

## Chapters 6 & 7

### Theory in Practice: An IPE Scholar Studying the World

At the core of IPE is the relationship between politics and economics, both in the domestic and the international arenas. So an appropriate research question in IPE would address some aspect of that relationship. Empirically, that would help us sort out the concrete interplay between politics and economics in the real world. Theoretically, it would speak to the core issue of how to precisely understand that relationship; this is exactly the issue at the centre of the debate between the three classical approaches to IPE.

There are countless candidates for a research question in this area. Let us focus on the financial and economic crisis that began in earnest in the autumn of 2008. Who was responsible for the crisis? Was it the politicians or the economic actors in the financial markets—what is the interplay between politics and economics? If the politicians were responsible, how was that responsibility distributed between individual governments and international financial institutions? If the markets were responsible, how was that responsibility distributed between national financial sectors and players in the international financial markets?

It would be a surprise if we could place all responsibility with only one of the four types of actors identified here. They were probably all involved in various ways. By disentangling the crisis in terms of who did what and who is primarily responsible for the course of events, we will learn not merely about the crisis as such, but also about the interplay between politics and economics that is at the core of IPE.

Most probably, our analysis will lead to a rejection of the most extreme claims of all three classical approaches (see Table 7.7). Politics is not in full control of economics, as some mercantilists claim; economics does not fully determine politics, as some Marxists claim; and the market is not an autonomous sphere of society, as some liberals claim.

But at the same time, the study of the economic crisis will surely give us information about the nature of the interplay between economics and politics. Given that political regulation creates a framework for economic activity as mercantilists rightly claim, how did that political regulation affect the course of events? Given that economics affects and influences politics as Marxists rightly claim, how did that play out in the crisis? Which economic players did what in order to achieve political outcomes, and did they or did not succeed? Given that the market has a dynamic of its own, as liberals rightly claim, how did such autonomous market dynamics affect the course of events in the economic crisis?

So, having completed a study of the economic crisis we have indisputably made a contribution to the study of IPE. We are better informed about the precise nature of political regulation and its consequences for economic activity, and of the precise nature of autonomous market dynamics.

### Assignments

1. Present your evaluation of the financial and economic crisis, based on the empirical information you are able to retrieve.
2. Indicate what the crisis tells us about the interplay between politics and economics.

3. Evaluate the three classical perspectives on IPE in the light of your results.
4. Try to formulate other case studies in the field of IPE.

## Case Study: The Ukraine Crisis

### Videos: EU sanctions against Russia during the conflict in Crimea and Eastern Ukraine in 2014

- EU Raises the Stakes: New sanctions target Russia's biggest banks:
  - <https://www.youtube.com/watch?v=tZTTiGz6jZI>
- Russia bans import of Western foods in retaliation for sanctions:
  - <https://www.youtube.com/watch?v=o9FOU8pv5Ww>

Watch the two videos and discuss the following points:

- How do you interpret the interplay between wealth, power and security; are they complementary or competing interests in this case?
- Instead of seeing the conflict as one between states, do you think it makes sense to see the conflict as a struggle between the dominant economic classes in EU and Russia? Why?
- Consider the degree to which the economic exchange between Russia and the EU is a positive-sum game.

## Case Study: Poverty reduction & global integration

Some claim that a free market economy promotes growth and development and that globalization has led to a substantial reduction of global poverty. Opponents argue that capitalism only benefits the industrialized world and that the developing world continues to live in poverty.

Discuss the merits of the two views. With which one do you favour and why? Use data from the websites below to support your argument.

### Websites:

- **International Monetary Fund**  
<http://www.imf.org/external/index.htm>
- **United Nations Development Programme**  
<http://www.undp.org/>
- **World Bank**  
<http://www.worldbank.org/>