

CHAPTER ONE

Political and Economic Ideologies

"We were the first to assess that the more complicated the forms assumed by civilisation, the more restricted the freedom of the individual must become." Benito Mussolini.

PURPOSE

Paradoxically there is a 'same-ness' and a divergence within a regionalizing and globalising world. In some aspects states are becoming similar. Taxation, regulation, redistribution, and a never-ending flow of statutes and regulations spew forth in modern industrialised countries. Importantly the use of such programs differs significantly by state and by cultural grouping. In particular there appears to be a schism between statist countries such as France or Canada and liberally inclined nations [especially in military and economic affairs], such as the US, Britain or Australia. The difference in political-economic organisation between these two groups will have a significant impact on the International Political Economy.

CENTRALIZATION, CONTROL AND MARKET FORCES

It is evident that for all the rhetoric about liberalisation and privatization, nation states use liberal ideals, and the precepts of

realism, as it suits the tastes of those vested interests that control the society in question. In particular it can be argued that economics is used to support the national institutions that control the productive and consumptive resources of society. Regional units made up of such actors are thereby not predisposed to support globalization or 'open trade'. In fact the tendency in regional groupings is to emphasise power, control and security as well as economic growth. This can lead to illiberal approaches and mercantilism. Liberal tenets are supported as long as liberal economics supports the political interests of vested groups within the main nation states contained within the region in question. This supposed liberalisation usually occurs in sectors between countries where intra-manufactured good's is strong, and is unlikely to rile domestic pressure groups.²¹

There are 3 basic paradigms that cover the IPE and nation state development: Realism, Liberalism, and Socialism. All three are used in the construction of the modern Western nation state. Each paradigm has its sub-theories and each contains political and economic elements.²² These three IPE paradigms and their general convergence into modern statism help us explain the tension between the state and the market and they help elucidate why humans, nations and cultural units behave as they do.²³ Understanding these paradigms will allow us to put into context the conflict between globalization and statism (through the nation state to the systemic level of regional development) and the vital role played by the nation state in allowing a limited globalisation to occur through its control of regionalism.

The crux of any debate in our world, as it relates to economics or politics, surrounds the role and significance of the market in the organisation of society and economic affairs.²⁴ The parallel existence and dynamic interaction of the state and market have created the modern world political economy. In the absence of states market forces would naturally determine economic activities. In the absence of the market the state would allocate all economic resources.²⁵ The interaction of these two ideal types leads to our modern political economy. Any concept attempting to define the interaction of the state and market must define a set of questions examined by means of

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an eclectic mixture of analytic methods and theoretical questions. These questions ask how the state and its political processes affect the production and distribution of wealth, and how political decisions influence the location and distribution of economic activity. Such inquiry also must address the effect of markets and economic forces on the distribution of power and welfare among states and other political actors, and how these forces shape the international order of political and military power.

The modern state and the modern international economy emerged together.²⁶ In defining the state an often-used definition is that the state is based on the concepts of territoriality, loyalty and exclusivity, and that it possesses a monopoly of the legitimate use of force.²⁷ The market is based upon the concepts of functional integration, contractual relationships, and an expanding interdependence of buyers and sellers in the universe composed mainly of prices and quantities.²⁸ There is a tension because both the state and market will try to control or direct the factors that produce wealth. In the quest for the efficient interaction of supply and demand for any good or service a market will expand 'naturally' encompassing all the factors of production in society.²⁹ A market however, is not politically neutral either within or external to states.³⁰ Therefore the market will give rise to internal and international relations. The debate over the nature and outcome of the clash between the interests of the state and market lead to and represent the conflicting interpretations of the international political economy.

To explain the conflict and interpretations of the state vs. the market we can summarise the core of the state-market tension that the 3 paradigms attempt to explain. First, regarding the market it is based upon the economic notion of David Ricardo's law of comparative advantage. This formulates that domestic and international society should be organized in terms of relative efficiencies.³¹ It implies a universal division of labour based on specialization, in which each participant benefits absolutely in accordance with her contribution to the whole. This would lead to economic interdependence and harmony. Yet in the real world, divided into groups and states, economic activities have a different impact. The division of labour