Required Reading:

Class Discussion Reading:

Outline:
1. Introduction – What is IPE?
2. Key Research Questions
3. Theories of IPE
4. Post War “Embedded Liberalism”
5. For Next week . . .
1) Introduction – *What is International Political Economy?*

Scope: IPE studies the interaction (?) of states and markets

- **States** associated with pursuit of power
- **Markets** associated with pursuit of wealth

- *Tension* between states and markets?
  - States seek to increase power
  - Markets associated with reduced state power

- *Supportive* relationship between states and markets?
  - States create conditions for markets
    - E.g. Protect private property, create trade agreements . . .
  - Wealth is essential to military power
    - E.g. China
1) Introduction – What is International Political Economy?

Scope: IPE studies the interaction (?) of states and markets

- Is “interaction” the right way to think about this?
1) Introduction – *What is International Political Economy?*

Academic Field - Subfield of International Relations (IR)

- From 1950 – 1970 IR focused on states’ pursuit of power and security
  - “high politics” versus “low politics”
- After 1970 international economics taken more seriously
  - “Rediscovery” of classic concern about relationship between economy and power
    - e.g. Thucydides, Mercantilism, Leninism
2) Key Research Questions:

a) **Globalization:**

- Focus of debate on the impact of states . . .
  - From “erosion” to → ??????

- Policy Implications:
  - More reliance on international markets in allocating resources?
  - Formation of regional blocs to insulate states/societies from global competitiveness and uncertainty
    - e.g. European Union (EU), NAFTA and MERCOSUR
2) Key Research Questions:

a) Globalization - Theories:

i) “Hyper Globalists”:
- A single, global economic and social formation has/is emerging
  - E.g. Kenichi Ohmae “The Borderless World”
  - State is being replaced with a system of intense multilevel governance

ii) “Internationalists”:
- Interdependence amongst economies/states is obvious but . . .
  - State is still the central actor and interstate relations must therefore be our focus
  - Interdependence is not new – globalization is a buzzword
2) Key Research Questions:

a) Globalization - Theories:

iii) “Moderate Globalists” or “transformationalist” perspective:

- Much has changed in the modern period, but changes are uneven
  - E.g. Difference between financial industry and agriculture

- **Key point:** Interstate relations, state power and protection of national sovereignty etc. are still key concerns, but they have been joined by new actors *and* new authority structures
  - E.g. Multinational Corporations (MNCs) and Transnational Advocacy Networks (TANs)
2) Key Research Questions:

b) North/North cooperation & conflict:
   - Globalization/interdependence increases need for international cooperation
   - Also increases likelihood of economic conflict
     - E.g. major trade disputes

Cooperation thought to come from two sources:
   i) “Hegemony”
     - Britain in the mid 19th Century
     - US in the post - WW II era
       - US economy was 50% of global GDP – [www.data360.org](http://www.data360.org)

*Big debate: Has US been in decline? What will this decline mean?*
ii) International Institutions

- Keystone International Economic Organizations (KIEO’s)
  - World Bank (IBRD)
  - GATT → World Trade Organization (WTO)
  - International Monetary Fund (IMF)

- Informal coordination and cooperation mechanisms:
  - Organization for Economic Cooperation and Development (OECD)
  - G5 → G7 → G8 → G8 with China: All manage relations amongst the “The Triad” – maintain cooperation for “open economic order”

**Argument:** US decline has led to more regional conflict

**Argument:** US + EU declining relative to rest of world

**Bottom Line:** Through either hegemony or international institutions states of the north have “run the system”

- Will increasing tension amongst the “north” undermine this?
2) Key Research Questions:

c) North-South Relations:

“South”? - Economically & politically marginalized regions . . .

- Traditionally called for global cooperation to redress imbalance in wealth and power
  - E.g. Support for development: UNCTAD
  - E.g. Opposition to North’s dominance in KIEO’s: G77

- 21\textsuperscript{st} Century?? Share of global GDP has grown rapidly, however . . .
  - Southern states have either not been able to coordinate interests
  - Southern states have pursued individual goals
    - E.g. G77 → G20

\textit{Bottom Line: Rising influence of China, India and Brazil challenges existing institutions}
3) Theories of IPE:

- Social scientific study of IPE requires theory
  - There are no “facts” independent of theory . . .
    - E.g. Measuring “US decline” requires a theory of power

- IPE tends to be a highly “theoretical” and “normative” branch of social science
  - Major theoretical approaches:
    - Realism
    - “Liberalism”
    - Historical Structuralism (Marxist-influenced approaches)
    - Feminism
    - Constructivism
4) Post War “Embedded Liberalism”

- Breton Woods Conference (1944):
  - 44 countries – half from the developing world!
  - Created KIEO’s
  - Supported “Embedded Liberalism”
    1. International free trade
    2. Domestic conditions for prosperity, full employment and welfare states = social stability

→ Required “Keynesianism” and Breton Woods System
  - Particularly concerned about financial problems - Wanted to reduce the currency volatility
  - Had contributed to the great depression
  - System combined free trade with financial controls and stabilization
Institutions of Breton Woods:

a) General Agreement on Tariffs and Trade (GATT):

- Established to promote free trade
  - Replacement for failed International Trade Organization (ITO)
- Informal, but VERY effective in reducing tariffs
- North dominated the GATT – Not under formal UN control
  - Market size important in negotiations
b) International Bank for Reconstruction and Development (IBRD) – The World Bank:

- Provided long term development loans for reconstruction and development in poor regions
- However, It’s a bank
  - Tended to lend money to those who could afford it . . .
c) **International Monetary Fund (IMF):**

Key player in the “Breton Woods System” of financial controls

- Intended to promote monetary/currency stability
  - Response to problem of “competitive devaluations”

- “Pegged” exchange rates & gave loans to countries having trouble staying at exchange rate
  - System could only work if states limited capital flows

- After end of Breton Woods System, IMF:
  - Became involved in “LDC” debt crises management
  - Became architect of unregulated global finance
World Bank and IMF *formally* part of the UN

- Under Economic and Social Council
- In *reality*, independent of UN
- Both subject to “weighted voting” based on economic importance
  - North dominates
  - Bank president always American, IMF always European(?)
Embedded Liberal arrangements worked well . . . for a while

- Economic growth
- Cooperation in North

Thinking theoretically – Success of KIEO’s and Embedded Liberalism ensured by:

1. US hegemony
2. Success of institutions in promoting cooperation amongst “triad”
   - Also reflects north’s economic dominance in global order
3. Fostered global capitalism
Further Reading:

- Good “backgrounder to theories of IPE before the subsequent weeks.”
For Next Time:

Unit Two: Realist Theory and IPE (September 22 & 24)

- **Required Reading:**
  - Cohn, Ch. 3.

- **Class Discussion Reading:**