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Edited by John M. Hobson and Leonard Seabrooke

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# 1      Everyday IPE: revealing everyday forms of change in the world economy

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*John M. Hobson and Leonard Seabrooke*

[T]he period of relative calm in the world political economy in the second half of the 1980s was used by many scholars as an opportunity for strengthening the scholastic rigor of IPE without questioning its, often unstated, foundations. Many of us have not been particularly open to rearranging the hierarchy of the substantive issues that IPE studies, nor have we been happy to muck about with the hierarchy of values attached to those issues.

(Murphy and Tooze 1991b: 5)

While the general method of analysis is well-established and widely accepted, this hardly means that IPE has exhausted its potential. In fact, it is surprising how narrow is the range of analytical and empirical problems that existing scholarship has tackled in earnest ... It may be that a great deal of theoretical, analytical, and methodological brush needs to be cleared.

(Frieden and Martin 2002: 146)

Our everyday actions have important consequences for the constitution and transformation of the local, national, regional and global contexts. How, what and with whom we spend, save, invest, buy and produce in our ordinary lives shapes markets and how states choose to intervene in them. The political, economic and social networks with which we associate ourselves provide us not only with meaning about how we think economic policy is made, but also constitute vehicles for how economic policy, both at home and abroad, should be made.

Surprisingly, however, conventional work in international political economy (IPE) has little to tell us about how our everyday actions transform the world economy. The conventional focus is on hegemony, trade and financial flows and international economic regulatory institutions that exist at the international level (i.e., 'the small number of big and important things'). Such examinations are conducted through reference only to the elites who wield power in the world economy or to the structures that constitute it. Typically, while everyday actors are assumed to exist they, nevertheless, have no role to play in shaping the world economy. It is as if elite actors or international institutions write the script, which everyday actors receive in a passive way. Accordingly, in

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focusing only on macro-level institutions and processes, so conventional IPE has become detached from the real lives of everyday people. Or as one prominent scholar notes, ‘Outlining everyday people in everyday places helps us think of international politics [and economics] existing in places International Relations bypasses through fealty to the relations of only a few international actors of “importance” – great (state) powers and their regimes, decision-makers, economic zones’ (Sylvester 1996: 266–7). The thrust of this book is to reveal not simply everyday actors but, more importantly, the manifold ways in which everyday actions can transform the world economy. As we explain later, our central purpose is neither to marginalise the importance of the dominant elites nor to reify the agency of the ‘weak’, but rather to analyse the ways in which the weak affect and respond to the dominant and how in the process this interactive relationship generates change in the global economy.

‘Bringing everyday actions in’ in this way enables us to open up new angles for ‘doing IPE’. Our task is to produce a sociological framework for IPE – what we call ‘everyday IPE’ (EIKE) – which can address existing lacunae in what we call ‘regulatory IPE’ (RIPE). Note that this should not be confused with regulation theory. As shall be explained shortly, we characterise the mainstream as ‘regulatory’ because the issue of order and the regulation of the world economy occupies centre-stage of the research focus. By contrast, EIKE focuses on transformation in the world economy that has slipped the gaze and purview of RIPE.

This distinction between RIPE and EIKE has clear echoes of the work by Craig Murphy and Roger Tooze in their argument for a more ‘heterodox’ IPE (Murphy and Tooze 1991a). Crucially, Murphy and Tooze, as have subsequent ‘reflectivist’ scholars, took their cue from the standard orthodox claim made famous by Robert Keohane (1988: 392): that ‘reflectivism’ will fail to gain ground until it develops its own coherent research program. They replied by invoking the standard reflectivist claim, that ‘there is not a unitary reflectivist research program in IPE’ (Murphy and Tooze 1991c: 21), and that heterodox IPE is defined by its *pluralism* of research programs. Accepting the *diversity* of research programs rather than trying to reduce them to one is a vital aspect of their thinking – something which subsequently became a mantra for heterodox IPE scholars (e.g., Amin *et al.* 1994; Gills 2001: 236).

But to many conventional IPE scholars, ‘heterodoxy’ has stood for a bewildering amount of seemingly exotic, if not impenetrable, theoretical discussions with no easy avenue into understanding them, nor a clear empirical pathway to tread in order to undergo IPE research and teaching (see e.g., Krasner 1996). And even for those considering a jump from the

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grand ship of 'orthodoxy', the alternative may appear to many as akin to an all-too-distant dinghy rocking on tempestuous, murky seas. We, however, avoid what William Connolly calls 'theoretical postponism' – 'the inability to establish secure epistemological grounds for a theory with an obligation to defer infinitely the construction of general theories of global politics' (Connolly 1991: 55). We do require coherence in delineating (not delimiting) what heterodoxy stands for, as well as for generating a manageable empirical 'research agenda' and teaching framework. We seek to achieve this by identifying types of everyday action and key themes that speak to concerns at the heart of both orthodox and heterodox IPE.

Perhaps, ironically, conventional and heterodox IPEs share one thing in common: a commitment to research programs in one way or another. Here we turn away from such a focus. Rather than a 'research program' that delimits what information we consider necessary to contribute knowledge to an existing body of thought, we stress the importance of 'puzzle sets'. These invite us to think comparatively and sociologically, and to include everyday actions and actors as important sources of new information to answer a puzzle. We define a puzzle as an unsolved or counterintuitive problem derived from an understanding of how the world economy works that is to be tested empirically. The problem itself is not pre-defined by theories and approaches within a research program, nor is the use of theories and approaches defined by previous attempts to solve the problem deemed appropriate. Rather, appropriate theories and approaches are established through trial and error as the scholar seeks new information to answer the puzzle. Critically, puzzle sets call upon the scholar to expand the range of information necessary to provide a convincing answer to a puzzle, rather than relying on the confirmation of *a priori* theoretical assumptions through the selection of empirical material. Put simply, this approach rejects the tendency to 'data mine' to confirm a particular theory.

This book brings to light a series of puzzles that are not considered by conventional or heterodox IPE. Examples of these are: 'why has the Organisation for Economic Co-operation and Development's (OECD's) harmful tax practices initiative been so slow in undermining tax havens?' (Sharman), or 'why is everyday finance on property and pensions not considered a source of financial power?' (respectively, Seabrooke and Langley), or 'why are peasants not considered drivers of economic change?' (Morton). Conventional IPE considers such puzzles as beyond the ambit of favoured research programs, while heterodox IPE considers them too heavily focused on 'problem-solving' rather than maintaining a critical distance (Cox 1986). A focus on either 'out-explaining' *within* a research program to rescue it from empirical puzzles or anomalies, or

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avenues to emancipation that consign such puzzles to obscurity, will necessarily provide us with only partial information of how the world economy works.

One clear pay-off of our framework lies in its ability to reflect about new ways of policy-making to capture real world changes. After all, the aim of the study of IPE is to find out how political and economic change occurs within the world economy, rather than engaging in the numerous intellectual acrobatics that are constantly required when working within a closed research program. Furthermore, increasing standards of social scientific rigour within the orthodox approaches have led to an ever-increasing gap between academic scholarship and work with firm policy implications (Katzenstein *et al.* 1998: 684), while heterodox approaches often have little constructive to say about policy. This is a problem for academics who seek to influence policy, but also for students of IPE who need to relate their intellectual understanding of the discipline to the way things work in their everyday lives. This is an important aspect of EIKE and is considered at more length in the Conclusion.

Our emphasis on ‘puzzle-sets’ allows us to respond to the call from ‘ultra orthodox’ scholars, such as Jeffrey Frieden and Lisa Martin, that conventional IPE has become too narrow and leaves much unexplored (cited at the beginning). Moreover, our stress is not simply on any puzzle one may wish to include, but on puzzles that are closely related to our central theme: how everyday actions transform the world economy. In answering such puzzles we are confident that we will reveal not only how everyday actions and actors are important to the world economy, but how their agency provides avenues to emancipation. Often heterodox approaches in IPE use a critical eye to examine the structural impediments faced by non-elites, particularly through discussions of ‘hegemony’ or ‘imperialism’, as well as telling us about how new constitutional forces discipline behaviour (Gill 1995). What they often fail to tell us, however, is how the subordinate mediate and at times shape these so-called top-down processes (see also Hobson 2007). We further the call for emancipation by revealing sites of agency, including cases where one would assume there was little or no capacity for voice. In this sense EIKE does not so much furnish a *via media* between conventional and heterodox IPEs, but instead provides a clear ‘value added’ in offering an alternative approach to studying the world economy while simultaneously providing critical information for the sustenance of both.

Nevertheless we also want to emphasise the point that EIKE does not necessarily have to be realised through a puzzle-set framework. Put differently, it is perfectly possible to develop EIKE through deploying a research program. Our point is simply that a puzzle-set framework

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enables us to pinpoint many sources of everyday action and change that tend to get obscured within prevailing research programs in the extant heterodox and orthodox schools.

This chapter is divided into two sections. In the first section we examine the mainstream regulatory approach and point to some of its limitations, while in the second we focus on our preferred approach, elucidating its conception of everyday agency and everyday-inspired change.

### **The organising framework of regulatory IPE: who governs and who benefits?**

Standard textbooks often present the triumvirate of traditional theories in table form in order to reveal the differences between the three. Distinguishing differences between the theories is not merely of academic interest since the questions generated within paradigms directly inform policy choices (Katzenstein 1976: 13). In Table 1.1 we (re)present the theories of IPE, juxtaposing regulatory theory from EIPE. We depict three approaches (given that regulatory theory can be sub-divided).

RIPE and EIPE are differentiated in terms of the initial organising questions that lie at their core. The standard regulatory approach – found especially within neoliberal institutionalism, neorealism and, more recently, systemic constructivism – opens with the fundamental question: ‘who governs and how is international order regulated?’ Certain structures or institutions or particular elites that supply order are then selected as the object of study. This creates a highly parsimonious framework that simplifies the study of the complex world economy into discrete, manageable chunks.

While most IPE scholars take this parsimonious framework for granted, it bears noting that the traditional focus on ‘order’ is to a large extent a function of the birth of the discipline at a particular time and place, which in turn imbued RIPE with a specific identity (Katzenstein *et al.* 1998: 655–7). RIPE was born in the US during the early 1970s when the world economy was going into recession, with a concern to restore world order and economic growth. In the process mainstream IPE and IR scholars implicitly draw on liberal political theory. So Hobbes finds his approximate manifestation in neorealist hegemonic stability theory (HST), where a dominant hegemonic power takes the form of a benign global leviathan that supplies order and all other states accept this as an unspoken social contract. Conversely, in the absence of a hegemon the world economy devolves into a war of all against all (Kindleberger 1973; Gilpin 1975, 1981, 1987). The Lockean equivalent is that of neoliberal institutionalism, wherein states in the international system, like

Table 1.1. *Juxtaposing aims and approaches in regulatory and everyday IPE*

	Regulatory IPE (neorealism/ neoliberalism/ systemic constructivism)	Regulatory IPE (classical structuralism)	Everyday IPE (sociological)
Organising question	Who governs?	Who benefits?	Who acts and how do their actions enable change?
Unit of analysis	Hegemons/great powers, international regimes, ideational entrepreneurs	Capitalist world economy, structures of rule	Everyday actors interacting with elites and structures
Prime empirical focus	Supply of order and welfare maximisation by elites	Maintenance of the powerful and the unequal distribution of benefits	Social transformative <i>and</i> regulatory processes enacted, or informed, by everyday actions
Locus of agency	Top-down	Top-down	Bottom-up
Level of analysis	Systemic	Systemic	Complex/holistic
Ontology	Structuralist	Structuralist	Agential or structurationist
Epistemology	Rationalist/positivist or interpretivist	Rationalist/positivist	Interpretivist/post- positivist and rationalist
Conception of change	Coercion/mimetic conformity/radical uncertainty	Coercion	Defiance/mimetic challenge/ axiorationality

individuals in society, come together and, through an informal social contract, set up a loose set of international institutions or regimes which enable cooperation and long-term welfare maximisation (Keohane 1984). These remain in place only so long as they continue to enhance the interests of states, given that states can choose to opt out of the informal social contract that underpins a particular regime. Most recently – at least in mainstream international politics – the emergence of ‘systemic constructivism’ has largely taken the form of a Kantian analogy, where international cooperation between states is envisaged as yet more deeply entrenched than that specified by neoliberalism (e.g., Wendt 1999; Finnemore 1996). Indeed systemic constructivists are primarily interested in revealing the positive ways in which states are socialised into deep cooperation within an increasingly tight international

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society. Thus if the neorealist/neoliberal debate is a synonym for the ‘conflict versus cooperation debate’, then we envisage systemic constructivism as located on the right-hand side of neoliberalism. It also represents a contemporary form of the neo-functionalist literature on the European Community developed by Ernst Haas and others (Haas 1959; see also Rosamond 2005).

Systemic constructivists have rightly questioned how states create their identities and their self-interests but they have not questioned the regulatory problematic. More importantly, if constructivism is meant to bring sociological analysis into the study of the international political economy (Parsons 2003; Barnett and Finnemore 2004), one wonders where society is beyond the elites. As Colin Hay points out, constructivists require a prominent elite actor to provide an ‘ideational focus for the reconstruction of the perceived self-interest of the population at large’ (Hay 2004: 210; see also Blyth 2005; Seabrooke 2007c). Their key focus has been on how elite actors – either within international organisations/institutions or within domestic society – provide the function of ideational entrepreneurs in building international cooperation by binding new ideas and/or norms across states. It is, therefore, no coincidence that studies on European monetary union are dominant here (see McNamara 1998; Parsons 2003). Here ideas are understood as weapons wielded by big and powerful actors, who are backed by their own political and material resources in helping to push them through (Parsons 2003: 178, 235). Moreover, within economic constructivism the tendency has been to focus on key ideational entrepreneurs only in times of radical uncertainty – usually associated with periodic economic crises – rather than periods of ‘normality’ (Seabrooke 2007c).

In a complementary move, a second organising question has also guided the study of IPE: ‘Who benefits?’ This was initiated by what we call ‘classical structuralists’, who view the world economy’s central dynamic as governed by the structure of capitalism (Frank 1967; Emmanuel 1972; Amin 1973; Wallerstein 1974). By focusing on the capitalist world structure, they argue that the world economy operates in favour of the rich Northern core, which gains through unequal exchange at the expense of the poor Southern periphery. Accordingly, as a wealth of scholars have pointed out, in reifying global structure so they are necessarily unable to provide a picture of bottom-up agency (e.g., Cox 1986; Payne 1998, 2005; Murphy and Nelson 2001; cf. Grugel and Hout 1999a, 1999b). Again, it was no coincidence that dependency/world-systems theory entered IPE at the moment of the discipline’s birth in the early 1970s, given that the politics of North-South relations was rapidly becoming important at that time. Moreover, the Organization of



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the Petroleum Exporting Countries (OPEC) oil shock and calls for a new international economic order (NIEO) by the Group of 77 developing countries (G77) (coupled with its ‘failure’) consolidated the approach’s place in the discipline.

Nevertheless, there are two qualifying points of note here. For while this approach has often been thought of as *the* Marxist theory of IPE it is, of course, striking that of all the critics that this approach has faced, orthodox Marxists have been probably the most vociferous. Robert Brenner, of course, likened dependency theory to a ‘neo-Smithian Marxism’ which, by focusing only on economic transmissions between core and periphery, obscured the importance of class exploitation within the mode of production (Brenner 1977; also Laclau 1977). This opened the way forward for analyses where agents – in this case classes – were reinstated at the centre, thus entering the ground of EIKE. Moreover, with its criticism of dependency theory as overly structuralist, Gramscianism provides another strong Marxist potential for contributing to an EIKE (e.g., Cox 1986, 1987; Augelli and Murphy 1988; Payne 2005). However, as Robert O’Brien (2000) has stressed, it is surprising how some of its chief spokespersons have at times reified the power of a transnational ruling class at the expense of exploring the agency of the dominated (e.g., Gill 1990; Van der Pijl 1998). Nevertheless, Gramscianism does offer a potential space for subaltern agents, not least through its emphasis on the importance of counter-hegemonic blocs. And notably, in this volume, Adam Morton produces one such version that returns the focus squarely onto ‘subaltern’ agency.

Second, we have labelled traditional world-systems theory/dependency theory as ‘classical structuralism’ in order to differentiate it from a more recent departure that can be called ‘neo-classical world system theory’ (see Hobson 2000: 141–2), or ‘world system history’ (Denemark *et al.* 2000). This is a new approach that extends its classical predecessor in new directions, not least by arguing that a world system has been around for several millennia. And one of its strengths is not only to reconsider agency but above all to break with Eurocentrism – see the contributions in the three pioneering edited volumes (Chase-Dunn and Hall 1991; Frank and Gills 1996; Denemark *et al.* 2000). Notable too is that these authors have often developed their approach and its variants in contradistinction to classical structuralism – see Wallerstein (1996) and Amin (1996) for their replies. Accordingly, we do not include this recent approach within the regulatory framework.

Finally, it might be assumed that rational choice and public choice perspectives provide an alternative approach and converge with EIKE insofar as they focus on individual agents and bottom-up processes



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(e.g., Frey 1986). But we argue that they fit squarely within the regulatory framework insofar as they seek to provide a ‘better’ account of the sources of regulation and order. Furthermore, while a focus on individual choice is certainly part of EIPe, nevertheless, we envisage such choices as being informed by historically and socially contingent identities and interests. By contrast, rational choice theorists posit a self-maximising individual often obscured from time and place or social context. Even the more sensitive rational choice analyses that see actors’ values as important require them to be understood as ‘deep core beliefs’ that are culturally fixed and path dependent (e.g., North 1990; North and Thomas 1973). Such a depiction of social life masks many of the forms of transformation in and of the world economy that we seek to reveal. And finally, perhaps the most fundamental of differences between rational choice and EIPe is that for the former, individuals often ‘bandwagon’ with the dominant or seek to dominate others. This can blind us to revealing everyday contestations to the exercise of power by elites.

It is undisputed that neorealism, neoliberalism and classical structuralism are accepted as the defining core of IPE (though systemic constructivism is now emerging as a fourth candidate, or as a replacement for classical structuralism – see e.g., Gilpin 2001). The ‘common sense’ of what constitutes the core is so ingrained that it provides us with clear avenues to study the key topics of IPE, such as American hegemony, international regimes, globalisation, and North/South relations (cf. Murphy and Tooze 1991b, 1991c; Payne 2005). These ways of studying the key topics of IPE have undoubtedly provided dozens of important insights that are indispensable for the discipline. However, we question the extent to which these approaches to IPE reveal new sites of information that can assist us in better understanding the dominant topics. For example, how can we understand the ‘hegemony’ or ‘imperialism’ of great powers in the world economy without revealing their domestic sources and the challenges to their identity and power that are issued by everyday actors (Langley, Seabrooke and Suzuki, this volume)? Equally, how can we understand the globalisation of markets without attempting to reveal how formal and informal sub-national organisations seek to shape the form that globalisation takes (Herod, Ford and Piper, Morton and Sharman, this volume)? Moreover, how can we understand regimes in the world economy only by focusing on formal institutions without recognising the many informal regimes that are created by everyday actors? To do so puts policy design ahead of real world implementation. Or finally, how can we hope to understand the genesis or spread of market capitalism and the diffusion of globalisation if we view these processes through a framework that sees them as primarily a European

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or American invention, when Eastern agents have played such important roles here (Hobson and Wilson, this volume)? These questions ask us to reveal information at the local and transnational levels that tell us how the actions of the key players in IPE are contested by everyday actions. They also ask us to discover information about how everyday actions inform the dominant processes of the world economy, as well as point out moments of their transformation. In both cases, the constraints of power are unmasked, thereby providing a more complete picture of how the world economy works.

The key problem with delimiting what information we want to tell us about the world economy is that it leads to a number of distortions. Key among these is a pervasive problem of ‘selecting winners’ and ‘deselecting’ all others on the grounds that they are ‘losers’. As a number of scholars point out, standard IPE courses devote much time to analysing the actions of US hegemony-as-winner and whose interests are equated with the universal, the assumption being that we can learn most, if not all, of what we need to know through such a focus (Tooze 1988; Murphy and Tooze 1991a; Wæver 1998; Holsti 1985; Crawford and Jarvis 2001; Nossal 2001). Notwithstanding the bluntness of the formulation, Stephen Krasner’s words at the 1990 American Political Science Association conference provide an important example: ‘Sure people in Luxembourg have good ideas. But who gives a damn? Luxembourg ain’t hegemonic’ (cited in Higgott 1991: 99). And this was echoed by Kenneth Waltz who tells us that ‘[i]t would be as ridiculous to construct a theory of international politics based on Malaysia and Costa Rica as it would be to construct an economic theory of oligopolistic competition based on the minor firms in a sector of an economy’ (Waltz 1979: 72). Indeed this bias, both in terms of IPE teaching and research, can be found in many text books (e.g., Blake and Walters 1976; Gilpin 1987, 2001; Spero 1992; Lairson and Skidmore 1993; Balaam and Veseth 1996; Cohn 2000), though by no means all (Schwartz 1994; Peterson 2003; O’Brien and Williams 2004).

The standard text books reel off an almost identical series of topics and issues, often in virtually the same order and all of which are situated within a winner/loser dichotomy. They typically begin in 1944 with the Bretton Woods agreement and the rise of US hegemony as the principal guarantors of world order and global welfare maximisation. The next chapter might look at international monetary management and the regulation of the fixed exchange rate system by the International Monetary Fund (IMF). And the next chapter usually recounts the story of the IMF alongside the General Agreement on Tariffs and Trade (GATT) to account for the spread of free trade and the concomitant growth of