

Critically assess the argument that world politics cannot be understood without recourse to Global Political Economy

In this essay I will critically analyse the various theoretical approaches to global political economy and argue that world politics and global economy are related. The primary text I will be using will be Joan Edelman Spero's book on 'the politics of international economic relations'(Spero:1993)¹.

Firstly the realist perspective relies on a belief that regardless of their seeming omnipresence the international capitalist class must have a base of operations somewhere. This is illustrated by David Osterberg and Fouad Ajami who argue that “much of the political activity of the multinational takes place through the institution of the nation-state”(1971:457)². I think this argument has some credence in the sense that multinationals do need some form of physical infrastructure and a place to deposit their profits, even if it's in an offshore tax haven. However, I take issue with the belief that states have control over multinationals. I think multinationals actually exert pressure on states and in some cases the relationship between state and company is inverted so that the company controls the state. For example in Nigeria 80% of the state's revenue comes from oil³, the majority of this oil is extracted by Royal Dutch Shell. I would argue that Shell has control over the Nigerian state and the primary actor in the Nigeria is not the state but the multinational company. This is some of the thinking behind the competition state; that the state will not disappear under globalisation, it will only change to become subordinate to the market.

Realists also have a tendency to see international economic relations in terms of trade imbalances between states, which is itself a recognition of global political economy. Unfortunately it misses a holistic view of the global economic system by projecting a deliberately short-sighted perspective of the state as the primary actor. This is useful when it comes to understanding the formal structures of international economic relations because inter-state relations tend to be played out through these structures. However, it also stops the realists from understanding the wider impacts of globalisation which have great implications for national sovereignty. For example, the spread of near-universal languages like English or Spanish could severely undermine the cultural foundations of the nation-state. This process usually takes place without much attention from the states affected.

Or, to give another example, some states operate variations of capitalist economy, usually involving various degrees of state capitalism. In the process of globalisation these other capitalisms will die out and become internationalised under the dominant system of anglo-american neoliberal capitalism. We can interpret this passage from the Communist Manifesto to show that market forces are transnational and will force a cosmopolitan world order:

“The bourgeoisie, by the rapid improvement of all instruments of production, by the immensely facilitated means of communication, draws all, even the most barbarian, nations into civilisation. The cheap prices of commodities are the heavy artillery with which it batters down all Chinese walls, with which it forces the barbarians' intensely obstinate hatred of foreigners to capitulate. It compels all nations, on pain of extinction, to adopt the bourgeois mode of production; it compels them to introduce what it calls civilisation into their midst, i.e., to become bourgeois themselves. In one word, it creates a world after its own image.”

Realists can't see this and so they fundamentally misunderstand the implications of globalisation. They understand world politics and inter-state relations with recourse to political economy. But they fail to understand it in terms of **global** political economy.

The liberal perspective is partly responsible for the separation of politics and economics. Politics is understood as ideology and idealism, it is therefore artificially divorced from materialist economics by academia who treat it as a scientific discipline (Meskins:1995,19-48)⁴.

In defining politics and economy there are only semantic differences between the two terms. Economy is

“effective management of the resources of a community or system”⁵ meanwhile politics is “Political manoeuvres or diplomacy between people, groups, or organizations, especially involving power, influence or conflict”⁶. If we take it a step further and define power as the control of resources economics is only a sub-discipline of politics (or politics a sub-discipline of economics). The point is that the distinction between the fields of politics and economics is an artificial one.

Taken further the distinction between politics and economics is a distinction which is embedded in the hegemonic dominance of any economic mode of production. Drawing again upon a Marxist analysis, Lenin asserts that capitalist society exists under the “dictatorship of the bourgeoisie” (1919:455-477)⁷. Under such a dictatorship the capitalist mode of production is presented as a basic set of natural laws, a science. Liberals believing in the supremacy of the free market promote this idea, along with the notion that any alternative modes of production are fundamentally flawed or broken. For example Francis Fukuyama, a liberal theorist, declared the end of history on the basis that economic and social progress had reached a peak with the supremacy of the liberal-democratic model (1989)⁸.

This can be backed up by Weber in his Freiburg speech in which he declared that “the science of political economy is a political science” (Portis:1895,71)⁹ and the reasoning he gave was that it “must proceed from a value perspective”. He means that economics is not a neutral science that can be asserted as fact independently of a subjective position.

The second criticism of the liberal position is that even from a liberal perspective economic relations play such a huge role in international relations that it's impossible to dismiss the details of political economy. Each country currently has generally unique economic conditions due to countless factors of their geography, history and culture.

One could easily have defended the liberal stance during the cold-war era. The socialist countries provided an alternative to the anarchy of the market and formed economic blocs like Council for Mutual Economic Assistance (Kiss:1976,3-29)¹⁰ which protected them from imperial domination by capitalists. For liberals economic isolation of the cold war was a real threat to the global capitalist system. Today it is different, there is no longer a COMECON, the world trade organisation and other institutions of US dominance have much more power than before. There however are still some attempts to create counter-hegemonic blocs, probably best exemplified by the influence of China in Africa¹¹. This leads me on to my next argument that there is a resurgence in regional associations of countries, and that these begin as economic blocs and develop regional ties on top of that.

For example the Bolivarian Alliance for the Americas (ALBA) began as a COMECON-style system for the exchange of resources between friendly countries¹², initially Venezuela and Cuba. The ALBA countries are also developing a currency, the Sucre, to replace the dollar as an internal trade currency¹³. This directly challenges the dominance of Anglo-American capitalism system in Latin America. Liberals should pay close attention to this sort of economic activity because it is to some extent a reaction to US political interference in Latin America over the last century.

My last argument is that warfare, often seen as part of the political realm of international relations, has at times spilled over into the economic realm. The best example of this is the economic warfare waged by the US against the Democratic Army of Greece and the Greek Communist Party during the Greek Civil War. It was one of the opening conflicts of the cold war and extraordinary funds were sent to the Kingdom of Greece in order to quell the advance of socialism in the region. The US sent \$366 million to Greece as part of the Marshall Plan¹⁴, adjusted to today's figures it makes about \$400 million (Hubbard:2009,3)¹⁵. While the Greek Civil War physically took place in the political military realm, it is incontestable that economic warfare played an important part. This proves further that politics and economics cannot truly be separated.

Lastly the Marxist perspective is indicative of a reduction of the material world to economic relationships. In this way it's most faithful to the essay question, it is directly concerned with political economy. The left is insistent that Marx is only more and more relevant in the global capitalist crisis. They are right in that Marx predicted cyclical crises of capitalism and his prediction has been proved correct.

I have already covered the Marxist approach to some degree as a criticism of the liberal and realist perspectives, however despite the passage quoted earlier Marxism itself has some problems dealing with globalisation. Nishma Doshi believes that contrary to the classical Marxist belief, it is Marx's rejection of cultural superstructure which makes him irrelevant in the globalised world¹⁶.

In conclusion, I believe that world politics are intrinsically linked to the global economic system.

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- 15 Hubbard, G. and Duggan, W. (2009) *The Aid Trap: Hard Truths About Ending Poverty*. Columbia University Press, The Marshall Plan in Greece, p.3. Available at: <http://www.cup.columbia.edu/media/5022/hubbard-aid-excerpt.pdf> [Accessed: 16 Mar 2012].
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