Overview of International Political Economy

- Theory-Building and Evaluation
  - A theory is a statement of relationships among variables
  - Variables are concepts, defined by the analyst, that can take more than one value

- Theories are abstractions of the real world. They simplify in two ways:
  1. Focus on a limited number of variables
  2. Make “unrealistic” assumptions
• When is a theory a “good” theory?
  – Accurate, insightful predictions
  – Use “history” to find patterns which bear on predicted relationships (cannot conduct controlled experiments)
• Variables in foreign economic policy
  – Pressures from the global environment
  – Interests of organized groups, political parties, politicians, and bureaucrats. Structure of political institutions.
• **Levels of analysis (Int’l vs. Domestic)**
  – Choice of level depends on question
  – Some questions may require “2-level” analysis

• **International Approaches**
  – Realism (Hobbes)
  – Liberalism (Kant)
  – Marxism (Karl not Groucho)

• **Domestic Approaches**
  – Societal (groups, classes, political parties)
  – Statist: (politicians, bureaucrats, political institutions)
• **Assumptions: Int’l Approaches**
  1. Unit of analysis = nation-state (ignore everything within countries).
  2. Behavior = Nation-states are “rational.”

• **Assumptions: Domestic Approaches**
  1. Unit of analysis can be voters, interest groups, political parties, members of congress, bureaucrats, etc.
  2. Behavior = all are rational.
  3. All politics is local (int’l factors are important only as they affect domestic politics).
International Approaches
(outcomes determined by global environment)

REALISM
| distribution of "power" in the int'l system

LIBERALISM
| incentives to cooperate in the int'l system

MARXISM
| distribution of econ power in the int'l system

Domestic Approaches
(outcomes determined within nations-states)

SOCIETY
| Voters
| Interest groups
| Political Parties

STATE
| Politicians and bureaucrats
| Political Institutions