

# [Schools of political economy: marxism, liberalism and mercantilism essay](https://assignbuster.com/schools-of-political-economy-marxism-liberalism-and-mercantilism-essay/)

The international political economy deals with economics and politics, in the world matters. It seeks to understand the driving forces of the economy and the key actors in the world economy. Gilpin (265) asserts that politics largely determine economic activities. This paper looks at three schools of political economy; Marxism, liberalism and mercantilism, while identifying their similarities and differences.

Marxists assert that the world economy is characterized by competition. They believe in capitalism, and argue that economic relations are determined by class struggle between capitalists (oppressors) and the working class (oppressed). The capitalists own means of production, and are rich. Capitalists embark on increasing their profits by exploiting the working class, who in turn enhance their struggle in the competition (Gilpin 270).

They use their wealth to set the standards of the political economy. Eventually, the non-capitalists submit to their order. Liberals believe in existence of a free market. Their emphasis is on free trade and movement of capital, which allow flow of investment. In this class of economy, countries are able to exploit natural resources and benefit from specialization.

The economy is enhanced by availability of currencies that can be freely exchanged as well as open markets. Marxists and liberals assume that the state is a significant instrument in the world economy. It exists to resolve conflicts that occur in the world economy. They oppose the managerial conception of a state. The two also agree that a free market is advantageous, as long as there is an invisible hand (policies) to control the market.

The mercantilists believe in a competitive economy whereby there are many actors in the market. The strong states are able to survive in competitive markets, whereas the weak ones are pushed out of the competitive markets. According to the mercantilists, it is a scenario of “ survival for the fittest.”

The states with the most power are the ones that set the rules as well as limits to the economy. This is done through ways such as alliances and hegemony. In this competition; states endeavor to maximize their wealth, as well as independence. This is achieved through the creation of self-sufficiency in key industries, and protecting trade through tariffs and quota systems.

There is minimal order in such an economy, and it is upon the governments to enhance smooth operations in the markets (Gilpin 275). They should come up with strong economic policies to enhance these operations. It is worth noting that corruption and ignorance lead to poor economic policies. Marxists and mercantilists agree that the world economy is competitive.

They also look at the aim of this competition as a desire to have profits. Furthermore, there are groups which benefit more than others, in this competition. However, liberals do not look at the economy as a competition realm. They look at it as a free arena whereby everyone can participate in the economy.

The principal actors in the mercantilist school are the states. They compete to eliminate others and the strong states survive in this competition. In the Marxism, the core actors are the classes (capitalists and workers) as well as the social groups (Gilpin 280). Governments and economic actors are the key elements in the economy, according to liberalism.

The governments provide favorable policies for free trade. Marxists and mercantilist theorists believe that competition is significant for a robust world economy. On the contrary, liberal theorists view free trade as the best characteristics of international economic interactions.

In essence, there are various actors in the political economy and different schools of thought in the world economy. A country should follow a school that best suits its economy so as to survive in the competitive global arena.

Gilpin, Robert. Global Political Economy: Understanding the International Economic Order. Princeton: Princeton University Press, 2011. Print.