International Political Economy (IPE) is a central component of the interdisciplinary field of International Studies. Its current version is only about three decades old. IPE combines primarily the relevant parts of the disciplines of Political Science and Economics. It also draws on relevant facets of other disciplines such as Sociology, Geography, and Women’s Studies to deepen and broaden the analysis. Contemporary IPE is a reconstitution of a field of study that existed throughout the nineteenth century. The generally recognized founder of the older and classical version of IPE is Adam Smith, a Scottish moral philosopher, whose 1776 book *The Wealth of Nations* is considered the originating treatise.

During the nineteenth century the European scholars who followed in Adam Smith’s footsteps created the field of study that is now known as classical political economy. Together they created a field that provided comprehensive social analysis. However, near the end of the nineteenth century, as an integral part of the evolution of the Industrial Revolution, greater and greater specialization permeated all aspects of life. The university was no exception. Consequently, classical political economy was divided into the modern academic disciplines of Economics, Political Science, and Sociology. Thus for most of the twentieth century these subject matters were studied separately. However, by the 1980s the increasing evidence of comprehensive global interdependences could no longer be ignored. The issues that were being studied in disciplinary isolation required a more integrative analysis. Therefore, the field of International Political Economy was recreated (Wolf, *Europe and the People without History*).
In the late twentieth century technological developments in transportation and communications brought the world together in ways that had never before been possible. Thanks to the Internet, international financial transactions could now be carried on instantaneously 24 hours a day, seven days a week. Manufacturing processes could now be located in multiple countries, with the result that it has become almost impossible to tell what the home-production country of any complex product such as an automobile actually is. Transnational corporations operate globally with decreasing loyalty to any particular nation-state. Nation-states, through international organizations such as the World Trade Organization, try to retain some kind of control. Countries such as China and India, which hardly counted just 20 to 30 years ago in the post–World War II world economy, are now major players. Studying a world of such complexity required a new field that could effectively encompass all of these rapidly changing circumstances (Amin et al., “Forum for heterodox international political economy”).

Formally, therefore, International Political Economy is an interdisciplinary social science field of study that investigates, analyzes, and proposes changes in the processes of economic flows and political governance that cross over and/or transcend national boundaries. These flows include the exchange of goods and services (trade), funds (capital), technology, labor, natural resources, environmental pollution, and so on. The field attempts to provide explanations, to evaluate consequences, and to propose possible policy initiatives. Within the field there are competing perspectives that offer different analyses of the same phenomena.

To better understand the origin and development of the field, it should be helpful to briefly recount the historical evolution of the political-economic practices that it studies and the modern intellectual effort to make sense of them.

HISTORICAL BACKGROUND

The subject matter of International Political Economy has a long history. In fact, one of the main subjects, long-distance trade, goes back thousands of years. During this long period trade has served as a major means of exchanging commodities, accumulating wealth, diffusing ideas, imposing control, and spreading religion. Organized long-distance trade was engaged in by many civilizations, starting 6,000 years ago with the Assyrians, who established regular trade between Mesopotamia (Iraq) and Anatolia (Turkey) to the west and India to the east. One thousand years later the Phoenicians (in what is now Lebanon) established the first civilization based predominantly on trade. Within another thousand years the first known laws regulating trade and commerce were promulgated in Babylon,
as part of the Hammurabi Code. Long-distance trade was a very lucrative but dangerous activity, and both the merchants and states who gained from the trade had a strong interest in protecting it. One of the most interesting examples of this connection was the overland trading route from China to the eastern Mediterranean that has come to be called the Silk Road. It was at its safest and most dependable when the Mongol Empire controlled its entire length. For more than a thousand years the camel caravans on the Silk Road provided the most cost-efficient method available of transporting high-value goods. Ocean-going ships did not become competitive until the thirteenth century, when significant technological developments in ship design, construction, and navigation took place in both China and the Italian city-states (Chanda, Bound Together).

However, largely due to the state of transportation technology, the long-distance trade carried on for several thousands of years by these pre-modern civilizations was mostly limited to high-value goods for the benefit of the elite, such as silk, spices, ivory, and precious metals. Furthermore, most people would not have had any direct contact with the traders or the commodities traded, as around 90 percent of the population lived in small villages and gained their livelihood from agriculture. However, influences from trade did diffuse out to the countryside, religion being one example. Chanda argues that traders are especially comfortable spreading religions that claim universal applicability, since they have to deal with people of many different cultures, countries, and languages. The first religion to follow this path was Buddhism, the second was Christianity, and the third was Islam. In fact, Mohammed himself was a merchant and trader (Chanda, Bound Together).

Besides long-distance trade, markets are another example of institutions that have been around a long time. However, when people in pre-modern, rural-based societies spoke about markets, they were not referring to the larger realm of economic activity, as would be the case today. Instead markets were once-a-week gatherings in the region’s biggest village or town where people brought their chickens or turnips or wooden benches to exchange, often through bartering, for something they needed.

The pre-modern market was a place, and its only purpose was the trading of commodities. Sometimes, in pre-modern times, especially in the larger markets such as those in Baghdad and Rome, slaves were among the “commodities” traded, but the numbers were small. In medieval Europe trading in the marketplace was supposed to be conducted at the “just price,” that is, the seller was supposed to only recover costs, nothing more. Official Church morality frowned upon merchants who made their living from trade. Morally speaking, money-lending was even worse. At that time Christianity shared with Islam the condemnation of usury, the extraction of presumably undeserved interest payments from borrowers (Heilbroner, The Making of Economic Society).
The extent and intensity of long-distance trade varied over time, reflecting the relative strength and objectives of the involved governments and peoples. Trading centers and routes had to be protected from bandits and arbitrary confiscation. With the collapse of the Roman Empire in the fifth century, European-wide trade contracted significantly. But by the eighth century the Vikings had established a trading network stretching from Scandinavia to Constantinople. Arab trading, centered in the Middle East, was most active in the tenth to thirteenth centuries, encompassing most of the known world including southern Europe, northern and eastern Africa, and central, southern, and southeastern Asia. The spread of Islam follows quite closely the geographic spread of this extensive trading network. In the Baltic and North Sea area the Hanseatic League of northern European cities dominated trading from the thirteenth to the sixteenth centuries. In the 1400s the Chinese had the biggest ships and the largest merchant fleets in the world, but they allowed their control of the ocean-going trade in Asia to slip away when the Emperor decided to focus the regime’s economic energies inward. The trading prowess of the Italian city-states in the Mediterranean area reached its peak in the fifteenth century (Landes, *The Wealth and Poverty of Nations*).

Not until the fifteenth and sixteenth centuries did Western Europeans begin to embark on expeditions and conquests that would result in a truly global trading network. Thanks to developments in navigation, ship-building, and military technology (especially cannons), the Portuguese began exploring the world and establishing trading enclaves in Africa, Asia, and South America. Their basic technology was borrowed from the Arabs, who had occupied southern Spain and Portugal for 500 years. The Arabs in turn had acquired some of their knowledge from the ancient Greeks and Chinese. For instance, the invention of the compass, an important navigation instrument, has been attributed to the Chinese. These pre-modern connections demonstrate that there was a diffusion of information and commodities over long distances, but there was not yet an integrated global political-economic system.

The symbolic date of the beginning of the establishment of the first global economy is 1492, when Columbus arrived in the Caribbean. Columbus was financed by Spanish royalty, who were actually more interested in finding (and stealing) gold and silver than in finding a direct trading route to the spices, tea, porcelain, and silk in Asia. In an act of royal arrogance, the Spanish and Portuguese kings divided up the world between them. Columbus headed west across the Atlantic for Spain while the Portuguese ships sailed around Africa. The ostensible objective of these expeditions was a trading route to the luxurious commodities of the East that avoided the merchants of the Middle East and the Mediterranean, who always took a substantial cut of the trading profits. The Spanish had a special interest in gold and silver because these precious metals were the basis of
wealth, the means with which to buy the consumption goods necessary for better living and war-making. Both kings experienced successful results. Portuguese ships made it to the Indian Ocean and beyond. Meanwhile the Spanish were so successful in their acquisition of gold and silver from the Americas, especially from Mexico and Peru, that by the seventeenth century the European money supply, which was based on gold and silver, had doubled. Many observers believe that this massive transfer of wealth was crucial in the ultimate rise of the European economies to global pre-eminence. An indigenous Latin American leader recently made the claim that if the Europeans were to return these precious metals in bullion form to their original home with 500 years of compound interest, the weight would be greater than that of the planet earth (Guaicaipuro Cuautemoc, in Simms, *Ecological Debt*).

Whereas the Portuguese initiated global trading in the 1500s, it was the Dutch and then the English who really developed the global trading system in the 1600s. They initiated a system of credit, built large fleets of ships, greatly expanded the colonial production of cash crops such as cotton, tobacco, and sugar, gave monopoly franchises to trading companies, and militarily defended their global reach. Even though private firms were involved, the key instigator of the system was the state. This state-run commercial expansion was known as mercantilism. State-sanctioned monopolies, or exclusive franchises, gave the trading companies the “right” to establish colonies, which at first were small port enclaves and later encompassed whole countries. The most famous of the trading companies were the English East India Trading Company, which colonized India, and the Dutch East India Trading Company, which colonized the group of islands in Southeast Asia that is known today as Indonesia. Located within the Indonesian archipelago was one of the biggest prizes of that time, the Spice Islands, which were the world’s only source of nutmeg, cloves, and mace (Landes, *The Wealth and Poverty of Nations*).

Even though the initial impetus for the colonial trade system was access to the highly desired commodities of Asia—spices, tea, silk, porcelain, and so forth—the most profitable endeavor turned out to be the so-called triangular trade between Europe, Africa, and the Americas. Sailing south, the Europeans traded guns and other small manufactured goods for African slaves. From there, going west, slaves were brought to South America (especially Brazil), the Caribbean, and North America, where they provided labor for the cash-crop plantations of sugar, tobacco, and cotton. The cash crops were then shipped back east to Europe in exchange for small manufactured goods and food. This cash-crop juggernaut lasted for several hundred years, devastated the lives of millions of people, and destroyed the environments of many areas. For example, the land in many Caribbean islands was totally dedicated to sugar cane cultivation, which required the destruction of all forest cover and other agricultural crops. Some places,
such as Haiti, have never recovered. However, the triangular trade made the successful merchants and the states that sponsored them very wealthy. In the early mercantile period annual returns of 50 percent, especially on sugar, were possible. The ultimate winners were the commercial and government elites in Western Europe, especially the English, the Dutch, and the French (Blaut, *The Colonizer’s Model of the World*).

Despite their early leadership role in trade and technology, the Spanish and Portuguese lost their dominant position by the seventeenth century. Their economies and their trading practices did not keep up with those of their rivals, partly due to the intolerance of the Inquisition. Starting in the sixteenth century the Spanish king and the Catholic Church imposed a regime of strict religious requirements. All those who were deemed non-Christian or insufficiently orthodox were either deported or tried in the Inquisition courts. Merchants, money-lenders, and scholars were targeted, especially since many of them were Jews. As the business and intellectual elites fled, were jailed, or were executed, the Spanish and Portuguese economies went into a slump that was to last for several hundred years (Landes, *The Wealth and Poverty of Nations*).

Mercantilism paved the way for the really profound economic transformation that began in the eighteenth century, initially in the United Kingdom. That massive change, which was destined to sweep over the whole earth, affected all of society, not just a small elite. It was called the **Industrial Revolution**. Thanks to the adoption of new energy sources, new production methods, and many inventions, especially the steam engine, production efficiency increased enormously. In some areas, such as steel production, this increase was two-hundred-fold. It was the defining transformation that created the modern world.

Since the Industrial Revolution is still under way as part of the globalization process, it is instructive to inquire what were the circumstances that came together in eighteenth-century England to generate the world’s first experience of industrialization. It’s an interesting inquiry because although many of the same circumstances had been in place in China many hundreds of years earlier, the Industrial Revolution did not happen there. Scholars have therefore sought to identify the historical conditions that facilitated the emergence of the unique set of technological and societal breakthroughs known as industrialization. It might have been necessary for all of the conditions to be present simultaneously. We do not really know. Listed below are the historical circumstances that have been identified as playing a contributory role in the creation of the first Industrial Revolution in England (Bernstein, *The Birth of Plenty*; Heilbroner, *The Making of Economic Society*; Landes, *The Wealth and Poverty of Nations*):

1. **Increases in agricultural efficiency**. Because of the adoption of new technologies and new crops, and the commercial consolidation of
farming land via the enclosure process, higher yields were achieved with fewer farmers. More efficient agriculture freed up labor and capital resources for use in the building of the industrial economy. The enclosure process of the seventeenth and eighteenth centuries was a victory of private property law over customary rights to hold land in common. Lands that peasants had previously used in common for grazing and other agricultural purposes were fenced off, that is, “enclosed,” as they were designated the private property of landowners.

2 Middle-class revolution. In 1688 England experienced the first European middle-class revolution, which gave more political power to merchants and the guarantee of the protection of private property from arbitrary government seizure. Because of this greater property security, merchants were more inclined to invest in industrial ventures. Some observers believe that the establishment of an effective legal system that protected both property and liberty was the key foundation. The more famous and comparable French Revolution did not occur until 1789, more than 100 years later.

3 Openness to technology and science. Already in the 1600s the English were welcoming science and honoring inventors. This trend was formalized in 1662 with the establishment of the Royal Society of London for the Promotion of Natural Knowledge. In most other countries at the time, the religious and political establishments considered scientific innovations as threats to their authority. In England, however, scientific and technical discoveries were put into print and widely distributed.

4 Financial system. At the initiative of a Scottish businessman, the English established the first national central bank (1694) and a relatively stable system of credit and money. The existence of flourishing capital markets in which those wishing to build manufacturing plants could borrow at reasonable rates encouraged economic development. Though the financial innovations came first from the Italians and then the Dutch, it was the English who first developed a truly national financial system. One of the innovations the English copied from the Dutch was the regular provision of financial information. Starting in 1697 traders had access to publications that followed the prices of stocks, government bills, and foreign exchange.

5 Natural resources. Besides being an island with plentiful rainfall and navigable rivers, Great Britain possessed the key raw materials for the beginning of the industrial system of production: coal and iron ore.

6 Wealth transfer. Through trade, a superior navy, piracy, and colonial extraction, the English had developed a dominant system of
obtaining the wealth and raw materials necessary to promote their industrialization. One of those raw materials was cotton, which initially came from their North American colonies and later from India and Egypt. Many Spanish galleons loaded with gold and silver were hijacked by English pirates.

7 **Nation-state.** The English were the first to effectively implement the principles established in the 1648 Treaty of Westphalia. In particular, the government exercised full territorial control within its recognized borders by eliminating internal barriers to trade and imposing standardized systems of measures, money, governance, and language. They also built a national transport system of canals and roads that facilitated commerce. By contrast, Germany did not come together as a nation-state until the nineteenth century, which delayed its industrialization.

8 **Market society.** Great Britain had the first nationally integrated market economy functioning within its borders. In order for a comprehensive market to work, all of the ingredients in the economy must be considered available for sale in the market. That especially meant making land and labor available for sale at a price determined by supply and demand. In other words, land and labor had to be transformed into commodities so that they could be bought and sold in the same way that a bushel of wheat or a bolt of cloth was bought and sold. Great Britain was well on its way to becoming a market society by the middle of the eighteenth century. As pointed out above, having a market society is very different from just having a number of localized market places.

9 **Favorable religion.** During the Middle Ages, Catholic doctrine taught that seeking material gain was immoral. This stance is antithetical to the market/capitalistic system, which is driven by individuals seeking material gain. Consequently, a moral revolution had to occur if a market society were to come into being. This moral revolution did occur thanks to the Protestant Reformation of the sixteenth century. England became and remained Protestant by a series of historical accidents, in particular King Henry VIII’s break with the Pope over his wish to get approval for his divorce. Thus, over time, the United Kingdom developed a religious environment that facilitated the necessary changes in moral values, including not only the acceptability of material gain as a motive in personal and business behavior, but also the tolerance of empirical science and technological change.
CLASSICAL POLITICAL ECONOMY

Whenever a society experiences this kind of pervasive change in all of its major institutions, its intellectuals set out to make sense out of what is happening. Three new institutions that required explanation were:

1. the worldwide system of trade and investment;
2. the industrial system of production; and
3. the market system of decision-making.

In the process of writing pamphlets and treatises to explain the nature of these new institutions, a new field of study was invented. As mentioned above, one of the first and most important scholars in this endeavor was Adam Smith (1723–1790). Smith had no way of knowing that his creative masterpiece, *The Wealth of Nations*, would become the foundation for a whole new field of knowledge. That field would eventually be called Political Economy. In time Adam Smith and other pioneers who followed him would become known as the classic scholars of this field. The reign of classical political economy lasted from about 1770 to 1890. From its beginning, Political Economy tried to make intellectual sense of this new set of decision-making institutions—the nation-state, the all-pervasive market, complex financial systems, newly emerging forms of business organization (especially the corporation), and capitalism itself (Heilbroner, *The Worldly Philosophers*).

**ADAM SMITH**  
**1723–1790**

Scottish moral philosopher. His 1776 book, *The Wealth of Nations*, is considered the originating treatise in classical and neoclassical economics. Famous for inventing the concept of the self-regulating market and for using the phrase “the invisible hand.”

One of Adam Smith’s great contributions was his explication of the **self-regulating market**. He argued that a competitive, demand-and-supply–driven market could make decisions for a nation’s economy without the intrusions of government guidance or business control. He called this market-organized decision-making system the “invisible hand.” He considered the competitive market an exceptionally positive mechanism, as it forced businesses to produce the goods and services that people really wanted and to sell them at the lowest possible prices. Furthermore, Smith thought that these desirable social outcomes solved a difficult moral dilemma. Smith believed that though the market was driven by individuals
seeking the highest material gain (a morally suspect motivation), the positive outcomes of the competitive market for the whole society justified the self-interested motivations of the individual participants. Not only would members of the society get more of what they wanted at reasonable prices, but also there was a built-in proclivity for continuous economic expansion. That occurred because businesses were responding to real economic opportunity, not monopolistic price-gouging or governmental favoritism. Consequently, Adam Smith was optimistic about the future of the market society because he believed that it would raise the standard of living across the board (Heilbroner, *The Worldly Philosophers*).

It followed from his belief in competitive markets that Adam Smith was opposed to the state-franchised trading-company monopolies of mercantilism. He also opposed the state protection of local producers via taxes (tariffs) on imports of cheaper products from other countries. The most infamous example of this protectionism was the so-called Corn Laws, which imposed tariffs on the importation of grain into the United Kingdom. They had been in place for several hundred years during the whole period of mercantilism. They were not fully repealed until 1849, nearly 60 years after Adam Smith’s death. After their repeal, England became the major promoter and supporter of a global free trade regime that involved most European countries and their current and former colonies. This British-led free trade regime lasted until the beginning of World War I in 1914. Because of the worldwide extent of trade and investment during the period 1850 to 1914, it was known as the first era of globalization.

Adam Smith also challenged another central tenet of mercantilism, namely, what constitutes the best indicator of a country’s wealth. Mercantilists focused on the store of precious metals, especially gold. Gold was earned when countries sold more than they bought, because those on the short end had to make up the difference with gold. The winners had a favorable balance of trade, that is, they had more exports than imports. As a consequence they accumulated larger stores of gold. Smith argued that a country’s real wealth is not its stockpile of gold but its capacity to produce. The more goods and services a country has the means to make, the better off its population and the greater its security. One cannot eat gold, nor fight a battle with it. Once gold is expended, it’s gone. But once a country has developed its ability to produce, it turns out goods and services year after year. Of course, gold could be used to finance the development of a country’s production system. And that is what the English did, in contrast to the Spanish, who did not understand Smith’s insight. The Spanish frittered away their substantial gold reserves on massive military expenditures and luxurious consumption.

England had already demonstrated its superior production abilities by the time that Smith was writing, but his views were overwhelmingly confirmed by the production expansion brought about by the Industrial
The field of study known as “IPE” began with the publication of Adam Smith’s Wealth of Nations in 1776. However, gold did not go away. In fact, it remained the basis of monetary systems, both within and between countries, for almost 200 years after the publication of his monumental book. London was not only the center of the most powerful production system in the world, but also the center of the world’s gold-based financial system until 1914. The United States played the same role from 1945 to 1971, when the world economy weaned itself away from gold (Heilbroner, The Worldly Philosophers).

With the emergence of the more specialized social science disciplines in the late nineteenth century, the question became which one would claim Adam Smith as its founder. The answer was the new discipline of Economics. Economists set out to elaborate on Smith’s self-regulating market, focusing on detailing the decision-making processes associated with production and distribution. The political and social dimensions were largely left to other disciplines. Of course, there were scholars who considered themselves economists, such as Thorstein Veblen (1857–1929), who resisted this narrow focus. But they lost out to the school of thought that has come to be called neoclassical economics. The “neo” before classical recognizes that this new disciplinary perspective significantly differs from the broader classical tradition. The neoclassical economists developed a tightly deductive model of how a market makes decisions. They relied on more mathematically precise formulations; and they went beyond the classical political economists, who identified labor as the essential source of value in the production process, by adding capital and natural resources as independent creators of value. Economists share Smith’s belief in the market’s superior qualities as a decision-making mechanism. As the discipline has grown and evolved over its approximately 130-year existence, its members have developed a highly articulated world view that specifies how they understand the workings of a market economy and what policies should be followed in order to maximize its inherent efficiencies. The underlying market model of neoclassical economics forms the basis of the first school of thought in IPE that this text will present.

Over the course of the nineteenth century Adam Smith was followed by a number of great classical thinkers. The first who is of special interest to us is David Ricardo (1772–1823). Ricardo was a successful trader in the financial markets and a member of the British Parliament. His family history traces the shift of technological and financial leadership in the sixteenth to eighteenth centuries in Europe. His ancestors were Portuguese Jews who had escaped the Spanish and Portuguese Inquisition by migrating to the Netherlands. When the economic leadership of the Netherlands began to fade, the family moved to the new leading country, England. In contrast to Adam Smith, who was optimistic about the equitable distribution of the growing income from the market-industrial society, Ricardo was pessimistic. He thought that those who own a scarce and limited resource—land, in his day—would reap unequal benefits while...
others would suffer. Ricardo was one of the authors whom an English essayist of the time had in mind when he labeled Political Economy the “dismal science.” However, Ricardo agreed with Smith on the advantages of free trade, even coming up with a more sophisticated justification for it called “comparative advantage” (Heilbroner, *The Worldly Philosophers*). It will be further discussed in the next chapter.

DAVID RICARDO  
1772–1823  
Classical political economist whose pessimism about equity in income distribution helped Political Economy acquire a reputation as the dismal science. Also a successful London trader, who is probably best known as the inventor of the theory of comparative advantage.

Ricardo can also be considered the father of a modern, but much smaller, school of thought, the neo-Ricardians. It is based on his insight that the market does not necessarily create a fair and equitable distribution of income. The modern scholarly architect of this school is an Italian, Piero Sraffa (1898–1983). Sraffa spent most of his professional life in England because of intellectual oppression in his home country. Both Sraffa and Veblen rejected the narrow market approach of the neoclassical economists. The scholars who followed Veblen’s lead have been called institutionalists. By putting the insights of the two schools together, it is possible to create a coherent world view that pays primary attention to the role of power, that is, organizational politics, whether those organizations are governments or corporations. This combined world view of the neo-Ricardians and the institutionalists becomes the second school of thought that this text presents. The members of this school have also created a model of how things work in the political economy. The scholar who has done the most to create that model is John Kenneth Galbraith (1908–2006). This text calls it the multi-centric organizational (MCO) model.

After Adam Smith and David Ricardo, the third great classical political economist who is of special interest to us is Karl Marx (1818–1883). Because he lived later than Smith and Ricardo, he observed more of the development of the Industrial Revolution and its spread around the world than either of his predecessors. Even though he was born and educated in Germany, Marx spent most of his professional life in London, at the center of the Industrial Revolution. He came to England, as did many others, to escape intellectual oppression. Marx earned some small fees as a freelance journalist; in fact, one of the newspapers that Marx wrote for was *The New York Tribune*. But his major financial support came from his close collaborator, Friedrich Engels. Marx died before neoclassical economics became the dominant point of view in England and the United States, but he was critical of what he called “vulgar economics.” He saw the market as
a mechanism of exploitation and not a liberator, as Smith and his followers saw it. However, Marx agreed with his fellow classical political economists that it was foolish to separate politics from economics analytically because societies can be understood only in their holistic interconnectedness and in their historical context. The historical context on which he focused was capitalism. Marx developed his own model of how capitalism works, what was wrong with it, and what was going to happen to it (Heilbroner, *The Worldly Philosophers*). This text identifies it as the capitalist mode of production model, and it is the centerpiece of the third world view that will be presented, classical Marxism.

**KARL MARX**

1818–1883

Last of the great classical political economists. Founder of the major school of thought critical of capitalism. Born and educated in Germany, but lived and wrote in London from 1849 until his death. Worked as a journalist, serving as the European correspondent for *The New York Tribune*. Famous for *The Communist Manifesto*, which he wrote with his long-time collaborator Friedrich Engels in 1847, and for his three-volume work on capitalism, simply titled *Capital* (1867, 1885, and 1894).

Therefore, three different and competing world views are descended from Smith, Ricardo, and Marx, respectively. They compose the analytical core of the field of International Political Economy. Though all three scholars were a part of classical political economy, they have spawned three quite different perspectives. Smith is associated with the market model of neoclassical economics. Ricardo is associated with the organizational power model of institutional political economy. Marx is associated with his critical model of capitalism and subsequent elaborations. The three schools of thought differ on many dimensions. For instance, on the dimension of who are the central actors in the political economy, the market school sees them as individuals; the institutional school sees them as organizations; and the Marxist school sees them as classes. Consequently, whatever issue one picks in the realm of international political economy, such as trade, or investment, or equity, or economic growth, or ecological sustainability, the three world views will have different ways of explaining how they work and how they should be addressed.

The overriding purpose of the following chapters is to explicate these three perspectives, the differences between them, and their implications. Each world view and its model will be covered in two chapters. The first chapter articulates the underlying model. The second chapter demonstrates how the model has been or could be applied in actual current global circumstances. Finally, a summation chapter will juxtapose the three world views in comparisons of their approaches to several key issues: trade, transnational corporations, development, and the environment.
REVIEW QUESTIONS

1. What are the ways in which trade connects peoples?

2. Discuss the configuration of conditions that facilitated the emergence of the first Industrial Revolution in Great Britain.

3. Explain the historical conditions that are related to the emergence of classical political economy in the nineteenth century and International Political Economy in the twentieth century.

4. Why is Adam Smith considered such an important person? Present his key ideas.

5. On what key ideas did Adam Smith agree with David Ricardo and Karl Marx? On what ideas did they disagree?

6. What is the field of study known as “IPE?”

7. Briefly describe the three contrasting perspectives in IPE that will be presented in this text.

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