



## Course information 2015–16

### IR3026 International political economy

This course provides an introduction to international political economy - the interface between international economics and international politics. This study is based on the assumption that in order to understand patterns of interaction and change at the global level, we need to look at both international politics and economics in an integrated manner. Students will look at economic issues of trade, finance, production and development, but not from the perspective of economic theory. Instead, students will engage with the International Relations concepts, ideas and literatures on the economic relations among states, and between states and non-state actors (such as firms, societal groups and international organisations). The focus is therefore on the political problems that arise as a consequence of the increasing density of international economic relations. Knowledge of economics is an advantage but not a requirement.

#### Prerequisite

If taken as part of a BSc degree, courses which must be passed before this course may be attempted:

EC1002 Introduction to economics *or*  
IR1011 Introduction to international relations.

#### Aims and objectives

The aim of this course is to promote understanding of:

- the interaction between politics and economics in international relations
- the sources of change in international political economy
- the challenges faced by states in an era of global economic integration and fragmentation.

#### Essential reading

Ravenhill, John (ed.) *Global political economy*. (Oxford: Oxford University Press)

#### Assessment

This course is assessed by a three hour unseen written examination.

#### Learning outcomes

At the end of this course and having completed the essential reading and activities students should be able to:

- ✓ demonstrate an understanding of the processes of global integration and fragmentation in international politics and economics
- ✓ show what the sources are of continuity and change in international political economy
- ✓ demonstrate an appreciation of the history of thought in international political economy
- ✓ distinguish between, and critically evaluate, different theoretical approaches to international political economy
- ✓ explain the different roles of states, international organisations and non-state actors in the politics of international economic relations
- ✓ show an understanding of the economic challenges facing states in their foreign policy.

## Syllabus

This is a description of the material to be examined, as published in the *Programme handbook*. On registration, students will receive a detailed subject guide which provides a framework for covering the topics in the syllabus and directions to the essential reading.

**Globalisation in international political economy:** *the economic factor in international relations; The concept of globalisation; How new is globalisation?; Globalisation and its discontents*

### **PART 1 THEORIES OF INTERNATIONAL POLITICAL ECONOMY**

**Mercantilism and economic nationalism:** *Early forms of mercantilism; Nineteenth-century mercantilism: Hamilton and List*

**Classical liberalism and neo-liberalism:** *Classical liberalism; Free trade liberalism; Twentieth-century liberal theory; The concept of interdependence; The rise of international institutions and regimes.*

**Imperialism, dependency and neo-Marxism:** *Karl Marx and Marxism; Lenin and the theory of imperialism; Dependency theory and underdevelopment; Contemporary neo-Marxist theory*

### **PART 2 STRUCTURES, ISSUES AND ACTORS:**

**The international trade system:** *Theories of trade; The creation of the GATT; Trade liberalisation under the GATT and the rise of the 'new protectionism'; From the creation of the WTO to the Doha Round*

**The global financial and monetary order:** *The rise and decline of the Bretton Woods system; Global monetary order after Bretton Woods; The IMF and international debt crises; Managing financial crises: the 1997 Asian crisis and the 2008 global crisis*

**Economic development:** *Poverty and inequality: key indicators; Evolution of development thinking; The Washington Consensus and beyond; The developmental debate today; The World Bank and international aid*

**Multinational corporations:** *Multinational production and foreign investment in a global economy; The rise of the global firm; Power shift? State-firms relations in flux; Governing global firms: national and international rules*

**Environmental protection:** *Differing perspectives on environmentalism; Early history of international environmental politics; From the 1992 Rio 'Earth Summit' to the 2002 Johannesburg Summit and beyond; The concept of sustainable development; The challenge of climate change*

**Regionalism in a global economy:** *Explaining regionalism; The European Union; Regionalism in the Americas and Asia; Regional trade agreements and the WTO: conflict or compatibility?;*

**The political economy of international relations**

Students should consult the *Programme Regulations for degrees and diplomas in Economics, Management, Finance and the Social Sciences* that are reviewed annually. Notice is also given in the *Regulations* of any courses which are being phased out and students are advised to check course availability.

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# Examiners' commentaries 2015

## IR3026 International political economy – Zone A

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### Important note

This commentary reflects the examination and assessment arrangements for this course in the academic year 2014–15. The format and structure of the examination may change in future years, and any such changes will be publicised on the virtual learning environment (VLE).

#### Information about the subject guide and the Essential reading references

Unless otherwise stated, all cross-references will be to the latest version of the subject guide (2011). You should always attempt to use the most recent edition of any Essential reading textbook, even if the commentary and/or online reading list and/or subject guide refers to an earlier edition. If different editions of Essential reading are listed, please check the VLE for reading supplements – if none are available, please use the contents list and index of the new edition to find the relevant section.

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### Comments on specific questions

Candidates should answer THREE of the following TEN questions. All questions carry equal marks.

#### Question 1

**Are liberals right in thinking that global economic interdependence reduces the risk of international conflict?**

#### Reading for this question

Chapter 3 of the subject guide provides background on the liberal tradition. Richardson, N.R. 'International Trade as a Force for Peace' in C.W. Kegley Jr. (ed.) *Controversies in international relations theory: realism and the neoliberal challenge*. (New York: St. Martin's Press, 1995) [ISBN 9780312096533] pp.281–94 focuses specifically on the 'peace-through-trade' argument advanced by Cobden and other liberal thinkers. Other useful texts on liberal theorists include Heilbroner, R.L. *The worldly philosophers*. (London: Penguin, 2000) seventh edition [ISBN 9780684862149], Keohane, R.O. 'International Liberalism Reconsidered' in J. Dunn (ed.) *The economic limits of politics*. (Cambridge: Cambridge University Press, 1989) [ISBN 9780521421515] is particularly useful on the more contemporary versions of liberalism, which emphasise the importance of economic interdependence.

#### Approaching the question

This question is about a long-standing argument made by liberals that greater economic interaction and interdependence will reduce the risk of international conflict. There are different versions of this argument that run through the liberal tradition. The strong version can be found in the writings of Richard Cobden and other 19th century liberal thinkers, who advanced the 'peace-through-trade' argument. Post-1945 liberals recognise

that interdependence does not automatically prevent war but still argue that it tends to reduce conflict.

To answer this question, candidates may wish to start outlining the evolution of liberal thinking on this topic, but it is important to recognise that the question focuses more on 20th century liberal arguments that don't assume that trade and interdependence automatically lead to peace. Candidates should therefore focus the answer on the latter. In doing so, they should consider what the logic is behind this claim, in other words why does interdependence have this effect. This relates to the idea that interdependence increases the economic costs of conflict and of going to war, but also relates to the liberal argument about democratic peace. In any case, candidates should also consider how strong the evidence is for this argument, and what counter-arguments can be made against the liberal claim. A strong answer would draw on realist and Marxist thinking to develop a critique of the liberal argument.

## Question 2

**'On the whole, free trade benefits industrialised countries, not developing countries'. Discuss.**

### Reading for this question

This question is about a view of free trade that is shared by both mercantilist and Marxist theories of international political economy. Chapter 2 of the subject guide offers an introduction to the mercantilist tradition, and Chapter 4 covers the Marxist tradition. The core of the argument implied in the question is based on mercantilist reasoning, so it would be possible to focus on the mercantilist logic, though candidates should at least note that dependency theorists and other neo-Marxists agree with the view that weaker economies don't benefit from free trade.

The following introduces the main tenets of mercantilism:

Economides, S. and P. Wilson *The economic factor in international relations: a brief introduction*. (London: I.B. Tauris, 2001) [ISBN 9781860646638].

Further useful texts on this topic are:

Ravenhill, J. (ed.) *Global political economy*. (Oxford: Oxford University Press, 2014) fourth edition [ISBN 9780199666010] Chapter 2.

Irwin, D.A. *Against the tide: an intellectual history of free trade*. (Princeton: Princeton University Press, 1996) [ISBN 9780691058962] Chapters 2 and 8.

### Approaching the question

To answer this question, you need to first explain the context in which the statement in the question is situated, namely the mercantilist/Marxist view of international economic exchange as a zero-sum game in which some nations (usually the strong ones – developed countries) gain and others lose (usually the weaker ones – developing countries). It would be helpful briefly to set out the core beliefs of the mercantilist tradition, to provide some background, though this should not lead to a lengthy discussion of mercantilism as such. Instead, candidates should focus on the essence of the question, which is about the claim that free trade is not in the interest of developing countries. To discuss this statement, candidates need to look at the underlying logic of the mercantilist and neo-Marxist view of free trade, subject it to a critical assessment, and also consider the counter-arguments that liberals would put forward. You should also provide some empirical illustrations for both sides of the argument. In particular, the success of export-oriented emerging economies should be discussed as their experience is of direct relevance to this question.

**Question 3**

**How useful is the concept of class conflict to the study of international economic relations today?**

**Reading for this question**

Chapter 4 of the subject guide and Economides and Wilson (2001), Chapter 4 offer background on the Marxist tradition in IPE, which made class conflict one of its central concepts. Brewer, A. *Marxist theories of imperialism: a critical survey*. (London: Routledge, 1990) second edition [ISBN 9780415044691] is a useful guide to the evolution of Marxist thinking throughout the 19th and 20th centuries. For a more recent example of Marxist thinking applied to contemporary developments in the global economy, which makes some use of the concept of class conflict, see Wallerstein, I. *Historical capitalism*. (London: Verso, 1995) [ISBN 9781859841051].

**Approaching the question**

This question requires candidates to apply their knowledge of the Marxist tradition to contemporary phenomena in IPE. The focus is on the specific Marxist concept of class conflict, so candidates must focus on this and not simply discuss the Marxist tradition as such. A good way to start would be to identify class conflict as a Marxist concept and explain how Marxists use it to analyse capitalist structures and the revolutionary developments that conflict between the main classes generates. This should then be followed with a discussion of how the concept can be applied to international relations, and how it has been applied in neo-Marxist writings. It is important, therefore, to move beyond a mere general discussion of class-based analysis to a more focused discussion of what analytical leverage the class conflict can, and cannot, provide for the study of international relations. Candidates should refer to specific examples from the history of international relations to illustrate the contrasting views on this question. For example, class conflict might illuminate the conflict between developed and developing countries, or between (ex-)colonial countries and their (former) colonies. As always, candidates should feel free to form their own opinion on this question.

**Question 4**

**What factors explain the lack of progress in the WTO Doha Development Round?**

**Reading for this question**

The international trade system is introduced in Chapter 5 of the subject guide. Gilpin, R. *Global political economy: understanding the international economic order*. (Princeton: Princeton University Press, 2001) [ISBN 9780691086774] Chapter 8, and Hoekman, B.M. and M.M. Kostecki *The political economy of the world trading system: the WTO and beyond*. (Oxford: Oxford University Press, 2009) third edition [ISBN 9780199553778] provide further background on the WTO, which is the context within which the Doha Round is being negotiated, and Jackson 1997 offers a detailed account of the WTO as an international organisation. This question requires some general knowledge of current trends in the Doha Development Round, which can be gained from reading current affairs magazines and journals (such as *The Economist*, *Business Week*, *Financial Times*, etc.). Useful background on the failings of the Doha Round can be found in:

Jones, K.A. *The Doha blues: institutional crisis and reform in the WTO*. (New York: Oxford University Press, 2010) [ISBN 9780195378825].

### **Approaching the question**

The question requires candidates to show a decent understanding of the WTO system of trade liberalisation and particularly of the Doha Development Round. To some extent, therefore, the focus in the question is primarily empirical. However, candidates need to give reasons for the failure to date to conclude the Doha Round, and this involves some reflection on the theoretical and conceptual dimensions of the study of trade politics. As a first step, candidates might want to introduce the WTO as the institutional context for the current Doha Round, but this can be done briefly and should not lead to a lengthy discussion of the entire WTO system. More important is the question of what the Doha Round is about, how it came about and what the obstacles to its successful conclusion are. Candidates can refer to a number of obstacles and should briefly discuss them with some empirical illustration. A strong answer would try to frame this discussion with the help of broader conceptual categories for discussing these obstacles (e.g. divergence of interests; cumbersome negotiation process; lack of domestic support for trade liberalisation). The second step would therefore focus mostly on the explanations for the current malaise in the Doha Round, before the conclusion wraps up the discussion and offers a clear answer to the question.

#### **Question 5**

**Does the current Eurozone crisis suggest that monetary union in Europe is bound to fail?**

#### **Reading for this question**

Chapter 6 of the subject guide provides an overview of the international financial system, including the European efforts to create monetary union and the fallout from the 2008 global financial crisis. A useful overview of European Monetary Union and the Eurozone crisis can be found in:

De Grauwe, P. 'The political economy of the euro' *Annual Review of Political Science* 16 (2013) pp.153–170.

#### **Approaching the question**

To answer this question, candidates need to be able to draw on a general understanding of global financial crises and the nature of monetary unions. But to do well, they need to show detailed knowledge of the European experience with monetary union and the crisis that has engulfed the Eurozone in recent years. A good way to start would be to explain the system for monetary union in Europe and how it came about. Based on this, candidates should consider the experience with the Eurozone crisis and identify the main flaws of European Monetary Union, particularly the lack of full political union to back up monetary union. There is a genuine debate about whether EMU is bound to fail, and candidates should feel free to express their own view on this topic, as long as this is backed up by an analysis of EMU and its strengths and weaknesses. A strong answer would look at proposals to solve the Eurozone crisis and use this to identify whether monetary union can ever work in Europe.

#### **Question 6**

**Is aid conditionality economically right but morally wrong?**

#### **Reading for this question**

Chapter 7 of the subject guide gives an overview of economic development related topics. Background reading on development and aid can be found in Ravenhill (2014), Chapter 13, and Gilpin (2001), Chapter 12.

Collier, P. *The bottom billion: why the poorest countries are failing and what can be done about it*. (Oxford: Oxford University Press, 2008) [ISBN 9780195374636] and Riddell, R. *Does foreign aid really work?* (Oxford: Oxford University Press, 2008) [ISBN 9780199544462] discuss the role of economic aid as part of broader development strategies. Some of the readings listed under Chapter 4 of the subject guide on dependency theory may also be helpful in addressing the question as they tend to view aid and aid conditionality in a negative light.

### **Approaching the question**

To get started on this answer, candidates may want to first describe the use of development aid in the global fight against poverty before discussing the moral controversy that surrounds aid conditionality. Aid is viewed by some as a necessary tool for economic development, whereas others see it as exploitative and as an instrument of neo-imperialism because of the conditions that are attached to it. Candidates should also discuss the growing use of conditionality in bilateral and multilateral aid, i.e. by industrialised countries and by multilateral aid agencies such as the World Bank. Some of the most critical views of development aid can be found in the writings of dependency theorists, and a good answer would try to frame the discussion with the help of these theoretical perspectives. In any case, candidates need to consider arguments for and against the two types of assessment implied in the question, one about the economic rationality of conditionality and the other about its moral quality. Although candidates may end up making an argument for or against either of the two implied statements, they need to elaborate the rationales behind both sides of the argument.

## **Question 7**

**Can corporate social responsibility (CSR) approaches ever be an effective alternative to international environmental and social regulation of global business?**

### **Reading for this question**

Multinational corporations (MNCs) and their role in international relations, including the question of global regulation of business, are covered in Chapter 8 of the subject guide. Ravenhill (2014), Chapter 11 and Gilpin (2001), Chapter 11 provide general background to this topic, as does: Hirst, P and G. Thompson *Globalization in question: the international economy and the possibilities of governance*. (Cambridge: Polity, 2009) third edition [ISBN 9780745621647] Chapter 3. A useful overview of the private regulation of global business can be found in: Vogel, D. 'The Private Regulation of Global Corporate Conduct: Achievements and Limitations', *Business and Society* 49(3) 2010, pp.68–87, and Vogel, D. *The market for virtue: the potential and limits of corporate social responsibility*. (Washington, DC: Brookings Institution Press, 2006) [ISBN 9780815790778]. A critical view of business self-regulation can be found in: Picciotto, S. and R. Mayne (eds) *Regulating international business: beyond liberalization*. (London: Macmillan, 1999) [ISBN 9780333776780].

### **Approaching the question**

The question relates to the growing use of self-regulation, and particularly CSR approaches, in dealing with social and environmental problems in global business. It is set in the context of the broader debate about how global business should be regulated, and why the international framework for business regulation is relatively weak and underdeveloped. To answer the question, you should first describe the growing popularity of

CSR approaches and contrast it with the comparatively weak international regulatory system for global business. The discussion should include an evaluation of CSR approaches, with a specific focus on their effectiveness, i.e. their strengths and weaknesses. This should make specific reference to empirical examples. Based on this, the answer should then consider the alternatives to business self-regulation and the arguments in favour of a more state-based approach to regulating global business. This means that the answer should consider both sides of this debate, that is arguments in favour and against sole reliance on business self-regulation.

## Question 8

**Do IMF interventions in international financial crises end up making future crises more likely?**

### Reading for this question

Chapter 6 of the subject guide provides an overview of the international financial system and discusses the nature of financial crises and the role of the IMF. The best overview of financial crises in general can be found in:

Eichengreen, B.J. *Financial crises: and what to do about them*. (Oxford: Oxford University Press, 2002) [ISBN 9780199257447].

Eichengreen, B.J. *Globalizing capital: a history of the international monetary system*. (Princeton: Princeton University Press, 1996) [ISBN 9780691002453].

Gilpin, R. *The challenge of global capitalism: the world economy in the 21st century*. (Princeton: Princeton University Press, 2000) [ISBN 9780691092799] Chapters 4 and 5, provides a general history of international efforts to create a stable international financial system. Other useful discussions of financial crises and the IMF can be found in:

Gilpin, R. (2001), Chapter 9.

Stiglitz, J.E. *Globalization and its discontents*. (London: Allen Lane, 2002) [ISBN 9780393324396].

Woods, N. 'Understanding Pathways Through Financial Crises and the Impact of the IMF: an Introduction', *Global Governance* 12(4) 2006, pp.373–93.

### Approaching the question

You need to demonstrate a decent knowledge of the international financial order and international financial crises (for example, Asian crisis of 1997, global financial crisis of 2008) as well as the role of the IMF. You need to be able to discuss international policy responses to financial crises, with a particular focus on the role that the IMF plays in dealing with such crises. To illustrate your answer, you are free to draw on experience with any particular financial crisis or several crises. The main focus of the answer should be on the central dilemma in IMF interventions, known as moral hazard, which suggests that any attempt by the IMF to bail out states that have suffered from a financial crisis helps cause and exacerbate future crises of the same kind. IMF bailouts, it is argued, make excessive lending and irresponsible fiscal spending more likely in the future, thereby undermining the IMF's intention to solve and prevent financial crisis. Candidates should explain the underlying logic of this argument and also subject it to critical scrutiny.

**Question 9**

**Is there a fundamental conflict between global environmentalism and the liberal principles of the international economy?**

**Reading for this question**

Chapter 9 of the subject guide introduces global environmentalism and global environmental politics, as does Chapter 14 of Ravenhill (2014). Chapter 5 of the subject guide covers the international trade order and the liberal principles that it is based on, which are representative of the liberal principles of the international economy overall. A useful text on the tensions between global environmentalism and the liberal international economy is:

Clapp, J. and P. Dauvergne *Paths to a green world: the political economy of the global environment*. (Cambridge, MA: MIT Press, 2005) [ISBN 9780262532716].

Other relevant texts on this topic include:

Elliott, L. *The global politics of the environment*. (London: Macmillan, 2004) second edition [ISBN 9780814721643].

World Commission on Environment and Development *Our common future*. (Oxford: Oxford University Press, 1987) [ISBN 9780192820808].

**Approaching the question**

To answer this question, you need to have a general understanding of both global environmental politics and the liberal principles that underpin the international economic order. A good starting point would be to introduce the core tenets of global environmentalism and how it emerged in international politics from the 1970s onwards. This is not the time to rehearse the history of international environmental politics but to identify why and to what extent environmental ideas might clash with liberal principles. This should then lead to a discussion of whether, and to what extent, the liberal principles of the global economy run counter to environmental ideas. A good empirical focus for this is the trade regime, which emphasises the need for free trade and non-discrimination. On the basis of this, and with the help of empirical examples, you would need to establish the extent to which there is indeed a fundamental conflict. For example, the discussion could focus on how environmental policies target polluting behaviour in the international economy, by regulating or outlawing such behaviour, which can end up interfering with or restricting trade. Ideally, you should refer to specific examples of whether, and how, the environmental agenda creates challenges to liberal principles of economic exchange. An outstanding answer would note the ambiguities and different strands in environmentalism and demonstrate how these can lead to different forms of global environmental policy, some of which may in fact be compatible with the liberal principles of the international economy.

**Question 10**

**Does regionalism promote or undermine global economic integration?**

**Reading for this question**

Chapter 10 of the subject guide deals with regionalism and regionalisation, while Chapter 1 introduces the concept of globalisation.

Ravenhill (2014), Chapter 6.

Best, E. and T. Christiansen 'Regionalism in International Affairs' in J. Baylis, S. Smith and P. Owens (eds) *The globalization of world politics: an introduction to international relations*. (Oxford: Oxford University Press,

2011) [ISBN 9780198782636] offers good background information on regionalism.

The following offer useful background on different regional integration projects:

- Breslin, S., C.W. Hughes, N. Phillips and B. Rosamond (eds) *New regionalism in the global political economy*. (London: Routledge, 2002) [ISBN 9780415277679].
- Phillips, N. *The southern cone model: the political economy of regional capitalist development in Latin America*. (London: Routledge, 2004) [ISBN 9780415340885].
- Fawcett, L. and A.J. Hurrell *Regionalism in world politics: regional organization and international order*. (New York: Oxford University Press, 1995) [ISBN 9780198280675].

You would also find it useful to draw on material from Chapter 5 of the subject guide, which deals with international trade, and particularly the sections that discuss the contemporary crisis in multilateral trade policy and the rise of regional trade agreements. Useful texts in this regard are:

- Bhagwati, J. *Termites in the trading system: how preferential agreements undermine free trade*. (Oxford, Oxford University Press, 2008) [ISBN 9780195331653].
- Jones, K.A. *The Doha blues: institutional crisis and reform in the WTO*. (New York: Oxford University Press, 2010) [ISBN 9780195378825].

### **Approaching the question**

To answer this question, you need to have an understanding of the forces driving both regional integration and global integration. You are required to compare and contrast both forms of integration and discuss whether they are compatible or in conflict. One way to start the answer would be first to introduce the concepts of regional and global integration and then describe recent shifts towards regional integration. The focus in this answer should not be on explaining regionalisation and globalisation as such but on a discussion of whether the former supports or detracts from the latter. The answer could then focus on specific examples that illustrate tensions between regional and global integration, or the compatibility of both.

A useful area to focus on is international trade, where it is often argued that trade regionalisation undermines the multilateral trading system and thus global trade integration. You can use the example of regional trade agreements (e.g. NAFTA, EU) to illustrate your answer and explain some of the underlying reasons why there is – or isn't – tension between regional and global trade integration. A strong answer would go one step further and distinguish between different regional contexts and different levels of regional integration, noting that not all regional integration efforts detract from globalisation.