Analytical Approaches:
Global Governance and Domestic Politics

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An outline of the lecture

- Group Presentation in Thematic Classes
- The Theory and Reality of IPE
  - Global governance
  - International politics
  - International economy
  - International institutions
  - International norms
- Domestic political economy
  - The formation of domestic preferences
  - The roles of domestic institutions
Group Presentation in Thematic Classes

- Contents of the group presentation
  - Related chapter in *Global Political Economy*
  - Pre-assigned current issues

- Chapter 8 for Group 3
  - ‘The Evolution of International Monetary and Financial System’

- Current issues for Group 4
  - ‘US interest rate and developing economies’
The theory and reality of IPE

- Four major IPE theories
  - Realism: state/national interests
  - Liberalism: state interdependence
  - Marxism: inequality between developed and developing countries
  - Constructivism: ideas (knowledge), values, norms, and identities

- The reality of international political economy
  - Different aspects of the same phenomenon
  - Different stages of the same process
  - The possibility of multiple theoretical explanations

- ‘It does not matter who holds which opinion, but it does matter which opinion is worth holding.’
Structure and agency in IPE

- The relationship between structure and agency
  - The structure constrains the behaviour of agency
  - Active agency reshapes, and even creates, the structure

- The structure of international political economy
  - Anarchy or hierarchy; unipolarity, bipolarity or multipolarity
  - International/regional institutions

- The agency of international political economy
  - State
  - Multinational corporations
  - International organizations
  - (International) NGOs
The global and the domestic in IPE

- The global and the domestic
  - The (nation) state: a middle ground between the two

- The global in international political economy
  - International political structure
  - International economic order
  - International institutional settings
  - International law/norms

- The domestic in international political economy
  - Domestic politico-economic preferences/interests
  - Conflict and coordination among local groups
  - Domestic institutions
  - Public opinion
Global governance

- International political economy and globalization
  - International trade and international finance
  - Closed domestic economy: unrealistic

- Global governance
  - Global governance in trade, finance, environment, health, etc.
  - The roles of international norms (to be explained)
  - Participating in global governance

- The actors of global governance
  - International institutions (e.g., WTO, IMF, WHO)
  - International NGOs (e.g., Greenpeace, Human Rights Watch)
  - Economic and political powers
International politics

- The perspective of international politics
  - War and peace, the geopolitical context

- Political foundation of international economic order
  - The structure of international economic order
  - Path-dependence and its implications

- The state and international economy
  - State preferences: survival and political power, economic growth and national wealth, and social stability
  - The state as rational actor based on its capability

- The state and the international economic order
  - Shaping and being shaped
International economy

- The perspective of international economy
  - Technological development and economic potentials
  - Global macro-economic factors

- The state constrained by globalization
  - Transnational flow of capitals
  - Cross-border dissemination of technologies
  - Transportation and communication cost

- Non-state IPE actors: MNCs
  - Intra-enterprise trade and capital flows

- The IPE of ‘foreign/external pressures’
  - International trade negotiation and domestic deregulation
  - East Asian financial crisis (1997-98)
International institutions

Why international institutions?
- Global economic externalities (e.g., stable financial order)
- To achieve collaboration and coordination among states
- To avoid free-riding; reduce uncertainty; and promote burden-sharing

Four types of goods in IPE

<table>
<thead>
<tr>
<th></th>
<th>Joint production</th>
<th>Individual production</th>
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<tbody>
<tr>
<td>Non-exclusive</td>
<td>Public goods (national defence)</td>
<td>Common resources (fish stocks, pasture)</td>
</tr>
<tr>
<td>Exclusive</td>
<td>Club goods (cinema, satellite TV)</td>
<td>Private goods (food, clothes)</td>
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International institutions

- The characteristics of international institutions
  - Membership
  - Scope and objectives
  - Institutional rules
  - Delegation of power
  - Centralization of tasks

- Explaining the design of international institutions
  - A functional perspective
    - Potential participants in the institution
    - Available information and knowledge
    - Agenda-setting approach
  - Other perspectives
    - E.g., (political) balance of power
International norms

- International economic norms
  - Trade liberalization
  - The ‘Washington consensus’

- International political norms
  - International laws
  - Human rights, religious freedom...

- Regional (cultural) norms
  - Sovereignty, non-interference

- A dynamic perspective on international norm diffusion
  - Creation → dissemination → (active or passive) reforms and localization → acceptance/modification/rejection
The domestic dimension of IPE

- The importance of the domestic dimension
  - Domestic actors and domestic structure
  - Formation of domestic preferences/national interests
  - The domestic influences on international negotiation

- Domestic politics
  - Domestic political institutions
    - Parliamentary, presidential, semi-presidential
  - Domestic actors and their impacts
    - Political parties, voters, interest groups

- Domestic economy
  - Domestic economic structure
    - Developed or developing; state or private, import vs. export
  - Domestic economic actors
    - sectoral interests, trade unions, foreign investors, etc.
The formation of domestic preferences

- Domestic preferences and political structure
  - The political context
    - Democratic or authoritarian
  - Pluralist political structure
    - Multiple dimensions of domestic preferences

- Domestic preferences on international economy
  - International trade
  - International finance
  - Immigration
  - Global warming
  - …
The formation of domestic preferences: International trade

- Political economic theories on international trade
  - The Stolper-Samuelson theorem
    - Abundant factor owners vs. scarce factor owners
    - Capital vs. labour: class struggles
  - The specific factors model
    - Export-oriented factor owners vs. import-competing factor owners
    - Industry/sector-oriented interests
  - The model of factor mobility (Hiscox, 2002)
    - The mobility of production factors across industries and sectors
    - Dynamic transformation of domestic trade politics

- New trade theories and their impacts
  - Intra-industrial trade and support for trade liberalization
  - Economy of scale and market integration
The formation of domestic preferences: International finance

- **The politics of exchange rate**
  - Fixed exchange rate vs floating exchange rate
    - Fixed exchange rate favoured by those heavily involved in trans-border transactions
    - Floating (flexible) exchange rate favoured by those involved in import-competing industries and the non-trade service sectors
  - Strong vs. weak currency
    - Exporting and importing industries

- **International investment**
  - Short-term capital flows and long-term foreign direct investment
  - Vertical movement of capitals between developed and developing countries
  - Horizontal movement of capitals among developed economies
The formation of domestic preferences: Immigration

- Domestic labour market and immigration
  - Low-skilled immigration
  - High-skilled immigration
  - Immigration hurts domestic workers with similar skill levels and benefit other residents in the host country

- The problems of aging society and immigration
  - The lack of active labour forces
  - The declining demand of domestic consumption

- The politics of immigration
  - Identity and multiculturalism
  - Immigration as a social and political issue
The roles of domestic institutions: Electoral system

- The extension of franchise (democratization)
  - More voters involved in the IPE decision-making
  - The policy impacts depend on the profiles of the electorate

- Proportional representation
  - More emphasis on nationwide political economic concerns
  - Often led to low levels of trade protection and other restrictions

- Pluralist electoral system with small districts
  - More emphasis on local and sectoral interests
  - Tend to produce more protectionist policies
The roles of domestic institutions: Policy-making process

- One-party or coalition government
  - One-party government
    - Tend to produce bold policy initiatives
  - Coalition government
    - Based on consensus and compromise

- Vote-trading in trade legislation
  - Protectionist vote-trading in the US before the WWII
    - E.g., The Smoot-Hawley Tariff Act of 1930
  - Delegating trade negotiation authority to the executive
    - E.g., Trade Promotion Authority in the US

- ‘Fast-track’ negotiating authority
  - Allowing the US President to negotiate international trade deals that the Congress may only accept or reject as a whole
The roles of domestic institutions: Bureaucratic agencies

- The desirability of bureaucratic independence
  - Politicians may give too much attention to their own constituencies
  - Delegating IPE policy-making and regulation authorities to independent bureaucratic agencies
  - e.g., anti-dumping investigation

- Possible bureaucratic ‘capture’
  - Bureaucratic agencies are not immune to lobbying
    - Ministerial interests, sectoral interests
    - Overseas interests
  - The accountability of bureaucratic agencies