

and its benefits are distributed as much by power and luck as they are by the fortunes of the market or the price mechanism.³²

Second, in a market economy, the introduction of the price mechanism is highly disruptive to a society. The efficient drive-out the inefficient and new demands are stimulated and new supply sources sought out. Markets are also subjected to fluctuations over which society has little control.³³ Furthermore the market will significantly affect the distribution of wealth and power within and among societies. Certain groups within society will 'win' and others will 'lose'. States therefore need to guide or direct these market forces to benefit their own interests within not only their own units but also in the general IPE where economic power and wealth distribution does affect a state's international power ranking in the state-system hierarchy.³⁴ Such conflicts in resource allocation and production have given rise to the main theories of the IPE—Realism, Liberalism and Socialism.

REALISM

Realism usually pervades the thinking of the 'great' powers. The more powerful a nation is the more 'realistic' is its ideology.³⁵ The basic elements of realism are: 1. a pessimistic view of human nature; 2. a belief that international conflicts are resolved by war; 3. the primacy of state security and survival supersedes all other considerations and; 4. scepticism that international politics can be reformed. These four basic tenets underscore the realist program both past and present.³⁶ Realists believe that human nature is inherently selfish, and is impelled by a will to dominate and avoid domination. As such politics is primarily about power and rivalry. In a world with no overarching authority realists view international politics, as a struggle among the greater powers for domination and survival.³⁷

Realism is a set of policies—political and economic—that are concerned with nation state aggrandisement and increased power within the international community.³⁸ The IPE extension of realism is achieved through economic nationalism or mercantilism.³⁹ The foremost objective of realists and mercantilists is the development of

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the economic and military power of the state to support its political aims.⁴⁰ In realist and mercantilist theory, in the absence of a world government, the international environment is naturally anarchic⁴¹ with power being the final arbiter of political relations between units in international relations. This theory assumes that given the innate, selfish human desire to survive and accumulate power, nation states will be in constant competition and perhaps conflict.⁴² Most states today practice some variety of commercial protectionism and realist mercantilism. Subsidies, tariff barriers, rules of origin, environmental 'standards', national 'objectives', and so on, are all used to discriminate against foreign production and aid domestic policy prerogatives.

In trade relationships, realists consider the relative gain to be more important than mutual gain. Whereas liberals will stress the cooperative nature of increased international relations, realists and socialists regard these relations as basically conflictual.⁴³ For these theorists the nation state is still the prime actor in international affairs. This argument does not presume that states need always be the principal actors but if nation states do disappear, it will probably be a slow process of change, not a catastrophic realignment.⁴⁴ In a world of nation states then, international relations are best understood by focusing on the distribution of power between states. The unequal distribution of power between states leads to a form of power politics between states and informs state policy formulation and action.⁴⁵

MERCANTILISM

Born in the 18th century this economic paradigm of realism basically establishes that governments can transform the nature of their economies and their position in the international system through industrial policies. This is done through governments heavily influencing or controlling the factors of production—land, labour and capital—and using them to develop certain industries that will generate wealth and power for the state.⁴⁶ By controlling these factors of production, governments form a dynamic method of comparative advantage based on government's ability to develop

differing industrial sectors to increase national wealth. Economic development would then become subordinated to the goals of the state.⁴⁷

Mercantilists believe that free trade only benefits the strong.⁴⁸ They argue that the free trade theories of the classical British economists were the economic policy of the strong, and that there was no innate natural international division of labour based on a law of comparative advantage. In fact mercantilists argue that the British hegemony of the 19th century was based in part on the protection of infant industries against foreign competition, and the weakening of their opponents through military force. After achieving industrial and military supremacy the British then turned to free trade.⁴⁹ Liberal free trade would allow the British unimpeded access to foreign markets, furthering British national interest and securing their international hegemony. As such liberal economics aided the hegemonic power and was not an appropriate strategy for nations who needed to develop their industrial and economic potential and protect themselves against hegemonic domination.

In order to achieve national economic independence mercantilism emphasised the costs of trade to certain groups and states portraying inter-state economic exchange as a zero sum game.⁵⁰ Whereas economic liberals emphasise the absolute gains in global wealth from a regime of free trade, economic nationalists stress the international distribution of gains from trade. They believe that liberal free trade undermines national autonomy and state control over the economy by exposing the economy to the changes and instabilities of the world market. They argue that specialization in industrial or agricultural production will subordinate the domestic economy to the international economy. This poses a direct threat to national security and wealth accretion.⁵¹ In an anarchic regime mercantilists and realists view any external control over key processes or resources as inimical to national health. In today's world, disputes about energy, oil, and water inform such ideals. As such economic liberalism needs to be controlled and regulated to ensure that it does not compromise state security and military objectives.