For IPE Class, Dr. Sohrab Shahabi, Fall 2016

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| |  |  | | --- | --- | | What is International Political Economy?  International Political Economy (IPE) is the rapidly developing social science field of study that attempts to understand international and global problems using an eclectic interdisciplinary array of analytical tools and theoretical perspectives. Although IPE originally developed as a sub-field of International Relations, it has in recent years taken on a life if its own.  IPE is a field that thrives on the process that Joseph Schumpeter called "creative destruction." The growing prominence of IPE is one result of the continuing breakdown of disciplinary boundaries between economics and politics in particular and among the social science disciplines generally. Increasingly, the most pressing and interesting problems that scholars and policy-makers confront are those that can best be understood from a multidisciplinary, interdisciplinary, or transdisciplinary point of view. If there is an "IPE Project" its objective is to pull down the fences that restrict intellectual inquiry in the social sciences so that important questions and problems can be examined without reference to disciplinary borders.  IPE is the study of a *problématique*, or set of related problems. The traditional IPE problématique includes analysis of the political economy of international trade, international finance, North-South relations, transnational enterprises, and hegemony. This problématique has been broadened in recent years as many scholars have sought to establish a New IPE that is less centered on international politics and the problems of the nation-state and less focused on purely economic policy issues. The issues raised by globalization, which now falls clearly within the IPE problématique, seem to present the perfect foundation for a New IPE program.  **International Economics and International Politics**  It is hard to imagine a world without International Political Economy because the mutual interaction of International Politics (or International Relations) and International Economics is today widely appreciated and the subject of much theoretical research and applied policy analysis. A Google search for the term "professor of international political economy," for example yields over 7600 hits, an indication that of this field's widespread academic influence. (A search for the term "international political economy generates more than 200,000 hits.) There is nothing surprising about this. The political actions of nation-states clearly affect international trade and monetary flows, which in turn affect the environment in which nation-states make political choices and entrepreneurs, make economic choices. It seems impossible to consider important questions of International Politics or International Economics without taking these mutual influences and effects into account.  And yet scholars and policy-makers often do seem to think about International Economics without much attention to International Politics and vice versa. Economists often assume away state interests while political scientists sometimes fail to look beyond the nation-state; both miss the dynamic interaction of state and market that characterizes political economy. Two noteworthy Cold War era exceptions to this rule stand out: economist Charles P. Kindleberger's work on hegemony and political scientist Kenneth N. Waltz's attempt to integrate economics into politics in his path-breaking book *Man, the State, and War*.  The mutual astigmatism that hid International Politics and International Economics from each other cleared up a bit in the 1970s as a number of dramatic international events made plain how tightly the two fields were intertwined. The oil embargoes of the 1970s and the breakdown of the Bretton Woods monetary system are frequently cited as key events in IPE's development as a field of study. These events posed practical and theoretical problems that necessarily forced scholars and policy-makers to consider economics and politics together.  Other events such as the Third World debt crisis, the fall of communist regimes, the rise of the East Asian Newly Industrialized Countries (NICS), the expansion of the European Union, and the financial crises in Mexico, Russia, and East Asia all provided impetus for the growth and development of IPE studies. The simple divisions between state and market, domestic and international, and politics and economics were no longer applicable to a wide range of issues. An increasingly complex world required a complex approach to analysis, which IPE provided.  **The IPE *Problématique***  IPE is best defined as a *problématique*, a set of problems that bear some relationship to one another. The IPE *problématique* is the set of international and global problems that cannot usefully be understood or analyzed as **just** international politics or just international economics. These problems fall necessarily in the expanding domain of International Political Economy.  **International Trade**  Politics and Economics approach international trade from completely different points of view using completely different analytical frameworks. The problem is that states think in terms of geography and population, which are the relatively stable factors that define its domain, while markets are defined by exchange and the extent of the forward and backward linkages that derive there from. The borders of markets are dynamic, transparent, and porous; they rarely coincide exactly with the more rigid borders of states. A few markets today are even global in their reach. When trade within a market involves buyers and sellers in different nation-states; it becomes international trade and the object of political scrutiny.  International trade has always been at the center of IPE analysis and is likely to remain so in the future. This is not so much because of the economic and political importance of international trade itself as due to of the fact that trade is a mirror that reflects each era's most important state-market tensions. In the Cold War, for example, international trade was simultaneously a structure of US hegemony and a tool of East-West strategy. In the 1980s and 1990s trade, through regional economic integration, was a tool to consolidate regional interests. With the advent of globalization and the creative economy powered by advanced information technologies, trade in intellectual property rights has become a controversial IPE issue. International trade will remain a central focus of IPE even as the specific trade problems continue to evolve.  **International Finance**  International Finance presents the second set of problems that have traditionally defined International Political Economy. The IPE of International Finance includes analysis of exchange rate policies, foreign exchange systems, international capital movements, particularly portfolio capital and debt flows, and the international and domestic institutions and political structures to which they relate, including the World Bank and the International Monetary Fund. International finance is viewed by some as less political and more purely economic than international trade, but that is just not so. Seemingly very technical aspects of international finance often hide profound political implications, a fact that has attracted scholars such as Susan Strange and Benjamin J. Cohen to this field. Political scholars may hesitate to engage in this analysis because of the necessity to master difficult theories and arcane terminology, but there is no riper area for IPE analysis. As financial globalization has progressed, the IPE of International Finance has risen in importance as an IPE *problématique*.  **Hegemony**  The theory of hegemonic stability was arguably IPE's most important contribution to Cold War international relations theory. The hegemon is a rich and powerful state that undertakes to supply public goods to the international system. These public goods include stable money, security (such as freedom of the seas), and a system of free trade that can be shared by all and that, in fact, works best when widely shared. Providing these public goods is costly, of course, but the hegemon gains even if it disproportionately bears the expense alone because of its dominant position in the world system. If the world system prospers, the hegemon necessarily prospers as well. In fact, this provision of public goods may be a strategy to secure or extend the hegemon's dominant position.  The theory of hegemonic stability holds that the world system is most prosperous when a hegemon exists to organize the international political and economic system and coordinate the provision of international public goods. Periods of Dutch (1620-72), British (1815-73), and U.S. hegemony (1945-71?) are commonly cited as evidence of this link between hegemony and prosperity (although there is disagreement about specific dates). When hegemony breaks down, however, the international system falls into disorder and conflict, with the resulting decline in peace and prosperity. The theory of hegemonic stability puts great weight on the existence of the hegemon and the maintenance of effective hegemonic policies. U.S. policies from Bretton Woods through the end of the Cold War were frequently analyzed in these terms. Indeed, one can think of the theory of hegemonic stability as a theory of US Cold War economic statecraft, with the Bretton Woods system and the Marshall Plan its clearest manifestations.  The theory of hegemonic stability is a grand IPE theory of history which, as told by Paul Kennedy and others, evolved into a theory of hegemonic fatigue or decline. This theory argues that hegemony is a self-limiting, self-defeating, and therefore temporary condition. The argument is that while the hegemonic state bears the burdens of organizing the international system and supplying public goods, free-rider states prosper, expand, and increase the burdens on the hegemon. At some point the hegemon finds itself over-committed and unable to bear the costs of the system it has created. Either the hegemon begins to put domestic interests over its international obligations or it becomes too weak to honors its widespread commitments. Either way hegemony collapses in on itself, the story goes, and chaos reigns until another hegemonic state arises to restore (temporary) order. Britain's decline in the 19th century (followed by World War I) is frequently cited as an example of hegemonic decline as is the collapse of the Bretton Woods system (viewed as the mechanism of US hegemony). The Iron Curtain's fall in 1989 can also be seen as the implosion of Soviet hegemony over Central and Eastern Europe.  Theories of hegemony are the epitome of IPE as a sub-discipline of International Relations. Indeed, for some International relations scholars, IPE **is** hegemony theory, more or less, and the analytical framework of Regime Analysis (see later discussion) that best studies it. This follows from the many shared characteristics of International Relations and hegemony theory. Hegemony is a state-centered concept that includes security as a critical element, but that draws upon the analysis of international trade and international finance to provide a richer and more complex explanation of the rise and fall of great powers.  If IPE were nothing more than the study of hegemony in all its forms and variations, it would be an interesting discipline. But IPE quickly expanded beyond hegemonic theories and, in doing so, moved beyond the traditional borders of International Relations, too.  **North-South Relations**  Once the effects of international trade and international finance had been introduced into the study of international relations, the IPE "genie" was out of its bottle. That is, the IPE *problématique* began to develop according to its own logic and was no longer limited by the "traditional" questions and concerns of International Relations. During the Cold War, for example, the geography of International Relations was East-West. But the geography of IPE, shaped by international trade and capital movements, was also North-South, where North is shorthand for industrialized countries and South represents less developed countries, regardless of where they are situated on a world map. (It was North-North, too, because of political-economic tensions between and among the U.S., the European Union and Japan.)  The Cold War analysis of less-developed countries (LDCs) was naturally focused on the East-West bipolar alliances and the place of LDCs in geopolitical strategy, which *New York Times* writer Thomas Friedman has memorably termed the strategy of the "checkbook and the chessboard." The US and the Soviet Union, Friedman proposes, used aid (the checkbook) and other economic strategies to form alliances with LDCs that advanced their Cold War position (the chessboard). LDCs were strategic pawns in the Big Power Cold War game  As international trade and international finance were increasingly used to expand and strengthen the Cold War alliances (especially but not exclusively on the western side), IPE scholars pursued the impact of economic relations generally on LDCs. Or, in the terms associated with Immanuel Wallerstein, they probed the relationship between Core and Periphery.  The IPE *problématique* therefore expanded to encompass a critique of economic development, an analysis of neo-colonialism and imperialism, and a general study of Core-Periphery relations. Security and geopolitical issues were not excluded from this North-South analysis, they merely lost the privileged position that they enjoyed in traditional International Relations research. The checkbook and the chessboard were considered just one of the many sets of unequal and asymmetrical relationships linking core and periphery.  **Multinational Corporations**  Multinational corporations (MNCs) and Transnational Enterprises (TNEs) have always been objects of interest to IPE scholars and practitioners. MNCs and TNEs were initially viewed as an essential element of western Cold War strategy. The essence of the argument that was often made was this: US and western-based international businesses were linked with their governments by an "invisible handshake." The home country governments used their influence to create opportunities and open markets abroad (in "host countries") for these businesses. The businesses, in turn, acted in the economic and sometimes political interests of the home country. During the Cold War MNCs were often viewed as economic agents of their home country governments and political agents of influence abroad.  With the end of the Cold War, analysis of MNC behavior quickly spread to issues well beyond their role in Cold War geopolitics. The rise of the Asian NICs and the increasing globalization of production and finance spurred research on the role of MNCs in the allocation of capital and the control of technology. The presumed close links between MNCs and their home country governments were increasingly called into question as MNCs undertook business strategies that were not obviously in host country national interest. The distinction between home country and host country also grew less clear. All countries are now host countries in the sense that all countries compete for capital, technology, and jobs in the global market for multinational investment.  As the locus of economic activity becomes less and less identified with the borders of nation-states, research is being directed towards developing an IPE of Global Commodity Chains (GCCs). GCCs are complex webs of global business that link independent businesses into a coordinated production and distribution process. The expansion of GCCs has been accelerated by the growth of the information economy, which allows independent firms to communicate and coordinate their activities to an extent that was previously possible only within a large enterprise. The Nike Corporations, for example, coordinates a vast GCC; it actually manufactures few of the products it sells and focuses on design and marketing, not production. The Ford Motor Company has expressed a vision of the future where it, too, is transformed into a marketing firm, selling products that are mostly manufactured, assembled, and distributed by independent competitive firms.  The analysis of global commodity chains represents another shift in IPE away from the traditional concerns of International Relations. MNCs during the Cold War were seen as extensions of the power of the home country. MNCs in the post Cold War period were often analyzed in terms of their own power (especially financial and technological power) versus the power that host country governments could bring to bear in negotiations with them. Susan Strange, for example, encouraged IPE scholars to think of MNCs as states and explicitly to consider MNC-state and MNC-MNC bargains and relations in their analysis.  GCCs introduce a new element of complexity into this analysis. GCCs gain and exercise power through their ability to mobilize and coordinate global market forces. They are not, therefore, distinct centers of power, as MNCs are sometimes considered, comparable to a state if different from it. And yet it is difficult to resist the impulse that power is there. The developing IPE of global commodity chains challenges our understanding of both markets and of states and represents an advancing frontier of IPE research.  **Globalization**  Currently the research agenda in IPE is being driven by a number of factors and forces that are often collectively labeled globalization. The globalization *problématique* has little to do with the traditional state-centered concerns of International Relations, which is one reason some IPE scholars have now begun to think of IPE as distinct academic discipline, not just a sub-field of International Relations.  The globalization *problématique* begins with the global expansion of production and finance and asks questions about the causes and effects of increasingly global market structures. These questions concern politics, business, culture, technology, the environment, global migration, gender relations, and tourism, to name only the most obvious areas.  At the heart of the globalization *problématique* is the question of the state, which is somewhat ironic. Many scholars argue that a combination of events has weakened the state, either absolutely or through the relative strengthening of other forces and actors. The nation-state, it is argued, is increasingly too small to deal effectively with global issues, and too large and removed to deal with local ones. The state exists in the "missing middle" of the emerging global/local geometry of human society. Since the state is central to our "modern" vision of society, what are the implications of the declining state for IPE analysis generally?  If the question of the state were the only element of the globalization *problématique*, it would be enough to keep scholars working for years. But it is only the first of many issues that globalization raises. Essentially, it is argued, globalization is an example of Schumpeter's famous **creative destruction**. It creates opportunities for new forms of economic and social relations, but in so doing it destroys what came before.  **Global Political Economy?**  Globalization, a process that seems to defy easy definition, it breaks down barriers whether these barriers separate nation-states, cultures, labor markets, national economies and academic disciplines, creating a New IPE in the process. In so doing, IPE has perhaps carved out for itself an unexpected role: the academic discipline that studies the results of the creative destruction of modern society.  Robert Gilpin, whose 1987 book *The Political Economy of International Relations* defined IPE for the first generation of IPE students , called his most recent volume *Global Political Economy: Understanding the International Economic Order* -- a title that seems to confuse the New IPE (global) with the old (international economics).  Or maybe Gilpin is not confused at all. For IPE, or whatever we choose to call it, necessarily is defined by the problems it confronts, which are simultaneously state and market, North and South, local, global and international.  © Michael Veseth, 2004. This is based upon an article written for a UNESCO international encyclopedia project. Updated March 6, 2007. |  | |