

State, market, and global political economy: genealogy of an (inter-?) discipline

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Introduction

If one may for a moment commit the error of anthropomorphizing a scholarly discipline which is diverse and fragmented, International Political Economy (IPE) has often had trouble making up its mind whether it is a sub-field of International Relations, or whether it is something broader and more inclusive: sub-field *versus* inter-discipline? Should it focus on the special nature of the system of states, along the lines of more traditional international relations,¹ or should it develop its roots in the intellectual movements that emerged as classical/radical political economy, in turn developing branches across a broad range of social science traditions?

This schizoid nature of the discipline is not surprising. Over time, IPE scholars have hailed from a wide variety of backgrounds. While many have emerged as dissenters (to a greater or lesser degree) to traditional, state- and security-centric international relations,² this is not necessarily the dominant background of scholars in the field. Many who have contributed to the emergence of IPE have come from comparative politics or political economy in political science, recognizing that as the global system became more integrated and interdependence increasingly a feature of relations among states, national systems could not longer be considered on their own.³ Still others hailed from economics, including the pioneering and much missed Susan Strange, recognizing the need for insights from both international relations/political science and international economics to be

* My thanks to Nicholas Rengger (St Andrews University) and Caroline Soper (*International Affairs*) for inviting me to write this article. May I also thank Brian Burgoon, my colleague at the Universiteit van Amsterdam, for his insightful comments on earlier drafts of this article.

¹ In the vein of Hans Morgenthau, *Politics among nations: the struggle for power and peace* (New York: Alfred A Knopf, 1956), or Kenneth Waltz, *Theory of international relations* (Reading, MA: Addison-Wesley 1979), or Stephen Krasner, 'International political economy: abiding discord', *Review of International Political Economy* 1: 1, spring 1994, pp. 13-28.

² Examples include Robert Keohane and Joseph Nye, or James Rosenau in his more 'IPE mode'.

³ Examples include Peter J. Katzenstein and Peter Gourevitch, who have both long been associated with one of the most important the journals in the field, *International Organization*.

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brought together in a social science synthesis,⁴ or from economic history, such as Charles Kindleberger.⁵ Still others emerged from the world of international organizations, turning practical insight to innovative theoretical contributions.⁶

In addition, IPE scholars have covered an extraordinary range of subjects in the global system. There are regional or country specialists who make contributions to IPE, for example in the field of European integration⁷ or the Asia-Pacific.⁸ Others have focused on issues in the developing world: north-south relations have for some time been an 'IPE-like' field, before IPE was specifically baptised.⁹ Others have focused on particular economic sectors or issues (the global communications industry, trade), or social groups (labour, landless peasants, global business community).

Small wonder then that the field, perhaps too diverse to be legitimately referred to as a discipline (but I will do so for lack of a better term), does not admit of a dominant perspective or focus of enquiry and has been schizoid as a result. Yet the discipline continues to grow in terms of output and importance.¹⁰ What holds the field together is a relatively few shared conceptual assumptions, what I have outlined elsewhere as three fundamental premises of IPE: i) that the political and economic domains cannot be separated in any real sense, and even doing so for analytical purposes has its perils; ii). political interaction is one of the principal means through which the economic structures of the market are established and in turn transformed; and iii). that there is an intimate connection between the domestic and international levels of analysis, and that the two cannot meaningfully be separated off from one another.¹¹ Some have come to share these assumptions on theoretical grounds, some as a result of empirical enquiry that appeared to falsify traditional perspectives in IR and economics, and many on a combination of both. This has led to a considerable commitment to disciplinary ecumenism and an innovative willingness to draw insights from fields as diverse as the scholarly backgrounds of the IPE pioneers themselves.

⁴ Her clarion call came in this journal; see Susan Strange, 'International economics and international relations: a case of mutual neglect', *International Affairs* 46: 2, April 1970, pp. 304-15.

⁵ Whom Susan Strange always regarded as the founder of contemporary IPE and whose hegemonic stability thesis (in *The world in depression 1929-39* (Berkeley, CA: University of California Press, 1973) had enormous influence on the discipline as it developed.

⁶ Robert Cox clearly fits this category; see discussion below.

⁷ See Loukas Tsoukalis (another economist by training), *The new European economy: the politics and economics of integration* (Oxford: Oxford University Press, 1991); Kenneth Dyson and Kenneth Featherstone, *The road to Maastricht: negotiating economic and monetary union* (Oxford: Oxford University Press, 1999).

⁸ See Richard Higgott, R. Leaver, and J. Ravenhill, eds, *Pacific economic relations in the 1990s: co-operation or conflict* (Boulder, CO: Lynne Rienner, 1993).

⁹ Examples include Tim Shaw at Dalhousie University, a specialist on Africa [locate] a representative example of his earlier work on development [], and dependency theorists such as Johann Galtung, 'A structural theory of imperialism,' *International Journal of Peace Research* 8, 1971, pp. 81-116.

¹⁰ Symbolized by the emergence of new journals in the past decade such as *Review of International Political Economy*, *Global Society*, and *New Political Economy*, not to mention book series.

¹¹ Geoffrey R.D. Underhill, "Conceptualizing the Changing Global Order," in R. Stubbs and G. Underhill (eds.) *Political Economy and the Changing Global Order* (second edition), (Oxford: Oxford University Press, 2000): 4-5.

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This article will argue that this diversity of origin and of analytical approach militates strongly towards interpreting IPE not as an offshoot of traditional International Relations, but as rooted in the broad tradition of political economy which emerged in the European enlightenment. In this sense, whatever the importance of (usually dissident) IR scholars in fostering the phenomenal growth of IPE in the last decade of the past century, the field has outgrown IR and should not feel constrained by the debates which have framed state- and security-centric IR scholarship in the postwar period. In time, IR will come to IPE as a more comprehensive approach to understanding world order, not the other way around, especially as IR itself is forced to come to terms with the world post-Cold War.¹²

The article will begin by summarizing the emergence of IPE in its contemporary context, starting with the late 1960s and the early 1970s debates among IR and other scholars on the nature and meaning of interdependence, of the importance of 'high' *versus* 'low' politics and of economic relationships in the system of states, and of 'transnational' *versus* 'international' relations. This is meant to be a selective summary, not an exhaustive account, and will play regrettably little attention to developments outside English language scholarship,¹³ but a full history of the emergence of IPE is for a volume, not an article. The article in the process demonstrates that IPE has emerged in a far from coherent fashion, though this diversity and ecumenism is not to be deplored. In developing, IPE has over time emphasized its roots in classical/radical political economy and has forged (sometimes difficult and tenuous) links with other social science specializations. In this sense it can draw on scholarship in economics, business and management, history, law, sociology, and the normative concerns of philosophy, and covers issues from the local level in the developing world to the interactions of the G7 countries in their annual summits. Nonetheless, its conceptual devices and underlying assumptions retain sufficient distinctiveness, as outlined above, to maintain its place as a discipline in its own right. In straightforward factual terms, IPE is one of the great intellectual growth industries of the late twentieth century and on into the new millennium, and a good thing too.

The second section of the article develops this argument to portray the 'state-of-the-art'. This does not mean that I propose to delineate who/what is 'there' and who is not. Instead, I will develop a picture of the core questions and issues, including those that still elude adequate explanation. The third section then goes on to argue that the core conceptual issue in IPE remains the nature of the

¹² See *The interregnum: controversies in world politics 1989-1999*, special issue of *Review of International Studies*, ed., M. Cox, K. Booth, and T. Dunne, vol. 25, Dec. 1999.

¹³ It is worth noting that political economy, international and otherwise, has strong roots in German and French scholarship, among others. In Europe, the extreme analytical specialization which yielded Anglo-American 'economic science' *versus* 'political science' had less of an impact than in the Anglo-Saxon world, at least until recently. The journal *Economies et Sociétés*, founded by François Perroux in 1944 is an example, as is the scholarship of the Italian economist Marcello de Cecco. See his brilliant analysis of the 19th century Gold Standard and British economic dominance, *Money and empire: the international gold standard 1890-1914* (Oxford: Basil Blackwell, 1974). Many scholars from developing countries have also contributed, especially toward scholarship on development issues.

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state-market relationship. This brings together many of the specific debates and research agendas currently at play, and I argue that further conceptual work is required. The way we view this relationship has a considerable impact on how one understands prospects for change in the structures of the normative and material underpinnings of world order. IPE remains based on the premise that the dynamics of state and market are interdependent, intertwined. The article argues that most IPE scholars, despite their protestations, still see the state and the market as separate and indeed antagonistic dynamics, the dynamics of state *versus* market. Scholars need to take a final and decisive step in accepting that, in empirical and conceptual terms, the state and the market are part of the same, integrated system of governance: a state-market condominium. This state-market condominium operates simultaneously through the competitive pressures of the market and the political processes which shape the boundaries and structures within which that competition (or lack thereof) takes place.

Emergence of contemporary international political economy: a tale of ecumenism and diversity

Where does one start: 'mainstream', radical, north or south? As the story will reveal and the central argument of the article implies, identifying the beginning is difficult and necessarily arbitrary. The article in fact implies that the 'beginning' was a very long time ago indeed. But in the post-war period social science began a rapid and, a political economist must argue, rather exaggerated process of specialization. Departments of Political Economy became Economics and Political Science respectively, and many universities established separate departments of IR as well. So a lot of the interrelatedness among these emerging specialized subjects, which were relatively obvious to practitioners and to earlier generations of scholars, was lost in the drive to specialization. The beginning, then, refers to a process of re-integrating what had been somewhat arbitrarily split up, and though specialization in the laudable pursuit of better expertise, it had important opportunity costs for our understanding of the world around us.

So the beginning was a revival. Perhaps to avoid disappointing anyone (though possibly irritating most), one might begin with the work of a scholar who would not be identified with IPE, but whose work was nonetheless influential. Richard Cooper's article, followed by a 1968 book of the same title, *The economics of interdependence*,¹⁴ was particularly influential in inducing political science/international relations scholars, especially foreign policy analysts and those who had dealt with issues such as trade, to think about the ups and downs of interdependence as a feature of the world economy, and its implications for state policies. Over the years many IPE scholars have begun their approach to the subject with a reference to Cooper and the issue of interdependence. Starting here also demonstrates the way in which IPE has been influenced by

¹⁴ Richard N. Cooper, *The economics of interdependence* (New York: McGraw-Hill, 1968).

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disciplines outside IR and indeed political science. International relations scholars who had long felt discomfort with the security and state-centric discipline of IR, even in the context of an intensification of the Cold War with the Cuban missile crisis in 1962, nonetheless could see in what Cooper was saying that there were issues beyond the nuclear balance to which scholars urgently needed to draw attention. Crisis and the Cold War might trump other issues from time to time, but most of the time states and their citizens' attention were occupied with the apparently more mundane matter of what was going in everyone's pockets and how it got there—the standard concerns of political economy over centuries.

So during the 1960s, a range of scholars in IR and foreign policy analysis (not to exclude other branches of political science) began to consider the observable fact of *interdependence* and what it meant for our understanding of the world around us. Increasingly, foreign affairs would not be understood on their own, but in relation to the tensions between domestic considerations and relations with other states and their own domestic dynamics. The otherwise rigid division between the international domain, international politics as politics among states, gave way to a blurring of the levels of analysis distinction in the work of a range of scholars. To this end, James Rosenau produced *Linkage politics*, having examined in his earlier work the various domestic influences on the formulation of American foreign policy.¹⁵

A further step was the emergence in the late 1960s of the debate about 'transnational relations', wherein *international* was placed in opposition to the more sophisticated concept of *transnational* relationships. While *international* was taken to denote relations of state to state, *transnational* politics involved relationships which cut across the domestic-international divide but need not necessarily involve states, but would include their activities as well. Interdependence among states and their societies¹⁶ was central to this debate, and transnational relations involved a wider range of actors than feature in traditional IR: both non-state and sub-state actors, including private actors and official institutions of more little formal nature.

The bag was open—such concepts represented a serious challenge to the traditional contention that world politics was about what states—as-units did, and greatly expanded the empirical terrain on which the nascent IPE would operate. One should note an important point, however. There was always division on how far one should go in this direction. Was 'transnational relations' primarily about what states did, with the influence of a few sub- and non-state (but nonetheless essentially official) actors like international organizations thrown in, or was it about a more radical conceptual departure from traditional IR scholarship, to include a wider range of issues and actors, including those with

¹⁵ James N. Rosenau, ed., *Linkage politics: essays on the convergence of national and international systems* (New York: Free Press, 1969); *Domestic sources of foreign policy* (New York: Free Press 1967); Rosenau, *Public opinion and foreign policy: an operational framework* (New York: Random House, 1961).

¹⁶ Robert O. Keohane and Joseph Nye, *Power and interdependence: world politics in transition* (Boston: Little, Brown, 1977), pp. 8–11.

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nothing to do with formal government? The difference is well represented by two special issues of prominent journals on transnational relations: the 1971 issue of *International Organization* edited by Robert Keohane and Joseph Nye, and the issue of *International Affairs* edited by Susan Strange in 1976.¹⁷ The dispute has yet to be settled: are we studying the ways in which economic and political factors in the international system affect each other in a continuing fashion, or are we seeking to explain the ways in which underlying social structures and relationships, among a range of actors and institutions, generate the patterns of institutionalized and other aspects of political authority in a transnational world? As Strange might have put it, 'politics of international economic relations', or 'transnational *political economy*'?

There were also disputes about basic assumptions of agency and method. Cooper's article had of course been couched in the rational choice language of utility maximization common to economists. This was an early application of methodologically individualist rational choice to IPE, an application that became particularly influential when building on game theory and transaction cost economics of Nobel Prize winner Ronald Coase¹⁸ and others. Axelrod's innovative use of game theory and Keohane's use of transaction cost logic were particularly useful examples, as was Mancur Olson's application of his own public goods approach in his *Rise and decline of nations*.¹⁹ These more formal and quantitative rational choice contributions under the 'positive political economy' label represent a growing direct overlap of neo-classical economics and IPE.²⁰

Meanwhile, the world economy was undergoing rapid change from the early 1960s. International trade was developing as a very fast rate and corporations (especially US corporations) were spreading throughout the world. The rise of the Euromarkets signalled a transformation of the financial system, at that time the significance of which was poorly understood. The 1970s proved to be a decade of economic turmoil, of oil politics, and of developing country challenges to the structures of the global political economy. This period, in which the contemporary global political economy began to emerge, was the material background to the discussion of 'interdependence', quite apart from the various and somewhat one-sided mutual dependencies of the two main alliance blocs of the Cold War.

Furthermore, this process of economic transformation had a clear international politics dimension to it: trade policies had always been highly charged politically, both *within* and *among* states in the system. The emerging strains in

¹⁷ Robert O. Keohane and Joseph Nye, eds, *Transnational relations and world politics*, special issue of *International Organization* 25, summer 1971; Susan Strange, ed., 'Transnational relations', special section of *International Affairs* 52: 3, July 1976.

¹⁸ Ronald Coase, 'The problem of social cost', *Journal of Law and Economics* 3, 1960, pp. 1-44.

¹⁹ Robert Axelrod, *The evolution of co-operation* (New York: Basic Books, 1984); Robert O. Keohane, *After hegemony: co-operation and discord in the world political economy* (Princeton, NJ: Princeton University Press, 1984); M. Olson, *The rise and decline of nations* (New Haven, CT: Yale University Press, 1982).

²⁰ J. Alt and K. Schepsle, *Perspectives on positive political economy* (Cambridge: Cambridge University Press, 1990); Dani Rodrik, *Has globalization gone too far?* (Washington DC: Institute for International Economics, 1997).

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the international monetary system of the 1960s likewise proved politically controversial. This proved fertile ground for a series of major and interdisciplinary research projects on the political economy of trade and monetary relationships among states and their societies—a more sectoral focus to the debate on interdependence. A noteworthy and particularly influential such project was established at the Royal Institute for International Affairs (Chatham House). There, Andrew Shonfield assembled a team of economists and other scholars of international studies that produced two volumes that became classics in the field, *Politics and trade* (vol. I) and *International monetary relations* (vol. II),²¹ the latter by none other than Susan Strange, perhaps the most renowned of all the IPE ‘revival’ generation.²² A series of other landmark publications also emerged at this time. B. J. Cohen represents one of the rare cases of an economist who came in from the cold of the dismal science—producing his seminal *Organizing the world’s money* (1977).²³

The economic historian Charles Kindleberger wrote his explanation of the collapse of the international monetary system in the 1930s, *The world in depression 1929–39*.²⁴ Here he insisted that the world’s monetary and financial system suffered from important market failures and required the political support of a stabilizer. This was the origin of the often-misunderstood ‘hegemonic stability’ hypothesis. This line of argument was pursued further by Robert Gilpin, who started as a specialist in French public policy (and therefore from comparative political economy), and who wrote *US power and the multinational corporation*, focusing on the relationship between private corporate power and the parent state.²⁵ Further contributions from comparative political economists followed, including Peter Katzenstein’s *Between power and plenty*,²⁶ wherein the volume attempted to understand the diverse responses of a range of countries to the single stimulus of the oil shock. In fact, by the 1980s the comparative and regional dimension of IPE was becoming increasingly important (as mentioned in the Introduction), with the work of Peter Gourevitch and John Zysman figuring prominently.²⁷ European integration and other regional projects accelerated.²⁸

²¹ A. Shonfield, V. Curzon, et. al., *Politics and trade* (vol. 1) and Susan Strange, *International monetary relations* (vol. 2) of *International economic relations of the western world 1959–1971*, A. Shonfield, ed., (Oxford: Oxford University Press, 1976).

²² For a critical assessment and further development of the work of Susan Strange, see the 21–chapter volume by A. Verdun and T. Lawton, eds, *Strange power: shaping the parameters of international relations and international political economy* (Aldershot: Ashgate, 2000).

²³ Benjamin J. Cohen, *Organizing the world’s money: the political economy of international monetary relations* (New York: Basic Books, 1977).

²⁴ Charles Kindleberger, *The world in depression 1929–39* (Berkeley, CA: University of California Press, 1973).

²⁵ Robert Gilpin, *US power and the multinational corporation: the political economy of foreign direct investment* (New York: Basic Books, 1975).

²⁶ Peter J. Katzenstein, ed., *Between power and plenty: foreign economic policies of advanced industrial states*, (Madison, WI: University of Wisconsin Press, 1978).

²⁷ See respectively Peter Gourevitch, ‘The second image reversed: the international sources of domestic politics,’ *International Organization* 32: 4, autumn 1978, pp. 881–911; *Politics in hard times* (Ithaca, NY: Cornell University Press, 1986); and J. Zysman, *Governments, markets, and growth* (Ithaca, NY: Cornell University Press, 1983).

²⁸ See Helge Hveem, ‘Explaining the regional phenomenon in an era of globalization’, in Stubbs and Underhill, eds, *Political economy and the changing global order*, second edn, (Oxford: Oxford University Press, 2000), pp. 70–81.

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Comparative specialists recognized that the phenomenon of deepening global integration forced them to reassess their approach to their subject: it was increasingly difficult to remain a country specialist without absorbing the impact of structural changes in the global economy—the debates about corporatism and the role of organized interests were forced to ‘go global’.²⁹ Finally (and mercifully), a number of IPE specialists had always recognized the need to anchor generalizations about world order in specific sectoral and indeed country cases. IPE and comparative political economy needed each other as much as ever, though this was not of course universally accepted. Comparative and international political economy in fact came together in a synthesis through the work of Philip Cerny. Like Gilpin, he had started as a French public policy analyst in comparative political economy. Like many in political economy, he was interested in the state. He came to focus on conceptualizing the state in the emerging period of global integration, and empirically to focus on global money and finance.³⁰

So far I have entirely neglected the radical tradition in international political economy, the better to deal with it now. I should state from the start that the Marxist tradition of political economy has never undergone the bifurcation of ‘orthodox’ political science and economics. In this sense, the radical tradition had long kept alive assumptions about the interdependent nature of the political and economic domains while others had lost sight of this vital insight into our world order. Marx himself had seen his project as building on as well as challenging the liberal ‘harmony of interests’ aspects of his classical predecessors, Smith and Ricardo. In other words, radical political economy has provided some of the most fruitful ground for advancing the cause of IPE. Indeed, over time the radical and the ‘orthodox’ have moved closer together—we are all ‘marxian’ (small ‘m’) in one way or another as we argue about the impact of economic structure and problems of inequality in this period of global economic integration.³¹

Radical contributions to IPE can be split a number of ways but one must surely start with Marx himself, who had always recognised that the market and industrial capitalism was a global system. Despite plans, Marx never extended his work to the international level, although volume III of *Capital* comes closest by dealing with the capitalist system as a whole.³² Lenin famously extended Marx’s analysis of the political tensions inherent in the changing structure of capitalism in his well-known (and misguided) article, *Imperialism: the highest stage of capitalism*.³³

²⁹ See Justin Greenwood and Henry Jacek, eds, *Organized business and the new global order*, (London: Routledge, 2000).

³⁰ On the state in the global economy, see P. Cerny, *The changing architecture of politics: structure, agency, and the future of the state* (London: Sage, 1990); on Finance, see P. Cerny, ed., *Finance and world politics: markets, regimes, and states in the post-hegemonic era* (Aldershot: Edward Elgar, 1993).

³¹ The influence of radical political economy on Cerny’s work is a good example of the ways in which radical insights have affected a range of scholars.

³² Karl Marx, *Capital: a critique of political economy*, vol. III (Harmondsworth: Penguin 1981).

³³ V. I. Lenin, *Imperialism: the highest stage of capitalism* (New York: International Publishers, 1967).

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More scholarly work is considerable and growing, with the work of Sutcliffe and Owen or Kubalkova and Cruickshank standing out as sound texts.³⁴ A considerable innovation occurred with the emergence of the ‘French Regulation’ school. Led by Michel Aglietta,³⁵ *les Regulationnistes* includes well-known scholars such as Robert Boyer and Alain Lipietz.³⁶ More recent innovations include, Peter Burnham, among others, has participated in a revival of marxist political economy placing emphasis on the political and historical, as opposed to the structuralist and economic, aspects of Marx and his successors, based on extensive primary research.³⁷

Perhaps the most obvious of the long-standing radical contributions to IPE is the contribution of dependency theorists, in the sense that north-south relationships are by definition global in scope. Dependency theory was critical of Marxist work while drawing heavily upon it, emphasizing the uneven development and inequalities of capitalist system. Dependency theories were often genuinely systemic in their approach, lending themselves to international relations thought seldom finding favour with the mainstream discipline. These range from the heavily structuralist works of Andre Gunder Frank, to those placing more emphasis on the interrelationship of domestic political regimes and global structural forces and constraints.³⁸ Another variant is world systems theory, developed from the historical work of Immanuel Wallerstein.³⁹ The insights of dependency theorists concerning uneven development and inequality have been difficult to ignore, and despite ongoing discomfort the mainstream has increasingly accepted some of the basic observations of dependency theorists.

Some radical political economists have found their way closer to the mainstream discipline. Fred Block’s analysis of postwar international monetary relations remains as useful today as when originally written in the turbulent 1970s.⁴⁰ More recently, Robert Cox was the author of an important innovation with an approach that bridged international relations/international political economy and the domestic level of analysis in important respects. His ‘neo-Gramscian’ approach,⁴¹ resolutely post-structuralist in its theory, has been embraced in whole or in part by a sizeable proportion of IPE specialists. It provides a flexible set of intellectual devices that help one grasp the relationship between

³⁴ Bob Sutcliffe and Roger Owen, eds, *Studies in the theory of imperialism* (London: Longman 1972); V.

Kubalkova and A. Cruickshank, *Marxism and international relations*, (Oxford: Clarendon Press, 1985).

³⁵ M. Aglietta, *A theory of capitalist regulation* (London: New Left Books, 1979).

³⁶ These works are covered well in the review article by Alain Noël, ‘Accumulation, regulation, and social change: an essay on French political economy’, *International Organization* 41: 2, spring 1987, pp. 303-33.

³⁷ Peter Burnham, ‘Open Marxism and vulgar international political economy’, *Review of International Political Economy* 1/2, summer 1994, pp. 221-31.

³⁸ See Andre Gunder Frank, *Capitalism and underdevelopment in Latin America* (Penguin, 1969); crossing levels of analysis, see Johann Galtung, ‘A structural theory of imperialism’, *Journal of Peace Research* 8, 1971; E. Cardoso and Falletto, *Dependencia y Desarrollo en Latina America* (Mexico: Siglo Veintiuno, 1969).

³⁹ See Christopher Chase-Dunn, *Global formation: structures of the world economy* (Oxford: Blackwell, 1989).

⁴⁰ Fred Block, *The origins of international economic disorder* (Berkeley, CA: University of California Press, 1977).

⁴¹ See Robert W. Cox, *Approaches to world order*, op. cit.; *Production, power, and world order* (New York: Columbia University Press, 1987).

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economic structures and political interaction, at the heart of the market–authority relationship to which Susan Strange constantly drew attention. Cox also served to remind one of the importance of linking IPE to its historical roots as he drew heavily on Marx, Gramsci and Karl Polanyi (as had others), and other disciplines, particularly history as represented by Fernand Braudel. While Cox (like dependency theorists) focused more on inequalities and class in the global system, his conceptual devices cross levels of analysis and admit the relevance of a wide range of public and private actors and, crucially, the relationships among them in a pattern of global governance. The emphasis on the transnationalization of class and (related) corporate power was also developed by Kees van der Pijl and the ‘Amsterdam School’,⁴² as well as scholars such as Stephen Gill at York University in Canada.⁴³

The emergence of IPE has of course occurred parallel to wider developments in the social sciences. In this sense, ‘new’ issues have made their way onto the agenda, prompting renewed consideration of conceptual approaches as well. Of particular note is the rise of feminist scholarship and work on the environment—heralding feminist and ‘green’ approaches to IPE. Feminist scholarship moved rapidly from arguing that gender was the absent issue in IPE, and showing how it might be included on the agenda, to placing gender at the heart of normative, theoretical, and empirical debate in IPE scholarship.⁴⁴ Likewise, the environment as an issue requiring new thinking in the discipline has grown considerably in importance. Green thinking is forcing its way into the traditional terrain of mainstream IPE.⁴⁵ As with many questions in IPE, the normative content of these debates is important, indeed central. Different perspectives and scholars emphasize different aspects of the normative agenda, and much of the underlying debate is ultimately about values, not simply analysis and research tools.⁴⁶

The state of the art: core questions, diversity of response

To summarize the previous section, the more the state–market relationship was explored, the more traditional analytical assumptions of orthodox economics and political science/international relations could be questioned. The empirical

⁴² See the widely cited Kees van der Pijl, *The making of the Atlantic ruling class* (London: Verso, 1984), and more recently, *Transnational classes and international relations* (London: Routledge, 1998).

⁴³ Stephen Gill, ed., *Gramsci, historical materialism, and international relations*, (Cambridge: Cambridge University Press, 1993).

⁴⁴ See Sandra Whitworth, ‘Gender and international political economy’, in R. Stubbs and G. Underhill, eds, *Political economy and the changing global order*, first edn (Basingstoke: Macmillan, 1994), op. cit., pp. 116–29, and the same author’s article, ‘Theory and exclusion: gender, masculinity, and international political economy’, in Stubbs and Underhill, *Political economy*, second edn, op. cit., 2000, pp. 91–101. Other recent works in the veritable explosion of feminist writings on the global political economy include Marianne Marchand and Jane Parpart, *Feminism/postmodernism/development* (London: Routledge, 1995); V. Spike Peterson and Anne Sisson Runyan, *Global gender issues*, second edn (Boulder, CO: Westview Press, 1999).

⁴⁵ See Eric Helleiner, ‘IPE and the Greens’, *New Political Economy*. 1: 1, 1996, pp. 59–77.

⁴⁶ See chapter one of Susan Strange, *States and markets* (Oxford: Blackwell, 1988).

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examination of social and economic interdependence across political boundaries threw into question the levels of analysis assumptions of comparative politics and international relations. What is the respective role of international versus domestic constraints, and how are they linked, as the world becomes more transnational in nature? What role is there for structure versus agency in this process of transformation?

Cutting across domestic and international levels of analysis in turn threw open the question of actors and issues—who, and what issues, were (or should be) important? Where does power lie, and where should it lie? In time the discipline settled on a move away from a focus on ‘government’ towards a focus on the looser concept of ‘governance’⁴⁷ as a concept representative of the discipline’s field of enquiry. This once again expanded the range of issues on the table.

In other words, the emergence of IPE was a re-awakening and re-linking of the study of ‘things international’ with the broad tradition of social science scholarship from the French Physiocrats onwards, via Smith, Marx, Keynes, Polanyi, and the pioneers of the contemporary period. IPE found its way by exploring its roots and in building (often difficult and tenuous) bridges with other social science disciplines. And the process of building the field was a shared enterprise. The ‘pioneers’ of the revival knew each other well and influenced each other immensely while maintaining their own integrity and theses as scholars, to positive effect for those who came later. And thus there remain tensions: what place should the formal versus the informal, the social versus institutionalized, the private versus the public, have? How far from international relations should IPE go? What can they gain from each other? I would argue that this latter question depends more on what IR scholars want to do, as opposed to where IPE is going.

The 1990s therefore saw IPE come into its own as a diverse, open, and contentious subject field well-rooted in the broader concerns of social science and drawing on a considerable range of disciplines and conceptual devices/traditions. The previous section demonstrated amply that IPE has long since burst the boundaries of traditional IR and has taken a place on its own among the social sciences. The development of the field suggests that it has increasingly deep roots in the intellectual movements which yielded classical political economy and a range of contemporary social sciences and sub-fields. This assessment of openness and diversity may disappoint those looking for a core theory around which to organize the future of enquiry in IPE, but is in fact to be welcomed. The ecumenism of IPE is welcome and will aid, rather than hinder, successful understanding of the complex world around us, as it has always done in pursuits of the human mind.

⁴⁷ The concept has become increasingly popular in policy-making circles as the limits of national policy-making and formal, public institutions are realized. The concept is well outlined in James Rosenau and Ernst-Otto Czempiel, eds, *Governance without government: order and change in world politics* (Cambridge: Cambridge University Press, 1992).

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So where is the discipline, beyond its roots and diversity? Over time the field has become characterized by a concern with how the pieces of the global puzzle fit together: the social, the normative, the formal and institutionalized, the public and the private, the local and the global. This leaves considerable room for specialised research and investigation (one might say, *requires* it), but requires a broad understanding of the nature of political authority in a variety of settings. Something, therefore, is needed to give focus to the empirical and conceptual diversity. It was argued in the Introduction that a core set of concerns *does* frame the debate and holds the enterprise more or less together, and that these grew out of the revival of IPE from the 1960s onwards. To remind the reader, these core assumptions were: i) that the political and economic domains cannot be separated in any real sense, and even doing so for analytical purposes has its perils; ii) political interaction is one of the principal means through which the economic structures of the market are established and in turn transformed; and iii) that there is an intimate connection between the domestic and international levels of analysis, and that the two cannot meaningfully be separated off from one another.

These assumptions derive from the roots of the field in classical and radical political economy, and from the challenge issued to economics and IR/political science by IPE scholars. But what do these core assumptions imply in terms of questions to structure enquiry? Given my arguments about roots, we might look (unexpectedly for some) to Adam Smith for guidance.⁴⁸ Smith was strongly aware of history, and how the way in which societies provided for their sustenance and surpluses (and the distribution thereof) affected the patterns of social structure and authority over time. The changing ways in which who gets what, when, and how lends form and substance (sometimes rather unpleasant) to society and to its more formal institutions of governance, the rules by which it lives, and who has power over whom. In this he shared much with his eventual critic, Marx. Smith observed that there was a continuing tension between the private interests of individuals, and the needs of the wider community—a tension between the pursuit of self-interest and the public good. His core question was how might this tension be resolved? Are we permanently faced with iniquity and compulsion to order the affairs of humankind? Must the powerful always abscond with the lion's share of the benefits of human endeavour, making the world miserable for the rest? What forms of governance might help us to curb the excesses of rulers and permit the innovative capacity of human beings to come to bear on the process of economic development?

He argued that, under certain conditions contrived and enforced by political authorities, competitive markets might help us to turn the pursuit of private

⁴⁸ On Smith's contribution to political economy, see: Andrew Skinner, 'Introduction' to Adam Smith, *The wealth of nations* (London: Penguin, 1970); Robert Heilbroner, ed., *The essential Adam Smith* (Oxford: Oxford University Press). The points under discussion here draw on an earlier article, Geoffrey R. D. Underhill, 'The public good versus private interests in the global monetary and financial system', *International and Comparative Corporate Law Journal* 2: 3, 2000: pages?????.

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gain to achieving the important common aim of producing and distributing wealth in the most optimal fashion possible. One might disagree with his prescription, but the problem he posed remains central to political economy, international or otherwise. So Smith's core question remains relevant in our increasingly transnational political economy, with the lines of institutionalized authority becoming more blurred all the time.

Smith's core question can be reformulated in more contemporary terms. We have the market, indeed an increasingly global one, but not always the carefully contrived conditions Smith recommended. The market has furthermore proved less stable, less equal, and less harmonious in operation than he and many of his successors thought would be the case, hence radical critique. Power is clearly not the preserve of the formal institutions which pretend to monopolize it, particularly states—private market power is very much part of the pattern of governance we experience. So Smith's question gets us back to the nature of the reciprocal relationship between political authority and private pursuits in the market, what ought to be the public good in terms of the wider process of governance, of whose interests do and should prevail in the various tiers of institutions and less formal arrangements which constitute global governance? What is the relationship between economic structures and political authority (loosely defined) in the ongoing and accelerating process of global change?⁴⁹

This question is central because it encapsulates what the field has come to be about in all its diversity. It brings together debates about actors, structure and agency, about the nature of the domestic-international relationship, and about which issues should be on the research and policy agendas. And the core institution of political authority remains the state, however embattled, embedded as it is in the fabric of the global and the local. What do we think a state is, what do we think a market is, and how, if at all, are they/should they be related? Even if one focuses on formal patterns of political authority, in particular the state, one should be drawn to investigate how it is situated in the wider (increasingly transnational) social context, how public and private interact, how the politics and markets interact. This leaves ample room for normative concerns such as who should get what and how, the appropriate nature of governance, and guidance as to how we might improve the global order.

IPE in the new millennium

If the relationship between political authority and markets is the core question, this section argues that the discipline must move beyond mere invocation in terms of dealing with it. For too long, scholars have either merely invoked the interrelationship in terms of mutual effects, or assumed it. Either way, the relationship has not been adequately conceptualized. This is important, because

⁴⁹ Once again, the point Susan Strange made so long ago in "The study of transnational relations", *op. cit.*, 1976.

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the way we conceptualize political authority, the market, and their relationship affects how we respond to them, what we can do with them in terms of policy both within and beyond the context of state decision-making. It affects how we can change global order, and for what purposes.

The problem is as follows. If most IPE literature insists that political authority and markets are interdependent and cannot be considered in analytical isolation one from the other, the relationship is usually portrayed as one of interdependent antagonism. Political logic, particularly the logic of states, pulls in one direction. Economic logic, the logic of the markets, pulls in another. Political expediency or legitimacy may be invoked to override market forces, or market forces may defeat attempts at political definition of outcome, but either way, states and markets exist in antipathy to each other. They may affect each other in reciprocal fashion, but they remain separate processes within the wider social whole.

One may illustrate this problem by looking at how specific approaches to IPE have characterized the state-market relationship, starting with the relative polarization of liberal versus realist thought on the question of transnational integration and its effects on the state. Liberal scholars (particularly in neo-classical economics) have fostered much discursive advocacy of the market as an organising principle for our developing world political economy. In a long tradition of liberal idealism, advocates of the global market view it as an escape from the disabilities of politics,⁵⁰ and a march towards the natural and spontaneous order of the Austrian school,⁵¹ underpinned by the harmony of interests which Adam Smith was convinced could be allowed to flourish under certain carefully nurtured conditions.⁵² While Smith himself was ultimately sceptical about the possibility of preventing the eventual corruption of a market economy into a series of rent-seeking arrangements sponsored by the market actors themselves,⁵³ others have rushed in where Smith was very careful to tread.

⁵⁰ Walter Wriston, in *The twilight of sovereignty* (New York: Scribner, 1992), argues that the global integration processes driven by the rapid growth of information technology spells, if not the end of the nation-state as such, a rapid and beneficial dilution of state power over space and peoples; see particularly chapter 8, 'Borders are not boundaries'. Kenichi Ohmae argues from a more conventional standpoint, arguing that contemporary business strategies and the rise of consumer choice has produced an increasingly interlinked economy bypassing traditional state functions, a process once again characterized as fundamentally liberating. See *The borderless world* (London: Collins, 1990) and *The end of the nation-state: the rise of regional economies* (London: HarperCollins, 1995).

⁵¹ See F. A. Hayek, *The constitution of liberty*, (London: Routledge & Kegan Paul, 1960); *individualism and economic order* (London: Routledge & Kegan Paul, 1949); K.R. Leube and A.H. Zlabinger, eds, *The political Economy of freedom: essays in honour of F. A. Hayek*, (Vienna: Philosophia Verlag, 1985).

⁵² Claudio Napoleoni, *Smith, Ricardo, Marx*, (Oxford: Basil Blackwell 1975), p. 30. See also Adam Smith, *An inquiry into the nature and causes of the wealth of nations*, ed. by Edwin Cannan (New York: The Modern Library, 1937), e.g. p. 99; pp. 118-143.

⁵³ See for example the following passage by Adam Smith (op. cit., p. 250), who was particularly worried about the role of vested interests in the control of the regulatory framework of the market:

The interest of the dealers...in any particular branch of trade or manufactures, is always in some respects different from, and even opposite to, that of the public. To widen the market and narrow the competition, is always the interest of the dealers.... The proposal of any new law or regulation of commerce which comes from this order, ought always to be listened to with greatest precaution....

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Despite the caution of Smith and others,⁵⁴ transnational integration dominated by market processes is often seen as an ideal state of affairs⁵⁵ in which there would be an end to the interference of the sectional interests that characterize most forms political interaction, and the states of the international system in particular. This view is of course underpinned by the usually implicit assumption that states and markets are antithetical organizing principles: hierarchy, power, and coercion versus decentralization, spontaneous interaction, and liberty.

The other side of the debate most typically starts from realist principles in international relations theory and IPE, underpinned by a corresponding (but more often explicit) assumption that the economic and political domains are again separate entities. As Hans Morgenthau put it the sixth of his six principles of political realism: 'Intellectually the political realist maintains the autonomy of the political sphere, as the economist, the lawyer, and moralist maintain theirs'.⁵⁶ Here the argument is that politics will, in the nature of things, dominate economic processes, particularly in the international domain.⁵⁷ It is not surprising that a lively debate exists which pits the tradition of political realism against the 'globalizers' of liberal-idealist heritage. It is a continuation of the realist-idealist controversy that goes back to the interwar period and beyond.

Radicals, with their roots in the marxian critique of classical political economy, have long resisted both positions in this polarized debate. Marxist traditions never abandoned the commitment of classical political economy to situating both state and market institutions in the context of the historical emergence of capitalist social structures. The difficulty in many conceptual formulations by radical theorists has been the tendency to privilege economic structural factors over the agency of political dynamics in the development and transformation of the political economy. The economic and political domains are part of an integrated whole, but the laws of motion of the economic system ultimately determine the outcome in terms of political institutions and policies. This is a problem which the post-structuralist neo-Gramscian school has worked hard to overcome as, in Gramsci's footsteps, they sought to re-emphasize the importance of political agency. Nonetheless, the general criticism of the marxian tradition stands: there is a failure to explain conceptually how the economic structures themselves 'originate, change, work, and reproduce themselves'.⁵⁸

A number of IPE scholars have attempted to get around the problems of these three approaches. They focused typically on the interaction and interdependence of states and markets over time, thus fulfilling the aspiration of IPE

⁵⁴ Such as the renowned interwar realist E. H. Carr, *The twenty years crisis 1919-1939: an introduction to the study of international relations*, (London: Macmillan, 1946), esp. chapter 14 (conclusion).

⁵⁵ Cerny discusses globalization as an ideal-typical discourse in P. G. Cerny, 'Globalisation and other stories: the search for a new paradigm for international relations', *International Journal* LI: 4, autumn 1996, p. 625.

⁵⁶ Hans J. Morgenthau, *Politics among nations* (New York: Knopf, 1956), p. 10.

⁵⁷ Ethan B. Kapstein, in *Governing the global economy: international finance and the state* (Cambridge, MA: Harvard University Press, 1994), has argued that states are still very much in control of the process of global financial integration, working through the cooperative regulatory and supervisory processes of the Basle Committee on Banking Supervision, among others.

⁵⁸ P. G. Cerny, *The changing architecture*, op. cit., p. 15.

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as a discipline to insist that the political and economic domains could not be considered separately. Nonetheless, most once again characterized this interaction of states and markets as a sort of tug-of-war between market forces and state attempts to control or direct them.⁵⁹ It was still a matter of the parts interacting, but not an integrated political economy approach as such. If we really do have a *political economy*, we must demonstrate, empirically and conceptually, how the whole is greater than the sum of its parts, *how* states and markets are integral to each other in the process of governance. If not, as shall be seen, it is impossible to resolve the argument about whether states or markets are really in control, and to explain why both states and markets appear so different today relative to three decades ago.

Perhaps the best known and most insistent on the point was Susan Strange—she was a ‘states and markets’ scholar, as I have argued elsewhere.⁶⁰ Yet even Strange was strong on invocation of the state-market relationship, and relatively short on theoretical explanation. She too invoked the epic struggle between states and markets, arguing that the latter were winning in the contemporary period of transnational integration. This yielded a retreat of the state in the face of market ascendancy,⁶¹ largely self-induced, with grave dangers for the legitimacy and functioning of the global system. Yet we need to take our Polanyi⁶² and the notion of political economy seriously: he argues that the market makes no sense without the state, that indeed the market was structured and enforced by the state. The idea of a separate economic domain without politics was a stark utopia that failed, resulting in surely the greatest human tragedy of the modern period, the depression and the Second World War.

Somehow we need to conceptualize how states are embedded in wider, increasingly transnational social structures; how key socio-economic constituencies of non-state actors are integrated into the institutional processes of states; how the agency of these constituencies, mediated by state institutions, are central to the process of global economic transformation and to the terms of competition among market agents. The claim is that the political economy is something greater than the sum of the state-market parts.

This means that there is still one more and crucial conceptual step to take in order to move beyond the tug-of-war position of state-market dichotomy. The concept of states and markets as separate entities is an often-useful abstraction,

⁵⁹ See for example Robert Gilpin, *The political economy of international relations* (Princeton, NJ: Princeton University Press, 1986); Herman M. Schwarz, *States versus markets: history, geography, and the development of the international political economy* (Basingstoke: Macmillan, 1994), which is particularly useful for putting contemporary developments in historical perspective; and Robert Boyer and Daniel Drache, *States against markets: the limits of globalization* (London: Routledge 1996). It is in fact a small step from some of the contributions in the Boyer and Drache volume to the position argued in this paper, particularly where they draw on the works of Harold Innis and Karl Polanyi.

⁶⁰ In G. Underhill, ‘Global money’, op. cit., p. 126. The discussion here draws on this article, pp. 126–32, and also on G. Underhill, ‘Conceptualizing the changing global order’, op. cit., pp. 16–19.

⁶¹ Susan Strange, *The retreat of the state: the diffusion of power in the world economy* (Cambridge: Cambridge University Press, 1996).

⁶² Karl Polanyi, *The great transformation* (Boston, MA: Beacon Press, 1944).

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but we need to remind ourselves that states and markets are not separate *things* as such. They are part of the same integrated ensemble of governance, a state-market *condominium*, and should be thought of as such. The regulatory and policy-making institutions of the state are one element of the market, one set of institutions, through which the overall process of governance operates. The structures of the market are constituted as much and simultaneously by the political processes of the state and the political resources of the various constituencies involved in the policy process as by the process of economic competition itself; likewise the political and regulatory process is likewise as much part of the strategies of firms as the game of investment and marketing.⁶³ The preferences of market agents and other constituencies of market society are integrated into the institutions of the state through policy and regulatory processes at domestic and international levels of analysis, depending on their individual organizational capacities/coherence, and of course power. The incentives and constraints of state policy and regulation are in turn part of the landscape of firm decision-making, conferring advantages on some and costs on others just as some are more capable of affecting the policy outcome than others.

This can be demonstrated empirically through case material, whether it be on global financial markets or international trade.⁶⁴ The private interests of market agents are integrated into the state, asymmetrically in accordance with their structural power and organizational capacity, through their close relationship to state institutions in the policy decision-making process and in the continuing pattern of regulatory governance of market society. This is particularly prevalent in financial market governance, affecting the terms of market entry, of competition, mode and nature of regulation, and level of openness to capital flows.⁶⁵ What we tend to consider state prerogatives are in turn often delegated to self-regulatory associations of private interests anyway, demonstrating that 'public' responsibilities can be exercised by private bodies in many instances, just as private interests can appropriate public institutions for their own particularistic purposes.

The adjustment process and structure of economic interaction in the political economy is managed simultaneously through the process of economic competition among firms on the one hand, and the policy and regulatory processes mediated by the institutions of the state, on the other. Market agents enhance or protect their position and prosperity by making simultaneous calculations through their business strategies, deploying their competitive resources, and

⁶³ *Ibid.*, pp. 18–25; *passim*.

⁶⁴ See Geoffrey R. D. Underhill, 'Transnationalising the state in global financial markets: co-operative regulatory regimes, domestic political authority, and conceptual models of the state', paper presented to the annual meetings of the European Consortium for Political Research, Bern, Switzerland, 27 Feb.–4 March 1997, and G. Underhill, *Industrial crisis and the open economy: politics, global trade, and the textile industry in the global economy* (Basingstoke: Macmillan, 1998).

⁶⁵ See G. Underhill, 'Private markets and public responsibilities in a global system: conflict and co-operation in transnational banking and securities regulation', in Underhill, ed., *The new world order in international finance* (Basingstoke: Macmillan 1997), pp. 17–49.

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through the deployment of their political resources in the policy processes of the state and in less formal institutional settings. This is clearly visible in corporatist systems in western Europe, where even labour is integrated into both state policy processes and the strategic decision-making of firms, or in the close integration of private firms/associations into the system of bureaucratic management which characterises the economic development process in Japan and other parts of Asia. The point is less obvious to observers of Anglo-Saxon political economies where the independence of the private sector appears more marked than in other societies. But the considerable evidence of 'regulatory capture' of the agencies of governance in the US economy should indicate the need to avoid the stereotypes developed in particularly the economics literature. A market without institutions and governance, including some form of judicial authority or arbitration, is inconceivable. If we all admit that perfect competition is an abstraction from a messy, more prosaic reality of various forms of second best market-fixing, we can begin to see more clearly the reality of the political economy: if the state does not rig the market, private interests will. That the state exists in symbiosis with private interests explains how private interests are integral parts of the pattern of market governance even in so-called 'strong state' systems like France.⁶⁶

Of course this conceptualization of states and markets appears counter-intuitive in our era of global integration increasingly dominated by private sector market processes. The case also appears difficult to support in view of the existence of multiple sovereignties in the global economy. Our contemporary experience of modern capitalism and the prevalence of economic modes of analysis engraves on our intellects the idea of the state-market dichotomy. Yet it is precisely against this sort of orthodoxy that IPE teaches us to rebel. Adam Smith is again useful here—he pointed out that the very public responsibilities of generating and distributing wealth are better accomplished through a free interaction of private economic agents.⁶⁷ Public goals could be accomplished by private agents and (more worryingly in Smith's opinion) *vice versa*. This, however, does not render the economy any less political: one can delegate authority and decision-making power, but one cannot de-politicize the system as such. It remains an ensemble of governance.

There is also nothing surprising in the idea that a transnational market structure, or indeed any market, should have multiple institutional nodes exercising authority in different ways and even with different functions. There is nothing necessarily coherent about the institutions and preferences of the state in this regard, anymore than we would expect coherence across a system of multiple sovereignties. The federal state analogy is useful here. Therefore, we should not misconceive the identifiable institutional/organizational structures

⁶⁶ Underhill, *Industrial crisis*, chs 2–3.

⁶⁷ See discussion in G. Underhill, 'The public good versus private interests in the global financial and monetary system', *International and Comparative Corporate Law Journal* 2: 3 (London: Institute for Advanced Legal Studies).

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of the state as a separate phenomenon external to the dynamics of the market. The phenomenon of multiple sovereignties does not detract from this view—it simply means that the market is structured by multiple sovereignties, legal fictions all, rather than one single institutionalized locus of authority. Again, anyone who lives in a federal state or indeed the European Union should be comfortable with this assertion.

If the process of market structuration is as much a phenomenon of the policy and regulatory processes of the state as it is of the process of competition among firms, then it is not difficult to understand the role of ‘non-state’ private interests, integrated into the complex institutional fabric of the state, in driving the process of global integration. As the pattern of material interests in national political economies has become more transnational, so the state has changed. The state has become far more a facilitator of global market processes than a protector of domestic market structures and interests over the past three decades. The pattern of political authority becomes more transnational in symbiosis with the transformation of the market. The state has progressively delegated a number of tasks either to private bodies or to institutions of international cooperation, though it maintains its functions in terms of domestic political legitimacy and all the tensions that entails.

In this sense what we have seen is not so much a *retreat* of the state in the face of market forces, but a transformation of the state in symbiosis with the transformation of economic structures. We have changing forms of state emphasizing different functions over others, not an emasculation as such. This is akin to Jayasuriya’s argument concerning the transformation of sovereignty: there has been a steady transnationalisation of the institutions of governance of the global political economy.⁶⁸ There may be a retreat of the state from particular activities and functions, but if one properly understands the dynamics of the state–market condominium, it should be clear that the form and functions of the state would continue to evolve as indeed they have in the past.

This argument also implies that the state could claw back (at a cost!) its authority should political and market circumstances make this likely. Political agency, depending on the balance of social forces and their organizational and institutional capacities, can be deployed to liberalize or indeed to invoke closure, as has happened many times in history—humankind does have free will where the market is concerned. The state in the interwar period wrested authority over the market from private actors following the economic collapse and crisis of legitimacy spawned by the Great Depression. The war strengthened this trend as market activity became organised around the function of community survival (expansion in the case of the aggressors) as opposed to private opulence. The more recent marketization of the state and global economy has pushed in the direction of more transnational integration. The

⁶⁸ Kanishka Jayasuriya, ‘Globalization, the law, and the transformation of sovereignty: the emergence of global regulatory governance’, *Indiana Journal of Legal Studies* 6: 2, spring 1999, pp. 425–55.

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question then is not why is the state in retreat, but how long is the current form of state-market condominium sustainable in the face of the increased volatility of the global financial markets?

Conclusion

This article has demonstrated that, in addition to flourishing, IPE has come of age. Its emergence in the contemporary context was an answer to questions which forms of academic specialization, IR and economics, were failing to address, let alone answer. Its emergence was more a revival of older traditions than a new development, but was no less welcome for that. That the discipline emerged in a context of intense scholarly debate, incoherence, and with considerable input from other social science fields is to be welcomed.

Yet IPE does need to be serious about theorizing state-market relationship. The pioneers failed to grapple successfully with this conceptual puzzle. The article went on to argue for a conceptual leap which would generate a genuine political economy approach: abandonment of the interdependent-yet-dichotomous state-market conceptualization, and the adoption of the state-market condominium model. We are all political and economic agents at one and the same time, whatever the historical context. This argument is important because it re-establishes the role of agency, the capacity to make normatively informed policy choices concerning the nature and direction of the current global transformation. We need to focus on whom the political constituencies are which need to be challenged in order to correct the balance of costs and benefits of aspects of global economic integration, particularly the problem of inequality and poverty.

The state-market condominium model therefore operationalizes political economy and infuses the global economic development process with agency. There is room for discretionary policy and action, even for the relatively vulnerable. We can, at least to a limited degree, affect the norms and values that underpin global order. As long as we see only a tug-of-war between the state and the market, then the benefits of one will be overshadowed by the costs of the other. The point is that we cannot have one without the other. They exist in symbiosis. The argument also demonstrates the real importance of Strange's insistence that we should focus not on states and markets as such, but on the interaction of *political authority* and the *market*. Political authority is not just vested in the formal institutions of states and their offshoots of governance such as regimes, but is also present in the agents of the market as part of the state-market condominium. The market *is* governance, even as it appears to work in mysterious, private ways.