

TEST BANK



INTRODUCTION TO
INTERNATIONAL
POLITICAL
ECONOMY

FOURTH EDITION

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Part I: PERSPECTIVES ON INTERNATIONAL POLITICAL ECONOMY

- 1 What Is International Political Economy?
- 2 Wealth and Power: Mercantilism and Economic Nationalism.
- 3 “Laissez-Faire, Laissez-Passer”: The Liberal IPE Perspective.
- 4 Marx, Lenin, and the Structuralist Perspective.
- 5 Alternative Perspectives of International Political Economy.

What is international political economy? The first chapter of this book answers this question, stressing the fundamental nature of IPE and its multidimensional character. The chapters that follow in Part I will broaden and deepen this basic understanding. Chapters 2-4 are the core chapters of Part I, presenting ideas that are used everywhere in the text. These chapters explore the history of IPE through a discussion of the three main IPE viewpoints or perspectives--namely, mercantilism, liberalism, and structuralism. This discussion will provide students with a basic vocabulary and some theoretical tools that are useful in understanding any IPE issue. These chapters will also help students see more clearly the roots of IPE in the past and its relevance to the contemporary world. The first part of the text concludes with Chapter 5, which examines four critiques of IPE thought, providing brief glimpses of alternative perspectives on IPE.

CHAPTER 1

WHAT IS INTERNATIONAL POLITICAL ECONOMY?

Overview:

What is international political economy? Chapter 1 answers this question in three ways: by example; by comparison, contrasting IPE with more familiar disciplines such as economics, political science, and sociology; and directly, through discussion of the fundamental principles of IPE.

In simple terms, we define IPE as the study of those international problems and issues that cannot adequately be addressed by recourse to economic, political, or sociological analysis alone. IPE is the study of international affairs that focuses on the elements of complex interdependence that define many of our most pressing problems today.

The need to study IPE arises because many important contemporary questions cannot adequately be addressed from the standpoint of a social single discipline--economics, politics, or sociology--or by the analysis of actors and actions that take place on a particular level of analysis--individual, state, or international system. IPE breaks down the barriers that separate and isolate the traditional methods of analysis, seeking a comprehensive understanding of issues and events.

We illustrate these points using a dramatic and tragic event--the September 11, 2001 terrorist attacks in the United States. We make it clear that events like this can only be understood from the sort of interdisciplinary, multidimensional perspective that IPE provides. We hope to persuade you that what is true about seemingly epoch-defining events like September 11 is also true of a great many issues. IPE presents us with an analytical framework, which, outlined in this chapter and then developed throughout the book, allows us to understand more clearly both the major events of our times and our daily lives as well.

Learning Objectives:

- To define international political economy.
- To explain and discuss why IPE is a relevant field of study.
- To discuss how IPE is different from and related to such disciplines as economics, politics, sociology, and history.
- To explain and discuss how September 11 illustrates the parallel existence and dynamic interaction of “states,” “markets,” and “societies.”
- To explain and discuss how states and markets differ in terms of their values, methods, and goals.
- To examine how other academic disciplines would analyze the events of September 11.
- To identify and discuss the fundamental elements of IPE.
- To explain and discuss the dynamic nature of the interaction between states and markets.
- To define and discuss the four levels of analysis employed in IPE.
- To define and explain IPE’s four essential “structures” and their analytical purposes.

- To identify and discuss the three essential perspectives of IPE, the values they represent, and which academic disciplines are they most closely associated with.
- To discuss the relationship between "globalization" and IPE.

Chapter Outline

OVERVIEW

- a) International political economy is a study that synthesizes methods and theories about the human condition from economics, politics, and sociology to study international problems that increasingly defy understanding using the ideas of any single academic discipline.
- b) There are three reasons to study IPE: because it is interesting, important, and useful.

THE ESSENCE OF IPE

- a) From a theoretical standpoint, IPE looks at how the political (states and power) interacts with the economic (markets and wealth) in the international (and some would say, increasingly global) arena that is conditioned by history and different cultural values.
- b) IPE examines these interactions and tensions within four structures (production and trade, money and finance, knowledge and technology, and security). Each structure can be understood as a formal (institutional) arrangement and set of bargains between many international actors that directly and indirectly decide the outcome or that shapes the "rules of the game" on a particular international issue or problem.

This Changes Everything: From Walls to Webs

- a) The issue of globalization shows how changes in the economic sphere can have dramatic political and social consequences.
- b) The September 11 attacks illustrate the worldwide network of connections that conflate domestic problems with international ones.
- c) President Bush's war on terror demonstrates how the structures interact. For example, the administration froze assets linked to terrorist cells and the U.S. created the new Department of Homeland Security and passed the USA PATRIOT Act, allowing for improved information gathering for domestic security.

Disciplinary Explanations of Globalization and 9/11

- a) In traditional academic disciplines, an event such as September 11 or the process of globalization would be analyzed piecemeal by various specialized disciplines or topics including microeconomics, macroeconomics, international economics, U.S. politics, comparative politics, international relations, international organizations, political theory, sociology, anthropology, and history.
- b) IPE represents a synthesis of these social science approaches. IPE looks at the complex interactions of subjects, issues, and analytical approaches that characterize international affairs of all sorts.

ANALYTICAL BUILDING BLOCKS: STATES, MARKETS, AND SOCIETIES

- a) IPE concerns social, political, and economic arrangements affecting global systems of production, exchange, and distribution and the mix of values reflected therein.
- b) States are the realm of collective action and collective interests, which tends to emphasize values like security.
- c) States allocate and distribute power. Power can be viewed as divided between relational power (the ability to cause another actor to do or not do something) and structural power (the ability to affect the nature of the system of relationships within which bargaining takes place). An alternative schema is to view power as divided between hard power (the application of coercive force to compel another actor to do something) and soft power (using the influence of culture, beliefs, and values to persuade another actor to do something).
- d) Markets are the realm of individual action and self-interest, and tend to emphasize concerns of efficiency.

- e) Societies are the realm of history, culture, and values of the social system.
- f) Because the state, market, and society often embrace different values and prefer different methods for realizing them, sharp tension and conflict often occurs.
- g) Given the interconnectedness among these three spheres, a change in one often evokes a change in the others, rendering IPE to a constant state of transition.

ANALYTICAL TOOLS OF IPE

- a) IPE is a multidimensional study. IPE analyzes international issues in terms of four levels of analysis, four global structures, and three analytical perspectives.
- b) Mercantilism or economic nationalism is the perspective most closely associated with political science and realism.
- c) Liberalism or economic liberalism is the perspective most closely associated with economics.
- d) Structuralism or Marxism is the perspective most closely associated with sociology.
- e) The problems of IPE can be analyzed and understood in relation to the “level” or unit of analysis under study, namely the individual, the internal characteristics of states, the interaction of states and other state and nonstate actors in the “international” system. Although not originally one of Professor Kenneth Waltz’s three levels of analysis—a good deal of focus today by IPE experts on issues such as globalization reflects increasing interaction among these units throughout the entire “global” international political economy.
- f) The security structure examines the network of institutions and formal and informal rules that determine how physically and psychologically states and individuals are in an international political economy that does not have the tight bipolar type of security structure it had during the Cold War.
- g) The production and trade structure examines the sets of actors, institutions, and their formal and informal rules that determine what kinds of goods and services are produced, where, when, and by whom. When these items are exported or imported by people and corporations in different states, they can severely impact local and national wealth and welfare, making it difficult to agree on international trade rules and regulations (see Chapter 6).
- h) The money and finance structure examines the sets of institutions and actors that determine international currency and foreign investment rules and regulations related to money and credit.
- i) Finally, the knowledge and technology structure examines the sets of actors and institutions that produce and manage a variety of issues related to information, knowledge, and technology—issues that play an increasingly important role in the emerging “global” political economy.

CONCLUSION

Vocabulary Check:

- Interdependence
- Four IPE structures
- Globalization
- September 11, 2001
- State
- Sovereignty
- Security
- Relational power
- Structural power
- Soft Power
- Hard Power
- IOs (international organizations)

- NGOs (nongovernmental organizations)
- Market
- Efficiency
- Market system
- Levels of analysis
- Mercantilism
- Liberalism
- Structuralism
- Production and trade structure
- Money and finance structure
- Knowledge and technology structure
- Security structure
- Weapons of mass destruction (WMD)

Teaching Tips:

- This chapter introduces students to a number of fairly abstract ideas (states, markets, values, structures, etc.) and asks them to apply them to a few simple examples. It is important to give attention to both abstract and the concrete here and to provide students with ample opportunity to link the two together.
- September 11 fascinates most students, so it is useful to keep going back to it as an illustration of the major concepts covered under the heading of international political economy (IPE) today.
- It is a good idea to ask students to read newspapers and bring to class other examples of IPE topics that are currently in the news, such as the war on terror, the environment, immigration, trade policy issues, etc. For a homework assignment ask students to read the chapter and then to find a newspaper article dealing with any IPE-type issue. They should come to the next class with a one-page paper that summarizes the problem and identifies the political, social, and economic elements in the story. Specifically, ask students to discuss the role of the state, market, and society in the article. What tensions exist between these entities and the actors in the article? *Cui bono*? Who benefits and who loses? You could also ask them to identify the levels of analysis focused on in the article. What levels of analysis are highlighted in the article? What could have been highlighted if the author of the article had approached the subject from a different level? Some students will find this creative exercise difficult, but many will find it useful to generate interest in IPE early on in the class. This exercise also helps generate class discussion. Try having students break into small groups of three or four and having them tell (not read) each other what they wrote. Bring the class back together and then go around and ask the class who heard a good “story.” That person should then explain to the class what IPE concepts were used by the student and article’s author. How do IPE concepts help explain the issue or problem at hand? Note: this exercise might be repeated in written form as a class short essay (4-5 pages) topic.
- Although the analysis of the IPE structures is not discussed in depth until the second part of the text, these sets of relationships can be used to help students see IPE around them. Ask students to provide examples of problems they have read about or heard about that involve international or global security, production and trade, finance, or knowledge and technology issues. Be sure to have some examples of your own ready from the nightly news or a newspaper.

Suggested Readings:

Kenneth E. Boulding. “Is Economics Necessary?” and “The Relations of Economic, Political, and Social Systems,” in *Beyond Economics: Essays on Society, Religion and Ethics*. Ann Arbor: University of Michigan Press, 1970.

Milton Friedman. Especially Chapter 1 in *Capitalism and Freedom*. Chicago: University of Chicago Press, 1982.

Thomas L. Friedman. *The Lexus and the Olive Tree: Understanding Globalization*. New York: Farrar, Straus and Giroux, 1999.

Thomas L. Friedman. *Longitudes and Attitudes: Exploring the World After September 11*. New York: Farrar, Straus and Giroux, 2002.

Robert Gilpin. Especially Chapter 1 in *The Political Economy of International Relations*. Princeton, NJ: Princeton University Press, 1987.

Martin Staniland. *What Is Political Economy? A Study of Social Theory and Underdevelopment*. New Haven, CT: Yale University Press, 1985.

Susan Strange. *States and Markets: An Introduction to International Political Economy*. New York: Basil Blackwell, 1988.

Kenneth N. Waltz. *Man, the State, and War: A Theoretical Analysis*. New York: Columbia University Press, 1959.

Sample Examination Questions:

1. Define the terms “state” and “market” and give examples of “state actions” and “market actions.” Is the line between state and market clean and clear, or is it sometimes hard to determine? What is the relationship between politics and the state on one hand and economics and the market on the other?
2. International political economy is sometimes defined as the set of questions and issues arising from the parallel existence and dynamic interaction of states and markets. Find an example of a current event that should properly be considered part of IPE (newspapers and newsmagazines are good sources for this information). How do state-market tensions and interactions figure in these events?
3. How do states and markets differ in the values and goals and the means with which they seek to achieve their goals? Discuss this question both in general and with respect to the current event topic in Question 2.
4. Efficiency and security are two important factors in IPE. Briefly explain why efficiency and security are both desirable values. Can security exist without efficiency? Explain. Can efficiency exist without security? Explain.
5. Using a newspaper or weekly newsmagazine as a reference, try to make a list of at least three important current events that are examples of international political economy. What characteristics do they share—that is, what makes them IPE? How are they different?
6. NATO’s adoption of Article 5 after the September 11 attacks is an example of which IPE structure?
 - a) knowledge and technology
 - b) money and finance
 - c) security*
 - d) production and trade
7. A macroeconomist would evaluate the events of September 11 in terms of
 - a) international trade and finance.
 - b) overall inflation and unemployment.*
 - c) class, race, and gender.
 - d) individual prices and industries.

8. IPE is created by the parallel existence and dynamic interaction of
- a) rich and poor nations.
 - b) communist and capitalist nations.
 - c) creditor and debtor nations.
 - d) states and markets.*
9. "State" is to collective interest as
- a) "market" is to profit.
 - b) "individual" is to society.
 - c) "market" is to individual interest.*
 - d) "individual" is to social interest.
10. Political economists use the notion of "structures" to understand the sets of relations that tie nations and states together at any time. International trade is an element of the production structure, for example. Which of the following statements about IPE structures is WRONG?
- a) International debt is part of the finance structure.
 - b) Defense agreements are part of the security structure.
 - c) International monetary institutions are part of the finance structure.
 - d) The control of patents governing the use of production technology is an issue of the production structure.*

