

International Political Economy: A North American Perspective on an Emerging Interdiscipline

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The world has become “globalized.” Among developed countries, international trade now accounts for approximately 40 percent of gross domestic product (GDP), and for developing countries imports plus exports comprise nearly 50 percent of all national output. Over the last two decades, global flows of foreign direct investment have more than doubled relative to GDP. As journalist Thomas Friedman (2000, 9) has famously described it, globalization now allows “individuals, corporations, and nation-states to reach around the world farther, faster, deeper and cheaper than ever before.”

The field of international political economy (IPE) was created in the early 1970s by scholars trying to grasp the fundamentals of this nascent age. This still young field is rapidly maturing. From a range of early perspectives, a dominant approach, referred to as Open Economy Politics (OEP), now structures and guides research among many scholars, at least in North America.¹ Although political scientists are more apt to identify themselves as “international political economists,” OEP bridges the disciplines of political science and economics and provides a vehicle for synthesizing research in both areas. Although there remain some significant differences between disciplines, and scholars are too often unaware of parallel developments in the other field, IPE is emerging as a true interdiscipline.

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¹ The term comes from Bates (1997).

This paper provides an overview of IPE as developed and currently practiced in North America. It begins with an outline of the early origins of the field, and then provides a survey of the OEP approach. In section three, I contrast OEP with constructivism, its most plausible rival approach. A fourth section addresses China and two analytic problems with OEP that the rise of this new economic power brings into sharp relief and will need to be solved in future research. The conclusion reflects on three reasons for the success of OEP.

I. International Political Economy

IPE focuses on the politics of international economic exchange. It is a substantive area of inquiry, rather than a methodology in which economic models are applied to political phenomena. The field is primarily informed by two sets of key questions. First, how, when, and why do states choose to open themselves to transborder flows of goods and services, capital, and people? In other words, what are the political determinants of what we now call globalization? In this first set of questions, openness is the dependent variable, or outcome to be explained, and politics (defined broadly) is the independent or causal variable. Economic theory posits that free and unrestricted international commerce is, with limited exceptions, welfare improving; many politically naïve analysts, in turn, expect countries to evolve toward free trade. By contrast, IPE begins with the reality that openness is historically rare, problematic, and a phenomenon that needs to be explained.

Second, how does integration (or not) into the international economy affect the interests of individuals, sectors, factors of production, or countries and, in turn, national policies? Here, politics is the dependent variable and how the actor is situated in the international economy is the independent variable. In reality, of course, these two sets of

questions are themselves integrated. For pragmatic purposes, however, nearly all analysts study just one half of the causal circle.

Origins

Although these questions were central to political economists of the late 18th and early 19th centuries, they fell into an intellectual limbo with the split between economics and political science into two separate disciplines in the late 19th century. As economics underwent the “marginalist” revolution and slowly transformed itself into an axiomatic science and political science turned to the study of formal-legal constitutions and institutions, both disciplines grew increasingly introspective. Questions concerning the political foundations of markets and the economics of politics were left to languish – or were happily consigned to Marxists who were largely ostracized from both professional disciplines in Europe and North America.² Some scholars addressed questions relevant to IPE – witness E. E. Schattschneider’s (1935) famous study of the political logrolling that produced the Smoot-Hawley Tariff or Wolfgang Stolper and Paul Samuelson’s (1941) definitive proof of the distributional implications of liberalizing trade – but their studies were primarily oriented toward their respective disciplines and failed, at the time, to generate much interdisciplinary interest. What little cross-disciplinary research that emerged remained highly descriptive (Bauer et al. 1972; Preeg 1970).

IPE emerged as a new and distinct interdisciplinary field beginning in the late-1960s and early-1970s as a result of two contradictory, real world developments.³ Together, these trends forced scholars to grapple anew with the same questions that had occupied earlier political economists. First, the success of the postwar Western

² For an analysis of the early years of political economy and its trajectory, see Caporaso and Levine (1992).

³ For an extended treatment of the origins of IPE, see Cohen (2008).

international economic regime constructed at Bretton Woods and embodied in the postwar institutions of the International Monetary Fund, World Bank, and General Agreements on Tariffs and Trade (GATT), ushered in an era of increasing economic interdependence. By the end of the 1960s, as the tariff cuts negotiated at the Kennedy Round of the GATT took full effect, trade as a proportion of economic activity began to rise rapidly in all advanced industrialized democracies, leading to a new focus on the political impact of deepening economic ties (Cooper 1968; Keohane and Nye 1972). This new era was expected by some to transform the nature of international politics, with economic historian Charles Kindleberger (1969, 207) famously proclaiming that “the nation-state is just about through as an economic unit” and political scientists Robert Keohane and Joseph Nye (1977) unveiling a new model of international politics characterized by “complex interdependence.” We now recognize this surge of interdependence as the first stirrings of the present era of globalization, more frequently dated from the removal of capital controls in many developed economies in the early 1980s. Many today still believe that globalization carries the same transformative potential.

Second, at nearly the same time that interdependence was “taking off,” the political foundations of this open international economy began to crack, revealing for all that economic exchange rested on unstable political ground. In August 1971, facing the huge dollar “overhang” first theorized by economist Robert Triffin (1960) and the consequences of a decade of fiscal and monetary mismanagement, President Richard Nixon formally ended the convertibility of the dollar into gold, closing the door on the Bretton Woods regime (Gowa 1983). Two years later, the postwar exchange rate regime

collapsed when the major currencies began to float against one another. Contributing to this monetary instability, the Arab boycott begun during the 1973 Middle East war transformed oil into a coercive weapon. Breathing life into the Organization of Petroleum Exporting Countries (OPEC), first formed in 1960, the factious states began to operate effectively as a cartel, raising oil prices fifteen fold between 1973 and 1980. Envy of OPEC's success, even while suffering under higher oil prices, the developing world called for a New International Economic Order through which other commodity producers hoped to exercise similar market power with the acquiescence or hopefully support of Northern consumers (see Krasner 1985). Finally, in response to the growth of imports unleashed by liberalization and rising interdependence, American industry began clamoring for increased or renewed trade protection. Trying to satisfy industry without undermining its commitment to free trade, the United States adopted a series of innovative non-tariff barriers to trade including "voluntary export restraints," directed primarily at Japan (Goldstein 1988). As international economic relations were politicized, it became apparent that international exchange was not an autonomous sphere – a natural phenomenon beyond political machinations – but was itself a product of the pulling and hauling of politics within and between countries. Just as property rights later came to be understood as both central to economic growth and a product of redistributive politics within countries, early international political economists realized that an open international economy rested on highly contested national policy decisions (Gilpin 1972). As analysts struggled to understand the simultaneous growth and conflict in international markets, the field of IPE was born.

Early Currents⁴

Perhaps the earliest approach to IPE was dependency theory, developed largely by Latin American scholars writing in the 1960s and popular in North America and Europe in the 1970s.⁵ Described even by its adherents as a school (Palma 1978), the many variants of dependency theory are unified by the idea that the economy and prospects for development in poor countries (the periphery) are conditioned by a global economy dominated by already developed states (the core). In the view of Andre Gunder Frank (1966), one of the more strident advocates of the approach, today's poor countries are not just *undeveloped*, as had been the case for the core centuries earlier, but are *underdeveloped* by an international economy that is forever biased against them. It follows that underdeveloped countries cannot follow the same path as the already industrialized states, as posited by modernization theory, but that they must pursue new and more autonomous strategies of development.

Despite its early prominence, dependency theory waned by the 1980s for two reasons. First, its proponents failed to develop a unified, logically consistent, and empirically robust theory of underdevelopment, or at least one that could compete in rigor and explanatory power with neoclassical economic theories of growth and development. Second, the theory was essentially falsified by the rise of the so-called Newly Industrializing Countries (NICs), who despite all expectations of dependency theory “took off” in the 1970s using an export-led growth strategy (see Haggard 1990). Nonetheless, dependency theory taps into issues of international inequality, uneven growth, and national control over international economic forces that remain central to

⁴ An alternative typology divides theories into Marxist, Liberal, and Realist approaches. See Gilpin (1975).

⁵ The cornerstone of dependency theory is (Cardoso and Faletto 1979), first published in Spanish in 1967. An early approach was Prebisch (1964). See also Marini (1972), Furtado (1973), and Sunkel (1969).

contemporary debates about globalization. Even if the theory is broadly rejected, the real world concerns that lent it credence endure.

A second early approach to IPE is hegemonic stability theory (HST), again more a school than a unified theory.⁶ Based largely on the experiences of Great Britain in the mid-19th and the United States in the mid-20th centuries, the key intuition behind this approach is that a single hegemonic state is necessary and sufficient for international economic openness to arise.

One variant of HST, which I have elsewhere called leadership theory, derives largely from the economic literature on collective action (see Pahre 1999). Kindleberger (1973, 305) first identified a series of what we would now call international market failures that caused the Great Depression of the 1930s, and concluded “that for the world economy to be stabilized, there has to be a stabilizer, one stabilizer.” Economists Beth Yarbrough and Robert Yarbrough (1992) extended this basic insight to argue that an international division of labor necessarily produces greater relationship specific assets and the risk of costly opportunism. Building on Oliver Williamson’s (1985) work on markets and hierarchies, they treat hegemony as a form of hierarchy necessary to enforce contracts and maintain international order so that international exchange and investment can occur. Leadership theory nonetheless fails to demonstrate that privileged groups able and willing to provide international public goods necessarily have to consist of one and only one state (Lake 1984; Snidal 1985). In principle, at least, small groups of countries are equally capable, undermining the theoretical case for the observed correlation between hegemony and stability.

⁶ HST is reviewed in greater detail in Lake (1993).

A second variant, which I call hegemony theory, posits that large dominant states possess strong preferences for free and open international exchange and, in turn, coerce, induce, or persuade other states into opening their markets to foreign trade and investment (Gilpin 1975, 1977). Rather than focusing on collective action problems, hegemony theory posits that states have different preferences over international economic policy and outcomes are a result of strategic bargaining. Hegemony theorists argue that either states have more complex utility functions, including not just national wealth but power and stability (Krasner 1976; Gowa 1994), or their large internal markets and increasing returns to scale industries give hegemons strategic trade advantages that they attempt to lock-in by encouraging others to adopt free trade (Lake 1988). Although plausible, these alternative intuitions have yet to produce a body of well-specified theory. Nor has hegemony theory successfully challenged neoclassical international trade theory, especially the axioms that in a world of constant returns free trade remains the optimal policy for nearly all countries nearly all the time and that small countries benefit disproportionately from free trade (see below).

As America's hegemony declined in the 1970s and 1980s, both variants of HST expected the international economy to become more fragile and, ultimately, to collapse into renewed protectionism and exclusive economic blocks (Gilpin 1987). The rising problems and tensions in the international economy, and America's own slide into new forms of protectionism, gave credibility to this view. Yet, the open international economy did not fall apart – and, indeed, new and unprecedented forms of macroeconomic policy cooperation emerged in the late 1970s. In the early 1980s, scholars turned to regimes and institutions to explain the unexpectedly robust international economy (Krasner 1983;

Keohane 1984). By the early 1990s, the Soviet Union had collapsed, the European and Japanese economies had slipped into a decade of stagnation, and the United States was once again hegemonic but HST was nearly forgotten. Central to this approach, however, was the recognition that not all countries are created equal, that some are more important to the openness of the world economy than others, and that large countries have particularly large effects on others. Although seldom appreciated by theorists building new models of interstate economic cooperation, the intuitions and set of ideas that motivated HST are now reprised, in part, in OEP's focus on bargaining within the international economy, but remain one of the key limitations of the approach (see below).

A final early approach to IPE focuses on domestic interests largely in the advanced industrialized economies and, especially, the United States.⁷ Practical observers of politics and, of course, scholars as early as Schattschneider (1935) had emphasized the importance of interest groups in trade policy. Yet, domestic theories of international political economy emerged only recently. An early foundation was Kindelberger's (1951) essay on Group Behavior and International Trade, followed by, in political science, Peter Gourevitch's (1977) study of the first great depression and, in economics, Richard Caves (1976) evocative rendering of different models of trade policy-making. In the ferment of the early years of IPE, political scientists built on these works to construct a demand-side or societal-based theory of trade policy (McKeown 1984; see Cassing et al. 1986; Frieden 1988b; Milner 1988). At about this same time, economists developed a parallel "endogenous tariff theory," which also emphasizes the importance of domestic interests and lobbying (Pincus 1975; Lavergne 1983; Baldwin 1985; Magee et al. 1989). Key to

⁷ Complementing this domestic interest group approach, at least in political science, is a domestic structures model that seeks to characterize and capture institutional variations across developed countries (Ikenberry et al. 1988; Katzenstein 1978).

much of this work was the differential ability of actors to solve their collective action problems and then build majority coalitions with, ultimately, importers triumphing politically over exporters, producers over consumers, and concentrated over diffuse interests. Less important than how groups define their interests (see below) is how they are structured and organized for political action. This early work on domestic interests nonetheless created the foundation for our contemporary approach to IPE.

II. Open Economy Politics

Out of these early currents, and as a direct descendent of the domestic interest approach, OEP emerged and came to dominate the study of IPE in North America in the 1990s. OEP adopts the assumptions of neoclassical economics and international trade theory. But by incorporating political variables more explicitly into its analysis, OEP provides a bridge between economics and political science – although the span is not yet fully closed.

OEP begins with firms, sectors, or factors of production as the units of analysis, derives their interests over economic policy from each unit's position within the international economy, conceives of political institutions as mechanisms that aggregate interests (with more or less bias) and condition the bargaining of competing societal interests, and, finally, introduces when necessary bargaining at the international level between states with different societally-produced interests. Few theorists give equal weight to all steps in this analysis. Most focus on one step – for instance, how institutions aggregate societal interests – and treat others in “reduced form,” or as analytic simplifications that are unmodeled in the theory at hand.⁸ In principle, the broadly shared

⁸ OEP is a subset of strategic choice theory, discussed in Lake and Powell (1999).

assumptions allow the components to be connected together into a more complete whole, although in practice synthesis remains imperfect.

OEP has made substantial progress. Like any paradigm, it guides research by specifying what is known and unknown, what is fact and anomaly. Originally formulated in the context of trade policy, OEP has been extended to monetary and financial relations (Frieden 1988a, 1991; Bernhard et al. 2003), foreign direct investment (Jensen 2006; Pinto and Pinto 2008), immigration (Leblang et al. 2007), foreign aid (Milner 2006), regulation (Mattli and Woods 2009; Richards 1999), corporate governance (Gourevitch and Shinn 2005), and global governance (Kahler and Lake 2003). It now forms a comprehensive approach to explaining a large range of foreign economic policies.

Interests

The fundamental building block of OEP is interest, or how an individual or group is affected by a particular policy. In what may now be regarded as the canonical model of Gene Grossman and Elhanan Helpman (1994, 2002), actors that benefit from a policy are expected to expend resources in the political arena to obtain that policy (as a shorthand, to lobby) up to the point where the marginal cost of that effort equals the marginal benefit (defined either as “more” of the policy or an increased probability of obtaining fixed policy). Conversely, actors that lose from a policy are expected to lobby against it. In short, politics is fundamentally about winners and losers from alternative policies.

Theories differ in what they assume to be the relevant unit of analysis. Although nearly all theories are fundamentally individualist, for pragmatic purposes theorists bundle individuals into groups that can be reasonably assumed to share (nearly) identical interests. In other words, when a policy affects a set of individuals in the same way, they

are typically treated as if they constitute a homogenous group or, for purposes of analysis, a single actor. In some OEP theories, individuals are primary but in most firms, sectors, or factors of production are taken to be the relevant units.

OEP uses economic theory to deduce what types of individuals can be reasonably assumed to share identical interests. A key divide within the approach is between the Ricardo-Viner or specific factors theory of international trade, which assumes that, typically, capital and land are fixed in particular occupations and, thus, capital and labor will tend to have similar interests over trade policy, and the Heckscher-Ohlin-Samuelson (HOS) theory of international trade, which assumes that all factors are mobile across occupations within countries and, therefore, capital, land, and labor will possess opposing interests. Stephen Magee (1980) attempted to discern which assumption was more appropriate by studying the lobbying behavior of capital and labor in the trade bill of 1973, and found support for the specific factors approach in his observation that capital and labor almost always testified on the same side of the proposed legislation. This implied that sectors were the appropriate unit of analysis for theories of trade policy.⁹ More recently, Michael Hiscox (2002) has used cross-industry variations in rates of return as a proxy for factor mobility. In his small sample of industrialized countries, he finds that for the late 19th to the mid-20th centuries, as mass production was introduced, factor mobility for capital and labor generally increased, and from the mid-20th century until today factor mobility has generally decreased, which in turn is broadly confirmed by the changing structure of political interests on trade over the last century. This implies that the relevant units evolved from sectors, to factors, and back to sectors over the course of the last century or more.

⁹ Baldwin and Magee (2000) find more support for the Heckscher-Ohlin model.

Having defined the relevant unit of analysis, OEP goes further to derive interests – preferences over alternative policies – from the distributional implications of alternative economic policies and, in turn, how a group is located relative to others in the international economy.¹⁰ Firms vary by whether they are in the tradable or non-tradable sectors, produce import-competing or export-competing goods, use imported components, and so on. By knowing a firm’s production profile (Gourevitch 1986), OEP predicts how it will be affected, for instance, by policies to increase international openness. Sectors vary by similar characteristics. Factors of production, in turn, vary by their scarcity relative to the world economy (Stolper and Samuelson 1941; Rogowski 1989). Using Mundell’s (1957) equivalence condition -- that flows of goods and factors across international borders are equivalent in their effects on relative rates of return -- we can derive expectations about how factors will be affected by a large range of economic policies and, thus, identify their interests over those same policies.

Deducing interests from economic theory was a fundamental innovation for OEP, one that makes the approach unique in political economy. Rather than treating them simply by assumption or inferring them from the political actions we often want to explain, interests are derived from a prior, falsifiable, and empirically robust theory -- putting the whole approach on a sound deductive footing.¹¹ It is on this innovation that the distinctive nature and, indeed, explanatory power of OEP rests.

¹⁰ On studying preferences more generally, see Frieden 1999.

¹¹ New work recognizes that interests are more complicated than an individual’s position in the international division of labor might suggest. Although economic interest is a powerful determinant of policy preferences over trade, for instance, it does not provide the full story (Scheve and Slaughter 2001, 2006). Research shows that religion (Scheve and Stasavage 2006) and gender differences (Burgoon and Hiscox 2003; Goldstein et al. 2007) are important to how individuals experience or interpret their economic policy interests. Cross-national differences in attitudes toward trade, now in progress, promise important insights. This research complicates the notion of interest otherwise derived from the clear and distinct predictions of the specific factors and HOS theories.

Institutions

Institutions aggregate conflicting societal interests, with varying degrees of bias, and condition the bargaining between opposing groups. In weakly institutionalized political systems, like the international system or “failed states,” coercive strength is expected to determine political outcomes; on average, and simplifying somewhat, we expect the side with the most guns to win. In highly institutionalized settings, like most domestic political systems, established rules and procedures generally reflect group strength over the long term. But because they often do other valuable things for society, like enhance the credibility of commitments, institutions can develop an independent standing and structure, channel, and sometimes offset brute force in the short term. At any moment, institutions serve to define what political power means in a particular society, whether the competition over policy will be conducted via votes, normally expected to favor labor, via contributions and bribes, often in capital’s comparative advantage, or via ideas and argument. In short, institutions determine the “currency” used in the political marketplace and how different political assets are valued.

Political scientists and, increasingly, economists are studying in detail how institutions aggregate interests. OEP is consistent with and draws heavily on the literature on comparative political institutions, much of which is not connected immediately to economic policy (see Cox 1997; Tsebelis 2002). There are many diverse strains in this literature, but among the more relevant findings for IPE are:

- Large constituencies – at the extreme, a single electoral district for the entire country – incline policy towards the general welfare, assumed to be the free flow

of goods, services, and factors of production, while small constituencies bias policy toward more protectionist groups (Rogowski 1987).

- The more veto points within a political system (actors with the authority to block the enactment of policy), the more likely the status quo is to prevail, reducing the credibility of any promise to adopt political or economic reforms (Cowhey 1993) and, at the same time, reducing the ability of a government to respond effectively to external shocks (MacIntyre 2001).
- Institutionalized legislative participation in foreign policy decision-making provides both the national executive and foreign partners with better information, reducing the problem of renegeing on agreements, and additional checks (veto points) on policy change, enhancing credibility and prospects for cooperation (Martin 2000).
- Proportional representation systems produce policy stability and inflexibility, implying less credible commitments to reform and less ability to respond effectively to external shocks, whereas majoritarian electoral systems tend toward policy flexibility and instability, with the opposite effects on credibility and effective response (Rogowski 1999).

Our understanding of how institutions aggregate interests is far more advanced for democracies than for democratizing or autocratic states. Interest aggregation in non-democratic or newly democratic states remains an important area for future research.

Institutions also condition the bargaining between groups, largely by setting the reversion point for policy in the absence of some compromise and defining possible sidepayments, cross-issue deals, and logrolls. For instance, Peter Katzenstein (1985)

argues that the small open economies of Europe developed corporatist institutions to facilitate economic adjustment, capital-labor cooperation to moderate wage demands, and compensatory social welfare systems to ease the costs to individuals of economic adversity. Dani Rodrik (1997) and Geoffrey Garrett (1998), and others have generalized this argument to all states, finding substantial evidence of an “embedded liberal” compromise (Ruggie 1983) in which social welfare policies are the cost capital pays for economic openness. Similarly, multimember electoral districts, as in Japan, promote particularistic interests and policies, creating socially inefficient rent-seeking and economic inflexibility (Ramseyer and Rosenbluth 1993).

OEP recognizes, in a way that the earlier domestic interests approach did not, that interests are not enough. However well specified, interests are refracted through political institutions that often have an independent effect on policy choices. What remains distinctive about OEP, however, is its insistence on explicit theorizing of both interests and institutions.

International Bargaining

With domestic interests aggregated through institutions into a national “policy” – or, more accurately, a national interest or ideal point – states then bargain when necessary to influence one another’s behavior and to determine the joint outcome of their actions.¹² This is the third and final step in the OEP approach.

International bargaining is most likely to arise when the policies of one state create externalities for others (Milner 1997b). In many situations, externalities arise from the collective choices of many small economic actors. In these so-called market failures,

¹² This includes unilateral actions that impose costs or benefits on others. In this case, the absence of overt negotiations can still be understood as bargaining.

individually optimal choices lead to collectively suboptimal results. These are well studied dilemmas, even if they remain difficult to resolve.¹³ Even when they are not directly affected by the actions of others, states may also promote international norms and may be willing to pay some price to gain adherents or alter the behavior of possible violators. The effort to promote the “Washington Consensus” on development may be one example of norm driven behavior in the IPE (Stiglitz 2002), and attempts to regulate child sex tourism a possible second (Martin 2003).¹⁴ Nonetheless, most theories of IPE continue to assume that bargaining occurs mostly as a result of some material externality.

Much research in OEP focuses on how international institutions, like their domestic counterparts, structure bargaining and affect outcomes. There are essentially two approaches that, as Stephen D. Krasner (1991) reminds us, capture different but complementary dimensions of the bargaining game. The first, often referred to as neoliberal institutionalism, sees institutions as sets of rules that facilitate cooperation. By providing information, creating issue linkages, and reducing transactions costs, institutions help states reach Pareto-improving bargains (Keohane 1984; Bagwell and Staiger 2002). Current research has moved well beyond the sterile debates that dominated political science in the 1990s over whether international institutions “matter,” and now focuses on how institutions are designed to achieve the aims of member states.¹⁵

Particularly important is how states enhance the credibility of their commitments through institutions. Since all agreements must be self-enforcing, international

¹³ Among others, see Frey (1984, Chapter 7) and Sandler (1997).

¹⁴ We can convert normative principles into externalities simply by adding into an individual’s utility function a desire, say, not to see children exploited. Yet when there is no direct or indirect impact on a person’s welfare other than through the unobservable normative principle, the concept of externality is stretched almost to the breaking point. Nearly any observed behavior can then be “explained” by appeal to externalities.

¹⁵ See (Goldstein et al. 2001) and (Koremenos et al. 2003).

cooperation is possible only when agreements are credible, or in the interests of all parties to carry out under future circumstances. Much of the work on this problem has focused on the issue of sovereign debt, but is easily generalized to other types of transactions. Michael Tomz (2007) looks at the time inconsistency problem in international lending when there is uncertainty about the borrower's willingness to repay, and how states use (and abuse) reputations to solve this problem. Randall Stone (2002) examines the enforcement problem in sovereign lending, which arises when lenders have political incentives not to punish borrowers who default on their commitments. More directly institutional, Xinyuan Dai (2007) argues that even "weak" international institutions empower non-state and domestic actors to provide information and improve state compliance with international rules. J. Lawrence Broz (2002) finds that states that lack domestic transparency and cannot otherwise commit credibly to monetary stability are more likely to fix their exchange rates.

A second institutionalist approach focuses on bargaining over the gains from cooperation. If the first approach sees institutions as moving states closer to the Pareto frontier, this school emphasizes (the zero sum) movement along the frontier. As in most bargaining models, the key variables in this redistributive game are the relative cost of the reservation point to the parties, their time horizons (discount rates), and their ability to make credible threats and promises. James Fearon (1998) demonstrates that a long "shadow of the future," which in the first approach promotes cooperation via the folk theorem, can also inhibit cooperation by raising the stakes over which the parties are bargaining.

In focusing on distributional conflict, this second line of inquiry implies that cooperation may not necessarily improve social welfare. The logic parallels ideas first developed in the Chicago school of economic regulation (Stigler 1971; Peltzman 1976). Groups may use their national governments to create international institutions that limit competition and produce rents they can appropriate. Robert Bates (1997) describes the International Coffee Organization as a cartel of large coffee producers allied with the large coffee roasters in developed countries that limited supply and raised prices at the expense of coffee consumers. John Richards (1999) finds similar cartel-like behavior in the international aviation regime.

This third level of OEP, however, remains less than fully integrated into the other levels. Clearly, as Robert Putnam (1988) and Helen Milner (1997b) have shown, domestic interests and institutions can affect international bargaining and cooperation. The “Schelling conjecture” that domestic constraints improve a leader’s bargaining strength abroad generally appears to hold. But as these examples suggest, the levels of OEP are typically assumed to cumulate in one direction -- from interests to institutions to international bargaining. Less attention has been paid to the “second image reversed” (Gourevitch 1978) or how international institutions affect the constellation of domestic interests or institutions.

III. OEP and Constructivism Compared

Like many areas of Political Science, IPE is split between rationalist and constructivist approaches.¹⁶ In IPE, OEP is synonymous with the former, while in North

¹⁶ For examples of constructivist IPE, see Abdelal (2001, 2007), Barnett and Finnemore (2004), Blyth (2002), Chwieroth (2007), Parsons (2003), and Sinclair (2005).

America the latter remains a smaller but nonetheless influential school.¹⁷ Although there are diverse (and heated) opinions, the key difference between OEP and constructivism, in my view, is less about the politics of international economic relations or the nature of the real world and more over epistemology or, specifically, what qualifies as a “satisfying” explanation of any given phenomenon. This is one of the most important ways in which paradigms differ from another. Resonating with the second Great Debate in international relations, which pitted traditionalists against behaviorists on the “scientific” study of world politics, this epistemological difference appears to be of long standing (see Knorr and Rosenau 1969).

OEP adopts a partial equilibrium or comparative statics approach to theory and knowledge. Research within OEP progresses by bracketing many obviously varying features of a political-economic environment and treating them as exogenous for purposes of isolating and studying a single causal effect.¹⁸ One might, for instance, bracket where interests “come from” and study how variable features of domestic institutions aggregate these interests in different ways. Employing the classic hypothetico-deductive method, testable hypotheses thus take the form of *all else held constant* a change in X leads to a change in Y. In reality, of course, all else is not constant, and various research designs are employed to deal with problems of causal inference created by this background variation.

¹⁷ Stimulated by Benjamin J. Cohen (2008), there has recently been a vigorous debate between scholars who work within the OEP framework and others who adopt a more constructivist orientation. Cohen described these schools in geographic terms, with scholars of OEP mostly located in North American and constructivists in Great Britain. These geographic labels are not entirely accurate, but they do capture something of the center of gravity within each approach. See also Higgott and Watson (2008), Ravenhill (2008), and the essays in the forthcoming December 2008 issue of the *Review of International Political Economy*.

¹⁸ Lake and Powell (1999) refer to this as a “boxes-within-boxes” approach.

For scholars working within OEP, a satisfying explanation requires a rigorous and logically specified theory and an appropriately designed test that maximizes variation in the causal variable while controlling for possibly confounding effects. Few studies fully meet this standard, and thus research continues to refine the implications of theory and explore alternative research designs. But in general, scholars sharing this epistemology are willing to sacrifice empirical richness and context for (1) more parsimonious but therefore more fully specified theories, and (2) more narrow but therefore more easily controlled empirical tests. A satisfying explanation in this tradition is one that “knows” well specified causal relationships with some degree of certainty.

Recognizing that there is great variation within constructivism, it seems fair to say that constructivists prefer a more holistic approach to explanation. Less comfortable with partial equilibrium analyses, and impatient with the notion that all else can be held constant, constructivists seek to endogenize much of what those who use a partial equilibrium analysis treat as exogenous in any particular study.¹⁹ To continue with the example above, even if one were interested in the effects of institutional variation on policy outcomes, a constructivist explanation would not find it appropriate to bracket interests; rather, an essential part of the analysis would be to understand how interests and institutions co-evolve and perhaps constitute one another. This approach, in turn, explains through narratives that explicate the contexts of decisions and explore the plausible alternatives to those that were actually selected at key historical junctures. Accordingly, there is a tendency to emphasize the uniqueness of particular outcomes,

¹⁹ By holistic here, I do not mean approaches that emphasize structure over agency, as the phrase has sometimes been used. Rather, I mean to denote precisely the duality or recursive nature of structure and agency central to much of constructivism. An alternative label might be a general equilibrium approach, but this loses the dynamic connotations central to work in this tradition.

rather than to generalize to classes of events. Of course, not every narrative can begin with the big bang or even the comparatively recent dawn of human civilization. Guided by theory, scholars make choices about where and when to begin any analysis, and what factors to include. Even constructivist approaches are in some sense partial. Nonetheless, a satisfying constructivist explanation is one that shows why the phenomenon under study had to turn out the way it did – and equally why it did not take some other possible path.

Scholars on either side of this divide typically do not find the explanations of the other entirely convincing; each is slightly dismissive of the other as “just stories” or “just numbers.”²⁰ But partial equilibrium and holistic analyses do complement one another, if approached with an open mind and a willingness to consider the strengths of the other approach. OEP analyses “know” many specific, narrowly-drawn causal relationships well, and scholars can accept or reject generalizable conclusions on these relationships with some measure of confidence. Constructivists often capture feedback effects necessarily ignored by OEP, and generate insights into historical contingencies – those dimensions of context that are unique to particular events. Each approach and attendant epistemology generates important but complementary insights into political events that, taken together, are undoubtedly more insightful and complete than either alone. Yet, it is unlikely that a large number of OEP analyses will ever sum to a holistic account, or that a constructivist explanation can be broken down and tested as a series of comparative static propositions. Given the emphasis on feedback effects and contingency in holistic

²⁰ The difference between partial equilibrium and holistic epistemologies is not the same as that between positivist and post-positivist methodologies or qualitative and quantitative methods. For instance, many OEP studies employ historical case studies. Conversely, constructivists sometimes employ statistical analyses in their work. The divide is less about whether one uses “numbers” or not, but more about how and in what ways those numbers are used.

accounts, and their absence in partial equilibrium models, we have no reason to expect that either type of explanation scales up or down easily into the other. We simply make intellectual bets on which approach is likely to prove more fruitful over the long run, and live with a certain tension between the approaches.

IV. China, OEP, and the Future Research Agenda

In a recent essay, Keohane (2008), one of the founders of modern IPE, criticized the field for ignoring the big questions of dynamic change in the international economy and, more generally, world politics. One of the biggest of these big changes, he suggested, was the rise of China as a global economic power. It is true that China's dramatic opening to the world economy and its rapid growth have not received as much attention by scholars of IPE as they perhaps deserve.²¹ Yet, the real question, it seems to me, is whether China's emergence raises theoretical questions and problems that are beyond the power of OEP to address.

Although its sheer size, at least in terms of population, and the rapidity of its opening to trade may be nearly unique, China's effects on the world economy can be largely understood as an especially large and dramatic shift in the pattern of comparative advantage around the globe. With abundant labor, China is exporting massive quantities of labor intensive goods and importing capital intensive goods and capital itself. This effect is exacerbated by China's artificially low exchange rate, but offset, in part, by its accumulation of foreign reserves that are then loaned back to the United States to fund current patterns of over-consumption. Altogether, China's rise may appear as a "shock" to other countries, who must adjust patterns of production and consumption within their

²¹ China's rise has been a topic of concern in security studies. See Mearsheimer (2001), Friedberg (2005), and Shirk (2007).

own borders, but there is little that is analytically surprising in developments to date. Indeed, OEP can be marshaled to explain much of China's politics and foreign economic policy, and its impact on others (for example, Naoi 2006). In this light, I think the burden is on scholars who want to argue that China is somehow different from previous economic powers in ways that require a new approach to IPE.

China's rise, however, does highlight two analytic limitations of OEP that I hope will be addressed by future researchers. As the examples below suggest, these analytic problems are of long-standing within the field and are not unique to the case of China. The rise of China simply brings them into sharper relief and increases their salience. Both limitations follow from assumptions basic to the economic theories upon which OEP rests.

International Market Power

International economic theory is typically based on the "small country" assumption that production and consumption in any single unit are sufficiently small relative to global totals that all actions, including government policy, have no noticeable effect on world prices. Although typically stated at the country level, the assumption is more accurately framed at the industry or product level. For most goods most of the time, this assumption may not be unreasonable. Due to its large population and rapid growth of its economy, China may well emerge as an exception to this rule.

Relaxing this assumption has long been recognized to open the possibility of welfare-improving government interventions through tariffs or export restrictions, known collectively as optimal tariffs. By restricting imports or exports, governments can shift the terms of trade to their advantage sufficiently to improve their national welfare even at

the expense of global welfare. A contemporary example is Saudi Arabia which by restricting its production of crude oil raises world prices more than enough to offset the revenue forgone by not selling all it could produce. Although optimal tariffs have not been a focus of OEP, in drawing on the same economic theories of interest discussed above, they are not inconsistent with the basic framework and can be easily incorporated at the international bargaining stage (Gowa 1994). Indeed, Kyle Bagwell and Robert Staiger (2002) argue that it is precisely the ambition to cooperate in restraining these nationally optimal but collectively suboptimal tariffs that motivates the GATT/WTO.

Relaxing the small country assumption and recognizing that countries can act in ways that affect international prices, however, has two sets of effects that, although they can be incorporated into OEP, have not yet been theorized or even considered at length. Both suggest that rather than being exogenous to politics, international prices are in fact endogenous and themselves the product of political strategies and manipulations.

First, in addition to reducing global welfare, optimal tariffs and other restrictions can have important distributional implications in other countries. Optimal tariffs work by altering international prices to some significant extent. As we know from both the specific factors and HOS models, shifts in relative prices will affect groups/factors within countries differently, depending on the structure of comparative advantage. Groups or factors affected by a decline in the relative price of their goods will suffer disproportionately. If the effect on international prices is indeed large enough to shift rents to the home country, this distributional effect may well be substantial.

In the case of oil prices during the first half of 2008, for instance, oil exporting countries, led by Saudi Arabia, took advantage of tightening market conditions, largely

brought on by the rapid economic growth of China and India, to reduce production and push real prices back to their historic highs first reached in the late 1970s. This increase harmed the terms of trade for all oil importing countries, but it inflicted disproportionate harm on countries and industries that use oil relatively intensively. With traditionally low prices for oil and, thus, a history of profligate energy usage, higher oil prices affected the American economy more severely than other advanced industrialized countries. In turn, industries that use energy intensively, like heavy manufacturing, were harmed more than other sectors. And industries that produced goods that use energy intensively -- like automobiles, and especially large, fuel inefficient trucks -- were devastated, leading to what may be the final collapse of the American automobile manufacturers. Perhaps even more important politically, regions within the United States that use energy intensively -- the upper Midwest where winters are cold, the South where summers are hot, and rural areas in both where commutes tend to be substantially longer in distance -- suffered more than the coastal areas.²² While gasoline prices are higher along the coasts, in those areas total oil costs average less than five percent of personal income; in rural counties in the upper Midwest and parts of the South, however, oil can consume up to 16 percent of personal income. That the latter are also “Red” or Republican leaning states helps account for the politicization of oil prices and policies in the 2008 presidential campaign and the resonance for many rank-and-file Republicans of the chant “drill, baby, drill.” In this case, at least, politically determined international price movements, though optimal

²² Clifford Krauss, “Rural U.S. Takes Worst Hit as Gas Tops \$4 Average,” New York Times, June 9, 2008. Available at: <http://www.nytimes.com/2008/06/09/business/09gas.html?scp=14&sq=oil+price+share+income&st=nyt>. The interactive map is especially interesting.

from the viewpoint of the home country, had politically important distributional effects not only between but within other countries as well.

Second, countries may also affect global prices through economically sub-optimal but politically motivated policies. The distributional effects created by altering world prices is not limited to “optimal” import or export restrictions. Although the intent is not to improve national welfare by earning rents at the expense of foreign producers or consumers, politically motivated price distortions can have important effects not only at home but also abroad.

Agricultural policy in the advanced industrialized states, for instance, clearly distorts international prices in unfortunate ways, not only for consumers in those countries who pay more for food but for producers in other countries who lose markets for their goods. In the name of food security, preserving the “family” farm, or just plain old special interest politics, virtually every advanced industrial democracy subsidizes agriculture. The “overproduction” of food in industrialized states leads not only to fewer imports, and therefore lower demand and prices for agricultural commodities sold by foreign producers, but through dumping, often in the name of “food aid,” it depresses global prices for foodstuffs in general. This reduces profits and incentives for production for farmers in countries that might otherwise specialize in agriculture. It also distorts patterns of comparative advantage. Given world prices, typically small countries that would otherwise produce food still specialize in “something,” but not the industry that “nature” would have selected or that best uses their factor endowments. Rather than

farming, labor and land are put to their next best use, with the former often finding employment in the bloated services sector.²³

As resources are driven out of agriculture by artificially low international prices, the farm sector becomes less politically important than it would otherwise be, leading to further distortions in public policy. The effects of these agricultural price distortions are evident in the failure of the Doha Round of the WTO. Clearly, states that would benefit from agricultural trade liberalization are engaging in hard bargaining with the aim of opening up industrialized country markets, and are willing to run some risk of bargaining failure to maximize their leverage. But equally important, the agricultural producers who would otherwise be a force for liberalization within their own economies are artificially diminished (or do not exist at all) and cannot play the role of counterweight to the comparatively disadvantaged sectors (usually manufacturing) that demand continued closure. As the result of biased international prices, agriculture cannot bring enough pressure to bear on industrialized countries directly to change their policies, but they also cannot produce liberalization in other products at home to induce the developed countries to make further concessions either. By insisting on protecting their own farmers, the advanced industrialized countries are disarming and undermining politically the most important forces for liberalization in developing markets.

The profound effects of policy-induced price distortions on “foreign” interests is best observed, I think, in Britain’s much analyzed repeal of the Corn Laws in 1864 - an actual case where these distortions were eventually removed. At that time, trade policy in

²³ Developing countries bear some responsibility for the distortions in production here as well. Although resources are driven out of agriculture by artificially low international prices, that they often fail to find a second best “home” in another export industry and end up in the service sector or informal economy is likely the result of distorted policies within the developing country itself.

the United States was essentially split along sectional lines (see James and Lake 1989). The Northeast, dominated by nascent manufacturers, was strongly protectionist. The South, dependent on British markets for cotton and tobacco, was steadfastly free trade. The Midwest, rapidly growing and searching for markets for its wheat, corn, and other agricultural products, was the swing voting bloc. With the British market closed against its goods, the Midwest threw its weight behind the Northeast protectionists, hoping to stimulate increased domestic specialization according to internal comparative advantage. This was not the region's preferred policy, but a clear second or third best choice. Once Britain repealed its Corn Laws, however, the Midwest swung immediately to a free trade coalition with the South and ushered in a 15 year period of trade liberalization broken only by the Civil War. Indeed, although the bill had been marked up in committee months earlier, debate in the House of Representatives on the liberal Walker Tariff began the very day Congress received official notification of Britain's historic change. The prospect of new markets in the world's then largest industrial power transformed the politics of American trade policy.

By taking international prices as exogenous, OEP is blinded to these indirect effects on politics and policies in other countries. Tariffs need not be optimal to have profound effects not only on those who choose to use them but on the targets of these policies as well. We need to be far more attentive to the general effects of policy-induced price distortions. Focusing on international prices allows us to capture policy effects in ways consistent with OEP, but to do so first requires shedding simplistic assumptions that no country can affect international demand and supply. As noted above, HST and the concerns that gave rise to that theory resonate with contemporary attempts to theorize

more rigorously about how national actions affect relative prices and how these prices, in turn, alter domestic interests and policy. Although the prior focus on hegemony failed to mature into sound theory, this earlier work may yet prove to be fertile soil for new models of international bargaining in IPE.

In turn, much of the concern in the United States and elsewhere with China's rapid rise is driven by its *potential* international market power, whether exercised in an optimal fashion or not. This potential was evident in the skyrocketing of international oil prices in early 2008. Whether forced by real world events or speculators, there is no doubt that increasing demand for oil in China and, to a lesser extent, India, was an underlying factor. As China grows further, its ability to manipulate prices to its own advantage, as suggested by optimal tariff theory, or as a byproduct of policy decisions made for other, possibly domestic political reasons, will grow as well. To date, China appears to have relatively little market power, with the possible exception of oil. Moreover, it has acted in a restrained manner within the rules that govern trade, financial, and monetary relations set by the already industrialized countries (Johnston 2003) – even in the current financial crisis where, because of its huge investments in the United States, it could have become a spoiler by seeking to profit at the expense of others. Nonetheless, China's potential market power is likely to grow in the future. Along with the United States and Europe, China may well be able to affect international prices for some commodities in the years ahead. How such market power is exercised and with what effects should be a topic of considerably more research.

Increasing Returns to Scale

In a second key limitation, OEP is premised almost entirely on the assumption, common to both specific factors and HOS trade theory, that all production is characterized by constant returns to scale (a doubling of inputs, for instance, leads to a doubling of output). This implies, in turn, that countries will engage in inter-industry trade, sometimes referred to as “North-South” trade to emphasize differences in factor endowments. Yet, depending on how one classifies goods, one-quarter or more of international exchange is comprised of intra-industry trade, or trade within the same product categories. Economists have developed sophisticated models of increasing returns to production (a doubling of inputs leads to more than a doubling of output) or economies of scale (EoS) to explain the modern burst of intra-industry trade. Such models show that even with identical factor endowments, technology, and consumer tastes, trade between countries will still occur. Internal EoS (specific to the firm) lead to imperfect competition (monopoly or monopolistic competition) and international trade in similar products, while external EoS (specific to the industry) may or may not produce complete specialization (depending on initial country size).

For the political economy of trade, the most important implication of EoS production is that the pattern of specialization and, thus, any distributional effects are indeterminate. In the world of identical countries, for instance, specialization is entirely dependent on random perturbations. Similarly, small differences in country size may lead to decisive differences in who specializes in what. In an important unpublished paper, the most serious attempt to examine the distributional implications of EoS trade of which I am aware, Rogowski (1996) deduces that political cleavages and conflict are likely to arise between increasing and constant returns to scale industries, between traded and non-

traded goods producers, and (if assets are specific to an industry or even “sticky”) between active workers and retirees/consumers, regions, and possibly ethnic groups within countries. The political battles, moreover, will be fought over social welfare policy, industrial policy, immigration and foreign investment policies, political institutions, imperialism (size of country) and supranationalism (regionalism, customs unions, etc.). Yet, how these cleavages arise and battles unfold in any single country depend on random initial conditions or shocks anywhere in the world that advantage producers in one country relative to others. Similarly, Kerry Chase (2005) and Helen Milner (1997a) argue that EoS industries are a driving force behind regional trade liberalization, but this too is highly contingent on the optimal size of firms and the arbitrary sizes of the countries within the region (as a proxy for consumer demand).

Given the sensitivity of outcomes to conditions, government policy may also have a significant effect – the “created” comparative advantage common to so many cheerleaders for industrial policy in the 1980s (Johnson 1982; Zysman and Tyson 1983). Governments may seek to protect a firm/industry now disadvantaged by an arbitrary but decisive “shock.” Or they may try to seize competitive advantages over other possible producers, a branch of inquiry that developed into “strategic trade theory” (Brander and Spencer 1985; Krugman 1986). In either case, the pattern of specialization – which produces the distributional implications and, therefore, the “interests” that are the foundation of any OEP analysis – is itself a political phenomena. For EoS trade, at least, interests can no longer be taken as exogenous to politics but are actually the product of politics, undermining the key analytic move that has given OEP so much of its explanatory power. Explicating fully the distributional implications of EoS trade will be

essential to further theoretical and empirical progress in OEP. If the distributional implications are as sensitive to initial conditions and actions by governments as current theory suggests, future analyses will have to focus much more fully on the sorts of recursive and path dependent factors long emphasized by more constructivist scholars.

As with market power, it is its *potential* to intervene in EoS industries that motivates much of the current concern with China's rapid emergence as an international economic power, at least among policy analysts. Other East Asian NICs have exploited temporary infant industry protections, conglomerates that appropriate large domestically-generated rents to fund massive new investments, and targeted government subsidies to leapfrog over existing producers in North America and Europe in industries with large fixed costs and, thus, large increasing returns to scale. In steel, automobiles, shipbuilding, and other sectors, first Japan and then South Korea have used a combination of internal concentration and selective government incentives to achieve internationally competitive scale and, somewhat arbitrarily, to shift comparative advantage in their direction (Haggard 1990). Although China lacks the conglomerates that characterize Japan and South Korea, its large and growing internal market as well as the continuing role of the state in the economy create a similar potential for massive new investments that allow Chinese manufacturers to leapfrog existing EoS producers. Politically, this potential may be more worrisome for other NICs than the United States and Europe, which have already ceded comparative advantage in some of these EoS industries or successfully adapted. To date, China has largely been engaging in inter-industry of North-South trade, benefiting from its abundant labor, but the government has a clear vision of moving into EoS industries in the future. How disruptive any push into EoS production will prove to

other countries will be a function not only of the industries selected and investments made but also of the optimal scale of production relative to the internal market. As relatively small countries at the time of their first investments in EoS industries, both Japan and South Korea had little choice but to rely on exports to achieve minimum efficient scales of production. More like the United States in the late 19th and early 20th centuries, China may be able to reach these minimum scales producing for its domestic market, at least in some industries. The potential is clear, but the net effects of policy on China and other countries is not.

There is much we do not know about the political economy of EoS trade. To understand fully China's future impact on the world economy, and who is likely to win and lose both within and between countries, requires better theory and better data on when and how EoS industries can be stimulated successfully by government policy. Because EoS trade is difficult to understand and predict, scholars of IPE have largely chosen to ignore it, but this does not make it any less important. Although it is highlighted by the rise of China and the potential for a restructuring of comparative advantage in EoS industries, this is a problem for which the solution promises new insights in many areas of IPE.

V. Conclusion: Why OEP?

In three short decades, but a moment in academic time, IPE has grown into a true interdisciplinary, combining some of the best of political science and economics. From a welter of competing approaches, IPE has now centered on, if you will, a hegemonic approach that structures knowledge, generates puzzles, and identifies areas likely to yield profitable future research. Despite its successes, OEP is not perfect. Many refinements

and extensions are possible and, indeed, can be expected in the years ahead. Nonetheless, OEP is a powerful approach that promises future rewards.

OEP has succeeded in capturing the field of IPE in North America, in my view, for three reasons. We should not lose sight of these reasons as the approach matures. First, OEP is disciplined by a strong empirical foundation. From its inception, IPE has focused on historical trends in the international economy, both political and economic. Analysts have generally been careful not to mistake a single cross-section for all possible states of the world, but have mined the rich history available to them to test their theories. In turn, considerable attention has been devoted to developing appropriate indicators of trade protection, non-tariff barriers to trade, exchange rate regimes, and so on. Where IPE was originally constrained to case studies or, at best, statistical tests based on very limited data, some of the best new research employs very large time series datasets and powerful econometric tools. Whatever the method, however, IPE remains a strongly empirical science.

Second, OEP emphasizes deductive rigor. Political scientists, especially, have benefited from powerful theories developed in economics. Economists, in turn, have been prompted to take politics and political institutions seriously, and to integrate realistic understandings of political processes into their models. Scholarly debate has forced all to clarify the assumptions they make, revealing strengths and limitations, and to state propositions in clear and falsifiable ways, thereby opening arguments to empirical test. By working within agreed standards of scientific inquiry, scholarly interactions and cumulative knowledge are facilitated.

Finally, OEP draws upon and is integrated into broader bodies of theory. Theorists have grounded their analyses in the pure theory of international trade, theories of collective action, and theories of political institutions – all developed in larger disciplines and for other purposes. This not only links OEP to broader research programs and facilitates cross-fertilization, but prevents analysts from reinventing the wheel each time they sit down at their computers.

Norms of theoretical rigor disciplined by empirical facts are now deeply inculcated in scholars of IPE. For the same reasons that substantial intellectual progress has occurred in the past, I remain optimistic about the future of this emerging interdiscipline.

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