

# The confluence of economics and politics in an increasingly globalized society

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## Annotation

This article explores the discipline of International political economy (IPE) and how politics and economics interact within a globalized environment. It discusses several theoretical frameworks, such as mercantilism, liberalism, Marxism, and constructivism, to fully understand how institutions and states shape economic policy. The article also examines significant issues in the International political economy (IPE) like protectionism in global trade, the functioning of international financial institutions, economic inequality, and global warming, and offers pragmatic solutions to these problems. It ends with examining possible trends emphasizing the increasing power of digital economies, geopolitical changes, and sustainable development in influencing world economic policies.

## Keywords

International political economy, globalization, trade protectionism, economic inequality, financial institutions, climate change, sustainable development, geopolitical shifts, digital economy, economic policies

## Introduction

International political economy is that aspect of political science that deals with the interface of politics and the economy on an international scale. It studies the role of governments, institutions, and markets, and how those agents shape and influence trade, finance, and overall economic development. IPE attempts to account for how relations of power, policies, and interests determine the pattern of international economic and political relationships. With the phenomenon of globalization, IPE becomes critical for making sense of international trade, economic recession, and systems of global governance.

## Theoretical Approaches to IPE

Numerous theories inform the field of International political economy (IPE), with each one having a different understanding of international economic relations:

**Mercantilism** – this theory is focused on the role of state power in economic policy. It prescribes protectionist measures, i.e., tariffs and subsidies, to reinforce national economies and preserve competitive advantages. Mercantilist policies historically resulted in colonial conquests and wars as nations competed to hoard wealth and resources.

**Liberalism**, founded upon the theory of Adam Smith and David Ricardo, advocates free markets, limited government intervention, and the gains from international trade. Institutions such as the World Trade Organization (WTO) and the International Monetary Fund (IMF) tend to act by liberal economic theory, thereby encouraging international cooperation and trade liberalization.

**Marxism** – this theory is a critique of capitalism, asserting that economic power is in the hands of elites and generates international disparities. Marxist theorists examine how multinational corporations and financial institutions bring about economic disproportions, often at the expense of the Global South while promoting developed nations. Exploitation of labor and wealth accumulation continue to be central concerns.

**Constructivism** is a tradition that emphasizes the significance of ideas, identities, and norms in the making of economic policy and international cooperation. Constructivism contends that global economic orders are shaped by cultural factors, ideological perspectives, and historical experiences, and it stresses the notion that economic relations are socially constructed and not purely materialistic.

## Key issues and solutions in International political economy

Global Trade and Protectionism – Trade agreements, such as NAFTA, the single market of the European Union, and China's Belt and Road Initiative, profoundly shape international economic relations by controlling trade flows and investment patterns. The rise of protectionist policies, as represented by the U.S.-China trade war and Brexit, demonstrates the ability of economic nationalism to reshape global trade patterns, thus posing opportunities as well as threats to different economies. Solution: Countries must engage in multilateral trade talks and agreements under bodies like the WTO to balance national interests and promote free trade. Bilateral trade agreements can also help to resolve specific trade problems and avoid conflict.

International financial institutions such as the World Bank, IMF, and WTO play a critical role in stabilizing global markets and providing economic assistance to developing nations. Their lending policies and practices, however, are frequently a subject of criticism as they call for stringent economic reforms that may not be consistent with the priorities of borrowing countries. The influence of these institutions raises controversy over economic sovereignty as critics accuse them of serving the interests of developed economies alone while supporters point out their contribution to global financial stability. There needs to be reform of the international financial institutions to enable more inclusive decision-making to give developing countries a greater voice. More equitable terms of lending and promotion of transparency can help alleviate the present criticisms.

Although globalization has resulted in economic growth, technological advancement, and the generation of wealth, it has simultaneously generated concerns about income inequality and the exploitation of workers. The rise of offshore tax havens and multinationals also highlights economic disparities between developed and developing nations, with corporate responsibility and sharing of wealth becoming causes for concern. Governments can implement progressive taxation and enact stricter legislation on multinationals to encourage equal pay and working conditions. Global coordination on taxation reforms can also deter the storage of wealth in offshore banks.

Environmental policy is ever more influencing global economic decisions, with nations imposing carbon taxes, subsidies for green energy, and emissions regulations to fight climate change. International summits, such as the Paris Agreement, are a good illustration of the relationship between economic interests and environmental sustainability, with nations bargaining over promises to reduce carbon footprints while simultaneously ensuring economic growth. Solution: Governments and corporations need to invest in sustainable technologies and renewable energy. Global collaboration in carbon trading and green finance activities can provide economic development with a balance of conservation.

## Conclusion

International political economy offers insightful knowledge of the interactions between global economic and political forces. It is important to understand these dynamics for policymakers, businesspeople, and those who are working in a more interconnected world. As international trade, finance, and governance continue to evolve, IPE remains central to determining the future policies of the economy and international cooperation.

From my perspective, resolving global economic issues needs to be done in a concerted manner that accommodates both national interests and international collaboration. Policymakers need to concentrate on sustainable economic models that not only reverse imbalances but also resolve environmental challenges while triggering economic growth. By understanding the power relations and economic interests underlying global relations, we can move towards a more equitable and sustainable global economy.

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