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Global Political Economy

ADHIRAJ NAGPURE¹

ABSTRACT

The design of global governance has changed from state-led international institutions to partnerships, networks, associations, and layers inhabited by aid agencies, public-private partnerships, private entities, companies, and foundations in the twenty-first century.

This Article aims to understand these new architectures, and how they reflect the changing relations between the actors involved in modern time global governance. It employs the prism of governance models and concentrates the research on economic and political institutionalism in order to determine if and how relationships among the increasingly numerous main actors have altered. It examines the many driving reasons for the transition and highlights the need of looking at both structures and desires. This article looks at Marxist theories along with the liberal approaches of renowned scholars to better understand Global political economy in the contemporary world.

Keywords: *Global Economy, State, Multi-National Corporations.*

I. INTRODUCTION

Global political economy as a field of study deals with the relation between economic and political forces. Global political economy is the study of how political forces and institutions shape the global economy. It examines the relationships between governments, international organizations, multinational corporations, and global financing systems. Global political economy concerns itself with political and economic interdependence between countries and the effects of policies and regulations on global markets, as well as examining the impact of globalization on the world economy, and the role of international institutions such as the World Trade Organization, International Monetary Fund, and World Bank. It is an interdisciplinary field that combines economics, political science, and international relations.

Global political economy at its center has always concerned itself with the questions of human welfare and how these are related to behavior of state as well as interests of the corporates around the world. Despite human welfare being the crux of Global political economy, approaches in this field have concerned themselves more with the international system perspective ignoring the basic question of human welfare often neglecting the non-elites and ordinary citizens of the state. States continue to play a crucial role in global politics, but they

¹ Author is a student at ILS Law College Pune, India.

have increasingly improved their interactions with multinational firms and increased their participation in international organizations. There are several global political economics approaches that cut across the political and financial spectrum. These can range from state-centered perspectives to Marxist methods that contend that because of international capitalism's fundamental defects, the state will eventually come to an end, also it has been the liberal approach that has given individual actors the center stage for analysis.

We would further understand, Marxist inspired theories, the liberal approach to global political economy along with the state's relationship with multinational corporations

II. MARXIST INSPIRED THEORIES

A branch of Marxist social theory known as Marxist Structuralism use the structuralist method to explore history, economics, and politics. The historical and economic underpinnings of political and social processes are the main areas of interest for Marxist structuralists. Marxist structuralists seek to understand how the design of capitalist society impacts the lives of both people and groups within it. Marxist structuralists hold that in order to comprehend and transform capitalism, one must first grasp its structural underpinnings. This theory emphasizes the structural constraints imposed by international institutions and global economic structures on the policies of individual countries. It argues that the power of dominant countries and international institutions shapes the economic policies of developing countries and creates unequal economic outcomes. This theory focuses on the structural restrictions placed on national policy by international organizations and global economic frameworks. It makes the case that the influence of powerful nations and international organizations impacts the economic strategies of emerging nations and leads to uneven economic results.

Marx's Dependency Theory is a socioeconomic theory that explains how a nation's economic growth is related to its position within the world economy. It contends that a country's interaction with the global economy directly affects its wealth and stability. Countries that can manage their own economic growth and maintain their independence are much more likely to be prosperous and stable, whereas those that are reliant on outside capital and assets are more inclined to be at a competitive disadvantage. The theory is predicated on the notion that a country's ability to regulate the distribution and production of the capital and resources it requires to grow its own economy determines how economically developed that country will be. It argues that the unequal economic relationships between developed and developing countries are the result of historical processes and the uneven distribution of economic and political power.

III. LIBERAL APPROACHES

It is now possible to find both proponents of vigorous state intervention in the market and those who support unrestrained markets in the texts of liberal political economists. This reflects some of the real-world inconsistencies that Karl Polanyi first found in various historical manifestations of liberal ideas in the decades following the industrial revolution in the nineteenth century. The liberal ideologies of the time had several paradoxes, which Karl Polanyi noted. He contended that liberal ideal of a self-regulating market system was not a practical representation of the world economy because it ignored the social and political factors that shaped economic progress. He believed that the laissez-faire economic policies of the time might cause social upheaval, inequality, and even exploitation in addition to being harmful to the economy. He claimed that nations should safeguard their own economic interests by limiting the flow of money and commodities through tariffs and other restrictions in order to defend their own economic interests. He urged that governments play a more active role in economic regulation.

Adam Smith and David Ricardo were the earliest liberal heroes, The free market is the foundation of Adam Smith's liberal economic philosophy. He claimed that people should have the freedom to freely participate in voluntary commerce and that the market should be allowed to function without interference from the government. He thought that the free market would ultimately result in the greatest benefit for society and that competition would lead to the most effective allocation of resources. Smith supported little government regulation as well, contending that taxes should be kept to a minimum and that the government should supply necessities like infrastructure and public education. Additionally, he supported the idea that people ought to be free to follow their own interests without intervention from the state.

Whereas the liberal philosophy of David Ricardo was based on the idea that international commerce and competition would be advantageous for all nations. He believed that nations should focus on producing commodities and services in which they have a comparative advantage—that is, where they can do so more cheaply than other nations. He also stated that governments should not meddle in the free market and that all trade barriers and tariffs should be eliminated by nations. Finally, Ricardo suggested that the government should make sure that markets are open and that everyone has an equal playing field.

An intellectual inclusion of a range of both state and non-state entities that develop connections of mutual dependency is what unites liberal thought in regards to global economics. This has led to a gradual shift away from the historical focus of one country being reliant on another

owing to an excess in a necessary good, like oil or gas, and toward a far more complicated perspective. This does not imply that traditional state-to-state contact is no longer relevant; rather, it means that by officially acknowledging an increasing number of other international actors, it has gotten richer. The policies of one regional or international organisation may therefore be dependent upon the strategies of another. This was the case when the European Union and the International Monetary Fund developed combined programmes to support countries like Ireland during the 2008 global financial crisis. Another illustration is the effective execution of a worldwide environmental strategy by the UN, which benefited greatly from cooperation with the multinational NGO Greenpeace. However, in the literature, the multinational company has drawn the greatest attention when looking for cross-border interdependencies. The liberal perspective does demonstrate its vast scope in this instance, as it does elsewhere, giving opportunity for both constructive criticism and positive appraisal. Liberals have praised the overall advantages of the worldwide investment competition that resulted from the conflict between nations and transnational enterprises. Others, in contrast, highlight the relative disadvantage and limited effectiveness of actors from civil society who lack enough funding while attempting to alter corporate practices on a global scale.²

IV. RELATIONSHIP OF STATE WITH MULTI NATIONAL CORPORATIONS

The link between the state and transnational firms has significantly influenced the world economy. Multinational enterprises, for instance, frequently have access to lower-cost labour and supplies in developing nations that are unavailable to regional businesses. This might increase profits for global corporations while lowering salaries and living standards for the local population. Additionally, multinational corporations frequently use tax breaks and other advantages to lower their taxes and boost their profits. As a result, the host nation may get less money through taxes, which may limit its capacity to pay for infrastructure and other services. Finally, multinationals have the power to influence local politics and regulations in ways that benefit them, but at the cost of other businesses. States have continued to differ in how they offer benefits for various socioeconomic classes within their communities despite comparable pressures to cut government spending. Privatizing public services and entrusting business rather than the government with their delivery has gained popularity. As a result, managing the expansion of marketplaces into new sectors like education, health, and security is analogous to the function of the government servant today.

² Walzenbach, G. (2018) Global political economy, E. Available at: <https://www.e-ir.info/2016/12/29/global-political-economy/> (Accessed: February 3, 2023).

V. CONCLUSION

Topics covered in this article illustrate the many social and political adjustment processes that a system of unregulated global markets necessarily entail. As a result, the acclaim of market forces as a positive force throughout the world has been mirrored by an increase in the desire for changes that would allow common people to partake more in the system's benefits rather than being taken advantage of by it. A still-evolving liberal-based global market system continues to pose a significant issue if democratic procedures like elections are closely related to domestic political groups. If we feel that there should be some degree of oversight over this process for our own personal advantage, then the obvious place to turn is at international bodies that have the authority to create and apply international regulations. While other elements like charity actions or states acting independently have an influence, they are a second-best option in the lack of a globally coordinated economic strategy.
