

Three paradigms of International Political Economy

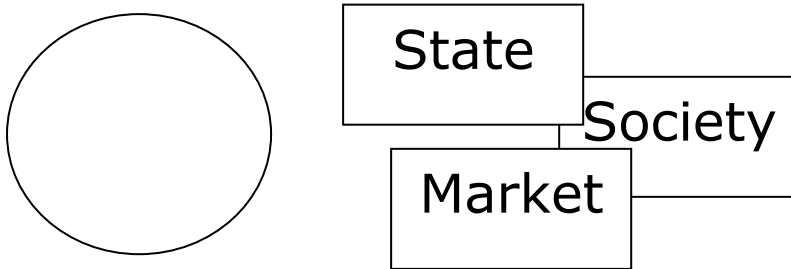
(Gilpin, Robert: *The Political Economy of International Relations.*

Princeton University Press. Princeton 1987, pp.25-64)

European and Global Economy can only be understood within the context of the ideologies that influence(d) economic behaviour – in the past and today.

3 Ideologies:

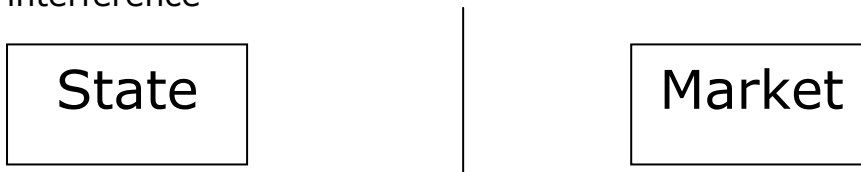
Fundamentally different in their conceptions of the relationships among society, state and market.



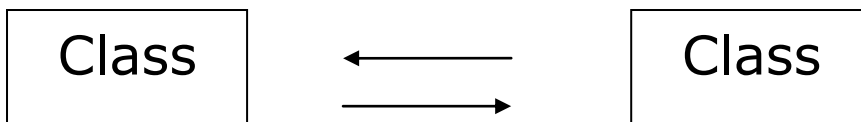
- **Nationalism** (Mercantilism): market should be subordinate to the state interests



- **Liberalism**: it argues, that markets should be free from political interference



- **Marxism**: reaction against liberalism; economics drives politics, political conflict arises from struggle among classes over the distribution of wealth.



Liberalism:
(Adam Smith)

M A R K E T

- Committed to free markets, minimal state intervention, individual equality and liberty
- Committed to market and price mechanisms
- Rationale: increases economic efficiency, maximizes economic growth, improves human welfare
- Fundamental premise: individual consumer, company, household is basic of society
- Assumption: individuals behave rationally and attempt to maximize or satisfy certain values at the lowest possible cost to themselves
- Assumes, that individuals have complete information
- Consumers highly responsive to price
- Existence of truly competitive market in which terms of exchange are determined solely by considerations of supply and demand
- Governments should not intervene in market
- In essence: liberals believe that trade and economic intercourse are a source of peaceful relations among nations because the mutual benefits

INDIVIDUALISM...EGOISM...MUTUAL BENEFITS

Nationalism:

(Alexander Hamilton)

S T A T E

- Primacy of state, of national security, and of military power in the organization and functioning of the international system
- Stresses the role of economic factors in international relations and view the struggle among states
- Overall objectives: industrialization and be monopolist
- Mutual benefits regarded to be conflictual
- Development of industry, advanced technology, and those economic activities with highest profitability and generation of employment within the own borders

STATE...MILITARY POWER...NO MUTUAL BENEFITS

Marxism:

(Marx, Engels)

C L A S S E S

- Dialectical approach to knowledge and society that defines nature of reality as dynamic and conflictual
- No inherent social harmony or return to equilibrium as liberals believe
- Class struggle over distribution of the social product
- Believe in socialist society
- Believe that capitalism is driven by profits and capital accumulation in a competitive market economy
- Capital economies tend to overproduce certain kinds of products
- Contradiction in capitalism between capacity to produce products and to consume products
- Concentration of capital
- Falling rate of profits

CLASSES...SOCIALIST SOCIETY...CONCENTRATION OF CAPITAL