

# Copenhagen Business School

## BSc International Business & Politics

“Choose two theories of IPE and map out how they theorize a) the sources of value and b) the sources of power in the global economy. Which of these divergent understandings of value and power does a better job describing the global economy today? Appeal to both theoretical and empirical materials from the course.”

### International Political Economy

#### Final Exam

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## Introduction

The concept of value and power is an essential framework for understanding the global economy today. The concept of value and power is based on the idea that different economic agents have different levels of economic power and access to resources, and that these disparities of economic power and access to resources affect the way the global economy operates. (Oatley, 2022). When it comes to understanding the concepts of value and power in the era of neoliberal globalization and the dynamics of the global economy, including national regulations and trade-offs, and how these dynamics shape the production and distribution of goods and services. (O'Brien et al., 2020). It also considers the role of governments, international institutions, and other actors in influencing the global economy, as well as the impact of economic policies on both domestic and international markets. Ultimately, this understanding of value and power can help us to better understand how the global economy works, how it is structured, and how it affects the lives of individuals and communities around the world. (Katzenstein et al., 2013). There are many theories in International Political Economies, but two stand out with their different takes on how the sources of value and power in the global economy today are explained. **Therefore, this assignment will argue that Liberal Institutionalism provides a greater understanding, then Structural Marxism, of the global economy today.**

This assignment will be informed by the two theories of International Political Economies: Liberal Institutionalism (LI) and Structural Marxism (SM). This assignment will consist of firstly a theoretical framework of both LI and SM and will examine how these two theories conceptualize the sources of value and power in the global economy. Secondly, there will evaluate which of these two theories provides a better description of the global economy today, drawing on both theoretical and empirical materials from the course. This assignment will proceed by analyzing how the different sources of value and power identified by these two theories are reflected in the global economy and how this impacts the way we understand and interact with the global economy. By examining the sources of value and power through the lens of these two theories, we will gain a greater understanding of the forces that shape the global economy today. Subsequently, there will be introduced two arguments based on the theoretical part that will support the line of argument. Then follows a line of counterarguments with a theoretical background in realism which then will be refuted. Finally, a conclusion that will connect the previous arguments of the assignment and will answer the line of argument.

# Theoretical Framework

To answer the line of argument in this assignment, it is necessary to understand the theoretical frameworks of both Liberal Intuitionism (LI) and Structural Marxism (SM). These two theories have contrasting views of International Political Economy (IPE), which can be used to explain the current global economy.

## **Liberal Intuitionism**

Liberal Intuitionism is a philosophical theory that proposes that principles of justice, fairness, and morality exist independently of the laws of any society. It holds that these principles are intuitively known by all people, and that they can be used to evaluate the laws of any society to determine whether they are just or unjust. LI supports the idea of the nation-state as the primary source of power and authority. (Gill, 1995). This is because liberalism recognizes that individuals have certain rights and freedoms which must be protected by the state. For the state to protect these rights, it must have the power to enforce its laws and regulations. This power is derived from the authority of the state's citizens. (Grieco, 1988). From a liberal perspective, power is derived from the ownership of resources, which includes both capital and land. Those who possess the resources and capital have the power to make decisions regarding the production and distribution of goods and services.

Liberal Institutionalism also emphasizes the importance of free markets which allow nations and actors to compete with each other. LI argues that limited government intervention in the free-market economy reduces the potential for unfair or monopolistic practices within the market. This creates a competitive economy in which nations and to have the opportunity to pursue their self-interests while also contributing to the overall prosperity of society. (Helgadóttir, Lecture 2, 2022). LI views economic value as created through the efficient utilization of resources in a free market system. This includes the efficient allocation of resources and investments, as well as the production of new goods and services in the market. (Watson, 2017). Liberalism also emphasizes on the protection of human rights, those include the right to freedom of speech, freedom of assembly and so on.

An approach that often in conjunction with each other is LI influence on the Ricardian model of labor value, is that labor is the most reliable source of value. The model argues that wages and profits are determined by the interaction of supply and demand. Ricardo believed that trade is beneficial because it allows for the division of labor and the specialization of production. (Helgadóttir, Lecture 2, 2022).

Finally, Liberal Institutionalism recognizes the importance of international cooperation and the need for global economic stability. LI supports international organizations such as the United Nations, the World Trade Organization, and other international institutions to promote peace and prosperity for all nations. (Moravcsik, 1997). LI recognizes the value of international trade and the need for open markets to promote economic growth and development.

### **Structural Marxism**

Structural Marxism is a theoretical and political framework that focuses on the structural inequalities within a society. It examines the way in which power is distributed among different classes and how these relations of power shape the economic, political, and cultural life of a society. (Watson, 2017). It argues that power is concentrated in the hands of the ruling class, who use their economic and political authority to shape and maintain the structures of society in their own interests. The main source of power and value in SM in international political economies is the working class. Marxists believe that the working class should have the most control over the production and distribution of goods, services, and capital. (O'Brien et al., 2020). This means that in a Marxist system, the workers would be the ones who decide how resources are used, distributed, and managed. (Helgadóttir, Lecture 2, 2022). This contrasts with capitalist systems, where the owners of capital have the most influence over the production and distribution of resources. By placing power in the hands of the workers, Marxists hope to create a society where all people have access to what they need to survive. From a Marxists point of view value is derived from labor, not from capital. This view of sources of value is opposed to liberalism. This means that the value of a product should be based on the amount of labor that was put into making it, not on its market value. (Cohen, 2009). This idea is at the core of Marxist international political economies, as it seeks to ensure that those who produce goods and services are adequately compensated for their labor.

## **Empirical Analysis**

The theoretical framework of Liberalism and Marxism will, in the task's following point, be put into perspective in two contemporary situations in the global world economy. Here the focus will be on how the two theories have different theoretical approaches to explain the phenomena of Globalization and Trade based on their views on sources of value and power.

## **Globalization**

Often when talked about the global economy, they often refer to the economic period we are in, which is the era of neoliberal globalization. This era is characterized by a fiat currency and retrenchment of the national states. The capital flow is free and there is a low inflation rate in terms of political goals. Relation of Corporate Governance the shareholder value maximization of the global market. (Helgadóttir, Lecture 5, 2022).

Liberal institutionalism views globalization as both an opportunity and a challenge. In terms of power, globalization has led to the expansion of the power of transnational organizations, such as the World Trade Organization, the International Monetary Fund, and the World Bank. (Ripsman, 2021). It has also shifted the balance of power within the international system, creating new sources of power such as international financial markets, multinational corporations, and international non-governmental organizations. (Helgadóttir, Lecture 2, 2022). At the same time, it has weakened the power of states and the influence of traditional inter-state organizations such as the United Nations. (Blyth, 2002). Liberal institutionalism argues that a multilateral system, based on strong international institutions, is the best way to manage the effects of globalization. Such an approach would strengthen the rule of law and protect the interests of the weaker states. It would also provide the framework for global governance, allowing countries to cooperate on economic, environmental, and social issues. (Helleiner, 1994).

Structural Marxism views power in terms of the way it shapes the global economic system. It sees globalization as a process of increasing economic integration and interdependence, which is creating new sources of power and new forms of inequality. (O'Brien et al., 2020). It argues that the process of globalization is creating a global economy dominated by multinational corporations, which are creating new forms of economic power and control. (Kentikelenis et al., 2019). Structural Marxists argue that the increasing concentration of power and wealth within the hands of a few wealthy individuals and corporations is creating a new form of imperialism, which threatens to further entrench existing inequalities and exploit the labor of the global working class. They further argue that the current system of global capitalism is creating a new form of oppression and exploitation, which must be addressed through the creation of a more equitable and just global economic system. (McGrew, 2017).

## **Trade**

Trade can be explained by the interaction of three elements: Trade, National Regulation, and International Agreements. When national regulations recede, trade flourishes, and when national regulations intensify, trade languishes. (Helgadóttir, Lecture 6, 2022). International agreements have been used to restrict national regulation, and in doing so, one set of rules must be replaced by another set of rules. There is often a trade-off between the interests of developing and developed countries in these negotiations. (Caplin et al., 2017). To understand what occurs in the trade agenda of today we need to look at the actors and the system that governs world trade and trade-offs. (Gallagher, 2007).

What is therefore important if you want to analyze the theories' understanding of the sources of value is to relate to how these explain Trade, National Regulation, and International Agreements in the global economy.

The institutionalist view on national regulation and global trade is that there is a need for both national and international regulation to maintain a fair and equitable trade environment. (Ravenhill, 2017). This view maintains that both national and international regulation can play a role in protecting the public interest, promoting economic growth, and ensuring the safety and environmental quality of products. Structural Marxism believes that the state and global trade play an important role in shaping economic structures. These structures can have a significant impact on the economic well-being of a country or region. (Helgadóttir, Lecture 6, 2022). Structural Marxists believe that states and international organizations should play a role in regulating these trade flows to promote social justice.

The Liberal institutionalist view of international agreements sees them to create a framework for cooperation between states. However, some general requirements for global trade include: an open trading system, a strong and stable international legal framework, and an effective and efficient trade regulatory system. (Gallagher, 2007). However, some general requirements for global trade include: an open trading system, a strong and stable international legal framework, and an effective and efficient trade regulatory system. They are seen as an attempt to create a system in which states have agreed to abide by certain rules to avoid conflict. They are also seen to create a system in which states can resolve disputes through a process that is fair and impartial. (Capling et al., 2017).

According to Structural Marxism, international agreements are not binding, and do not have the power to enforce their terms. Instead, they are seen as agreements between countries that are not

meant to be enforced. (Watson 2017). Structural Marxists believe that international agreements are a way for countries to band together and create a sense of community, but they are not meant to be effective in achieving their goals.

## Discussion

The debate between Liberal Institutionalism and Structural Marxism on the best explanation for the global economy today is ongoing. While both theories have their own advantages and drawbacks, it can be argued that LI is a better explanation, then SM for the global economy today.

The first argument to be made is that according to Liberal Institutionalism, the sources of value in the global economy come from the production of goods and services, the efficient allocation of resources, and the pursuit of individual self-interest. (Watson, 2017). This is based on the belief that the free-market system allows individuals and businesses to produce more efficiently and thus more value is created. Liberalism also believes that by allowing individuals and businesses to pursue their own self-interest, this will also lead to more value being created. (Helgadóttir, Lecture 2, 2022). This can be seen through the example of free trade agreements and the ability of businesses to move resources and production to areas where it is most profitable.

A counterargument to the liberal approach of this assignment is a SM perspective, which argues that sources of value in the global economy come from the exploitation of labor. This is based on the belief that the capitalist system creates an unequal distribution of wealth and power, which allows some individuals and businesses to take advantage of the labor of others. (Blyth, 2002). This leads to the creation of surplus value, which is the excess value generated from the exploitation of labor. This surplus value is then used to generate profits for those in the capitalist system. This can be seen through the example of multinational corporations that use their power and resources to exploit workers in developing countries for cheap labor. (Capling et al., 2017).

Another liberal approach to the concept of power in global economy According to liberalism, come from the ability of individuals and businesses to control resources and production. This is based on the belief that the free-market system allows for the efficient allocation of resources and production, which allows individuals and businesses to gain control over these resources. (O'Brien et al., 2020). This can be seen through the example of multinational corporations that have the power to control

the production of goods and services and move resources to areas where it is more profitable. The Marxism counterargument is the sources of power in the global economy come from the control of the means of production by the capitalist class. This is based on the belief that the capitalist system allows those in power to control the production and distribution of resources, which gives them the ability to exploit the labor of others. (Oatley, 2011). This can be seen through the example of multinational corporations that use their resources and power to exploit workers in developing countries for cheap labor. Liberalism holds that the sources of value in the international economy are derived from the free market and international trade.

Liberals view the market as the most efficient way to allocate resources and wealth, as it allows for the most efficient use of resources. International trade is also important as it allows countries to access a broader range of resources, goods, and services, while also increasing competition and innovation. The sources of power in the international political economy are also seen differently from a liberal perspective. Liberals view the power of the international economy as stemming from the free market, where firms and countries compete for resources and wealth. (Moravcsik, 1997). Through this competition, countries and firms can acquire greater resources and wealth, allowing them to expand their influence. Marxism, on the other hand, has a very different view of the sources of value and power in the international economy. According to Marxists, the sources of value are found in the labor of the working class, which is exploited by capitalists to generate profits. (O'Brien et al., 2020). Marxists also view the sources of power in the international political economy as stemming from the concentration of wealth and power in the hands of a small elite. This elite is seen as controlling the global economy and maintaining the status quo.

Additionally, it can be argued that liberalism is a better explanation for the global economy today. Liberalism's focus on the free market and international trade offers a more efficient way of allocating resources and wealth, while also allowing for competition and innovation. Ultimately, Liberalism also offers a more egalitarian view of the sources of power in the international political economy, as it does not rely on concentrated power and wealth of a small elite. (Kentikelenis et al., 2019). In contrast, Marxism's focus on the exploitation of the working class and the concentration of power in the hands of the elite is seen as too static and non-inclusive. (Helgadóttir, Lecture 2, 2022). Thus, while both theories have their merits, liberalism offers a better explanation of the global economy today.



## Conclusion

In conclusion, by analyzing the two theories chosen in the assignment, Liberal Institutionalism and Structural Marxism, the necessary knowledge for the theoretical framework has been formed, which creates a deeper understanding of the assignment. Furthermore, the theories have each come up with their own take on sources of value and power. These understandings of value and power have then been used to draw explanations for the global economy today by comparing to the selected examples of globalization and trade. Then followed a discussion of the theorists' view of the global economy by incorporating the Empirical Analysis with a view to who can best explain the international political economy today. The assignments line of argument can therefore be confirmed because LS does give a better job describing the global economy today than Marxism. Liberalism emphasizes the importance of free markets and international trade, which have allowed economies around the world to become increasingly interconnected and interdependent. It is largely through the liberalization of trade and markets that the global economy has seen such tremendous growth in recent decades. In contrast, Structural Marxism does not offer a viable solution for the global economy, as it does not recognize the importance of free markets and international trade. Furthermore, it does not provide an effective way of regulating markets and protecting the public interest. Liberalism Institutionalism also emphasizes the need for governments to be involved in regulating markets and ensuring that the public interest is being served. This is necessary in the global economy, as regulations are needed to protect the rights of workers and ensure that businesses are operating ethically and responsibly. Limitations of this assignment could be the limited number of characters, which makes it difficult to really get into the depth of the assignment. In addition, more empirical examples could be included to give an even clearer picture of the differences between the theories. Continued reach could also open more op, so that other things are looked at than exclusively at sources of value and power to which the task formulation limits one.

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