

WHAT IS IPE?

I. Key Players and Ideas

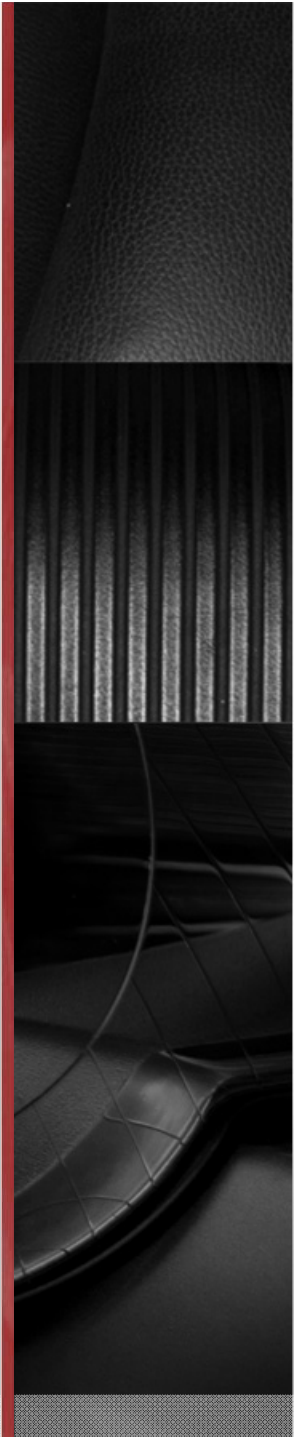
A. States

B. Markets

II. Theory and IPE

III. India versus Indiana

IV. The Big Questions





INTERNATIONAL POLITICAL ECONOMY

- **How STATE decisions alter the creation and distribution of wealth**
- **How MARKET outcomes influence political decisions**
- **How both interact within particular SOCIAL and POLITICAL frameworks**
- **Political Economy thus deals with the intersection of politics and economics – how STATES and MARKETS interact to shape the GLOBAL ECONOMIC SYSTEM**



STATES AND NATIONS

STATE: A political actor with four traits.

- **(1) Territory; (2) Population; (3) Government; and (4) Sovereignty**

NATION: A group of culturally, historically, linguistically, ethnically, etc. similar peoples who feel a communal bond

- **May or may not have a state**
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INTERNATIONAL STATE SYSTEM

- Interactions among states *as a whole* can be conceptualized as *the international system*.
- A **SYSTEM** in a general sense refers to a *set of interrelated units* and a *pattern of interaction* among them.
- **STRUCTURE** of the system (sovereign states [anarchy] and the balance of power)
- **PROCESS** of the system (patterns of interaction)



POWER

- **POWER: The ability of one state (or actor) to get another state (or actor) to do something, even if they don't want to, a function of...**
 - **Capabilities (“Hard Power”)**
 - **Influence (“Soft Power”)**

Balaam and Dillman also discuss STRUCTURAL POWER – The ability to alter the structure of the global political economy.



Global Economic Structures

Balaam and Dillman note four structures of global economy

- **Security Structure**
 - **Production and Trade Structure**
 - **Finance and Monetary Structure**
 - **Knowledge and Technology Structure**
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KEY ACTORS

- **States (National Governments)**
- **International Organizations (WTO, IMF, World Bank)**
 - **Regimes: Decision-making structures [IGOs] and norms of interaction**
- **Non-State Actors (NGOs [aid organizations]; MNCs [Exxon; Nokia], etc.)**
- **Citizens/Consumers**



ECONOMICS AND MARKETS

- **ECONOMICS:** The study of choices regarding the allocation of scarce resources.
- **MARKETS:** A method of allocating resources using *prices* as the central mechanism.



THEORY AND IPE

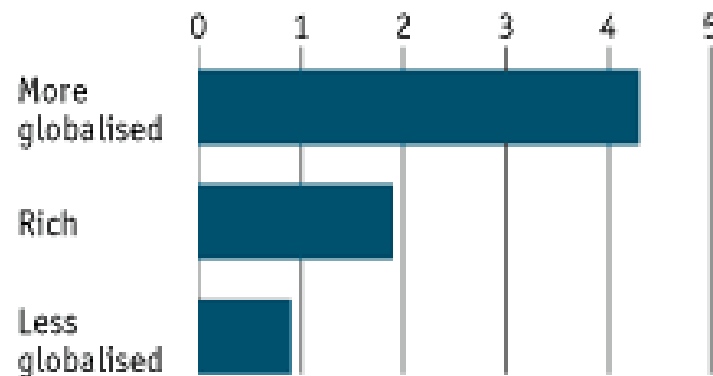
- **THEORY: a set of concepts and hypotheses which posit cause and effect relationships between various social and political factors.**
- **Purpose of Theory is to (a) Describe (b) Explain (c) Predict**
- **‘Probabilistic’ Theory (multicausality; free will)**
- **Empirical (‘What is...’) v. Normative (‘What should be...’) Theory**

TRADE AND GROWTH

The benefits of integration 2

Average annual growth of GDP per head
1990-2001, %

Countries that are:



Sources: "Globalisation, Growth and Poverty" by David Dollar and Paul Collier, World Bank, 2001; *The Economist*

WHO IS EXPLOITING WHOM?



Indiana Government...



...or India's Technical Workers?



THE BIG QUESTIONS

- **How does it all work?**
- **What do we want?**

IPE is all about....

VALUES!!