

Economic Theory

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**POLITICAL ECONOMICS
OF THE WORLD ECONOMY**

Abstract

The systematic analysis of the world economy on the basis of the methodology of international political economics is conducted. The liberal conception, Marx's approach and neo-mercantilism (economic liberalism) are considered. It is concluded that the paradigm of international political economics is at the stage of establishment, but depicts the essential features and tendencies of the world economy development at the modern stage.

Key words:

World economy, international political economics, international economic relations, system approach.

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World economy is a complex system with well-defined measures, qualitative and quantitative parameters, which characterize the world economy as a syntactical economic category.

The main trends of the world economy are determined by its permanent quantitative growth, diversification of the forms of international economic communication, gradual establishment of the economic unity of the world. The productive-investment activity is developed dynamically; the international economic complexes are formed. The international scientific and technological links, patent, licenses trade, know-how is very important. The international financial market, securities market, capital market develops rapidly in comparison with the world trade. International economic relations and corresponding forms and mechanisms of their realization are the substantial background of the world economy. In other words, the world economy is the complex of international economic relations organically combined with the material and institutional elements.

An important feature of the world economy is the development of regional economic integration, which creates the corresponding nodal structures in this system. Common economic space is formed in the Western Europe and the South-Eastern Asia, North America and Arabian East, in European continent, Africa etc. The process of planetary world-wide integration develops more and more expressively.

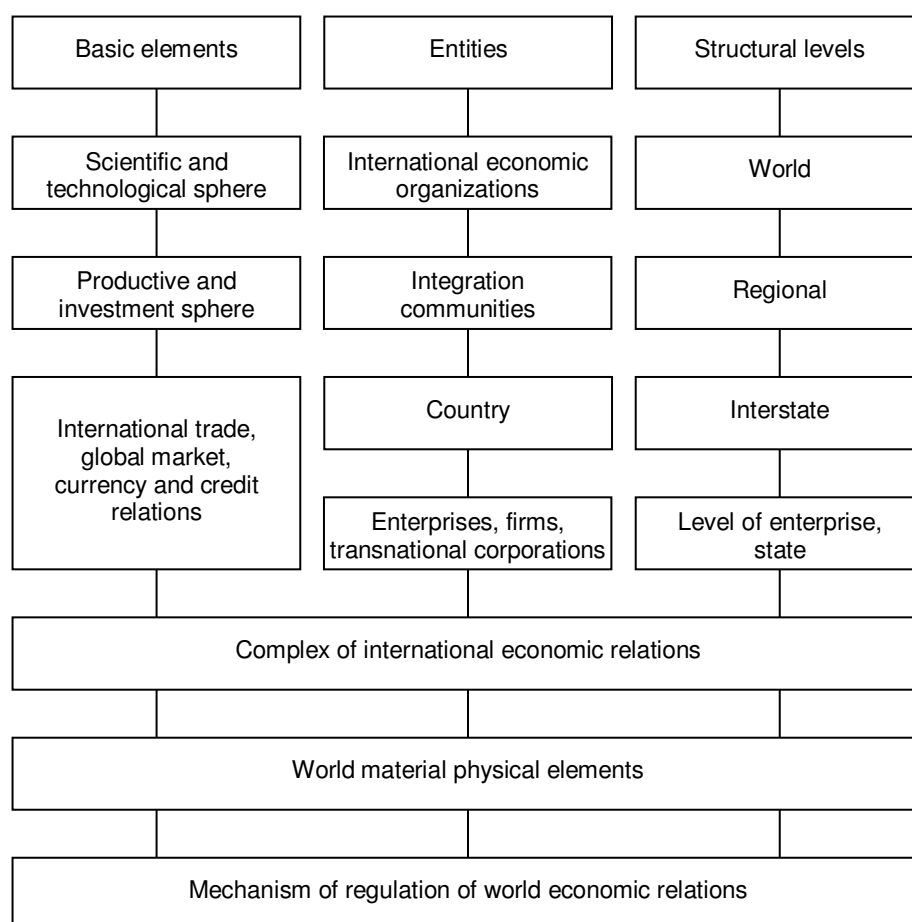
Globalization of the world economic relations is considered to be a new phenomenon, in other words it has a direct influence on the ecological problems of the planet, production's supply of resources, food problems of humanity etc.

The system analysis of the world economy provides the allocation of the main elements of this structure. Some authors prove the expediency of including of national economic complexes into the system of the world economy, considering that they are the fundamental principles of the international economic structure. Others object such approach, speaking about the inexpressive conglomerate of the economies of different countries in this formation. It is obvious that at the given historical stage, the national economies only conditionally can be included into the system of the world economy. Analyzing the world economic relations, the question is about the fundamentally new system of the quite higher level, in comparison with the national economy. The noted system has its peculiar features and qualities, which are essentially different from any other complexes of the separate countries. This makes impossible the consolidation of essence of the world economy to the simple complex of economies of the countries and regions of the planet. Such conceptual approach is demonstrated by the international (global) political economics, which considers the world economy multilevel, hierarchical system.

International economic system can be considered as a result of interaction of the whole complex of world economic relations and direct producers, owners of resources, countries and regions. As a consequence of this interaction, such structure of the world economy is gradually formed, reflecting the most intensive sectors of international economic relations (Fig. 1). One of its basic elements is international scientific and productive sphere, which includes the international scientific and technological, productive and investment complexes and systems.

Figure 1

Structure of the world economy



The specific peculiarity of such international systems is the fact that within their framework the scientific and technological potentials of the serious of countries are combined, intellectual financial, material natural and information resources are commonly used, by means of specialization and division of labor in the top-priorities branches of economy, science and technology.

The necessity of development of political economic conception of the modern world economy is stipulated by the increase of its volumes, especially in the financial sector, diversification of the world economy structure, complexity of the transformation processes etc. International (global)¹ political economics as a science was formed in the 70-s of the XX century. It comprehends the liberalization and protectionism, influence of political factors on the processes of economic globalization, functioning of international economic organizations, other forms of international economic relations. As one of the structural elements of general scientific methodology, international political economics (IPE) is based on the world system-based approach, where in spite of so called «container»² view on the country, when all aspects of social relations are researched first of all within the framework of the country as a basic analytical unit, such units of analysis as world-system (mini-system, world-economy, world-empire etc) are examined.

Secondly, different theories of hegemonic stability significantly influenced on the international political economics. The essence of hegemonic stability considers leader-hegemon (or group of leaders), which support liberal world order. The last researches of the given problem are based on the examples of Great Britain and the USA³. Thirdly, international political economics pays much attention to the functioning of «international regimes» – system. Investigation of the economic backgrounds of wars and conflicts, problems of international economic cooperation, global governance refers there [1]. Political framework of international economic relations includes three elements: learning of the positions of actors, in other words corporative players, taking into consideration their positioning in the world economy, concerning one or another actions of economic policy; investigation of the institutes of policy, where the positions of actors are formed; analysis of negotiations among countries concerning the content of the given events of with the consideration of the actors' influence, which articulate their position through the institutes.

¹ Concept of global political economy is based on Marxism scientific tradition. Terms «international» and «global political economy» are usually used as synonyms (O'Brien R. and Williams M. Global Political Economy. Evolution and Dynamics. – New York, 2004).

² Term was proposed by German researcher U. Beck (Beck U. Was ist Globalisierung? Frankfurt Main, 1997).

³ Icelandic economist T. Eggertsson referring on Ch. Kindleberger notes that «during last years world economic order became unsteady because of USA decreased its supply of international public goods» (Эггертссон Т. Экономическое поведение и институты. Пер. с англ. – М., 2001. – С. 336).

From the one side, the international political economics is young science, its objective ontology is very composite, from the other side – at present time the unique scientific paradigm, which can pretend to the status of so called main stream in the sphere of world economy and international economic relations was not crystallized yet. At present all the variety of views concerning IPE are concentrated within the framework of two scientific trends. The first considers interrelation between the national and international political economics. Two opposite approaches are competed depending on if the advantage is given to the national (internal) or international (global) factors, which influence on the content and nature of the IPE.

The second scientific trend of IPE offers an advantage to the relations among policies and political institutes from the one side and private social actors from the other side. In the last case, the question is about the interrelation between the country and society, national governments and representative social powers (civil society) [5]. The central link of the given approach is the determination of place and role of the country in the international economic relations.

Based on the methodological principles of the classical political economics, the modern science uses methodological instrument of inter-disciplinary integration and general scientific methods of cognition: system approach, evolution theory, principles of uncertainty and complementability, epistemic arsenal of synergetics etc. Among the basic political and economic problems, there is a question concerning formation of the world property, global economic management, price formation and taxation. The above noted and contiguous problematic is the subject of international political economics, which is conceptually divided on liberalism, Marxism and realism⁴. These three main schools show the complex heterogeneous structure of the modern world economy. From the one side, such factors as global division and cooperation of labor, internationalization, transnationalization, and globalization cause the formation of more or less entire international economic system. From the other side, such factors as inequality of social and economic development, intensification of differentiation among the regions and countries of the world, increase of gap between the center and periphery of the world economy act directly opposed, shattering its system-formed backgrounds.

Liberal trend in IPE traditionally defends the free trade and free markets, based on the neo-classical paradigm. The position concerning the necessity of reaching of fundamental harmony of interests among the countries as a consequence of free exchange of goods and services between them, intensification of cooperation is crucial. The keystone of liberalism is the concentration of attention on the behavior of individuals, firms, countries. Under conditions of country's deriving benefits from the free trade, there no ant economic basis for the international conflicts and wars. Liberal conception provides the necessity of international economic relations

⁴ Due to the other approach, international political economy is viewed in the context of such three paradigms as nationalism or mercantilism, liberalism and (O'Brien R. and Williams M. Global Political Economy. Evolution and Dynamics. – New York, 2004, p. 13).

management from the side of the country, by means of determination of corresponding trade regimes, norms and standards aimed at provision of the equivalent exchange among the countries, prevention of unethical competition etc.

Marx's approach in the modern IPE considers two provisions: labor market and employment under conditions of increased internationalization of capital, from the one side and problems of poverty, and weal development of the Third World countries from the other side. Permanent growth of transnational corporations and globally integrated financial markets sharpens the contradictions between the real and financial sectors of the world economy, essentially weakens the economic and political power of the working class, and leads to the deep social stratification on the global basis. All the above mentioned cause the increase of the political conflicts both at the individual levels and at the level of groups, classes and countries. Marxism considers such main reasons of deterioration in the business environment. Firstly, tendency to reduction of the profit rate sharpens the capitalistic competition and causes the reduction of the salary level. Secondly, capitalism is specified by the irregular development. Thirdly, capitalistic over-production and under-consumption of the grass-roots deforms the business cycle, undermining the social stability, engendering internecine or international quarrellings.

Realism (economic nationalism) reached the epoch of Antique world, Middle Ages, and the Modern Epoch. To characterize the noted trend, we use such notions as mercantilism, neo-mercantilism, statistism, public based theories, high-handed policy, and economic nationalism. The ardent supporters of such policy were A. Hamilton (USA) and F. Liszt (Germany). They wanted to introduce the protectionist measures in their countries at the time of industrialization realization. The essence of economic nationalism speaks about the formation of the powerful state, in accordance to which, the economic development should be subordinated. According to the realistic approach, it is supposed that state is the primary actor of international political economics. State has priority before the market; political power forms the market relations. In international economic system there are no unified rules but only anarchy, the state are sovereign and act in its sole discretion as an entities of the highest level, all other actors are subordinated to them under the national law in force. Therefore, IPE is formed as a result of the efficient actions of the countries in the race for power and wealth. In the interrelations among the countries the zero-sum game prevails, when the gain of the one entity certainly provides the failure of another one.

At the same time, the above noted approaches are not closed and all-sufficient. In the matter of fact, they are interwoven; the instrument from the arsenal of all three conceptions is used, being transformed in such a way into two political and economic dimensions: international-internal and state-society. Each of conceptions reflects the certain spheres, key aspects of international economic life, complex of relationships among the entities of the global economy, depicting the interests of countries, classes, social groups, individuals. Liberal and neo-mercantilism approaches dominate in developed countries, in the activity of international finan-

cial and other organizations (International Monetary Fund, World Bank). Marxism (critical) views are peculiar for countries, which suffer from globalization, are in the state of chronic underdevelopment. The comparative analysis of the main interpretations of the international political economics is shown the Table 1.

Table 1

**Comparative analysis of the basic viewpoints
on international political economics**

Features	Economic nationalism	Liberalism	Criticism (Marxism)
Periods	15 c-ry.	19 c-ry.	19 c-ry.
Main representatives	Hamilton, Liszt, Krasner Gilpin, Strange	Smith, Ricardo, Kant, Wilson, Keynes, Gaek, Keohane	Marx, Lenin, Franck, Koch
Components	Mercantilism, realism	Free trade, interdependence	Marxism, feminism, environmentalism
Level	State-centric, atomistic	pluralistic, atomistic	Global and structural
Character	Aggressive	Cooperative	Complaint
Entities	State	Firms, states, non-governmental and inter-state organizations	classes, genders, planet, global capitalism
Vision of state	Unitary actor	Pluralistic state: interests of different groups	Representation of class interests
Vision of TNC	Useful/harmful	Useful	Exploitative;
Behavior dynamics	State as an efficient factor	Individual as a efficient actor, but the consequences are not always optimal	Supremacy and exploitation inside and among societies
Market relations	Potentially negative	Positive	Exploitative
System structure	anarchy / conflict	cooperation / interdependence	Hierarchy / conflict
Game metaphor	Zero sum	Positive (non-zero) sum	Zero sum
Hegemony	Importance of state domination	Post-hegemony cooperation	Hegemony in the society and state
Role of international institutions	Inconspicuous	Important	Service work concerning interests of states, firms and classes

Source: [1, p.26].

Among the modern authors, Robert Keohane, Robert Koh and Susan Strange demonstrate unconventional conceptual approaches concerning characteristic of international political economics. Susan Strange's position is specified as unorthodox realism based on the interrelations between the market and the state. Provisions on structural force are initial. They form the rules of the game in the certain sphere. Susan Strange defines four key structures of force as: safety, production, finance and knowledge and subsidiary structures: transport, trade, energy, welfare. Considerable attention is paid to non-state actors of international economic relations. Traditional multinational diplomacy is supplemented by the interrelations state-firm and firm-firm. Besides it, business associations, bureaucratic and mafia formations figured among the actors, which are transnationalized and derogate the authority of sovereign states.

R. Keohane – is liberal institutionalist, who says that institutions, ascertained rules and norms can influence on the behavior of the countries, which have multiply interests. The question is how the institutions, which include formal international organizations, international regimes and conventions, customs, can help countries to overcome barriers in international cooperation. It is emphasized that the proved structures of international institutions can promote the creation of more humane global system. R. Keohane paid much attention to the problems of «complex interdependence», which help countries to use international institutions for the diversification and deepening of cooperation. In particular, developing the theory of regime He proves that in spite of the size of the country, it is possible to derive benefit in consequence of reduction of trade barriers and overcoming of uncertainty. At the same time, analyzing the behavior of the country, as a reaction on the market failure, transaction's expenditures and uncertainty, R. Keohane speaks about the transformation of rational behavior and admonishes countries from cooperation. In whole, He uses the methodology of rational choice in the international political economy.

R. Koh is a historic materialist, who supposed that each epoch, has its features and peculiarities, institutions and world-views. He analyzed the organization of production and social relations, connected with them. R. Koh' works are based on the researches of Marx, Vico, Sorel, Weber, Gramsci, and Polanyi. In international political economics He uses three components as a basis: international organizations, social environment, civilizations⁵. One of the key provisions of Koh is the statement about the role of country-hegemon, which dominates in the economic, political, social and ideological spheres (Great Britain XIX c-ry, USA – XX c-ry). These countries consider their interests and values as universal. Having used their dominated position, they try to introduce such norms and principles in the activity of international organizations. R. Koh differentiated the critical the-

⁵ Providing of priority to international organizations, evidently, is caused by that fact that R. Koh during 25 years was working at the different positions in International Labour Organization.

ory from the theory of problems solving. The theory of problems solving considers the structure of existed real world and methods of problems solving within the framework of given system. Critical theory pays attention to the formation of the nowadays world order and the conditions of its change by more perfect forms. In such a way, theory of problems solving is concentrated on the system management and critical theory is concentrated on the way how to change the system.

Methodologically, modern IPE is based on three conceptions: theory of rational choice, neo-institutionalism and constructivism. At that, economic nationalism and liberalism are inclined to the theory of rational choice or institutionalism and critical approach prefers constructivism. Rational choice points out at individual choice in conditions of uncertainty and is dominant in the modern economic mainstream (neoclassic, post-neoclassic). It maximizes the use on the basis of excess of receipts over expenses. Modernized variant of the theory of rational choice is depicted in the conceptions of experimental and neuroeconomics [2]. Institutionalism pays attention to the role and significance of formal and informal institutions in the economic processes; neo-institutionalism emphasizes on the rules and customs, which in whole speak about the importance of international organizations, and tendency towards intensification of supranational mechanisms of regulation and management in conditions of globalization.

Constructivism speaks about the closeness and interrelations between the individuals and social world. If rational choice accepts the value and confidence as a certain postulate, constructivism considers them as the fact, which should be explained in the context of key element of formation and specification of reality. At the time when institutionalism is concentrated on the rules, as propulsive forces of different restrictions and formation of the individual's behavior in the certain fixed framework, constructivism considers that norms and values significantly influence of the economic entities.

Thus, international (global) political economic examines material conditions, practice, facts, normative provisions, which characterize the modern world and adheres to the rules and conceptual approaches of economic science. It does not come down to one of the above noted conceptions, which has the status of scientific paradigm, but is a complex of those conceptions, providing preconditions for adequate political and economic analysis of the global economic environment.

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