International political economy: (IPE) is the study of how politics and economics interact in an international context.

Economic Production: is the creation of goods and services with market value

- Norway began to produce oil, now is extremely wealthy & have a large amounts of oil wells
- Yemen is poor due to the fact that it doesn't have oil; absence of funds create poverty
- China is moving up due to high production of goods sent to the United States but does not have oil, now Chinese must bargain in Africa to obtain oil.

Gross Domestic Product: Which is the monetary value of the goods and services produced at a given time.

Consumption: is the selection, adoption, use, disposal, and recycling of goods and services.

- The more demands people have, the higher demands of consumptions of certain services and goods are, also affecting at a political level.
- Example: Chinese's start begin wanting BMW from Germany, Ferragamo shoes from France, and Apple products from the US. (The cost of labor will also rise affecting at political levels)

Currencies: The physical component of a country's money supply, comprising coins, paper notes, and government bonds. [Medium of exchange, easily traded for goods and services]

- Exchange rates fluctuate vis-à-vis each other and gold, their exchange rates depends on many factors, Including GDP growth, exports and imports, and political as well as economic events.
- Example: When US Currency rises; Good for US when we travel and such; Bad for other people purchasing american goods as prices will rise on their end. [Vice versa when US currency drops]

Balance of Trade: The difference between the size of exports and imports of a county.

Protectionism : Economic restrictions by the state to discourage imports and encourage domestic production including "import substitution"

- A state will protect their own, and not always allow new companies or people to sell their goods or services.
- Idea of Nationalism, supporting of our own products

Tariffs: Taxes or financial charges imposed on imported goods

- Main Goal of this is to kill competition with their own to other countries products.

Economic Sanctions: The deliberate, government driven withdrawal, or threat of withdrawal , f customary trade and financial relations in an effort to change another country's policies.

*** Why do we study IPE ? Major approaches chart.

Mercantilism: The economic view that emphasizes the accumulation of resources and capital by states, as well as state regulation of trade.

1. Positive trade balance "Sell more than you buy "
2. Support Peasants
3. <u>Reliance of domestic resources</u> ; don't rely on other's resources
4. Expansion and colonialism
5. Reduction of competition ; reduce competition by controlling trades
6. Exclusive trade with Colonies

Protectionism: The government of a country that has a selling competitor will add a tariff or tax on imported goods to protect their own domestic products and laborers.

<u>**In 1945**</u>: Europe was struggling, lack of fuel, food and clothing endemic. Governments remained weak. In France and Italy, the threat of communist coups grew. Chaos and insecurity reigned from Poland and Greece.

- In Communism everything belongs to the "Public" as Public Property. Everyone must be equal in society.

In June of that year, the United States decided to provide economic and financial assistance to Europe devastated by war.

- This assistance was called, "<u>The Marshall Plan</u>" (U.S Secretary of State) : congress approved in 1948 of the first $5 billion in aid.

- By 1952, the United States spent $13.5 billion in 16 countries, an equivalent of about $120 billion today!

<u>*Why did Washington give help?*</u>

1. Washington provided this help because the U.S was afraid of communistic coùp (Strategic international plan) : To restrain the spread of Communism in Europe
2. If European economy suffers, the rest of the economic world shall follow
3. Gives a stimulus to US enterprises (Selling goods to European stores benefiting the US)
4. It is fine and only fair to help others

The Plan helped resurrect European Liberal democracy, threaten by hunger and instability and political radicalism.

A Benefit of the Marshall Plan: *Germany was politically dying during WWII ; But now is the most prosperous country in Europe today.*

Economic Liberalism: The belief and theory that only free market, free trade and economic cooperation can lead to peaceful and prosperous world.

1. Allow deregulation

2. Opening of domestic markets to competition
3. Low trade barriers
4. Comparative advantage
5. Economic Interdependence

Comparative Advantage: A theory that explains why it is beneficial for two countries to trade with each other instead of relying on their own domestic production.

" States should specialize in tasks at which they are most productive and then trade freely with other states"

We study Liberalism because ……

F Hayak: Bureaucracy tends to strangle entrepreneurship, which in turn or odes the economic foundations of Democracy. Planning, because it is coercive, is an inferior method of regulation.

Milton Friedman: Argued that the state has a role to play; it should gradually increase the amount of money in circulation - an idea called monetarism.

(His book argued that people should have power) [LOOK AT POWERPOINT] ********

Liberalism. The Keynesian Challenge

John Keynes are argued that, contrary to the assumption of the efficiency of free markets, **Governments should regulate business and specially finances**.

Founder of Macroeconomics, the study of the structure and performance of the entire economy and its sectors.

According to Keynesian Economics, national governments can ease the undesirable effects of economic recession by spending more money than their revenues allow. By putting money into the economy, government can fuel business transaction and purchases, stimulate production and consumption, lower unemployment, and create a prosperous middle class.

" Borrowing money….. or using a credit card"

Fiscal Policy: the use of government spending or revenue collection to influence the economy, jumpstart it out of recession or create jobs.

Manipulating the supply of money through banking interest rates - a process known as Monetary Policy

Example: High unemployment leads to —> Banks Increase the supply of money leads to —> Inflation leads too —> Banks raising interest rates lead to —> (back to High unemployments)

Liberalism: International Institutions:

Economic liberalism, with or w.o Keynesian modifications inspired the creation of international institutions to facilitate trade and provide financial stability worldwide More efficient institutions, their supporters believed, would lead to a more prosperous and peaceful world.

Marxism: Argue that the world is dominated by a ruling class, which owns the major means of production, natural resources, and services.

States serve the interests of the ruling class of billionaires using diplomacy, international agreements, free trade, and international law to manage international relations, which in effect should leads to higher profits.

- Over throw capitalism as an economic and political system
- Belief that governments would should all large businesses and become government property
- Nationalized banks and big cooporations (Gov't should also own banks and assign certain people to manage these banks and corporations)
- Higher taxes on the rich, and more social spending, rigorous social control over banks and corporations

Dependency Theory: The view that the world economic and trade system has been set in a way beneficial for rich industrialized nations, but not for others.

NORTH (Global North) :In dependency theory, predominantly rich and technology-driven countries that benefit from the raw materials and cheap labor of the (Global) South.

SOUTH: Predominantly agricultural countries that are dependent on the rich and technology driven North.

Fair Trade / Trade Justice : We in wealthy countries agree to pay a little more, to purchase from poor farmers for better lifestyle for them.