

**POLS2094
WEEK 12 2026**

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General questions for this week

The goal for Week 12 is to recap what we have learned this semester and provide a framework for studying for the final exam.

Reading notes and questions

Please read the assigned chapters before lecture and tutorial. We will be referring to them repeatedly during the week. For week 12, please read

Frieden, Jeffrey A. 2006. "Chapter 20: Global Capitalism Troubled", and "Chapter 21. Conclusion," in *Global Capitalism: Its Fall and Rise in the Twentieth Century*. New York: W.W. Norton. pp. 457-476. [20 pages]

Frieden (2006) examines the challenges to global capitalism at the turn of the millennium, beginning with the 1999 “Battle of Seattle” protests against the WTO, which represented broader public challenges to international economic institutions. The reading identifies key threats to the system: financial instability exemplified by recurring currency and banking crises (explained through Mundell's unholy trinity dilemma we have already studied), and competitive pressures from countries like China that created fears of a “race to the bottom” in wages and regulations. This led to the anti-globalization movement criticizing international economic institutions, though developing nations often viewed Northern activists' demands for labour and environmental standards as disguised protectionism. The central tension identified is between global markets and national politics. In the Conclusion, Frieden reflects on global capitalism's dual nature since 1850: creating unprecedented growth and development opportunities while simultaneously bringing costs like deindustrialisation in wealthy nations and debt crises in developing ones. He argues that history demonstrates two key lessons: economies work best when open to the world, and open economies function best when governments address social concerns arising from globalization. Frieden (2006) reviews historical approaches (from pre-1914 globalisation that ignored social reforms, to disastrous interwar isolation, to the compromised Bretton Woods system) concluding that the 21st century challenge is combining international economic integration with politically responsive, socially responsible government.

Reading questions

Remember

1. What event does Frieden (2006) use to open Chapter 20, and what year did it occur?
2. What are “the three scariest words in U.S. industry”?

3. What are three types of criticisms that anti-globalisation activists raised against international economic institutions?
4. According to Frieden (2006), what were the two main threats to global capitalism that emerged in the late 1990s?

Understand

5. How does Frieden (2006) explain the relationship between financial integration and recurring currency/banking crises in the global economy?
6. Contrast the perspectives on labour and environmental standards between activists from developed countries and representatives from developing nations.
7. Explain the central tension Frieden (2006) identifies between global markets and national politics. How do supporters and critics of globalisation differ in their proposed solutions?
8. Describe how Frieden (2006) characterises the different historical approaches to managing global capitalism (pre-1914, interwar period, and post-WWII Bretton Woods system).

Apply, analyse, and evaluate

9. Evaluate Frieden's (2006: 476) argument that “the challenge of global capitalism in the twenty-first century is to combine international integration with politically responsive, socially responsible government.” Is this combination possible? Why or why not?
10. How might the tensions Frieden (2006) describes between globalisation advocates and critics play out differently in 2025 compared to 2006?
11. Frieden (2006: 475) asks: “Is global capitalism desirable? Will it last? Should it last?” Based on the evidence presented in the reading (and the course more generally), construct your own answer to these questions.
12. Critically analyse the claim that international economic integration generally expands economic opportunities. What supporting and contradicting evidence does Frieden (2006) provide?

Lecture—Semester review and conclusions

Part 1: Revisiting the foundations of IPE

This semester’s motivating question

How does domestic and international politics shape who benefits from ongoing economic transformations?

Main analytical frameworks

Interests
Institutions
International bargaining

Across the interaction of states and markets

Theoretical perspectives

Economic nationalism—politics over economics, state primacy
Liberalism—market superiority, voluntary transactions
Marxism—economics drives politics, class conflict
Open Economy Politics (OEP)—interests, institutions, international bargaining
Hegemonic stability theory
Dunning's OLI (ownership, location, internationalisation) paradigm

Theoretical dilemmas

Mundell's (1963) monetary trilemma—A country cannot simultaneously maintain fixed exchange rates, independent monetary policy, and free capital mobility.
Feldstein and Horioka (1980) puzzle—National savings rates and investment rates remain highly correlated across countries.
Minsky's financial instability theory—Financial crises follow a predictable pattern.
Globalisation as a double-edged sword
Six degrees of separation—legal and illegal markets are closely related.

Part 2: Key tensions in global capitalism

Capitalism (1833)

OED definition: "The practices or principles of capitalists; the dominance of capitalists in financial and business enterprises; esp. an economic system based on wage labour in which the means of production is controlled by private or corporate interests for the purpose of profit, with prices determined largely by competition in a free market."

"That sweeping tide of capitalism and money-loving which threatens our country with the horrors of a plutocracy." Caledonian Mercury 25 September 1848

Capitalism key elements

Private property rights and emphasis on individual economic freedom
Market-based allocation of resources through price signals
Competition among firms for consumers and resources
Capital accumulation and investment by private entities
Wage labour relationships where workers sell their labour to owners of capital

Studying capitalism

"Historically, capitalism emerged in Western Europe during the transition from feudalism in the 16th-18th centuries, accelerating with the Industrial Revolution. It has evolved through various forms, from laissez-faire approaches to more regulated versions incorporating welfare state elements."

"In international political economy, capitalism is studied in relation to global trade patterns, financial flows, the behaviour of multinational corporations, and how different national varieties of capitalism interact within the global system." (OED)

Domestic-international tensions

Global markets vs. national politics

The impossible trinity (Mundell) implies that states cannot simultaneously maintain fixed exchange rates, independent monetary policy, and free capital mobility

Sovereignty vs. integration dilemma across all IPE domains

Winners and losers in global economic exchange

Trade—Factor vs. sector models

FDI—Host countries vs. MNCs

Finance—Creditors vs. debtors

Development—Donors vs. recipients

Environment—Present vs. future generations

Illicit markets—supply vs. demand responses

Part 3: Recurring IPE themes across issue areas

Collective action problems across domains

Trade protection (Week 3)

Global financial stability (Week 8)

Environmental protection (Week 10)

Institutional solutions to collective action problems

International organisations (WTO, IMF, World Bank, UNODC)

Bilateral/regional agreements (BITs, RTAs)

Domestic adaptations to globalisation

Increasing relevance of private actors

From state-centric to multi-actor governance—Private entities increasingly shape standards, norms, and outcomes alongside governments

Rise of multinational corporations—MNCs now account for approximately 1/3 of global output and 2/3 of world trade

Financialisation—Private rating agencies, institutional investors, and accounting firms exercise enormous power in global governance

Private actors across issue areas

Trade—Global value chains fragment production across borders, reshaping trade politics beyond traditional domestic interests

Investment—MNCs strategically leverage mobility to extract concessions from states

Finance—Private rating agencies (Moody's, S&P) function as de facto regulators

Environment—Industry self-regulation and corporate sustainability initiatives operate alongside formal treaties

Private actors' implications

Accountability gap—Private actors exercise public authority without corresponding democratic accountability
Sovereignty challenges—States’ policy autonomy increasingly constrained by private market judgments
New governance arrangements—Public-private partnerships and multi-stakeholder initiatives becoming normalized

Crises as catalysts for institutional change

From GATT to WTO
The post-2008 financial architecture
The evolution of the Bretton Woods system

The illicit dimension

Illicit economies both challenge and reinforce our IPE frameworks.
A spectrum of legality and legitimacy rather than simple legal/illegal dichotomy.
Global commodity chains connect legal consumers to illegal production (six degrees of separation)
Smuggling and trafficking exploit the same infrastructure that enables legitimate trade.
Money laundering and tax evasion leverage globalized financial systems.
Dependent financialisation often drives countries toward informal/illicit economic activities.
Conflict resources show how illicit markets fuel violence and instability.

Part 4: Future challenges and course conclusions

Frieden's (2006: 475) central questions

“Is global capitalism desirable? Will it last? Should it last?”

Frieden's (2006: 476) conclusion

“The challenge of global capitalism in the twenty-first century is to combine international integration with politically responsive, socially responsible government.”

Three takeaways from POLS2094

Markets need political foundations. There is no purely economic or political solution to political economy problems.

Domestic politics shapes international economic outcomes. IPE begins at home.

Interests, institutions, and international bargaining interact. They provide a framework for analysing future challenges.

Emerging challenges for IPE

Climate change and the energy transition

Digital transformation of the global economy, money, and finance
Great power competition (US-China tensions)
Development inequalities

Developing your own analytical framework

We have examined multiple theoretical perspectives—from classical approaches like economic nationalism, liberalism, and Marxism to contemporary frameworks like OEP.

None of these frameworks is complete in isolation.

Each focus on different aspects of reality.

Your task now is to critically assess which elements of each approach best explain the phenomena you find most compelling.

Integrating evidence with theory

Frieden (2006) describes global capitalism's dual nature: creating unprecedented economic growth while simultaneously bringing costs like deindustrialisation in wealthy nations and debt crises in developing ones.

The most sophisticated IPE analysis integrates empirical evidence with theoretical insight.

Finding your focus

Some of you may be drawn to trade policy, others to development, finance, or environmental governance.

I encourage you to apply our analytical tools (e.g., interests, institutions, and bargaining) to your area of interest.

Ask yourself

Whose interests are served by current arrangements?

How do institutions mediate competing preferences?

What information asymmetries exist and how do they affect outcomes?

Maintaining normative awareness

This course “is going to suggest to you various ways to think about the politics of economic systems and the economics of political systems, and tools by which they may be analysed, leaving it to you to choose what to think,” Susan Strange (week 2).

Recognise that analytical choices often carry normative implications.

Be explicit about your values while maintaining analytical rigour.

Contributing to evolving debates

IPE continues to evolve.

The challenges we have discussed (from the backlash against globalisation to climate change) will require fresh thinking.

You are joining this conversation at a critical moment when many assumptions about global economic governance are being questioned.

Your perspective matters in these ongoing debates.

Remember that finding your own analytical path does not mean rejecting established frameworks, but rather synthesising them, identifying their limitations, and applying them thoughtfully to the questions that matter most to you.

Please complete your SELTS.

Thank you for a great semester!