

**INTERNATIONAL POLITICAL ECONOMY (IPE)  
AND THE DEMAND FOR POLITICAL PHILOSOPHY  
IN AN ERA OF GLOBALISATION**

**Richard Higgott**

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## **Abstract:**

Recent years have seen international political economy (IPE) become an increasingly bifurcated field of inquiry. On the one hand deductive, rational choice driven analysis has taken IPE increasingly in the direction of economic analysis *toute courte*. This has especially been the case in the United States. On the other hand, driven more by the largely inductive tradition in the non-economic social sciences, IPE, especially in a European and 'southern' context has become more, indeed as some would argue excessively, 'reflexive' in direction. One approach asserts its social scientific status while the other asserts its normative imperatives. This bifurcation is undesirable and, this paper argues, unsustainable in the contemporary era. The need to understand and explain globalisation should, in both theory and practice, make this bifurcation redundant. Fortunately there are elements of an evolving IPE that is increasingly historically and empirically grounded, analytically sophisticated and in search of tighter, less indulgent, more policy relevant, normative purchase on key issues of IPE such as justice, equality and development. It is doing this by paying close attention to work on these issues by normative political philosophers. Similarly, political philosophers are recognising the need to come to terms with the research agendas of IPE. This coming together is not an easy process. Indeed it is in its formative stages. But it is an important scholarly project, and one which should cast larger policy shadows over the global order, which is likely to gather momentum over the next few years.

## **Key words:**

IPE, globalisation, rationalism, reflexivism, normative philosophy.

## **Contact Details:**

S1.58, Social Studies

University of Warwick

Coventry CV4 7AL

United Kingdom

[Richard.Higgott@warwick.ac.uk](mailto:Richard.Higgott@warwick.ac.uk)

# INTERNATIONAL POLITICAL ECONOMY (IPE) AND THE DEMAND FOR POLITICAL PHILOSOPHY IN AN ERA OF GLOBALISATION<sup>1</sup>

## Introduction

For many years International Political Economy (hereafter IPE) was something of a misfit in the study of international politics in particular and political science; indeed in the social sciences in general. It was never at ease with the economist, for whom it was not 'real economics'; far too 'economistic' for scholars of international relations; too 'international' for scholars of political science and largely un-noticed by normative political philosophy. As a consequence, it tended to sit at the periphery of most social science 'disciplines'. For a range of reasons to be discussed in this companion essay to political philosophy, this situation has changed dramatically over the last 2 decades. IPE is now deemed more salient to the study of politics and international relations and even some branches of economics. Pertinently, the interactions between IPE and philosophy are becoming similarly important of late.

The essay provides a synoptic analysis of international political economy with backwards and forwards linkages between it and contemporary political philosophy. I have taken my steer for the structure of this chapter from the editors. The chapter does two things: First, it provides a 'practical guide to someone who wants to find their way through the relevant field'. To this end the essay is addressed not at the specialist of IPE. Rather it is embedded within the context of the social sciences and especially economics and political science. Second, political philosophy is read as political 'theory' broadly defined but with a specific interest in 'normative thinking'. (Goodin and Pettit, 1995: 1)

IPE should be understood as both a field of inquiry and a substantive issue area in the study of international relations (hereafter IR). Whilst it is not a sub

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<sup>1</sup> A revision of this paper will appear in Robert Goodin, Phillip Pettit and Thomas Pogge (eds.) *A Companion to Contemporary Political Philosophy*, Oxford: Blackwells, 2007, 2<sup>nd</sup> Edition. This is a first draft. Comments welcome to richard.higgott@warwick.ac.uk.

branch of international relations, its most recent instigating discipline, somewhat limitingly, has been IR and the re-discovery of the relationship between IR and international economics in the last quarter of the 20<sup>th</sup> century. IPE of course draws from the historical evolution of political economy (Caporaso and Davis, 1992; Watson, 2005) but the recent growth of IPE throughout the latter stages of the 20<sup>th</sup> century has been underwritten largely by economics of the neo-classical variety more than the more historicist political economy approaches from whence it originally came. This is much more so the case within a North American context where, unlike its European counterpart, IPE tends to place less emphasis on the need to see economic activity embedded in social, political and historical contexts and especially the social bonds that developed between the market and the state in the 20<sup>th</sup> century European system.

IPE's strength, in both theory and practice and across the field, is that it eschews the analytical separations that have pertained between the study of economics and politics (and, *ipso facto* IR) throughout the 20<sup>th</sup> century. It also resists the notion of discrete national economies within the international (or 'global' economy). But without understanding how economics and the other social sciences were drawn apart in the past, we cannot see why IPE has been important as an analytical exercise to bring them together under conditions of globalization. If all we now knew of the world was its material conditions under globalization, it would seem odd to recent student of IR that these disciplines were ever separated. IPE's analytical salience has grown as globalization has become an increasingly important phenomenon over the late 20<sup>th</sup> and early 21<sup>st</sup> centuries (Higgott, 1999).

Section one of the essay identifies the different modes of thinking (it is hard to call them schools of thought) that inhabit the world of IPE. Section two offers an explanation of the development of IPE. This, in turn, is done in a twofold manner. Firstly, it focuses on the linkages between globalization as practice

and process on the one hand and IPE as explanation and analysis on the other. Using policy focussed lenses it identifies the substance of IPE that emerges from the growing salience of interdependence and globalization in the last quarter of the 20<sup>th</sup> century. Second, it provides a brief intellectual history of IPE to show it as an epistemologically and methodologically contested area of inquiry within which the principal demarcation line is between a deductive rationalist tradition, dominant in North American scholarship on the one hand, and an essentially inductive mode of reasoning that prevails in many non-North American scholarly communities (in both Europe and the southern hemisphere on the other. Within IPE, subject matter—the relationship between the economic and political and the domestic and the international—is less the issue of disagreement than the appropriate theoretical perspectives to be employed.

Section three identifies the core policy issues that IPE will have to address in the early third millennium: especially 'how do we govern the global economy under conditions of globalization and, more importantly, how we do so in an ethical, responsible, accountable and just fashion?' The relationship between globalization and governance is what will lodge IPE at the centre of the study of world politics and economics in the 21<sup>st</sup> century. Questions about this relationship are not merely technical-cum-practical and policy focussed. They are highly charged normative questions. It is here that the relationship between IPE and political philosophy as normative political theory is becoming increasingly salient. It is the relationship that makes IPE important to a *Companion to Contemporary Political Philosophy*. It is, or should be, as important to the normative theorist as it is to the scholar of IPE.

#### (1) Contemporary Approaches to IPE—A Brief Introduction

In the late 1960s and 1970s, scholars of IR in the United States began to

focus on the growing importance of transnational economic relations and the consolidation of interdependence (Keohane and Nye, 1970 and 1977). In Europe, Susan Strange (1970) identified the serious mutual neglect that existed between international economics and international relations. But it is not always clear what is meant by IPE. It is a contested field of inquiry as can be seen from a comparison of its two main journals—*International Organisation*, reflecting the heavily rationalist focus of North American scholarship and the much more pluralist/eclectic *Review of International Political Economy* that reflects the stronger radical and constructivist intellectual enterprises of the European scholarly community. The only real focus of agreement across contested views is in the need to end the separation of analysis of economics and politics and between the domestic and international political economy.

The broad divide to be found amongst analysts is between those who see IPE as the objective application of economic principles to international issues and those scholars who see IPE as a more interpretative, historical and structural way of thinking about the global economic order. For the former group objective reality exists. For the latter group reality is inter-subjective. In this regard, the first group expresses a rationalist outlook while the latter is what is now called a "reflectivist" and/or "constructivist" outlook. For some scholars these two approaches, reflecting incommensurable epistemologies are irreconcilable (Hollis and Smith, 1991). For others, increasingly in the USA but also amongst some European and Asian scholars, constructivism represents a critique and refinement of the limits of rationalism (see Katzenstein, Keohane and Krasner, 1998 and Finnemore and Sikkink, 1998).

Rationalists draw on the tradition of economics, especially the maximisation of choice under conditions of scarcity. They rely on an assumption of

instrumental rationality in the identification of the behaviour of actors. Rationalists privilege shared knowledge and (often imperfect) information, identifiable actor preferences, and strategic thinking. These factors come together in the importance rationalists place on game theory as a way of determining actor behaviour. If, it is argued, we understand actor preferences then we can determine strategies and subsequent policy outcomes.

Constructivists on the other hand stress the inter-subjective nature of knowledge, without which the world has no material meaning. They are concerned with how the existence of multiple identities constrains an objective understanding of reality from which rationalists think economic models can be drawn in non problematic fashion. Constructivists privilege the 'constitutive' characteristics of knowledge, identities and norms which define not only how socio-political actors behave towards each other but also, more deeply, the sources of the identity of these very actors (see Wendt, 1999). Within the context of this broad divide, IPE reflects the range of general theoretical orientations and causal relations to be found in the other areas of the study of international relations--realist, liberal, Marxist and the like.

In their causal explanations, realists privilege the centrality of the state and the use of coercion and power; liberals privilege negotiation, contractual obligations and the development of *regimes*; Marxists privilege the role of material and ideological exploitation. Realists and liberals disagree less about assumptions over how actors, especially states, will behave and more about what are the international problem areas in need of resolution; that is, what are the aims and aspirations of states? Realists assume states are interested in securing benefits and gains in superior quantities to their international competitors (relative gains). These are secured in distributional conflicts in which power is the salient variable (Greico, 1998). Liberals assume that

states are primarily interested in minimising market failure and securing overall welfare improvement (absolute gains). While not denying elements of the realist position, liberals see a much stronger role for agreed institutional arrangements (regimes) that will leave all players better off (Keohane, 1989).

We can also identify what we might call a turn to 'critical theory' in IPE which, in part emanated from the harnessing of European continental philosophy to IPE. This work is complex and multifaceted and much more structuralist in orientation. Critical theory should be seen as a short hand reflection of alternatives to mainstream (neo) realist, and (neo) liberal approaches. Some see critical theory at the 'margins of the discipline of international relations (Weber, 2002). I see it more closely as a reflection of the distinction between the dominance of a realist-liberal paradigmatic spread in a north American context and a more pluralist approach reflecting elements of Marxism (orthodox and Gramscian) and, albeit to a lesser extent, critical theory of the Frankfurt variety. It differs from the structuralism of say Susan Strange in its transformationalist normative agenda.

The major contribution to critical theory is to be found in the writings of the early dependency theorists (Prebisch 1959; Cardoso and Falleto (1979), World Systems Theorists (Wallerstein, 1979) and later Marxists such as Robert Cox, (1987) and Stephen Gill (1993 and 2002). Rather than see IPE as but a sub-discipline of international relations (the common position within the wider IR community throughout most of the second half of the twentieth century) they see IPE as that larger set of material structures that determine world order. International relations (relations between states) are but part of these structures. Across the spectrum, political and economic outcomes are determined by the organization of capitalism.

This structuralist position contrasts sharply with the dominant tradition in IPE in the USA which grew out of the identification of international

interdependence and trans national relations in the 1970s. (Keohane and Nye, 1977) The importance of this was as much its identification of IPE as a field of study as any serious theoretical advance. It was still very much 'state to state' style international relations and did not make the connections with the domestic political economy in the way that Marxists claimed to do. Indeed, the importance of Marxist analysis was the manner in which it concentrated on the determinants of foreign economic policy such as the interests of multinational corporations and the role of social forces and political institutions.

It was only towards the closing stages of the 20<sup>th</sup> century that mainstream analytical insight in the US, as its key figures are now willing to concede (Katzenstein *et al.*,1998: 648 and Keohane and Milner, 1996), began to take these linkages seriously. The conversion arose from a change in intellectual thinking--principally a modest recognition of the limits of rationalism and the importance, in their different ways, of institutionalist and sociological perspectives. With their emphasis on the effects of social and political institutions on economic behaviour and the salience of norms and values, these two areas of investigation saw the rationalist discourse in IPE in the USA, widened.

These developments illustrate the impact of differing intellectual traditions on how students of IPE practice their craft. The boundary between the domestic and the international was never as sharply painted in Europe as it was in the US. Similarly, the distinction between the material world and the world of ideas was never as discrete. By their own admission (see Katzenstein *et al.*, 1998: 674) the concentration on method rather than substantive issues caused US scholars of IPE, for a long time, to miss the importance of the identities of actors and the norms that drove policy thinking. US IPE is now

attempting to address this lacuna by bolting on constructivist thinking to its rationalist method. It does so not to demolish rationalist understandings of actor behaviour but to modify and contextualise them (see Goodin and Tilly, 2006). This is acceptable to US scholarship in a manner that post modernism never was.

(2) Explaining the emergence of IPE:

(i) *Globalisation and IPE*

Throughout much of the 20<sup>th</sup> century IPE had long been thought of as a secondary dimension of IR as both scholarship and practice. This was especially the case in the early stages of the post world war two era when the dangers of nuclear war the driving force of IR. But from the 1970s IPE was no longer seen simply as international economic relations concerned with trade and finance, and often disparagingly refereed to as 'low politics' when contrasted with the high politics of diplomacy and security. The situation changed at both scholarly and policy levels. While it is not always easy to separate the primary from the secondary influence in the relationship between scholarship and policy, it was policy change that drove scholarly study rather than the other way around.

To be specific, the onset of 'globalization', for all its faddishness, was important in alerting the wider community to the salience of IPE. The search for international competitiveness, and the recognition that national policy autonomy may have been circumscribed by the changing relationship between *state authority* and *market power* in an era of deregulation, elevated IPE from a sub branch of IR. Nowadays, IPE, perhaps more than any other area of IR, has the greatest correspondence between its growth as an area of study and the growing impact of globalization.

There are, of course, many ways to understand globalization (the most over used and under specified international concept of the post Cold War era). For students of IPE two ways of understanding are most important—globalization as both a set of structures *and* as a set of complex and contingent processes that lack uniformity and that may be moving in a secular direction over time (Rosenau, 1997). The argument of the modern scholar of IPE (irrespective of the particular methodological church to which they belong) is that the analytical fiction of the separation of politics and economics is unsustainable under conditions of globalization. When we talk of *the international* (or for some 'global') *political economy* we are thinking of those domains of international activity in which the behaviour of markets—as the providers of finance, services and goods (now in that order of priority)—is a major form of global activity.

In this context IPE is more interested in the activities of the 'competition state' (Cerny, 1997) than the 'security state'. IPE focuses on the changing relationship between state authority and market power and the role of non state and inter-governmental actors (especially MNCs, international financial institutions and the large NGOs) in this relationship. IPE as a field of inquiry treats the boundaries between the international and the domestic and the economic and the political as porous. Yet the basic unit of activity and policy is still the national economy and, if we want to be simple minded, in many ways, the international economy is, in formal empirical terms, still little more than the sum of all inter-state or trans-border economic activity.

Also in a formal sense it is still states that negotiate treaties and international agreements and create international institutions. This is the most obvious way of thinking about international economic relations, but it is also a static

understanding of what is now a much more dynamic set of processes in which the relationship between state activity and the activity of markets and non state actors is changing. It is limited in other ways too that have become increasingly apparent over recent years. This static analysis offered us no way to understand the evolving normative questions concerning the impact, or potential impact of globalisation on persons (individuals or populations) that is becoming the concern of political philosophers interested in global issues (and is addressed in section three.)

We need to go beyond this simple formulation under conditions of globalization. A model of understanding that identified the 'politics of international economic relations' (PIER) (see Spero, 1981) reflecting a state centric world may have pertained for most of the period since the inception of the Westphalian system, but it is clearly under challenge. While there are continuities, there are also dramatic changes in train that are better captured by an understanding of IPE, reflective of a more globalized world in which the autonomy of states is diminished by global economic interdependence. This reflects the increasing importance of the economic dimension of international relations and the political dimension of economic relations.

While the 'PIER to IPE' metaphor offers an insight into changed thinking, it is but a heuristic device. Both positions are somewhat caricatured and more nuanced than assumed. IPE has a focus on the international system and the manner in which that system interacts with the domestic political economy. The key factor in the shift from PIER to IPE has been a recognition of the impact of 'structural power' in international economic relations; especially the emergence of a global division of labour and the demand for, and the provision of, credit and knowledge increasingly at the global as opposed to the national level (see Strange, 1988).

Economic analysis (and realist analysis in IR) had all too often ignored structural, as opposed to relational power. In part this is because of the illusive nature of the concept. In a relationship between A and B, it is empirically possible to determine who has power over whom. Structural power is more difficult to determine since it is embedded in structures of knowledge, production, finance and security. While we might intuitively understand how structural power embeds asymmetrical relationships that privilege some actors (state and non state alike) at the expense of others, it is not easy to identify or analyse these processes in a quantitative manner. Observations of structural power in action are invariably qualitative and discursive. But we understand more fully nowadays how the *structural* power of markets has increased at the expense of the *relational* power of states.

To the dimensions of structural power we must also add the impact of the communications revolutions of the 1990s. This has increased not only the speed of communication, but also the number of actors involved in the deliberation of international economic policy. It has seen the widening of the global economic policy agenda from a 'technical' one (concerned with enhancing efficiency in the global delivery of goods and services via the liberalisation of trade, privatisation of erstwhile state owned assets and the deregulation of finance) to a highly political one in which normative issues of accountability and legitimacy have also become salient; hence the need for increasing intellectual interactions between IPE and philosophy.

While the increasing importance of normative issues is a theoretical move, it is predicated on the hard narrative of the last quarter of the 20<sup>th</sup> century that we now ubiquitously refer to as the era of globalisation. During this period, and especially the 1990s) the impact of the increasing de-regulation and volatility

of the global financial markets, the growing politicisation of the international trade regime (especially since the creation of the WTO in 1995) and the increased questioning of the economic utility and political legitimacy of the international financial institutions as vehicles for financial stability (the IMF) and development (the World Bank) as North-South issues reappeared on the international political agenda (see Wade 2006), has enhanced the importance of a normative turn in IPE.

With the passage of time the material changes associated with globalization have begun to unravel the distinctive resolution of political and social functions (especially the provision of collective goods) achieved by the sovereign state. If one main aim of the post world war two liberal international order was to domesticate the international economy, globalization has changed this. The embedded liberal compromise that underwrote post World War two state-society relations and the 'Bretton Woods' global economic order has passed. If domestic and international politics became embedded and intertwined in the post-WWII global system, and states were the sites of a trade-off to cushion domestic society against external pressures, this is now less the case (compare Ruggie, 1982 and 1995).

Globalization, especially the urge for free markets and small government has altered the relationship between insiders and outsiders, between citizens and the state and between the state and the global order. As economic deregulation and de-nationalisation have proceeded it has become difficult for states to manage the domestic-international trade-off in a way that satisfies competing demands on it (Rodrik, 1998). The demand for free markets and the declining compensatory domestic welfare mechanisms, when pursued in combination, are a potent cocktail leading to radical responses from the dispossessed. Liberalisation may enhance aggregate welfare over all but it

does not solve the 'political' problem. Securing domestic political support for the liberalisation of the global economy requires more than just the assertion of its economic virtue. It also requires legitimacy.

Under conditions of globalization, the legitimation question must now be addressed not only within, but also *beyond* the boundaries of the state. At a normative level IPE is the intellectual site at which students of the economics of globalization and the international politics of legitimacy must interact. What we are seeing, as section three will demonstrate, is an attempt to upscale a debate that has to-date only previously been conducted within modern developed states, not at the global level.

Of course, it is not appropriate to assume that most countries are integrated into global markets in a uniform manner. There are massive difference in the degree and speed with which any such integration takes place and automatic expectations of the continued advance of globalization as rational and rationalist activity--especially defined as economic liberalisation--should not be assumed. The existence of such variation does not lend itself to easy generalisation. It is this complexity of analytical understanding with which students of IPE struggle. For sure, there are important historical continuities with the past (O'Rourke and Williamson, 1999) but globalization, notwithstanding some continuity, does represent a new historical phase. This newness is to be found in the simultaneity of change in a range of economic phenomena such as trade liberalisation, the deregulation and integration of capital markets, the privatisation of national assets, the retreat of state functions (welfare ones especially), the diffusion of technology and the cross-national distribution of production and foreign direct investment.

But this argument (the Strong Globalization Theses, SGT) of the 1990s (see

Ohmae 1990; Friedman 1999 and Luttwak, 1998) implying the end of the nation state and convergence of macroeconomic policy around an Anglo-US style neo-liberal model—was overstated. States still have substantial national regulatory assets and capacity (Wade, 1996 and Zysman, 1996). Indeed, no explanation of globalisation is sufficient without an understanding of the way in which states, especially the USA and the UK (Helleiner, 1995) have embraced and fostered it and in so doing have undergone processes of adaptation within a linked dynamic economic system and inter-state system. In some states certain policy instruments, particularly those associated with macroeconomic adjustment strategies, may be enfeebled by globalization, but others, such as those related to industrial policy for example do change in a number of creative ways (Weiss, 1998).

*(ii) The Intellectual Origins of International Political Economy*

The last section demonstrated the manner in which international political economy had grown in salience as a scholarly pursuit as a response to the growth of inter-international economic interdependence and what we now call globalisation. To this extent it has been 'policy driven'. But to privilege a policy focus at the expense of other variables would be a mistake; especially if we wish to understand the normative turn in IPE (and indeed IR in general) over the last decade or so. It is also an assumption of this essay that some insight into the intellectual origins of IPE—especially its relationship to our theoretical understanding of the state on the one hand and the epistemological and methodological questions that exercise the minds of scholars of IPE on the other—will be of greater interest for a *Companion to Contemporary Political Philosophy* than the more overt policy related issues that drive IPE.

Given the Westphalian understanding of sovereignty that prevailed in much scholarship on the international throughout the twentieth century (see Walker, 1993 and Spruyt, 1994)—with the state as the primary subject of modern international relations—the management of the national economy was a crucial function of the state. Thus, at the heart of the study of political economy were competing accounts of how states should govern their economies; especially the extent to which governments should intervene in and regulate economic activity. Despite ideological and normative differences, there has been a historical tendency within liberal and non-liberal traditions alike to treat national economies as discrete systems of social organisation more or less delimited by the state's territorial boundaries. Economies were conceived as self-contained, self-regulating systems of exchange and production. This was as true for liberals such as Adam Smith and David Ricardo as it was for economic nationalists/mercantilists like Franz List and Alexander Hamilton.

These thinkers were not blind to how economic activity commonly spilled over national frontiers. Indeed the theory of comparative advantage required cross border trade, but they treated national economies as self-contained units in the international market. The economy served the community of the state in which it was embedded; and its functions and benefits were defined via the interests of a given political society. States monopolised the right to raise taxes within their boundaries thus enhancing the correlation of the economy with the state. One of the general functions of the state therefore was to govern the economy to promote the wealth and welfare of the community. The relationship between wealth and power, or indeed power and wealth, was long well understood, as was the salience of foreign trade as an instrument of state power (Hirschman, 1945 and Viner, 1948). For liberals and mercantilists alike, the market mechanism came to be seen as the surest and most efficient

means of ensuring the liberty, security and prosperity of both individuals and the community; the difference between them was not over the basic market mechanisms, rather than the degree to which governments would emphasise regulation and manipulation of economic activity to best satisfy community needs.

In this historical context, most social science started out as political economy. But, from the time of the marginalist revolution in economics in the second half of the 19<sup>th</sup> century, economics as a discipline came to believe that its mode of analytical reasoning would allow it to exist separately from the other social sciences (Heilbroner and Milberg, 1995). From that time, political economy developed as a theory of choice under constraint in which economics became 'a way of acting' and politics 'a place to act' (Caporaso and Levine, 1992: 32). Once the bifurcation was established economics and political science went their separate ways throughout the 20<sup>th</sup> century. As a consequence, political science (and also sociology) matured as separate disciplines. In the context of the times each, respectively, became grounded in the study of *national* economies, *national* polities or *national* societies.

But internationalisation, and subsequently globalization, has shattered the distinction between the *domestic* and *international* (on which international relations as a new 20<sup>th</sup> century social science discipline had been built). It also poses serious and continuing questions about the utility of analyses that focus exclusively, or even predominantly, on discrete economic, political or social explanations of complex trans-national phenomena. Or this in theory should be the case. But most social scientists still feel more comfortable working within 'national' or 'statist' methodological paradigms.

What is needed to cope with globalization is a readiness to tear down

intellectual barriers and bring together approaches, methods and disciplines which for too long have been set apart. We have to explain the relationship between an increasingly non-territorial and globalized economic system on the one hand and the continued existence of a territorially delimited hierarchical system of states on the other. No one set of disciplinary lenses has the capacity to do this. We must, borrowing a phrase from Albert Hirschmann (1977), go 'trespassing'. With honourable exceptions, this is not something social scientists are usually willing to do, especially in the United States where scholarly divisions of labour are stronger and methodological battles more fiercely contested, than in other parts of the world (Cohn, 1999).

*(iii) IPE as a Methodological Competition*

Methodological competition in the social sciences has invariably turned around what we might call the deductive-inductive divide. This divide is illustrated in the absence of discussions between the economist on the one hand and the scholar of government and politics (sometimes uneasily called 'political scientists') on the other throughout most of the 20<sup>th</sup> century. In crude terms, the deductive economist saw themselves as rationalist guided scientists, if not formalizing laws then at least presenting intuitive propositions that could then be modeled and tested. On the other hand, inductivist students of politics, through a process of experiential inferential observation, would gradually build up knowledge of the real world. Skepticism as to the identification of law like properties in social knowledge was always present in this approach. By contrast, our deductivist economist would resist the possibility of laws of any kind emerging from mere processes of observation and inference.

Throughout the 20<sup>th</sup> century these methodologies have been in competition; neither, of course, is without weakness. It is clear, however, that the deductivist rationalism of the economist has fared professionally much better than the inductivist inferential and empiricist approaches of the student of politics throughout most of the last century and indeed, has extended its

influence into other social science disciplines, including political science and international political economy over the last quarter of the 20<sup>th</sup> century. Indeed, there is bibliometric evidence to demonstrate that political scientists (and sociologists) read more widely outside of their discipline than economists, who rarely do and are, often uncomfortable even within the core of economics and comfortable only in their own sub-disciplinary (see Frey and Eichenberger, 1997)

The dominant mode of policy thinking in the economics discipline advances economic liberalisation as progress. It is in part for this reason that modern neo-classical economic theory has been globalisation's intellectual hand-maiden. Resistance, critique even, can be seen as anti-progressive. With methodological individualism and the notion of equilibrium as core tools, economic theory's subsequent influence over public policy has been largely unchallenged. In the late 20<sup>th</sup> century, economics became not only the study of the material world but also the 'approach' to studying wider elements of the socio-political world. In the search for scientific scholarship political economy became the application of economic analysis to the various arenas of politics (domestic and international) (Caporaso and Levine, 1992: 31).

To the extent that political economy (and IPE) became a site at which the social sciences met, if this happened, it was invariably on the terms of the dominant actor--to wit the economics discipline. At one level, this is maybe how it should be. The central concerns of economics—material production, distribution and exchange—are the central activities of life. Indeed, most social sciences started out as political economy until economists came to believe that their modes of analysis could exist as some kind of disembodied study and disciplinary specialisation began to take over. Points of contact only really began to re-emerge over the closing decades of the 20<sup>th</sup> century as other social sciences recognised on the one hand that they needed to take on board economic method in order to become 'scientific' and on the other, because some economists felt that they wished to, and could, colonise the issues areas of 'social' and 'political' life, traditionally the preserve of sociologists and political scientists (see Fine, 1998). Particularly relevant here

was the manner in which rationalist, especially game theoretic analytical models, developed within economics, lent themselves to the interest of the IPE scholar in collective action problem solving and institutional economic policy coordination at the international level.

For many economists of a colonising bent, economics became not so much the study of the economic material world as much as 'the approach' for studying wider elements of the socio political world. As Barry Eichengreen (1998:993) noted:

Economists are notorious for their intellectual imperialism, feeling no compunction about applying their kit of tools to everything from dental hygiene to nuclear war. It is hardly a stretch, therefore, to adopt economics as a perspective from which to view international relations.

This colonising behaviour of economics progressed in a threefold manner:

- (i) by treating non economic relationships as though they were in fact 'market relationships' of one sort or another;
- (ii) by defining the 'social' and the 'political' as though they were but the sum total of aggregated individual acts; in short to analyse the utility maximising behaviour of actors in a given domain;
- (iii) and, by stressing the importance of the equilibrium

'The equilibrium' is for economists is less the securing of settled mutual adjustment rather than a belief that change in economic systems (especially of prices) will overtime inevitably result in convergence on a common point. Actor convergence would be achieved through the pursuit of self-interest and notwithstanding the constraints under which they might operate. By contrast, disciplines such as IR used the language of differentiation, anarchy and path dependence, rather than convergence, as their organising principles beyond

the confines of the state. This difference, until rational choice theory gained hegemonic status in American political science (see Cohn, 1999) (and, albeit more slowly, by extension in international relations and IPE in the USA) was a reflection of the opposing modes of reasoning present in economics on the one hand and international relations (and most social sciences other than economics) on the other.

Some branches of political science—especially the development of the theory of collective action (Olson, 1965 and 1982)—have aided and abetted the economics discipline in its imperial quest. Economics largely ignores politics. But politics destabilises, and indeed influences, equilibrium outcomes more than rationalist driven economic theory is prepared to concede. This is clearly the case with path dependency, and the observation of difference rather than the identification of patterned behaviour. Path dependence creates a series of ‘lock in effects’ that limit alternative choices of action. The singularity of rationality in decision-making is thus contaminated and constrained.

Ironically, with its seeming inexorable inability to secure equilibrium outcomes, political science (and by extension IPE)—rather than economics—is in fact, as a leading rational choice theorist in political science has noted more ‘the dismal science’ than economics (Riker, 1980: 443). Indeed, the practice of ‘politics’ is the practical outcome of an inability to reach rationally determined equilibrium. It is the complexity in the strategic relationships between actors and the ensuing fragility of politics in the study of particular historical events that can render much rational choice theory, with its desire for formalisation, problematic.

Such an argument would likely be dismissed in the higher reaches of rationalist theory as a defence of *ad hocery* in the other social sciences which are weak because they assume instability, unpredictability and difference of activity rather than patterned behaviour. Thus for economists, political economy is not an inclusive research activity or field of inquiry, but a

methodology--the use of rational choice in economics. As one leading student of the historiography of economics argues:

'Political economy, as the term has come to be used today, is a broad discipline that studies the interface between economics and politics, *using the method of rational choice theory*' (Basu, 2003: 1; my emphasis.)

In the 'economic approach' anything not predictable or contributing to a pattern is taken to be exogenous. IR scholarship Eichengreen argues (1998: 1012) '... needs to move in the direction of formulating parsimonious models and clearly refutable null hypotheses, and towards developing empirical techniques that will allow hypotheses to be more directly confronted by the data'. In his now classic defense of deductive rationalist method and critique of inductive reflexivism in international relations and IPE Robert Keohane, (1988: 382) insisted on the need to focus full square on 'substantive rationality', if we are to avoid '...diversionary philosophical construction.' In a North American context Keohane's view has clearly prevailed. The test of good IPE is largely the degree to which the IR scholar can learn and handle the tools of rationalist method found within economics. In so doing, it has made IPE the handmaid of the intellectual hegemony of economics (see Martin and Simmons 1998 and Milner, 1998).

Rationalist theory may be hegemonic in North American IPE, but there are currents in IPE that have not been equally seduced or suborned, especially across the Atlantic, where modes of reasoning of a non-deductive nature remain attractive and where assumptions that patterns in everyday events, and the mechanisms that underlie them, can also be inferred on the basis of historical observation. This is not I should stress, to reject deductive rationalist theory. It is increasingly important, for example, in understanding the behaviour of institutions as agents of collective action problem solving. But for many scholars of IPE, traditional narrative approaches of an inductive nature—what Dahl (1962: 101-04) long ago referred to as empirical theory in political science—remain centrally important. They do so for three reasons.

First, empirical theorizing allows us to look at both persistence and change in values and practices over time. It is especially an invaluable approach to adopt when working at the interface of international and comparative political economy. Narrative approaches concentrate on processes and anchor research in historical perspective. The language changes but very often the issues, questions and agendas remain directly similar in substance. Second, an inductive experiential narrative approach, in contrast to a deductive approach, finds it easier to identify path dependence and sequencing. Third, a narrative approach/ empirical theory in IPE has assisted institutionalism and history to reassert themselves in the closing stages of the 20<sup>th</sup> century after a period in which both were marginalised in favour of social 'science', narrowly defined as validity and falsifiability, during the late 1950s through early 1970s (see Apter, 2002: 256). Without history international relations (and IPE) cannot identify the kinds of patterns of which they are so fond. Narrative (and also inter-textual) methodologies allow us to address broader issues of language and meaning and an ability to bring these to bear in empirical contexts.

What I have offered is not simply a critique of rationalism. Rather I am suggesting a genuine contest among concerned scholars as to where the core of IPE as an approach to study might lie and where the boundaries of the discipline might be. It is not clear cut. Borders are leaky. No one set of disciplinary lenses has the capacity to cope with globalisation. To paraphrase Alexis de Tocqueville, we need a 'new science for a new world'. In this new world we have to explain the relationship between an increasingly non-territorial and globalised economic system on the one hand and the continued existence of a territorially delimited hierarchical system of states on the other. But at the end of the 20<sup>th</sup> century, much social science, and economics in particular, despite a growing rhetoric about the importance of multi-disciplinarity, remained largely bounded by their own intellectual and political histories.

Lest those of a strident non-positivist persuasion should feel comforted by the

preceding critique of rationality let me suggest that greater critical charges may be levelled at much work located within the post-modern turn in IR. Just as the language and style of economics, in the name of scientific advance and speciality hides the simplicity, and at times untenable nature of some of its most basic working assumptions (see Sen, 1997) so too the language of the discursive theorist can, and often does, obfuscate serious understanding of the manner in which the global political economy—especially in its material manifestations—functions.

The difference between these two extremes of activity is that economists have succeeded in bringing abstractionism into the mainstream of social scientific life—especially in the establishment of the scientific status of the concept of 'equilibrium' from which, '...the real world is understood as a deviation' and in which the theoretical importance of the rationality of methodological individualism and the aggregated outcome of individual behaviour, becomes central. In this regard the aim of economics is to explain as much '... as possible by as little as possible' (Fine, 1998: 50). In this mode of thinking, economics is not just about market relations and/or material provisioning, but also calculation using rational choice theory to allocate preferences for welfare maximisation in the international economy.

Let me be clear here; to be critical of this often over eager and sometimes slavish mimicking of economic method by other social science is not to deny the importance of what economists do well. They understand the technical dynamics of global markets, no trivial matter. Scholars of international relations do not. But economics is invariably deficient in, or reluctant to accept, the normative implications of much of their work. This is especially so when removed from 'developed world' contexts and what I call the 'parochialism of the present'. Historical and wider spatial (especially developing country) contexts find more sympathetic treatment, or recognition, in IPE.

But economics and the 'economic approach' perform another function unmatched by any of other social sciences. Modelling the market, and more

importantly, securing the transformation of capitalism into a more precise and neutral representation via scholarly models has given economics a seemingly detached authority within politics and the global decision making processes. The rhetoric of 'the market' is, for most people, less contentious than the rhetoric of 'capitalism'. The appeal to expert economic knowledge as a source of policy advice, at the IMF or the World Bank for example (see Stone, 2000) is an appeal to ideologically neutralised or sensitised rhetoric. But behind this scholarly and theoretical detachment is to be found the power of institutions that economic theorists have not been loath to use.

This obsession with scientism has minimised the ability or willingness much (North American) IPE to make an important normative contribution to IR. It has also meant that many normative IR theorists, as opposed to scholars of IPE, have cultivated a studious ignorance of the 'economic'. To put it bluntly, most 'theorists' of IR are scared of economists. They refuse to engage them; preferring to stay engrossed in their own discursive world. Inter-paradigm debates have flourished in IR over recent decades, but in their aversion of the 'economic', they have represented thin gruel in the wider intellectual and policy communities. It is all very well to want to debate the 'political' and the 'post-political', but just as economists are guilty of 'de-politicisation', scholars of IR are equally as guilty of failing to address the centrality of the 'economic' under conditions of globalisation.

Equally, the willingness of the other social sciences to be intimidated has left the way clear to economists in most policy fields, and the international domain under conditions of globalisation, in particular. While scholars of IR have preoccupied themselves with epistemological and ontological questions, the economists have swept all before them. This is where post modernism presents us with a paradox. In providing (often plausible) reasons to question rationality driven 'economic science' post modernism has often tossed the baby out with the bath water. In IR it has done so with a radical veneer, but one with no practical effect on 'real' issues of the 'international' such as poverty, exploitation and justice. The theorist of international relations has preferred the role of heroic critic on the margin (*pace* Ashley and Walker,

1990) rather than to contest central policy issues of the day (Wallace, 1996.)

It is in the context of IR's failure to engage economics at either the scholarly or policy level that IPE becomes a radical and vital exercise. Neither economics nor political science, IPE is best seen as a 'hosting metaphor' to connote two accepted aspects of a field of inquiry. Firstly, IPE is bounded by the exploration of the relationship between power *and* wealth. Secondly, it sits at the interface of the study of international relations and economics and rejects the dichotomy that prevailed since the development throughout the 20<sup>th</sup> century.

But without over estimating the current and still limited interaction between economics and political science, a rethink of this intellectual separation may be taking place. Globalization, and the communication revolutions that mobilizes it, has generated a set of questions that cannot be addressed simply from within a rationalist paradigm. Nothing better illustrates this than the failure to provide a satisfactory 'rationalist' explanation for the increasingly volatility and herd like behaviour of financial markets, and the ensuing currency crises that occurred in East Asia, Latin America and Russia, under conditions of global deregulation at the end of the last century (Wade, 1988; Higgott and Phillips, 2000).

#### *(iv) A New International Political Economy?*

But, the intellectual news is not all bad. A strand of scholarship is gradually emerging which transgress conventional social science boundaries on the one hand and/or resists the abstractionism of post modernism on the other (see for an early elaboration see Murphy and Tooze, 1991). This approach we could call a *new political economy* that attempts to combine the breadth of vision of the classical political economy of the mid-19<sup>th</sup> century with the analytical advances of 20<sup>th</sup> century social science (see Gamble, 2006; Watson, 2005 and the essays in Higgott and Payne 2000, for a flavour). Driven by a need to address the complex and often all embracing nature of the globalising urge, the methodology of the new political economy rejects the old dichotomies--between agency and structure, and states and markets--

which fragmented classical political economy into separate disciplines. The new political economy also resists Cox's (1981) initially useful but now limited analytical dichotomy between and IPE as 'problem solving' and IPE as 'critical theory'. The new political economy while not positivist—in the Popperian sense—is also not post-positivist, in a post modern sense and its normative assumptions are present, implicitly if not always explicitly.

The new political economy's rejection of the anti-foundationalist fantasies of much post modernism does not lead it into the arms of the abstracted virtualism of contemporary high neo-classicism. Rather it aspires to a hard-headed material (real world) political economy that tries to explain how choice is affected by the social meanings of objects and actions. Indeed, if there is one thing that the emerging processes of globalisation teach us, it is that mono-causal explanations of economic phenomena lack sufficient explanatory power. Such a view holds increasing sway at the dawn of a new century. Moreover, it holds sway not just among Third World economic nationalists and academic critics of the neo-liberal economic and scholarly agenda but also within sections of the mainstream of the economics community (see *inter alia*, Rodrik, 1998; Krugman, 1999; Stiglitz, 1998 and 2002).

This reformist scholarly tradition reflects a resistance to the often over stated virtues of parsimonious theorising for which the current globalised era offers little comfort (Hirschmann, 1986). The new political economy operates from an assumption that what the marginalist revolution separated, globalisation is bringing together. The new political economy is grounded in history and the 'material' but with a critical policy bent. That is a policy bent with a strong normative agenda of 'order'; but not an order that is simply a euphemism for the absence of open conflict and the presence of control, but an order underwritten by an impetus towards issues of enhancing justice and fairness under conditions of globalisation. It is here that the new international political economy reaches out to philosophy.

We are in a period of contest between the grand totalising narratives and theories of globalisation on the one hand and the specific history of various

actors and sites of resistance (be they states, classes, regions, or other localist forms of organisation) to this narrative on the other. The new political economy eschews this dichotomy at the same time as it understands the importance of power in its *structural* as well as its *relational* form (see Strange, 1988); and following Strange recognises the need to ask the important Lasswellian questions about power of the 'who gets what, when and how' variety. The new political economy identifies a mix of values (security, wealth, freedom and justice) that affect the *structures* as well as the relations of power in the world economy (Strange, 1988: 18). Implicit in the new political economy is a recognition that the maintenance and governance of the international economy is now as much a political question as the technical one.

Indeed, when intellectual historians look back on this period, they may well recognise it as the era when practitioners began to think seriously for the first time about what the contours of *global* (economic) governance might look like. At the end of the twentieth century, collective action problem solving in international relations was couched in terms of *effective governance*, epitomised in what we now call the era of the Washington Consensus (Williamson, 1990). It was rarely posed as a question of *responsible governance*. Such questions may have been the big normative questions of political theory; but this was almost exclusively the political theory of the bounded state. Most political theories of justice and representative governance assumed the presence of sovereignty. Globalization has challenged these assumptions and is changing the global governance agenda. But we should not fail to note, a political theory of global governance is in its infancy (see McGrew, 2001).

If it had been politically expedient in international relations (as both theory and practice) to depoliticise issues of redistribution between rich and poor for

much of the post war era—by preserving the distinction between international economics and international politics as well as defining global governance largely as the efficient provision of a limited range of collective goods—this is no longer the case. Political and ethical issues are increasingly front-loaded in North-South discussions. For sure, the cruder versions of dependency theory, with their ‘southern’ structuralist critique of liberal economics (see Cox, 1979 for a review) that prevailed on ‘the development question’ in the 1960s and 1970s have carried little influence into the 21<sup>st</sup> century. But this is not to suggest that the asymmetrical economic divide between the North and the South has shown signs of disappearing from the international scholarly and policy agenda. Similarly, other theories have regained a resonance in global policy communities too. Indeed, mid 20<sup>th</sup> century theories of a distinctly mercantilist flavour *pace* Viner (1948) and concerned with questions of statecraft based on economic capabilities and asymmetries in the relationship between states, especially by the USA in the pursuit of its foreign policy post 9/11/2001, have returned to fashion (Higgott, 2004). In the absence of a stronger intervention into IPE by normative political philosophy than has been the case in the past they will flourish.

### 3. The Demand for Political Philosophy in IPE

IPE, while always carrying a set of normative assumptions around, has yet to develop at its core a sophisticated and consistent ethic of justice and fairness on the one hand and democracy (seen as representation, accountability and legitimacy) on the other. Attempts to harness important work in political philosophy is in its infancy, rather in the way that philosophy’s ability to operate effectively beyond the level of the state is also in its infancy. But from both perspectives an important trend is in train. There is a change in intellectual fashion wrought by globalization, or more specifically by the challenges (what some would call the ‘backlash’) to globalisation that emerged in the late 20<sup>th</sup>/early 21<sup>st</sup> century. This has occurred in two ways. Firstly, globalisation challenges some central tenets of economic theory as

both method and policy; especially with regards to the assumed relationship between enhanced aggregate economic growth and poverty alleviation. Secondly, it causes us to ask new questions about the impact of globalization on existing international economic governance structures; especially on ethical governmental and political processes. In short, globalisation changes the way we think about two core concepts of the political philosophy of the modern state—justice and democracy.

As is well known, the globalisation 'backlash' only really gathered its momentum when the currency flights from East Asia in 1997 decimated several so-called 'miracle' economies (Higgott, 2000). The protests against a proposed Millennium Trade Round at Seattle in November 1999 have, since that time, ensured that the ethical debate about globalisation is now no longer a secondary discourse. Seattle forced mainstream economic supporters of globalization (*pace* Bhagwati, 2004 and Wolf, 2004) for the first time, to realise that they had to justify the way the global economy was developing, rather than repeat the 'there is no alternative' mantra.

The serious, long term ethical analysis of globalization had begun. Pre-globalisation assumptions that states steered national economies no longer hold in the way they once did. Normative discussions about the limits to justice (especially questions of socioeconomic distribution) and democracy (especially representation and accountability) can no longer be conducted simply amongst national publics with national boundaries. A Westphalian cartography assuming stable identities and clear lines of authority—usually a state—where justice can be realised cannot be axiomatically assumed. Under the influences of globalisation the boundaries of politics are unbundling and stable social bonds are deteriorating.

It is no longer sufficient to focus simply on the just ordering of social relations within a given state to ensure the social bond between the citizens and the state is maintained (Devetak and Higgott, 1999). Discussion has begun to move beyond statist paradigms; especially with the growing interest in the role of networks and other third sector actors in contemporary international

relations. Increasingly complex understandings of non state regulation and interaction across the policy spectrum exercise scholars of IPE, international relations and global public policy alike (see *inter alia*; see Reinecke, 1998; Braithwaite and Drahos, 2002; Keck and Sikkink, 1999; Risse, 2002; Sinclair, 2000; Stone, 2002; and Slaughter, 2004.)

The stuff of political philosophy remains largely unchanged, but the analytical framework changes. The growth of globalisation and multi-level governance in a globalised world represents a major challenge for theories of democracy and global justice. Justice, of course, is a complex and multidimensional term when applied in an international context. This paper is concerned with justice in its economic (inequality and underdevelopment) and political (the global democratic deficit) guises but recognises other important dimensions to a theory of global justice; such as the environment and human and cultural rights (Shue, 1999 and Linklater, 1999.) The political dimensions for the analysis of democracy and justice should reflect what Nancy Fraser (2005) calls a paradigm shift to a 'post Westphalian theory of democratic justice', where justice is seen as a 'parity of participation' and politics determines at which level the struggle for distributive justice is conducted. This mode of philosophical reasoning clearly lends itself to the debates in IPE about the nature of representation that should prevail in, and indeed beyond, the institutions of global economic decision-making.

IPE, in large part because of its 20<sup>th</sup> century location within IR scholarship, has tended to focus on the developed, the rich and the powerful of the North at the expense of the developing and the poor of the South. But since the turn of the century, more and more scholars of IPE have begun to think about the underdeveloped and the poor as part of IPE though not (*pace* Phillips, 2005) with any input from normative political thinkers on key issues such as inequality and justice. But development issues, IPE and normative philosophy are coming closer together than in the past. It is the growing importance of the development dimension of IPE that is demanding that normative philosophy play a larger role in explaining and advancing the nature of rights

and justice in constituencies and forums beyond the level of the national state and especially in developing country contexts.

To illustrate, recent political philosophers— such as Charles Beitz, Amartya Sen and Thomas Pogge—have played a seminal role in opening up these discussions, basically discussions about the obligations of the rich to the poor, in the late 20<sup>th</sup> and early 21<sup>st</sup> century. From a cosmopolitan perspective, and recognizing the increasingly interconnected contours and leaky boundaries of a globalizing world, Beitz (1979/2000 and 1999) has resisted Rawls (1999) more communitarian notions that distributive justice between societies was neither appropriate nor desirable. Although this is not the place for a discussion of Rawls's *Law of Peoples* (but see Martin and Reidy, 2006 and Brown, 2002) Pogge has made a plausible normative argument, if not practical case, that Rawls 'difference principle' in support of the least advantaged, could be extended beyond the confines of the constituent members of the modern state system;

This line of argument has been taken further by Pogge (2001, 2002 and 2005) in his work on issues of justice, poverty and human rights and the challenge to the automatic entitlement of the affluent developed world. Touching directly on core issues in IPE, Pogge demonstrates how environmental degradation and developing world poverty (especially famine) stand in a direct causal relationship with affluent developed world lifestyle excess. Sen (1999) in his discussion of the importance of freedom, justice and responsibility in development, advances similar arguments to Pogge; although they would certainly disagree about the policy implications of their analyses. Sen, showing his economic credentials, favours market solutions (*real* free trade) rather than Pogge's welfarist approach which outlines a more interventionist, intricate redistributive set of tax proposals.

Yet it remains from the point of view of the affluent Western developed states and their citizens that most IPE draws its mode of thinking for everyday life. For example, if we consider the contemporary global trade agenda, the contours of which are contested on a North-South basis, then neo-classical

economic trade theory privileges the norms of the dominant 'abstracted rationality'. But most developing country policy-makers privilege a norm of 'contextual rationality' and the embedded political contexts of policy making (see Brint, 1994 and Lindblom, 1990 for a discussion of competing rationalities along these lines). In policy terms this frequently leads to different positions that reinforce North-South divisions. An unwillingness by many developing country policy makers to accept the precepts of abstracted rationality often means that their claims are not treated seriously in international decision making environments.

In fact, as Arendt (1973:269-84) would have it, they often seem to lose 'the right to have rights' in these processes because the mode of reasoning they operate is not in conformity with abstracted rationality. For much of the post World War II era, the abstracted rationality that under-pinned international economic decision making rendered the governance structures of the world economy immune from their (mainly Southern) critics, and hence resistant to a wider spread democratic control (see Cox, 1997). Efforts to overcome injustice require a rebalancing of the relationship between abstracted and contextual rationality. This is a task for the philosopher. It may be a scholarly enterprise but it casts massive policy shadows. We are unlikely to move many debates in IPE forward—especially of a North South development nature—without establishing contextual rationality as a legitimate policy norm.

But competing rationalities are not the only issue determining the degree to which justice questions are heard in appropriate arenas. By far the strongest determinant of inclusion and exclusion of the developing world in the global policy making process remains the asymmetrical structure of the state system. Notwithstanding recent assaults on it, the Westphalian state system remains the key factor in the institutionalisation of arenas for addressing justice questions and, despite recent and increasingly sophisticated cosmopolitan political theory (*pace* Held, 2005; Caney, 2005 and Dryzek, 2006) we have yet to establish an understanding of justice at the global level in a practically meaningful way. Indeed, the real importance of cosmopolitan theory may be less as a means of institutional design for global governance *per se* than

(pace Habermas, 2001) as an ethical discourse or way of thinking within which to locate the discussion of governance beyond the state. Indeed, its great strength is that it inserts ethics into the discussion of the global economy in a manner not present in much of the technical economic literature and analysis of the structures of global economic governance of the closing stages of the 20<sup>th</sup> century (see Brassett and Higgott, 2003 and Brassett and Bulley, 2006).

As globalization has attenuated the hold of democratic communities over the policy making process within the territorial state, the language of democracy and justice has taken on a more important rhetorical role in a global context. As the nation state as a vehicle for democratic engagement has become problematic, the demand for democratic engagement at the global level has become stronger. But this is of course difficult to secure. The fair and democratic application of procedural rules in a world of asymmetrical states will always be difficult to secure. This will continue to be the case notwithstanding the growing salience of other non state actors (NGOS, global social movements and other civil society actors) that now claim roles in global decision making processes (see Mathews, 1997; Lynch, 1998 and Florini, 2003).

### *Governance and Legitimacy in IPE*

The developments of wide spread civil society activity in the global domain have raised the stakes for the legitimacy of existing global economic governance structures which can no longer be justified in the way that they were for much of the post world war two era. In that period the understanding of governance that prevailed for the international economic institutions was one which saw them as effective and efficient deliverers of collective goods; what I call 'global governance 1' (GG1). The instruments of governance (especially the International Financial Institutions) did not envisage a major role in the determination and allocation of the collective goods they provided by their recipients. Global governance was less a question of a theory of representation and accountability rather than a technical one of efficient allocation.

Globalisation, and the growing demand for representation beyond the territorial state has changed this. A multilateral economic institution such as the WTO needs to be not only an effective and efficient instrument of policy making beyond the territorial state (GG I) it also needs to diminish what is widely agreed to be a democratic deficit that arises from the two speed process of the rapid globalisation of the world economy on the one hand and the much slower globalisation of the global polity on the other. It needs a theory of global governance with a focus on the provision of representation, accountability and justice—what we might call global governance II (GGII).

Of course, whether existing multilateral institutions can, or should, play the major role in bridging the gap between GGI and GGII is an increasingly moot point in the early 21<sup>st</sup> century. That they should underwrite and enhance cooperation in the interests of all participants in an accountable and transparent manner, and provide problem-solving strategies for new stresses on the system as they emerge, seems a fairly unproblematic assertion. But because power asymmetries rather than procedural fairness remain the key to explaining outcomes in institutions like the WTO, especially in the negotiations process it, like other institutions, is seen by many as less a vehicle for the delivery of 'global public goods' rather than what might best be seen as 'club goods' serving interests in the developed world first. The failure of the Doha round of multilateral trade negotiations in 2006 occurred in part because the world's poor are becoming increasingly resistant to what they see as sub-optimal and asymmetrical deals imposed by the world's rich. The relationship between rule makers and rule takers is changing. Those affected by the decisions taken in global economic institutions are increasingly vocalising their assumptions that they should have a right to participate in making them.

Thus the next step must be the enhancement of GGII. These steps may need to be modest. They will certainly not appeal to the radical transformationalists of the anti-globalisation movements (see for example [www.globalsouth.org](http://www.globalsouth.org)) nor will they deliver an ideal type global democracy (with universalist participation) predicated on the globalising of the 'domestic democratic

analogy' present in much cosmopolitan political theory (such as Held, 2005). Rather, and more modestly, it might make more sense to improve our ability to enhance, and in some instances consolidate, existing or nascent patterns of *accountability* as a route to legitimacy. There are no serious institutionalised system of checks and balances at the global level. And, as we have seen in the 21<sup>st</sup> century, those institutional constraints that do exist have little purchase on the behaviour of major powers, especially a hegemon, should they choose to ignore them. Thus the problems we have to address if we are to enhance GGII are:

- How do we disaggregate the notions of democracy and accountability? That is, can we identify some principles of accountability that do not necessarily emanate from an essentially liberal, western 'domestic' theory of democracy?
- How do we, can we, separate the notion of legitimacy from accountability?
- Put as a question, is it possible to think about global accountability when there is no global democracy?

While being 'accountable' assumes the presence of 'norms of legitimacy', this is not the same as being democratic. In much contemporary analysis of global governance, democracy and accountability have, all too often and all too wrongly, been conflated. In the context of a given state, direct democracy, with full participation, is held up as the ideal type of representative government (see Dahl, 1999). Global governance is never going to approximate this ideal type. Theorists of global governance need to think of a situation that, while sub-optimal to this ideal type, nevertheless makes provision for a meaningful degree of accountability. Grant and Keohane (2005) offer us two basic kinds of accountability—accountability as participation and accountability as delegation.

In theory, institutions such as the IMF and the World Bank are accountable to the governments that have created them and, in an widening participatory mode, to the developing countries they aim to assist. It is in this second sense, with the implications of the empowerment of traditionally weaker actors, that accountability as participation and representation, and by extension democracy, is often conflated and confused. It is this confusion

that, often wrongly, leads us to challenge the legitimacy of the international institutions. Can they be legitimate, and in part accountable, without necessarily being democratic by the yardstick of the 'domestic analogy'?

The rhetoric of illegitimacy has become increasingly powerful in the hands of the anti-globalisation movements (and also with the increasingly strident economic nationalists in the USA we might add). This is especially the case in the context of the multilateral trade regime. In many ways the international institutions are indeed accountable, and often more accountable than many of the NGOs that criticise them. But they are not accountable in a way that satisfies those who equate legitimacy with democratic theory underwritten by the domestic analogy.

For GGII to be meaningful—by which I mean acceptable to a large group of principal actors in global politics and also reinforcing of GGI—it has to understand the fundamental differences between the currently unrealisable conception of cosmopolitan global democratic governance on the one hand (the globalised domestic analogy), and systems of accountability that may not be fully democratic in the domestic sense, but that can have real political purchase in global public policy on the other. Claims to 'legitimacy', or rather the absence of it, in global public policy are frequently a euphemism for the rejection by the weaker actors of the asymmetrical structure of power in the contemporary global order. This is an unfortunate political reality and it is for this reason that developing countries have a strong preference for formalised, rule governed processes of decision making within an institution that has a specifically defined mission underwritten by judicial instruments rather than the informal less prescriptive and flexible approaches favoured by developed countries. Where judicial instruments are not available other, often less effective, calculations must be brought to the fore, especially 'global public opinion' as articulated by increasingly influential non-state actors in civil society.

Securing accountability is becoming increasingly complex as the certainties of a Westphalian order drift away. For too long, and drawing on the domestic analogy, accountability has been equated with *democratic* accountability,

which in turn has been equated with widening participation. In order to take GGII forward, we should not dream of instant and unattainable, global democracy but, as Grant and Keohane argue (2005) try 'to figure out how to limit the abuse of power in a world with a wide variety of power-wielders and without a centralized government.' As they go on to say, 'if we focus on the conditions for the operation of a variety of accountability mechanisms rather than pure democratic accountability, we will see opportunities for feasible actions to improve accountability'.

But to-date, there is little consensus on how to develop meaningful conceptions of accountability and representation that provide, or re-create, the necessary legitimacy for the international institutions that will be responsible for delivering global public goods to the world's rule takers. Institutional rule makers (from the developed world) tend to privilege GGI while rule takers (developing country government officials and civil society actors) tend to privilege GG II. Thus the possible difference between success and failure in any negotiation between the rule makers and the rule takers will revolve around the degree to which the principles of justice and fairness underwrite any bargain. While it may seem irrational to proponents of 'abstracted rationality', 'justice as process' is every bit as important for the mostly developing world rule takers as is 'justice as outcome'.

Enhancing our capabilities in these areas should be at the core of a research agenda to enhance GGII. This is not abstract political theorising. Successful, albeit gradually enhanced, such activities will eventually cast massive policy shadows. Without them the longer term legitimacy of the international economic institutions such as the WTO will come under greater challenge than is even the case in the early 21<sup>st</sup> century. What the relationship between GGI and GGII reveals is the inseparable connection between justice, process and democracy at the global level as much as at the domestic. GGI alone cannot deliver justice. Political theorists have yet to find a feasible way of linking GGI and GGII in the contemporary global order. As Cecilia Albin (2001 and 2003) has demonstrated, 'process' questions are as important as 'outcome' questions; procedural fairness is a necessary, if not sufficient,

condition to guarantee outcome fairness in multilateral trade negotiations. They are first order questions for the early 21<sup>st</sup> century at the interface of normative theory and IPE as practice

Similarly, 'Continental' theories of action, especially communicative action and theories of deliberative democracy of the kind advanced by Habermas are also to be found in discussions of how to enhance the legitimacy of the decision making process within bodies like the WTO (Kapoor, 2005). Interestingly, international economic institutions in general are beginning to take seriously the potential utility of deliberative democracy as a way of revealing the manner in which they have traditionally operated primarily by the conventions of power politics delivering coerced decision making, false consensus and inequitable outcomes. Enhanced deliberative democracy is being explored to as a way to mitigate power asymmetries and help secure a fairer bargaining process than, for example, currently exists within the context of multilateral trade negotiations.

This section has tried to suggest that there are increasingly important linkages between IPE and some elements of contemporary normative political philosophy. Specifically, discussions of globalisation—the substantive research core of contemporary IPE—have stirred normative scholarly interest how to combat global inequalities and develop a *more just* international order. The unequal distribution of wealth is central to the IPE-normative theory nexus and most contemporary analysis. Similarly, this nexus assumes a strong connection between the search for a just international order and the need to overcome the democratic deficit in international relations. Implicit in this relationship from an IPE perspective is the increasing interplay between the 'system of states' and emerging global civil society.

This interplay leads us to a major area of unsettled inquiry. Will it lead to a more cosmopolitan form of international governance? Much cosmopolitan theory relies on institutional design to establish global governance with the best elements of GGI and GGII. Yet this alone is not sufficient. It has yet to find a way to harness in constructive manner those emerging social forces of

global civil society clamouring for enhanced global democracy. In order that these forces do not simply default to being global interest groups requires that a 'richer understanding of democracy be realized through the legal institutionalisation of free and equal access to a global public sphere' (Bohman, 1999; but see also the essays in Ougaard and Higgott, 2002). This is a question that requires new advances in both empirical and normative inquiry.

## Conclusion

'International political theory stands in relation to the growth of the global political economy roughly where the political theory of the nation state stood in relation to the development of the modern industrial economy in the mid-nineteenth century. ... It required most of a century for the political theory of the democratic state to catch up with political-economic change' (Beitz, 1999: 515).

This chapter has provided a synoptic insight into the scholarship of IPE. As any review must inevitably be, it is partial. But, conscious of the need to provide a companion to philosophy, it has tried to identify those elements of IPE which might be expected to be of interest to philosophers. Hence its focus on the intellectual origins, contemporary modes of thought and methodological issues of contest that beset IPE as a field of inquiry. This latter discussion has by no means been exhaustive. Rather it has identified what might be thought of as the bones of a research agenda for the early 21<sup>st</sup> century in which both the normative theorist and the IPE scholar must be collectively, as opposed to separately, engaged. This is the case, it has been argued, because the emerging global conversation about global (economic) governance needs to be understood not only as the pursuit of effective and

efficient problem solving but also as a normative, indeed explicitly ethical approach to the advancement of a more just agenda of global economic management.

Indeed, the central normative question of our time under conditions of globalisation—how do we enhance a more equitable system of distribution and ensure greater representation of those affected by economic globalisation when the necessary political institutional frameworks to negotiate distribution and representation are not agreed—is one that requires the skills of both the scholar of international political economy and the normative political theorist. As Beitz implies, there is a job to be done. Let us hope that this too does not take ‘a century’.

#### Further Readings

The literature of IPE is voluminous as both a theoretical enterprise and as a series of issue specific policy areas. A tour of the theoretical literature could start with the fiftieth anniversary edition of *International Organisation* (Katzenstein, Keohane and Krasner, 1998.) This edition reflects the predominant liberal-interdependence theoretical disposition in US IPE. Gilpin (2001) is the quintessential realist statement in IPE; Cox, (1987) and Gill and Law (1998) remain the strongest Marxist elaboration of IPE and Strange (1998) offers the major non-Marxist structuralist perspective. Of the numerous ‘readers’ in IPE/GPE that offer a selection of readings across this theoretical spectrum see *inter alia*, Stubbs and Underhill (2005); Ravenhill (2005); Frieden and Lake (2000); Crane and Amawi 1991 and Palan (2000).

The centrality of globalisation to contemporary IPE is extensively explored by Cerny (1995); Stiglitz (2002); Scholte (2005) and in the various edited collections by Held (2005a), Held *et al* (1999), Held and McGraw (2002), Higgott and Payne (2000) and Kesselmaan, 2005. ‘Alter-globalisation’ views are reflected in the work of authors like Bello (2002); Dehesa (2006) and Civil

Society Organisations such as Focus on the Global South (<http://focusweb.org>) and Third World Network ([www.TWN.org](http://www.TWN.org)).

The increasingly important relationship between globalisation and global governance, now a central theme of IPE is explored *inter alia* in Held and McGrew (2000); Hewson and Sinclair (1999); Ougaard and Higgott (2002); Kahler and Lake (2003); Keohane (2002); Barnett and Duvall (2005); Grande and Pauly (2005) and Weiss (2003.) Studies of key issues areas, looked at through IPE lenses, can be found in many of the general works listed above and in more specific works on trade and development (Chang, 2003; Stiglitz and Charlton, 2005); finance (Germain, 1997; Strange, 1998; Woods, 2006), regionalism (Katzenstein, 2005 and Breslin *et al*, 2002) and the international institutions (Diehl 2001; Ruggie, 1998 and Martin, 2006).

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Fax: +44 (0)24 7657 2548

Email: [csg@warwick.ac.uk](mailto:csg@warwick.ac.uk)

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