International Political Economy
Power and Wealth
Political Economy

- PE asserts that economics and politics both occupy the same social space, and any understanding of one separate the other is, at root, flawed.

- Politics and political structures frame the possibility and kinds of exchanges available to the economic realm. The existence of a market, or the kind of market is entirely dependent on the political environment.
PE

- As Politics structures economics, economic actors can work to structure politics. The golden rule: Those with the gold, make the rules.

- Or as Marx terms it, the structures of production, reproduce themselves (e.g. the auto industry.)
IPE What is it?

- Political Economy Pre-dates Modern Economics

- Economics prior to “Marginalist Revolution” recognized the socially constructed nature of Economic environment.

- Economics considered as part of social fulfillment of needs and wants.

- Politics considered as, “patterns of power, rule and authority” (Dahl). Power, government, conflict and its resolution, collective action,
What is Political what is economic?

- Distinction between public and private?
  - Is economic about material provisioning?
    - Is it efficiency?
  - Is the public = government
    - is it only collective action/collection goods?
Inter-National Political Economy

- We’re focused on the State as the highest authorities in IR.

- Two problems in analysis
  - Anarchy in IR: states are in a “self-help” system
  - Level of analysis for IPE: International system, dyadic, national, sub-national, and...
What Characterizes the State in IPE?

☐ Is it an autonomous actor?

☐ Arena for conflict/coordination of pluralist society?

☐ Structure for reproducing class interests?

☐ Is it several of these things at once? Structure and agent?
What role for the state?

☐ As the highest level of aggregated social interests, social accountability, where do states fit in the globalization phenomenon?

☐ Are they in retreat?

☐ Are they the dominant actors?

☐ If it depends, on what does it depend?
Globalization

☐ Where do we fit these distinctions/challenges phenomenon?

☐ What do we think of them?
Overview of theories

- **Mercantilism/Neo-Mercantilism**
  - State-centered, competitive state model. Zero-sum world-view.
  - Neo-mercantilism attached to realist (pragmatic?) model.

- **Classical Liberalism**
  - Heralded by Smith, Ricardo, J.S. Mill
  - Individual-centered, non-zero-sum, economic liberty and trade promotion. Non-traders face eclipse by trading states.
  - Comparative advantage compels international trade, interactions.

- **Structuralist/Marxian**
  - Materialist analysis studies relationships by looking at material exchange and production systems.
  - Marxists--social class analysis, no clear separation of economic and political, national capitalist competition can drive imperial expansions.
Classical Political Economists

- Smith--Theory of Moral Sentiments and Wealth of Nations, specialization and absolute advantage
- Ricardo--Dismal Scientist, Comparative Advantage
- Marx--Commoditization of Labor (Labor-power), Structures of Production/Reproduction.
Mercantilism

- Classical Political Economy of Smith and Ricardo was a reaction to the Mercantilist policies of the time.

- Smith and Ricardo both HATED the Mercantilist system, seeing the role of Government as a coordinating body to provide information to lower classes.
Mercantilism

- Essential features of Mercantilism:
  - Regulation of international trade
  - State intervention in the economy
    - Corporatist/ state-private firms.
  - Licensed Monopoly
  - Protection of domestic manufacturers
  - Strong state government
Mercantilism cont’d

- Mercantilism is similar to economic nationalism for the purpose of building a wealthy and powerful state.

- Shares Realism’s zero-sum world view. Old forms were for purposes of the crown and connected merchants.

- Gold = Power

- Term "mercantile system" coined by Smith to

- This system dominated western European economic thought and policies from the sixteenth to the late eighteenth century. Resurgent in the 19th century with national competition rationale from Friedrich List.
Mercantilism (conditions)

- The most important human technology for mercantilism in the sixteenth century was the consolidation of powerful center-states. Administrative capacity, hierarchical organization, rise of domestic merchant classes and royal competition with domestic land owners, use of specie (gold and silver currency—standardized) over simple barter, establishment of banking, insurance etc...

- Other contributing factors were the establishment of colonies outside Europe, enabled the growth of European commerce and industry relative to agriculture.
  - Technological changes like the caravel, compass, chronometer, sextant permitted more reliable navigation. Dropped transport costs.

- During the mercantilist period, military conflict between nation-states was both more frequent and more extensive than at any time in history.
Policy instruments of mercantilism

- Bullionism – strength of a nation measured by the amount of precious metal, gold, or silver it acquired.
  - This dictated favorable foreign trade balance.
- Each nation tried to achieve self-sufficiency (Autarky)
- Strong agriculture should be carefully encouraged – but not permit the old landed elites to re-emerge. Crown needed new lands to offset rising landlords.
- Regulation of commerce to create favorable balance of trade.
- Sea power needed to control access to foreign markets.
- Colonies provide captive markets.
- Large population needed to settle colonies.
- Avoid luxury items because they took money out of the economy.
- State action is needed to regulate and enforce the above policies.
- As it was driven by international competition and moderated by domestic competition among classes, mercantilism took different forms during different times and different countries.
Neo-mercantilism

- Reasserted in late 19th century--Germany with List, followed by French, persistence of the U.S. protectionism, response to depression of 1870s.

- Trade protectionism
  - tariffs, and non-tariff barriers (quotas, health, environmental, standardization, exchange-rate)
- State subsidies for domestic producers
- Strategic trade policy, infant industry, Import-substitution industrialization.
- Deficit in industrialized economies are being mitigated by taxation and by flight of capital from developing countries.
- Tight state regulation of the economy.
- Fixed exchange rate, capital/investment controls.
- From dominant states, imposition of systemic changes to undermine rising powers, e.g. liberal great britain 19th century, described, sometimes as current financial trade regime.
- Bi-lateralism
Neo-mercantilism vs. State led

- State-led policies can look like neo-mercantilist policies.
  - Strategic investments, tax-breaks, subsidies, or subsidized financing, can all foster investment.
- State policies to ease transitions, or transfer payments to “loser” groups.
- Stages of growth theory, with emphasis on state-led development, could be considered neo-mercantilist except...transitional outlook--potentially.