

GLOBAL POLITICAL ECONOMY

BIG DEAL

- After 2016 election, the Trump Administration withdrew US from the Trans-Pacific Partnership.
- More than a year later, in early 2018, the remaining 11 members reconstituted the agreement as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)
- Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam
- Combined GDP: 13.5 Trillion, or 13.4% of global GDP

POST WWII

- Modern international economic system traces back to the end of World War II
 - Ensure Great Depression will not occur again
 - Head off ‘beggar thy neighbor’ policies and economic nationalism
 - Believed to be one of the principle causes of WWII
 - Rebuild Europe
- What Institutions/Organizations did the international community develop to address these problems? Take 5

NEW INSTITUTIONS

- International Monetary Fund (IMF)
 - Lender of last resort
 - Maintain stable exchange rates
 - Prevent balance of payments crises
 - Conditionality/structural adjustment

NEW INSTITUTIONS

- World Bank
 - Designed to aid in rebuilding Europe
 - Mission has expanded to aid poor countries in efforts at:
 - Poverty elimination
 - Infrastructure development
 - Building governance capability (corruption, financial systems)

NEW INSTITUTIONS

- General Agreement on Tariffs and Trade (GATT)
 - Intended to keep trade open and tariff based barriers low
 - Arose out of the failure to establish an international trade organization
 - Institutionalized series of trade negotiations
 - Eventually ‘organizationalized’ as the World Trade Organization (WTO)

NEW INSTITUTIONS

- Gold Standard/Dollar as reserve currency
 - Initially, all currencies would be tied to gold
 - Cold War changed the dynamic:
 - U.S. dollar became THE reserve currency of the West
 - Western currencies exchange rate fixed to the \$\$\$
 - Dollar fixed to gold at \$35/ounce (now \$995/oz)
 - Nixon eliminated the gold standard in 1971

THREE TRADITIONS

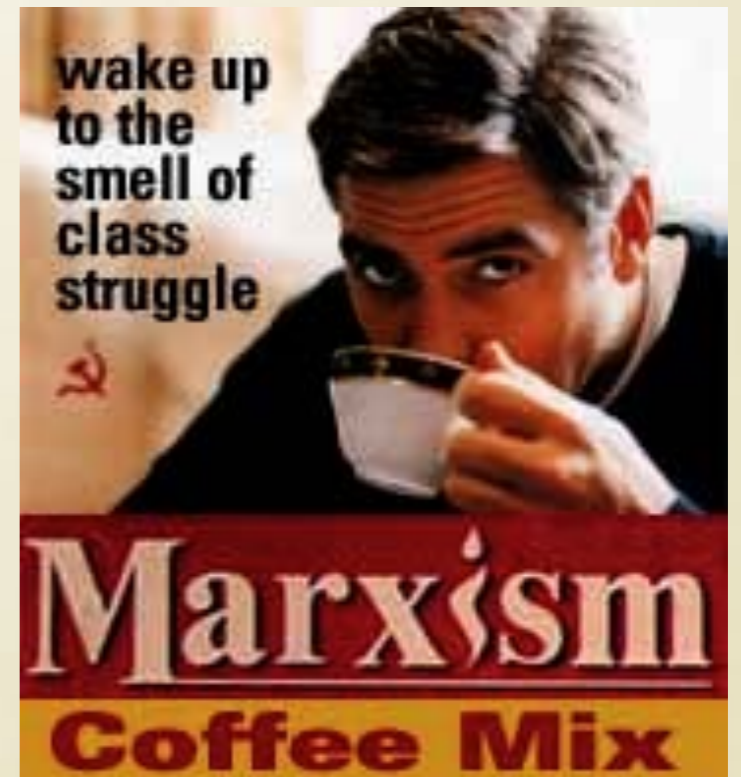
- Liberalism and Neoliberalism
 - Based on Adam Smith's economic theorizing
 - Invisible hand guides markets to optimize the provision of basic goods (housing, food, etc).
 - Free markets
 - Comparative advantage of states
 - States are good at different things
 - Gains come when states specialize in areas where they excel.

THREE TRADITIONS

- Nationalism
 - Economy exists to further state interests.
 - Economic growth good both for itself and...
 - Ability to build military capability
 - Economic power is fungible (interchangeable) with military power
 - Characterized by economic nationalism and protectionism
 - Tariff barriers
 - Non tariff barriers
 - Example: beer

THREE TRADITIONS

- Marxism
- Structural and deterministic approach
 - Capitalism drives class struggle
 - conflict between the owners of production and the working class,
 - valuable as a critical theory



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THREE TRADITIONS

- Related approach: Dependency theory (dependencia)
 - Developed in Latin America (Former Brazilian President Fernando Henrique Cardoso major contributor)
 - World divided into Core and (semi)Periphery
 - Core: advanced manufacturing, significant value added
 - Periphery: Basic or no manufacturing, raw materials
 - Periphery sell raw materials or basic manufactured goods to Core
 - Core sells more expensive finished products and advanced manufactured goods to Periphery.
 - Since raw materials and basic manufacture goods are less valuable than finished products and advanced manufactured goods, money constantly funneled from Periphery to Core.
 - Periphery remains poor and perpetually dependent on the Core.
 - Policy solution: Import Substitution Industrialization (ISI).

RATIONAL CHOICE

- Revisiting Rational Choice Theory (RAT Choice)
 - Born and raised in economic theory; dominant in Political economy
 - Key: Actors' preferences and interests can be assumed (want more power or money)
 - Key: Actors have perfect knowledge
 - Simplifying assumptions designed to explain and predict behavior
 - Core challenge: determine the incentive structure facing actors given a set of preferences and interests

RATIONAL CHOICE

- Two levels of analysis
 - Individual level
 - State behavior explained as the result of power competition between groups
 - group interests are the result of combined individual interests.
 - Institutional level
 - states as individual actors
 - institutions represent interest maximization efforts on the part of states to minimize free riding and defection.

CONSTRUCTIVISM

- We'll focus on this more next week
- Policies are influenced by historical and sociological factors
- More attention to the formation of interests and preferences (in contrast to RAT Choice); role of beliefs, roles, traditions, ideologies

HEGEMONY

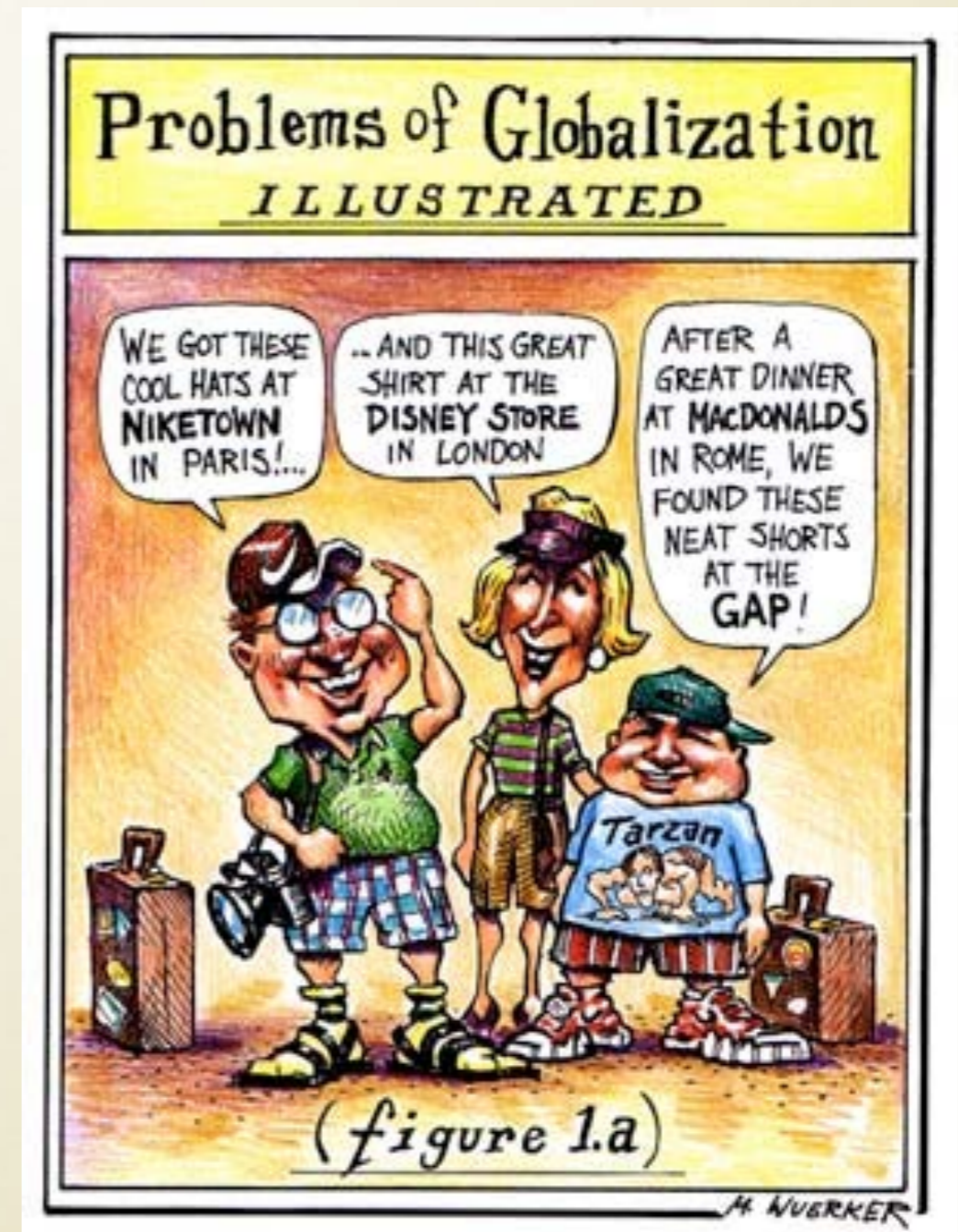
- Returning to hegemony: ideational authority.
 - Neo-liberalism is hegemonic in this instance because it shapes the very way we perceive the international economic system and gives instruction on how best to engage with it and deal with problems. It pervades the existing international institutions and defines the parameters of debate. Control is manifested not just through force, but by redefining what actors believe is in their best interest.

PEER DISCUSSION

- Discuss with your fellow students a question you have about Marxism or IPE

GLOBALISATION IN THE IPE CONTEXT

- Internationalisation
- Technological revolution
- Deterritorialisation
- Liberalisation
- Does it really make sense to talk about globalisation as having the same consequences to the United States and Bangladesh?



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GLOBALISATION IN THE IPE CONTEXT

- Globalists – Global economy is emerging and states are losing their capacity to control economic interactions; MNCs can simply leave if they do not like the economic policies of their home state; point to the Asian financial crisis [what happened here] as a (albeit negative) example.
- Skeptics – We've seen this before (pre-WWI), MNCs are still state based and do not relocate very often,; still need state-based resources like educated workforce, infrastructure, and proximity to major (state-based) markets.
- What do you think?

GLOBALISATION IN THE IPE CONTEXT

- What traditional theories have to say about IPE in an era of globalisation

NEO-LIBERAL INSTITUTIONALISTS

- States will join institutions to facilitate the cooperation necessary for the international economic system to function effectively and efficiently. Doing so maximizes gains for all the involved parties, so it is in states' rational national interest to do so.
- Institutions will also:
 - fill the gaps where markets (sometimes) fail
 - aid states in making optimal rational economic decisions
 - make it possible for the rising tide on the international economy to lift all boats.

NEO-REALISTS

- Institutions reflect the interests of the dominant states, and weaker players join in because they have little choice. Once the institutions fail to serve the interests of the powerful states, they will be abandoned. Institutions do not shape interests

CONSTRUCTIVISTS

- Institutions reflect neither the power political calculations of states or calculations of objectively determined, fixed, and easily calculated long term interests.
- Interests are affected by identity and the social structure of ideas, knowledge, and interaction.
- Other actors who shape states' identities and interests are active in the international system.

REGIONALISATION

- A stopgap response by (usually weak) states to the degradation of state power caused by globalisation. Regional organizations enable states to limit their loss of sovereignty by concentrating their focus on a more limited geographic scope.

OR...

REGIONALISATION

- a means to increase cooperation by forming tighter interdependence ties with neighboring states, further enhancing the mutually beneficial nature of international economic system. Regional institutions supercharge the dynamic at the global level by deepening ties while providing greater flexibility

OR...

REGIONALISATION

- an indicator of shared identity dynamics that states turn to as a counter to uncertainty.

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