

**Summary**

**Chapter 9: Power, Politics, and the World Economy**

*EQ: How do governments use international economic relations to further national political objectives?*

* The world has witnessed two great eras of economic globalization. The first was led by Great Britain in the late 19th century and the second by the United States in the decades after World War II.
* Economic thought has been characterized by three major traditions:
  + Economic liberalism encourages government to take a hands-off approach to the economy, intervening only to avoid crises, but to otherwise allow the invisible hand of the marketplace (the uncoordinated, selfish behavior of individuals and firms) to drive the market.
  + Economic nationalism encourages governments to be more interventionist, to actively foster their national economies and seek relative gains in international economics.
  + Marxism stresses the idea that the rise of market economies brings new divisions between wealthy business owners and the poorer workers, the actual productive assets of society. Marxism argues that the capitalist infrastructure is inherently unjust divisive, that it creates a state system designed to benefit capitalist elites, and that it ought to be overthrown in favor of the more equitable principles of communism.
* National leaders seek to navigate the global economy in such a way as to benefit their own states domestically. Leaders seek to promote national economic growth, protect autonomy, and pursue relative and absolute gains.
* There is a constant struggle between economic interdependence and political autonomy, as leaders seek to maximize economic gains while limiting vulnerability to other states.
* Major international powers seek to influence the global economy in the manner that most benefits them.
* Globalization today faces several key challenges, including the recent global financial crisis, pressure on the U.S. dollar, competition for energy resources, and the ineffectiveness of international economic institutions.