

Orient Longman

GLOBAL

UNDERSTANDING

POLITICAL

THE INTERNATIONAL

ECONOMY

ECONOMIC ORDER

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Global Political Economy

UNDERSTANDING THE INTERNATIONAL ECONOMIC ORDER

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Preface

SINCE PUBLICATION of my book, *The Political Economy of International Relations*, in 1987, the international economy has experienced a number of fundamental changes.¹ These changes include the end of the Cold War and the victory of democratic capitalism over authoritarian communism, the rise of the information or Internet economy, and the triumph of neoliberal market-oriented economic ideology (deregulation, privatization, and a decreased role for the state in the economy). Important technological advances in telecommunications, transportation, and information technology have significantly increased the interdependence of national economies. These several developments have transformed the international economy and ushered in a new era of economic globalization.

In addition to these important steps toward the creation of a truly global economy, since the mid-1980s the world has also witnessed the extraordinary growth of economic regionalism as a countermovement to economic globalization.² Western Europe has been the leading player in what Jagdish Bhagwati has called the "Second Regionalism."³ The North American Free Trade Agreement (NAFTA) and less formal arrangements in Pacific Asia have, along with the European Union, moved the world toward regional economic arrangements. Regional and other important developments in the real world of economic and political affairs have been accompanied by innovations in economic theory that are highly relevant for an understanding of international political economy (IPE). Theoretical innovations include the "new growth theory," the "new economic geography," and the "new trade theory."⁴ Taken together, these novel theories constitute

¹ Robert Gilpin, *The Political Economy of International Relations* (Princeton: Princeton University Press, 1987).

² The historic tension between the forces of unification and of fragmentation is the subject of Ian Clark, *Globalization and Fragmentation: International Relations in the Twentieth Century* (New York: Oxford University Press, 1997).

³ Jagdish Bhagwati and Arvind Panagariya, eds., *The Economics of Preferential Trade Agreements* (Washington, D.C.: AEI Press, 1996), 2

⁴ Although I discussed the new trade theory or theory of strategic trade in my 1987 book (see footnote 1 above), I did not consider it in detail; nor did I consider it in conjunction with the new growth and economic geography theories.

a significant contribution to our understanding of the political economy of international relations. Thus, both real world and theoretical developments have set the stage for this book's interpretation of global political economy.

At one point in my work on this book, I intended it to be a second edition of my 1987 book. However, I eventually realized that the political, economic, and theoretical changes mentioned above, as well as changes in my own thinking about international political economy, warranted a wholly new book on the subject. This book should be considered a complement to my recent book, *The Challenge of Global Capitalism: The World Economy in the 21st Century* (2000).⁵ Whereas the latter book is primarily an analysis and discussion of the post-Cold War international economy, the present work is more theoretical and focuses more directly on IPE. The overlap of the two books is modest and is confined mainly to a few chapters dealing with policy areas such as trade and money.

In preparing this book, I have benefited greatly from the support and assistance of many institutions and individuals. My most important debt is to the Woodrow Wilson School and the Center of International Studies of Princeton University for their financial and other support. The Abe Fellowship Program, funded principally by the Japan Foundation Center for Global Partnership, also generously supported my research. I also wish to thank the John Sloan Dickey Center for International Understanding at Dartmouth College and its director, Michael Mastanduno, for providing me with an intellectual home during the winter term 1998. Special thanks are due to Joanne Gowa, Robert Keohane, and Atul Kohli, who gave me excellent comments on an early version of the manuscript. Seminars sponsored by the Dickey Center, the Department of Political Science of MIT, the Department of Political Science at the University of Vermont, the Central European University (Budapest), and the Department of Political Science at Boston College enabled me to receive outstanding criticisms of my ideas. Special thanks are due to Charles Myers of Princeton University Press, especially for his patience with missed deadlines and other trying experiences with the author as he shepherded this book through the Press and also to Joan Hunter for her expert and conscientious copyediting of this book. Last, but not least, special thanks are due to my wife, Jean. In search of errors, duplications, and improved clarity, she and I have read aloud the text more times than I care to remember. Such a practice is a strain on a marriage, but hopefully it improves the quality of the book.

⁵ *The Challenge of Global Capitalism: The World Economy in the 21st Century* (Princeton: Princeton University Press, 2000).