Lecture 2: Economic Nationalist Perspective

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Outline

- Recap
- Historical Context
- Susan Strange and IPE
- Economic Nationalist Perspective
  - Origins
  - Assumptions
  - Key Advocates
- Discussion Question
RECAP
Defining IPE

The interaction of the market and such powerful actors as states, multinational firms and international organisations

(Gilpin, 2001)
Interactive Relationship Between Politics and Economics

States provide Security framework and RULES within which the economy functions

The market imposes limits on what the state can achieve

Grenade, 2006
IPE Explained

A Case study of Barbados
Historical Context

Planning the post war world economy

- Bretton Woods, 1944
  - Need to avoid a repeat of the 1930s Great Depression
  - Need to rebuild Europe
New World Economic Order

IMF, 1946
To ensure stable exchange rates & assistance with balance of payments crises

Bank for Reconstruction & Development (i.e. World Bank) 1946
Reconstruction of Europe; later to focus on development in other countries
1947 - General Agreement on Tariffs and Trade (GATT)

Forum for trade negotiations

1995 World Trade Organisation
Impact of Cold War

- US preoccupation with rebuilding Europe to contain the Soviet Union
- The 1947 Marshall Plan
- Dominant role of the US in the post war world economy
- Bretton Woods system broke down in 1971
Global Financial Crises

1973  OPEC’s oil embargo

1997  Asian financial crisis
### Hegemonic Stability Theory

**Liberal Variant**

A world leader to:

- Provide stable monetary and financial system
- Coordinate macroeconomic policies
- Be a lender of last resort

**Realist Variant**

A HEGEMON to:

- Promote its own interests (security, political & economic)
- Make the rules
- Ensure other actors follow the rules

(See Gilpin, 2001; Peter Katzenstein, 1996 *The culture of National Security*)
Susan Strange’s 4 Constants in Historical Capitalism

1. Core periphery relations
2. Development for a few at a time
3. Ascents and declines of world powers
4. Competition among firms, countries and regions
Susan Strange’s 4 structures of power

1. Security
2. Production
3. Finance
4. Knowledge

Who controls the structures of power?
Who benefits?
Who loses?
State of the literature is not keeping up with the gulf between international politics and international economics

- There is an unequal pace of change in the international political and international economic system;

- These changes have an effect on international society and on relations among states
Susan Strange

These changes have gone almost unnoticed by scholars. Why?

- They have crept up slowly
- Academics are preoccupied with theory and neglect all else
Economic Nationalist Perspective

- Brings together analysts who focus on the role of the **state** and **power** in shaping the IPE.
- Proponents stress the importance of the **interest of the state** in understanding international relations.
- The **state** is the **key actor** in the IPE.
Economic Nationalist Perspective

- The political realm is seen as the most important realm.

- Group of scholars who advocate this school of thought include mercantilist and realist.
Origins

- 15\textsuperscript{th} century Europe and the expansion of the state

- Mercantilism was a doctrine which governed the actions of states until mid-19\textsuperscript{th} Century

- European states established overseas empires – 15\textsuperscript{th}C – 19\textsuperscript{th} C.
European Empire
Mercantilism – Key assumptions

- Limited amount of wealth in the world
- Each state must secure its interests by blocking the economic interests of other states
- Zero sum game – one state’s gain is another state’s loss
- Trade between neighbouring colonies or rival empires was discouraged
Assumptions of Economic Nationalist

1. There is *anarchy* in the inter-state system – the state has to protect its own *interests*.

2. Economic policy should be used to build a more powerful state.
Assumptions of Economic Nationalist

3. The state is superior to the market and market relations are shaped by political power

4. Markets are not natural – they can only exist within a social context
Assumptions of Economic Nationalist

5. Production, consumption, exchange and investment are governed by political power.

6. Firms and MNCs are important but they are subordinate to the state.
Key Assumptions of Economic Nationalist

7. Economic actors are subject to political authority

8. The market is governed by activities of states

9. The global economy is subordinate to the political system
Key Advocates of Economic Nationalism

Alexander Hamilton – (1790s)

- A founding father of the USA
- Promoted protectionism of manufacturing sector
- Was concerned with increasing US power
Key Advocates of Economic Nationalism

Frederick List – German Theorist

- Encouraged Germany to industrialize by using trade barriers to compete, particularly with Britain

- Promoted protection of infant industries
Discussion Question

- Use examples from the contemporary global political economy to critically analyse the economic nationalist perspective
Comparing Perspectives

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Economic nationalist</th>
<th>Liberal</th>
<th>Critical</th>
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</thead>
<tbody>
<tr>
<td>Historical origins</td>
<td>15&lt;sup&gt;th&lt;/sup&gt; C</td>
<td>19&lt;sup&gt;th&lt;/sup&gt; c</td>
<td>19&lt;sup&gt;th&lt;/sup&gt; C</td>
</tr>
<tr>
<td>Major figures</td>
<td>Hamilton, List, Krasner, Gilpin, Strange</td>
<td>Smith, Ricardo, Kant, Wilson, Keynes, Hayek, Keohane, Nye</td>
<td>Marx, Lenin, Frank, Cox</td>
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<tr>
<td>Varients</td>
<td>Mercantilism</td>
<td>Free trade, interdependence</td>
<td>Marxism, feminism, environmentalism</td>
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## Comparing Perspectives

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<tr>
<td>Level</td>
<td>State centric</td>
<td>Pluralist</td>
<td>Global structure</td>
</tr>
<tr>
<td>Human nature</td>
<td>Aggressive</td>
<td>Cooperative</td>
<td>Malleable</td>
</tr>
<tr>
<td>Units</td>
<td>States</td>
<td>Firms, states, NGOs, IGOs</td>
<td>Class, gender, planet, global capitalism</td>
</tr>
<tr>
<td>View of the state</td>
<td>Unitary actor</td>
<td>Pluralistic state; diverse interests</td>
<td>Representative of class interest</td>
</tr>
<tr>
<td>View of TNCs</td>
<td>Beneficial/harmful</td>
<td>Beneficial</td>
<td>Exploitative</td>
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<tr>
<td>Behavioural dynamic</td>
<td>States as rational actors</td>
<td>Individual as rational actor but outcomes not always optimal</td>
<td>Dominance and exploitation within and between societies</td>
</tr>
<tr>
<td>Market relations</td>
<td>Potentially negative</td>
<td>Positive</td>
<td>Exploitative</td>
</tr>
<tr>
<td>System structure</td>
<td>Anarchy/conflictual</td>
<td>Cooperative/interdependence</td>
<td>Hierarchial/conflictual</td>
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<td><strong>Game metaphor</strong></td>
<td>Zero sum</td>
<td>Positive sum</td>
<td>Zero sum</td>
</tr>
<tr>
<td><strong>Hegemony</strong></td>
<td>Importance of dominant state</td>
<td>Post-hegemonic cooperation</td>
<td>Hegemony in state and society</td>
</tr>
<tr>
<td><strong>International institutions</strong></td>
<td>Not very significant</td>
<td>Important</td>
<td>Serve interests of wealthy (states, firms, classes)</td>
</tr>
</tbody>
</table>

Source: O’Brien and Williams, 2010, p. 27
References


References


References

Strange, Susan “International Economic and international Relations: A Case for Mutual Neglect” *International Affairs* 1970

______. (1986) States and markets (London: Pinter)
