of principles that could help to regulate the production of speculative narratives, and hence, to harmonize those different theoretical strategies into one consistent model which would be able to dominate the entire paradigm, like neo-realism and neo-intuitionism.

*i) a loose ground of quasi-perception*

Actually, it is quite tautological to argue that things such as system, state, or identity are socially constructed. Indeed, values, norms, and ideas are essential elements shaping actors' perception of the world. However, social constructivism has not given any robust explication to the enigmatic formation of these intersubjective elements. The so-called post-modern challenge – i.e., the questioning of the subject/object dualism – remains *ipso facto* largely unanswered. Instead, social constructivism devolves in effect into an unstable ground of quasi-perception – an over-imagination of fear. Therefore, social constructivism as a discursive effort has not managed to provide a stable, solid middle ground of interpretation. It is simply made of some loosely interconnected perspectives that share certain common objectives, key concepts, and a very few core assumptions.

On most occasions, social constructivism creates in effect an ideational representation for figuring out what are such non-Western states as China, Russia, Brazil, and India. The formation of the corresponding ideational representations helps make thinkable an ideational structure to which these collective representations belong. Then, the synthesis of these mental structures and representations returns a discourse – i.e., a logical schema of relationships between the perceptual codes of such objects as countries and the world. This schema makes them conform and cohere with the logic of the discourse (Schiffrin & Gumperz, 1987).

Unfortunately, most IR constructivist discourses depart from a tacit premise that embodies a deep metaphysical gulf between West and non-West. Their effort aims to strengthen the existing sense of self, and at the same time, distinguish this collective self from the other, so that their discourses provide in effect a vague ground of identity politics based on a geo-cultural taxonomy. As a consequence of this metaphysical construction of the other's identity, the non-Western states such as China, Russia, India, must be “frustrated” by the fact that their efforts will always be misrecognized by the collective self – i.e., the West – as what represents an infinite otherness in relation to the existing, metaphysical, international order (Epstein et al., 2018).

*ii) Imaging China as a "natural" antithesis*

This paradoxical situation is especially true for such a non-Western country as China since its political regime presents invariantly in the eyes of the western countries, a non-liberal state, an authoritarian power as the other – i.e., thus, a natural antithesis to the norms of the liberal Western order (Deitelhoff & Zimmermann 2019). However, in the meantime, China's economic interests are perfectly congruent with the neo-liberal international economic system. Its extraordinary economic growth within the system also becomes a perceptual code, for it has started to stimulate worries about the diminishing appeal of American values in the post-2008 era. That is to say, the growing negative perception of the Washington consensus, which underpins the ongoing globalization, has undermined the legitimacy of the American-centered international order. This feeling of ontological insecurity has been reinforced by the resilience of China's state capitalism to the 2008 global economic slowdown. Subsequently, this perceptual contrast has given rise to the anxious imagination of fear or uncertainty.

*(1) The constructivist answer to what makes of China's perception*

The secret formula for China's economic success then draws much attention. The so-called "neo-liberalism with Chinese characteristics" is supposed to be based upon an implicit "Beijing consensus" that is believed to present a viable alternative to the Washington consensus, because of the Chinese government's costly success in maintaining simultaneously economic growth and an authoritarian regime (Halper 2010). This hypothetical Beijing Consensus is also believed to take root in a traditional Chinese concept of "Tianxia" – literally translated as "under the sky" – which represents a "vision of world order" – i.e., "a hierarchical system that values order over freedom, ethics over the law, and elite governance over democracy and human rights" (Callahan 2008, p. 753). It is regarded as a meta-narrative that has the objective of organizing "a post-hegemonic world order" based on the "Confucian-Leninist" elites' perception of the post-2008 world (Callahan 2008, p. 756). The reflection of this Chinese vision of social order can be found in the Chinese State's discourse, a "harmonious world" in President Hu Jintao's speech (2005) and the idea of "China Dream" promoted by President Xi Jinping (2013). The BRI and AIIB are believed to have the objective of building "a Sino-centric regional order" as a "cultural and moral alternative to what is seen as the US-led world order" (Callahan 2016, p. 208, 237). These institutional efforts are considered part of a hidden agenda for mobilizing illiberal international actors against the liberal world. This argument can be very easy to be defeated for the author clearly does not count the number of western countries that have participated in these China-led "illiberal" institutions.

*(2) The excavation of China's secret anti-western scheme*

Obviously, these IR constructivist discourses presuppose foremost an ontological understanding of the world as a place condemned by a “clash of civilizations” (Huntington, 2007). This dialectical mechanism that inheres in these discourses functions invariantly to generate the dichotomy between self and other. From this dichotomic structure, all other actors' perceptions and behavior are deduced as an organized antithetical force to the imaginary self. These discourses must also presuppose an ontological understanding of China as what represents this otherness. China, India, Russia, Iran, as non-Western civilizations, they must engage in some political project that “aims at creating a taken for granted sense of reality” which must embody a dialectical mode of appreciation for “distinguishing between self and other and right and wrong” (Katzenstein 2009, p. 12). As a result, they are left with no choice but to alienate themselves into the other as a villain or a “bad” antagonist who must violently encounter the “good” protagonist, the hero.

Even supposing that China had planned to dispose of the existing international order – no matter how foolish, myopic, and costly such decision would be, the paradox remains unanswered – why does the Chinese State have to risk such an economic catastrophe that certainly puts itself in peril? The IR constructivist discourses tend to leave aside such a question: what the Chinese State has perceived so as to motivate itself to undergo this unnecessary risk – i.e., to seek romantic world emancipation from an open system that makes itself prosperous within it.

Instead of answering the question, the 2008 global economic recession that started in the United States is used analytically to indicate that it has also entailed “a democratic recession” globally. This “normative retreat” is regarded as a systemic shift in the international political order. It is this shift that is believed to produce in terms of its effects “new counternorms” such as “civilizational diversity” and “the principle of noninterference.” “Authoritarians” such as China and Russia are believed to use them to “shield their regimes from external criticism” and to erode the liberal norms that underlie “the normative fabric of global governance” (Cooley 2015, p. 49-52). The AIIB, the NDB, the BRI are thus seen as part of this grand scheme, as institutional instruments for non-Western countries to advance their secret agenda of destroying the Western world order.



*(2) The absurdity of the constructivist response to the 2008 crisis*

Indeed, the 2008 global financial meltdown has, unfortunately, undercut the perception that Western economic systems are always competitive. However, a generalized abstraction of non-Western countries as “authoritarians” does little help to explain the ongoing legitimacy crisis of the existing international economic systems and why the West has been in “normative retreat” (Cooley 2015, p. 49). In fact, neither authoritarians nor non-authoritarian is necessarily competitive in terms of economic performance. The discrepancy in terms of economic competitiveness between Russia and China refutes this simplistic generalization empirically as what determines the general being of them. In effect, it is indeed the socialization and internalization of capitalist norms that have contributed to China's economic development. After all, even these constructivists themselves recognize that “revelations about NSA surveillance and the release of the U.S. Senate report on CIA torture have reinforced perceptions that the United States acts hypocritically and applies double standards” (Cooley 2015, p. 49). It is hard to believe that these political events have anything to do with the economic recession at that time. After all, neither “civilizational diversity” nor “the principle of noninterference” would precipitate the recovery of the world economy. It is the diligent and concerted multilateral effort led by the United States, Europe, China, Japan, Brazil – not by phantoms, which has saved the global economy from another Great Recession in 2008 and 2009.

*(3) Constructing the chasm between West and non-West*

Rather than providing an in-depth understanding of the processes and mechanisms of the formation of identity and ideas, the recent social constructivist scholarship does nothing else but reproduces the dialectical pattern of the inter-communitarian confrontation between different ethnic/cultural groups. They failed to respond to the intellectual invitation of the neo-neo synthesis for explicating changes in the perceptions of values, the formation of self-interests, and associated changes in behavior. The dichotomic structure that is embedded in most IR constructivist discourses tends to antagonize the West and non-West. It mirrors exactly the rationale behind the infamous clash of civilizations thesis and the tragic logic of the rise and fall of the great powers – i.e., an inevitable zero-sum game for all beings in the world.

The authoritarians – as a perceptual code attributed to the ideational representation of such state as China – are condemned to see conflicts rather than harmony with the imaginary self – i.e., the West. The liberal international order will lead China to experience unescapably insecurity no matter how beneficial to China it will be. China has to perceive the multilateral institutions anchored in the West, such as the IMF, the

WTO, or the World Bank, as what would threaten it indifferently. It also has to perceive that its own domestic political regime is constantly threatened by democratic values, no matter how long it has accommodated this liberal international environment. Last but not least, it must always feel anguish when it deals with liberal forces – i.e., diverse Western public and private actors – in all international political and economic affairs, no matter what kind of business it is.

In sum, through this sort of discursive mechanism, China as an authoritarian power must appear in the corresponding narratives as a natural villain, which is compelled to quixotically challenge the normative structures of the liberal international order (Cooley 2015). All multilateral projects that China has conducted should be regarded as counter-Western practices that aim explicitly or implicitly at undermining the ideational hegemony of the liberal forces based in the West in order to realize a non-liberal vision of international and domestic order at no matter what cost to China ultimately. Through this dialectical mechanism of production of subject/object relationships, these IR constructivist discourses have instituted a deep chasm between the West and non-West. After all, this constructivist imagination of fear of China has helped mythified the actual threat to the future of the liberal international economic order. This mythification aims to deflect the ongoing trends in the reorganization of social forces in the United States to make the rise of Trump appear normal and legitimate. Therefore, the existing international order would seem to have been in effect threatened by the rise of an authoritarian power out there rather than economic crises and anti-globalism in here.

*ii) The liberal norms and authoritarian China*

The narrative management of linking China's authoritarian regime to the legitimacy crisis of the liberal order is not so much plausible as banal since it serves only to reproduce similar rhetorics against Japan or Germany in the postwar geo-economic competition. The world is imperfect, so as the postwar liberal international system is. "In fact, many international norms and regimes represent deep-seated inequalities and hierarchies that require change" (Deitelhoff & Zimmermann 2019, p. 14). The call for reforming the existing international monetary system that is deeply characterized by asymmetric power relationships has lasted for decades. However, any attempt to do so has been regarded as "uprising" against the liberal international economic order, which must be suppressed by the present hegemonic discourse.

*(1) China's compliance and selective adaption*

Indeed, "it is plausible to assume that challenges by major states or powerful groups will undermine the robustness of norms more than contestation by other groups." However, "the assumption that contestation is inherently bad" must be rejected. In effect, "contestation can both weaken and strengthen norms." It is also noticeable that "enduring norms often had no powerful challengers" (Deitelhoff & Zimmermann 2019, p. 10-14). It indicates that concerns about China's threat to the ideational structure of the liberal international order may be exaggerated. Particularly, in the trade domain, China has made itself, though not thoroughly, adapt to the WTO norms. However, "China has timely complied with the rulings and recommendations" of the Dispute Settlement Body of the WTO in "a qualitatively sound manner" in most cases (Webster 2013, p. 574). It must note that even the US Trade Department acknowledges China's commitment to the WTO norms.

"Following China's accession to the WTO, Chinese leaders took many impressive steps to implement a set of sweeping commitments. China reduced tariffs, eliminated non-tariff barriers that denied national treatment and market access for goods and services imported from other WTO members, and made legal improvements in intellectual property protections and in transparency. These steps unquestionably deepened China's integration into the international trading system, strengthening both China's rule of law and the economic reforms that China had begun in 1978. Trade and investment also expanded dramatically between China and its many trading partners, including the United States" (United States Trade Representative, 2011, p. 2).

Certainly, China's compliance with the principles and norms of international economic order should be interpreted in more nuanced terms such as "selective adaption" (Potter, 2007, p. 699). It does not abide by all the rules of the international economic regimes, but instead selectively adapts to the norms on its own terms. It has partially adopted norms such as "transparency and the rule of law" while avoiding "assimilating to norms such as market access, IP protection, and anti-dumping" (Webster 2013, p. 540). This mixed behavior reflects in effect the deep embeddedness of China's economic interest in the existing order so that it wants to realize its economic interest within it rather than to dispense with it completely. But, even from a constructivist view, the socialization of these norms makes its behavior converge towards its Western partners' expectations (Webster 2013, p. 574). On the other hand, it also reflects a special ontological structure of China that is "normally considered" being "an illiberal or authoritarian state" in the world, and at the same time, learning to know how to conduct itself with other Western trading powers

(Webster 2013, p. 532). That is to say, “China has learned the rules of the game, and understands that a record of complete compliance is neither necessary nor expected of great trading powers.” Therefore, China would not do otherwise but “to treat the rules of international trade as many other large economies do: a set of norms and practices to be obeyed when fairly practicable, and overlooked when they cannot” (Webster 2013, p. 574-575). Hence, China's perception, choices, and behavior are clearly constrained and influenced by the liberal international order that is made primordially of Western norms stemming from the Enlightenment.

*(2) The side effects of over-imagination*

In effect, the study shows that the robustness of international norms is not necessarily determined by the relative power of the state, which seeks to challenge the established order (Deitelhoff & Zimmermann 2019, p. 14). In case China is not intent on undoing this Western norm-based international order, the constructivist imagination should move away from perceiving “contestation as either weakening or strengthening norms.” Its dualistic mechanism only generates a monotonous output that China is condemned to act deliberately against the being of the liberal international order, for its perception is regarded as the corollary of the West/non-West dichotomy.

Such discursive strategies that embody an *a priori* binary hierarchy of identities “can very well backfire,” if their overinterpretations of the same thing are “perceived as ‘unfair’ by their targets” (Deitelhoff & Zimmermann 2020, p. 71). It is thus a fruitless and dangerous discursive practice. The use of “productive power” can entail “the discursive production of subjects, the fixing of meanings and terms of action, of world politics.” It functions to produce the subjects – i.e., “basic categories of classification” – which include “European,” “Western,” and “democratic” states (Barnett & Duvall 2005, p. 56). It thus helps define the identity of the other. The interplay of them can generate real effects and unexpected consequences, for it makes certain identities, practices, and policies imaginable, permissible, and desirable. For instance, categories such as “designated terrorist groups” or “weapons of mass destruction,” had rendered the US invasion of Afghanistan and Iraq discursively possible. Needless to say, the dichotomy between combatants and civilians produces “real consequences for those on the ground” (Barnett & Duvall 2005, p. 57). It is all the same as the so-called currency manipulator and market economy, the attribution of which to the other also has severe consequences for the international monetary and trade affairs.

IR constructivism that provides a loose ground of discourses touches the formative mechanisms regarding the constitution of values, norms, and identity directly. However, the deep embeddedness of the old metaphysical dualism of subject/object within IR constructivist discourses makes them easily lend themselves to the one-sided interpretation of the Self and the Other. Unfortunately, most of them take this traditional dichotomy for granted due to the lack of in-depth theorization of the Other. Nonetheless, this theoretical lacuna does not disarm them from acquiring productive power. As a result, these discourses can, in effect, help create new social kinds of entities. Once those entities are brought into life, they do not always act in expected ways so that they may have unforeseeable far-reaching consequences on the entire system and its underlying order. Therefore, it is necessary to ponder the use of productive power in the academic and government milieus. The misuse of it may conjure up what is actually meant to be avoided.

b) The American constructivist knowledge of international monetary system

Social constructivism, as a whole, is not a promising approach to investigate international monetary affairs. However, Ruggie's analysis of the postwar international monetary order is worth examination, for he identifies a particular postwar epoch between 1945 to 1982 with a specific power/knowledge regime, namely, "embedded liberalism" (Abdelal & Ruggie 2009, p. 153).

*i) The continuation of the Bretton Woods norms*

This power/knowledge regime reflected a compromise "between market and society" – i.e., "multilateralism would be predicated upon domestic interventionism" (Ruggie 1982, p. 392). It was believed that even after the 1971 collapse of the dollar-gold standard, this regime had persisted for a while, because "the industrialized countries" still faced the same problem – i.e., "to find a system of international currency relations compatible with the requirements of domestic stability" (Ruggie 1982, p. 392). Thus, the persistence of embedded liberalism also refuted the realist theory of hegemonic stability, for the post-1971 world did not see a precipitous return to mercantilism as realists expected at that time (Ruggie 1982, p. 384). The unhappy event that occurred in the international regime for money in 1971 was then regarded as a "norm-governed change" because the normative framework of the post-Bretton Woods regime still "reflected shared purpose" (Ruggie 1982, p. 404).

*(1) the technical crisis of 1971*

Hence, in his perspective, the end of the US dollar's convertibility into gold and the general adoption of floating exchange rate arrangements among developed countries did not symbolize a discontinuity in the development of the US-led international monetary order. These changes are regarded as instrumental rather than fundamental, for they still "reflected the preferences of the hegemon" (Ruggie 1982, p. 404). The "shared purposes" – i.e., the postwar consensus on the quest for an international currency mechanism aiming at assuring "free and stable exchanges" among countries, and at the same time, domestic socio-economic stability at home – "are held constant" (Ruggie 1982, p. 395-404). Hence, the "changes in the instrumentality of regimes" owe to the institutional adaption to "the new power distribution." That is to say, the redistribution of veto power in the IMF was "to reflect the economic status of the European Community and Japan" in the 1960s (Ruggie 1982, p. 405 - 410). Therefore, these instrumental changes do not alter "the substantive norms of Bretton Woods," for the compromise of embedded liberalism would not have been realized by any other means (Ruggie 1982, p. 408).

For him, this conjunction of the unilateral "violation of the original Articles of the Agreement" and the seemingly persistent legitimacy of the normative framework of the Bretton Woods regime reflected "the extraordinary power and perseverance of the United States" (Ruggie 1982, p. 397-405). The *de facto* floating exchange rates from 1971 to 1976 that constituted non-regime (or non-system) represented a particular "fusion of power and legitimate social purpose," which still reflected "the underlying principles" of the US-led international monetary order (Ruggie 1982, p. 380-385; Gilpin 2001, p. 239). In other words, the economic recovery of West Europe and Japan "out there" at that time was not the real threat to the embedded liberalism. Contrary to the hegemonic stability thesis, the actual threat to "the embedded liberalism compromise" that had sustained domestic economic growth and international financial stability at the same time came from "the resurgent ethos of liberal capitalism" – i.e., later known as neo-liberalism arising in the United States (Ruggie 1982, p. 413).

*ii) The legitimacy crisis of 2008*

As previously discussed, neo-liberalism propounds a different form of organization of international economic relations. Coincidentally, following the breakdown of the Bretton Woods system, it soon gained prominence in "U.S. foreign economic policy circles" in the 1970s (Helleiner 1996, p. 119). Therefore, if the so-called "embedded liberalism" existed, it was buried "in here" rather than displaced by what emerged

“out there.” In effect, it is through the exercise of American state power and the internationalization of American capital that neo-liberalism has been enabled to spread to the rest of the world and has eventually led to the reorganization of the global economy. In the wake of this profound epistemological shift, the world economy has been punctuated by regular financial crises, which have impaired each time the legitimacy of the ongoing globalization and its neo-liberal paradigm up to now.

From Ruggie's perspective, the 2008 global financial crisis did not cause “the legitimacy crisis for globalization.” In effect, the ongoing neo-liberal globalization has suffered this crisis “since the end of the 1990s.” However, “the crash of 2008” has undoubtedly “made it worse,” so that the capitalist world economy has reached once again a threshold of change (Abdelal & Ruggie 2009, p. 153). Accordingly, it is the neoliberal ideology that institutes the idea of “freedom of movement for capital” as “new orthodoxy,” which is responsible for “the globalization's current crisis of legitimacy” (Abdelal & Ruggie 2009, p. 158-161). To sustain the liberal international monetary order, it is once again necessary to make the existing regime adapt to the new power distribution. That is to say, it must make the organization of the management of international monetary relations include “the systematically important countries ranging from China to Brazil” into the decision-making process (Abdelal & Ruggie 2009, p. 160).

*ii) Framing the perception of regime change through myth creation*

Ruggie's constructivist approach acknowledges the significance of norms and social purposes to the knowledge of regime change in world politics. However, he basically argued the same thing about the US hegemonic organization of international monetary relations as neo-institutionalists explained, for the survival of the postwar international institutions such as the IMF owed to the shared interest among western countries “as a single entity” in the underlying principles of the postwar international economic order – i.e., multilateral cooperation (Ruggie 1982, p. 398). He also argued that the Triffin dilemma is both a natural consequence of the global demand for – and a necessary means for supplying – “international liquidity” (Ruggie 1982, p. 407). The difference is merely that his theory tends to mythify the substitution of the dollar standard for the gold-dollar standard into what seems a natural continuation of the Bretton Woods regime, for the embedded liberalism was believed as the perdured norm to underlie these two different standards.

*(1) De-mythifying the continuity of the Bretton Woods norms*

Obviously, the collapse of the Bretton Woods regime is now recognized as what marked “a major shift in the long-term movement of capitalist economies” (Gao, 2001, p. 165). Even Ruggie himself agreed in 2009 that the subsequent financial liberalization – i.e., the full free movement of capital – had far-reaching consequences on the form of liberal order (Abdelal & Ruggie 2009, p. 157-158). Hence, he had misidentified the transient period with what would subsist on the embedded liberalism. Instead, the 1971 event presaged a neo-liberal shift in the philosophy of capitalism. For instance, the global ascendancy of neo-liberalism “in both creditor and debtor countries” – thus, in the entire international monetary system – profoundly influenced the “mechanisms for solving the debt crisis” in the 1970s and 1980s. “Capital flight ought to be viewed as a symptom of underlying economic problems, rather than as the source of the problem.” Then, austerity, liberalization, and securitization constituted new normalcy (Helleiner 1996, p. 181-183). Hence, the embedded liberalism was soon replaced by neo-liberalism in the 1970s. Therefore, if the embedded liberalism did not survive, the dissolution of the gold-dollar standard should not be simply regarded as a norm-governed change but a deep transformation of the international monetary order.

*(2) Mythifying the de facto geo-economic competition since the 1970s*

Ruggie's discursive practice also tends to mythify some other essential aspects of the postwar international monetary order. His view deeply subscribes to an American-centric vision of international financial life. The early American domination of the postwar international monetary system was mythified into a form of “intergovernmental collaboration to facilitate balance-of-payments equilibrium” (Ruggie 1982, p. 394-395). In fact, even in his own narrative, this intergovernmental collaboration was, in its origin, devised in a bilateral fashion between the United Kingdom and the United States rather than genuinely in a multilateral way. This compromise aimed to protect the United States' position as the largest creditor country at that time, for “the economic power represented by the US gold reserves would not be substantially diminished” (Ruggie 1982, p. 395).

The intergovernmental coordination following the later collapse of the Bretton Woods regime was then mythified accordingly into what symbolizes continuity rather than discontinuity. However, this imagined continuity was disrupted by what Ruggie himself has identified the resurgent ethos of liberal capitalism. The rise of this new geo-economic logic has changed the US perception of and response to this insurgency in the international monetary system, so that “the U.S. views the SDR with disfavor and actively opposes



the substitution account. It has no objection to other currencies playing a larger reserve role” (Ruggie 1982, p. 408). Hence, the US government decided to defeat any attempt at reforming the international monetary system after 1971. Its response displayed its “extraordinary perseverance” with an invariable stance regarding the reform. Its obstinate attitude made its western partners accept an unhappy “economic reality,” “as a consequence of this impasse” – i.e., “fundamental differences between the United States and Western Europe over any new system made agreement impossible” (Gilpin 2001, p. 239). In other words, the other countries have been forced into a new game – i.e., a *de facto* geo-economic competition and a currency war up to the present date. Indeed, “a multiple-currency reserve system” was believed to come slowly into being (Ruggie 1982, p. 408). However, up to date, the international monetary system remains largely dominated by the US dollar hegemony. Moreover, a global multi-currency system is not necessarily a desirable solution for solving the underlying problem – i.e., the Triffin dilemma. Even if it comes into being, monetary balkanization will probably increase instability rather than reduce it. The likely outcome of this volatile competition “among currencies used as reserve assets” might be “a call for a return to a fixed exchange rate arrangement” (Stiglitz 2011, p. 253-254).

### *(3) Legitimizing world inflation*

Unsurprisingly, the Triffin dilemma is also mythified into what looks like a dilemma between “world inflation” and “a liberal international economy,” for the latter is necessarily built upon the former (Ruggie 1982, p. 415). However, this dilemma is in effect what deflects the actual norm “known as IMF orthodoxy,” which aimed at guaranteeing that “no intergovernmental alternative to U.S. payments deficits as the major instrument of international liquidity creation.” Thus, this dilemma itself was in its origin instituted by the US government owing to “the asymmetrical position of the U.S.” (Ruggie 1982, p. 406). Hence, even the unilateral violation of the principle of the Bretton Woods regime is then rendered necessary to keep running this liberal political economy of international monetary and trade relations for promising an adequate supply of US dollars to the world market.

Hence, through creating myths about the postwar international monetary order, Ruggie’s approach tends to lead one to see an illusion that “the normative framework of embedded liberalism will endure” (Ruggie 1982, p. 415). Nevertheless, the myth of embedded liberalism was quickly defeated owing to the fast advent of neo-liberalism after 1971. The new orthodoxy sympathizes the neo-liberal principles rather than what makes up the old “embedded liberalism” (Helleiner 1996, p. 181). The entire world has been re-lectured on how to run an economy “efficiently” in accordance with this planetary schema. Unfortunately, though

Ruggie's approach emphasizes the role of norms, it has not provided any explanation for how they have influenced the actors' perceptions. Instead, it takes the other actors' perceptions of legitimacy for granted as a corollary to the American knowledge of it, for they are supposed to share voluntarily – rather than to be forced to subscribe to – the same purposes with the United States regarding the international monetary order – i.e., the U.S. deficits as the legitimate means for the creation of international liquidity.

c) The constructivist interpretation of China's response to the myths

China was not part of this historical episode, for “the compromise of embedded liberalism has never been fully extended to the developing countries” (Ruggie, 1982, p. 413). However, once China enters the system, it must accept the essential myths of this international monetary order for granted. Its perception of the dollar-based global financial system must be the corollary of the present neo-liberal power/knowledge regime. If it wakes up from the dream of being the source of the problem – i.e., as a country running a significant trade surplus, it will be condemned to see the truth of its creditor-debtor relationship with the United States. That is to say, China, as a creditor country, its economic power and financial influence within the current international system can be significantly undercut, if the United States ever decided to challenge the rules of the game. The logical response to this perceived asymmetric interdependence with the United States for China is to diversify its trade and monetary relations across the region and the world in order to cushion the adverse shock of the periodic financial turbulence of the dollar regime. However, China's institutional reactions to this perceived vulnerability and dependency of its domestic economy vis-à-vis an increasingly unstable dollar system are seen in some constructivist literature as what endangers the norms of the liberal international order.

i) *China's institutional statecraft and the “American imperium”*

The One Belt, One Road initiative reflects the process of power diffusion – i.e., a process in which “power radiates outwards from one center.” “Such diffusion can create problems of control and coordination among competing centers of power” (Katzenstein 2014, p. 214). Hence, the perceived US decline starts to activate the constructivist imagination of fear of the possible dissolution of the “American imperium” (Katzenstein 2005, p. 1). That is to say, the postwar world is seen as an ordered system of regions organized by the United States through its actions into the “America's imperium.” The identity, institutional form, and internal structure of these regions are all shaped by the United States through the exercising of its hegemonic power so that the identities of the regional states are the natural consequences of the United States'

hegemonic action. Therefore, the regional actors have no choice but to take for granted the American narrative of – and the similar perception of – the world order – i.e., an American-centric international system (Katzenstein 2005, p. 5). Accordingly, against this discursive backdrop, Japan and Germany can be identified as whom have acted over decades as “supporters of American power and purpose” – i.e., “core regional states” (Katzenstein 2005, p. 1). So, American constructivists believe that the United States has produced through its hegemonic discourse the identities and successfully made Japan and Germany acquire these identities.

*(1) China as an “enigma” in the hegemonic meta-narrative*

In this sense, the Chinese economy has frustrated the hegemonic power, for it becomes a “crisis” in the American knowledge of the international political economy. This specialist knowledge presupposes that the US hegemonic power can actively and subtly shape the identity of its target. However, Beijing has maintained a bizarre identity that is not corollary to which the United States has designed meta-narratively. Thus, the Chinese economy becomes an “enigma” in the perceptual field of the United States, for the present hegemonic discursive regime can no longer make China readable within its meta-narrative frame. Moreover, globalization is believed to have amplified this discrepancy.

Now, two world-leading economies differ substantially from one another in terms of their domestic structure: one is based on the liberal market economy; another is based on the state market economy. Despite China's apparent willingness “to support international economic liberalism,” its unconventional state/market paradigm makes it transform into what is unwanted within the present American imperium (Lake 2014, p. 445-446). So far, China's domestic political economy has not been transformed into what fits with the American narrative of the post-Cold War world – i.e., the end of history.

*(2) power diffusion as a threat to the empire*

Instead, in the post-2008 world, China's persistent economic growth is seen as what has watered down the US hegemonic dominance and accelerated the process of so-called power diffusion. This process is believed to produce “unhappy” things to the American imperium, for “the diffusion of power creates new identities and leaves room for innovative practices” (Katzenstein 2005, p. 214). As a perceptual code, the sheer size of the Chinese economy has activated the imaginative mechanism of identity production in the discourse of IR constructivism. The China-led international institutions are believed to have reflected this power

diffusion process. Various institutional innovations, such as the AIIB and NDB, demonstrate that power can be created in the absence of the United States. At the same time, it makes possible the formation of new identities and consequentially the modification of old ones. Hence, these institutions are supposed to facilitate the creation of new power relations through establishing multilateral arrangements, which, however, occurs outside the American imperium. All these “out of context” innovations could constitute an alternative international (monetary) order.

Thus, the perceived danger to the American imperium arises from these institutional innovations. China is supposed to aspire to promote its perception of world order through the so-called “circulatory power” or “productive power” embedded in its various practices. That is to say, Beijing can seek to rewrite through its material and symbolic power, the rules and principles that underly the existing international order. This circulatory power is believed to be capable of making “institutions, practices, conventions, and narratives” change fundamentally (Katzenstein 2005, p. 15). Therefore, China's lasting economic growth within the American-led international order is no longer seen as what is desirable, since China's current economic system would suggest that Beijing's ideal form of international political economy would resemble its domestic state-market structure. Beijing's growing power, in both symbolic and material terms, enables itself to produce new international norms, institutions, and structures and to escape from the framing effects of the American-centered international order. Its “hierarchical structure” is supposed to be able to “constrain or influence agent choices, behavior, and perceptions” (Mattern & Zarakol 2016, p. 640-641). Indeed, the Chinese State's perception of international monetary order is certainly affected thereby. However, if the domestic shape of Chinese society does not transform into what conforms to the logic of the underlying meta-narrative, it will be condemned to see the American imperium as what it must overthrow.

*ii) The myths of “illiberal challenger” and “American empire”*

This speculative anticipation is, in effect, predicated upon a supposed causal connection between two myths: the myth of the “American empire” and the myth of “illiberal challenger” in the discourse of IR constructivism. The first myth comes from the generalization of world history and the American-centric view of the postwar world. The second myth comes from Katzenstein's narrative production of causal relationships between past experience, domestic structure, and foreign economic policy (Katzenstein 1977a). That is to say, the domestic structure of the challenger determines its perception of the American imperium.

*(1) The myth of "American empire" and its "others"*

Unlike Ruggie's discursive strategy, Katzenstein's constructivist approach has mythified the postwar American-centered international order into what resembles "ancient Rome," "the British empire." This discursive strategy consists of an American perception that the postwar international system is the result of the global projection of the US "political, military, economic, and ideological powers" – i.e., the planetary expansion of "the nonterritorial dimensions of American power" onto the rest of the world – in the wake of the Second World War (Katzenstein 2005, p. 1-6). The end of history is meant to presage this future that an imperial structure will eventually absorb the entire world and end the mechanism of power balancing among nation-states.

This particular discursive strategy is also predicated on another myth of hegemonic stability that "the cycle of hegemonic ascendance and decline" can inform order and disorder in the international political economy (Katzenstein 1977a, p. 594). The hegemonic decline is supposed to give rise not only to the "'international class conflict' between North and South," but also to "the political heterogeneity and increasing potential for conflict which characterize the political relations within the North" (Katzenstein 1977a, p. 589-591). Therefore, the discourse of American IR constructivism should free its imagination from this "North-South" dichotomy and inspect the inside of the "North" (Katzenstein 1977a, p. 589). Unsurprisingly, this American IR discursive strategy also invokes the myth of clash of civilizations as a logical basis of analyzing the relationships between the American and non-American states. It formulates a discursive mechanism that distinguishes the West and East geographically, and the countries with "a democratic past" and "an authoritarian past" chronologically (Katzenstein 1977b, p. 908).

The synthesis of these myths constitutes this imaginative mechanism that consists in linking "the present to the past," for "identities are wrapped in collective memories, primarily intense experienced national memories" (Katzenstein 2005, p. 86). In other words, it is the non-being of the past that determines the being of the present. That is why, Katzenstein claims that "the Germany and Japan of the 1930s and 1940s have become the 'other' against which the modern, liberal, internationally engaged German and Japanese 'self' defines itself" (Katzenstein 2005, p. 86). It is following this violent encounter between being and non-being. The result of this confrontation is that "Asian and European identities" have become "embedded in an American imperium," which provides "a common experience of Americanization" (Katzenstein 2005, p. 86).

*(2) A myth-based identity classification*

In his recounting of the 1960s and the early 1970s, “the redistribution of economic power” between the United States on the one hand, and the European states and Japan, on the other hand, was responsible for entailing the international disorder which was reflected “in the growing strains in the international monetary system” (Katzenstein 1977a, p. 590-591). The ending of the Bretton Woods system in 1971 was thus seen as what portended the hegemonic decline. At the same time, trade conflicts had increased between the declining and rising powers. “Growing antagonism towards overseas investments of American multilateral corporations were also noticeable in the late 1960s” (Katzenstein 1977a, p. 591). These phenomena were interpreted as what resulted from the process of power diffusion, which generated the new state identities and modified the old ones. The emergence of these new state identities was supposed to reflect the transformation of the domestic structures. This process thus gave rise to the identity politics of the new epoch. In other words, it generates “the clash of political strategies” that “is attributable to different domestic structures” (Katzenstein 1977b, p. 907).

However, these new state identities are not new. They are seen as the results of the continuous transformation of their domestic structures. That is to say, they must still be culturally rooted in the past. Hence, Great Britain, Germany, France, and Japan, their self is still influenced by their past: “Britain’s imperial past,” France’s “syndicalist past,” “Germany’s feudal past,” Japan’s “authoritarian past.” Exceptionally, the “American Empire” is by comparison “much younger” therefore “without a feudal past,” so that it has been able to develop genuine liberal capitalism with no historical burden. Hence, this exceptional past has enabled the United States to become “the center of ‘the enterprise system’ first and, later, of ‘the free world’” (Katzenstein 1977b, p. 881-912).

It is noticeable that this classification of imagined identities is ironically emanant from the so-called “circulatory power,” which social constructivists have identified with discourse. In fact, this concept is adapted from Foucault’s work, for it presupposes the mode of classification and the production of identity (Katzenstein 2005). Therefore, social constructivism as a type of discourse is also subject to this critical view of power, for it itself produces different identities through a dialectical mechanism and predisposes them to a hierarchical structure. Through a series of dichotomizations, Katzenstein has expediently mythified the domestic structures of the targeting regions and countries into what may or may not challenge the being of the American imperium again. This classification of state identities based on their past is an imaginative response to the accrued geo-economic competition since the 1960s. The intensifying frictions

between trading nations have made exchange rates become a perceptual code, which symbolizes the ideological disposition of one country's domestic structure ranging from "Anglo-American liberalism" to "Japanese neo-mercantilism" (Katzenstein 1977a, p. 606).

*(3) A myth-based identification of challenger to the American imperium*

Obviously, his discursive strategy embodies a dichotomic structure, which presupposes that "the liberal tenets to which the two Anglo-Saxon countries subscribed have been antithetical to the neo-mercantilism of Japan's foreign economic policy" (Katzenstein 1977a, p. 605). Hence, from 1945 to the 1960s, the tenacious undervaluation of Yen, the deliberate devaluation of Franc, the tight control of capital flow, and the limited access to domestic markets portended that France and Japan had an "illiberal" domestic structure (Katzenstein 1977b). Even the revaluation of Deutschmark in the early 1970s presented "a stiffer challenge to West Germany's liberal orientation" (Katzenstein 1977a, p. 606). It is the strength of Japan and Germany's feudal past and of France's syndicalist past, which makes them inherently disposed towards the illiberal organization of the domestic structure.

Thus, this American IR constructivist approach has provided the discursive mechanism aiming at making a metaphysical determination of state identity based on the non-being of the past, to which different strategies of foreign economic policy that are believed to be reflected in the domestic structures of the targeting states are in consequence linked directly (Katzenstein 1977b, p. 880-881). The various imaginations of the threat to the liberal international order justify the presence of the American imperium, for the Empire is meant to stabilize through the exercise of its far-reaching power, the international hierarchy of states which maintains an international division of labor and an international functional differentiation of currencies in accordance with the principle that governs the disposition of things in the American imperium.

*iii) The constructivist mythification of China's perception and strategy*

In the post-2008 era, the American Empire has once again to face the consequence of the Triffin dilemma. However, this time, the neo-liberal knowledge/power regime has made China an enigma in the perceptual field of American IR constructivists. In 2008, the post-communist China came to the assistance of the US government. China's cooperative behavior makes itself to be a thing paradoxical to the underlying logic of social constructivism. That is to say, China's communist and feudal past or mandarin bureaucratic and

Confucian tradition were supposed to eventually bring about an illiberal organization of the domestic structure, and consequentially, the formulation of an illiberal strategy of foreign economic policy. It presupposes then a hostile – not a mild – attitude towards the US dollar-based international financial system. In the meantime, from its non-Western tradition could be deduced a non-Western identity that informs China's subjectivity being antithetical to what defines the American self.

The synthesis of the non-Western identity and the illiberal economic strategy would suppose then a negative perception of the US dollar-centered international monetary order. Due to this inherent difference with the American State's characterization, China, as a non-Western and illiberal state, should play a similar role as Gaullist France in attempting to undermine the fundamental ground of the US dollar hegemony during the global financial crisis of 2008. Therefore, the China-led initiatives such as the AIIB and the OBOR must be part of a secret, grand scheme aiming to displace the United States for global supremacy and build a Sino-centric world order. Thus, this imagined subjectivity of the Other, that China must carry, which frames and informs the Chinese State's experience and perception of international monetary order teleologically, despite whether or not it implies a contradiction to the behavior and the geo-economic logic of the Chinese State.

*(1) The constructivist (teleological & eschatological) narrative on China*

This teleological narrative of “illiberal challenger” reflects the dialectical mechanism embedded in many discourses of social constructivism. This discursive mechanism consists in transforming the global financial crises and China's institutional initiatives into a set of perceptual codes, which symbolize and portend the decline of and the setback for the US hegemony. Thus, the content of these worrying perceptual codes implies the nullification of the hegemonic being of the United States in the international political and economic system. As such, therefrom emerges an eschatological narrative of “hegemonic decline” that engenders a feeling of ontological insecurity for the collective representation of the American imperium. Then, this fear revives the myth of “clash of civilizations” and gives rise to the teleological narrative of “non-Western hegemony,” which in turn reinforces the eschatological narrative of hegemonic decline. Thereby, all these myths are articulated upon one another into a discursive strategy that aims at making a precise metaphysical determination of China's illiberal and non-Western identity through circumventing the paradox arisen from the neo-liberal institutional narratives surrounding the being of post-communist China. Because, in the perceptual field of the United States, Chinese economy as a whole has become an “enigmatic” thing that can no longer be easily enmeshed into the American-centered international order so



as to maintain the “right” disposition of things towards the end of history – i.e., the Americanization of the world.

However, this conventional narrative of social constructivism reflects an American-centric vantage point that does not really help understand the emergence, diffusion, and change of norms that constitute the existing international order (Deitelhoff & Zimmermann 2019, p. 14). Nor would this fanatical imagination of China as being an infinite other – i.e., as the natural antithesis to the West – help decipher the Chinese state and its perception of international monetary order. This anxious speculation on the nothingness of non-West only helps radicalize the realist fear of a non-American world.

*(2) Debunking the myths on the AIIB, “Tianxia” & “One Belt, One Road”*

The actual record of China's contributive and cooperative behavior towards the existing international order clearly refutes the validity of this anti-Western image of China. In fact, the multilateral lending institutions such as the AIIB may not necessarily be used by the Chinese government to advance some “narrow political or economic ends” (Dollar, 2015). Indeed, the Chinese government has made considerable efforts to strengthen the country's influence in the governance of the current international monetary system. It has conducted a series of multilateral and bilateral initiatives in order to promote the internationalization of the Yuan, to boost the exports and to protect its oversea investments. However, the nature and consequence of these foreign economic policies cannot be teleologically explained or eschatologically determined. Instead “the goal of the internationalization policy is not for RMB to replace the Dollar's role but to route a future in which China's financial and monetary influence in the world will be bigger, making the country less dependent of United States (US) currency and financial system” (de Sousa & de Freitas 2018, p. 34). Meanwhile, the participation of major American allies such as the United Kingdom, France, Germany in the AIIB has watered down China's dominance over this multilateral lending institution.

Certainly, the famous One Belt, One Road initiative reflects China's perception of the world order that is unexceptionally centered on itself. However, it is questionable how much explanatory power could be obtained from such a concept as “Tianxia” derived from this Sino-centric worldview. In effect, “Tianxia” is considerably exaggerated as being “key to the governance and self-understanding of over two millennia of Chinese empire” (Callahan 2008, p. 749). The sinograms of “Tianxia” [“天下”], also as a concept, is widely present in East Asian cultures. It just refers to the world “under the sky” – i.e., merely an idiom

corresponding to “on earth” in English. It does not presuppose order nor disorder. However, over the past several years, it has been jargonized by both Chinese and Western scholars into an overladen but best-selling concept, for it can be expediently employed to refer to almost everything such as “a utopia,” “the world order,” “Empire,” “all the people,” the “world institution” (Zhao 2006, p. 30; Callahan 2008, p. 751). It is just a metaphor that means different things for different people. These things can hardly be coherently arranged into an orderly disposition towards one end. That is why the concept of Tianxia is so vague as to encompass the “contradictory discourses of nationalism and cosmopolitanism” (Callahan 2008, p. 750). In other words, as a widely used term in Korea, Japan, and China, Tianxia has almost nothing to do with the imagined millennial Chinese civilization. It is just a result of the myth of coherence that compels people to look for continuity rather than discontinuity in China's history. Therefore, Tianxia cannot inform the Chinese State's perception of international (monetary) order.

Instead, the reasons why China has launched these initiatives come from its frustrations with the slow reform of the existing international financial institutions and with the reluctance of the US Congress to ratify the agreement “to increase the voting share of fast-growing emerging markets, whereas all other nations have already ratified it” (Dollar, 2015). Indeed, the Chinese government is frustrated with America's misgivings against it even though “China is willing to contribute” to the existing international (monetary) order that is nevertheless centered on the United States (Dollar, 2015). In fact, “with nearly 60 countries joining the AIIB, it is likely to have governance and standards similar to” the liberal international banking and financial institutions such as the World Bank, the Asian Development Bank (Dollar 2015). As such, the advent of the AIIB should be seen as what could improve the efficiency of the existing international monetary system, for it will strengthen market competition among the existing multilateral institutions. So far, the impact of the creation of the AIIB has been clearly exaggerated. In the meantime, it is noticeable that the Chinese government has often expressed its interest in joining the TTP. This stance reflects its perception that it has no interest in seeing the formation of regional blocs or the disintegration of international trade. It also means that it is frustrated with the result that the Obama administration has excluded it from the TTP negotiation. Therefore, its strategic response is logically the OBOR initiative for hedging its economic position against the heightening political uncertainty arisen from the other side of the Pacific Ocean.

*iv) A deflection on the end of the American experiment*

So, the fear that China's economic ascendancy must give rise to a non-Western international order is quite misplaced. The call for reforming the international monetary system has lasted for decades since the 1960s. Given China's massive holding of US dollar assets, it is unimaginable that the breakdown of the current liberal order would make Yuan crowned as the new reserve currency or Beijing as the world's international financial capital. Certainly, these are what Beijing probably desires. But whatsoever it desires cannot be actualized without reforming China's domestic structure. It is neither theoretically nor empirically certain whether the meteoric rise of an authoritarian China will beget an illiberal international monetary order. An illiberal organization of monetary relations between trading nations clearly does little help to sustain China's economic growth. Besides, the Chinese government holds on to the perception that the ongoing globalization benefits it. This paradox cannot be explicated by such myths as Tianxia or hegemonic stability. The myth-based interpretations are not informative of unobservable mental activities in the minds of Chinese leaders. The traditional dichotomic pattern that is embedded in these kinds of interpretative mechanisms only produces – and reproduces – the fear of a non-American world.

Moreover, the fear of an outbreaking problem “out there” only helps deflect the emerging problem “in here.” That which may end “the American experiment” is occurring within – not outside – the United States, for the rise of Trump represents probably the beginning of the domestic reorganization of the American political system (Allison, 2018 p. 131). If considering the constructivist tenet that the domestic structure determines the strategy of foreign economic policy, the portents that the Trump administration mistrusts and even threatens the present international order foretell a gloomy future for the liberal international monetary system, which means the rules of the current game may be one day abruptly challenged once again by the United States itself.



## **Chapter V**

### **A more promising perspective on the Chinese State & its perception of International Monetary Order**

#### **5.1) Beijing's early perception of the debt and international monetary order**

In chapter one, this research has demythologized the Being of the Chinese State as a coherent, continuous unity through analyzing the changing power relationship between Tientsin and Beijing before and after 1949. Now is the necessary moment to point out a striking fact that the Chinese State's perception should not be simply modeled on how technical elites, powerful groups, or political leaders see the world. Nor should the efforts turn to such abstract metaphysical constructs as Tianxia for explicating China's perception of international (monetary) order. Their explicatory power is not sufficient to inform why the Chinese government has decided to do so but not otherwise and to tell how it interprets the exterior environment. This conceptualization of China presupposes the Chinese State being the expression of an unspoken unity possessing an imaginary identity that is, however, which the hegemonic discourse has expediently produced in accordance with its own logic. These products of hegemonic imagination are just the opposite side of the poetic imagery, which a post-revolutionary discourse tends to produce and attributes to the "China out there." Two sides belong in effect to the same coin – a continuous imagination of a culturally and economically unified Chinese nation since a mysterious point in the non-being of the past.

##### *a) China as a collection of municipal and provincial entities*

This holistic, anthropomorphized view on China as a coherent unity – either in terms of powerful leaders or vested interests – which is supposed to act on one consistent logic, is obviously an unpromising way to de-mythify the Chinese State's perception of such thing as international monetary order. Instead, the representation of China should be seen as a site of confrontation or struggle between various types of beings since the very moment when it encountered the modernity. The story between Tientsin and Beijing in the

first chapter constitutes, in this sense, an illustrative case of how the current power relationship has been instituted as part of the socialist economy of the Chinese State. The case reveals the continued confrontation between municipal, provincial, regional, or even cultural entities within the country. The organization of these power relationships reflects exactly a dialectical division of China, between the Being and non-Being of the State. It is this *de facto* division that preconditions China's perception and evaluation of such things as trade, finance, and market. It consists in actualizing a particular knowledge of China and the world, which simultaneously implies the exercising of Being's power over non-Being. This knowledge helps formulate the truth standards, according to which things will be identified and evaluated. As such, power can decide whether or not to conform its political and economic practice to this division of truth and falsity. For instance, Beijing has been seen as what ought to represent the natural center of China's political and cultural power; Beijing, Shanghai and Shenzhen's development as what represents the general model of China's urban economy; and Shanghai as the natural center of the country's financial system (Custer, 2020, February 11). All others are suppressed as what ought to be unqualifiable to bear these natural functions. In this perspective, the State is just an effect of the unity of the prevailing power/knowledge with the corresponding practice that tends to dispose things towards certain ends, not others. It is safe to say that this is a more promising perspective, from which one would understand better China, the Chinese State, its perception and behavior. Unfortunately, this approach does not draw enough attention in the IR literature.

*b) Growing complexity, disparity & heterogeneity in the Beijing-centered socialist system*

In the era of post-revolutionary China, the socialist practice of running the economy also presupposes compulsion, confrontation, and foremost, "debtlessness." For example, in the early years of the PRC, through "the unified collection and allocation of fiscal revenue," the Chinese State anchored in Beijing had regulated the socialist system of power relations between regions to achieve a debtless economy (Peiyong, 2018). After the early socialist restructuring of the country, the nationalized enterprises in the industrialized areas such as Tientsin and Shanghai must render a large portion of their profits to Beijing so as to finance the central planning programs such as the First Five-Years Plan (1953-1957). Without recourse to the national debt, Beijing had been able to raise funds to finance its own and central budget through this uneven redistributive mechanism.

Ironically, these egalitarian measures themselves, such as fiscal transfer, which the socialist economic practice provided, produced distributional inequality through its "central planning mechanisms" (Duan &

Zhan 2011; Chung, 2019). Under this planning system, farmers had to sell their agricultural products at a regulated price (usually at a very low level). In contrast, workers' wages had also been depressed so as to increase the margin of profit of the state-owned enterprise. In the meantime, different subnational governments must compete with one another to obtain the state investment from Beijing. These uneven mechanisms had made Beijing occupy a privileged position in this socialist network of power relationships between municipal and provincial entities. It is questionable whether these state interventions really helped correct regional heterogeneity and disparity between the coastal and inland areas (Zhao & Zhang 1999, p. 255). However, they had unquestionably increased the complexity of power relationships between different cities and regions in the country in a dramatic fashion. It is this growing complexity which does no longer permits the conventional, holistic approach to assist researchers with adequate explication.

*i) the new principle of socialist political economy: "debtlessness"*

A debtless socialist political economy means that Beijing did not need to attract foreign investments or raise funds in neither international nor domestic money markets since it did not even need to issue debts before 1979 (Peiyong, 2018). That is why the "Tientsin Stock Exchange Market," the first of its genre after 1949 in China, was quickly abolished by Beijing ("Tianjin," 1949). The same logic explains the fast demise of such traditional financial centers as Tientsin and Shanghai following the establishment of the PRC since they become *ipso facto* meaningless to Beijing. In effect, a debtless China was not a coincidence, but the result of a particular policy paradigm that was made in accordance with the principle which had been formulated within the CCP's early knowledge of political economy— i.e., "the socialist accumulation" through "austerity" ("Weile," 1953). It was considered what was distinct from the capitalist accumulation relying on "borrowing foreign loans" ("Weile," 1953).

*ii) Knowledge, Power & Truth: debt as a curse to Beijing*

National debts, rather than being regarded as "national blessing" for the United States, was seen by Beijing as a "national curse" because the "old China" was deeply indebted to the foreign capitalists and national bourgeoisie. It also should notice that the city of Beijing, as the old capital of the Qing Dynasty (1644-1912), had regarded the foreign financial markets as what ended its imperial and feudal privilege within China's domestic political economy since the second half of the nineteenth century. Beijing was "forced to borrow foreign debts, thus causing China's political economy full attachment to imperialism" (Shi, 2019). It was since this epoch that Beijing's self-imagination as the world's center was vaporized in the face of

modernity. This epoch was also the starting point where Beijing – i.e., the Being of the Chinese feudal state – began to imagine itself as a victim of an unfair international (monetary) order.

The “debt” was thus formulated into a perceptual code that symbolized, which would induce periodic economic crises. Debtlessness became then a symbol that portended “economic success,” which contrasted communist China with capitalist America (“Zhongguo,” 1969). For example, before 1949, the Chinese economy was significantly open to the world economy (White & Akita, 2016). For the Peiyang and KMT governments, the foreign loans were the essential means of raising money, which enabled the Chinese State to meet its needs. The Peiyang government had recourse to demanding loans from “the Quadruple Consortium,” which was made of “Britain, Germany, France, and the United States” in order to advance its industrialization plan, military modernization program, and currency reform (Woodhouse, 2004, pp. 166-167). However, the payment of these foreign debts that took China’s maritime customs revenue as the mortgage against them had been highly politicized by various domestic political forces so that it was translated into a perceptual code symbolizing a threat to the Chinese nation.

“China regarded the Consortium’s severe terms as humiliating for an independent nation; that the term excited popular alarm; and that Yuan feared that then entry of Japan and Russia into the Consortium might lead to the dismemberment of China” (Woodhouse, 2004, p. 171).

Debts, either national or foreign, had since then become a sinful symbol that need be eradicated for the emancipation of the Chinese nation from domestic and foreign capitalists within China’s revolutionary discourse. During the Civil War, the CCP had the objective of leading the Chinese people “to fight against rent, taxes, and debts” so as to abolish them perpetually (Saich & Yang, 2016). Debtlessness became then a standard of truth, as the basis on which the new China’s economy should be modeled. The subsequent formation of a debtless economy in Maoist China is thus clear evidence of how knowledge engenders power and induces the effects of power via producing truth. After all, things such as debts, stock markets, or hedge funds were undoable, unthinkable, and unsayable in Maoist China.



*c) Beijing & Paris: a similar perception of the Bretton Woods system*

Obviously, “separated from the international monetary system, the Chinese economy in the 1950s looked quite different from that of the 1930s” (White & Akita, 2016). Because of the negative perception of international finance, shortly following 1949, Beijing decided to deny China access to foreign capital in order to regain monetary independence. For the objective of “tackling the hyperinflation inherited from” the KMT period, Beijing canceled “the circulation of money into tightly controlled paths. Gold, Silver, and foreign exchanged were barred from circulation” (White & Akita, 2016). As a result, China’s new domestic currency – i.e., the Renminbi (Yuan) was “free from the influence of the international market” (White & Akita, 2016). In other words, Beijing had adopted a closed capital account regime and an isolated currency system. In the meantime, the exchange rate regime was an adjustable, dual-standard system created in Tientsin, thanks to the city’s financial ingenuity: one standard defined the parity between the Yuan and the eastern currencies; another standard defined the parity between the Yuan and the western currencies (Zhu, 2004, p. 269).

However, it was the Maoist existence of China which conditioned the Chinese State’s perception. The post-revolutionary logic that was embedded in a planned economy made the western-based international monetary order appear as what was antithetical to the purpose of the eastern communist system. China’s Moscow (Beijing) regarded the Bretton Woods system as nothing else, but what served only the interest of the “US imperialism.” To a certain extent, Beijing shared the view of Élysée in 1968 on the existing international monetary system as being inherently asymmetric, which reflected an unequal relationship between the United States and the rest of the world. It regarded the 1968 crisis as an ongoing “currency war” between the Anglo-American alliance and the Western European powers (“Mei fa,” 1968).

Intriguingly, as a spectator, Beijing also shared the neo-realist logic that significant change in the underlying distribution of power will lead to a systemic shift in the global order. “For twenty years after the second world war, the balance of power had been changed between” the western powers. As a result of the American decline and the European ascendancy, “France and the other western European states must challenge the US hegemony” (“Rimu tuqiong,” 1969). As regards the reform of the international monetary system, the introduction of SDR that was initially defined as \$1 dollar was regarded as what aimed at maintaining the American monetary hegemony. In general, Beijing accepted the Gaullist France’s stance regarding the nature of the US dollar-centered international monetary order. The difference was that, for

Paris, the Triffin dilemma was generally considered as what undermined the stability and legitimacy of the gold-dollar regime. In contrast, Mao Tse-Tung attributed the cause of the financial crisis of 1968 to the “increasingly unstable, contracted international and domestic markets” that the United States had ever faced since the end of the Second World War (“Mao zhuxi,” 1968).

It was not too hard to understand that Beijing shared Paris’ perception of the Bretton Woods system, because the French view of the US debt crisis was congruent with Beijing’s post-revolutionary logic. The latter had even nullified the existence of national and foreign debts to China in order to achieve full monetary independence. The Bretton Woods regime and its institutional beings, such as the IMF, were seen as instruments that only served the United States’ interests for controlling the capitalist world. In other words, Beijing perceived them as the epiphonema that reflected the American imperium’s underlying power.

## **5.2) The prelude for a radical shift in China’s perception**

In effect, the late 1960s and the early 1970s were a demarcating time in postwar history. The dynamics of world politics had created a new ground for state actions. The French civil movement (May 1968), the Soviet invasion of Czechoslovakia (August 1968), the announcement of the Brezhnev doctrine (September 1968), the Sino-Soviet border conflict (March 1969), the announcement of the Nixon doctrine (November 1969), the Sino-American rapprochement (July 1971), the Nixon Shock (August 1971), the US-Soviet détente (May 1972), the Paris Peace Accords (January 1973), the adoption of the floating exchange rate regime (February 1973), the first oil shock (October 1973), all these events constituted a turbulent sequence in the wake of the sterling crisis of November 1967 that was considered the first serious threat to the dollar (Bordo, 2020). Indeed, it is not able to make a determinate confirmation of causal links that connect them. However, this tumultuous sequence of events portended the advent of the new epoch that things on earth were going to be rearranged into a new order. The collapse of the gold-dollar standard made possible the epistemological rearrangement of the relations between fiscal and monetary practices on the one hand and their guiding principles on the other hand. Since then, the world entered the neo-liberal moment. It has opened a new sequence of conflict and cooperation that orients towards the geo-economic competition and the formation of the currency blocs which have presaged a *de facto* currency war as what Mao Tse-Tung had foreseen in 1968.

a) Geo-political & domestic economic grounds for the subsequent shift

In the meantime, the Cold War also took a perplex appearance. In 1969, the military clash between the former comrades – the Soviet Union and the Maoist China – foreshadowed the so-called eternal and unbreakable Sino-Soviet friendship. It opened the perspective for the “triangulation” between the United States, China, and the Soviet Union (Hanhimäki, 2013). Since 1956, the Chinese communist officials had engaged in an ideological debate with the Soviet leaders over the general guideline of the international communist movement. They contended with one another on a wide range of political issues, including “reinterpretation of Stalin’s legacy,” “peaceful transition to socialism,” “peaceful coexistence.” (Radchenko, 2009, pp. 11-62). This escalating disputation between two communist giants culminated in the late 1960s, as both countries prepared to go to war with one another.

Up to this point, the communist regime of knowledge, power, and practice was *de facto* shattered due to this Great Debate, which had widened the ideological gap between Moscow and Beijing. This ideological discrepancy induced a radical change in Beijing’s perception of things on earth. It is once again the case of how knowledge generates effects on power via producing new standards. The political consequence of this ideological conflict materialized into the Sino-Soviet split in 1969. Therefrom deduced a new geopolitical logic that began to re-rationalize the discursive field of Maoism and the perceptual field of Beijing – i.e., the Brezhnev doctrine became the symbol of “socio-imperialism” to Beijing (Hanhimäki, 2015).

The new discourse had then cleared the perceptual ground for the subsequent rapprochement between two least likely allies – i.e., the United States and China. However, it does not mean that Beijing wanted to join the dollar bloc geo-economically after 1971. The market economy still did not conform to Beijing’s geopolitical logic at that time.

“China is, of course, the most unlikely of these cases. In 1972, when Mao Zedong was still in control, the only thing Beijing feared more than a Soviet attack was the subterfugeous reintroduction of capitalism. It wanted US military hardware, not US management models” (Lundestad, 2013, p. 146).

In fact, even in the year of Nixon's visit to China, Beijing did not change its perception of the international monetary order. It still considered the US dollar a tool for Washington to control the other countries and to help sustain its hegemonic position in the western world ("Meiyuan," 1972). The dollar hegemony was regarded as a legacy of the American dominance of the early postwar period in western Europe. Basically, it recounted the same French narrative that the dollar crisis of the 1960s was the consequence of years of US military and deficit expansion, for which the American government was directly responsible. The 1972 devaluation of the US dollar was seen as what portended the decline of the American imperium. Obviously, the punctuated currency crises of the 1960s and the early 1970s in the western world were translated into a perceptual code that represented the capitalist currency system as an undesirable thing to Beijing, for China's isolated domestic currency system was seemingly immune of financial instability ("Zibenzhuyi," 1971). However, the situation of the 1960s should not make Beijing optimistic about its socialist management of the domestic economy. The Great Leap Forward and the Cultural Revolution had wreaked havoc on the country (Hanhimäki, 2013). The economic consequence of these campaigns was the severe economic recession that had ensued from 1958 to 1968, despite some technological breakthroughs at the same time (Lippit, 1975).

*i) Mao Tse-Tung's decentralization effort since the mid-1950s*

In the 1960s, another striking domestic transformation, which Beijing did not like to see, was the continued decentralization in China. By 1994, Beijing had to see that the Chinese State has transformed itself from a "strong" state to a "weak" state. Initially, the Chinese government was organized based on "the Soviet model of totalitarianism" (Li, 1998, p. 18). In the early years of the communist regime (the 1950s), power was considerably concentrated in Beijing. Since the debt was banished from the policy toolkit, Beijing must hold strong sway over other cities and regions' fiscal resources. Therefore, a centralized fiscal regime was quickly established in 1950. All taxes must be remitted directly to Beijing (Shao, 1997). As a result, it was the first time since the demise of the Qing dynasty that Beijing, as a single city, had such immense power.

*(1) The early formation of Beijing's self-assertive identity vis-à-vis the state*

Under the totalitarian regime, the city of Beijing itself played a double role – i.e., the sites of the central government and national capital – at the same time. The city attempted to reestablish a new hierarchical order in China, within which it planned to confer on itself the dominant position. When the city's own view contradicts with what the central government plans, it will be definitely wrong to think the city would

compromise its own interest. For example, during the First Five-Years Plan (1953 – 1957), the municipal government had drafted *the General Urban Planning of Beijing* that aimed at making Beijing almost “the center of everything” – i.e., not only the political, cultural, scientific and artistic center but foremost the great industrial base (Cao, 2016). Undoubtedly, the State Planning Commission rejected this surrealistic plan. Even after the rectification of this infamous plan, the central government still refused to ratify it, because Peiping – i.e., the original name of Beijing before it became the capital of the People’s Republic of China – was not geographically an ideal place for the industrial development. As a matter of fact, the city was considered only a tourist resort and a military fortress in the *1946 urban planning of Peiping*.

The motivation behind Beijing’s centripetal logic is a legacy of the city’s unpleasant past. Since the moment the Qing Empire entered the era of modernity maladroitly, Beijing did not manage to adapt itself to modernity. From 1930 to 1948, Beijing was no longer China’s capital. It had then to change back to its ancient name, Peiping. This new identity signified Beijing’s definite decline to its natural function – i.e., a big fortress. This unpleasant past of Beijing made its collective intentionality harbor a profound, revengeful aspiration for taking back its lost glory. It desperately wanted to be the same – i.e., to achieve the same preeminence as Tientsin and Shanghai had attained in modern China. After Beijing became once again China’s capital in 1949, something unimaginable happened in Maoist China. To the surprise of many western observers, Beijing started to act deliberately to undermine the central government’s authority. After the State Planning Commission’s refusal in 1954, Beijing managed to invest massively in itself without the formal agreement from the central government, because it had the fiscal supremacy over China under the centralized fiscal regime. Clearly, Beijing’s power and self-assertiveness were unprecedentedly strengthened in the early 1950s. It is safe to say that since this moment, the “center of everything” has become the guiding logic of Beijing’s strategy and of what shapes its identity. It also must notice this double role of Beijing, which has reinforced Beijing’s uncompromising attitude towards not only the rest of China but also the rest of the world.

## *(2) The Maoist decentralization against Beijing*

To Beijing’s surprise, its egocentric logic has backfired. Since the late 1950s, its self-assertiveness towards the others has given rise to regionalism that entails the self-awareness of the regional interests, which has, in turn, jeopardized the absolute authority of the central government and the efficiency of the centralized fiscal regime. Two portents symbolized it. First, only for several years after 1949, the subnational

governments were disincentivized due to the overwhelming fiscal centralization, since they were not directly responsible at all for the local fiscal balance. Second, when some other provincial and municipal entities were no longer manipulable things without self-consciousness, they started to live for themselves. Since then, they have not hesitated to compete with one other – and even with Beijing – for their own regional interests. More intriguingly, it was Mao Tse-Tung who started to question Beijing’s totalitarian control of fiscal sources (Shao, 1997).

In 1954, Mao Tse-Tung changed his anticipation of an imminent World War. Then, he was aware of the necessity of reinvesting in the coastal industrialized areas such as Tientsin and Shanghai because they had, in effect, undergone considerable dispossession of wealth, capital, and technology over the past several years. The drain on their fiscal capacity made the two former China’s most industrialized municipal entities live in extreme difficulty. In the meantime, Tientsin and Shanghai had to face the rising competition from the other provincial and municipal entities such as Beijing, whose industries were, in effect, nourished by the capital drawn from Tientsin and Shanghai. This paradoxical situation was called the “coastal-inland relationship” that constitutes precisely a dichotomy, which reflects the *de facto* division between “right” and “wrong” in the perceptual field of Beijing (Zheng & Lin, 2009). In effect, for making a right disposition of things in China, Beijing believed that Tientsin and Shanghai need to be constrained from developing themselves (Shi, 2018).

By contrast, Beijing had undertaken the planned expansion of its municipal industrialization step by step to make a *de facto* breach of the central government’s authority, even without the central government’s ratification of its urban construction project. From 1953 to 1957, Beijing had built thirty-five new factories, even though most of them overlapped what had already existed in Tientsin (Cao, 2016). The outcome was clear that these redundant projects resulted in vicious competition, protectionism, and industrial overcapacity. During this period, Beijing’s industrial output was multiplied by 13.5 times, whereas Tientsin and Shanghai had almost not received any state investment from Beijing. In that time, the prevailing discourse that made these spatial balancing mechanisms doable consisted of a) fear of an imminent invasion in the coastal areas; b) resentment at the old China’s lopsided disposition of industries concentrated to the coastal areas (Shi, 2018). However, Beijing’s growth was still abnormal under this state discourse, because the fear of invasion as what justified the massive investment in Beijing was almost self-defeating. Beijing is situated in an area adjunct to both the mountain and coastal regions. From a modern military perspective, it cannot be even counted as a defensible place in the face of an assault from the Bohai Bay, if any hostile

forces successfully land there. Nevertheless, Beijing managed to make its awkward geographical position categorized along with Tientsin, Canton, Shanghai, as the coastal areas in the state discourse (Mao, 1956, April 25).

*(3) The fiscal “non-regime”*

In fact, Mao Tse-Tung’s stance might surprise many observers. He was actually anti-bureaucratic and resolutely supporting decentralization. The central planning mechanism that had reinforced the informal power of Beijing exposed deficiencies and problems in running the economy of the vast Chinese country. At the end of the First Five-Years Plan (1953-1957), he started to reform the highly centralized bureaucratic system for allowing the provincial and municipal entities to make their own fiscal, industrial policies. As a result, they were incentivized to develop their own regions. However, to what Mao Tse-Tung might not expect, the decentralization reform had reinforced regionalism, protectionism, and vicious competition among provinces and municipalities, due to the lack of interregional coordination mechanism and the narrowed self-interest of each of them. During this tumultuous period from the end of the 1950s to the early 1970s, Mao Tse-Tung’s decentralization reform had experienced setbacks and reprises. In effect, his belief that each region in China must have a relatively independent economic system while maintaining a totalitarian political regime in Beijing had further stimulated the interregional confrontation and accelerated the formation of regional identities. Indeed, the informal power of Beijing was considerably weakened. However, the outcome of this reform was chaotic that there had been no stable fiscal regime from 1970 to 1976. It almost changed every year (Oksenberg & Tong, 1991). As a result, by 1976, China had become *de facto* a collection of autarkic economies.

*(4) Mao Tse-Tung’s legacy & Regionalism*

The Maoist economic decentralization reform had induced the diffusion of power within China. To a different extent, it has activated the self-awareness of the regional identity of provinces and municipalities. The synthesis of the independent fiscal power and collective intentionality has fundamentally changed the power relationship between the central and subnational governments. “The Chinese regions were virtually isolated, economic, social, and geographical units” (Zhao & Zhang, 1999, pp. 254-255). As such, the central government’s authority was considerably undermined. Its long-term planning was highly unreliable and inconsistent, “because of frequent changes in the national strategic priority, which was little more than a reflection of the personal intentions of key leaders and the outcome of bargaining between the central and

regional elite” (Zhao & Zhang 1999, pp. 254-255). Hence, Mao Tse-Tung’s legacy has created an extremely complex reality which every following administration must accept and confront. In effect, according to the World Bank (1990), “in some ways, the Chinese fiscal system is as decentralized as its government structure. Municipal and country governments’ tax bureaus directly assess and collect about 70% of all taxes. Expenditure responsibility is less decentralized in that provincial and local governments account, on average, for over 50% of total direct expenditures. Only a few countries in the world can claim as great a degree of expenditure or revenue decentralization, and none can claim this degree of decentralization in tax administration” (p. 8). In other words, when Deng Xiaoping came to lead the market economy reform in the country, his central administration had faced a loose collection of independent realms. Under the so-called market-oriented reform scheme launched in 1978, decentralization had not been abandoned but thereby continued in a nuanced course leading up to an even more complex pattern of power relationships between the central and subnational governments, and between provincial and municipal entities (Oksenberg & Tong, 1991).

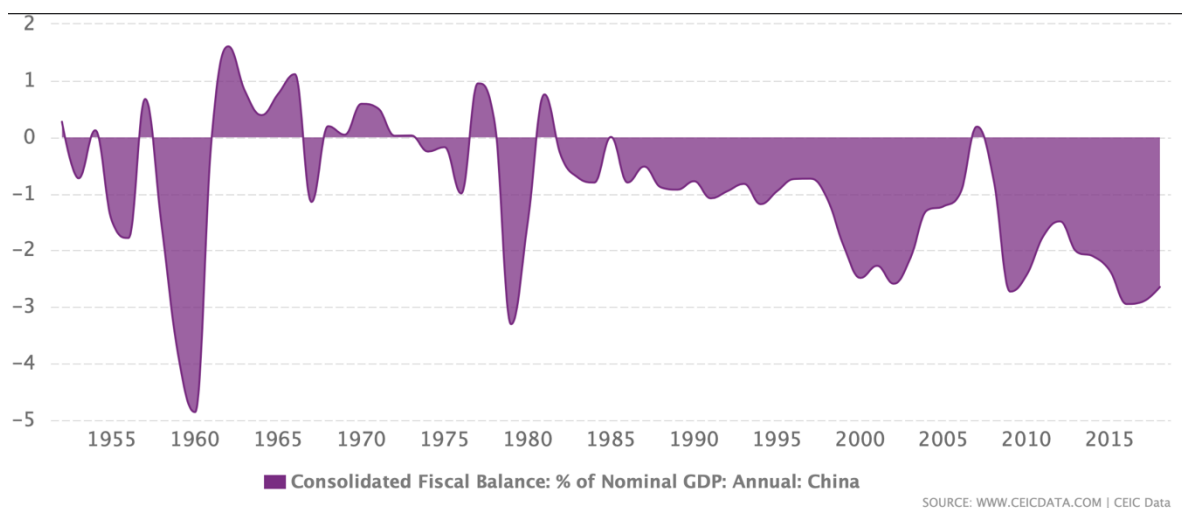


Figure 5. 1 China Consolidated Fiscal Balance: % of GDP 1952 – 2019 (yearly). Reprinted from *CEIC Data*, by CEIC Data (2020, March 20), CEIC Data. Retrieved from <https://www.ceicdata.com/en/indicator/china/consolidated-fiscal-balance--of-nominal-gdp>

*b) Post-Maoist China as a collection of autarkic regional economies*

The large fiscal deficits in the late 1970s made Deng Xiaoping’s central administration situated in a weak position in the power relationship between the central and subnational governments. For ensuring political stability and pursuing economic reform simultaneously, the central administration could no longer resort to the fiscal centralization for raising money. Rather than having recourse to expanding credits, the central



government conceded much more autonomy, including fiscal power to subnational governments (Shao, 1997). This continued power diffusion process has generated even more regional heterogeneity and spatial inequality that constitute a greater complexity which will defeat any inadequate modeling based on the imagination of a coherent and centralized Chinese regime, because “the center has been radically losing fiscal strength and spatial equilibrium ability” (Zhao & Zhang, 1999, p. 268).

*i) The one-sided economic reform & the continued decentralization*

Power has dispersed downwards to the provincial and municipal levels. However, this process is highly uneven and violent, for it only “makes some get rich first” from impoverishing others through uneven competition mechanism. The pre-1978 egalitarian measures were *ipso facto* abandoned due to the significant loss of fiscal capacity on the part of the central government. “The center had kept only 15 percent of its central revenue and had no ability to subsidize the poor provinces” (Zhao & Zhang, 1999, p. 268). In the meantime, the central government deliberately increased state investment and directed foreign investment into certain areas in the southeastern part of the country, such as Shenzhen and Shanghai. In conjunction with the distorted price system, which deliberately underpriced agricultural products and raw materials and overpriced manufactured goods, the post-1978 decentralization has transformed the entire country into a civil trade war zone. Provincial and municipal entities have been thereby encouraged to be ever more self-assertive. In concomitance with the interregional trade war, the already existing administrative war has also been reinforced.

*(1) the continued “administrative war”*

The political and economic consequence of Mao Tse-Tung’s legacy and Deng Xiaoping’s reform is the continued, intensified pattern of interregional confrontation in the forms of trade and administrative war within China. As illustrated previously, Tientsin’s economic preeminence in terms of its nature and origin in northern China has been deliberately challenged by Beijing after 1949 when the latter becomes once again the capital city of the country. Shanghai also attempts to exploit this uneven competition mechanism through administrative war since the late 1970s when the municipality had gained the support of China’s new strongman Deng Xiaoping. For example, the largest and most modern steel plant in China in the late 1970s and early 1980s was “Baoshan Steel Plant,” whose original site was to be Tanshan, Hubei province – i.e., one of the three richest iron ore mines in the country. However, due to “the pressure imposed by Shanghai elites who occupied all key decision-making positions relating from the Ministry of Metallurgical

Industry to the plant building brigades,” this state-owned enterprise (now known as “China Baowu Steel Group”) was constructed “in a suburb of Shanghai, far from any iron ore base” despite the oppositions from the other parts of the State (Zhao & Zhang, 1999, p. 255). This case illustrated that the power balance has already leaned towards certain powerful provincial and municipal entities. It was the administrative war that occurred within the opaque institutions, which decided the course of the state action. Thus, the outcome need not necessarily reflect the nation’s general interest, and usually be at the expense of feasibility, efficiency, and consistency of the so-called long-term state strategy.

*(2) the acute “civil trade war”*

The power diffusion has also made possible the interregional confrontation between provincial and municipal entities for their respective economic interests. It was a “mini-age of mercantilism in China.” “Like a sovereign country, using the tools of customs duties and exchange rates to regulate and to protect its own interests in international trade and business,” the different jurisdictions have also resorted to the use of administrative power, “which were dramatically heightened by the fiscal decentralization,” for regulating their own markets and protecting their own economies in interregional trade and negotiation (Zhao & Zhang, 1999, p. 272). Due to the distorted price system, the lopsided fiscal regime, and the lack of neutral, efficient mechanisms of supervision, regulation, and coordination, trade wars were unavoidable, and protectionism arose. For instance, “various wars for recourses and markets between regions have erupted and prevailed since the 1980s”: the “wool war” between Inner Mongolia, Xinjiang and Shanghai, Jiangsu, the “silk war” between Zhejiang and Jiangsu, the “cotton and tea war” between Hebei, Henan, and Hubei, the “sugar cane war” between Guangdong and Hainan throughout the 1980s and the early 1990s (Forster, 1991; Xiaohe et al. 1991; Watson & Findlay, 1992). There have also been recorded “car wars,” “steel and iron wars,” “fertilizer wars,” “air conditioner wars,” “refrigerator wars,” “television set wars,” throughout the economic reform period (Zhao & Zhang, 1999, p. 272).

*(3) the formation of the “triad”: Beijing-Shanghai-Shenzhen*

In this lopsided market environment, the non-market-driven trade war does not necessarily lead to the optimal distribution of resources in the economy. Instead, “wastefulness, duplication, inefficiency, or poor quality in the local production” characterized the industrial specialization of regional economies. In conjunction with the prevailing autarkic ideology among regional elites, the interregional division of labor reflected in effect a highly distorted market whose guiding principle was not based on the competitive

advantage but on the logic of predatoriness. Throughout the 1980s and 1990s, the domestic structure of the Chinese political economy had become increasingly unbalanced. In effect, the more the poor regions “produced and traded with the rich regions, the more they lost” (Zhao & Zhang, 1999, p. 276). It was a highly uneven redistribution of resources and unfair accumulation of capital between the north and south, the west and east, and in general, between the poor and rich. As a result, when the Wen Jiabao government came to power in 2003, the economic reform had come to a stand-off. The legacy of the previous central governments – i.e., Li Peng (1988-1998) and Zhu Rongji (1998-2003) – was a highly biased system of political economy which only made possible the oligarchical formation of blocs around the loci of wealth, power and knowledge (the three richest cities Beijing, Shanghai, Shenzhen) – i.e., the triad. It was then necessary for the Wen Jiabao government to reform the fiscal regime and the juridico-institutional framework in order to alleviate regional disparity. However, during the Wen Jiabao administration (2003-2013), the entrenched interests (based on the triad) that had relentlessly protected the status quo rendered the necessary reform extremely difficult and dangerous to implement. That was why former Premier Wen Jiabao stated in 2012 that “reform had reached a crucial stage, and that stalling or retreating from change ‘offers no way out’” (Michael, 2012, March 14).

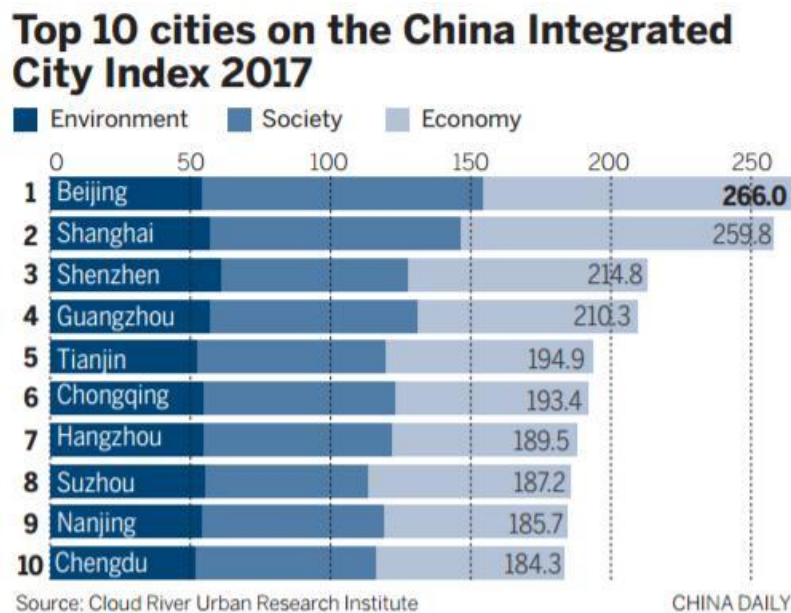


Figure 5. 2. Top 10 cities on the China Integrated City Index 2017. Reprinted from *Beijing, Shanghai and Shenzhen top in city ranking*, by Li X. (2018, March 23), China Daily. Retrieved from <https://www.chinadaily.com.cn/a/201803/23/WS5ab456fca3105cdf6513c3b.html> Copy right 2018 by China Daily

Table 5. 1. List of the Chinese governments from 1988 to 2013

Term		State Council	Presidency
1988	1993	Li Peng government	Yang Shangkun
1993	1998	Li Peng government	Jiang Zemin
1998	2003	Zhu Rongji government	Jiang Zemin
2003	2008	Wen Jiabao government	Hu Jintao
2008	2013	Wen Jiabao government	Hu Jintao
2013	-	Li Keqiang government	Xi Jinping

*ii) The “right” disposition of things in China*

In this decentralized political economy, the central administration “has lost significant power to control the national economy” after decades of the so-called socialist market reforms (Zhao & Zhang 1999: 277). As a result, the state discourse may not necessarily be what reflects the Chinese state’s true perception. For instance, Beijing’s economic consolidation might only be rendered thinkable, doable, and sayable within the city’s own discourse. In the previous central government’s perception, Beijing should only be the political and cultural center – not the economic center – of China. The State Council had repeated this position in 1982 (Cao, 2016). However, Beijing has managed to do whatever on its own interest. Therefrom derived an informal principle that Beijing’s self-interest must be preserved even sometimes in contradiction with the general national interest. As such, Beijing becomes a Being that acts on its own and over the others.

In effect, Beijing is the site of verification for China’s political and economic policies. It is then Beijing’s knowledge of self and other that has formulated this informal principle, which has constituted, however, one of the guiding logics of China’s development. It is all the same for the role of Shanghai and Shenzhen in this Beijing-centered political economy of China. Through decades of unfair practice of competition such as trade war and administrative war against the others, they become the most powerful and richest cities in China. Therefore, the “right” disposition of things in China has little to do with the central government’s long-term development planning. These strategies are highly inconsistent. The “right” disposition is nothing more than a reflection of the self-interest of the triad, not others. It is the strong whose discursive regime that produces the truth. Therefore, for understanding China’s perception, it must pay attention to the regional discourse rather than the state discourse.

*c) Revisiting the question what China's perception of international monetary order is*

The account of the reform of the exchange rate regime, the internationalization of Yuan, and the liberalization of the capital account etc., which are supposed to reflect China's perception of international monetary order, must be thereby brought into the discursive context of the regional aesthetic principle for rendering the explication more reasonable. Hence, the reasons why China itself disposed towards the American-centric international monetary order before 2008 and why it has thereafter become increasingly discontented with the US dollar hegemony should also be understood within the regional discursive context. From certain powerful regional discourses, one can derive the formal and informal principles that aim at organizing the state for maintaining their own cultural, political, or economic supremacy over the rest.

Table 5. 2. The reforms in the exchange rate regime

<b>Date</b>	<b>Exchange rate regime</b>	<b>Currency's behavior</b>
1994/1/1	Dollarization (from a dual exchange rate system to a pegged regime), following the American advice (Chen, 2008)	A stable price during the Asian financial crisis
2005/7/21	Adaptation towards a managed floating exchange rate regime	Dramatic appreciation during the reform
2008/9 – 2010/6	Breakdown of the exchange rate reform	A stable price during the Subprime crisis
2010/7/22 – 2012/4/6 – 2015/8/11	Relaunch of the reform from 2010: Three times adjustments	Slight depreciation during the EU debt crisis
2016/10/1	Insertion of the Yuan into the basket of SDR	Gradual appreciation

*i) The Chinese State's effort to adapt to international standards*

Certainly, the 2008-2009 global financial crisis has an impact on the process of China's reform of its exchange rate and capital account regimes. In accordance with what one might perceive from the outside of China, this reform process was probably disrupted by this global financial pandemic at that time. "China halted its currency appreciation policy around mid-July 2008 ... mainly because of the sharp decline in global demand for Chinese products that resulted from the effects of the global financial crisis" (Morrison,

2007, p. 3). In the meantime, fear of capital flight seems like a persistent perceptual code that constitutes the discourse which discourages the liberalization of China's capital account.

In fact, the US-China trade and financial relationships are, of course, not one-sided. "When the United States runs a current account deficit with China, an equivalent amount of capital flows from China to the United States" (Morrison, 2007, p. 19). It is just an ordinary reality which the Chinese central government needs to face every day. Certainly, the Chinese state has to take into account the potential impact "from the vagaries and risks of capital flight" – i.e., "the risks of volatile capital outflows and RMB depreciation pressures." However, the 2005 exchange rate reform has induced the rapid appreciation of the Yuan. In conjunction with a relatively closed capital account regime, this dangerous synthesis could also increase the risk of capital outflows in speculative terms and deter potential foreign direct investment. It is plausible to say that without reforming the capital account regime, the synthesis of a flexible exchange rate and a closed capital account would also create, in turn, financial instability that threatens economic growth (Chan, 2017, p. 11). So, fear of capital flight is not a justifiable excuse for delaying the capital account reform.

*(1) The enthusiasm of the Chinese State (2003-2013) towards the "deep reality"*

However, this languid behavior of the Chinese state in the late 2000s does not mean that Chinese leaders are apathetic towards the liberalization of the capital account regime, which would enable a market-driven transformation of the Chinese economy. Nor does it mean that they were unwilling to adapt to the right international standards at that time. To many observers' surprise, the supreme Chinese rulers such as President and Premier had sided with the advocacy of western values and ideals during that period, in spite of the fierce criticism from the conservative opposition such as the Chinese Academy of Social Sciences (CASS) in the 2000s (Qi, 2010). Despite the censorship, there had been an orchestrated manoeuvre in China's public sphere for promoting the modernization of China on the liberal principle since 2006 (Zheng & Tong, 2010, p. 251-252). The former Premier, Wen Jiabao (a native of Tientsin), even published on 27 February 2007 an article with his own signature in the *People's Daily* (the CCP's most prominent state journal), in which he recognized the western values as what "human beings have commonly pursued" (Zheng & Tong, 2010, p. 251). Undoubtedly, "some people at the center of the Chinese system are thinking actively about" the ways how China could complete its transition from 1978 to modernity, not only in economic terms (Hoge, 2010, p. 55).

Obviously, during the Hu-Wen Administration (2003 – 2013), China was itself disposed towards what John Ikenberry called deep reality – i.e., the liberal international order in general. Accordingly, China’s financial regime was also itself disposed towards the American-centric international monetary system at the same time. In effect, since 2003, when Wen Jiabao took office as Premier Minister, the State Council had already decided to open up China’s capital account and to transform China’s pegged exchange rate regime into a floating system based on the market mechanism (Wen Jiabao, 2003, August 6). The exchange rate reform had been successfully launched in 2005. In contrast, as regards the most ambitious reform of liberalizing the capital account, it had faced an unprecedented challenge not from the outside but the inside of China. Indeed, the reform itself had been considered the toughest enterprise for the Wen Jiabao government. The former head of the IMF, Takatoshi Kato (2004) foresaw that the reform of China’s financial system would be a difficult “battle,” in which the liberalization of the capital account was necessary but needed to be carefully managed.

*(2) The obliterated “war” within China*

Certainly, the difficulty of opening up China’s capital account should not be underestimated. It is “a goal that was first articulated 20 years ago. It must be one of the slowest trains on Earth. In spite of incremental liberalization of some financial transactions and the creation of offshore yuan deposit and financing markets, free capital movements into and out of China remain a distant prospect, if they happen at all” (Hel & Roger, 2013, p. 72). But its difficulty should also not be simply measured in technical or operational terms. In fact, the cumbersome offspring of this reformatory ambition came from the “dark battle” between Tientsin, Shanghai, and Beijing (“Tianjin,” 2008). This story is considered “dark” in the sense that it has been rarely and properly recounted outside China.

*(a) The conventional explanation’s inadequacy to the sluggish financial reform*

The conventional narratives for explaining this difficult reform of China’s capital account regime consist in building a dichotomy between international pressures and domestic vested interests so as to attribute the cause to either the nationalist resistance to a foreign power or the protectionism of domestic economic elites (Wang, 2017). For example:

“The main reason is political. An open capital account, free capital movements and the greater use of the yuan would require the Chinese Communist Party to turn the country upside down. It would have to overhaul the state building system monopoly, undertake large-scale financial reforms to create modern and deep capital markets, and shift towards market-determined interest rates and exchange rates. Ultimately, it would have to trust its own citizens not to indulge in capital flight and win the trust of its Asian peers in a more yuan dominated regional currency bloc” (Held & David, 2013, p. 72).

But this explanation does not provide a complete answer to why the limited liberalization of the capital account could be possible only one year later in 2014 but delayed for seven years when the reform should have begun in 2007. Especially, this technical delay had done little help to curb the capital outflows. In fact, “from 2004-2010, China experienced both high real economic growth and political stability and still, capital flight per year almost doubled” (Gunter, 2017, February). Rather, releasing the control on the capital account and creating a new onshore capital market or an offshore financial market in the mainland as early as possible could help the Chinese authority to better regulate the transnational capital flows and to reduce the risk of financial instability.

*(b) The “Through Train” scheme (2007): free movement of capital*

Technically speaking, the liberalization of the capital account has been fully feasible at least one decade ago. According to the original reform agenda, Wen Jiabao’s State Council had the objective of opening the capital account from 2007 for aligning China’s monetary practice with the international standards. In early 2007, Hongkong authority and bankers lobbied the central government for allowing Chinese mainland residents to invest in foreign assets through Hongkong – i.e., the so-called Through-Train scheme (Feng, 2015, p. 415). This scheme aimed at connecting the capital markets of mainland China and Hongkong. However, it had been suddenly postponed for ambiguous reasons.

“The mainland China’s decision of ‘Share Investment Through-Train Scheme to Hong Kong’, which was announced on August 20th, 2007 (hereafter August 20th announcement) but is yet to kick off. Under the scheme, mainland authority initially allowed individual mainland investors to directly purchase Hong Kong stocks. However, the implementation of this scheme has been



plagued by repeated delays. Then, in a speech by Chinese Premier Wen Jiabao on November 3rd, 2007, the scheme would have to be re-assessed, as he reiterated the concern that excess fund flows could affect market stability in both China and Hong Kong and he urged the scheme to be rolled out ‘cautiously and pragmatically’. The speech did not explicitly indicate a suspension of the scheme, but in fact the scheme made no progress since then” (Ding & Cheng, 2011, p. 420).

In the meantime, another scheme – the Qualified Domestic Institutional Investor (QDII) – had been approved in 2006. This scheme also allows the Chinese mainland residents and companies to invest in foreign assets and securities, but only via intermediaries – i.e., the authorized financial institutions. Hence, it holds on to the non-convertibility of the Yuan on the capital account (Feng, 2015, p. 415).

Table 5. 3. China’s capital account reform schemes since 2006

<b>Scheme</b>	<b>Year</b>	<b>Location</b>	<b>Mechanism</b>	<b>Effectuated</b>
QDII	2006	Concentrated in Shanghai, Beijing, Shenzhen	Indirect	Yes
Through Train	2007	Tientsin	Direct	No
Stock Connect	2014	Shanghai	A contained system	Yes
Stock Connect	2016	Shenzhen	A contained system	Yes

To date, there has been no reform scheme as “direct and unimpeded” as what the Through Train would provide (Li, 2019, p. 159). In effect, the QDII and the Through Train were two concomitant schemes that had received the approval from the State Council in the mid-2000s. Both of them aimed at creating the investment channel for both institutional and non-institutional investors to allow those who reside in mainland China to invest in oversea assets, securities, and stocks. Since they shared the similar purpose of seeking the “relief of economic overheating,” their different fates raised doubt on the conventional explanation (Li, 2018, p. 159; Anderlini & Zhang, 2007, November 21).

(c) *One inch from the opening of the capital account in August 2007*

In fact, these two schemes were both endorsed by the Chinese central administration in 2007. From 2006, Wen Jiabao's government (that includes the principal organs of the State Council, such as the National Development and Reform Commission, People's Bank of China, State Administration Foreign Exchange) had continuously pushed the financial reform agenda. In this sense, the government itself is equivalent to the so-called "pro-opening coalition" (Li, 2018, 158). However, unlike what happened to QDII, the Through Train scheme was fiercely "thwarted by the opposition from financiers, the bureaucracy, and interventions from top party-state decision-makers alarmed by the potential systemic risks the Chinese economy would confront. This stopped the Through Train and reversed the opening quest; QDII remained the only *de jure* channel for outbound equity investment" (Li, 2018, p. 159).

(i) *The state council in the crossfire of criticism led by Beijing-Shanghai-Shenzhen*

Coincidentally at the same time, more criticisms arose from the Chinese Academy of Social Sciences (CASS). Yu Yongding, director of the Institute of World Economics and Politics at the CASS, opened fire against the central government in the *Financial Times* (Chinese version) that "if the Chinese government decides to stop the through train and abolish the whole scheme altogether, it should not, on the whole, have any adverse impact to its economy." In the end, he welcomed "the right decision to shelve the scheme" (Anderlini & Zhang, 2007, November 21). Almost at the same time, the Shanghai and Shenzhen-based securities companies and bankers urged the State Council to reconsider this scheme's feasibility, for it would bring danger to Chinese private investors (He, 2007, September 8). These enunciative events made up a confusing picture in the late 2000s. Under Beijing's autocratic regime, the State Council had been threatened by a coalition of several Beijing-based research institutes and Shanghai- and Shenzhen-based financial institutions. Needless to say, the CASS is, in fact, affiliated with – thus subordinated to – the State Council. Nonetheless, the state decision was finally obstructed without any administrative mediation. More dramatically, on October 16, 2007, the mayor of Tientsin dismissed the rumor that the Through Train scheme had been shelved. He claimed that Tientsin and the Bank of China were still prepared for launching it ("Dai Xianglong," 2007). Obviously, the liberal policy of Wen Jiabao's government had opened an intensely ambivalent sequence of actions, which reflected a much more complex configuration of power relationships in China. Again, this tumultuous sequence of actions showed that fear of capital flight was just an excuse, which deflected the continued confrontation between municipal and provincial entities in China.

(ii) Tientsin as the cornerstone of the State Council's rebalancing strategy

In fact, the Wen Jiabao State Council's decision was perceived as an orchestrated effort of balancing Beijing and Shanghai within the political economy of China's financial system. The initial stage of opening the country's closed capital account regime was supposed to take place in Tientsin. The metropolis, which is the traditional center of the Bohai Rim, had been set to create in northern China a new stock exchange market that had been forbidden through an executive order by the previous government (under former Premier, Zhu Rongji, the ex-mayor of Shanghai) (Nan, 2010, December 21). This new market would allow the direct selling and buying of financial assets and securities between Tientsin and Hongkong. Thus, the Through Train is a much more open and flexible project than the "Shanghai-Hongkong Stock Connect," which is, in effect, still "a contained system" (Li, 2018, p. 159). If it were thoroughly implemented, it would be a milestone step not only in the path of China's economic reform and opening up since 1978 but also in Tientsin's post-revolutionary history since 1949. Because this reform project will create in effect a *de facto* offshore financial center for the first time in the mainland, and at the same time, it would revive the natural function and traditional role of Tientsin as the financial center in northern China ("Tianjin," 2009).

According to the initial scheme of (Tientsin – Hongkong) Through Train, the Bank of China (Tientsin) was assigned as the host of operations, via which Chinese residents will be permitted to trade securities listed in Hongkong. In this fashion, the other commercial banks in the country would become *de facto* subsidiary to the Bank of China in Tientsin.

"According to the regulator, it was hoped that the scheme would relieve upwards pressure on the renminbi while providing households with a broader range of investment opportunities. Besides, it was aimed at reducing excess liquidity in the country's financial system that was increasing inflationary pressures. Since the pilot scheme did not set a ceiling on capital outflows, it would have resulted in a *de facto* opening of the capital account in one direction" (Heep, 2014, p. 48).

Unmistakably, China's capital account regime was just one inch from the total opening in August 2007. Tientsin as the strategic location chosen for harboring this audacious financial reform project was also not a coincidence. In fact, the corresponding discursive practice had already been carried out by the central government before 2007 for creating the symbolic source of legitimacy for the metropolis. Tientsin and its

special economic zone (Binhai) were written in the *report on the work of the government and the general guidelines of the Eleventh Five Years plan* in 2006. By according Tientsin's Binhai the same status as Shanghai's Pudong and Canton's Shenzhen in the state discourse, Wen Jiabao's government aimed clearly at making Tientsin once again a cornerstone in China's long-term state strategy, especially in the general management of the country's financial relations (CCTV, 2006). This spatial tactical rearrangement reflected a profound and far-sighted vision of China's political economy, in which Tientsin, Shanghai, Shenzhen would constitute a trinary structure not only to address the persistent regional imbalance but also to promote a long-term, and more market-driven accumulation ("Tianjin," 2009).

*(iii) The Tientsinese origin of the Chinese State's strategic logic in 2007*

From a historical perspective, this new strategic vision of China reflected the state's guiding principle – i.e., “Bu-Zhe-Teng (不折腾)” [non-faire-faire] from 2003 to 2013 (“Bu-Zhe-Teng,” 2009). It mirrored the pre-Great Depression structure of the Chinese political economy whose organizing principle was very much congruent with the logic of *laissez-faire* in the epoch. From the late 1800s to the late 1920s, the ascendancy of Tientsin, owing to the city's continued effort of modernization on the Western model, had fundamentally reshaped the economy of northern China which had been rooted in a feudal economic system before the dawn of modernity (Xu et al., 2020). The successful modernization of Tientsin had unleashed the city's economic power that entailed a modernized interregional division of labor and functional differentiation of cities and provinces in northern China. This market-driven modernization freed the northern countries from the old feudal economic system and released their productivity.

In consequence, Tientsin's rise had made possible the smallest regional disparity between the north and south in China's economic geography up to the early 1950s (Yang et al., 2018). However, this more balanced domestic economic structure was successively disrupted by Beijing's early centralist fiscal regime, the mid-1950s decentralization reform effort, and later by the south-leaned opening-up policy. The last one was decidedly oriented towards the south and characterized by the so-called gradualism. Since 1979, this sequenced, south-oriented restructuring of the domestic political economy had led to the enlarged regional imbalance, which constituted the underlying ground of the entrenched regional heterogeneity in today's China.

Against this national backdrop of a growing imbalance between the north and south, the new central government had decided to undertake the reorientation of the state's development strategy for addressing this underlying problem in 2004. The Wen Jiabao administration had the ambition of rejuvenating northern China's economy again, through the strategic rehabilitation of Tientsin's nature that had been concealed after 1949. In the new vision of the national political economy of financial relations, the Wen Jiabao administration's endorsement for the liberalization of the capital account regime reflected a far-sighted strategy, which intended for constituting a "triumvirate" via recreating the Tientsin Stock Exchange Market that was closed in 1952. Together with the existing Shanghai and Shenzhen stock markets, the triumviral formation of Tientsin-Shanghai-Shenzhen, together with Hongkong, could expand the depth and breadth of the domestic financial market which would not only help reduce the existing regional disparity but also be necessary for a market-driven internationalization of the Yuan in the future.

*(d) Posteriority to the infinitely shelved 2007 reform*

To date, after the stepping down of former Premier Wen Jiabao in 2013, it seems endlessly hopeless that Beijing would one day permit the full convertibility of the Yuan on the capital account (Woods, 2017, October 27). Certainly, over the past few years, Beijing has pushed ahead with the internationalization of Yuan but only through expanding swap mechanisms and offshore Yuan markets. It has also helped Shanghai and Shenzhen to link their stock markets with Hongkong successively in 2014 and 2016 through approving the Stock Connect schemes. However, these new schemes are only a minimized version of Through Train, which should take place one decade ago in Tientsin. In 2013, Beijing even permitted the establishment of a so-called Free Trade Zone in Shanghai, where the movement of capital is, however, only released to a minimal scope. Up to now, Beijing is still not willing to allow all Chinese residents to trade foreign currencies freely. The launched schemes such as QDII and Stock Connect, even the Free Trade Zone do not grant enough discretion to domestic and foreign investors. It is clear that, no matter what the state discourse boasts, Beijing is resolutely against any Through Train-like projects. Needless to say, realizable interests under the current schemes must be kept to the greatest extent possible in the hands of the triad – i.e., Beijing-Shanghai-Shenzhen (Sun, 2017). The regional imbalance between the north and south, which has been slightly reduced during the Wen Jiabao administration, has been higher ever since 1953 (Yang et al., 2018). Despite multiplied inequality and opportunity cost, the triad becomes, however, ever richer under the current regime.

(3) *The ideological menace from Beijing-based intellectuals to the State Council*

Time seemed frozen in 2008 in the shadow of a global financial crisis. The slowly paced economic reform has been concomitant with the rise of conservatism in the country since then. Now, if one looks at this confusing picture from the framed perspectives, what really impedes the reform at that time seems a distant mystery. It seems that the dynamics for pushing forwards the reform of the capital account culminated in late 2007, and its momentum was *de facto* neutralized by the impact of the 2008 American subprime crisis. Discursively speaking, this global financial pandemic has indeed resonated with the rise of conservatism within the Party-State. It has severely shaken the underlying ground of neo-liberalism – i.e., the market-oriented model of development. Therefore, it certainly was a very difficult time for those who attempted to transform the established system of political economy in China at that time.

(a) Beijing's challenge to the ideological ground of the 2007 reform

“For neoliberals in China, the breakout of the global financial crisis was ill-timed. Less than a half a year after Premier Wen Jiabao published an article in the People's Daily championing democracy, human rights, rule of law and freedom as universal values, the subprime mortgage crisis began with the European Central Bank and the United States Federal Reserve injecting US\$90 Billion into jittery financial markets” (Zheng & Tong, 2010, p. 251).

The massive intervention of western governments and central banks following the outbreak of the crisis has rendered the neo-liberal paradigm discredited in China. The prominent Beijing-based think tank, the CASS, has consistently denounced the neo-liberalization of the economy – i.e., “liberalization, privatization and marketization” – as what caused the global recession since 2008. The US subprime mortgage crisis is seen as what should alarm the Chinese government that it must “abandon the neo-liberal doctrine” and instead choose the right “orientation of state intervention and regulatory regime” for protecting “the general interest of the Chinese nation” (Yang, 2015, November 23). Yu Yongding, who had boldly warned Wen Jiabao's State Council for the political consequence of implementing the Through Train scheme in 2007, seized the opportunity to blame “the Anglo-Saxon model of finance” – i.e., “liberalization and securitization” – as what entailed the systemic crisis of international financial markets. In the meantime, he advocated that “the Anglo-Saxon model is not the unique one (the ideal one), should not be that on which we must model

ourselves” (Yu, 2008; Yang, 2015, November 23). Therefrom derives a new principle that redefines the “right” and “wrong” as the standard of verification for the Chinese government to rationalize its perceptual field, in which neo-liberalism, Keynesianism, the Anglo-Saxon model are all suppressed as what symbolizes the failed experiments in the West. It is necessary to formulate – from China’s own experience – a new standard that could transcend this western opposition between neo-liberalism and Keynesianism, and which could determine the extent to which state intervention needs to be carried out (Yuan, 2009).

Almost at the same time, there had also been fresh attacks on Wen Jiabao’s advocacy of modernization in the discursive field of Chinese politics (Zhang & Tong, 2010, p. 253). It was the head of the CASS, Chen Kuiyuan, who led conservative criticism against Wen Jiabao’s reform agenda. On 26 July 2008, he gave an internal speech at the CASS, in which he claimed that “in less than 20 years since the end of the Cold War, the myth that the United States is the only superpower in the world has evaporated in economic, political and military areas. Its ideology and cultural hegemony cannot be sustained indefinitely” (Zhang & Tong, 2010, p. 253). From his perspective, China must rebuild its self-esteem and self-confidence, and need not worship and enshrine the western values. The Party and the nation are themselves the ground of what China needs to take as truth – i.e., the primacy of the orthodox doctrine of the Party and the Chinese millennial tradition over the imagined West. He accused that some people were complicit in a plot of undermining what he deemed as the fundamental ground of socialism with Chinese characters by advocating the adaptation to western values. To a certain extent, it seems embarrassing that he has, in effect, adopted the myth of American decline in his narrative. However, his criticism was soon applauded by Feng Yuzhang and Zhang Weiwei from another prominent Beijing-based Institute, Tsinghua University. It should notice that Zhang Weiwei is also affiliated with the Shanghai-based Fudan University, which is also an influential think tank in China (Zhang & Tong, 2010). In other words, they claimed that it was them not Wen Jiabao’s government who held the Rosetta stone of China’s economic miracle.

*(b) the weak authority of the last reformist*

Obviously, these enunciative events constituted, in effect, a closely articulated sequence of highly unusual incidents in China’s capital – Beijing. What was common among these abnormal occurrences was that they aimed to deliver an unequivocal message of threatening an autocratic government if it dared to implement the reform agenda. For sure, their stance and actions that were unsympathetic towards the reform programs could not be rationalized within the state discourse at that time. So, there must be other discourses which

justified – and power which supported – their unusual behavior. Therefore, the picture will be rendered much better readable if one does away with the eschatological frame, that is, either the truth of the Chinese dream would prevail over the world; or the truth of the Western universalism would come to presence in China. Certainly, the 2008 global financial crisis has reinforced the negative perception of neo-liberalism or US dollar hegemony and the ideological resentment towards them in China. However, it should not oversimplify the post-crisis development of China as the result of a final battle between right and wrong, hope and fear, the Chinese and the Western.

In effect, like the fear of capital flight, this conventional dichotomy is just an excuse that helps deflect the actual confrontation within China, between the established beneficiaries and emerging challengers, thus between the Being and non-Being of the State. To a certain extent, the demise of the Through Train project portended the weak authority of the last reformist – Wen Jiabao, whose government, though being neo-liberal oriented, had lost significant bargaining power vis-à-vis the strong municipal and provincial entities. This was a situation that owed to the legacy of both the Maoist decentralization and the Deng Xiaoping's one-sided opening-up policy, which characterized “the post-Deng leadership with the weak, ill-informed party chiefs and fragmented decision-making organs” (Guo, 2019, p. 4). In conjunction with institutional opacity, it renders extremely difficult to discern the clear contour of what effectively represents the state in China. Therefore, it is necessary to revisit the formation process of this atypical political economy.

*ii) The identity formation of the triad (Beijing-Shanghai-Shenzhen)*

“Bringing China into the ‘free world’ bloc” has far-reach implications not only for the US dollar centered international monetary system and but also for China itself (Takamine, 2012, p. 54). It could be seen as part of new American geostrategy in the post-Bretton Woods era. The geo-economic consequence of this strategic reorientation is then the formation of the dollar bloc, which is made of “oil exporters, China and other emerging markets with the *de facto* or *de jure* dollar currency pegs” (Guha, 2007, October 17). Against this geo-economic and -political backdrop, the Sino-American rapprochement should not be simply regarded as the starting point of the formation of – i.e., as the geopolitical ground of – “the Yuan-Dollar regime” (Bhala, 2008, p. 221); but also, as the geo-economic ground of “China’s miracle” (Gilboy, 2004, p. 33).



*(1) Triad as the stakeholders of the “hybrid” economy*

In effect, the economic miracle in post-Maoist China has been grounded upon a hybrid model. Following the 1971 Sino-American détente, China has unofficially joined the free world bloc. In the face of the common threat from the Soviet Union, the United States decided to engage China not only to support its military development but also to disintegrate it economically from the Eastern communist system (Takamine 2012, p. 54). After Deng Xiaoping came to power in 1977, the reformist discourse had prevailed over the ideological orthodox, which had harmonized things that were not knowable, sayable, and practicable in the past. This emerging new knowledge/power regime had thus created a perplex, elusive reality that the world has not experienced. In a message from Douglas Morrow to US President, Ronald Reagan in 1981:

“I sure as hell don’t know where they are going. I don’t think they know. But they are going ... It would be advisable not to be too paranoid, at this stage, about their being a communist state. There are hints that they might develop into some unprecedented ... I think they will bend, twist, and adjust to whatever seems to abet their progress. And perhaps come up, eventually, with a mutant system which neither they nor the world have yet experienced” (cited in Lundestad, 2013, p. 147).

The famous opening-up principle has then been formulated within this new reality (Lu, 2013, p. 9). However, the early economic and political reform had also backfired as it resulted in what was also new to the Chinese people since 1949 – i.e., unemployment and inflation. At the same time, due to the enlarged regional disparity between the north and south (growth rate was much faster in southern China), social unrest started to manifest in the north. During the tumultuous late 1980s and early 1990s, Deng Xiaoping’s 1992 “Southern Tour” had once again secured the discursive ground for the continued restructuring of China’s political economy since 1978, which had been hitherto decidedly leaning to the south (Lu, 2013).

This one-sided state discourse has also rendered Shenzhen and Shanghai more “open” – thus more privileged – than the others (especially their southern counterparts). The financial consequence of this one-sided policy is self-evident that in the vast Chinese territory, up to now, only these two southern cities are permitted to open the stock exchange market. This bipolar arrangement is a deliberately planned result. In 1993, the former Premier Zhu Rongji (ex-mayor of Shanghai from 1988 to 1991) refused to ratify repeatedly

the opening of the third stock exchange market in the other places of China, despite the justified demand from the city of Tientsin backed by the State Securities Regulatory Commission (Nan, 2010, December 21). It reflected “the central government’s decades-long favorable policies toward Shanghai” since the late 1980s (Li, 2009, p. 12). Even the private behavioral pattern of Deng Xiaoping that he started to go to Shanghai every year for celebrating the eve of the Chinese year since 1989 was translated into a perceptual code that had portended this “decidedly important strategy” (Zhu, 2003, p. 129).

Certainly, this south-leaned strategy has a far-reaching impact on the formation of China’s financial order. However, its ideational consequence has often been obliterated. On the one hand, the legacy of the Maoist decentralization had entailed the diffusion of administrative power. On the other hand, Deng Xiaoping’s reform and opening-up has accelerated the diffusion of economic power, which entailed the further formation of regional identities on the basis of newly created difference – i.e., the product of this new power/knowledge regime. It instituted the functional specialization of regions and thus established the interregional division of labor. Thus, the underlying mechanism is not so much market-driven competition as the synthesis of trade and administrative wars between provincial and municipal entities. In a certain sense, both the state and the (domestic or foreign) capitals are forced consciously or unconsciously to be indulgent towards certain such as Shanghai, Shenzhen or Beijing, at uneconomic levels of cost, often with diminishing returns, and almost always resulting in a miserable misallocation of resources. Certainly, the cost for certain domestic and foreign capitals may be indemnified by the favorable policies through the subsidizing mechanisms. However, it will transfer the cost to the consumers or the ecological system. Therefore, this uneven mechanism reflects not so much an interregional specialization system based on competitive advantage, as on the state’s identification and classification of cities and regions. The process of this mechanism has led then to the formation of the existing oligarchic politico-economic system.

Against this context of the domestic political economy, the “state” must be basketed since its authority had been substantially reduced since the death of Mao Tse-Tung. If such state as the Wen Jiabao government tended to make some unwanted adjustments to this uneven accumulation, the triad that had benefited from this established hierarchy would not hesitate to hinder the state policy or even relegate the state to a bystander or only an afterthought – hence, nothingness. This was why “sometimes policy decisions are made in principle, but nothing actually happens. Sometimes the top leader has to knock heads together” (Naughton, 2007, p. 8). Hence, the reform of the capital account regime that directly involved the

stakeholders of the established domestic order (Beijing, Shanghai, and Shenzhen) would not be an exceptional case.

*(a) Shanghai's financial supremacy*

In fact, Shanghai has been longing to become China's center of international finance decades ago. In the city's own narrative, Shanghai perceives itself as the unquestionable candidate not only for leading the management of the national financial system but also for representing China in the management of international capital flows. This future role of Shanghai was identified within Deng Xiaoping's discourse in 1991 when he discussed with Zhu Rongji about China's financial affairs in Shanghai. In effect, this enunciative event has been translated into the symbolic source of power for the Shanghai narrative so as to make the image of Shanghai's own identity recognizable in the state discourse. "Shanghai was the financial center, a place of free exchange of currencies. It can do the same again in the days to come. If China wants to distinguish itself in the area of international finance, it needs foremost to rely on Shanghai" (Li, 2015). This informal identification of Shanghai's role had been quickly resonated in the 1991 report of the 9th Shanghai Municipal People's Congress. In 1992, its municipal identity was finally formalized in the political report of the 14th National Congress of Communist Party of China (NCCPC), in which Shanghai was identified with the "head of the dragon" – i.e., "the center of international economic, financial and trade" (Li, 2015). In 1997, under the Jiang Zemin and Zhu Rongji administration (both came from Shanghai), the position of Shanghai in China's domestic political hierarchy was considerably strengthened, for it ought to represent the quadruple "center of the international economy, trade, finance, and maritime transport" in the national development strategy (Li 2015). This national image of Shanghai's own identity was further consolidated in the political report of the 16th NCCPC in 2002. However, its lonely political significance had to be shared with Tientsin in the political report of the 17th NCCPC in 2007 – that was also the year of Wen Jiabao's reform of the capital account. The Tientsin – Hongkong Through Train would symbolize, if achieved, China's great leap towards the open economy – thus the existing international monetary order. However, the Wen Jiabao government's financial reform agenda was not welcomed by Shanghai. Tientsin's ambition of "building the northern finance center" was particularly perceived as what aimed at balancing the unquestionable lead of Shanghai in China's financial system. Thus, the synthesis of Tientsin's financial reemergence with the State Council's liberal ambition was seen as what harmed the municipal interest of Shanghai (Li, 2009, p. 12).

(b) *Beijing's restorationist tendency*

In the meantime, Tientsin's old neighbor, Beijing – the relic of the feudal capital, has also been desiring desperately to make itself the center of international finance, which is perfectly congruous with its egocentric logic. In fact, Beijing has been in conflict with Tientsin on all possible grounds. The historical trauma of Beijing – i.e., its century-long decline before 1949 – has rendered the city's identity more conservative and assertive towards the rest of China and the world.

(i) *Beijing's "Chinese dream" & "Da Beijing"*

To a certain extent, the so-called Chinese dream or tributary system is to restore Beijing's own cultural, political, and economic supremacy that it has dreamed for the city itself. Unfortunately, this is a key point, which western observers have too often overlooked in the IR literature – i.e., “one significance of Beijing is that as the capital city, the identity of Beijing is partly equal to the identity of China. As such, for some intellectuals, Beijing cannot become a copy of Shanghai” or Tientsin, which are “perceived as modern, not Chinese” (Zheng, 2016, p. 94). In other words, the so-called Chinese dream should be conceived mainly as the restoration of Beijing's own imperial culture that has been formed in its prognosis of its own feudal past, the non-being of which is what it has imagined for itself since it imagines itself explicitly as the center of Chinese culture and implicitly as the center of Tianxia [the world]. Beijing's self-reflection as the center of everything is also informed by the infamous spatial planning program – “Da Beijing” [the Big Beijing] – which involves the so-called “Jing-Jin-Ji (Beijing-Tianjin-Hebei)” area.

However, this regional planning project has been resolutely rejected by Tientsin's previous municipal governments (An et al., 2017). The concept of Big Beijing was first articulated in 2006 by the Beijing-based University of Tsinghua. It could be seen as a continued effort led by the city since 2001 for subjugating its surrounding regions into its periphery. This concept reflected a Beijing-centric worldview, which was certainly not very welcomed, so much so that the State Council shelved the 2004 project of *Sustainable Capital: Beijing's new century development strategy*. The general resentment at Beijing's egocentric proposal owed to the infamous “Capital Poverty Belt” that was first identified by the Asian Development Bank (ADB) in 2005 (Guo, 2020, p. 115). According to this disappeared report from the ADB website, this poverty belt around Beijing could be likened to “a European city surrounded by African countryside” (SCMP, 2006, February 27). In effect, this conjunction of poverty and prosperity in such proximity suggests that the centripetal accumulation of wealth in Beijing has impoverished the city's

surrounding regions. Meanwhile, it also points out another striking fact that Beijing can rely on its own capacity to produce the symbolic source of power so that the city can legitimate itself no matter what the State wants.

Geographically speaking, Beijing's position was identified with some economic significance only after it became once again China's capital. Its century-long decline from the nineteenth century to 1949 had proved that its own culture and location were not very well compatible with modernity. Nonetheless, thanks to Beijing's special political status as the site of verification for political and economic policies, the city managed to enrich and expand itself through the biased redistributive mechanism. At the same time, its growing economic power had made it more egocentric and self-assertive. In 2003, the municipal government of Beijing proposed to itself the great leap forward to the international financial center ("Jing hu zheng," 2003, October 9). It could be seen as Beijing's centralistic reaction to the centrifugal process of the continued reform in general at that time, which tended to drive the country – especially the south – out of Beijing's fiscal and political control.

*(ii) Beijing's fear of losing financial control & political centrality*

In the 1990s, the ascendancy of Shanghai and Shenzhen in the field of financial activities made Beijing afraid of also losing the financial control of the country. Since the early 2000s, Beijing started to work on its own for producing the symbolic source of power for justifying itself as what ought to represent the so-called international financial center, even though the city is perfectly aware that the state would not support its claim for the status of the international financial center. In 2003, the Beijing-based research institutes started to produce the discourse such as *the capital's financial sector development research report* in support of Beijing's financial ambition. In the meantime, Beijing's municipal government has opened the "office of financial affairs" to enhance the existing bureaucratic framework ("the municipal financial work commission") for boosting the development of the city's financial sector ("Jing hu zheng," 2003, October 9). It had also begun to overtly question Shanghai's legitimacy as China's only financial center and the previous state policies, which it deemed undercutting Beijing's political centrality (Wang, 2003, July 24). In the same year, the current vice-president Wang Qishan was appointed the mayor of Beijing in charge of financial affairs. His appointment was largely interpreted as Beijing's blatant challenge to Shanghai and Shenzhen in the forthcoming administrative war for the throne of China's financial realm (Wang, 2003, July 24). It is an administrative war because Beijing itself is the site of verification for the national policies.

It is capable of twisting reality and the state decision. In this new declared war since 2003, Beijing aimed to make itself once again the center of everything in such domains as “financial management and control,” “payment and settlement,” “financial information,” “formulation of financial standards,” “management of cash flows” and “intermediary financial services” (Wang, 2003, July 24). In effect, Beijing usually declared “war” against the others, no matter whether such war would distort further the existing inefficient domestic market.

*(c) Shenzhen as a vivid nothingness emerged from Power’s dream*

In the Chinese state discourse of the political economy, Shenzhen has already become a perceptual code, which symbolizes the legacy of Deng Xiaoping’s economic reform. Its fast growth represents the correctness of the opening-up policy. From this symbolic source of power, it can draw infinitely what it needs for legitimating its actions because its municipal behavior is codified as what symbolizes the reform and opening up. “Shenzhen is the window of China’s reform and opening-up; it is the witness of the Chinese economic miracle” (Sheng, 2003, July 24). This meta-narrative makes its position difficult to be threatened by the others. However, the Zhu Rongji government’s undisguised support for Shanghai to make it the only center of China’s financial system in the 1990s had threatened the *raison d’être* of the city of Shenzhen. Shanghai had even the objective of unifying China’s stock market by merging the Shenzhen market into the Shanghai market, though it was not realized. However, Shenzhen understood the underlying logic of China’s development politics that Shenzhen’s fast economic growth had been built upon the ground of “sacrificing the others” (Shenzhen, 2003, July 24). In 2003, when Beijing declared the administrative war again, Shenzhen quickly realized that it did not have enough stakes to gamble for the political status of either national or international centers. To a certain extent, Shenzhen has been aware of its nothingness because it comes from nothing. The city of Shenzhen does not exist before 1979. Its fundamental ground is the *ad hoc* imagination of Power as a site of experimentation for Power’s dictum. Thus, it represents nothing to Power. In the face of Shanghai’s ascendancy during the 1990s and Beijing’s assertiveness since the early 2000s, Shenzhen has *de facto* withdrawn itself from the direct confrontation with them while managing to keep its political status as “the regional center of finance” (Sheng, 2003, July 24).

*iii) Tientsin’s cosmopolitan identity & the dawn of modernity*

Only a handful of cities throughout modern history had attained such preeminence as to be the strategic centers of either international finance in the world or national finance in China. Coincidentally, Tientsin was

one of them. It should notice that Tientsin is the birthplace of modernity in China. On the one hand, both the “modern banking system” and “modern economy structure” emerged in Tientsin since the second half of the nineteenth century (Lieberthal, 1980, pp. 2-3). On the other hand, China’s first modern public institutions such as the university, the girl’s school, the judicial (court) system, the police, the post also sprang from Tientsin. In 1906, Tientsin crossed another millstone in Chinese history. It became China’s first “self-governed region” where “provincial and municipal assemblies” were successfully established. Through “universal suffrage,” the first “legislators” and “assemblies” emerged from Tientsin in the old continent (Zhu, 2008). Modernity had dawned on Tientsin in the early twentieth century. Unfortunately, Tientsin’s success had not been spread across the country due to war, revolution, and other violent political events during that agitating age in China. Instead, the story of the rising Tientsin became a traumatic episode in which the declining Peiping (Beijing) always tended to distort or cover up.

*(1) Tientsin: the “Wall Street” of North China*

Nevertheless, Tientsin’s conscientious modernization has made possible the formation of a unique social structure that has reconciled “Chineseness” and “modernity” in this place of confluence of Western and Chinese values. In this sense, Tientsin is not only the metropolis of the Bohai Rim but also a cosmopolis in the world history of globalization. Tientsin’s journey towards modernity, as recounted in Pierre Singaravélou’s story of *Tianjin, Cosmopolis. Une autre histoire de la mondialisation* [Tienstin, Cosmopolis. Another story of globalization] that the city was “the enclave represented a potential way towards modernization, which Chinese statesmen used as inspiration to implement new public policies. From this point of view, it embodied one of China’s possible futures” (Singaravélou, 2015, pp. 2-3). Although Tientsin’s successful adaption to modernity constitutes an ephemeral moment (almost one century but disrupted in 1949) in the long history of China, the city itself still represents a rare occasion and opportunity showing that there is a possible path for China to adapt itself to the modern world. As such, Tientsin’s triumphant ascendancy to the “Wall Street of North China” – i.e., the urban area from the “Victoria Road” to la “Rue de France” – has become a thing which Beijing has been afraid of and now desires (Bonin, 2020, p. 33). This bright and vibrant story of another cosmopolis also constitutes what Shanghai may not want to see – a different future of China coming from Tientsin’s past – i.e., a formidable financial power balancing “the Shanghai bound” in the domestic political economy of China (Bonin, 2020, p. 33).

*(2) The impact of Tientsin's distinct identity on China's politics*

Tientsin's geographical proximity with Beijing has not made them culturally integrated. In fact, Beijing has long been seen as a neighboring outdated big citadel in the Tientsin narrative. As shown, Tientsin's municipal government repeatedly refuted Beijing's self-assertiveness as the center of the "Jing-Jin-Ji" area, which is considered a total fiction for Tientsin. Since the second half of the nineteenth century, Tientsin has developed a unique social structure that harmonizes tradition and modernity into one cultural entity that has rendered its municipal identity distinct from both Beijing and Shanghai. To be sure, "Tianjin's identity is so specific that one could even argue that previous studies on social policies which regard Tianjin [Tientsin] as representative of China might in effect say more about the specific characteristics of the city than about China in general" (Hendrischke et al. 1999: 184).

This unique identity has made the mentality of the Chinese leaders from Tientsin distinguished from the rest, because they do not share the anxious perception that China must exclude modern values and norms from Chinese society in order to maintain Chineseness. The former Premier Wen Jiabao's stance towards Western values has already illustrated this point. In 2001, when the Western world waited to see China's further reform, analysts considered that three Chinese leaders (Li Ruihuan, Wen Jiabao and Hu Jintao) could constitute a pro-reform coalition for leading China towards the modern world. Among them, both Li Ruihuan (former mayor of Tientsin) and Wen Jiabao were Tientsin natives. It should notice that, if not a coincidence, there were only two Tientsin natives in China's collective leadership at that time. Li Ruihuan believed that "in the Chinese context, one realistic reform in the near term is to foster 'checks and balances' by giving some real power to the 'democratic parties' as well as other groupings of non-CCP professionals and businessmen" (Lam, 2001, June 26).

This Tientsinese identity also made a shift in the management style of the State Council. In contrast to "Zhu Rongji's brusque and supremely self-confident management style," Wen Jiabao displayed a "respectful and consensual approach to decision making" (Naughton, 2007, p. 8). Obviously, the consensus-based ruling principle of the leaders, who are native of Tientsin, can be informed by Tientsin's unique cultural identity that can reconcile the traditional Chinese statecraft with modern principles. In contrast, the other leaders (even those from Shanghai, e.g., Zhu Rongji was ex-mayor of Shanghai) in general do not tend to accommodate the western values to such a large degree.



(3) *“Through Train”: a replica of Tientsin’s proposal in the 1990s*

The modern values that are embedded in Tientsin’s identity have explicated the formulation of the new reorienting principle that made possible the articulation of the 2007 financial reform agenda, which had been elaborated since 2006 – thus one year before the outbreak of the US subprime mortgage crisis. Indeed, the Wen Jiabao government’s objective of opening up the capital account in its origin had nothing to do with the later eruption of the global financial crisis. This crisis was codified into what represents a threat to China’s financial stability, for it would adversely impact the capital account if left “uncontrolled.” This speculation helped justify the arguments against the Through Train scheme, which the triad deemed too audacious and dangerous. However, it should notice that this State Council’s plan of opening the capital account regime was sincerely welcomed and strongly supported by the municipal government of Tientsin at that time (“Ganggu,” 2007).

In fact, Tientsin’s municipal government has a long-standing position in support of financial liberalization and free trade since the mid-1990s. As early as in the late 1980s, Tientsin had already demanded the permit from the central government to open an offshore financial center for operating non-residential financial transactions. The plan consisted of loosening the fiscal burden, diversifying the financial services such as offshore savings account, foreign exchange settlement, opening the domestic financial market for foreign banks, and ultimately building a free financial zone. However, this ambitious proposal was shelved infinitely by the previous central governments, which tended to support only a planned, sequenced, and one-sided policy towards Shenzhen, Shanghai, and Beijing. For example, it was the municipal government of Tientsin that had drafted the plan of organizing the interbank payment system for northern China in the early 1990s. However, to Tientsin’s surprise, the center of this system was arbitrarily placed in Beijing in 1994. This old central planning fashion sparked Tientsin’s resentment at the People’s Bank of China (PBoC). The Tientsin-based bankers demanded the PBoC to modernize itself into a “true central bank,” for it was still a relic of the Soviet central planning apparatus even after a one-half decade following the reform of 1978 (Mao & Zhong, 1996).

(4) *Tientsin’s financial resurgence and fall in the 1990s*

Tientsin was the *de facto* financial center of northern China in the 1990s. As China’s modern banking system was born in Tientsin, it was unsurprising to see that the municipal government of Tientsin had so quickly rebuilt the financial markets, and successfully reformed its banking system on the modern model

after 1978, even without the support from the central government. By 1995, there were 2000 financial institutes flourished in Tientsin, which included the five major commercial banks – i.e., Bank of China, China Construction Bank, Bank of Communications, Agricultural Bank of China, Industrial and Commercial Bank of China; two policy banks – i.e., Export-Import Bank of China and Agricultural Development Bank of China; 56 urban credit cooperatives; various insurance, trust, and investment companies. Obviously, the market-driven dynamics of Tientsin’s financial sector was vibrant. Stock exchange, foreign exchange, and capital markets were successively established once again in Tientsin. The annual transaction size of the Tientsin Stock Market (before Zhong Rongji decided to close it) amounted to ¥80 billion Chinese yuan. The trading of foreign exchange was estimated at \$1.8 billion US dollars. More than 100 securities companies were opened in the city. The capital market helped raise more than ¥50 billion Chinese yuan a year. There were more than 30 million private investors and 34 thousand financial professionals who had lived and worked in Tientsin (Peng, 1995).

By the mid-1990s, Tientsin was the second-largest financial market in the country in terms of the sheer size. At the same time, as the natural center of Three North (Northeast, Northwest, and North China), the value of Export-Import was estimated at \$16 billion US dollar a year. All these numbers consisted in telling that Tientsin was already once again the financial and commercial center of northern China in the 1990s. In spite of these achievements and without taking into account the severe economic consequences, the Zhu Rongji government forbade the cities other than Shanghai and Shenzhen to open the stock exchange market since the early 1990s. By the end of the 1990s, all other markets were through the executive order forced to shut down in China (Nan, 2010). The Tientsin-based bankers warned that this overprotective policy in favor of Shanghai and Shenzhen would not foster the “development of market-economy,” nor lead to “the efficient reallocation of capital and redistribution of resources” (Peng, 1995). On the contrary, it would result in the mismatched supply and demand for capital, especially for northern China. Indeed, Tientsin had severely questioned the Zhu Rongji government’s overprotective policy, for it would result in the formation of an “unhealthy financial sector” based on the logic of non-market competition, and consequentially in the enlargement of regional disparity. Considering today’s structure of the domestic financial sector and political economy, it is clearly a far-sighted anticipation.

### 5.3) Another explication for what changes China's perception of international monetary order

Now, it is less confusing to understand why the opening up of the capital account was not imaginable for the previous administrations but possible for the Wen Jiabao government in the mid-2000s. Before the 2008 global financial pandemic overshadowed China, the Through Train scheme was programmed to launch in Tientsin in August 2007. However, this State Council's project was canceled at the last minute. The common explanation of this urgent termination of the capital account reform has been attributed to the Party's concern on the capital flight or the inflow of speculative capital. The speculative capital flows would hit China's fragile financial system and create financial turmoil, which would translate into economic and political instability so as to undermine the CCP's reign. However, such fear of capital flight was totally misplaced. From 2001 to 2015, "in net terms, private capital has tended to flow in to China rather than out" (Hatzvi et al., 2015, p. 39). Needless to say, the Shanghai-Hongkong Stock Connect that is simply a minimized version of (Tientsin-Hongkong) Through Train was allowed by the Xi Jinping and Li Keqiang administration to launch in 2014 (Liu, 2014, November 28). To be sure, the capital flight did not posit a serious threat to China's social or financial stability. Instead, the Through Train scheme, if launched from 2007 to 2013 (during the Wen Jiabao government), would provide the additional policy tools for the central government to regulate the capital market, to control the overheating economy, and to transform the domestic financial system into a more balanced shape.

#### *a) An anti-State Council coalition & the Triad's logic*

Indeed, the central government's objective of creating a *de facto* offshore financial center in Tientsin was regarded as what challenge Shanghai's position and Beijing's ambition ("Tianjin," 2008). In fact, even Shenzhen had considered that the conditions for liberalizing the capital account were already met since the second half of the 2000s. After the suspension of the 2007 reform program, Shenzhen had proposed a semi-Through Train plan in 2009 for legalizing the existing shadow banking activities – i.e., the clandestine outflow of capital to Hongkong. Although its proposal was not ratified, Shenzhen's behavior showed that it had clearly understood the actual reason why the Trough Train was adjourned. It had little to do with financial stability, because the reform program could strengthen the regulation of those clandestine outflows of capital so as to stabilize China's domestic financial system to an even better scale. The suspension of the scheme was just a matter of "a hidden struggle between municipalities" (Li & Tang, 2009, July 17).

At the earliest in 2006, Beijing was alarmed by the ascendancy of Tientsin in terms of its political status. The Wen Jiabao government had elevated the latter to the national strategic level. The resurgence of Tientsin in China's domestic financial hierarchy had erected what traumatized Beijing from losing its central position from the late nineteenth century to the first half of the twentieth century. In 2008, when Beijing learned of the unchanged position of Tientsin in support of the liberalization of the capital account that was suspended in August 2007, it had radicalized its determination to obstruct any possible financial reform from the state level in favor of Tientsin ("Beijing," 2008).

Needless to say, Shanghai was ruthlessly determined to protect its financial supremacy since the mid-1990s. In 2012, the heads of the Shanghai and Hongkong stock exchange markets held a meeting in Shenzhen for drafting an alternative scheme to replace the Through Train. The new scheme was later known as the Stock Connect which was in effect a contained system launched in 2014 after the stepping down of Premier Wen Jiabao in March 2013, whereas the National Equities Exchange and Quotations (NEEQ) – i.e., the so-called Chinese Nasdaq – was established in Beijing in early 2013. By early 2013, this decade-long administrative war could be considered concluded, as the new central government officially recognized the triadic structure – i.e., "Shanghai Stock Exchange, Shenzhen Stock Exchange, and Beijing NEEQ" ("Xin san ban," 2013). From this sequence of events, three logics could be derived: a) Beijing: the sacrifice of all disposable things for maintaining its national political supremacy; b) Shanghai: the use of all necessary means for protecting its national financial supremacy; c) Shenzhen: the compromise of all claims for defending its regional economic supremacy. All these portents were suggestive of the formation of an anti-State Council coalition in China at the latest by the end of 2006 against the reform of the capital account regime for the reasons other than the concerns on financial or social stability.

*b) The stakes for the Triad to maintain the status quo*

The more plausible explication for why the Chinese State did not accelerate, as it promised, the capital account liberalization and the opening of its domestic financial markets after 2008 – that has been interpreted mainly as the consequence of the fear of capital flight (financial instability) or of the growing discontent with the US dollar-centered international monetary order – may lie in the overlooked fact that it was not the previous Chinese central government but the triad which did not want to see free capital movements into and out of China, whereas the Wen Jiabao administration was absolutely inclined to adjust China's capital account openness so as to align the monetary practice with the international standards.

Therefore, the actual reason why the Chinese State did not successfully achieve the objective of liberalizing the capital account had little to do with the resentment at the dollar's dominance at that time but had everything to do with the narrowed self-interest of the respective member of the triad. They had hampered the Chinese State from undertaking the necessary steps of financial reform with the pretense of protecting China's general interest from the adverse impact of the global financial crisis.

So far, a direct, unrestricted Through Train-like reform that would allow Chinese mainland investors to reach offshore markets without any other intermediary agencies seems to remain infinitely unworkable for Beijing, Shanghai, and Shenzhen. Unlike the QDII or the Stock Connect, the Through Train scheme only demands Chinese residents to open a special trading account in the Bank of China (Tientsin). Thus, it would allow Chinese citizens to circumvent the existing barriers of investment. However, what were the stakes for the triad to play under the old capital account regime so as to deliberately set back the reform as late as possible?

*i) Zhu Rongji's legacy: an undervalued Yuan & a fixed exchange rate regime*

To answer the question, it is necessary to see them through a new analytic lens that regards them not as a uniform Chinese village but in terms of separate economic entities under a tax-sharing system, a fixed exchange rate regime, and a closed capital account. Shenzhen and Shanghai are situated in China's two largest trading regions, the Pearl River Delta and the Yangtze River Delta. Their economy highly depends on international trade. In 1994, the Zhu Rongji government introduced a new domestic currency system – i.e., China Foreign Exchange Trade System (CFETS) – to unify all different regional foreign exchange markets (including black markets), which had coexisted with one another in the country. The CFETS was unsurprisingly established in Shanghai in order to make the city the head of the dragon in China's financial sector. It was seen as China's effort to fulfill its promise to the IMF as part of the country's reform plan of making the Yuan convertible on the current account.

However, the unification of the existing domestic foreign exchange markets reflected a very centralistic planning process. As a result, the determination of the price of the Yuan against the US dollar within the institutional framework of the CFETS (Shanghai) was not based so much on a decentralized market mechanism as on the so-called “central parity” (or fixing) rate of the Yuan against the US dollar under the

permission of the PBoC (Beijing). This centralized pricing principle has become then the underlying mechanism behind China's (pegged or managed floating) exchange rate regimes. Initially, this system did little help to stabilize the price of the Yuan. The Yuan appreciated from ¥8.7 one US dollar in 1994 to ¥8.28 one US dollar in 1997. Following the outbreak of the 1997 Asian financial crisis, the Zhu Rongji government decided to fix the price of the Yuan at ¥8.28 one US dollar. Since then, a *de facto* fixed exchange regime was established in China for nearly one decade.

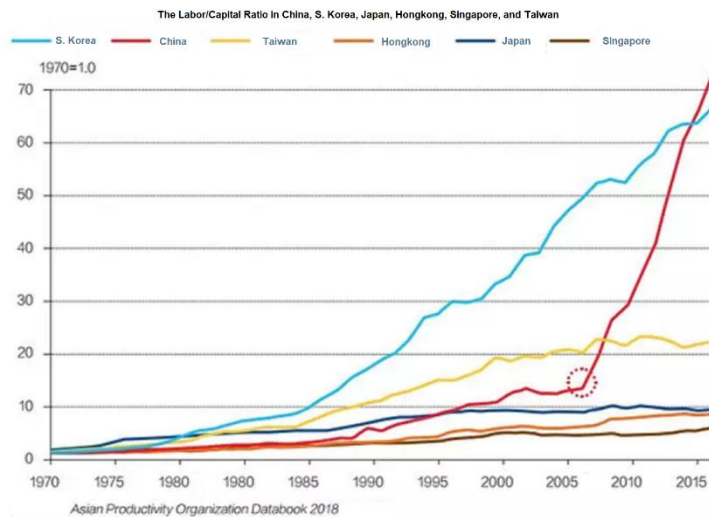


Figure 5. 3. The Labor/capital ratio in China, Japan, S. Korean, Singapore, Hongkong, Taiwan. Adapted from *Zhongguo jingji zhinan: jingji fazhan san jieduan yu quanqiu chanyelian yanzhen moxing* [The guide of the Chinese economy: Three stages of economic development and the goose array model of the global industry chain], by Shao & Chen (2019, May 4), *Caijing zazhi*. Retrieved from <https://finance.sina.com.cn/china/2019-05-05/doc-ihvhiqax6598582.shtml> Copy right 2019 by Caijing zazhi

The power of determining the price of the Yuan enabled Shanghai to deepen its export-driven economic foundation. The undervaluation of the Yuan helped boost the growth of the regional economy of the Yangtze River Delta and Pearl River Delta. Their growing economic strength had reinforced their capacity to promote regional protectionism – i.e., subsidize their regional industries and create non-tariff barriers against imports from the other regions. Lack of interregional coordination and supervision mechanisms, the under-industrialized inland China were forced to sell its resources to these two regions at underpriced values under a distorted price system. At the same time, regional protectionism and various subsidy techniques helped their regional economic models prevail over the other ones through years of civil trade war. In effect, the Yuan should be revalued before 2003 in order to help correct the mismatch between the wage and the capital. Under a fixed exchange rate regime, an undervalued currency certainly boosts exports; but this

export-driven growth also leads to domestic inflation so as to make labor underpriced. It thus tends to reinforce the low-income regime.

*ii) The 2005 exchange rate reform & the booming housing markets of the Triad*

This situation had persisted until 2005. Thanks to the growing pressure from China's major trading partners, the Wen Jiabao government was determined to rebalance the southern regions by rejuvenating the regional economy of the North. Because the western countries were vocal in criticizing China's currency practice, the revaluation of the currency was rendered, thereby discursively possible in China. Under a revalued exchange rate regime, the political economy of China's industrial relations was adjusted so that a revalued Yuan helped compensate for the distorted domestic price and wage system. In fact, the economy of northern China relied more on imports. Thus, a revalued Yuan would benefit it (Liu, 2006). With growing purchasing power, the domestic industrial structure was thereby rendered relatively a little bit more efficient than before. As a result, the regional imbalance had been slightly reduced during the Wen Jiabao administration.

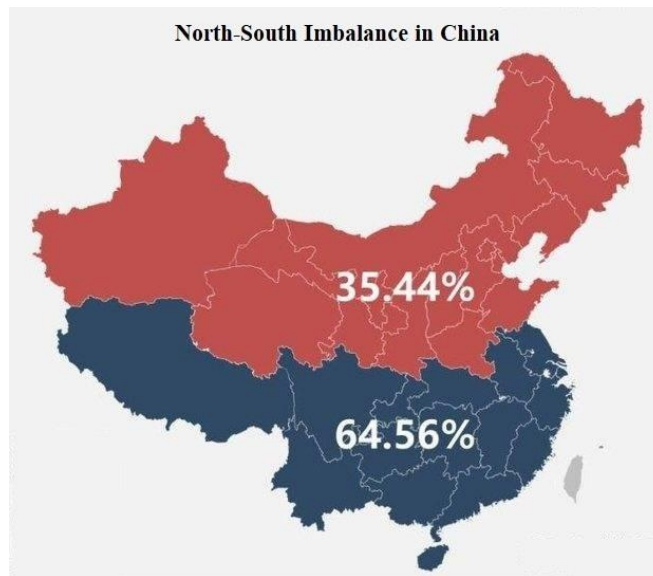


Figure 5. 4. North-South Imbalance in China by 2019 (in terms of GDP)

In the meantime, through years of uneven accumulation of capital, the existing distorted domestic economic system had made possible the formation of a highly unbalanced regional distribution of wealth in China. By 2019, almost two-third of GDP was generated in southern China ("Nan bei fang," 2020). Beijing was the only exceptional place, maintaining an unusually high growth rate in the vast northern country. This

increasingly enlarged gap between the north and south reflected the economic consequence of the one-decade-long export-driven economic growth of the southern regions, which also had entailed another serious problem – i.e., the formation of an overheating housing market. Almost at the same time, when the Wen Jiabao government reformed the exchange rate regime in 2005, an enormous amount of capital started to flow into the housing markets, especially that of Beijing, Shanghai, and Shenzhen.

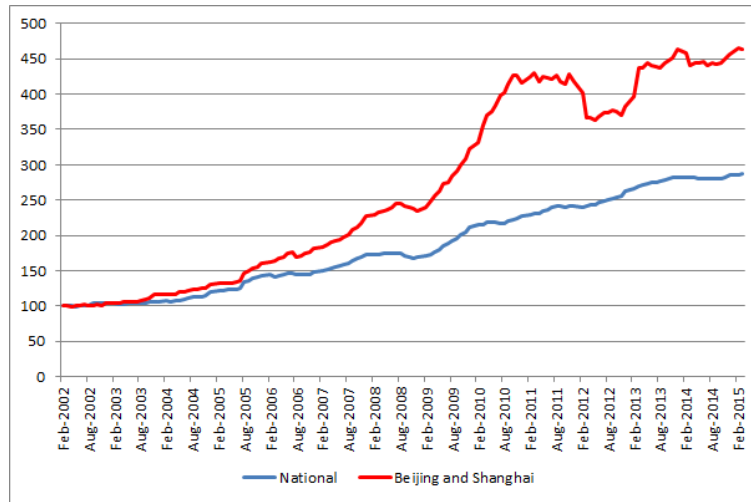
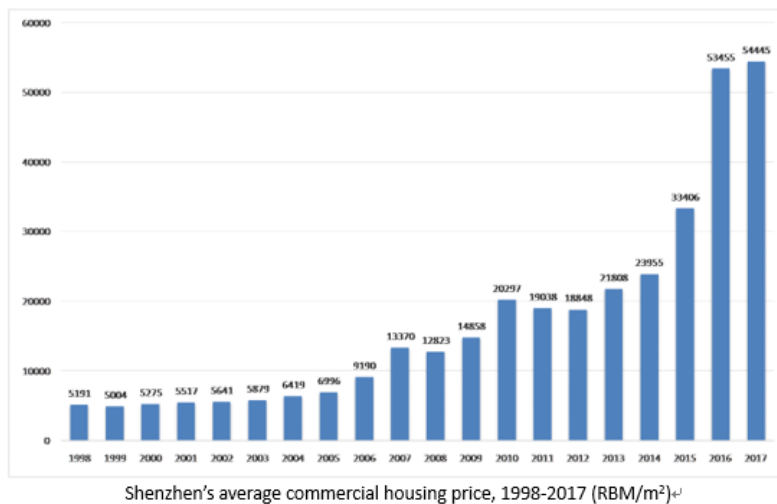


Figure 5. 5. National Price Index for Nonresidential Property (Feb 2002 = 100). Reprinted from *Property Series Part 4: China's Commercial Property Market*, by Miner (2015, May 11), Peterson Institute for International Economics. Retrieved from <https://www.piie.com/blogs/china-economic-watch/property-series-part-4-chinas-commercial-property-market> Copy right 2015 by Peterson Institute for International Economics



source: Shenzhen Statistical Yearbook

Figure 5. 6. Shenzhen's average commercial housing price, 1998-2017 (RBM/m²). Reprinted from *Causes of Shenzhen's Soaring Housing Price*, (2019, April 24), by Shenzhen Innovation and Development Institute. Retrieved from [http://www.cxs.org/indexen.php/About/dynamic\\_detail/id/66.html](http://www.cxs.org/indexen.php/About/dynamic_detail/id/66.html) Copy right 2019 by Shenzhen Innovation and Development Institute



iii) A “lopsided” fiscal regime: overreliance on selling land

In effect, a managed floating exchange rate regime had allowed the Yuan to appreciate so as to optimize, to a certain extent, the old, inefficient export-oriented industrial sectors. So, the exchange rate reform had definitely helped rebalance the country’s economic structure. However, at the same time, the anticipation of an appreciating Yuan had driven money out of these less profitable industries into other fields of investment (Hu, 2011, June 24). Meanwhile, without a convertible capital account, those mainland investors could only opt for the housing markets or the stock markets. The powerful municipal and provincial entities regarded these cash flows as what would contribute to their fiscal resources. Under the tax-sharing system established in 1994, this lopsided fiscal regime enabled the subnational governments to enrich themselves by selling land without necessarily remitting this so-called non-budgetary revenue to the central government.

Table 5. 4. Revenue assignments and actual revenue for central and local governments

	Central	Provincial	Central	Provincial	Central	Provincial
	Legal sharing rate		Receipts as % of		CNY billion	
<b>Central taxes</b>			32.7	0.0	<b>1 593</b>	<b>0</b>
Consumption tax	100	0	14.3	0.0	694	0
Tariffs	100	0	5.3	0.0	256	0
Intl trade-related consumption tax and VAT	100	0	27.9	0.0	1 356	0
Refunds of VAT and consumption tax on	100	0	-18.9	0.0	-920	0
Vehicle purchase tax	100	0	4.2	0.0	204	0
Cargo tax	100	0	0.1	0.0	3	0
<b>Shared taxes</b>			66.5	36.9	<b>3 236</b>	<b>1 517</b>
VAT	75	25	37.6	14.6	1 828	599
Corporate income tax	60	40	20.6	16.4	1 002	675
Personal income tax	60	40	7.5	5.9	363	242
Stamp tax on securities	97	3	0.9	0.0	43	1
<b>Sub-national taxes</b>			0.7	63.1	<b>34</b>	<b>2 594</b>
Business tax	1	99	0.4	32.9	17	1 350
Resource tax	0	100	0.0	1.4	0	60
Urban maintenance and development tax	0	100	0.3	6.3	17	261
House property tax	0	100	0.0	2.7	0	110
Real estate tax	0	100	0.0	3.0	0	122
Urban land use tax	0	100	0.0	5.0	0	206
Land appreciation tax	0	100	0.0	0.7	0	30
Tax on vehicles and boat operation	0	100	0.0	2.6	0	108
Tax on the use of arable land	0	100	0.0	1.5	0	60
Tobacco tax	0	100	0.0	0.2	0	9
Tax on deeds	0	100	0.0	6.7	0	277
<b>All taxes</b>	<b>54.2</b>	<b>45.8</b>	<b>100.0</b>	<b>100.0</b>	<b>4 863</b>	<b>4 111</b>

Note. Reprinted from *The system of revenue sharing and fiscal transfers in China*, by Wang, X. & Herd, R. (2013, p. 7) Copyright 2013

In other words, the fiscal power of the subnational government relies on the overpricing of the land. This underlying fiscal logic had incentivized them to make the land in their jurisdictions more valuable through variegated techniques such as borrowing money by “mortgaging the land to the bank” (Collier, 2017, p. 44). Moreover, this self-financing technique based on selling land on the subnational level resulted in credit

expansion in each province and municipality. It had led to a *de facto* currency war with the same currency among them for exporting inflation to one other. The conjunction of these distorted regimes with an appreciating exchange rate created a permissive climate for inflation. As a result, the housing markets in the triad boomed considerably amidst anticipated inflation since the second half of the 2000s.

*iv) the choice between an open capital account & the overheating housing market*

Against this domestic economic context, the Wen Jiabao government decided to address the overheating economy by softening the control on the capital account since 2006. Among the proposals in the reform package, the Through Train scheme was supported jointly by the State Council, Hongkong, and Tientsin. In effect, the general principle of the Through Train scheme was utterly consistent with the financial sector modernization strategy proposed by the Tientsin-based bankers in the 1990s – i.e., to build an offshore market in the inland China (Tientsin) for facilitating the direct exchange of money, goods, and services between the inland and the foreign countries. However, the opening of an offshore financial market in Tientsin would enable *ipso facto* Chinese investors to have more diversified investment options other than securities, saving deposits, income funds, which were so far mainly provided by the domestic financial institutions based in Beijing, Shanghai, and Shenzhen. Needless to say, some capitals would definitely flow out of their housing markets so as to undercut the fiscal power of the respective municipal government. In the meantime, the strategic rehabilitation of Tientsin as the northern financial center would fundamentally reshape the underlying logic of running the Chinese domestic financial system that had been so tightly monopolized by the triad on the non-free-market-based principle. Therefore, when the Through Train project was planned to launch in August 2007, the triad almost immediately started to agitate against the Through Train project collectively as expected.

The triad-based financiers and sponsored experts deemed the project threatful to many things of China, ranging from financial stability and social order to national security and even cultural identity. Their threat to the Wen Jiabao government could not be underestimated. In the event of launching the Through Train, an orchestrated tsunami of non-market financial flows could flood Tientsin and Hongkong within days, weeks, or months in a recurrent fashion so as to destroy the nascent open capital account regime. These non-market-driven movements of capital would definitely induce social instability. As the central government's authority had been considerably undercut, it had no means to genuinely counterbalance the triad-based interests whose fiscal supports constituted the economic ground of the Party-State. Under the

enormous pressure from the triad, the Wen Jiabao government had no choice but to suspend the Through Train project. Since then, China's capital account system remains *de facto* contained in the hands of the triad. The internationalization of the Yuan with Chinese characters had also been conducted in accordance with the logic of the triad in a narrowly opened and state-managed fashion so as to ensure that the value of their housing markets would not fall ("Liu dong," 2019). In other words, an overheating economy benefited Beijing, Shanghai, and Shenzhen under the existing fiscal and exchange rate regimes.

#### **5.4) The impact of the derailment of the 2007 reform on China's politics**

The derailment of the financial system reform in 2007 was a significant turnabout for China. Its setback has a far-reaching consequence on the development of the Chinese State. The inability of the central government to push ahead with the reform agenda has manifested the weakening authority of the Chinese State vis-à-vis the powerful municipal and provincial governments that have been deeply bound together with various vested interests.

##### *i) The re-concentration of power & the imagined cultural superiority of Beijing*

This awkward experience of the period from 2003 to 2013 has constituted then what explains the ongoing effort of re-concentrating power at the central government, which has marked the current situation in China. This unpleasant period for the central government has also manifested the more substantial capacity of Beijing, Shanghai, and Shenzhen to generate the symbolic source of power, from which it draws support to adjust the state interest in line with their own beliefs. Among the triad, especially the city of Beijing, it possesses an overwhelming power in terms of the symbolic production of reality and the discursive production of truth. For example, the Beijing-based intellectuals and academic institutes such as the CASS had involved directly into this orchestrated campaign against the central government's reform. The fierce criticism against the financial reform on all counts since 2007 has given rise to the expedient discursive production of identity, which has led to an unexpected result – i.e., Beijing's imagined cultural superiority. At the same time, as the capital city of China, it is itself the site of verification for national policies. The centralist regime in a decentralization context has resulted in that the state's administrative resources have been considerably privatized by Beijing itself. Its own cultural identity helps define the perceptual codes that frame the audience's experience of the world.

*ii) the Beijing-centric economic geography: the financial capital of the new world economy*

Against this complex backdrop, a worrisome portent has emerged since 2014 – i.e., the rise of economic geography in Beijing’s academic milieu. In order to justify the superior position of Beijing over Tientsin, the prominent economic geographer, Lu Dadao, (an academican from the Chinese Academy of Sciences (CAS). Like the CASS it is also an institute based in Beijing), has started to speculate that the distance between political and financial nodes will geographically determine the national security. Notably, in the conjuncture of “the declining United States” and “the diminishing global influence of the US dollar,” the rise of China will naturally make its capital city (Beijing) the dominant “node of flows” in “the spatial structure of the world economic system” (“Zhongkeyuan,” 2017). As a natural consequence of this irremediable geo-economic trend, Beijing will be the locus of the wealth accumulation, the hub of “the global recycling of the Yuan” (“Zhongkeyuan,” 2017). This momentum also constitutes a critical “time node” for the Chinese state to accelerate the concentration of the headquarters of the banking and non-banking financial institutions in Beijing so as to gain the effective control of “capital flow, information flow, technological flow, and know-how flow” (Samli, 2002, p. 13). In order to enable Beijing to manifest “China’s will of rise” – i.e., “to influence and control the world economy,” “national defense, diplomacy, and finance” must help strengthen the core function of the capital city (“Lu dadao: Zhongguo,” 2017). Otherwise, “the separation of political and financial nodes” will pose a threat to national security. “Finance, to China, is likened to the strategic nuclear weapon,” which “needs to be protected by the political power” (“Lu dadao: Zhongguo,” 2017). Obviously, the state-managed internationalization of the Yuan is just a self-reflection of how Beijing perceives itself and the world.

*iii) From “Big Beijing” to “One Belt One Road”*

Furthermore, after years of the discursive production of fear, Beijing has finally reshaped the status of its local economy into a perceptual code to which China’s national security, Beijing’s cultural supremacy, and the Party’s political stability are all directly linked. With the pretense of protecting the national security, Beijing’s own urban development strategy – i.e., “Da Beijing” [“Big Beijing”] has been officially sanctioned in 2014 as the “millennium plan” and the most critical “national strategy” – i.e., the “Coordinated Development for the Beijing-Tianjin-Hebei Region” (Tian, 2017, p.1; Zhao et al., 2019, May 16). In effect, the so-called Big Beijing strategy reflects an entirely different principle of strategic thinking that cannot be congruous with Tientsin’s financial modernization approach. As a result, Beijing’s new regional economic strategy aims clearly at subjugating the surrounding areas, including Tientsin. “Tientsin and its Binhai New Area should not – and be never possible to – pursue the same objectives as what has

been attributed to Beijing, Shanghai and its Pudong” (Lu, 2014, September 26). As such, the previous government’s reformist strategy, which is grounded in the cosmopolitan identity of modern Tientsin, has been *de facto* revoked, because it has been deemed “excessively open” (Wen, 2012, July 13).

It should notice that the One Belt One Road initiative was almost born synchronously in the same atmosphere of rising economic geography in Beijing. The later launched “Coordinated Development for the Beijing-Tianjin-Hebei Region” is considered “the domestic analogue to OBOR” (Naughton, 2017, p. 7). Indeed, the analogous relationship between these two projects can be ascertained. However, the OBOR should be considered in effect as the by-product of the Big Beijing planning, which was elaborated in the 2000s prior to the OBOR and shares the identical logic of strategic thinking – i.e., the centralist planning of infrastructure investments precisely. Therefore, it is the same knowledge – i.e., the Beijing-centric economic geography, which has made possible the formation of these two mutually conforming strategies. The domestic infrastructure project (Big Beijing) has been conducted for the purpose of connecting with the international infrastructure project (OBOR) in order to forge the planetary cycling of flows (CASS, 2016). Thus, the new plan aims to make Beijing the central node of flows – that is, the similar function which the city of Beijing has dreamed of performing again as the center of the old feudal economic system, which is not necessarily based on the western free-market-driven mechanism.

## **5.5) Conclusion**

The new strategy of the Yuan internationalization is obviously inconsistent with the logic of the previous version which aims to, as former Premier Wen Jiabao (2013, January 22) urged in January 2013, “[efforts should be made to] advance the market-based reform of interest rates and improve the Yuan exchange rate formation mechanism” and “make the Yuan convertible under the capital account” (Jiabao, 2013, January 22). In effect, when the internationalization of the Yuan, the OBOR initiative, the Big Beijing project, and Beijing’s dream of being the world financial capital are all articulated together upon one another into one consistent mythology of a Beijing-centric Tianxia [the world on earth], it consists in telling that, today, it is Beijing’s own worldview and cultural identity which has shaped the Chinese State’s current perception of international monetary order. The 2007-2013 confrontation between the pro-opening coalition (the State Council and Tientsin) and the anti-opening coalition (Beijing, Shanghai, and Shenzhen) shows that the Chinese State was willing to dispose China towards not only the US-dollar centric international monetary

order but also the deep reality of the modern international order. However, its effort was derailed by the coalition of powerful municipal and provincial entities – Beijing, Shanghai (the Yangtze River Delta), and Shenzhen (the Pearl River Delta).

First, the economic interests of Beijing, Shanghai, and Shenzhen were deeply rooted in the status quo – i.e., the synthesis of a lopsided fiscal regime over-relied on the housing market, a managed exchange rate regime, and a tightly controlled capital account regime. All these regimes are controlled in the hands of the Triad through years of trade and administrative wars. Second, Beijing has longed to make itself the future capital of the world economy so that it must challenge the State's support for the strategic rehabilitation of Tientsin as the financial center of the Bohai Rim at all prices, even at the expense of the economic development of the entire northern China. The ensuing enlargement of the North-South disparity following 2013 has illustrated this strategic opportunity cost for North China.

Finally, the worrisome portent is the rise of the Beijing-centric economic geography – i.e., a doctrine aims at mythologizing Beijing's geographical position into the natural central node of global capital, information, technological, and know-how flows. It induces a discursive mechanism dichotomizing Beijing and the rest of the world in accordance with the truth principle, which it produces for reflecting Beijing's own imagination of its political, economic, and financial centrality. The doctrine born in Beijing's own academic culture does not necessarily reflect what the rest of China thinks. To be sure, it consists precisely in suppressing the others into the non-being of what they are in accordance with the principle that is formulated within this rational knowledge of being not-in-itself so that the others can be easily arranged into a right disposition of things for Beijing. Therefore, it is very difficult for the Chinese State to maintain the consistency of its policy or so-called long-term strategy, because the central government's authority has been considerably undercut by the decentralization effort since the mid-1950s. The powerful municipal and provincial entities can undermine the State's decision that may contradict with their own interests.

The failure of pushing ahead with the 2007 reform of the capital account illustrates the weakness of the Chinese State. However, it also explains the State's ongoing effort of re-concentrating power since 2013. The case of the 2007 reform also informs that the 2008 global financial crisis played only a reinforcing role to the anti-reform process, which had already taken place within China's opaque institutions before the outbreak of the US subprime crisis. The breakdown of the capital account's opening owed mainly to the

continued confrontation between the central, municipal, and provincial governments over what is the right domestic financial order. The case also states that such regional entities as Tientsin, Shanghai, Beijing, and Shenzhen do not share a coherent identity. Thus, they do not share the same logic. Nor would the Chinese State be able to sustain a consistent long-term strategy. The Being of the Chinese State reflects much more what Beijing-Shanghai-Shenzhen identifies with the so-called right disposition of things in the country. It is their knowledge that defines what shall be true or false in terms of the effects of long-term strategies and subsequently harmonizes such thing as international monetary order in the Chinese State's perceptual field.



Figure 5. 7 The map of China (Beijing-Tientsin-Shanghai-Shenzhen-Hongkong)





## **General conclusion**

In the introduction, I talked about that this dissertation will investigate the Chinese State's perception of international monetary order and offer an explication of why it did not fulfill its promise of liberalizing the capital account regime that remains so far largely contained and occluded to most Chinese ordinary citizens. I emphasized that this question will not be answered from a holistic perspective and a simple cost-benefit analysis. Nor the question can be fully explained in terms of how technical elites, powerful groups, or political leaders perceive the world. This dissertation will provide then an explication complementary to both approaches. In fact, my analysis of the derailment of the 2007 financial reform consists in telling that power had been considerably dispersed amongst business, technical, social, and political elites in China long before the year of this capital account reform. Thus, an anthropomorphized perspective would not allow us to obtain a plausible explanation from modeling China on them, because they represent only a small part of this complex economy of power relations within an extremely heterogeneous domestic environment.

It is important to note that, after decades of decentralization since the mid-1950s, the economy of power relations in the country had been defined – and redefined – in accordance with the changing principle of truth and the differing practice of government throughout the history of the People's Republic of China. The State's authority – if the State is narrowly interpreted as the central government – had been significantly undercut. Hence, a holistic perspective that models China on its central government will also oversimplify complex processes within this highly intricate network of power relations that has structured – and restructured – China's domestic political economy. It seems paradoxical that in an authoritarian state, this decentralist trend has not been reversed until 2014. In effect, by 2013, the central government usually found itself in a weak position vis-à-vis the powerful municipal and provincial entities such as Beijing, Shanghai, and Shenzhen. That is why I raise the attention on the problem that the question could only be adequately explicated through a new analytical lens while doing away with those conventional encoded eyes.

In order to find such an explication, it would not be enough to just demythologize the Being of the Chinese State as a continuous, coherent unity – i.e., a collective mobilization of the country. It is also necessary to de-mythify what has been usually taken for granted as reality in the current literature is in effect just a

method, such as the myths of hegemonic decline, hegemonic stability, clash of civilizations, Tianxia. To a certain extent, both the post-revolutionary discourse in China and the post-hegemonic discourse in the United States tend in effect to direct us to see the two opposite sides of the same coin – i.e., power. Indeed, both tasks are part of this dissertation. Nevertheless, for undertaking these uneasy tasks, it requires to develop an epistemological approach. That is why this dissertation has recourse to the Foucauldian theory of the State and knowledge and have pursued a critical review of metaphysical theories of perception.

### **A Foucauldian analytical framework**

First, through an in-depth metaphysical inquiry into what underlies the modern conception of reality and truth, this dissertation supports the argument that perception matters to the modern sciences of political economy and international relations owing to the fact that perception is a matter of the restructuring of reality. It is human perception that provides the epistemological ground, upon which certain beliefs of truth are based. Hence, truth is foremost of epistemological concern. Perception itself cannot assuredly bring to light the hidden truth in all cases. Through the analysis of polemics on truth, discourse, and being, this discussion intends to remind us that human perception of truth is always subject to the possible misjudgment and misinterpretation of what is out there. Truth is just an epistemological theory that subjects recognize as valid. It is necessary to adopt a rationalist attitude that our mind should remain skeptical of what has been taken for granted and use the power of reason to investigate what makes it appear as self-evident. For example, according to Kuhn's theory, perception is subject entirely to the prevailing paradigm that not only creates reality – i.e., the phenomenal world, but also determines truth and falsity. By contrast, Foucault's theory of knowledge reminds us to ask the unthinkable questions regarding the invisible pattern of relations between the paradigms (discourses), as well as, the relationship between knowledge and power. That is why it is necessary to investigate the economy of American IR discourses that is made of neo-realism, neo-institutionalism, and social constructivism. Each of them creates a phenomenal world respectively and frames the perceptual field of the world. So, the Kuhnian paradigm of paradigms has helped make them constitute a trichotomy to erase the trace of power. In contrast, a Foucauldian inspired epistemological approach aims to disassemble this trichotomy so as to shed light on the way in which they have been purposefully arranged into a solid, ternary structure for maintaining the postwar US hegemonic leadership – i.e., dominance and prestige, in accordance with the so-called common knowledge of the game.

Second, the Foucauldian theory of the State allows us to discover discontinuity and inconsistency rather than continuity and coherence. It helps introduce a new perspective on the formation of the Chinese State

so as to demythologize the post-revolutionary imagery that it has created for itself. Generally speaking, the theory consists in telling us that the State is nothingness, a being-for-itself. Before the advent of any government, it is just an ensemble of things in a state of nature – i.e., a more or less disordered, anarchic situation according to different theories. It is the practice of government that brings into existence what we now understand as the State. In this sense, the State does not have an essence. Once it is brought into being, it starts to exist through and only for itself. Thus, it is an effect of a regime of truth and practice – i.e., a particular way of governing this ensemble of things for transforming them into the right disposition. That is also why knowledge matters because it is these scientific knowledges such as the discourses of political economy or IR theories that are supposed to formulate respectively the principles and standards of truth for power to choose. It is then the power to decide for itself whether it has to conform its various practices to these principles and standards. Therefore, the State is not a static unity but the mobile effect which this changing knowledge/power regime has produced through its discourse and practice.

This Foucauldian theory can also be applied to the international level. The neo-liberal globalization since the 1970s can be regarded as the consequence of the rise of neo-liberalism. This new regime of power/knowledge has dismissed the regime of the so-called embedded liberalism and broken with the economic regime of Keynesianism. Since the early 1970s, the Keynesian paradigm had been gradually discredited and replaced by monetarism as what should guide macroeconomic policymaking – i.e., the manipulation of the supply of money in lieu of fiscal demand management. This new epistemological arrangement of economic practices and their guiding principle marked a paradigm shift. It is this new neo-liberal regime that has brought into being a new global economy of power relations that has been shaping our perceptual field of the world today. Therefore, in order to understand how China's perception of international monetary order has been shaped, it is better to study it first against the context of the rising American IR knowledge since the end of the Second World War.

### **Three discursive mechanisms: the strategic framing of perception**

In the postwar era, one of the most significant phenomena is the rise of neo-liberalism that has several significant consequences, for instance, the decay of the military grammar – i.e., *realpolitik*, and, at the same time, the ascendancy of the new strategic grammar – i.e., *geo-economics* since the collapse of the Bretton Woods system. The acute economic conflicts between trading partners since the 1960s have marked this new age. It is necessary to point out this fact because it is against this global context that China has been brought into the free world bloc since almost the same time – i.e., the early 1970s. This geo-economic shift

has led to the eventual formation of the Yuan-Dollar regime, which has strengthened the dominance of the US dollar-centric international monetary order. The rapid development of neo-liberal globalization also has the metaphysical consequence on the landscape of American IR discipline, for it has reshaped the entire discipline's perceptual field. The coming of the new epochal truth has given rise to the successive emergence of neo-realism (the 1960s), neo-institutionalism (1970s), and social constructivism (1980s) against the recurrent occurrence of collective problems in each phase of the coming of the new epoch – i.e., Gaullist France's challenge to the dollar-gold standard, the accrued level of complex interdependence among trading nations, the end of history. It is then necessary to see how this IR knowledge has narrated the origin of US dollar monopoly, US unipolar moment, and the beginning of the postwar international monetary order. It is within this hegemonic knowledge that the formulation of different principles and standards of truth has been made possible. For instance, the Triffin dilemma has been framed what is necessary for the functioning of the postwar international monetary system. It is in accordance with these principles and standards that France, Japan, Germany, and China have been identified with different characters; and that their roles are rendered meaningful to the postwar international (monetary) system. Hence, these three American IR paradigms have come to erect such things in the United States' perceptual field as what it is afraid of and what it likes to see. Their vivid existences represent nothing else but what reflects the effect of this knowledge and the exercising of the hegemonic power. The rise of this hegemonic knowledge reflects a global restructuring of reality. Thus, it would not surprise us that China's perception has also been strategically framed. It is also intriguing to see how the Foucauldian theory has also influenced American IR knowledge.

From a neo-realist perspective, following the end of World War II, the world system had finally seen the return of its natural order of things. The power balance between the United States and the Soviet Union had ensured the peace and calm in both the Far East and Europe. It was an epoch that coincided with the relatively stable period of the Bretton Woods system. However, this tranquility was disturbed by the rise of Europe and Japan since the 1960s. Their growing economic power started to destabilize the balance that underlay this natural order. As a natural consequence of the international anarchy, Gaullist France acted to undermine the dollar-gold standard. By 1971, the Bretton Woods regime did no longer serve the interest of the United States. In order to put out the fire in the system, the strongest state – i.e., the US government chose to close the gold window. So, the neo-realist narrative consists in telling us that these states – no matter what form they are – will perceive nothing else but insecurity, uncertainty, threat, and fear due to the self-help principle.

Likewise, China will also feel unavoidably vulnerable as its holding of US dollar assets increases. It will perceive the US dollar-centric international monetary order as what threatens it. All China's reactions, such as the creation of the AIIB and the NDB, are codified as what symbolizes a strategy which the Chinese State would have consistently pursued a long time ago with the secret aim of overturning US domination of the international monetary system. Both the United States and China have then no choice but to collide with one another as the natural consequence of the tragedy of great power politics. Obviously, China's cooperative response to the 2008 global financial crisis does not confirm this neo-realist thesis. My later discussion on the formation of the Chinese State will also question this hypothetical strategic consistency on the part of the Chinese State. However, it is clear that neo-realism aims to institute the abyss of fear among nations for restoring on earth the natural order of things – that is similar to the European equilibrium of the nineteenth century. This point is particularly important since the myth of hegemonic stability enables neo-realism to reveal to the US government a “fundamental truth” – i.e., the “invisible law” that governs the rise and fall of great powers in the international system. The natural mechanism of the international system will allow nothing to prevent the collision of the United States and China.

If neo-realists regard conflicts and fear as the natural consequence and effect of the anarchic international system, neo-institutionalists believe that the present international system is not natural at all. The liberal international (monetary) order is natural to nothing else but to the hegemonic action of the United States. The postwar order reflects the meticulous exercising of the United States' preponderant power and the far-reaching influence of its knowledge. In the international monetary area, it was the US government that had run large deficits in the current account so as to furnish the US dollar to the rest of the world that is short of liquidity in the immediate period after the Second World War. The Bretton Woods regime thus represented nothing but what the United States and the United Kingdom had planned for this system itself. It was designed in its origin to protect the creditor's interest. However, this creditor-debtor relationship was nearly broken in the late 1960s and the early 1970s. Because of the ever-growing US public spending and ever-active US military involvement overseas, the Bretton Woods system made the position of the United States change from a creditor country to a debtor country via its institutional mechanism that allowed Europe and Japan to exchange the excess dollars for gold from US Treasury.

Moreover, the last but not the worst, the Triffin dilemma started to overshadow the dollar-gold regime that had enabled the US government to enjoy an exorbitant privilege by issuing fiduciary money without making necessary adjustments. Eventually, when the US government's liabilities exceeded its reserve assets, it

would be a global financial catastrophe. Gaullist France had perceived this danger and thus demanded the reform of the Bretton Woods system and accordingly the necessary adjustment on the part of the United States. In the meantime, the US government refused to either adjust its domestic fiscal practice or support another international monetary regime anchored to gold. Even American neo-institutionalists admit that the Nixon administration made a myopic decision, strongly motivated by political incentive, to unilaterally cancel the US government's commitment to the international institution – i.e., the Bretton Woods accord.

However, to the surprise of neo-realists, the liberal monetary regime has not vanished. The burdensome work of building a new international monetary system has made Japan and European States believe that maintaining liberal rules and principles is feasible and less costly. In effect, from a higher perspective, the collapse of the Bretton Woods regime reflects an epistemological rearrangement of power, knowledge, and practice – i.e., the economic rise of Europe and Japan, the demise of Keynesianism, and the rise of monetarism. The new regime consists in instituting the Triffin dilemma as what is systematically necessary to ensure the global supply of liquidity via perpetuating the US deficits. In other words, the manipulation of money supply has become the new practice for governments. After a short period of chaos, the world entered in effect a *de facto* geo-economic competition and a currency war since 1976. The currency bloc was allowed to form. The world has subsequently seen the formalization of the eurozone, and the informal yen and dollar blocs. Eventually, the dollar regime has prevailed thanks to the support of China. It also must notice that thanks to the blessing of US deficits, the Chinese economy has grown up meteorically within this post-Bretton Woods system. Therefore, it should not be surprising to see that the Chinese State recognizes the stake it has in this US dollar-centric international monetary system in the wake of the 2008 global financial crisis.

To the surprise of neo-realists once again, unlike Gaullist France, rather than using the crisis as an opportunity to undermine the position of the United States, the Chinese State chose to support the dollar standard and to help stabilize the international monetary system. To a certain extent, the neo-liberal regime of truth has successfully reframed China's perception of the world. The liberal order itself also proved its resilience again, for it has framing effects in terms of shaping the rising state's perception. The zero-sum geopolitical rivalry is no longer desirable for both the United States and China in the neo-liberal world. After all, neo-institutionalism has helped to de-mythify several deeply entrenched beliefs, such as the myths of the liberal hegemon and of a China-led counter-hegemonic coalition. It consists in providing a method for both the West and East, to the United States, Europe, and China, how to create peace among them. It

also indicates the necessity to correct both China's neo-mercantilist tendency and America's populist ascendancy, for they threaten the deep order of the liberal international system.

Unfortunately, social constructivism, after years of development, still did not form into a coherent discourse. It failed to respond to the so-called post-modernist challenge and the intellectual invitation of the neo-neo synthesis because it has neither provided an adequate explication to the enigmatic formation of self-interests and identities nor to changes in perceptions and behaviors. Instead, this paradigm tends to promote myth-based interpretations of the postwar world and the rising states. It has created teleological narratives such as the myth of illiberal challenger or non-Western hegemony for the purpose of antagonizing the West and the non-West, and eschatological narratives such as the myths of clash of civilizations or American decline in which culturally different countries are doomed to collide with one another. In what pertains to the international monetary order, the myth of an endured embedded liberalism was quickly dismissed by the fast rise of neo-liberalism. On the other hand, constructivist theories tend to mythify the relationship between the world inflation and a liberal international economy into what must be enshrined as the normal phenomena, while deflecting the actual norm – i.e., no intergovernmental alternative such as the SDR to US deficits as the principal instrument of international liquidity creation. This paradigm also promotes the myth-based identity classification of States on their past, such as Britain's imperial past, France's syndicalist past, Germany's feudal past, and Japan's authoritarian past. Theories built on this paradigm will only see China as a natural antithesis to what defines the American self since they attribute a non-Western identity to China. The myth can inform China's perception of Tianxia – that is, a concept highly jargonized by both some Chinese and Western scholars over the past several years into what can be expediently employed to refer to almost everything from utopia to all the people. This absurd myth is also supposed to inform China's perception of international monetary order. Indeed, social constructivists are correct to point to a neo-mercantilist tendency lurking in China's behavior. However, it fails to determine the site of the formation of this knowledge and China's interest and identity. In effect, the paradigm does little help to explain China's perception or to build trust among nations. It only provides an antagonistic mechanism for producing – and reproducing – the fear of a non-American world, while deflecting the emergence of the actual problem “in here” that is ending the American experiment.

Through reexamining these three discursive mechanisms, the research has analyzed how China's perception and identity have been strategically framed and produced by the three American IR paradigms. All of them have been influenced by the Foucauldian theory to different extents. Among them, only neo-institutionalism

provides a more science-based explanation of China's perception of international monetary order. It is also a paradigm that is more compatible with the neo-liberal regime of knowledge and practice. Nonetheless, the lack of in-depth theorization of the Chinese state makes all of them vulnerable in the face of an extremely heterogeneous China. The dissertation aims then to provide a more promising perspective on the Chinese state formation and a more sounding explication for how it perceives the international monetary order through a Foucauldian inspired approach.

### **A new perspective on the Chinese State**

The being of the Chinese State as a coherent unity has already been demythologized. In fact, the early socialist regime of power/knowledge anchored in Beijing had entailed the so-called socialist transformation of the country through spatial rebalancing mechanisms such as the First Five-Year plan (1949-1954) with the aim of correcting the so-called coastal-inland imbalance. However, these egalitarian mechanisms have, in effect, instituted a distorted price regime and a highly centralized fiscal regime. The result was the dispossession of capital in China's former industrialized areas such as Tientsin and Shanghai, the impoverishment of peasants and workers, and the fast-industrial development of certain regions such as Beijing. Under this early socialist economic regime, Tientsin and Shanghai must remit a large portion of their revenue to Beijing, while receiving almost no state investment in return. Agricultural products were underpriced, and the wage of skillful workers and cadres was depressed.

Meanwhile, as the site of this highly concentrated power, Beijing enabled itself to confer a predominant position on itself in the new domestic hierarchical order. The unprecedented fiscal power made the city of Beijing become increasingly self-assertive vis-à-vis the central government and the rest of the country. It was determined to make itself the center of everything through its own discourse and practice, such as the urban planning and industrial investment, even though the State Planning Commission refused to ratify its proposal. However, its egocentric logic had quickly backfired. These uneven redistributive practices created new inequality while not nullifying the old regional disparity. Beijing's self-assertiveness towards the others gave rise to regionalism that jeopardized, in turn, the central government's authority. Needless to say, regionalism also entailed regional protectionism and vicious competition between provinces and municipalities.



Intriguingly, it was Mao Tse-Tung who started to question Beijing's egocentric logic and subsequently launched his decentralization reform since the mid-1950s. He believed that the problem could be solved by allowing each region to build an independent economic system so as to undercut Beijing's fiscal power and self-assertiveness. However, this reform had reinforced the interregional confrontation and activated the self-awareness of the regional identity of provinces and municipalities. In the later stage of his presidency, China had, in effect, no stable fiscal regime from 1970 to 1976. It almost changed every year. As a result, both Beijing's informal power and the central government's authority were undercut. When Deng Xiaoping came to power, China became a *de facto* collection of autarkic regional economies. Last but not the worst, the large fiscal deficits made his government even more vulnerable vis-à-vis the powerful subnational governments. In order to push ahead with his reform agenda, the central government must concede even more autonomy to subnational governments. As a result, this continued decentralization and power diffusion process had reinforced the autarkic ideology of the provinces and municipalities. The post-1978 reform transformed the entire country into a civil trade war zone coupled with the continued administrative war for competing for state investment. The provinces and municipalities acted as the sovereign country using all tools to protect and advance their own economic interests.

It must notice that the post-1978 economic reform was a one-sided, south-leaned strategy. It reflected a "right" disposition of things that disfavored the inland and northern China. In the meantime, it maintained the non-market characteristics of the planned economy, such as the distorted price system and the uneven fiscal redistribution system. As a result, this non-market-driven competition did not lead to the optimal redistribution of resources, but the formation of a triadic political economy. The uneven accumulation of capital had created the new epicenters of wealth – i.e., the three major loci of accumulation, Beijing-Shanghai-Shenzhen (the triad). Obviously, bringing China into the free world bloc had created a hybrid economic model. The guiding principle of this model was much more congruent with the economic interests of the triad. For example, former Premier and ex-mayor of Shanghai, Zhu Rongji (1998 – 2003) had explicitly forbidden the regions other than Shanghai and Shenzhen to develop the Stock Exchange Market, and subsequently forced the dissolution of all other stock markets by 1997. It was also during his government that the yuan-dollar standard was *de facto* established by pegging the undervalued yuan to the dollar. Needless to say, the current fiscal regime that made subnational governments addicted to selling land was also his legacy. Unsurprisingly, thanks to his government, Shanghai was recognized by the State as the head of the dragon to be China's future international financial center. Hence, the State's development strategy was, in effect, more consistent with the interest of Shanghai rather than that of the entire country at that time. Therefore, the right disposition of things in China has little to do with the so-called long-term

development planning that is highly inconsistent. It is the strongest municipalities and regions that produce the truth. In this sense, this right disposition reflects nothing else but their self-interests.

### **The derailment of the capital account reform in 2007**

It must be situated against the context of this complex domestic politico-economic order that a more promising explication can be derived for understanding why China itself disposed towards the American-centric international monetary order before 2008 and why it becomes thereafter increasingly discontented with the US dollar hegemony. In fact, almost at the same time with the outbreak of the 2007-2008 global financial crisis, the Wen Jiabao government (2003-2013) launched the Through Train scheme aimed to liberalize the capital account regime by opening an offshore financial market in Tientsin. The scheme had no ceiling and allowed the direct selling and buying of foreign securities and assets. However, its launch was suspended at last minute and later shelved infinitely since 2014. The common explanation was the fear of capital flight on the part of the central government due to the belief that free capital movement would threaten China's financial system, political and social stability. However, the fact tells that a contained capital account regime has done little help to curb the capital outflows. In the meantime, the shadow banking system has existed long before the design of this scheme. In effect, the Through Train scheme could provide additional tools for the central government to regulate the transborder capital flows and reduce financial instability. Nor did have the 2007-2008 financial crisis changed the Chinese state's perception at that time. In fact, the Through Train scheme was designed before the outbreak of the crisis. It was just a coincidence that two events occurred in the same period.

However, when the scheme was announced, the Wen Jiabao government had encountered fierce criticism from Beijing, Shanghai, and Shenzhen. Although the municipal government of Tientsin supported the Through Train scheme, the prominent intellectuals from Beijing-based academic institutes, the economic experts from Shanghai, and the financiers from Shenzhen came to constitute an anti-reform coalition. They resolutely objected to open the capital account, and even threatened the central government by warning of unforeseeable consequences for the Chinese economy at that time. Their expedient criticism ranged from national security to cultural identity. In fact, Shanghai and Beijing considered the Wen Jiabao government's strategy of rehabilitating Tientsin as the financial center of northern China as what aimed to balance them in the region and the country. Shenzhen also felt that its economic interests would be undercut. However, the most important and shared reason was that their fiscal power relied heavily on overpricing the land.

The current tax-sharing fiscal regime, which the Zhu Rongji government instituted in 1994, has enabled the subnational governments to finance themselves by selling their lands. Since the 2005 exchange rate reform, the appreciation of China's Yuan was anticipated. Most capitals prepared to flow out from the outdated export-oriented industrial sector. Within a contained capital account regime, these capitals could only opt for very few investment choices. Most of them would opt for the housing market in Beijing, Shanghai, and Shenzhen. Thus, the wealth of the three richest Chinese cities was built upon this booming housing market. However, the liberalization of the capital account would allow mainland investors to have much more investment options other than their housing markets. Needless to say, their oligarchy of China's domestic financial system would also be broken because the Through Train scheme would permit the direct selling and buying of foreign assets via the Bank of China (Tientsin) without financial intermediaries that operate mainly in Shanghai, Shenzhen, and Beijing. That was why the triad resolutely opposed the central government and Tientsin because this reform would, from a Foucauldian inspired perspective, fundamentally change the Being of the Chinese State.

It is important to note that their menace should not be underestimated since the central government's authority had been significantly reduced after years of decentralization. Power had been considerably dispersed and diffused in China, especially in the financial area. The triad-based interests could organize non-market financial flows to flood the Tientsin and Hongkong markets within very short periods recurrently so as to destroy the nascent open capital account regime. It was supposed to happen if the Through Train scheme was launched. Under the enormous pressure from the triad, the Through Train scheme was postponed since August 2007. After several failed reprises by Tientsin and the State Council, the scheme was eventually shelved infinitely since 2014 after the coming of the new government. As a result, the so-called long-term state strategy was once again undermined. In this rarely recounted case, the State Council – i.e., the representation of the State itself and Tientsin constituted the pro-opening coalition; Beijing, Shanghai, Shenzhen, and their associated interests constituted the anti-opening coalition. Therefore, the actual reason why the Chinese State did not fulfill its promise of opening the capital account had little to do with the resentment at the dollar's dominance between 2003 and 2013 but had everything to do with the narrowed self-interest of Beijing-Shanghai-Shenzhen.

### **China's regional identity and road to modernity**

From this case, the study has shown the impact of the various identities of the municipal and provincial entities on China's politics. First, Shenzhen considered itself "the window of China" and the head of the

Cantonese region. As a municipal entity, it does not exist before 1979. It is Power's imagination of opening up a "southern door" of the country that has brought it into existence. Hence, the city understands that it comes from nothing and represents nothing to Power. However, the city itself symbolizes the legacy of Deng Xiaoping's reform and opening-up policy. From this symbolic source of power, it has managed to maintain its dominant role in the Pearl River region. Second, since the early 1990s, Shanghai regarded itself as "the head of the dragon" – i.e., China's future center of international finance. The Zhu Rongji government crowned Shanghai the only financial center of mainland China by deliberately outlawing the other stock markets (except Shenzhen) so as to rearrange the entire country into a disposition in support of Shanghai's own ambition as the sole financial hub and connection of China with the world. The city also regarded itself as the lead of the Yangtze River region.

Last but not least, since the early 2000s, Beijing has started to plot the domination of China's financial system. In fact, the capital city perceives itself from the anticipation of the past (i.e., the feudal empire), as not only the natural center of China but also the central node of global flows – i.e., capital, technological, cultural, and information flows. This global ambition has been explicitly expressed since 2014 after the coming of the new central government. However, it must be noted that Beijing's new financial dream has been frustrated before 2014 due to Tientsin's opposition and the Wen Jiabao government's support for Tientsin. Indeed, this Beijing dream can be congruently linked to its early discourse since the very beginning of the PRC when Beijing becomes once again the capital of this country. Its long and traumatic decline since the late nineteenth century has made the city's discourse harbor a vengeful tendency, upon which its ambition to reclaim its natural centrality of all under the sky [Tianxia] unfolds. The Beijing-based institutes and intellectuals, especially from the doctrine of economic geography, have crafted not only the prototype of the current Big Beijing plan in the early 2000s but also the project of the OBOR launched since 2014. To be sure, the OBOR is just an international analog to the domestic project of the Big Beijing. Two projects can be congruently articulated upon one another since they emanate from the same centripetal logic and share the same objective to make Beijing the center of the new world economy. In short words, these three cities, especially Beijing, possess strong capacity in terms of the symbolic production of reality and the discursive production of truth. They are narratively capable of gradually realigning the state interest with their own beliefs.

Besides the triad's self-justifying narratives, it is much worth noticing Tientsin's unique identity. In fact, among China's few early modern urban areas since the late nineteenth century, it is confident to say that

only Tientsin had a recognizable success of modernization in both political and economic sectors. Tientsin was not only the birthplace of China's modern banking that had a financial might as once the "Wall Street of North China" matching the "Shanghai bound"; but also that of first modern public institutions such as the university, the post, the police, and the assembly in the country. Indeed, Tientsin's complete modernization only constituted an ephemeral moment in China's tumultuous history of the late nineteenth and the first half of the twentieth century. However, the experience of Tientsin that the city had developed a unique social structure able to reconcile Chineseness and modernity consists in indicating a feasible path for China to adapt to modernity. To a certain extent, the cosmopolitan identity of Tientsin embodies one of China's possible future. From the remembrance of this modern future, Chinese statesmen can, in effect, inspire themselves. To be sure, this Tientsinese culture does have created ripples on China's politics. The impact of Tientsin's cultural identity on China's politics can be easily found not only in the 2007 financial reform but also in the country's top leaders. In fact, there were only two top leaders who are native of Tientsin – i.e., Li Ruihuan (former mayor of Tientsin) and Wen Jiabao (former Premier). However, both of them were considered together with Hu Jintao (former President) as the key to reform the country's political system in the early 2000s. Indeed, the expectation was not met. However, their record indicated their positive attitude towards the modern international order.

Needless to mention that Li Ruihuan and Wen Jiabao were vocal to support the modernization of the state, and President Hu Jintao's slogan "non-faire-faire" ["Bu-Zhe-Teng"] was congruent with the open market economy principle. After all, their support for opening the capital account was not a coincidence. The Tientsinese impact was also reflected in the tectonic shift in the State Council's management style from Zhu Rongji's supremely self-assertive, brusque conduct to Wen Jiabao's deliberative, consensus-based conduct. Needless to mention again, the Through Train scheme is just a replica of Tientsin's proposal of the 1990s. The Tientsin-based bankers have a long-standing position in support of the financial liberalization. The Wen Jiabao government elevated Tientsin's financial proposal to the national strategic level in 2006. This act of the central government clearly indicates that the Chinese State had perceived the liberal international monetary order as what was desirable to the Chinese economy at that time.

## **Epilogue**

*Grosso modo*, my Foucauldian inspired perspective offers an alternative but more effective approach to study China. It has provided a more sounding and realistic explication of why China's response to the 2008 global financial crisis was cooperative, of why China disposed itself towards the US-centered international

monetary order before 2008, and why it started to appear discontent with the US dollar hegemony thereafter. The Chinese State had held a positive perception of this dollar-centric international monetary system, at least, by early 2013. It was enthusiastic to dispose the country's financial system towards the existing international monetary order in accordance with a more or less liberal vision. The derailed 2007 reform of the capital account regime had not so much to do with China's discontent with the role of the US dollar. The derailment owes to the fact that the reform would fundamentally reshape the contour of the political economy of China, not just its financial system. The "right" disposition of things that had been deliberately established by the previous administrations in favor of Beijing-Shanghai-Shenzhen would be disturbed. It would potentially entail a radical change in the guiding organizing principle of the economy at the expense of the interests of Beijing-Shanghai-Shenzhen. An open capital account regime would cool down their housing markets and devalue their lands so as to undercut the fiscal power of their municipal governments. Needless to say, the Through Train project would rehabilitate the Wall Street of North China – i.e., Tientsin, which had been regarded as the Wen Jiabao government's strategy to rebalance Beijing and Shanghai. A regional discourse-based perspective reveals nearly all domestic reasons for why the liberalization of the capital account had been objected, suspended, and shelved infinitely since 2014 after the arrival of the new government. My approach suggests that any eventual radical change in China's course of development and the yuan internationalization should be demarcated by the stepping down of the Wen Jiabao government in March 2013. However, it is out of the scope of this dissertation.

In the end, among the criticism against the reform since 2007, this dissertation raises attention to both Beijing's enormous capacity to produce the symbolic source of power, and the rise of the Beijing-centric economic geography that harbors the city's local ideological tendency to reclaim the imagined centrality of all under the sky [Tianxia]. This tendency that lurks in the deep stratum of Beijing's own culture is increasingly problematic since the identity of Beijing (as the capital city) has strained at monopolizing the story of China's economic miracle. It should take note that Beijing has imagined itself as the natural center of China and the world a long time ago. The consequence of this wishful imagination of nothingness has been the Big Beijing and the OBOR projects. However, even its regional ambition to position itself as the center of Jing-Jin-Ji (Beijing-Tianjin-Hebei) had been frustrated by the previous municipal governments of Tientsin (Tianjin) by 2013. Nevertheless, its growing might still weighs on the surrounding region, the country, and the rest of the world. Its symbolic power is reflected in the discourse of the Beijing-based institutes, scholars, for they consciously or unconsciously direct us to read China's stories based on the same meta-narrative. No matter how various their stories are, they only prescribe the same narrative that will not advance any meaningful change since they recount what belongs in effect to the same meta-

narrative system that dichotomizes tradition and modernity. Indeed, it is not easy to find a way to make modernity and Chinese tradition co-live with one another. However, Chinese culture is also very heterogeneous and diverse. Most importantly, there is a possible future that has been embodied in Tientsin's cosmopolitan experience and identity, which informs a bright path to reconcile Western norms and Chinese values in this small enclave of the world since the late nineteenth century.





**Appendix: Chinese documentary resource**

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