Ahead of her time? Reflections on Susan Strange’s contributions to contemporary political economy

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Comments welcome!
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Abstract:
Susan Strange’s analysis of political economy was distinctive in its time. She pioneered the contemporary political analysis of global financial markets, and warned us many years ago of the dangers of “casino capitalism” and “mad money”. Normative political theory informed Strange’s analysis of political economy as she repeatedly raised the question: *cui bono?* (who benefits?). Furthermore, she bucked state-centric analytic trends to reveal a far more complicated world of numerous and often powerful non-state agents shaping global politics. Strange rejected the “-isms” approach (then liberalism, realism, and Marxism) in favor of trying to get the analysis right empirically. Like realists, she took power seriously. Unlike realists she examined power beyond the state. Like Marxists, she expressed concerns about inequity. Unlike Marxists she did not focus on classes. Like liberals, she took markets seriously. Yet she emphasized the need to understand the interaction between states and markets, and how markets reflected fundamentally political dynamics. Anticipating the recent “pragmatic” and “practice” turns in international relations theory she strived to make her research relevant for the world, rather than only for political scientists. In the midst of our current global financial crisis, it is timely to reflect on the approach and the insights that Susan Strange provided. It is worth considering these as a possible way forward for analysis and prescription. This
paper will examine these aspects of Susan Strange’s intellectual legacy and discuss their relevance for today.

**Introduction**

Susan Strange’s analysis of political economy was distinctive in its time. She pioneered the contemporary political analysis of global financial markets, and warned us many years ago of the dangers of “casino capitalism” and “mad money”.¹ In light of both the Asian financial crisis of 1994 and the 2008 OECD blowout, it is clear that she was on to something consequential.

She sternly criticized unbridled market power and favored regulation and social control of markets. Rather than being surprised by panics, crashes, and volatility in financial markets, she fully expected these. She understood that they were baked in the cake. She argued that markets were not self-regulating and that political choices constructed them. In this sense she resuscitated Karl Polanyi’s astute analysis of the social embedded-ness of markets, and the dangers of the disarticulation of markets and society.² Strange highlighted the symbiosis of the political system of states and the economic system of markets.³ She bemoaned the irresponsible use of American economic power and the United States’ government’s abdication of responsibility for managing and controlling financial markets.

Normative political theory informed Strange’s analysis of political economy as she repeatedly raised the question: *cui bono?* (Who benefits?). While mainstream theory was implicitly normative (despite assertions to the contrary), Strange was refreshingly open about her normative concerns. Her provocative irreverence rankled some, but her work inspired many scholars who shared her concerns about responsibility and accountability.⁴

Furthermore, she bucked state-centric analytic trends to reveal a far more complicated world of numerous and often powerful non-state agents shaping global
politics. Strange rejected the “-isms” approach (then liberalism, realism, and Marxism) in favor of trying to get the analysis empirically right. Like realists, she took power seriously. Unlike realists she examined power beyond the state. She eschewed the realist ontology of states in favor of a more pluralist one, and analyzed a world made up of states, firms, sectors, international business civilization and have-nots. Like Marxists, she expressed concerns about inequity. Unlike Marxists she did not focus on classes. Rather than the Marxist emphasis on capital accumulation, Strange insisted that the creation and control of credit constituted the core of the capitalist system. Like liberals, she took markets seriously. Yet she emphasized the need to understand the interaction between states and markets, and how markets reflected fundamentally political dynamics. She rejected the analytic separation of states and markets. As Roger Tooze points out, she came to see her work as outside of the mainstream and critical in approach. She was a harsh critic of mainstream American international political economy that she regarded as narrow and prone to fads.

Anticipating the recent “pragmatic” and “practice” turns in international relations theory, she endeavored to make her research relevant for the world rather than only for scholars. In the midst of our current global financial crisis, it is timely to reflect on the approach and insights that Susan Strange provided and to consider these as a possible way forward for analysis and prescription. This paper will examine these aspects of Susan Strange’s intellectual legacy and discuss their relevance for today.

The paper proceeds in four sections. First, it briefly situates Strange’s scholarship in the state of the field when she was writing. Second, it discusses the importance of keeping “cui bono?” at the forefront of international political economy analysis. Third, it underscores the prescience of her attention to non-state actors and her resistance to the “-isms” that dominated international political economy analysis in the 1980s and early 1990s. Finally, it situates her scholarship in contemporary trends in the study of international political economy.
Setting the Stage: Mainstream IPE in Susan Strange’s Time

During the Cold War American neo-realist Kenneth Waltz argued that the world was anarchic and that the distribution of capabilities across states was the most analytically fruitful way to think about the international system. Anarchy simply meant the absence of world government. This perspective has remained influential and has informed mainstream American scholarship on international cooperation. Studies of “cooperation under anarchy” have informed much of the contemporary scholarship on international institutions, international political economy, and global governance.

In the 1980s international relations scholars focused on international regimes. Prominent scholars defined these as: “institutions possessing norms, decision rules, and procedures which facilitate a convergence of expectations.” Stephen Krasner’s edited volume on regimes featured analytic variety. Realists, constructivists, and functionalists all weighed in on the sources and contours of international cooperation. Realists focused on power, constructivists on ideas and identity, and functionalists on institutions.

However, Robert Keohane’s rationalist functionalism came to dominate the literature on cooperation and international institutions. Imbued with a market perspective, Keohane focused on “supply” and “demand.” Keohane argued that despite anarchy, states cooperated because institutions provided benefits to them. International institutions reduced transaction costs, provided information, and, if well designed, discouraged cheating and free riding. Thereafter, literature on institutions, international regimes, and international organizations dominated mainstream American scholarship on international cooperation and international political economy. Interstate dynamics, treaty making and international law occupied much of the analytic terrain in studies of global governance.
Produced during an era of the perceived hegemonic decline of the United States in the 1980s, Keohane’s analysis foregrounded stability as the chief normative value. While not self-consciously normative, the normative underpinnings of his analysis were stark. The question was how the United States could maintain its “benign” hegemony while losing power relative to other states. Many related analyses were statist and functionalist. They focused on structures or forms of cooperation and downplayed both the contestation and the politics animating international relationships. Both power and politics seemed to disappear in these accounts. They exhibited a static conservative bias intended to preserve a particular US-led international order. Susan Strange offered a trenchant critique of this approach, pointing out its inherent normative bias, its preoccupation with stasis, and the limits of its state-centric paradigm.13

Subsequent development of this strand of theorizing addressed questions of institutional design, such as membership and decision-rules.14 Ample scholarship on global governance has focused on forms, or structures of governance.15 This literature has focused on intergovernmental interactions and technocratic, managerial, approaches to global governance. This line of work implicitly assumed that international cooperation and global governance were inherently good. Cooperation was good; more cooperation was better. Governance was good; more governance was better. Even analysts of sub-state actors coordinating across borders emphasized a benign, managerial style of governance.16 As Ronen Palan argues:

The results are theories of form without substance. Regime theories are theories about coordination problems that states are facing with no particular reasons or cause for coordination besides some vague notion that those states that join regimes have a reason for doing so. Regime theory supposedly tells us about the impact of coordination, but has little to say about the substance of the regime as such.17

Many scholars focus on international organizations, treaties and international law, yet these governance foundations are based upon “thin state consent.”18 For
instance, international treaties only require that states agree to them; “international law is agnostic on how this agreement was reached (process), who participated in its establishment (actors), what form it takes (instrument) and what is actually agreed on (substance)”19
Not only did this rationalist functionalist approach say little about substance, it provided little insight into whose needs were being met by governance arrangements.20

*Cui bono? Who benefits?*

International politics is largely about who gets what, who benefits, how costs and benefits are distributed, who pays adjustment costs, and contestation over all of these.21 By downplaying these central issues the functionalist approach failed to address some of the more contested elements of international political economy. Susan Strange emphasized these fundamentally political aspects that the mainstream analysts of form over substance tended to obscure. By asking “cui bono?” Strange invited analysts to think about the distributive consequences of policy choices and introduced an explicit normative analysis.

In this way she encouraged analysts to think about whether current arrangements were the best, and who’s interest they best served. This paved the way for analysts to pay as much attention to the substance of deliberations as they have to the institutional forms and decision rules. This suggests that the substance of policies, rather than institutional forms, demand analysis. To the extent that policies are contested or resisted or defied, someone’s interests remain unaddressed. That “someone” might not find governance arrangements to be legitimate. As Manuela Moschella suggests:

> Legitimacy is more than a property that global economic governance can acquire through institutional reforms, such as decision-making and governance reforms. Rather, legitimacy is an inter-subjective belief about
how and why to govern the world economy and it is thereby dependent on a collective audience to be sustained over time (2009).22

Legitimacy is a social relationship; to be legitimate is to be “socially recognized as rightful”23 by those over whom global governors claim authority. This immediately raises thorny normative issues. As Regine Kreide asks, “What normative demands must transnational governance comply with? And when is transnational governance legitimate?”24

Many scholars have tried to derive checklists of criteria for legitimacy that are derived from democratic theory, and then applied to the global level. Yet critics point out that ex ante checklists tend to be ahistorical and inattentive to social context.25 For instance a legitimate participation norm did not always include women; one should expect legitimacy to vary according to cultural and social context. Daniel Mugge argues that, “assessments of legitimacy have to focus on the actual workings of institutions, not on formal flows of authority, information and accountability.”26

This concern with substance over form underscores the fact that legitimacy is not static; it involves continual interaction between governors and the governed. As Steven Bernstein points out, “what constitutes legitimacy results from an interaction of the community of actors affected by the regulatory institution, i.e. the public who grant legitimacy, with broader institutionalized norms – or social structure- that prevail in the relevant issue area.”27

In developing a more dynamic way of thinking about legitimacy Calliess and Zumbasen argue that it is implausible to separate, “the sphere where official authorities decide over law or non-law from the societal sphere in which the relevant actors recognize legal norms, by the authority these norms exercise over their lives or actions.”28 Authority, procedure and substance map onto “actors”, “processes” and “outputs” as well as to the benchmark of thick stakeholder
consensus. Pauwelyn and his colleagues endorse procedural integrity rooted in checks and balances that examine the following three elements: “(i) the source, respectability of the norm-creating body, (ii) transparency, openness and neutrality in the norm’s procedural elaboration and (iii) the substantive quality, consistency and overall acceptance (consensus) of the norm.”

Calliess and Zumbasen propose a “rough consensus and running code” approach to governance. The “rough consensus” applies to the front end of the policy process and would feature, “ex ante controls (such as setting a clear mandate or benchmark against which actors can be held accountable; guidelines; appointments; or rules on conflicts of interest) and ex post controls (such as re-adjustment of guidelines; financial accountability or complaint mechanisms).”

Thus legitimacy might better be conceptualized as an ongoing process of legitimation. As a process, one important criterion for legitimacy would be the extent to which policy, or output, is open to contestation. This is an important criterion that could address the flexibility and responsiveness that global governors and the governed need to have. Many issues in global governance, such as intellectual property, finance, and the environment exhibit a huge discrepancy between the narrow representation and technical focus of global governors and the huge societal footprint of these policy areas.

One prominent approach to thinking about legitimacy and supranational governance comes from the European Union literature; Fritz Scharpf has focused on “input” and “output” legitimacy. Briefly, input legitimacy refers to participation and representation in the process of defining policy goals and output legitimacy refers to the translation of these goals into policy. While complications of participation and representation were discussed above, output legitimacy raises a different set of challenges. Distributional outcomes matter and are intimately tied to the question of legitimacy.
Finding ways to recognize and institutionalize the ongoing processes of legitimation and interaction of governance policies with communities “on the ground” is a worthwhile goal. This might help to allow for adjustments when communities whose interests were never considered when devising the policy are suddenly deeply affected. For instance, the intellectual property rules came to sharply affect HIV/AIDS patients in the developing world. Perhaps the International Monetary Fund should listen to citizens who experience austerity first hand as well as the bankers whom it seeks to make whole. Global governance processes must try to address such unintended consequences in a systematic way.

Highlighting relationships between the governors and the governed directs our attention to crucial considerations of accountability, representation, and legitimacy. Scholars who dodge explicitly normative issues about substance run the risk of “uncritically adopting dominant notions of the ‘public good’ that policy should provide.”

Notions of legitimacy are bound to change as the governed experience the big societal footprint in unexpected or unintended ways. This evolving process requires an explicitly normative statement of “legitimate social purpose” focusing on institutional legitimacy alone is insufficient; analysts must squarely face the question of substantive legitimacy – why is it that one policy is more desirable than another? This brings us back to Susan Strange’s emphasis on winners and losers in governance contests – *cui bono?* What substantive benefits do we want to achieve and for whom? And how shall we do it? Distributional consequences lie at the heart of contestation over global governance and cannot be ignored.

*Non-state actors and resisting the “-isms”*
Four important developments in the 1980s and 1990s prompted new thinking about international cooperation and led scholars to question the mainstream state-centric approach to international political economy. First, the rapid pace of economic globalization more tightly connected people across space and time. This
triggered shifts in thinking from the local and national scales to the global scale. Second, economic privatization and deregulation increased the social power of private actors, especially globally engaged multinational enterprises and titans of global finance. Third, the development of new information and communication technologies radically compressed space and time, and provided both new opportunities for and constraints on conflict and cooperation. Fourth, the end of the Cold War ushered in a period of renewed commitment to and optimism about international cooperation. In response to these developments Susan Strange explored analytic territory that sought to better capture these momentous changes.

Strange highlighted the ways in which globalization strained state capacity. She revealed the poor fit between a system of territorially based sovereign states and rapid processes of globalization that both overwhelmed and undermined that system. Newly connected networks of actors both disaggregated and transcended the state. She emphasized the increasingly prominent role that private actors were playing and expressed concern that states were losing control of markets. As Strange argued:

> We have to escape and resist the state-centrism inherent in the analysis of conventional international relations. The study of globalization has to embrace the study of the behavior of firms no less than other forms of political authority. International political economy has to be recombined with comparative political economy at the sub-state as well as the state level.

Strange’s work inspired substantial scholarship on the prominent role of non-state actors and private authority in global governance. As Strange once commented upon the work of Robert Cox, “Books that mark turning points in perceptions of international affairs, that succeed in redirecting thought and argument in quite new directions, are rare indeed.” Her 1996 book, *The Retreat of the State* offered a rich research agenda that inspired a much broader and more thickly populated conception of international political economy.
In the 1990s analysts such as A. Claire Cutler, Virginia Haufler, Tony Porter, Thomas Biersteker, Rodney Hall, Margaret Keck and Kathryn Sikkink established the prominence of a variety of non-state actors in global governance. They highlighted the proliferation of potential governors, ranging from business firms, social movements, and non-governmental organizations (NGOs). Scholars began to look more deeply into who governs the globe and began to analyze the agency of global governors. “Global governors are authorities who exercise power across borders for purposes of affecting policy. Governors thus create issues, set agendas, establish and implement rules or programs, and evaluate and/or adjudicate outcomes.” Global governors can be NGOs, civil society campaigns, experts, intergovernmental organizations, states, regulators, judges, lobbyists, business firms, and hybrid networks blending multiple types of actors.

Joost Pauwelyn and his colleagues have noted the increasing stagnation of international law and the simultaneous emergence of new actors, new outputs and new processes that have led to a much broader range of governance practices. Many global governors operate in the space between thin state consent and “thick stakeholder” consensus. Sovereign states are just one constituency. Stakeholders include the rule makers, the governors, and the rule takers, the governed. More informal processes, non-state actors, and networks that strive for more robust, or thick, stakeholder consensus are edging out the traditional state-centric modes of global governance. Globalization has strained more traditional governance mechanisms. As Joost Pauwelyn and his colleagues point out:

The state remains a pivotal entity of interest aggregation, legitimation and control. Yet it is supplemented, assisted, corrected and continuously challenged by a variety of other actors be they regulators, national and international agencies, city mayors, businesses or NGOs who can make cooperation not only more legitimate but also more effective.
Hybrid coalitions and networks of state and non-state actors have emerged as prominent sources of global governance and regulatory change.

Strange's concern with equity and the have-nots inspired more critical scholars who were interested in the developing world. Apart from dependency theory, international political economy had only a small handful of analysts concerned with development. Roger Hansen, Robert Rothstein, Albert Hirshman, Peter Evans, Craig Murphy, Stephen Krasner and Thomas Biersteker\(^49\) stood out in this regard. In 1996 Mary Durfee and James Rosenau surveyed ten years of the leading international relations journals and found that the word “poverty” was mentioned only twice; they concluded that “mainstream theorists have had virtually nothing to offer on the subject of poverty.”\(^50\) This neglect was astonishing given the fact that well over 80% of the world’s population lives on less than $10 a day. Mainstream international political economy remained exclusively preoccupied with the OECD countries and offered very little to scholars interested in development.

**Susan Strange and Contemporary IPE**

Not surprisingly, scholars are still grappling with the core issues that Susan Strange’s scholarship addressed. The three big failures that she identified in 1998 have only gotten worse:

- Failure to manage and control the financial system;
- Failure to act for the protection of the environment;
- Failure to preserve a socio-economic balance between the rich and the poor, the powerful and the weak. The West failure system is thus failing Capitalism, the Planet and global (and national) civil society.\(^51\)

As many analysts have pointed out, the gulf between the American mainstream and the so-called “British” school remains.\(^52\) Since Strange’s time a more explicit tolerance of theoretical pluralism and pragmatism in international relations
scholarship has emerged. Strange’s skepticism of grand theory and her eclectic approach that defied the “isms” categorization would fit comfortably within this nascent trend. A variety of analytic bridge-building and interdisciplinary exercises in middle range theory are underway.53

Of course not everyone embraces this call for theoretical pluralism, as is evident with the Open Economy Politics approach.54 Scholars interested in policy relevant research are less enamored of OEP than others, for many of the same reasons that Susan Strange found the 1980s mainstream scholarship wanting.55 At the end of the day scholars of international political economy may not need to choose whether the field should be defined by its subject, as Susan Strange suggested, or by its methodological commitments, as David Lake has urged.56 One pressing danger is dogmatism; the world will always find a way to humble us. A more promising orientation comes from Franke and Weber:

Viewing different theories as different tools and instruments for dealing with the social world would thus make possible different research agendas and designs, perhaps not so much concerned with showing that a given theory is wrong per se, but with arguments that it is not of much use when applied for the purpose x to a problematic situation y, where this or that theory might be of more use.57

Paradigm “wars” in international relations theory have not always been the most productive ways to get on with the business of understanding and explaining important aspects of the world.

This also raises important questions about one’s intended or desired audience and motivations for scholarship. Individual scholars have varied motivations, leaving aside the substantial socializing effects of navigating the tenure and promotion process. Does one seek to make a name for one’s self in the field, or to try to make the world a better place? If it is the former, one might be writing for an audience of fellow academics period. I once asked a colleague what his motivation for writing was, and he told me that he wanted the handful of top people in the field to read his
work. If one seeks to have one’s scholarship be relevant in the world one would presumably write for a broader audience, as Susan Strange did. She managed to achieve both goals as a prominent academic whose work was (and is still) widely read. When the most recent financial crisis hit I immediately thought of how she had warned us about this years ago.

Strange was a critical theorist, (but not in a post-modern sense), insofar as she took a strong normative stand against prevailing trends in international political economy both in scholarship and in financial markets. In a memorable exchange between William Wallace and Ken Booth, Wallace charged that critical theorists were “monks” with nothing to offer to diplomats. Booth countered that critical theorists were speaking to a practical audience, but a different one of civil society, activists, social movements, including some actors in governments who were working for a better world. Strange’s work speaks to this audience as well.

Susan Strange highlighted the richness of international political economy and its historical specificity. She paved the way for future scholars to consider a broad and deep menu of subjects for analysis and to be self-conscious and explicit about their normative commitments. Her compelling conceptualizations of structural power (finance, security, production and knowledge structures) have reminded us that making the rules that others must follow has lasting effects. These particular structures have become only more important as globalization has proceeded apace, albeit unevenly, in the years since she wrote. Asymmetrical power relationships, the state-market condominium, questions of legitimacy and contestation over substantive issues and distributional outcomes remain salient today and lie at the heart of international political economy. Susan Strange remains an invaluable tour guide for those of us seeking to understand, explain, and hoping to improve it.


11 Ibid.


17 Ronen Palan, “Cave! Alius Draco: There was a sixth dragon!” [http://www.e-ir.info/2012/09/21/cave-alius-draco-there-was-a-sixth-dragon/](http://www.e-ir.info/2012/09/21/cave-alius-draco-there-was-a-sixth-dragon/)


21 Harold Laswell, 1964; [GET FULL CITE]


23 Bartelson, 2010: 219, emphasis in original.


29 Pauwelyn et. al., 2012: 34.

30 Ibid. 33.

31 Ibid. 25.


33 Mugge, 2011: 68.

35 Mugge, 2011: 57.


37 Mugge, 2011: 68.


39 Mugge, 2011: 68.

40 Calliess and Zumbasen, 2010: 111.


46 Pauwelyn et. al., 2012: 13.

47 Ibid.

48 Pauwelyn et. al., 2012: 11.

49 Cite their works here


