

INTERNATIONAL POLITICAL ECONOMY

Nicaragua faces a huge and costly infrastructure project—a new canal linking the Pacific and Atlantic Oceans financed by a Chinese development group. While this effort might signal increased trade and an influx of investment in the Nicaraguan economy, rural Nicaraguans along the route of the proposed new canal fear eviction. In Chinese lettering, signs proclaim “Go Away Chinamen.” To the rural population, the threat to their land and livelihood is real; others in Nicaragua and abroad are skeptical about whether a new canal will ever be built. For some, that skepticism comes from the slow reported progress and the difficulty of finding additional financing. Others question whether another canal in Central America is needed since the Panama Canal has been expanded to accommodate bigger ships. For still others in the countryside, their skepticism reflects a general distrust of government. As one rancher put it, “They always come with big plans. And they never do anything.”

For the world’s poor, is development elusive? Can development promoting the global good hurt local groups and individuals? Can the farmers and ranchers of Nicaragua benefit from economic globalization in 2016?

Few people would dispute that economic **globalization** accurately describes today’s international political economy. As Thomas Friedman describes in *The Lexus*

and the Olive Tree, globalization is the “inexorable integration of markets, nation-states and technologies to a degree never witnessed before in a way that is enabling individuals, corporations and nation-states to reach around the world further, faster, deeper and cheaper than ever before.” Economic liberalization and new technologies stimulate not only the increasing flows of capital and trade but also the decreasing territorialization of economic life both at the global and regional levels. But the international political economy was not always as globalized as it is today. How has the international economy changed? What ideas propelled these changes?

LEARNING OBJECTIVES

- Understand the core concepts of economic liberalism.
- Analyze the roles the major international economic institutions and multinational corporations play in the international political economy.
- Describe how the views of mercantilists/statists and radicals differ from those of economic liberals.
- Explain how the international economic system has become globalized in key areas: international finance, international trade, and international development.
- Explain how approaches to achieving economic development have changed over time.
- Show how the global economic crisis and the Eurozone crisis are connected.
- Explain how critics of international economic liberalism and economic globalization reflect differences in ideologies.

The Historical Evolution of the International Economy: Clashing Practices and Ideas

The era from the late Middle Ages through the end of the eighteenth century saw a number of key changes in technology, ideas, and practices that altered the international economy. Spurred by advances in ship design and navigation systems, European explor-