

Marxism - global political economy



This paper is aimed at addressing and evaluating the theoretical perspectives of Liberal and Marxist ideas, as well as investigating their theoretical perspectives in relation to International Political Economy (IPE). Researchers studying IPE use a variety of theories for different purposes, such as predicting the stability of economical situations, or predicting economical growth of a state among others. Other political and economical analysts argue that valid predictions are almost impossible because there are too many factors that may have particular influence on the events. Nevertheless, all these people utilize their theoretical knowledge in attempt to get an understanding of the world. However, it is worth questioning the reason for such rich variety of theories being out there. According to Robert Cox (1986), there are two reasons: Theory always has a goal and serves the interests of particular people. For example, the goals of liberal theories are concerned with establishing cooperation and increasing capital, while critical theories (also labelled Marxist) are focused on removing the economic, gender or environmental differences within the society. Both Liberal theories have emerged in the 19th century in Britain during the period of industrial revolution in response to monarchical absolutism. Later in 19th century, Marxism has emerged as a response to the liberal thought. Wealthier states and individuals tend to favour liberal theories, which are in line with their interests and do not threaten their comfort, while those who are less satisfied with their socioeconomic position tend to adopt the critical theories' point of view. It is worth noting that it is difficult and almost impossible to prove a theory right or wrong, therefore, evidence can be interpreted in different ways depending on one's goals and views (O'Brien & Williams, 2007). Therefore different conflicting theoretical perspectives, such as

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Marxism and Liberalism, have developed. Marxists and Liberalist mainly differ in their views about the role of individual and role of state in IPE (Raico, 1992).

Liberals are concerned about variety of actors ranging from a single individual to particular interest groups, firms and corporations, to state. Nevertheless, liberals' starting point for analytical evaluation is the individual's needs; this idea is at the core of neoclassical economic theory. Therefore, liberals look at behaviour of states, firms and individuals in order to analyze global economy, while keeping in mind that the individual is the main actor. The idea is that individuals in their pursuit of self-profit within the competitive environment will benefit and therefore will increase the benefits economic exchange for the masses. Companies and firms play a very important role for the liberals, as they are perceived as a source of economic expenditure and wealth (Jackson & Sorensen, 2003). As mentioned above, they believe that state cannot stand as a single actor, due to the idea that it is being influenced by many different factors. Liberals express negativity towards state, since they believe that politics should not get involved into the economics. They also, believe that if the market will be free of political influence, which is seen as the force that is distorting the benefits while producing additional costs to the market participants, and will not interfere with the consumption, production and exchange mechanisms then everyone will benefit. Economic liberalist's Friedrich Hayek's (1992) slogan *laissez-faire* is a good example of the liberal view in relation the state. Pluralist (liberal) approach suggests that cooperation is the key and the way forward where people and states can benefit, opposed to the conflict suggested by

class-analytic (Marxist) approach. They argue that conflicts should be avoided, and a peaceful resolution should be found through the course of action and agreement of sides that will benefit both, as in liberal view, the world political and economical mechanisms are interdependent rather than anarchical (Connell, 1995). Transnational Corporations (TNCs) are believed to benefit both host and home countries, where it boosts economies of host states by means of transfer of capital, access to market, and technology, as well as benefiting the home country where TNC is seen as a mix of capital management skills and technology. Such perspective is referred to as positive-sum game and the idea is that by means of cooperation everyone benefits and prospers. Liberal theorists highlight the fact that in their view the market is located in the centre of economic life and economic progress, which occurs because individuals are pursuing their goals. A liberal theory of comparative advantage suggests that even if one country is producing more goods than another country, trade between the two countries will benefit both. This view is opposed to Marxist theory of zero-sum game, which claims that in order for one to gain the other has to lose. Famous Liberal Political Economists, such as David Ricardo and Adam Smith advocated state non-interference in free trade and economy. Various well-known slogans have emerged during that period, such as *laissez faire* (the doctrine of unrestricted freedom in commerce) and *m³/₄nd^o de lui-m^om^om^om^o* (“the world go^os by itself”) (Raico, 1977).

Contemporary global political economy is mostly being governed according to the principles of liberal ideology. Most forms of economic activity are functioning according to the liberal rules and policy regulations and are

based on the goal of free trade. It is evident that nowadays money flows almost freely in and out of countries via stock markets, banks, and big financial corporations. Nowadays liberalism cannot be described with a unitary definition, as different liberal movements have deviated from the core theoretical ideology of liberalism to certain degree thus producing neo-liberal theories that are somewhat different from the ones described by founding fathers of liberalism. It is worth remembering Fukuyama's (1989) work and his speculative prophesy of "the end of history", where he argued that liberalism is about to become an only ideology of upmost significance thus ceasing the conflict between the theorists of global political economy. Despite Fukuyama's statement, today, after 22 years China one of the most developed economies in the world is still a communist state, as well as few other countries. Nevertheless, most of the countries in the world are dominated by private businesses and corporations with some involvement of the state, as described by Keohane (2002). Liberals suggest that open markets will produce more wealth and will aid economies expenditure around the globe benefiting the humanity. Economic failure is believed to be triggered by the disruptions caused from involvement of the state into the economy. Therefore, liberals are promoting globalization, which they perceive as a force of good that removes artificial boundaries and facilitates growth of production thus contributing to overall wealth of the society (Helleiner, 2003).

A set of critical theories have emerged in response to growing popularity of liberalism in 19th century. Unlike liberalists who are looking at individuals and states, these theorists are looking at other units of analysis. The main

units of analysis in Marxist theories are class and interest of working class rather than state. Karl Marx and Friedrich Engels are the founding fathers of this political movement and the ones that unleashed the conflict between capitalists and workers. Resolution of this conflict was possible only if workers seized power (Marx and Engels, 1848). Marxist writers reject the significance of the individuals of liberal theory, and focus on the significance of the class instead. Marxists perceive capitalist relations being inherently exploitative (Raico, 1992). There has been a lot of debate in relation to definition of class in the literature; therefore, in this paper class is defined according to O'Brien and Williams (2007) as arising from the position of individuals in the structure of production. Karl Marx himself seen the society as a multi-layered cake, with the bourgeoisie (capitalists) sitting on top, owning and controlling the means of production, and proletariat (workers), who sell their labour to the capitalists as a bottom layer of the cake. Therefore, Marxist followers suggest that the firm and the capitalistic regime itself are exploitative and unfair in relation to working class. Marxists see transnational corporations (TNCs) as tools of oppression and exploitation of the working class, because of their power to centralize and concentrate capital, while expressing the dominance, which is the key feature of imperialism (monarchy). Such perspective suggests the state is representative of class interests and not the communal interests. In this respect, the state has a role of executive committee of the ruling class and sometimes referred to as an independent agent of exploitation by some Marxist writers (Conway, 1987). This idea of exploitation and dominance among the societies and within them is central to Marxist theories global political economy. According to class-analytic approach to global economy,

under capitalism workers are not fairly rewarded for their labour, economic relations are being conflicting and unstable. Meaning, that consequently, the rich will become richer and the poor will become poorer and the gap between the bourgeoisie and the proletariat will continue to increase (Gilbert, 2008). Such economical relations are believed to lead to decrease in wages of labourers, uneven development, as some centres increase their capital and growth at the expense of others, which in its turn leads to conflicts between countries, as well as insufficient consumption and overproduction thus affecting social stability and producing fluctuations in the business sector (O'Brien and Williams, 2007). For example, dependency theory suggests that poor countries have faced barriers to further development as the consequence of being economically exploited by developed countries (Dos Santos, 1970). This refers to a zero-sum game described above. Therefore, the conflict between states is unavoidable because of the drive for profit. Consequently, liberals seek protection of their state, which in turn leads to conflict and war. For example, the famous Marxist theory about imperialism written by Vladimir Lenin (1917/1969) encapsulates two explanations of capitalist development. First part of his theory is concerned with growth of financial capital and the coalition of industrial capital and finance to form monopolies that sought to produce profit by means of overseas lending. The second part of Lenin's theory is concerned about insufficient consumption in domestic market. Insufficient demand on domestic markets has forced capitalists to enter foreign markets due to inability to maintain their profit rates. Such perspective have lead Lenin to a conclusion that such competition would inevitably lead to conflict and consequently to war.

Marxists also tend to argue against globalization, which in their view represents an ideological intervention into global economy, which acts in support of free markets as well as a tool used to pursue interests of the capitalist power over labourers. Some researchers argued, that globalization facilitated by the neoliberal political movements is an instrument of global management and liberalization and is based on misinformation and deception of the masses (Cox, 1996; Gill, 1993).

Another clash between the ideologies has occurred in the 21st century, when members of world elites have tried to alter constitutional laws in favour of neoliberal principles in various institutions, including International Monetary Fund and World Trade Organization. Neoliberals met the opposition of social political movements trying to protect environmental policy, raise work standards, and facilitate gender equity and seek economic justice (O'Brien and Williams, 2007).

According to economic liberals, market economy is the way to prosperity for all, and should be run according to its own economic laws without the interference of the state. Global market economy is a sphere described by a positive-sum game model, which advocates that economic exchange will maximise profits of firms, individuals and households, and consequently all members of society will benefit from it.

Marxists see the economy as an instrument of exploitation of lower social classes (workers); these interactions are highlighted by the inequalities between proletariat and bourgeoisie. Critical theories advocate, the political strategies are being determined by socioeconomic context. The class that

exercises economical power also controls the political power of the state.

Marxists believe that capitalist development is uneven and is bound to produce conflicts between states and individuals.

Global Political Economy can be defined as the relationship between states and markets on an international scale. Research of this relationship has given birth to conflicting Marxist and Liberal theories discussed in this paper. As it was already mentioned above, each theory serves the interests of particular groups of people with particular goals, and unless the major part of the international political society will come to some sort of an agreement and find a way to cooperate, conflicts will always emerge, and conflicts will always result in losses for someone.