What is International Political Economy?

An excerpt from an article by Michael Veseth.

What is IPE?

International Political Economy (IPE) is the rapidly developing social science field of study that attempts to understand international and global problems using an eclectic interdisciplinary array of analytical tools and theoretical perspectives. IPE is a field that thrives on the process that Joseph Schumpeter called "creative destruction." The growing prominence of IPE as a field of study is in part a result of the continuing breakdown of disciplinary boundaries between economics and politics in particular and among the social sciences generally. Increasingly, the most pressing and interesting problems are those that can best be understood from a multidisciplinary, interdisciplinary, or transdisciplinary point of view. If there is an "IPE Project" its objective is to pull down the fences that restrict intellectual inquiry in the social sciences so that important questions and problems can be examined without reference to disciplinary borders.

IPE is the study of a *problématique*, or set of related problems. The traditional IPE *problématique* includes analysis of the political economy of international trade, international finance, North-South relations, multinational corporations, and hegemony. This *problématique* has been broadened in recent years as many scholars have sought to establish a New IPE that is less centered on International Politics and the problems of the nation-state and less focused on economic policy issues. These scholars seek to create a new discipline of IPE that would transcend the perceived limits International Politics and International Economics as fields of study and research.

International Economics and International Politics

It is hard to imagine a world without International Political Economy because the mutual interaction of International Politics (or International Relations) and International Economics is today widely appreciated and the subject of much theoretical research and applied policy analysis. The political actions of nation-states clearly affect international trade and monetary flows, which in turn affect the environment in which nation-states make political choices and entrepreneurs make economic choices. It seems impossible to consider important questions of International Politics or International Economics without taking these mutual influences and effects into account.

And yet scholars and policy-makers often do seem to think about International Economics without much attention to International Politics and vice versa. Economists often assume away state interests while political scientists sometimes look fail to look beyond the nation-state; both miss the dynamic interaction of state and market that characterizes political economy. It is sometimes argued that the wall between International Economics and International Politics was especially formidable during the Cold War. Two noteworthy Cold War era exceptions to this rule stand out: economist Charles P. Kindleberger's work on hegemony and political scientist Kenneth N. Waltz's attempt to integrate economics into politics in his path-breaking book Man, the State, and War.

The mutual astigmatism that hid International Politics and International Economics from each other cleared in the 1970s as a number of dramatic international events made plain how tightly the two fields were intertwined. The oil embargoes of the 1970s and the breakdown of the Bretton Woods monetary system are frequently cited as key events in IPE's development as a field of study. These events posed practical and theoretical problems that necessarily forced scholars and policy-makers to consider economics and politics together.

The rise of the Organization of Petroleum Exporting Countries (OPEC) and the Arab oil embargo of 1973-74 illustrated dramatically at least five key dimensions of IPE.

- First, it showed the power and influence of economic tools in foreign policy. After OPEC no state could dare make political policy without taking into account potential foreign economic retaliation or reaction.
- Second, the oil embargo showed that East-West issues were not always the state's most important concerns -- North-South political and economic problems could no longer be ignored or dealt with as ancillary to Cold War strategy. To the extent that economic issues were closer to the surface in North-South relations, this reinforced the notion that politics was really political economy.
- Third, the oil embargo revealed the complex interdependence between and among domestic politics, domestic economics, international politics, and international economics.
- Fourth, the oil embargo raised questions about the role of multinational corporations (MNCs) in international economics and politics. MNCs had previously been viewed by many scholars as agents of influence of their home country governments (this was especially true of US-based MNCs), but now their political allegiance appeared to be more ambiguous. Were the oil MNCs tools of their western home governments, agents of their OPEC host governments, or were they acting as pure economic actors independent of home or host political ties?
- Finally, the shifting international payments flows that the oil embargo stimulated were the start of the movement towards a global financial system and, with it, economic globalization generally. Increasingly, economic and political problems would be seen as global, not just international, and beyond the control of individual nation-states.

The breakdown of the of the Bretton Woods system in the 1970s also contributed to the emergency of International Political Economy as a distinct field of study. The Bretton Woods system is generally interpreted as a system of economic governance constructed to support U.S. hegemony in the postwar era. Each of the main Bretton Woods institutions, the World Bank, the

IMF, and the GATT, depended upon the United States to play a central leadership role.

On August 15, 1971, however, US President Richard Nixon suspended the link between the US dollar and gold, which was the critical element of the Bretton Woods monetary system. Nixon's action changed everything. The fixed exchange rate system that had defined world money in the postwar era soon collapsed. More importantly, Nixon's policy was seen as a sign that the US had put its domestic political and economic problems ahead of its international responsibilities. The decline of US hegemony was both political and economic in both cause and consequence. Scholars found it necessary repeatedly to cross the border between economics and politics to make sense of the situation. David P. Calleo's book on *The Imperious Economy* is a classic study from this period of the political economy of hegemony.

The rise of OPEC and the decline of US hegemony were just two events that broke down the artificial division of International Economics and International Politics that had in some respects characterized the Bretton Woods era. Other events such as the Third World debt crisis, the fall of communist regimes, the rise of the East Asian Newly Industrialized Countries (NICS), the expansion of the European Union, and the financial crises in Mexico, Russia, and East Asia all provided impetus for the growth and development of IPE studies. The simple divisions between state and market, domestic and international, and politics and economics were no longer applicable to a wide range of issues. An increasingly complex world required a complex approach to analysis, which IPE provided.

The IPE *Problématique.*

IPE is thus perhaps best defined as a *problématique*, a set of problems that bear some relationship to one another. The IPE *problématique* is the set of international and global problems that cannot usefully be understood or analyzed as *just* International politics or *just* International economics. These problems fall necessarily in the expanding domain of International Political Economy.

The main line of development of IPE in the 1970s and 1980s was centered in the International Relations community and took the form of the analysis of what was called in book titles and course catalogues "The Politics of International Economic Relations" or "The Political Economy of International Relations." By either name, the goal was to analyze the interaction of economics and politics in the international affairs of nation-states or, more narrowly, how economic factors influenced International relations. Although IPE research took many directions in this period, five sets of questions dominated the agenda: international trade, international finance, North-South relations, MNCs, and the problem of hegemony. A sixth concern -- globalization -- was soon added to the list.

International Trade

Politics and Economics approach international trade from completely different points of view using completely different analytical frameworks. The problem is that states think in terms of geography and population, which are the relatively stable factors that define its domain while markets are defined by exchange and the extent of the forward and backward linkages that derive therefrom. The borders of markets are dynamic, transparent, and porous; they rarely coincide exactly with he borders of states and a few markets today are even global in their reach. When trade within a market involves buyers and sellers in different nation-states, it becomes international trade and the object of political scrutiny.

The political analysis of this subject treats international trade as fundamentally different from domestic economic activity (while economic theory sees no important distinction between the two). The international exchange of goods, services, or resources with another country raises many political questions of national interest, especially questions concerning the economic and military security of the nation.

Although it is easy to oversimplify these security concerns (exports are desirable because they increase a nation's monetary reserves and create jobs whereas imports should be avoided because they create dependency, reduce national reserves, and threaten domestic business and labor interests) in practice the political analysis of international trade is far more complex. Exports create jobs, but their full impact on national security depends upon what is exported to whom and on what terms. An export of technology that has critical military or economic applications tends to weaken national security, not strengthen it. Nations have frequently imposed export controls for both economic and military reasons. Exports of primary products at unfavorable terms of trade with respect to manufactured goods and technology can create fears of economic dependency. And, although a trade surplus does increase reserves, an excessively large bilateral surplus of exports over imports can create political problems, such as those that Japan has experienced with respect to the United States. High export penetration is sometimes seen as an aggressive policy by the target nation, which may react to defend its perceived security interests. A nation-state therefore has an interest in managing the nature of its exports to other countries and in monitoring its trade relationships with other countries.

Imports also raise complex security issues. Although imports may reduce or threaten domestic employment, create the potential for external dependency, and reduce domestic monetary reserves, there is more to the IPE of trade policy than simple protectionism. Imports may be vital to domestic military and economic security, for example, so that national interest requires secure sources of specific imports, not necessarily fewer of them. This is especially true regarding high-technology military hardware, which may be assembled in one country but use parts and services from a number of other countries. It may be impossible or impractical to avoid some foreign sourcing, so attention shifts from eliminating imports to establishing secure supply chains.

Willingness to permit imports from foreign nations can also be used as a foreign policy tool. During the Cold War, for example, the United States frequently used access to its domestic market as a bargaining chip in negotiations with other countries. Linking imports with political policies has continued since the Cold War, too, as illustrated by he US and European Union negotiations with China regarding entrance to the World Trade Organization.

Trade embargoes are another economic tool of foreign policy and a great deal of IPE research has focused upon the political economy of trade policies. The multilateral economic embargo on South Africa, for example, linked that nation's policy of racial apartheid with international trade. The logic of an embargo is to shut off imports of many vital items and reduce export earning, thereby reducing domestic welfare and providing the state with an incentive to change its

policies. The South Africa embargo was relatively successful in this respect, although ending the
embargo was obviously not the only reason why that government ended apartheid. The U.S. trade embargo against Cuba, on the other hand, has been ineffective is bringing down the Castro government. The conditions for the effective use of trade and trade embargoes in foreign policy is a productive area of IPE research.

Much of the work on the IPE of international trade has been, as seen above, an attempt to bring economic factors into the study of International Relations by taking economic security concerns and economic foreign policy tools into consideration. This process has also produced a counter flow -- bringing political factors into the analysis of International economics. Adding politics to economics is not a straightforward process. The conventional economic analysis of international trade is based upon the Heckscher-Ohlin-Samuelson factor proportions theory, which provides a neoclassical analytical framework for the study of comparative advantage. This theory is essentially stateless and therefore apolitical. What the factor proportions theory has to say about trade between two nations is not fundamentally different from the analysis of trade between two regions (Northern England and Southern England, for example), or trade between two cities or tribes.

What should the state's policy be towards international trade? Interestingly, this is the one question on which economists agree. Except in certain special cases, free trade results in an efficient allocation of resources and therefore maximizes the value of those resources globally. Basically free trade eliminates the waste that occurs when goods and services are produced inefficiently. The key to this economic analysis is that it is unconcerned with where production takes place (at home or abroad) and only concerned with maximizing the value of the resources used in production and minimizing the waste of inefficient local production.

In short, the economic theory of comparative advantage does not care *where* the wheat in your bread was grown, or *who* baked the loaf, but only that the production of the bread is not inefficient or wasteful. Nation-states define themselves by population and geography. States, therefore, *do* care about the where and the who and this creates a tension between the economic and the political analysis of trade.

The design of the postwar international trade institutions was heavily conditioned both by the free trade views of economists and by the interwar experience of beggar-thy-neighbor trade policies that created an environment of destructive competition and retaliation. Thus the mission of the WTO, and before that the General Agreement on Tariffs and Trade (the GATT), is to progressively reduce the barriers to free trade through multilateral negotiations. This movement towards global free trade, however, has not stopped states from using trade tools to further their own foreign policy goals when they can. Thus we live in an environment where the political and the economic viewpoints of international trade compete for attention.

The advent of free trade areas such as the North American Free Trade Area (NAFTA) and customs unions like the European Union (EU) provides a good example of the political economy of international trade. Regional trade agreements like NAFTA and the EU frequently use economic tools to achieve political goals. One of the political goals of European economic integration, for example, was to strengthen the western Cold War alliance. One of the political goals of NAFTA was to stabilize and strengthen Mexico's democratic system. The economic benefits of regional free trade are intended to compensate states and their citizens for the loss of sovereignty and other political costs they may bear in forming a regional bloc. Thus, in theory, regional blocs create both political and economic benefits.

At the same time, however, there are political and economic costs. Politically there is the problem of the democracy deficit. As more and more policy decisions are made at a level above that of the nation-state, the link between citizens and policy is necessarily weakened, which may weaken the legitimacy of government generally. Economically there is the problem that regional free trade is not always consistent with global free trade. Regional trade blocs may experience trade diversion where production shifts from a more efficient producer outside the regional bloc to a less efficient producer within the bloc. This inefficiency wastes scarce resources and reduces global welfare, according to the economic analysis. Thus freer trade is not necessarily the road to free trade.

International trade has always been at the center of IPE analysis and is likely to remain so in the future. This is not so much because of the economic and political importance of international trade itself as due to of the fact that trade is a mirror that reflects each era's most important state-market tensions. In the Cold War, for example, international trade was simultaneously a structure of US hegemony and a tool of East-West strategy. In the 1980s and 1990s trade, through regional economic integration, was a tool to consolidate regional interests. With the advent of globalization and the creative economy powered by advanced information technologies, trade in intellectual property rights has become a controversial IPE issue. International trade will remain a central focus of IPE even as the specific trade problems continue to evolve.

International Finance

International Finance presents the second set of problems that have traditionally defined International Political Economy. The IPE of International Finance includes analysis of exchange rate policies, foreign exchange systems, international capital movements, particularly portfolio capital and debt flows, and the international and domestic institutions and political structures to which they relate. Three examples illustrate the types of issues that this problématique includes.

The first example concerns the political implications of seemingly technical matters such as international economic institutions. The architects of the Bretton Woods agreements designed an international monetary system built upon a dollar-gold standard. The values of international currencies were fixed in terms of the US dollar, which was then defined as a fixed quantity of gold. The responsibility for managing the international monetary system fell on the United States for the most part since its dollar was the key reserve currency. The International Monetary Fund provided a multilateral institution to manage the system and facilitate international payments.

Regardless of the theoretical advantages or disadvantages of such a system, the Bretton Woods system presented a very practical dilemma for the United States. As the one nation that could undertake virtually any amount of expenditure without consequence because of the dollar's central position in the international monetary system (the US could have "deficits without tears"), the US was confronted with an inevitable choice between its domestic needs and its international responsibilities. The problem is this: at some point, the US was likely to feel the need to put its domestic political concerns ahead of its responsibility to the international monetary system. At this point it would become the *Imperious Economy*, in David P. Calleo's famous phrase, and the system would begin to break down. The Bretton Woods monetary system did in fact finally fail on August 15, 1971, as noted above, when the U.S. formally removed the fixed link between the dollar and gold.

One lesson to be learned from the collapse of the Bretton Woods monetary system. is that economic arrangements create political obligations and are subject to political manipulation. The combination of political and economic arrangements must be "incentive compatible" if it is to succeed in the long run. That is, the political and economic incentives that individual members of the system perceive must be consistent with the behaviors necessary for the continued existence of the system. The US faced incentives that were ultimately destructive to the Bretton Woods system.

The second example is the IPE of the *euro*, the single currency adopted by many members of the European Union. It is clear that the *euro* is both political and it is economic and that the two sides cannot be separated.

The principal goal in creating the single currency was political: the *euro* would bind Germany forever to its European Union partners and prevent its focus from shifting towards Central and Eastern European relations. In a sense, the economic ties of the *euro* were meant to replace the political ties of Cold War alliance. A secondary goal was economic: to create a region of relative currency stability to encourage regional economic growth in a world of increasing financial instability (see next example). Globalization might eventually be limited by the instability of international currency markets, but Europe could effectively pursue regional economic initiatives if all nations in the region (or nearly so) had the same currency.

Nobel Prize winning economist Robert Mundell's theory of the "optimal currency area" predicted that the adoption of a single currency would have more political consequences than simply keeping Germany focused on European integration. Adopting a single currency would in effect remove important economic tools (exchange rate adjustment, monetary policy adjustment) from the policy menus of *euro* states. Faced with high unemployment rates, for example, a nation with a flexible exchange rate regime is free to lower interest rates to stimulate economic activity. The lower interest would drive down the value of the currency, making domestic products more attractive and stimulating job creation.

Having fixed its exchange rate, however, a *euro* nation is not permitted an independent monetary policy. The traditional tools of macroeconomic policies are useless in this situation, so the state must either tolerate joblessness or engage in microeconomic reforms that improve the job creation environment by lowering employment costs and removing social welfare programs that discourage unemployment workers from accepting job offers.

Thus Mundell's theory predicted suggests that *euro* states may be forced make previously unforeseen domestic political choices because of their inability to implement external exchange rate adjustments. The *euro* therefore illustrates how complex is the political economy of international money. Political goals dictate economic structures, which can have unexpected political and economic consequences. The relatively simple world of Cold War relations has been replaced by a more complex set of international political and economic relationships.

The third example concerns the IPE of international financial crises. The breakdown of the Bretton Woods system was part of a process that, by the 1990s, had created a global financial system. Technological change, financial deregulation, the end Cold War divisions, and the emergence of new economic centers all contributed to or accelerated the transformation of finance from an international economic structure, subject to regulation by national governments, to a global structure beyond the regulatory authority of any nation-state.

The problem with global financial markets is that they are not matched by any corresponding global structure of state authority. That is, there is no political authority that corresponds to the market. In theory the International Monetary Fund could serve this role, but in practice this institution's power is intentionally restricted to limit its ability to undermine state autonomy.

One result of this asymmetry between political and economic structures has been the sequence of international financial crises that includes the Mexican peso crisis of 1994-5, the East Asian financial crisis of 1997, and the Russia crisis of 1999 among others. Many scholars suggest that a new international financial architecture is needed to deal the imbalance between markets and their underlying governance structures. The argument is that the range of financial markets has expanded beyond the reach of the regulatory structures that support them. Global markets require global systems of governance to match.

One reason why it is so difficult to agree to a new monetary system is that political and economy systems are complex so that economic changes can have unexpected political consequences (see *euro* example above). Another reason is that international agreements require that states sometimes sacrifice their domestic needs to honor their international responsibilities. It is difficult to design a system that creates an environment where states consistently honor international agreements (see the Bretton Woods example above). Finally, the strengthening of international or global authority threatens domestic autonomy -- the ability of the state to take action in the national interest. The increasing frequency of financial crises, however, suggests that states can either cede some authority through international agreements or have that authority taken away by chaotic global market forces.

International finance is viewed by some as less political and more purely economic than international trade, but these three examples give evidence to the contrary. Political scholars may hesitate to engage in this analysis because of the necessity to master difficult theories and arcane terminology, but there is no riper area for IPE analysis. As financial globalization has progressed, the IPE of International Finance has risen in importance as an IPE problématique.

Hegemony.

The theory of hegemonic stability was arguably IPE's most important contribution to Cold War international relations theory. As developed by Charles P. Kindleberger in the early postwar era, this theory focuses on the motives and behavior of a hegemonic state. The hegemon is a rich and powerful state that undertakes to supply public goods to the international system. These public goods include stable money, security (such as freedom of the seas), and a system of free trade that can be shared by all and that, in fact, work best when widely shared. Providing these public goods is costly, of course, but the hegemon gains even if it disproportionately bears the expense alone because of its dominant position in the world system. If the world system prospers, the hegemon necessarily prospers as well. In fact, this provision of public goods may be a strategy to secure or extend the hegemon's dominant position.

The theory of hegemonic stability holds that the world system is most prosperous when a hegemon exists to organize the international political and economic system and coordinate the provision of international public goods. Periods of Dutch (1620-72), British (1815-73), and U.S. hegemony (1945-71) are commonly cited as evidence of this link between hegemony and prosperity (although there is disagreement about specific dates). When hegemony breaks down, however, the international system falls into disorder and conflict, with the resulting decline in peace and prosperity. The theory of hegemonic stability puts great weight on the existence of the hegemon and the maintenance of effective hegemonic policies. U.S. policies from Bretton Woods through the end of the Cold War were frequently analyzed in these terms. Indeed, one can think of the theory of hegemonic stability as a theory of US Cold War economic statecraft, with the Bretton Woods system and the Marshall Plan its clearest manifestations.

The theory of hegemonic stability is a grand IPE theory of history which, as told by Paul Kennedy and others, evolved into a theory of hegemonic fatigue or decline. This theory argues that hegemony is a self-limiting, self-defeating, and therefore temporary condition. The argument is that while the hegemonic state bears the burdens of organizing the international system and supplying public goods, free-rider states prosper, expand, and increase the burdens on the hegemon. At some point the hegemon finds itself over-committed and unable to bear the costs of the system it has created. Either the hegemon begins to put domestic interests over its international obligations or it becomes too weak to honors its widespread commitments. Either way hegemony collapses in on itself, the story goes, and chaos reigns until another hegemonic state arises to restore (temporary) order. Britain's decline in the 19^{th} century (followed by World War I) is frequently cited as an example of hegemonic decline as is the collapse of the Bretton Woods system (viewed as the mechanism of US hegemony). The Iron Curtain's fall in 1989 can also be seen as the implosion of Soviet hegemony over Central and Eastern Europe.

Theories of hegemony are the epitome of IPE as a sub-discipline of International Relations. Indeed, for some International relations scholars, IPE *is* hegemony theory, more or less, and the analytical framework of Regime Analysis (see later discussion) that best studies it. This follows from the many shared characteristics of International Relations and hegemony theory. Hegemony is a state-centered concept that includes security as a critical element, but that draws upon the analysis of international trade and international finance to provide a richer and more complex explanation of the rise and fall of great powers.

If IPE were nothing more than the study of hegemony in all its forms and variations, it would be an interesting discipline. But IPE quickly expanded beyond hegemonic theories and, in doing so, moved beyond the traditional borders of International Relations, too.

North-South Relations

Once the effects of international trade and international finance had been introduced into the study of international relations, the IPE "genie" was out of its bottle. That is, the IPE *problématique* began to develop according to its own logic and was no longer limited by the "traditional" questions and concerns of International Relations. During the Cold War, for example, the geography of International Relations was East-West. But the geography of IPE, shaped by international trade and capital movements, was also North-South, where North is shorthand for industrialized countries and South represents less developed countries, regardless of where they are situated on a world map.

The Cold War analysis of less-developed countries (LDCs) was naturally focused on the East-West bipolar alliances and the place of LDCs in geopolitical strategy, which *New York Times* writer Thomas Friedman has memorably termed the strategy of the "checkbook and the chessboard." The US and the Soviet Union, Friedman proposes, used aid (the checkbook) and other economic strategies to form alliances with LDCs that advanced their Cold War position (the chessboard). LDCs were strategic pawns in the Big Power Cold War game

As international trade and international finance were increasingly used to expand and strengthen the Cold War alliances (especially but not exclusively on the western side), IPE scholars pursued the impact of economic relations generally on LDCs. Or, in the terms associated with Immanuel Wallerstein, they probed the relationship between Core and Periphery.

The IPE *problématique* therefore expanded to encompass a critique of economic development, an analysis of neo-colonialism and Lenin's theory of imperialism, and a general study of Core-Periphery relations. Security and geopolitical issues were not excluded from this North-South analysis, they merely lost the privileged position that they enjoyed in traditional International Relations research. The checkbook and the chessboard were considered just one of the many sets of unequal and asymmetrical relationships linking core and periphery.

As this discussion suggests, another effect of this *problématique* was to bring Marxist and structuralist theories explicitly into the study of IPE alongside the realist orthodoxy of International Relations and the liberal ideology of economics.

Three theories stand out as milestones on the road to an IPE of North-South relations.

- Immanuel Wallterstein's Modern World Systems theory, which looks at the interaction of the industrial and technological Core with the less developed Periphery and the intermediate Semi-Periphery, which corresponds to the Newly Industrialized Countries. Core and Periphery have become integral elements of the IPE vocabulary.

- Dependency Theory, which is most often associated with the name Theotonio Dos Santos, examines the web of North-South relations and highlights the elements that keep the South dependent upon the North, to the North's systematic advantage.

- Finally, Andre Gunder Frank has written powerfully on a theory of Underdevelopment. It is argued that capitalism does not produce economic development in the South along the

> same lines experienced in the North. Rather, underdevelopment is produced, a situation where the structures of technology and industry do not achieve an independent existence but rather remain subservient to the North.

Multinational Corporations

Multinational corporations (MNCs) and Transnational Enterprises (TNEs) have always been objects of interest to IPE scholars and practitioners. MNCs and TNEs were initially viewed as an essential element of western Cold War strategy. The essence of the argument that was often made was this: US and western-based international businesses were linked with their governments by an "invisible handshake." The home country governments used their influence to create opportunities and open markets abroad (in "host countries") for these businesses. The businesses, in turn, acted in the economic and sometimes and political interests of the home country. During the Cold War MNCs were often viewed as economic agents of their home country governments and political agents of influence abroad.

With the end of the Cold War, analysis of MNC behavior quickly spread to issues well beyond their role in Cold War geopolitics. The rise of the Asian NICs and the increasing globalization of production and finance spurred research on the role of MNCs in the allocation of capital and the control of technology. The presumed close links between MNCs and their home country governments were increasingly called into question as MNCs undertook business strategies that were not obviously in host country national interest. The distinction between home country and host country also grew less clear. All countries are now host countries in the sense that all countries compete for capital, technology, and jobs in the global market for multinational investment.

As the locus of economic activity becomes less and less identified with the borders of nation-states, research is being directed towards developing an IPE of Global Commodity Chains (GCCs). GCCs are complex webs of global business that link independent businesses into a coordinated production and distribution process. The expansion of GCCs has been accelerated by the growth of the information economy, which allows independent firms to communicate and coordinate their activities to an extent that was previously possible only within a large enterprise. The Nike Corporations, for example, coordinates a vast GCC; it actually manufactures few of the products it sells and focuses on design and marketing, not production. The Ford Motor Company has expressed a vision of the future where it too is transformed into a marketing firm, selling products that are mostly manufactured, assembled, and distributed by independent competitive firms.

The analysis of global commodity chains represents another shift in IPE away from the traditional concerns of International Relations. MNCs during the Cold War were seen as extensions of the power of the home country. MNCs in the post Cold War period were often analyzed in terms of their own power (especially financial and technological power) versus the power that host country governments could bring to bear in negotiations with them. Susan Strange, for example, encouraged IPE scholars to think of MNCs as states and explicitly to consider MNC-state and MNC-MNC bargains and relations in their analysis.

GCCs introduce a new element of complexity into this analysis. GCCs gain and exercise power through their ability to mobilize and coordinate global market forces. They are not, therefore,
distinct centers of power, as MNCs are sometimes considered, comparable to a state if different from it. And yet it is difficult to resist the impulse that power is there. The developing IPE of global commodity chains challenges our understanding of both markets and of states and represents an advancing frontier of IPE research.

Globalization

Currently the research agenda in IPE is being driven by a number of factors and forces that are often collectively labeled globalization. The globalization *problématique* has little to do with the traditional state-centered concerns of International Relations, which is one reason some IPE scholars have now begun to think of IPE as distinct academic discipline, not just a sub-field of International Relations.

The globalization *problématique* begins with the global expansion of production and finance and asks questions about the causes and effects of increasingly global market structures. These questions concern politics, business, culture, technology, the environment, global migration, gender relations, and tourism, to name only the most obvious areas.

At the heart of the globalization *problématique* is the question of the state. International Relations theory puts the state at the center, but many scholars argue that a combination of events has weakened the state, either absolutely or through the relative strengthening of other forces and players. The nation-state, it is argued, is increasingly too small to deal effectively with global issues, and too large and removed to deal with local ones. The state exists in the "missing middle" of the emerging global/local geometry of human society. Since the state is central to our "modern" vision of society, what are the implications of the declining state for IPE analysis generally?

If the question of the state were the only element of the globalization problématique, it would be enough to keep scholars working for years. But it is only the first of many issues that globalization raises. Essentially, it is argued, globalization is an example of Schumpeter's famous *creative destruction.* It creates opportunities for new forms of economic and social relations, but in so doing it destroys what came before.

Globalization, a process that seems to defy easy definition, breaks down barriers whether these barriers separate nation-states, cultures, labor markets, or national economies. Globalization breaks down these barriers the same way that IPE has seemingly beat down the barriers between and among various academic disciplines. In so doing, IPE has perhaps carved out for itself an unexpected role: the academic discipline that studies the results of the creative destruction of both modern society and the modern disciplinary structure.