

Introduction

IPE takes as its point of departure a very simple premise: that it is impossible to understand the evolution of world affairs without understanding how the political and the economic are intertwined. Perhaps more than any other field, IPE has staked a major claim to the study of ‘globalization’ (see **Box 16.1**), seeking to understand the array of processes, trends, actors, and arenas that the term encompasses. But in many ways, the field of IPE also developed as a *response* to the processes of structural change that were associated with globalization, building on well-established theoretical traditions in International Relations (IR), political science, and political economy, among other disciplines, in order to understand the changing global political economy.

Box 16.1 IPE or GPE?

A tussle has emerged in the field concerning what it should be called. International Political Economy is the most used label across scholarly communities, and provides a common vocabulary for the field, but it is clearly problematic. Many rightly view the ‘I’ to be misleading. The field is not concerned with relations among states (the ‘inter-national’); rather, all of the processes of structural change are better considered to be global in scope, involving non-state and private actors as well as, or independently of, nation-states. The label Global Political Economy (GPE) has therefore found favour in some circles as an alternative, as it is deemed to capture more of the field’s thematic and theoretical substance.

Some people go further to argue that both ‘I’ and ‘G’ are essentially unnecessary. All political economy is, by definition, international or global—one only has to go back to the classical thinkers in political economy, such as Adam Smith or Karl Marx, to understand that. Attaching ‘I’ or ‘G’ also draws inappropriate distinctions between this field and the field of *comparative* political economy (CPE), which has been associated with the field of political science rather than IR. In fact, we need both comparative perspectives (focusing on national and regional dynamics) and global perspectives in order to understand the contemporary world. ‘Political economy’, it is argued, is therefore enough. However, disciplinary boundaries are powerful things, and CPE and IPE unfortunately often remain somewhat distinct from one another.

Lastly, the labels also need to be used as descriptive nouns, rather than as the names of scholarly fields. We have already referred several times to *the* global political economy, connoting the real-world context defined by the political-economic processes and actors that are of interest. To avoid confusion, this chapter adopts the acronym IPE to refer to the field, and the noun ‘the global political economy’ to refer to the complex arena of change which is its focus.

The central questions in IPE revolve around the concept of power. Some accounts of the field’s remit emphasize the relationship between power and wealth, which opens up a fascinating set of questions about how power is exercised and by whom, and with what consequences, in the contemporary global political economy. Others emphasize the relationship between public and private forms of power. Susan Strange, in one of the earliest statements about what the field of IPE should look like, framed this influentially as the relationship between ‘states and markets’ (Strange 1988). Many people, rightly, came to view this as too restrictive a definition, as states were not the only actors of significance in the global political economy. One modified definition saw IPE as being about ‘the interrelationship between public and private power in the allocation of scarce resources’ (Ravenhill 2014: 18)—a useful way of thinking about the broader scope of IPE which this chapter employs. For our purposes, public power can be understood as the authority concentrated in state institutions and actors, and by extension in state-led international organizations. Private power can be understood as the diverse forms of authority exercised by non-state institutions and actors, including firms and global markets, private regulatory bodies, non-governmental organizations (NGOs) (see **Ch. 22**), and social movements. The distinction between public and private power is inevitably blurred, and perhaps increasingly so. Many of the functions of public power are being assumed more and more by private actors and institutions, with important consequences for distribution and legitimacy in the global political economy.

IPE is not driven by a single, or even dominant, theoretical or methodological approach. Some strands of the field choose to define it as being concerned first and foremost with the study of institutions, and how institutions shape the possibilities and patterns of cooperation among states. Particularly in North America, institutionalist theories have been a major theoretical influence on the field. But this is not the full extent of IPE. Many other theoretical frameworks have been applied to study its subject matter, stretching across the conventional frameworks of liberalism, realism, and Marxism, and reaching deeply into newer theoretical currents and perspectives such as constructivism, feminism, and neo-Gramscian theory.

Likewise, IPE’s rich thematic interests are generally considered to centre on the trio of trade, production,

and finance. But they reach much more widely, touching on all of the big issues in today's global political economy, including development, inequality, the environment, and migration. We are still feeling the after-effects of the global financial crisis, the most significant economic crisis since the Great Depression of the 1930s, which began in 2008 with the collapse of the US financial firm Lehman Brothers and was accompanied by a parallel debt crisis that engulfed southern Europe around the same time. Europe continues to grapple with the impact of an unprecedented refugee crisis which brings into sharp relief the political-economic dynamics of migration and security, at the same time as the United Kingdom's proposed exit from the European Union (EU) has raised existential questions about the future of the bloc and its integration project. China continues its rise to global economic dominance and increasing global political power, alongside a number of other 'rising powers', auguring a reorganization of the global order and the way it is governed. At the

same time, significant economic and political turmoil in some of those economies, such as Brazil, has led to a questioning of the more excited rhetoric about the 'rising powers' (see Ch. 5). The escalation of protectionist trade policies by the United States since President Donald Trump took office in 2016, bringing with it fears of a 'trade war' between China and the United States, is contributing to renewed anxiety about the health and stability of the global economy. Political battles continue over the power of **transnational corporations** (TNCs), notably in such matters as taxation and labour conditions in global production. The global environment appears to be under relentless threat, as the Trump administration consistently undermines multilateral agreements and rejects climate change science, and the President of Brazil elected in 2018, Jair Bolsonaro, intends aggressively to roll back protection of the Amazon rainforest. The list of contemporary preoccupations for international political economists could go on and on.

Approaches to IPE

Introductions to IPE often refer back to the theoretical framing that Robert Gilpin set out in 1987, when the field was beginning to crystallize as a major subdiscipline of IR. In his now classic overview of the new field, he identified three main bodies of theory that underpinned the field: liberalism, Marxism, and nationalism (sometimes also called realism) (see Chs 6, 7, and 8). These three labels quickly became a standard categorization of approaches, and often still provide the starting point of undergraduate and postgraduate syllabi in IPE.

More recently, the field has evolved in more diverse directions, embracing a wide range of bodies of theory to aid its task of understanding the distributive consequences of the interplay between private and public power. These 'newer' perspectives include social constructivism, evolving forms of rational choice theory and institutionalism, and varied directions in Marxist and critical thought, such as neo-Gramscian theory, feminist theories, and poststructuralism. Recalling the definition of IPE outlined at the start of the chapter, each of these bodies of theory brings to bear a different understanding of the nature of power, the relationship between public and private power, and the consequences for the distribution of material and power resources.

The liberal tradition in IPE builds on ideas about free markets and the view that markets are the most

efficient mechanism by which resources can be allocated. States are not invisible in this tradition, but their role should be limited to securing the conditions in which markets can operate as freely as possible, and correcting some of the undesirable consequences of their workings. A minimal role for the state builds on the idea that governments are subject to pressures from powerful interests in society, seeking advantages or 'rents' from government policies, and therefore that governments potentially distort the efficient operation of markets. The emphasis on both states and interests runs through contemporary neoliberal theories of IPE. Institutionalism, as noted above, is concerned first and foremost with patterns of cooperation among states, and how the 'inter-national' dynamics of power, refracted through the creation of national and international institutions, shape outcomes in terms of collective action among states (Keohane 1984; Milner 1997). Rational choice theory, by extension, is concerned with the strategic decisions made by actors in the global political economy; it assumes that actors are 'rational' in their decision-making processes, possess fixed interests and preferences, and adapt to particular structures of incentives (Aggarwal and Dupont 2014).

Conversely, nationalist or realist perspectives on IPE focus closely on 'inter-national' relations among states

and see the global political economy as being shaped by competition among states to maximize their power and security (Krasner 1976). Their interest in political economy centres on economic policy decisions by states that are assumed to be pursuing the goals of economic nationalism and independence. However, they reserve particular attention for the role of hegemonic power in the global political economy, focusing on whether and how one hegemonic state can create and enforce rules to maximize the stability of the system, often through the creation of institutions.

By comparison, Marxism and its neo-Marxist offshoots are concerned with the system—the *structure* of the global political economy—which is defined by capitalism. Capitalism is understood to be about competition between interests, as in liberal and nationalist theories, but interests here are understood not through the primary prism of states and governments, but rather as relating to class. The dynamics of the global political economy are, in this sense, about the conflict inherent in capitalism between those who own the means of production and those who are oppressed as a means of generating ‘surplus value’ or profit in the system. Neo-Marxist theories associated with the schools of dependency theory and world systems theory, which were particularly influential in the 1960s and 1970s, transposed these insights to a global level, arguing that the global economy was divided into a ‘core’ and a ‘periphery’, and that class conflict was international or global in scale (Frank 1967; Dos Santos 1970; Wallerstein 1979).

More recently, Marxist perspectives have been married with insights from the Italian philosopher Antonio Gramsci (R. Cox 1981, 1987); this strand of theoretical thinking has become particularly influential as a part of a broader universe of ‘critical’ IPE. This body of work has advanced the core Marxist concern with the power structures that underpin capitalism, but also placed more emphasis than in previous phases on the ‘ideology’, or sets of ideas, that themselves form a part of the structure of the global political economy.

In this regard, these critical currents in IPE share some terrain with social constructivist approaches (Abdelal, Blyth, and Parsons 2010). The core question here concerns how ideas shape outcomes in the global political economy. One strand of this research focuses on questions of ideology, and how dominant ideologies—such as the free market ideas associated with neoliberalism—themselves structure the world around us and the principles or ‘logics’ by which it functions. Other strands focus more on how ideas

inform the decisions which public and private actors take, and more specifically the interests that define their preferences. Whereas Marxist theorists would see these interests as being defined by class or position in the capitalist structure, and rational choice theorists would ascribe them to incentive structures that actors face, social constructivists are more interested in the ideational dimensions of interest formation: how individual perceptions and cultural influences can combine to shape patterns of ideas, and, in turn, how particular sets of ideas become dominant in the global political economy, and with what consequences (see Ch. 12).

Feminist approaches to IPE bring many of these concerns together (Peterson 2003; Bakker and Silvey 2008). While theoretical orientations differ among feminist scholars, they are united in a focus on how the power structures, interests, and ideas that underpin the global political economy are fundamentally gendered in their nature and consequences. Other chapters in this volume highlight many of the questions that animate feminist theories of IPE, including the many dimensions of the ‘gendered division of labour’ (see Chs 9 and 17).

There are many other theoretical approaches to IPE and many other theoretical influences. It is not possible to survey them all in detail here, nor even to do full justice to the depth and richness of those mentioned above. However, this brief overview has highlighted two aspects of IPE. First, IPE has come a long way since its early conception as resting on the trilogy of liberalism, nationalism/realism, and Marxism. It has become a flag under which many ships have been able to sail, departing from different theoretical shores and traversing the expansive thematic waters that characterize the field.

Second, IPE is a highly diverse field; sometimes what divides the field can be more apparent than what unites it. Even so, IPE’s principal approaches are united by a common set of theoretical and conceptual pillars. While very different, and placing their emphasis in dramatically different ways, it can be said that all of the above theories rest on three ingredients of the study of political economy—material capabilities, institutions, and ideas (R. Cox 1981). As the introduction to this volume discussed, each body of theory will paint these ingredients in different colours, will understand the relationship among them in different ways, and will produce different pictures of the outcomes of their interactions. But they stand as the core ontological building blocks of approaches to IPE, providing a useful starting point for exploring some of the field’s main issues and themes.

Key Points

- IPE is an extremely rich and diverse field, which builds on theoretical perspectives drawn from IR, political economy, and political science, as well as insights from other disciplines.
- The conventional description of IPE theory as organized around liberalism, nationalism/realism, and Marxism no longer captures the breadth and complexity of approaches to IPE.
- Approaches to IPE are all concerned with the interplay of material capabilities, institutions, and ideas in the global political economy.
- However, they understand the nature of these three elements in diverse ways, and theorize their relationships differently.

What drives globalization?

Globalization is not new. What we refer to as ‘globalization’ in IPE relates to the latest, contemporary phase in a long-standing historical process. This phase can be said to have started in the 1960s and 1970s. It is also often referred to as ‘neoliberal’ globalization, denoting the ideological principles on which it rests, and the forms of political-economic organization that it has ushered in. However, the globalization of the world economy began much earlier than this conventionally indicated starting point. Many histories of globalization go back to the sixteenth century in tracing the advent of a world economy, for centuries centred on Europe and organized around European colonialism, moving through the Industrial Revolution to the late nineteenth-century world order of expanding world trade, imperialism, technological advances, and the introduction of the international **Gold Standard** as the basis for coordinating international currency arrangements. The early twentieth century saw the outbreak of the First World War, and with it the abandonment of the Gold Standard, the proliferation of barriers to trade, and the period of worldwide recession commonly called the ‘Great Depression’ in the 1930s, followed by the Second World War.

Towards the end of the Second World War, two commitments were shaped which laid the foundations for the post-war international economic order (Ravenhill 2014: 13). The first was what John Ruggie (1982) famously termed ‘embedded liberalism’, in which governments reached a compromise between the twin objectives of safeguarding their domestic economies and pursuing the goal of full employment to aid post-war recovery, on the one hand, and, on the other, opening up domestic economies in order to re-establish the footing for international trade and investment flows. The second commitment was to the construction of an institutional architecture capable of sustaining the stability of the world economic order and achieving renewed prosperity following the period of war in Europe and Asia. The result was the

so-called Bretton Woods system, named for the location of an international meeting held in 1944, which yielded the creation of the major international economic institutions that still characterize the multilateral landscape: the International Monetary Fund (IMF); the World Bank (which was originally called the International Bank for Reconstruction and Development); and the General Agreement on Tariffs and Trade (GATT), which later became the World Trade Organization (WTO). At the same time, the project to rebuild Europe generated a process of deepening European integration, with the Treaty of Rome, signed in 1957, laying the foundations for the European Economic Community (EEC) and eventually the European Union (EU).

The result was the achievement of unprecedented rates of economic growth and advances in living standards in the post-1945 period, leading the renowned historian Eric Hobsbawm (1994) to refer to this period as a ‘Golden Age’. However, not all of the countries and regions of the world enjoyed this accelerating growth and developmental progress, and the gap between what were called at the time the ‘developed’ world and the ‘developing’ worlds widened. At the same time that many economies in East Asia were achieving rapid growth, leading to talk of an ‘East Asian miracle’, other regions, notably Africa, were falling further and further behind.

Two schools of thought emerged to explain this divergence in development trajectories. The first, modernization theory, popular in the 1950s and 1960s, mapped out a route to development based on the experiences of what many referred to as the ‘advanced’ Western world, plotting a path for the less developed countries to ‘catch up’, in the parlance of the time, with North America and Europe. Following this prescribed path to modernization would yield developmental success; deviating from this route would result in developmental failure. Hence the divergence in development trajectories was understood as a result of inappropriate strategies and

the absence in the developing world of the political and cultural characteristics of Western ‘modernity’.

The second, underdevelopment theory, which gained currency in the 1960s, took a different view. Its variants drew on Marxist perspectives to argue that ‘catching up’ was not possible for all, because, alongside the lasting effects of colonialism, the fundamental truth about capitalism was that development depended on underdevelopment. In other words, the Third World’s continuing underdevelopment was not a product of its failure, but rather a result of structural limitations to the possibilities for it to achieve development. The ‘**terms of trade**’ in the international economy—a concept which highlights the relative competitiveness of national economies by measuring the relationship between the price that a country’s exports can command in international markets and the price that country pays for its imports—worked systematically against the Third World and its development prospects. In André Gunder Frank’s famous formulations, capitalism generates ‘economic development for the few and underdevelopment for the many’, as ‘development and underdevelopment are two sides of the same coin’ (Frank 1967: 8–9).

The 1970s marked the end of the Golden Age. The decision in 1971 by the administration of US President Richard Nixon to allow the dollar to float freely is commonly viewed as the starting point of the contemporary globalization of financial markets. The oil crisis of 1973 ushered in a period of ‘**stagflation**’—economic stagnation combined with high inflation—prompting a period of crisis across the advanced industrialized world. To make matters worse, a turn by countries such as the United States to greater trade protectionism—the erection of barriers to restrain free trade—undermined the post-war commitment to economic openness.

Meanwhile, the evolution of the Bretton Woods institutions had sowed seeds of discontent among developing countries. They viewed the IMF, the World Bank, and the GATT system either as neglectful of developing countries’ interests, or as being organized in such a way that their interests were systematically marginalized. In other words, the governments of developing countries encountered a multilateral system in which they had very limited bargaining power, and which functioned to serve the interests of the powerful states and capitalist forces. Together with the possibilities that high oil prices and control over commodities afforded, these concerns led developing countries to turn to each other in an effort to rectify the disadvantageous terms on which they were integrated into the international

economy. The Non-Aligned Movement (NAM) and the New International Economic Order (NIEO) were key political movements that emerged over the 1960s and 1970s, oriented to reducing developing economies’ dependence on the international economy as well as their vulnerability to adverse terms of trade.

However, a series of economic and political developments prevented these movements from bringing about conclusive adjustments to the power structures of the world order. Following an explosion of available credit in the international economy over the 1960s and 1970s, many developing countries, particularly in Latin America, had borrowed extensively in international financial markets and accumulated massive amounts of debt. The debt crisis that ensued at the start of the 1980s, triggered by the US government raising interest rates, both caused these debts rapidly to become unpayable and acted as a significant brake on development in the affected countries. At the same time, conservative governments were elected in the United States, the United Kingdom, and elsewhere; they interpreted the experience of stagflation, growing state intervention (especially in Europe), and resurgent political conflict to signal the exhaustion of the post-war model associated with the Golden Age.

So started the ‘neoliberal counter-revolution’ (Toye 1993). Strongly associated with the traditions of Western liberal thought, the neoliberal counter-revolution was based on the assumption that ‘human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets and free trade’ (Harvey 2005: 2). This assumption quickly gained the status of orthodoxy—neatly summed up in the phrase ascribed to UK Prime Minister Margaret Thatcher, ‘there is no alternative’—and formed the basis for the development of a distinctive policy agenda to achieve an extensive programme of trade liberalization, deregulation, and privatization worldwide. This programme was broken down into something resembling a ‘recipe’ of policy change, which came to be called the **Washington Consensus** (see Box 16.2).

The Washington Consensus was rolled out aggressively across the developing world, with the Bretton Woods institutions becoming the main channels for this purpose. Their ‘structural adjustment programmes’ (SAPs)—programmes imposing major economic policy reform packages on developing countries—made compliance with these Washington Consensus prescriptions a condition of access to loans and financing from those institutions, which developing countries needed urgently

Box 16.2 The policy prescriptions of the Washington Consensus

- Maintenance of fiscal discipline (budget deficits should not exceed 2 per cent of gross domestic product (GDP))
- Reordering of public expenditure priorities (reduction and elimination of subsidies; prioritization of spending in education, health, and infrastructure)
- Tax reform (broadening of tax base; maintenance of 'moderate' marginal tax rates)
- Maintenance of positive real interest rates (to discourage capital flight and increase savings)
- Maintenance of 'competitive' exchange rates
- Trade liberalization
- Elimination of barriers to foreign direct investment
- Privatization of state-owned enterprises
- Deregulation of the economy
- Enforcement of property rights

Williamson 1990

to achieve growth and development following the debt crisis. Colin Leys put it well when he observed that, by the end of the 1980s, 'the only development policy that was officially approved was not having one—leaving it to the market to allocate resources, not the state' (Leys 1996: 42).

Yet neoliberalism was not just about domestic policy change. It pushed forward a vision of the global political economy as resting on deregulated and globalized financial markets, free trade, and globalized production structures in which TNCs were free to roam the world and organize their production activities wherever they found the most conducive conditions. The globalization of trade, finance, and production are discussed in finer-grained detail elsewhere in this volume (see Ch. 27). The extent to which any of these facets of globalization have been achieved fully remains open to debate: is global trade really 'free', for example, or indeed 'global'? The question of whether the process of 'globalization' has stalled in the first two decades of the twenty-first century will also preoccupy us for some years to come, and we will reflect on this towards the end of the chapter. Nevertheless, the far-reaching and on-going consequences of neoliberal globalization cannot be doubted, and debates rage in IPE about their implications for the distribution of power and wealth. Before considering these debates, however, let us first look through IPE lenses at the question of what has driven these processes of global political-economic change.

One set of interpretations highlights the role of ideas and ideology in driving global political-economic

change. Scholars associated with 'critical' strands of IPE have been particularly keen to expose the ideological underpinnings of globalization. Robert Cox, the foundational voice in articulating a critical approach to IPE, established the core insight that the ideational and material dimensions of power are 'always bound together, mutually reinforcing one another, and not reducible one to the other' (R. Cox 1983: 168). Material power relates to control over material resources, including raw materials, capital, and markets, and was traditionally more commonly the focus across the field of IPE. Yet ideational power is arguably even more important: that is, the particular ways of thinking about the global political economy that neoliberalism has come to impose on a wide variety of public and private actors. Just as neoliberalism is 'constructed' as an ideological project (Peck 2010), so too is globalization 'constructed' by sets of ideas and associated discourses that have come to represent a 'common sense' of the contemporary era.

A second set of interpretations focuses on the powerful interests and institutions that drive globalization. According to this perspective, the processes of change that make up globalization are driven by the changing political landscape in which, above all, powerful corporate interests have risen to dominance. These include both financial corporations (banks and other financial firms) and non-financial corporations associated with global production. The power of these private actors is not a new phenomenon—think, for instance, of the power of the East India Company or its counterpart, the Dutch East India Company, in the early seventeenth century. But it is nevertheless the case that the rapid rise of the multinational corporation, more commonly now called the TNC, was the key phenomenon of the post-war world economy. TNCs are now considered to be among the most powerful actors in the global political economy, increasingly able to dictate the terms of production and trade, and the key driving forces behind globalization. However, this does not mean that states are now irrelevant in driving or governing globalization (see **Opposing Opinions 16.1**). As much as TNCs wield enormous political power and we can find ample evidence of their using this power to ensure that governments act in accordance with their preferences, states and international institutions have also been—and remain—pivotal to creating the conditions in which TNCs can operate.

A third perspective on the drivers of global political-economic change underscores the role of **technological revolution** in creating the conditions for globalization. Firms and economic actors are able to operate globally

Opposing Opinions 16.1 National states are irrelevant in an era of economic globalization

For

National states are ill-equipped to govern globalization.

The processes associated with globalization are, by definition, global. They are beyond the capacities of national states to govern. Authority in the global political economy has therefore been dispersed to a wide array of private actors, civil society actors, and international organizations that are more able to govern 'transnationally'.

Markets and global capital have undermined states' power and authority.

Global capital operates beyond the political control of states. The deregulation of finance and liberalization of trade have eroded the power that states previously were able to exercise over economic processes and actors.

TNCs' political power far exceeds that of many governments.

TNCs are able to wield their political power, especially across the developing world, to diminish the capacity of states and governments to regulate effectively. States wanting to attract investment and trade are bound by the preferences of foreign capital and TNCs.

Global processes have eroded policy space. Governments are no longer able to control national borders, and policy autonomy has been eroded by the need to accommodate global economic and political forces.

Against

Nation-states remain an essential part of global governance.

Many of the major international organizations are inter-governmental in character. Nation-states remain the point of reference for many civil society organizations. They are also pivotal in putting in place the governance conditions in which globalization can thrive, and in providing mechanisms of democratic accountability for its consequences.

Powerful states have been the 'authors' of globalization.

Propelled by the dictates of neoliberalism, states themselves have been responsible for their decreased role in economic governance, as they continually act to maintain the conditions for deregulation and liberalization. States are often in conflict with private actors, but not because they have been 'eroded'.

Not all states act the same.

Some states are more active in regulating global economic processes and actors than others. It is an excessive generalization to suggest that states have become passive in the face of corporate power.

Governments retain significant policy discretion.

National policy frameworks vary considerably, and governments retain control over a wide array of policy instruments. As the experience of the global financial crisis shows, states are instrumental in managing economic crises and dealing with the consequences of economic instability. The surge of nationalism in some countries in the 2010s, along with the global economic policies pursued by the US administration of Donald Trump since 2016, also demonstrate that there is no inevitability that state policy will be consistent with neoliberal globalization.

1. Do TNCs now run the world, rather than national governments?
2. In what ways have states, in different parts of the world, adapted to deal with the challenges of globalization?
3. Does it make any sense to talk in general about 'national states' in debating these issues, or should we distinguish between different types of states?



For advice on how to answer these questions, see the pointers www.oup.com/he/baylis8e

as a result of the compression of time and space that has been achieved by the evolution of information technologies. Territory and distance are no longer barriers to international economic exchange, and economic transactions have become 'virtual' in character: money moves around the world not in physical form, but instantaneously through computers. The logistics revolution, through advances in such areas as refrigeration technologies and transportation and distribution methods, has also enabled the globalization of production and trade in a way that could barely have been envisaged even 50 years ago. Seen through IPE lenses, then, control over technology is a key attribute

of material power. The story of globalization is at least in part a story of the forms of political and economic activity that technological advances have facilitated, and the power that control over technology can confer on particular actors in the global political economy.

Finally, a fourth interpretation directs attention to the power of states. For much of the time that IPE has existed as a field, this power has been centred in the United States. The origins of neoliberal globalization coincided with the consolidation of US post-war hegemony and the period denoted by it, often called the Pax Americana. Indeed, with its origins in the discipline of IR, much early IPE scholarship was concerned first and

foremost with questions of US hegemonic power and its implications for patterns of cooperation among states and the institutional apparatus of world politics. Just as important is the connection drawn between the globalization project and a set of distinctively US economic interests, in particular the links between the rise of the TNC and the consolidation of US economic power. For some scholars in critical IPE, the debate is more usefully about how the neoliberal globalization project is associated with an idea of US 'imperialism', facilitating the global dissemination of a distinctive ideological agenda

and a set of material interests, channelled through the power structures of international institutions.

However, the vision of globalization as the expression of state power is slowly but surely changing. It can no longer be assumed unproblematically that the US occupies a position of global dominance: the rise of China and other states has disrupted this equation of globalization with US hegemony. In one sense, globalization has accelerated as China, India, and the countries of the former Soviet bloc have become increasingly integrated into the global political economy since the

Case Study 16.1 The BRICs and the rise of China



Donald Trump and Vice Premier Liu He of the People's Republic of China speak in the Oval Office

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Since the late 1980s, the dramatic growth of the Chinese and Indian economies, and that of some other emerging economies, has been one of the most notable features of the global political economy. This group of countries have attracted various labels, of which the 'rising powers' and the 'BRICs' became the most popular—the latter acronym referring to the principal countries deemed to fall within the group: Brazil, Russia, India, and China (see **Case Study 5.1**). The term BRICs was first coined in 2001 by Jim O'Neill, then chief economist at Goldman Sachs, to identify the four economies that had the potential to become the largest and most influential economies in the twenty-first century. South Africa is often added to that list. In reality, all of these economies and countries are very different, and it is considered by many a big stretch to include them all in a single category. But this label nevertheless caught on, particularly in global financial and policy communities.

China is of course the key economy in this grouping, becoming the world's largest exporter in 2010, and in 2014 overtaking Japan for the first time as the world's second largest economy. Predictions that the Chinese economy will have outstripped the US economy to become indisputably the world's largest by 2050 run alongside continued concerns about slowing growth and fears of impending recession. Since 2016, the Chinese currency, the yuan, has been

included in the basket of currencies used by the IMF, thus becoming an international reserve currency. China's increasing economic power has also been evident in its pursuit of assets and opportunities across the world, with regions such as Africa and Latin America becoming major destinations for Chinese investment. China is the largest foreign holder of US debt. In mid-2018 its holdings of US Treasury bonds, bills, and notes reached some US\$1.2 trillion, equivalent to about 20 per cent of US debt held by foreign countries, and some 5 per cent of total debt. If the Chinese were to sell off large quantities of this debt, or stop buying US debt in the future, the implications for the US economy—and by extension the global economy—would be very serious indeed.

The election of Donald Trump in the United States in 2016 ushered in a period of increasing economic tension between China and the US. Trump's rhetoric has consistently centred on the 'unfair' trade advantage enjoyed by the Chinese economy, and its implications for the jobs and wages of American workers. This rhetoric crystallized in an escalating trade dispute in 2018, when the imposition by the US of tariffs on imports of goods from China (as well as some other countries) led to retaliatory tariffs imposed by China, raising the prospect of a destabilizing 'trade war' between the two largest economies in the world.

The questions for students of IPE are pressing. Is China's rise fuelling the emergence of a new global political-economic order, replacing the order based on neoliberal globalization and US hegemony? What are the consequences for global governance of China's increasing power and political assertiveness? What are likely to be the political and economic consequences of significant tension, or indeed a trade war, between China and the United States? Are we once again looking at an accelerating trend towards protectionism in the global economy? The short answer is that it remains too soon to know, but it is clear both that the implications of China's rise will be significant, and that what happens in and around the Chinese economy has wide-ranging repercussions for the global economy.

Question 1: In what ways and to what extent is China now a major economic power in the world?

Question 2: Are the 'rising powers' overturning the established global political-economic order?

start of the 1990s. In a different sense, their rise—particularly that of China—appears to be upending the established order, especially with regard to economic power (see **Case Study 16.1**). At the same time, it can no longer be assumed that powerful states are sponsoring globalization. The rise of nationalist populist politics

across some parts of the world, including in the United States under the administration of Donald Trump, has featured a form of ‘anti-globalism’ which cuts against the pillars of neoliberal globalization, and could reasonably be interpreted as an attempt to ‘roll back’ the advance of global economic liberalization.

Key Points

- Globalization is not new, but rather is a process that has proceeded through many phases since the sixteenth century.
- The post-war period was characterized by an increase in international cooperation to restore stability in the international economic order, and re-establish economic openness following an extended period of war and crisis.
- The latest phase of globalization is associated with neoliberalism, emerging as a response to the economic crisis of the 1970s and the ascendance of neoliberal ideas about how the global political economy should be organized.
- IPE scholars emphasize a range of drivers behind contemporary globalization, which include the role of ideology and ideas, the power of private economic interests, the technological revolution, and the evolution of state power.
- There is increasing debate as to whether globalization is now stalling or being ‘rolled back’, as nationalist, anti-globalist politics have become dominant in the United States and elsewhere.

Who wins and who loses from globalization?

Readers will recall that our definition of the field of IPE placed emphasis on the interaction between public and private power in shaping how scarce resources are distributed. In other words, IPE provides rich material for understanding who wins and who loses from globalization. We will focus our attention here on a number of issues that shed interesting light on the dynamics of distribution in the global political economy: globalization and inequality; globalization and labour exploitation; and globalization and migration.

Globalization and inequality

Much debate in IPE has revolved around the relationship between globalization, poverty, and inequality. It is generally accepted that expectations that neoliberal globalization would lift the world’s population out of poverty have been misplaced. Between 1990 and 2015, the World Bank estimates that the number of people living in extreme poverty fell to under 10 per cent of the global population. It estimates a slight further decline for 2018 to 8.6 per cent, although, significantly, the rate of improvement also slowed between 2015 and 2018 (World Bank 2018). However, these aggregate figures hide the uneven nature of this progress. The East Asian and Pacific regions account for the bulk of the good news on global poverty, where the dramatic decline in poverty in China has been particularly noteworthy. In Latin America, the data are heavily skewed by upward

trends in the large economies, specifically in Mexico and Brazil. Sub-Saharan Africa now accounts for most of the world’s poor, with 41 per cent of the region’s population living in poverty in 2015. The numbers there were also rising in 2018, rather than declining as in the rest of the world. Significantly, while there has been an overall drop in extreme poverty across the world, there has been much less progress on poverty in general: the number of people living between the \$1.25 per day extreme poverty line and the \$2 per day poverty line in fact doubled between 1981 and 2008 (World Bank 2012). Despite some good news on global poverty during the period of neoliberal globalization, therefore, it is fair to say that we have not seen the improvements that many thought globalization would bring about.

However, the major trend of our time has been explosive growth in levels of *inequality*, which can rightly be considered to be ‘without historical precedent and without conceivable justification—economic, moral or otherwise’ (Pieterse 2002: 1024). Yet, critically, it is not primarily a worsening of poverty that has produced greater levels of inequality; rather, it is the dramatic acceleration of wealth accumulation that has caused such a stretching of the spectrum. During the 1990s, the world’s rich benefited disproportionately from global growth, while the poor’s per capita consumption increased at only half the average global rate (Edward 2006). Between 1993 and 2001, somewhere between 50 and 60 per cent of the increase in world consumption accrued to about

10 per cent of the world's population (Wade 2014: 327). In early 2018, Oxfam's annual calculations revealed that 82 per cent of the wealth generated in 2017 went to the richest 1 per cent of the global population, while the 3.7 billion people who make up the poorest half of the world saw no increase in their wealth at all. Oxfam charts an annual increase in billionaire wealth by an average of 13 per cent since 2010, which exceeds annual average wage growth by six times over the same period, and an unprecedented increase in the number of billionaires between March 2016 and March 2017 (Oxfam 2018).

The question for students of IPE is how to explain these vast divergences in wealth, and the fact that the gaps continue to widen. Does globalization *cause* greater levels of inequality—and if so, does it matter? Views differ dramatically. Some contend that inequality is not a problem so long as everyone is getting richer: what does it matter if we have more billionaires than ever, generating wealth, if extreme poverty is falling and the possibilities for social mobility are greater than ever? According to this logic, globalization is the key to everyone getting richer, as it provides opportunities and removes barriers to development.

Others hold that the dynamics of globalization itself are responsible for growing inequality. While globalization has created opportunities for the massive accumulation of wealth by global elites, it has also left untouched the structural features of the global economy that work against development for large parts of the world and their population. In addition, the skewed distribution of power in the global political economy ensures that inequalities remain entrenched. And yes, this argument holds, inequality *does* matter: if we look across the world in the mid-2010s, for instance, one of the dominant themes in national politics is the backlash from those who are on the sharp end of globalization, those who are on the losing side of inequality, and those who feel 'left out' of the benefits that globalization was supposed to bring. This has been a powerful explanation for political events, including the election of nationalist and populist leaders in many countries, the outcome of the UK referendum on 'Brexit' in 2016, and instances of civil unrest such as the rioting in Paris at the end of 2018.

Globalization and labour exploitation

The second theme of this section, labour exploitation in the global economy, is also associated strongly with the dynamics of inequality. Recall that Marxist theory teaches that labour exploitation is an intrinsic feature of capitalism, as the outcome of the class conflict between capital and labour. But one does not have to be a Marxist theorist

to recognize that global production is built on processes which maximize the profits for firms and private actors, and that one of the ways in which this happens relates to the conditions in which people across the world work.

Many sectors of global production are marked by intense competition. TNCs coordinating networks of global production put huge commercial pressures on producers and supplier firms with regard to cost and supply conditions. Producers and suppliers in turn frequently seek to manage these pressures by reducing the share constituted by labour in production costs. To do so, they emphasize the maintenance of a highly 'flexible' workforce—the ability to hire and fire at will in order to respond to changing conditions, to hire workers without any formal contract or on short-term contracts that do not involve extensive obligations in relation to rights and entitlements, to keep wages low, and to make sure workers are easily 'disposable'. The globalization of production has advanced as firms have sought the advantages of cheap and **flexible labour** across the world, with little or no regulation by national governments of their activities.

A direct consequence is the explosion of precarious, insecure, unprotected, and exploitative conditions of work, which have become the hallmark of the global political economy. Informal, migrant, and contract workers have become the backbone of the global labour force. This labour force has also become strongly 'feminized', and women workers are among the most vulnerable to exploitation in many arenas of the global economy. The concept of 'sweatshops' has been familiar for several decades, and there have been many instances in which large corporations have been exposed for sweatshop conditions in factories and other appalling abuses of workers' rights. Nike, Gap, Amazon, and Apple are all examples of the large numbers of brand firms that have suffered damaging exposures of working conditions in their supply chains, some of which have responded by trying to position themselves at the forefront of the corporate social responsibility (CSR) agenda. Across the world we encounter the problems of zero-hours contracts, poor and exploitative conditions of work, and low wages. At the extreme end of the spectrum of labour exploitation are production models reliant on the use of forced labour and child labour (see **Case Study 16.2**).

Globalization and migration

The final theme in this section, migration, provides a fascinating insight into the dynamics of inequality in the global political economy. We live in an 'Age of Migration' (Castles and Miller 2009), in which the

Case Study 16.2 Slavery and forced labour in global production



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The International Labour Organization (ILO) estimated in 2017 that there were 24.9 million people working in conditions of forced labour across the world. Of these, about 16 million were in the private economy, 4.8 million in forced sexual exploitation, and 4.1 million in forced labour imposed by state authorities. The ILO also estimated that 152 million children were in child labour across the world (ILO 2017).

The problems of forced labour are encountered in all parts of the world, including in those countries we tend to think of as ‘rich’. In Brazil, government data indicated that 21,000 workers were released from conditions defined as ‘slave labour’ between 2003 and 2010, as a result of a major effort to address the problem of slavery in that country. These workers were mainly in the agricultural economy, in sectors such as sugar cane, cattle ranching, charcoal, and coffee. The 2018 Global Slavery Index (GSI) estimated that there may still be as many as 369,000 people working in conditions of slavery in Brazil. To give a handful of further examples, the estimated figure is 136,000 in the UK, 610,000 in Thailand, 1,045,000 in

the Democratic Republic of Congo, 129,000 in France, and 3,186,000 in Pakistan (GSI 2018).

Forced labour also occurs across a wide range of industries and sectors that make up the mainstream of global production, encompassing manufacturing, agricultural, and extractive industries. The United States Department of Labor (2018) confidently identifies 148 goods from 76 countries as being produced using forced or child labour, and its list of suspected goods is very much longer. It is generally thought that we all have garments in our wardrobes made using forced or child labour, will routinely eat food whose ingredients are produced using forced labour, and will conduct our working and personal lives using computers, mobile phones, and other electronic devices produced by people working in these conditions.

Forced labour takes a huge variety of forms. Workers are often coerced into labour arrangements in which there are no formal contracts, and where they assume debts to employers or recruiters, meaning that they are unable to leave, and these debts are manipulated so as to become unpayable. Wages are withheld until the end of a period of time, and then are not paid or paid at pittance levels. Workers are prevented from freely leaving jobs through imprisonment and coercive restrictions on their physical movement, threatened or actual violence (against them and family members or co-workers), and/or the confiscation of documents and possessions. Severely exploitative conditions are invariably associated with harsh, degrading, and dangerous conditions of work, violations of workers’ labour rights and often human rights, and diverse forms of coercion and manipulation designed to make people work harder, for longer, and for less money in intensely competitive and cost-driven commercial environments.

Question 1: What forms does forced labour take in global production?

Question 2: Is it surprising that forced labour remains so common in the contemporary global economy?

number of international migrants reached 258 million in 2017, up from 220 million in 2010 (UN 2017a). Of course, migration is not new: it has underpinned the history of humanity. But what *is* new about the contemporary period is that migration flows are now truly ‘global’—no longer centred on Europe or on a ‘south–north’ movement from poorer to richer countries, but now in large proportion also ‘south–south’. Much of this south–south movement involves migration within regions, such as Southeast Asia, southern Africa, or South America. The key phenomenon in China, Brazil, and elsewhere is also that of massive internal movements of people within countries, which are not captured in these estimated figures on inter-state migration. Migration shapes the political economy of all regions of the world. It is impossible to understand the contemporary global political economy, and the

processes wrapped up under the heading ‘globalization’, without understanding migration.

The many different faces of migration reflect the contours of global inequality discussed above. In the context of neoliberalism, the outcomes for different kinds of migrants are very different. At one end of the spectrum, highly mobile, highly paid, highly educated professionals use their global mobility as a means of generating opportunities for themselves. Their mobility oils the wheels of global economic activity in sectors as diverse as commerce, finance, education, and medicine. At the other end of the spectrum is the kind of global labour force described in the previous section, where migrants are disproportionately represented in the low-paid, low-skill parts of global production, or in sectors supplying services to the more privileged, professional parts of society, including ‘lifestyle’ services such as

domestic work. Such patterns of migration connected with domestic service are global, and include as examples the movement of workers from the Philippines to Hong Kong, Mexico to the United States, Nicaragua to Costa Rica, or Indonesia to the United Arab Emirates, as well as movement within countries.

The realities of precarious employment are magnified by the particular vulnerabilities of migrant workers. Migrant workers often lack the power to engage in political action concerning wages and working conditions, and they do not possess the rights and entitlements associated with citizenship or residency. Laws governing immigration or internal movements often act to strip workers of labour or welfare protections, and constrain their ability to seek satisfactory working conditions by changing employers. These laws can also provide mechanisms for employers to manipulate workers, particularly if they are undocumented, such as the threat of denunciation to immigration authorities. The global migrant labour force is strongly associated with economic need and the requirements of supporting families at home.

In one sense, this suggests that migrant workers are among the losers from globalization. The deregulation of labour markets, the power of private firms, the retraction of welfare and social protection under neoliberalism, the demand for abundant and cheap labour in global production, and the massive accumulation of wealth in some sections of society—all

have fuelled a situation in which many migrant workers have found themselves at the sharp end of globalization. An alternative viewpoint would argue that increased possibilities for mobility under globalization have presented opportunities for people to migrate to earn better wages, achieve better levels of education, and enhance their social mobility. Clearly, much depends on how migration is *governed* in the global political economy, particularly in relation to working conditions for migrant workers and the kinds of government policies that govern immigration or the movement of people.

Conversely, an IPE lens reveals that migration is itself a driver of globalization. This is not just in an economic sense, relating to the construction of a highly flexible global labour force, or the supply of global talent to particular industries. Migration also has important implications for the global economy, because increasing levels of global migration are associated with vast flows of money through global and national financial systems. Officially recorded remittances to the developing world—the sums of money that migrants send home to their families—stood at \$413 billion in 2016 (UN 2017a). Finally, migration has important cultural implications. Particularly in the world's 'global cities' (Sassen 2001), migration has played an important part in some of the dramatic cultural changes that we associate with globalization, and consequently the emergence of new political dynamics across the world.

Key Points

- IPE is concerned with the distribution of power and material resources in the global political economy, and lively debates centre on who wins and who loses from globalization.
- Globalization has been associated with a dramatic widening of inequality, between and within countries, and between and within social groups.
- Labour exploitation underpins the generation of wealth and profits in the global political economy.
- Migration has become truly 'global' in its scope, associated with the movement of highly paid professionals at one end of the spectrum, and low-paid, low-skill workers at the other.
- Migration is itself a driver of globalization, in both economic and cultural terms.

The future of globalization

As a historical process, globalization has not unfolded in a linear fashion, and the account of globalization that we outlined earlier in this chapter included many twists and turns. At the end of the 2010s, we have arrived at a point where we are once again questioning the future of globalization, as anti-globalist, nativistic, and populist

strains of politics have gained ground in countries as diverse as the United States, Brazil, Hungary, the Philippines, France, and the United Kingdom, among others. Across the world, left-leaning politics have long been characterized by a questioning of the value of globalization, given all of its uneven social and economic

consequences as we have outlined in this chapter. Does this mean that the process known as ‘globalization’ has now run aground?

In many ways, this conclusion is probably premature. We should be wary of basing sweeping assumptions about the historical significance of change on recent turns of events. It remains to be seen whether the system of globalization will hold, so to speak, and withstand this moment of resurgent nationalism. Much also depends on what we mean by ‘globalization’. We can legitimately distinguish between globalization as a historical process and its current neoliberal incarnation. It might be valid to conclude that neoliberal globalization is under significant strain: indeed, we have been talking about the exhaustion of the neoliberal model for some time. But this model is not the only possibility. As we have seen, while it does not conform with the neoliberal development model, the rise of China remains premised on a particular vision of globalization—and indeed is marked by a globalist outlook. It may be that rather than witnessing its demise, we are in the process of shifting to the next phase in the historical evolution of globalization, one perhaps shaped more by China and the rising powers than by the United States and other Western powers. Yet we do not know what this alternative model will look like, nor how politically and economically acceptable it would be.

Conclusion

This chapter has introduced the rich resources that IPE offers for understanding globalization. It has emphasized that IPE is a tremendously diverse field, encompassing a range of theoretical and methodological traditions and an expansive terrain of empirical interests. Debates about the nature and consequences of globalization continue to rage in IPE, and this chapter has captured some of them by focusing on two areas of contestation: what drives globalization, and who wins and loses from the processes associated with it.

What will the future of IPE hold? No doubt, the lively debates—and disputes—among different parts of the field will continue to thrive. Diverse theoretical preferences and different methods of analysis will continue to vie with one another for greater purchase on the subject matter of IPE. When these debates are

Alternatively, it may be that the forces of globalization are now so powerful—centring on the enormous weight of financial and non-financial corporations—that the status quo will be maintained despite a prolonged period of turbulence. The 2008 financial crisis was widely expected to usher in significant change in the way the global political economy is governed, especially in relation to financial regulation, but this has not proved to be the case. A further scenario is that the nationalist impetus could prevail, as the values of internationalism and **globalism** are overwhelmed once again by reactionary populist politics. At the very least, to avoid this scenario, there will need to be a convincing response to the crushing inequalities in the global political economy which we have touched on in this chapter.

Key Points

- At the end of the 2010s, we have arrived at a point where we are once again questioning the future of globalization, as anti-globalist, nativistic, and populist strains of politics have gained ground in diverse countries.
- We should be wary of putting too much weight on current and recent events in predicting the future of globalization.
- Nevertheless, the current neoliberal model of globalization is clearly under significant strain, and it is not yet clear what the future will hold.

conducted in the spirit of open exchanges of perspective and view, they are hugely valuable in advancing the field and enriching the work that goes on within it. But greater dialogue among different schools of IPE is also desirable and important, based on a recognition that starting with the big questions, and bringing a range of theoretical perspectives and methods to bear on the task of answering them, can only enhance the breadth and depth of our understanding. After all, much is at stake in understanding how the global political economy works, and in whose interests.



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