

**The Art of (Trade) War: Examining the Relationship Between the  
Political Economies of the U.S. and China Through the Lens of Previous  
Machiavellian Moments**

A Honors Political Science Thesis

by

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Presented to the

Department of Political Science

in fulfillment of the requirements

for the degree with honors

of Bachelor of Arts

Trinity College

Duke University

March 2019

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## **Acknowledgements**

First, I would like to thank Professor Edmund Malesky for all of the advice and supervision he provided to me throughout the writing of this paper. Without his suggestions and revisions, I would not have been able to get to this point. I would also like to thank my friends and family who were willing to put up with me sending them countless versions to read over and revise. Finally, I would like to thank Duke University and the political science department for this opportunity. I have learned a great deal not only about this topic and how to write a thesis but about myself and what I can achieve. Again, thank you and I wish you all the best.

# 1 Abstract

The topic for this paper resulted from an interest in the political thought of J.G.A Pocock, who I studied during my time at Oxford University. With the elements of the current US-China trade war under the Trump administration dominating the mainstream news cycle, I noticed a considerable amount of political and economic overlap between what I had studied at Oxford and what was going on now. This paper analyzes how the trade war between the United States and China is similar to that of the economic and political dispute between the English and the Dutch during the 17<sup>th</sup> century. Along the way, a revisiting of the political and economic theory behind the Machiavellian Moment, neo-Machiavellian political economy, and the rise and fall of the English and Dutch hegemonies was conducted. I then compared this compiled data with the trade policies and economic statistics of modern day China and the United States. Additionally, it evaluates whether there appears to be any significant overlap between the two eras with regard to the underlying cause and subsequent responses. From there, similarities and differences were drawn and logical intermediary conclusions were made based on the trends of each country's political and economic structure. The study concludes that there is considerable correlation between the political economies of the Netherlands in the sixteen hundreds and the United States today as well as England in the sixteen hundreds and China today. Both sets of countries in each era encountered their own Machiavellian Moment and responded by either embracing a neo-Machiavellian political economy in the case of England and China, or maintaining their own problematic political economy in the case of the Netherlands and the United States.

## 2 Introduction

Niccolò di Bernardo dei Machiavelli has been hailed as one of the fathers of modern political science, providing the basis for classical republicanism, materialism, and realpolitik while inspiring everyone from David Hume to the Founding Fathers and even Tupac Shakur.<sup>1</sup> His prominence in political science has led many political phenomena to bear his name. One of these phenomena was developed in 1975 by J.G.A. Pocock – the Machiavellian Moment. A Machiavellian Moment in a political economy is comparable to the moment of existential crisis in an individual. The Machiavellian Moment is the point at which a national culture realizes the possibility that it may dissolve amidst the chaos of immediate history and attempts to preserve its existence through potentially radical reorientation.<sup>2</sup> Trade wars can often act as catalysts for this type of phenomenon, their impacts on the personal wallets of the populous bring forth reactions which may have been previously pushed aside as mere paranoia. In the United States, political polarization, or what can be seen as a reorientation of values, has more than doubled. In 1940, the average distance between the mean position of the two parties differed by 40%; however, as of 2015, their difference had increased by 112%.<sup>3</sup> The polarization of the US is the highest it has been in 125 years. This, combined with the emergence of the American-Chinese trade war, seems to suggest a resurgence of the Machiavellian Moment in the modern day.

I became interested in this topic during my time abroad at Oxford University, where I studied Modern Political Thought. In this class, we broke down J.G.A. Pocock's and Ivan Hont's books on the Machiavellian Moment. During our discussions, I began to notice similarities in the

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<sup>1</sup> Lahtinen. *Politics and Philosophy*. pg. 115-116.

<sup>2</sup> Pocock. *The Machiavellian Moment*. pg. 64-65, 486.

<sup>3</sup> Persily. *Solutions to Political Polarization in America*. pg. 17.

theories of political economy present in Pocock's Florence vs. Italy, Hont's England vs. the Netherlands, and today's United States vs China. Not only were there similarities in their trade policy, but the Machiavellian Moment seemed to have permeated the actions of the leadership and the general populace. Recently, the language used in the United States by the voters, news media, and candidates was evidence that the American empire was approaching a critical juncture, where the voters on both sides were fed up with the past systems. A divide opened up between the two sides of the political spectrum that seemed wide enough to warrant discussion of another civil war by the mainstream news media. In an election that came on the heels of global terrorism, economic uncertainty, and international ideological struggles, there was a concerted effort on both sides to frame the election in terms of one where, if the wrong choice was made, it would spell the end of American dominance. This was the overlap with the traditional Machiavellian Moment that drew enough of my interest to believe that this phenomenon is worth at least documenting if not researching for the purpose of preparing for the potential results.

This study could prove useful to students of foreign policy, political scientists, economists, and the general public. Furthermore, this thesis will be a beneficial contribution to the existing literature and could provide the foundation for future research. The ramifications of such a transition could be another area of future research. Regardless, this topic will be in response to the hypotheses of Hont and Pocock and will establish a continuation of the canon of the Machiavellian Moment debate and its implications in political theory.

## **2.1 Machiavellian Moment**

In the Republican tradition, the nation attempts to realign itself toward a source of moral and political order, which offers stability amidst seemingly irrational world events. This is a moment of fluidity in the national order, wherein multiple real paths toward the future open up before the national community, many of which end with the destruction of the polity.<sup>4</sup> This Machiavellian Moment produces a Neo-Machiavellian system of political economy where the realigning of the nation's values expands to their economic policy as well as their foreign investment strategy. In a world that attempts to live "post hegemony," it is essential to track the rise and fall of the "neo-Machiavellian heritage." Through this, one can see how closely interwoven the future of free trade, liberty, and the "expansive empire" truly are. In a political atmosphere where it seems every new day presents a possibly path-altering development, national cultures are showing the signs of a Machiavellian Moment. The best example of a Machiavellian Moment in relatively recent history is that of the trade war between England and the Netherlands in the 1600s.<sup>5</sup> As mercantilism began to rise in England, government controlled corporations were able to dominate the economic policy and practice of the country. They did this by monopolizing certain markets, forbidding certain forms of foreign trade, subsidizing manufacturing and exports and imposing tariffs on imports.

## **2.2 Hegemonic Stability Theory**

The United States and China have a long, tumultuous history, embracing or distancing themselves from each other depending on their objectives. While certain economic anxiety and trepidation has been brewing in the background for decades, the United States' and China's

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<sup>4</sup> Pocock. *The Machiavellian Moment*. pg. 84-85.

<sup>5</sup> Hont. *Jealousy of Trade*. pg. 194-201.

differences finally came to a head with the election of Xi Jinping in 2013 and Donald Trump in 2016. The Oxford Dictionary defines a trade war as a protectionist situation in which two or more countries try to damage each other's trade by the imposition of tariffs or quota restrictions. However, it is often much more complicated than that. This specific instance has both political and economic roots. Trump's initial tariffs in 2017 came with a call to return production back to the US, warning companies that, should they continue to move their production facilities to places like China, these are the types of tariffs they can expect to face.<sup>6</sup> However, China's rise in global economic power as a result of becoming a production hub has presented an interesting challenge in global political theory. The theory of hegemonic stability states that international economic and political systems are more stable when presided over by a single nation-state, a hegemon.<sup>7</sup> A hegemon exercises power and influence through diplomacy and persuasion of all forms. A decline of the previous hegemon or the rise of a challenging one produces instability not only in the relevant countries' systems of political economy but in the international political economy as well.<sup>8</sup> This dispute over who possesses the power of the stabilizing hegemon often leads to what Robert Gilpin calls a "hegemonic war," in this case manifesting itself principally in the form of a trade war.<sup>9</sup> All though tariffs are one form of ammunition in this type of conflict there are others. These may include influence excerpted by China through manipulations of its currency to reduce the price of exports, the provision of free working capital or subsidies in the form of VAT concessions on goods leaving the country.

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<sup>6</sup> Niquette. "CEOS Are Scrambling to Avoid Trump Tariffs."

<sup>7</sup> Gilpin. "The Theory of Hegemonic War." Pgs. 606-608.

<sup>8</sup> Keohane. *After Hegemony*. Pg. 58.

<sup>9</sup> Gilpin. *The Political Economy of International Relations*. pg. 86.



In traditional hegemonic stability theory, the old hegemon declines in two forms: economic power and then military strength. In the case of England and the Netherlands, England was able to use their new-found wealth to reinvest in their military, eventually surpassing the Dutch and the Spanish. While the United States continues to dominate both areas, China's status as the nation with the second highest GDP (purchasing power parity) poses a significant 'threat' to that US domination. The decline of the US could come about in the form of its national debt which is expected to reach at least 145% (of GDP) by 2050.<sup>10</sup> Similarly, the US military currently represents the world's greatest military strength but that military is stretched out over 55 countries, while the Chinese military is currently undergoing industrialization at home. For years, Gilpin has claimed that too much outward flowing foreign direct investment and imperial overstretch are the main reasons hegemons fall.<sup>11 12</sup> These are some areas to watch should there be any hegemon transition that follows the historic pattern.

### **3 Research Question**

The main question that my paper will focus on answering is:

- *How is the trade war affecting the political economy in China and the US?*

Along the way, I plan to explore secondary questions and based on them, make intermediary hypothesis based on the existing data. These secondary questions are:

- *Is this a Machiavellian Moment?*
- *Is it a Neo-Machiavellian Political Economy?*

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<sup>10</sup> U.S. Government Accountability Office. "America's Fiscal Future."

<sup>11</sup> Gilpin. *US Power and the Multination Corporation*.

<sup>12</sup> Gilpin. *The Political Economy of International Relations*. pg. 86.

- *Is this a repeat of what happened between the UK and the Netherlands?*

My hypothesis for my main research question is that this trade war is changing the applied theory of political economy in China and the US by creating a Machiavellian Moment, which is turning their respective environments towards a Neo-Machiavellian economy. This is comparable to, if not a repeat of, what occurred between England and the Netherlands in the 1600s.

## **4 Literature Review**

There has been significant research about the individual economic and political environments of China and the US but few comparing the change undergoing their theory of political economy in comparison to each other as well as tracking the role that neo-Machiavellian systems of political economy can play in their respective areas.

### **4.1 Mercantilism**

Mercantilism has its roots in Venice and Florence, eventually becoming the dominant economic theory throughout Europe during the 17<sup>th</sup> century. Put simply, mercantilism is a form of economic thought and policy that allows for government intervention in a nation's economy in order to augment and increase state power and wealth at the expense of foreign power and wealth.<sup>13</sup> Typical forms of mercantilist policy are tariffs, non-tariff barriers, subsidies for foreign direct investment (FDI), currency manipulation, sanctions, and threats of violence. Mercantilist tariffs focus on taxing the import of products that are in direct contest with domestic industries as well as on products that could be deemed essential to a competing foreign power. Non-tariff

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<sup>13</sup> Magnusson. *The Political Economies of Mercantilism*. Pg. x.

barriers encompass a wide range of policies but the most commonly used versions are import quotas, content requirements, and domestic subsidies. Subsidies can also come in the form of FDI, where the mercantilist economy seeks to prevent the siphoning of money from a specific industry by a foreign business. They do so by subsidizing investment in this foreign business to the point of possessing a controlling share, allowing them to ensure they receive a portion of the profits or dictate the businesses' future role in their economy. Mercantilist economies will also seek to manipulate the value of their currency, either through buying and selling large quantities to increase or decrease supply and demand or by eliminating the free market mechanism and manually setting the maximum or minimum exchange rate allowed. Typically a last resort, sanctions and threats of violence are the most aggressive forms of mercantilist policy. Both are used to strongarm foreign countries and their economies to capitulate to the demands of the domestic government. The Machiavellian Moment requires an economic policy that allows the government to directly inject and influence the agenda of the economy meanwhile shaping the economic outlook of the general public. Mercantilist policy is the best way to do that due its likelihood to produce centralized institutions and allow the government to harness the power of the economy to restructure the economic value system.

England was one of the first nations to implement mercantilist policy on a national level, focusing on the tenets of mercantilism that include, making use of more efficient production, encouraging and subsidizing manufacturing positions, discouraging imports and increasing exports.<sup>14</sup> Mercantilism is relevant to the Machiavellian Moment because England's use of mercantilism in response to their Moment allowed them to become independent from foreign markets and surpass the non-mercantilist Netherlands. It is also relevant to the modern

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<sup>14</sup> Drezner. "Mercantilist and Realist on the Global Political Economy." Pg. 2.

comparison of China and the US because China appears to be practicing a form of neo-mercantilism, which is helping them accumulate enough power to potentially rival the US for the hegemon position.<sup>15</sup> Neo-mercantilism differs from traditional mercantilism in that, where mercantilism focuses on domestic reserves and uses tariffs, neomercantilism focuses on foreign reserves and tends to explore more non-tariff barriers. On the other hand, the US is caught up in a battle between the liberalization of their domestic economic policy and the mercantilism of their foreign policy. Furthermore, Gilpin suggests that a form of benign mercantilism is the premiere form of economic policy for stability in today's post-liberalization world. Benign mercantilism is categorized by defensive policies that are built to protect domestic values and interests.<sup>16</sup> This benign mercantilism and neo-mercantilism is often present during a Machiavellian Moment. The political and social foundations of neo-Machiavellianism and mercantilism share a lot of their underlying theory, leading mercantilism to be a logical conclusion for a country encountering a Machiavellian Moment to reach. Mercantilist is primarily driven by a protectionist and nationalist mindset, thus making it the perfect "strong ancient legislation" when seeking to quickly restructure a political economy. Both mercantilism and neo-Machiavellianism strive to make the nation non-reliant on foreign entities for capital and instead seek to the increase or restore the influence abroad of the domestic nation. Alexander Hamilton wrote, "Not only the wealth but the independence and security of a country appear to be materially connected with the prosperity of manufactures. Every nation, with a view to these great objects, ought to endeavor to possess within itself all the essentials of national supply." Mercantilists, like Hamilton, also believe that this form of commerce can augment state power.

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<sup>15</sup> Schröder. "Mercantilism and China's Hunger for International Reserves."

<sup>16</sup> Gilpin. *The Political Economy of International Relations*. pg. 404.

Thus, when a nation is in a state where it seeks to increase or restore order at home and abroad, it makes sense that neo-Machiavellian political economies would be drawn to some form of mercantilism.

## **4.2 Chinese Theory of Political Economy**

In the 90's, intersection of globalizing forces present in the international market and the poor handling of the domestic economy led East Asian economies to suffer the worst economic crisis since the 1930s. From then on, China has been in rebuild mode. Prior to this crisis, China had been the second largest recipient of foreign direct investment, behind the United States.<sup>17</sup> As a result of this collapse, the Chinese economy has begun to slowly transition from communist to market-based with aspects of democratic influence.

In 1978, Deng Xiaoping and Chen Yun continued the process of post-Mao modernization of the Chinese economy. Having rejected “the leap forward” started by Hua Guofeng, Xiaoping and Yun began their reform by moving investment from heavy industry to light industry and agriculture, as well as, affording new rights to state enterprises. However, while these changes were largely occurring around Beijing, the true economic transition was happening in the rural and private sectors of China, with the farmers and Special Economic Zones. Beijing's willingness to leave these groups alone allowed entrepreneurship, mild forms of capitalism, and market forces to creep its way into China. These competing versions of economic reform required the government to privatize some of their state enterprises in order to save them from

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<sup>17</sup> Gilpin. *Global Political Economy*. Pg. 290.

being surpassed by the private sector.<sup>18</sup> This competition contributed to the development of a common national market, and the form of capitalism we see in China today.

China has risen in power through the actions of the CIC SWF, the China Investment Corporation Sovereign Wealth Fund. Possessing the world's largest sovereign wealth fund has allowed China to make debtor countries such as the United States, Australia, and Brazil reliant upon them for any long-term goals. For example, the CIC cemented its stake and role in the global financial industry by purchasing a \$5 billion stake in Morgan Stanley, Blackrock, and JC Flowers during the 2008 financial crisis. The CIC has been used to “maximize the country's rate of economic growth by securing foreign assets in industries the government deems essential.”<sup>19</sup> In October 2018, China owned 28% of the US national debt. Thus, while the investment in the financial industry allows them to have a seat at the boardroom table, the stockpiling of US treasury bonds gives them the ability to influence the US trade policy via the unspoken threat to sell off their bonds at a rapid pace, sending the US economy into a spiral.

China's recent transition is setting an example for the developing world, who are trying to establish their place in the international order while maintaining independence of culture and politics. For them, China is offering a path to relevance “in a world with a single power,” one that does not entail complete dependence on that power to maintain that relevance. However, this Chinese path includes a form of nationalism that inherently threatens regional stability with neighboring countries, in their case, Japan and Taiwan.<sup>20</sup> This position poses a threat to these countries because a China first mentality will be inherently detrimental in dealings that pertain to the entire Eastern Asia trading bloc. Japan is China's closest major economy and if they start to

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<sup>18</sup> Coase. “How China Became Capitalist.”

<sup>19</sup> Clark. “The Political Economy of the US-China Trade.” pg. 98.

<sup>20</sup> Breslin. “China and the Global Political Economy.” pg. 107–110.

try and move into areas the Japanese control then it may offend previous sensitivities. Also, if China is able to take control as the world's economic hegemon, there would be nothing to stop them from resuming their political fight to take back Taiwan. Currently, the threat of sanctions from the United States and Europe is enough to have made them back off the aggressive rhetoric in relation to Taiwan. These threats will most likely do little to scare them off from annexing the country should they possess hegemonic status, in fact, it would make sense that they would be in a position to threaten sanctions on those who oppose their plans. This can be seen in Trump's Iran sanctions where any other country seen supporting Iran will be threatened with sanctions by the US.

### **4.3 U.S. Theory of Political Economy**

“The American system of political economy is founded on the premise that the primary purpose of economic activity is to benefit consumers while maximizing wealth creation.”<sup>21</sup>

In 2000, the Federal Reserve dominated economic policy. As Bush took office, the welfare reforms of Clinton carried over and, due to an economic surplus, Bush aimed to lower taxes. However, the tax cuts led revenue to fall and the wars in the middle east drove spending up. All of this meant that the government would be running a 3.5 percent of GDP deficit by 2004.<sup>22</sup> This deficit led to a decrease in domestic investment. As domestic investment continued to decline, income inequality continued to grow. This trend was only intensified by the Great Recession. In the background of the domestic issues, globalization was spreading through the world economy. In order to maintain its position of power and relevancy, the United States had

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<sup>21</sup> Gilpin. *Global Political Economy*. Pg. 150

<sup>22</sup> Eisner. *The American Political Economy*. Pgs. 415 - 435.

to expand trade policy and economic integration. However, this resulted in the loss of manufacturing jobs and built upon the preexisting income inequality. While the United States would possess 28.1 percent of the world's merchandise exports after WWII, they would only have 8.3 percent by 2011. This caused them to fall behind China, who was responsible for only 1.7 percent in 1985 and had increased to 10.7 percent by 2011. This would have been okay if imports were also lowering proportionately but the United States, as of 2011, was still the largest importer in the world.<sup>23 24</sup>

The memory of these issues and the threat of an entitlement crisis loomed over the 2016 presidential election. People on both sides of the political spectrum still had problems with the job market and healthcare as a result of these shifts. On the conservative side, there was a considerable call for a “corrective counter-movement” to the rise of globalization, both socially and economically. Working class jobs had left American soil at seemingly dizzying speeds and people were looking for someone to blame. Thus, with Trump assuming office and promising his voters that exact corrective counter-movement, the focus of American trade policy turned from trying to establish a dominant place in a globalized economy to figuring out how to rebuild at home, raise the US percentage of exports, and address the issue of being undersold by the Chinese manufacturing industry.

#### **4.4 U.S.-Chinese Relations**

Robert Gilpin rejects the idea that the world economy is run solely by economic laws but instead believes it to be heavily influenced by political boundaries and the economic policies and

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<sup>23</sup> Eisner. *The American Political Economy*. Pg. 332.

<sup>24</sup> “Economic Report of the President (2013).” Pgs. 24-25.



motives of each individual actor (states). This relationship defines his interpretation of international political economy. However, no longer is the international political economy exclusively decided by the state actors but also by the multi-national corporations. The impact these corporations can have was seen in the nineteenth century when a conflict between large scale firms and the wants of Europeans almost resulted in the downfall of capitalist structure.<sup>25</sup> An example of this could be seen during the Great Recession in the US when certain corporations were deemed “too big to fail” and their bailout became part of the political debate and election platforms.

An important difference between trade disagreements today and those in the 17<sup>th</sup> century is the existence of international multilateral institutions, such as the WTO and IMF. While the WTO and IMF lack the ability to directly carry out trade agreements, they can use their influence to broker and shape them.<sup>26 27</sup> As a multilateral institution, they are not beholden to one particular participant, which allows them to pass judgment on trade practices from an outsider position. An example of where this may be relevant with the US and China is the investigations that these institutions carry out which could change the path of trade discussions. For example, when China was accused of currency manipulation, the IMF and US Treasury were asked to investigate and found no evidence of such practices.<sup>28</sup> Similarly, at the time of this paper, the WTO has announced that they plan to investigate Trump’s China tariffs.<sup>29</sup> These investigations by these types of institutions could add to or eliminate any validity from either side of the

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<sup>25</sup> Gilpin. *Global Political Economy*. Pg. 302

<sup>26</sup> Maggi. “The Role of Multilateral Institutions.” Pg. 190.

<sup>27</sup> Chorev. “A Comparison of the IMF and the WTO.” Pg. 460.

<sup>28</sup> *Treasury Report on Macroeconomic and Foreign Exchange Policies of Major Trading Partners*.

<sup>29</sup> Baschuk. “WTO Launches Investigation into Trump’s China Tariffs.”

negotiating table, creating an additional variable that was not present to influence trade agreements between countries like 17<sup>th</sup> century England and The Netherlands.<sup>30</sup>

The creation of international institutions have posed the greatest benefit to developing nations. Specifically, institutions like the World Trade Organization have been crucial in helping China gain access to the global market. The WTO has been responsible for a reduction in non-tariff barriers on China, allowing it to become one of the most important Asian exporters.<sup>31</sup> The WTO's safeguard provisions prove a threat to any form of exponential growth in China's export market share as they encroach on shares currently deemed essential to other partner nations. Thus, the WTO has been directly influential in reducing the average tariff rate on imports and causing China's recent move to diversify their export base as a result of their commitment to reduce non-tariff barriers leveled at China.<sup>32</sup> This follows the historic suggestion that shows international institutions produce more international trade. In fact, recent studies reveal that if the WTO did not exist, there would be an average increase in tariffs for each country by 32%.<sup>33</sup>

The US and China have borne first-hand witness to the results of the nationalistic, industrial, and state-centric mindset that made them into the powerhouses they were prior to the Cold War. The Cold War and the two World Wars made their nations into actors who could bend the global and domestic economy to the needs of the nation. With the rise of globalism, their ability to continue to do this has dwindled (at least on the global scale), causing these actors to return to the solace of their more nationalized, industrial, and state-centric ways.<sup>34</sup> When a

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<sup>30</sup> Maggi. "The Role of Multilateral Institutions." Pg. 191-192.

<sup>31</sup> Blancher. *China: International Trade and WTO Accession*. Pgs. 3-6

<sup>32</sup> Ibid. Pgs. 7-8

<sup>33</sup> Silva. "Cooperation in WTO's Tariff Waters." Pgs. 1302-1338.

<sup>34</sup> Gilpin. *Global Political Economy*. Pgs. 376-388.

solution is disagreed upon, it results in uneven growth which slowly erodes the foundations of that stable economy as well as the economy of the respective actors. Once this occurs, a new foundation must be established otherwise a new global leader must be found.<sup>35</sup>

In the US and China, “changing patterns of comparative advantage are believed to outweigh the advantages of further trade liberalization by allowing the market to determine the location of global economic activities.”<sup>36</sup> As capital has been freed up and financial markets integrated, certain actors like the US believe their macroeconomic policy autonomy and the ability to control their own economies has been greatly reduced. Similarly, Asian economies, including China, have begun to encourage greater use of Asian currencies and have distanced themselves from the international use of the dollar.<sup>37</sup> “Government intervention in the areas of trade, money, and production has grown despite the revival of neoconservative values.” Between the US and China, a system of “sectoral protectionism” is rising. This has marked the rise of what Gilpin calls the “New Protectionism.” New Protectionism occurred when a country places nontariff barriers on trade with a foreign entity such as when the United States assigned quotas on what must be exported from the US or when China imposed voluntary export restraints on the Japanese.<sup>38</sup>

Before the Trump administration, the writings of Michael Pillsbury had been dismissed as conspiracy theories. However, that all changed for Pillsbury, a former Pentagon official under Bush and the current head of the Chinese section of the Hudson Institute, when Trump deemed

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<sup>35</sup> Gilpin. *Global Political Economy*. pg. 387-388.

<sup>36</sup> Ibid. Pg. 347.

<sup>37</sup> Ibid. Pgs. 234-240.

<sup>38</sup> Ibid.. pg. 102.

him “the leading authority on China.”<sup>39</sup> Although Pillsbury’s writings have been quite controversial in the past and have been denounced by the Chinese government, they are still relevant since he is now Trump’s designated expert on dealing with China. The main reason for focusing on this theory is that it has begun to shape the US foreign economic policy as well as the economic institutions under Trump. As well as being one of Trump’s closest advisors, Pillsbury also functions as a consultant on China for the US Department of Defense and was on the US-China Economic and Security Review Commission. Furthermore, with an endorsement from Trump, Pillsbury’s theories and stance on China have begun to permeate the Trump base, influencing the layman outlook on China.

Pillsbury’s theory is as follows. Thirty years ago, the United States sought to help China become prosperous in the hope that if they were successful, the middle class would demand democracy and the world would see a massive embrace of American/Western values.<sup>40</sup> However, this was exactly what China wanted America to believe. Around forty years ago, Chinese economists realized they could not return to their previous economic power if they did not present themselves as in need of assistance. In their own correspondence, they believe that over half of their growth in the last twenty-five years was a direct result of investments from the United States and favorable trade with U.S. allies as a result.<sup>41</sup> Under the guise of allowing the US to manage them, the Chinese government has been the one truly pulling the strings. By painting China as untrustworthy and stronger than the picture than they present, Pillsbury is trying to convince people and, most importantly, Trump that China does not need any deals based around their perceived need. Furthermore, he hopes to paint them as shady dealmakers in

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<sup>39</sup> Schreckinger. “The China hawk who captured Trump.”

<sup>40</sup> Pillsbury. *The Hundred-Year Marathon*. Pg. 16.

<sup>41</sup> *Ibid.* Pgs. 83-86.

the hopes that this will cause people to fear their underlying motives. This sowing of dissent between the proverbial “us” and “them” is a large part of both neo-Machiavellian and mercantilism. Protectionist governments use this dissent to convince the public that they are acting to protect “us” from “them,” even if that may not necessarily be the case. During the British-Dutch hegemonic shift, a proven Machiavellian Moment, the British used the same “Pillsburian” (Machiavellian) tactic of sowing dissent between “us” and “them” in order to pass their mercantilist policies, like the Navigation Acts. In China, President Xi Jinping has brought the leaders who orchestrated this disguise, out of the defense, intelligence, and military departments and into his inner circle as personal advisors on economic policy. With the help of these advisors, Chinese defectors and correspondence has shown that China currently plans to take control of the hegemon position by 2049.<sup>42</sup> With this technique of playing dead, China has slowly climbed the ranks in quality of education, innovation, medical research, and foreign power.

The potential transfer of power between the US and China is an interesting case of “opposite but compatible nationalism.”<sup>43</sup> The assertiveness of China and the turn inward of the US are caused in large part by the interaction between nationalism and the ability to influence. In China, these factors have resulted in “outward-looking, extroverted foreign policy of expansion,” while the same process in the US leads them to adopt an “inward-looking, introverted foreign policy of restraint and retrenchment.”<sup>44</sup>

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<sup>42</sup> Pillsbury. *The Hundred-Year Marathon*. pgs. 393-395.

<sup>43</sup> Schweller. “Opposite but Compatible Nationalisms.” pg. 24.

<sup>44</sup> Ibid. pg. 24-25.

## **4.5 Gaps in Previous Research**

While there seems to be plenty of research in the areas of the United States' and China's individual economic and trade policy, none address whether or not the Neo-Machiavellian system of political economy has returned, especially through explicit comparison between the two. The research also fails to put such an event as this into the perspective of the changing political theory of today, not addressing whether it is a resurgence/interpretation of the old or the dawn of the new and what role it plays in these structures. There are also the ethical and moral questions of neo-Machiavellian political economy but that will not be addressed in this paper.

## **5 Results**

In this section, I will evaluate the significant moments in the original societies that constituted a neo-Machiavellian political economy and establish a roadmap for identifying the same system of political economy in future societies such as the contemporary United States and China. This will be done through a historical analysis of England and the Netherlands as well as a system of logical deductions derived from publications of the relevant countries trade policy, interaction with each other, and additional available data.

### **5.1 England vs. The Netherlands**

In the 1600s, the Netherlands faced a situation in the international markets independent of any specific trade policy, but rather the combined implications of their trade platform as a whole and the foundations they were built upon. For the first time, the Netherlands encountered nations whose political ambitions in international commerce could rival their own.

One issue that they had was that they exported their finest goods, and imported from the cheapest places (think US exporting technology and intellectual property and importing textiles and steel). The Netherlands had achieved prior success via the selling of manufactured goods whereas England had done so via the sale of its resources. While the Netherlands was becoming less involved in the international market, England was upping their stake in it. This happened because England had industrialized out of necessity, hoping to install a habit of commercialization within the country for its manufactured goods, which were previously being bought from the Netherlands. England attempted to combine ideological politics with commercial realpolitik, resulting in a theory of political economy based in neo-Machiavellianism. The definition of a strong nation had changed: survival was now no longer dependent upon wealth or power but the ability to produce efficiently.

The first step was England decreasing its engagement in procurement of luxury goods from the East-India trade. The people of England were perceived as having become too accustomed to a “loose form of administration” which could only be fixed by a form of “severe ancient legislation.”<sup>45</sup> This legislation came in the form of mercantilism. The implementation of “severe ancient legislation” commanded the attention of the populace and restored traditional values and a sense of patriotism to England. On the other hand, the Netherlands allowed their form of loose administration to continue and eventually indulgence in vice and luxury overtook society to a point where recovery was impossible.

Another defining difference between England and the Netherlands was their response to global competition and the flooding of their market as a result of competitive underselling by countries like India. When faced with losing their textile industry, England decided to reevaluate

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<sup>45</sup> Davenant. *Works*. p. 114.

the division of their labor within textile factories, allowing them to lower the price of their product without lowering wages.<sup>46</sup> Alternatively, the Netherlands allowed themselves to be undersold by foreign textile industries and, in turn, lowered their wages while increasing their foreign debt, hoping that they could use their luxury industries to pay off the debt in the future. Undermining their own people's purchasing power while refusing to address such forms of competition allowed them to be surpassed in multiple industries, after which they were never able to regain a competitive position.<sup>47</sup>

According to political theorists of this time, to achieve modernity, nations were encouraged to avoid becoming commercial states, arguing that territorial monarchies were safer bets. Territorial states, even those with free constitutions, must turn towards monarchies and republics to have hopes of surviving. Freedom in this international market required a republican form of government, for centralized government was necessary to settle internal disputes and protect the participants from outside threats. Conquest was no longer a threat, rather nations were more likely to be destroyed economically.

This transition of values was embodied by Machiavelli's warning that "when any empire is destined to be undone, or to lose its freedom, the seeds of this ruin are to be first seen in the corruption of manners." Corruption here can also be interpreted to mean the overextension of empire. Nations became corrupted by turning from practical values to indulgence in luxury and eventually vice. Once it reaches vice, a nation would collapse from within. This corruption prohibits the domestic production of wealth, industries decay and people become incapable of performing certain types of labor due to either cost or lack of ambition. In order to sustain long

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<sup>46</sup> Martyn. *East India Trade*. pg. 68.

<sup>47</sup> *Ibid.* pg. 67.



term luxury, the upper class must eventually oppress the lower class, ultimately resulting in lower class rebellion. The only way luxury can be prevented from leading to decline is if it is offset by strong public virtue:

“...a mixed government grows young and healthy again whenever it returns to the principles upon which it was founded. To render a state long-lived, it is necessary to reduce it to its first principles.” – Machiavelli

This theory can only be enacted by instilling a will in the populous to do good for the sake of the nation. This virtue can be achieved through a societal opposition to vice, and embracing of patriotic sentiments such as “zeal for the glory of one’s country, obedience to discipline, vigour in action, and a thirst for honour.”<sup>48</sup> Failure in public virtue and public frugality are signs of impending decline. Luxury at the cost of virtue leads to a state of vast poverty and a crippling of the state.<sup>49</sup> A failure to offset luxury with the fundamental principles of the state and the aforementioned virtue could be seen in the decline of the economic power of the Netherlands. However, luxury properly offset by a respective increase in public virtue is what saved England and put it on the proper trajectory to inherit the economic power and status from the Netherlands. The Netherlands, the country, survived, but its economic dominance was destroyed. England on the other hand greatly increased the power of its nation and strengthened the stability of its economy.

## 5.2 United States vs. China

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<sup>48</sup> Davenant. *Works*. p. 23.

<sup>49</sup> Hont. *Jealous of Trade*. p. 208.

In 2018, Congress held a hearing concluding that Communist Party control in China creates an unfair trade environment for the American government and companies.<sup>50</sup> Some American congressional members have gone on record accusing China of engaging in unfair trade policy since 2000. These congress members cite economic security as a matter of national security.<sup>51 52</sup>

Under the economic policies like “Made in China 2025,” the state-owned companies of China have been accused by American White House officials and economic advisors as far back as 2008 of distorting the Chinese market.<sup>53</sup> In the 2018 USTR report, Vice President Mike Pence outlined how the Communist Party’s insistence that its members be involved in all economic transactions, state owned or otherwise, has allowed them to implement its ideologies in everything from hiring to investment decisions.<sup>54</sup> For example, Liu Ruopeng, who studied at Duke University in 2006, left the university in 2009 and took with him the work of a professor who was working on an invisibility cloak for the US military. The former assistant director of counterintelligence at the FBI believes that Liu Ruopeng was sent by the Chinese government to Duke University for this specific purpose. This theory is further supported by the fact that Ruopeng was able to return to China and build a prototype for use by the Chinese military stealth fighter.<sup>55</sup> In April of 2018, President Trump claimed that China had stolen over \$300 billion worth of intellectual property.<sup>56</sup> As President Trump began to implement tariffs on Chinese trade, there were differing opinions as to their validity. The White House Trade and

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<sup>50</sup> *China’s Predatory Trade and Investment Strategy*. (2018).

<sup>51</sup> Navarro. “White House National Trade Council.”

<sup>52</sup> *China’s Economic Aggression Threatens*. (2018).

<sup>53</sup> *Testimony Before the House Armed Services Committee*. (2018).

<sup>54</sup> *Report to Congress on China’s WTO Compliance*. (2017).

<sup>55</sup> McLaughlin. “‘China’s Elon Musk’ is suspected of spying.”

<sup>56</sup> Smith. “Trump plays down US-China trade war concerns.”

Manufacturing Director has justified the tariffs as a way of ensuring money taken out of the US in the form of deficits will be reinvested by the government into the American economy or result in the purchase of American goods as opposed to losing that profit to China.<sup>57</sup> However, non-government analysts have described the tariffs as doing no more than putting a bandage on a gunshot wound; they will not address the years of loss already incurred or create any substantial progress between the two nations because they are addressing the symptoms instead of the cause. Nonetheless, the Chinese Premier responded by offering to change trade laws that required foreign investors to go through state owned partners in exchange for a reduction in American tariffs on their goods.<sup>58</sup> President Jinping took this one step further by pledging to increase American imports and work to better protect foreign intellectual property.<sup>59</sup> Regardless of this superficial progress, both sides continue to talk about this disagreement in the language of war. Whether it is the US Commerce Secretary, Wilbur Ross, speaking about the dealings in terms of who possess the largest stockpile of bullets or the Vice Chairmen of the Committee of the Chinese People’s Political Consultative Conference reiterating that while China would never want a (trade) war with anyone, they have no fear of engaging in such a war.<sup>60 61</sup>

Trade wars are rarely decided by purely economic policy. One way the United States has been made to back off the offensive is by the targeting of politically sensitive industries in response to trade policy, such as agriculture, steel, and motorcycles. An example of the influence these politically sensitive industries can have was seen during President George W. Bush’s run

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<sup>57</sup> Inskeep. “WH Advisor Navarro on Why US Hit China With More Tariffs.”

<sup>58</sup> Bradhser. “China loosens foreign auto rules, in potential peace offering to Trump.”

<sup>59</sup> Denyer. “Facing trade war with U.S., China's Xi renews vow to open markets, import more.”

<sup>60</sup> DeAngelis. “CNBC Interview with US Commerce Secretary Wilbur Ross.”

<sup>61</sup> Schwartz. “We don’t fear a trade war with the US.”

for re-election. At the time, he had sought to impose a 30% tariff on imported steel. However, this tariff would have a large impact on goods produced in swing states necessary for his re-election. Thus, after much backlash at home and aboard, Bush ultimately backed down to preserve his chances in these swing states.<sup>62</sup> With Trump's party losing control of the House in the 2018 midterms, there has been a noticeable reduction in the aggressive nature of previous trade war tactics and an increase in diplomatic techniques, presumably to salvage some of these lost votes, prior to the presidential election in 2020. This creates an interesting dynamic when dealing with China. Since the Communist Party faces no viable opposition, they are able to risk politically sensitive industries without fear of voter repercussion. This allows the Party to take economic risks unilaterally whereas the US government must act in way that ensures they do not lose support of their base, for fear that power will be passed to the opposition party should they oppose the base too strongly.

A large difference between the United States and China, is that China's current system of government and culture allow them to enact various forms of the "severe ancient legislation" that was seen in England during the time of their Machiavellian Moment. Their use of neo-mercantilist policy has enabled them to quickly enact and influence changes within the political economy.<sup>63</sup> On the other hand, the United States is limited by the aforementioned checks and balances in a way that prevents them from enacting any form of counteractive system of values. In the United States, the balance of luxury and values must start from the bottom and rise to the top to have any chance of disseminating throughout the different environments at any reasonable speed. In China, that reaction can start at the top and quickly make its way down to the people. A

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<sup>62</sup> Yasmineen. "The Politics of Trade Wars."

<sup>63</sup> Schröder. "Mercantilism and China's Hunger for International Reserves."

general example of China's ability to carry out "severe ancient legislation" with relative quickness, in ways that contribute to the long-term stability of the country's political economy was Jinping's consolidation of power in October of 2017 and March of 2018. In under a year, Jinping was able to make himself China's "Paramount Leader" by taking over the positions of Party General Secretary and Chairman of the Central Military Commission, all while remaining the Chinese head of state and eliminating term limits in the process.<sup>64</sup> As vice and luxury began to rise in China during the early 2010s, Xi Jinping developed a guiding ideology for the Chinese people and the Party to follow. Written into the Party constitution as the "Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era," Jinping's ideology is the first ideology of a living Chinese leader to be written into the Party constitution since Mao Zedong.<sup>65</sup> <sup>66</sup> Even Deng Xiaoping, who was mentioned earlier as one of the most influential leaders responsible for the modernization of China's economy, did not have his ideology written into the Party constitution until after he died. This ideology and Jinping's new found power allow him to make long term policy plans and to act swiftly to ensure the country's values are upheld.

While the United States' system of checks and balances through divided power acts as a viable way to prevent the consolidation of power under any specific leader, the ability of the government to respond in any meaningful way to the changes occurring in the political economy are hindered by this system. By the time any reasonable response is developed, that which they are responding to had progressed past the legislation designed to address it. While Jinping's execution of Party theology marks China's reorientation in response to their Machiavellian Moment, the United States is not pursuing the same form of Neo-Machiavellian political

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<sup>64</sup> Brown. "The Powers of Xi Jinping." Pgs. 17-18.

<sup>65</sup> Ibid. Pg. 17.

<sup>66</sup> Broadman. "Party On, Comrade Xi Jinping!"

economy. The US has slowly been moving towards the political economies seen in Europe, that of the welfare state, marking a radical reorganization towards a more liberal form of political economy as opposed to the more republican tradition that can be seen occurring in China's. This can be seen in the slow but steady rise of democratic socialism in the form of both politicians and policies. According to Gallup, registered Democrats and left-leaning Independents have a more positive view of socialism than they do of capitalism for the first time since Gallup began measuring the voter opinions of the two systems. Views of capitalism among young voters (under 30 years old) is on a stark decline, decreasing by 33% since 2010, marking a stark departure from the more capitalist ideologies of the past.<sup>67</sup>

Centralization of domestic institutions is predicted because, in order to survive the Machiavellian Moment, a nation would ideally need the ethics and values of mercantilism to spill over into that of the general populous and culture. The more centralized the government, the easier this process proves to be. This is because a centralized government allows change and policy to be enacted with little resistance where a more decentralized government will slow down change to a point that any response will be outdated by the time it is completed. Thus, the centralization of the institutions is predicted by the Machiavellian Moment as an essential avenue to carry out the change necessary to emerge victorious. This has happened before when there was a similar institutional change in England. At the time, parliament merely served as a mouthpiece for the monarchy and certain industries were nationalized such as the shipping industry and some forms of textile production. This exact change is explored more in the next section. Similar to the American decentralized system of institutions (where check and balances, as well as a multitude of political checkpoints, create a slower process of policy implementation), the Dutch

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<sup>67</sup> Newport. "Democrats more positive about Socialism than Capitalism."

decentralized their government during this period. That change will be explored in Section 5.4. While this type of transition between centralized, decentralized, mercantilism, and more consumption base systems is not uncommon throughout history, this certain situation is different because of the simultaneous and opposite transition of two economies in direct competition with each other as well as the mass overhaul of the social value system being an essential piece of the economic change.

### **5.3 China & England**

Now that the basic structures of each of the four pertinent countries and the two eras has been established, each current nation must be compared and contrasted with their potential predecessor or example. In the case of China, that example is England.

While China and England differ fundamentally in their structure of government, economy, and culture, there are distinct and important similarities that can be drawn between the two. China's culture has been shaped largely by Confucianism and utilitarianism, but England's grew from western liberal democracy and cultural universalism. Regardless, both systems allowed for their nations to reach that historic nexus point where one path leads to destruction and the other leads to survival. In the case of England, that nexus point was the beginnings of globalism and the potential collapse of their major industries due to underselling in foreign markets. For China, it was the recovery the nation underwent during the post-Mao era. The path towards this point began under Deng Xiaoping but came to a head when Xi Jinping came into power.

As both nations reached their Machiavellian Moment, they became aware that they must overhaul their national cultures in order to endure. One way to initiate this radical change was

through their systems of political economy. Instead of modifying and trying to rehabilitate their current systems, China and England decided to return to a system of political economy that they knew worked, one that was based on traditional values and the one that had helped them get to their current location. These nations possessed the power to begin this Neo-Machiavellian transition due to the centralized form of government they possessed. For China, the success at the beginning of this massive overhaul was due to the centralized nature of the Party and the extent to which the Party could directly influence all aspects of the Chinese political economy. While the direct influence of the British Empire had dwindled abroad, there was still relative centralization domestically, centralization which could be harnessed for swift and substantial reconfiguration. At this time, England was still a monarchy. Even though the Houses of Parliament existed, they possessed little power to check the king. In fact, Charles (I) would dissolve the institution for eleven years during this time. It was not until almost the 18<sup>th</sup> century that Parliament possessed any serious form of sovereignty. Due to this, the agenda of the monarchy was easily passed through government and, even though Parliament would eventually gain control, rarely was the public opinion of the country taken into account. Both nations turned away from the goals of their current economies and put into action “severe ancient legislation,” legislation that would have appeared outdated to those it was forced upon but had been tested and shown to work. Through this new legislation, the central goal of each political economy turned away from foreign power and focused on the ability of their domestic and foundational industries to sell and not be undersold. Cultural values were directed away from luxury and returned to austerity. For the Chinese, this was carried out by avoiding the Western values that had begun to infiltrate their society and embracing the more traditional Eastern values. In England, the success of the collective was prioritized over the comfort of the individual.



Similarly, workers were incentivized to return to manufacturing jobs instead of pursuing more luxurious individual ventures.

## **5.4 The United States & The Netherlands**

The cultural and economic structure of the United States and the Netherlands are not quite as different as England and China. Both are built upon strong western values and, even though the Netherlands were ruled by a monarchy at this time, the results of their economic ventures bare resemblance to the United States. These countries' encounters with the Machiavellian Moment differ from that of China's and England's in that the United States may be able to acknowledge that they are in a Machiavellian Moment but are unable to do anything about it, the Netherlands were able to do something about it but never acknowledged that they were experiencing one. Reaching the nexus point for the US and the Netherlands was a much slower burn than China and England. The Netherlands refused to address their issues of being undersold in their essential industries, relying on their luxury industries to survive. As their export of luxury goods began to fall, their usual buyers of their other industries found different sellers, such as India or England.

Ever since the mass political polarization began in the 1970s, a fissure has developed into a chasm among the American people, leading to a war of value systems while universal luxury and vice continue to develop under the radar. Over the course of the last two administrations, the threat of the divide in American society has begun to garner mainstream attention but the gridlock common to the America government system has prevented any rapid, meaningful response from being taken. Another characteristic of the American system that has prevented any considerable adjustment from being made is the constant change in governments. As each party gains or loses control of the government, the platform of the government changes. Under Clinton

and Obama, globalist and welfare policies were adapted. However, those changes would be reset in the opposite direction, towards a more nationalistic and republican set of policies under Bush and even more so under Trump. This ebb and flow has prevented the American system from making any reasonable change to their political economy in response to their Machiavellian Moment, even if the Machiavellian Moment and the threat it contains for the future are now at the center of every election and debate.

In the Netherlands, the previous success of their economic hegemony had allowed them to relax economically after the Anglo-Dutch Wars. This status was built on the back of a strong work ethic, low interest rates, and cheap resources. Their success led to a culture of wealth and leisure and at the same time workers began to immigrate into the country, willing to work in the production industries that the Dutch nationals no longer wanted. However, as England began to slowly push the Dutch out of the main shipping pacts (such as the Acts of Navigation in 1651) in an attempt to secure their own economic power, the Dutch hegemonic status began to decline. This led to a mass emigration of the immigrant labor to the now more successful English industries, creating a vacuum in the Dutch production industry. A simultaneous decentralization of their government began to produce the same issues that the American government encounters where there were too many powerful parts to enact any useful response to this change. When other economies such as India and England were able to compete with the Dutch, the Dutch policy and cultural values did not provide any form of safety net or foundational industry. They would eventually attempt to fix their political economy by lowering wages but their chance to fix everything had already passed and the decentralization of their government prevented any form of neo-Machiavellian political economy. Eventually, the surrounding countries would outpace them. Where other people used to be reliant upon the Dutch for any form of economic or

political relevance, the Dutch were now reliant upon France and England to achieve that same relevancy.

## **6 Conclusion**

For the time being, the trade war between the United States and China seems to have plateaued. However, that does not mean that this trade war has not already changed each country in an incredibly influential way. In more ways than one, this trade war is an example of the global Machiavellian Moment finally emerging from the background and taking a front seat position in the systems of political economy present in each country. If history does end up repeating itself as these trends would suggest, it seems only one victor will be left standing as the world's economic hegemon. In a world where the global economy is more essential than ever, economic hegemon status will come with a litany of political and social powers as well. In fact, never has the ability to establish a system of agreed upon values seemed more unrealizable in the United States and the country seems to be increasingly divided. If the United States is to continue down this path, the era of the American empire will be coming to a close. By monopolizing the manufacturing industry at a global level, China is ensuring that it will have a stable foundation and prevent potential underselling by competitive industries. Both Pocock and Hont said that there comes a point in a Machiavellian Moment where the participants are unable to turn back, that, after the establishment of a neo-Machiavellian political economy, their fate of either declining or surviving has been sealed. Based on this research, it seems that each side has passed that fork in the road, and are now riding it out to see who comes out on top. At the time of this paper, the trade war between the US and China is not technically over. Deals are still being worked out when it comes to tariffs, foreign investment, and interest rates. At this point, it does

not seem that it will return to the way it was before President Trump took office. The result of this trade war and who stands to benefit most from it when the final deal is struck will decide the final fate of these two nations.

The similarities between each pair of countries is enough to warrant notice. An economic hegemon (the Netherlands/United States) develops a culture of laziness and vice due to previous economic success. A result of this success is a departure from the political economy that got them there, followed by a culture of importing more than they export and the abandonment of their fundamental industries. These industries are ultimately outsourced to a cheaper competitor (England/China) who is on the rise, both politically and economically. Feeling threatened, the original hegemon (NL/US) engages in a trade war with the rising nation (UK/CN). This rising nation centralizes its government so that it can reign in the vice and laziness of its own society, while the original hegemon decentralizes its government, neutering its ability to address the abandonment of the original values of its society. Thus, the rising nation develops a neo-Machiavellian system of political economy while the original nation tries to weather the storm and patch the holes of its original system. The rising nation does this by increasing its production and manufacturing ability while reinforcing “severe ancient legislation” to establish values as the priority of the society. The original nation raises wages for production level jobs in an attempt to incentivize non-immigrant workers back into the factories. However, the population has developed a culture of wealth that prevents them from being willing to return to those industries. The rising nation undersells the original nation as the power of the original nation begins to wane and the rising nation begins to take over the trade responsibilities of the original nation. Since the rising nation of China and the original hegemon of the US have only just reached this step, this is where the similarities end. However, if these similarities tell us anything, the US and China seem

to be following in the exact same path as England and the Netherlands. When England and the Netherlands both encountered a Machiavellian Moment in their countries, England was able to maintain prominence by embracing a Neo-Machiavellian system of political economy. This was achieved through their willingness to enact “severe ancient legislation.” The Netherlands, on the other hand, held on to a more liberal form of political economy, allowing their society to succumb to luxury and vice. This would ultimately be their downfall and cause them to lose their relative power status within the global economy and political sphere. Now, the United States and China are encountering their own Machiavellian Moment, but the United States appears to be taking the Dutch route of holding on to the liberal form of political economy, allowing the same vice and luxury that took down the Dutch to creep in and take over. Alternatively, China is succeeding in the same way England did, the ability to use the Neo-Machiavellian system of political economy and take back control of society by balancing out vices with values. History has most certainly repeated itself, it is now a question of whether or not it has updated itself. Has enough time passed that the US can avoid the fate that the Netherlands eventually encountered?

Other potential explanations for this phenomenon are that this is an example of normal trade relations between a current hegemon and an upcoming potential hegemon, a result of the creation of international trade institutions, or just the result of the return of mainstream nationalism. To see that the cause of these changes is not just the typical trade relations between a declining hegemon and a rising challenger, one can examine the numerous hegemonic transitions throughout history. Beside the transition of power between the Netherlands and Britain, all other recent instances of hegemonic transition, from Portugal to the Netherlands and Britain to France to the USSR and the United States, appear to have very little in common with this case as far as their trade relations go. This unique relationship between the British/Dutch and

US/China transitions is one reason for their comparison. All other forms of transitions came at the hands of destruction via war or alliance by treaty. Since the 15<sup>th</sup> century there have been hegemonies, starting with Portugal that dominated the world based on its superiority in maritime exploration and advances in navigation.<sup>68</sup> Their hegemony position was lost after many years of war with Spain, eventually resulting in their colonies being handed over to Spain. During this time, little protectionist policy was enacted and instead the differences between the two colonizing empires was settled by war. After the fall of Portugal, the Netherlands would enter their golden age and assume the position as world hegemon due to their preeminence in science, art, trade, and military.<sup>69</sup> Their position was then passed to England for the reasons explained in this paper. Britain would maintain the hegemon position until World War I and II, another instance of a hegemon downfall at the hands of war instead of mercantilist and neo-Machiavellian policy. This downfall at the hands of war came in the same way that Portugal's did. Following the devastation faced during the World Wars, Britain began to lose control of its colonies. With the India partition and the freedom of the African colonies, the British empire collapsed, taking with it the status of hegemon. Similar to the Netherlands stepping in to fill the power vacuum left by the fall of Portugal, the US stepped up to claim the hegemon position. After the end of WWII, the US and the USSR would share the position of hegemon as a result of residual military strength.<sup>70</sup> This would result in decades-long global instability as seen in the Cold War and finally, following the collapse of the Soviet Union a single hegemon would emerge in the form of the US. Barring further instances of total war, the US is likely to remain in that position until they are usurped through other means, as I have posited in my thesis. Such a

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<sup>68</sup> Jayman. "The Rise of the Qi Ye Ji Tuan and the Emergence of the Chinese Hegemon." pg. 120.

<sup>69</sup> Ibid.

<sup>70</sup> Ibid.

transition is not caused by the presence of international trade organizations either, as international institutions were built to prevent this form of hostile trade environment. As discussed earlier in this paper, the WTO has been shown to improve the amount of global trade between participating nations, reduce non-tariff barriers, and indirectly reduce tariffs. Thus, since the tariffs between the two nations have been rising as well as the presence of non-tariff barriers (neo-mercantilism), this phenomenon cannot be explained as normal trade relations in the presence of international trade organizations. If the institutions were responsible, we would see a reduction of tariffs in exchange for a proportional decrease in non-tariff barriers and distancing of the national agenda from mercantilism. Furthermore, the institutions' jurisdiction only extends to interactions between two trading nations, so even if they were partially responsible for the way the trade is being carried out, they would not be responsible for the domestic changes that each nation is undergoing.

One other explanation is that this phenomenon is the result of nationalism. While nationalism is definitely a part of this process, it seems to be more of a consequence of the mercantilism and neo-Machiavellian political economy than a cause. Nationalism was utilized as a potential cure to the previously existing ideology, globalism, that caused the problem in the first place. In the case of China, it is the realization of how the wealth produced by globalism has allowed the general population to become tempted by indulgence that has caused them to begin centralizing their government once again. Thus, they must use nationalism and protectionism to begin to restructure the nation's value system and rebuild the strength of the political economy. It seems that if there is any system that could potentially be cited as an additional cause for the phenomenon it would be globalism, not nationalism. My explanation of the Machiavellian Moment and neo-Machiavellianism stands because most of the alternative explanations leveled

at the shift in the political economy are either too narrow in scope or symptoms of the issues rather than causes.

There are a considerable number of variables that are unable to be accounted for due to the gap in time that transcends this case study. However, the currency wars and the Chinese investment in Africa and the US show that they are in this for the long haul. If the United States hopes to survive this Machiavellian Moment and avoid the fate of fading into the past the same way the economic hegemon that was the Netherlands did, then the first step they must take as a society, a culture, and a government is one of acknowledging their predicament and potentially looking towards England as an example of how to proceed. China is both a formidable ally and opponent, one that has proven time and again that they are not to be underestimated. Now that Xi Jinping has consolidated all the power of the Chinese government under one ideological roof, the United States is already falling behind in the political economy game. I do not aim to make predictions about the future with this paper, I do not possess access to resources to do so nor do I believe that to be the best way to advance this discussion. Rather, both the Chinese and Americans should be examining which system of values they believe to be the best for their nation, because we are living in a world of seemingly irrational world events. Globalism and the American Empire are being put to the test. If either hope to survive, maybe the best way to move forward, is to first take a step back.



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