

Authority and Markets

Susan Strange's Writings on International Political Economy

Edited by Roger Tooze and Christopher May

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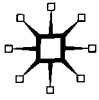
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1

Authority and Markets: Interpreting the Work of Susan Strange

The re-emergence of political economy into the mainstream of academic study has been a feature of the world's intellectual and political terrain of the last thirty-five years. Increasingly such study is driven by and takes place within the domain of what is constituted as the 'international'. Therefore it is hardly surprising that 'International Political Economy' (IPE)¹ has become a major focus of policy, writing, research and teaching, particularly with the contemporary focus on 'globalisation'. There are a number of 'pathways to IPE', but within the field owing its origins to the academic discipline of International Relations (IR), the work of Susan Strange is one of the most significant individual contributions. Her ideas, her published work (including her journalism), her teaching, her professional activities (not least, her very distinctive form of personal interaction and intervention), all came together to make a real difference to the way that we now think and write about the international and global political economy.

Many of the core ideas and concepts that both mainstream and critical scholars now use as 'common sense' elements of IPE incorporate, or are drawn indirectly from, the analysis Susan Strange developed over a period of nearly fifty years of thinking and writing. Our acceptance of the fundamental necessity to link politics and economics in order to understand either and both partly stems from her early and continued insistence on this link, despite the prevailing conventional wisdom.² Indeed, the core IPE concept of 'structural power' is derived from her thinking on money initially and subsequently from her more general analyses. Even the fact that the field of study we now designate as 'IPE' is known by this name is partly down to her. She insisted, from an early stage in the development of her arguments (Strange 1970a), that the study of the international political relations mediated by national governments, that is intergovernmental relations between and among national economies, did not and does not adequately capture the whole of what she saw as a different reality. In the complex structure of international political economy there was and is so much more than what was then labelled 'The Politics of International Economic Relations'.³

This book only samples Strange's extensive and wide-ranging academic writings. However we are all too aware that this necessary focus has had some costs. The conventions of academic writing and publishing, as well as the limitations of the medium of print itself, mean we cannot include some of the other contributions and interventions that made her work so immediately powerful, so accessible, and sometimes, so very personal. With this important caveat, the purpose of this introduction is to provide a framework (one of many possible frameworks) for making sense of the central ideas and arguments that Susan Strange developed through a long and intensive process of intellectual and personal engagement with the study of what has become known as IPE.

Making sense of Susan Strange's contributions to IPE

Susan Strange's work does not fit easily within the mainstream methodology and assumptions which govern knowledge production in IPE, and she frequently criticised aspects of this methodology, particularly the application of rational choice models to political economy. Although she was a thoroughgoing empiricist, she did not accept many of the claims made by those in IPE who sought to discover law-like generalisations; she always had a deep suspicion of 'grand theory', its claims and its devotees. This was very much a part of her insistence upon 'grounding theory', most importantly in a detailed knowledge of particular sectors of the global political economy (Strange 1976a/b).

Conventional IR/IPE understanding of the process of academic knowledge production sets the academic researcher/writer in a specific relationship to her/his work, in line with its particular epistemology. Hence, the academic writer (subject) is separated from the international political economy (object) which she researches, and from this position engages in a process of knowledge creation, of discovering testable reality via a discipline legitimised form of empiricism.⁴ But, as one of us has previously shown, her methodological eclecticism more closely resembled the view of science articulated by Feyerabend's 'anything goes' approach (May 1996). This was a view of her work she was happy to accept as she recognised that Feyerabend's argument could provide her with an acceptable (to others!) epistemological grounding (Strange 1996a).⁵ Thus, it is inappropriate to locate and understand her work using the mainstream approach to knowledge. She was deeply sceptical of the assumptions and the claims embedded in this approach, although she seldom engaged directly with the philosophical underpinnings of established IPE (Palan 1999). Therefore, the standpoint we use from which to review Strange's work is not fixed, it is itself historically and politically situated. And, crucially, it *already* incorporates past and current theorisations of IPE, including, of course, Strange's own.

As IPE scholars, the assumptions we bring to the task of making sense of Strange's work are part of a deeper set of assumptions governing the philosophy and production of knowledge. Significantly, the acknowledgement of a historically constituted context of evaluation means rejecting the conventional model based upon the philosophical assumptions of empiricism, whereby the categories of

evaluation and historical location are themselves ahistorical (MacLean 2000; Tooze 2000). The conventional view of knowledge production is based upon, and reproduces, a methodology which seeks to construct an understanding of a global political economy (including the production of knowledge about global political economy) that is external to society. Additionally such a methodology is limited by being made up only of those elements that can be empirically measured. As well as allocating a specific and non-constitutive role to academic knowledge, the conventional view produces a misrecognition of the nature of the global political economy, and most importantly, a misrecognition of the character and distribution of power (MacLean 2000; Tooze 2000).

These considerations lead us to a more complex context-based analysis of Strange's work. While this includes the conventional notions of academic production, it crucially takes account of the processes of engagement and communication that are central to Strange's (and all our) academic knowledge production. Strange herself was clear as to the influences driving the development of IPE, and, by implication, her own work. For her, 'The boom in international political economy as an area of specialisation has reflected, not ideas, but events' (1998c: 5): IPE was and is 'the echo of events'. Typically, she confounded mainstream notions of how academic knowledge develops (and her own methodology) by stressing that IPE is driven by *interests* and as such always serves particular purposes; 'the need to fight the Cold War justified an intellectual investment both in the diplomacy of trade and money and in the academic analysis of the economic issues that threatened to divide and therefore weaken the affluent capitalist alliance' (1998c: 8). The rationale for and the analytical focus of IPE was (and continues to be) determined by US political interests.

The pervasive late 1970s/early 1980s focus of US IPE on regimes, which she criticised at length (1982a), was for Strange an expression of the most pressing of US political needs to manage international economic order: 'IPE was thus just one more weapon in the contest between capitalism and socialism' (1998c: 8). But having made this political purpose/political context argument she also accepted that individuals do matter, albeit within the overall context of interests: discussing the analyses of 'hard-core neo-functional scholars' she argued that 'it was not the US government nor the CIA but their own idealistic belief in the potential of international institutions to undermine the wayward self-serving behaviour of nation-states that inspired their work' (1998c: 9). Such personal values and commitments have an important role in academic knowledge production, as Strange's own work clearly illustrates.

Thomas Biersteker provides a useful schema for the analysis of academic knowledge in his 'Evolving Perspectives on International Political Economy' (Biersteker 1993).⁶ Here he argues that theories (and therefore for us, *all* knowledge of IPE) 'are contingent upon, and reflect substantial portions of the context in which they were formulated'. Moreover, 'theory is context bounded and emerges either consciously or unconsciously in the service of (or driven by) particular interests' (1993: 7). As we have indicated, this is exactly Strange's view of the development of IPE. For Biersteker 'context' ordinarily has at least three different

components: intertextual, social and individual. Hence, over time, 'the direction of theoretical research tends to be the outgrowth of the dialectical relationship between theory and social context, combined with the nature of the reaction of a given theoretical undertaking to its predecessor (given the intertextual nature of theoretical reflection)' (1993: 8). Knowledge, then, 'is socially constructed, and the investigators and their intellectual tools are part of the social context of their investigation and reporting' (1993: 8). Each of Biersteker's three components of context are mutually constituted by the other two, in a continuous process over time, and merge into each other. Yet, these categories of context do provide a focus, and, as we shall see, are particularly appropriate for making sense of Strange's work.

Susan Strange and IPE: predispositions, themes and issues

While resisting the temptation to impose a retrospective order and coherence on Strange's work which might produce a teleological account of its development, there are clearly themes around which her work clusters. These themes provided us with a means of making sense of over one hundred academic contributions she published, and reflect Strange's deep personal value commitments and predispositions. These themes developed over time through her reflections on, and engagements with, the events of the twentieth century as well as her own and others' attempts to make sense of these events.

Some of these themes are present throughout almost all her body of work and act as overarching, 'framing' ideas, some evolve as part of her thinking and others are specific to particular time periods or particular issues. But most of her writings manage to bring together the whole range of questions that she was concerned with at any particular time. This partly explains why it is so difficult to categorise her work according to the problem or issue it nominally deals with: for example, her discussion of money and finance becomes an arena for, and empirical evidence in support of, the development of her argument on structural power; this in turn allowed her to move away from the classical 'Realist' view of the state and eventually argue for the 'Retreat of the State' (Lawton and Michaels 2000). Nevertheless, we have identified four overarching framing themes in Strange's thinking, each related but distinct. The first two are more in the nature of dispositions tending to prefigure her analysis of IPE, but are constantly developed through that analysis.

Framing dispositions and themes

Strange's distinctive approach to analysis

Susan Strange was, above all, concerned to make sense of the myriad changes and developments in the global political economy in ways that could be communicated and shared. One strand of this is her insistence on making academic writing accessible and free from 'jargon'. She was fiercely contemptuous of jargon believing that it is mainly used to hide inadequacies of understanding and the limitations of theory. This is not merely a matter of individual style or preference derived from

the social context of her career as an experienced journalist, or her personal dislike of academic pomposity. It is an intellectual and political statement which reflects her views that one of the principal social responsibilities of academics is to speak to as many people as possible, and that academics do not communicate sufficiently between, among and often within disciplines. Both these crucial activities are greatly hindered by the prevalence of theoretical pretension and discipline-specific language. This belief in the necessity of widespread and clear communication through simple and interesting writing makes Strange's work wonderfully readable and accessible when compared to most academic outpourings. This desire to communicate is also one of the reasons she continued to write as a journalist until a few years before her death.

Her concern for accessible writing, as well as her experience of journalism, is allied to her insistence on 'getting one's hands dirty' in the details, the raw material, the technologies and the 'lived experiences' of international political economy. For Strange, it is never sufficient to remain at the level of abstraction and generality if one wants really to understand the subject of IPE. This predisposition provided a strong push towards her development of the idea of sectoral political economy (the 'nitty gritty' of IPE) as a necessary and prior part of a structural analysis which she developed from the 1970s onwards (1971c; 1976a/b; 1982b). It also helps to explain her fundamental distaste for and disavowal of abstract, general theory, what she called 'grand theory', the all singing, all dancing single explanatory framework beloved (in her view) by both Marxists and US political science IPE academics alike.

Fundamental social values

The second of our framing themes is Strange's commitment to embed her analysis and understanding of IPE within fundamental social values. But as she cautioned the main aim 'is to make the study of international political economy value-sensitive, not to make it value laden' (1983c: 210). What she means by this is twofold. Linked to her belief that all academic knowledge is interest driven and thus not 'value free', she argued that all analysis of IPE is based upon someone's values and, usually implicitly, attempts to achieve, legitimate or defend a particular trade-off of these values to benefit a particular group of people at a particular time (what she referred to as 'ideological' analysis). Additionally, unless those who study IPE recognise that political economy and society start from, and are fundamentally concerned with, these values then any analysis will be partial and limited.

The earliest articulation of this commitment in terms of what these values consist of and how they relate to IPE (1983c) built on her empirical work on money, transnationalism and sectors of political economy in the previous decade (particularly, but not exclusively: Strange 1971c; 1972c; 1975a; 1976a/b; 1976d; 1981b; 1982b) and drew from her seminal work on the relationship between IR and international economics (1970a). However this commitment is perhaps best articulated in her 'Desert Island Stories' from *States and Markets* (1988e: 1–6). For Strange there are four fundamental values which are the basis of all contemporary societies, no matter what their formal political economy. Crucially these values

apply equally at the international or global level. The values are: the provision of wealth and the meeting of material needs; the provision of security and order; the provision of justice; and the provision of liberty and freedom of choice. Hence, for Strange, the study of IPE is *necessarily* grounded in these values; they are not merely added on to a (supposedly) objective, value-free 'science' of IPE.⁷ She insists that 'Who gets how much of each of these values and by what means *are the basic questions, the starting point of all else*' (1983c: 211, emphasis added). And accordingly she identifies the subject-matter of IPE on the basis of these values as 'the social, political and economic arrangements affecting the global systems of production, exchange and distribution, and the mix of values reflected therein' (1988e: 18).

The relationship of politics and economics

The central analytical element, and third framing theme of all of her work, from her earliest academic writings in the *Year Book of World Affairs* to her very last journal article, is the necessary relationship between politics and economics, and the failure of contemporary social sciences (primarily International Relations, Economics, Political Science) to conceptualise, or even to acknowledge, that relationship. This concern is evident in the earliest of her writings (1950a), it was the basis of one of her most influential articles (1970a), and became the core of her extended interaction both with events and with other writings on international relations.

Her insistent focus on this relationship led her towards the conceptualisation of its contemporary form as that between 'authority' and 'markets'. Although in 1988 she had called her seminal intervention 'States and Markets' she later admitted that she should have called it 'Authority and Markets' (1994b: fn. 4; 1996b: xv) (hence the title of this present book). She wanted to include all forms of authority, whether located in the state, international institutions, corporations or the markets themselves, and not just the state. She rejected the implication that the state is the sole source of authority in global political economy. Her focus on the fundamental relationship of politics and economics, on authority and markets, became the springboard for her continuing critique of both mainstream economics and IR for their respective failures to include the other in their conceptualisations of the world (1988e: 12–22; 1996b: xiii–xvi), as well as her call for the creation of a study of international political economy where the boundary between politics and economics, and that between the domestic and the international, were both effectively dissolved.

From the 1970s onwards she was continuously engaged in intertextual initiatives and critique, which informed the analysis in all her books (Strange 1971c; 1976d; 1986f; 1988e; Stopford and Strange 1991; Strange 1996b; 1998f). This critique was also the starting point for what might be regarded as the essence of her work in constructing a theoretically grounded and 'realist' study of IPE, the three books which mounted an extensive campaign against conventional knowledge in IPE: *States and Markets* (1988e); *Rival States, Rival Firms* (with John Stopford, 1991); and *The Retreat of the State* (1996b). Revealing both the power of the established order over the development of academic knowledge, and her disappointment at the

resistance to change among academics, the complex relationship between politics and economics remained one of the key themes in her final works (1999; 2000).

The continual spur to the development of a new IPE was also partly provided by Strange's early observation of the international and systemic consequences of the relationship of politics and economics in that 'the pace of development in the international economy has accelerated ... in consequence, it is outdistancing and outgrowing the rather more static international political system' (1970a: 305). The analysis of this systemic dysfunction and its consequences was a major concern of much of her analysis, although as Claire Cutler indicates, ultimately she never achieved her goal of reintegrating politics and economics (Cutler 2000).

Power in political economy

Our final framing theme is Strange's insistence on the centrality of power to any explanation of the character, structure and dynamics of IPE, and her consequent search for an understanding of power in the global political economy. In one sense this provides the intellectual cutting edge to all her work: if a question or analysis does not illuminate who or what has power in the global political economy she thought it neither interesting nor relevant. For her, the key question in IPE is '*Cui bono?*', 'Who benefits?' and power is what explains, and suggests answers to, this question. It was her search for an appropriate and adequate understanding of power, especially in the form of her critique of conventional IR analysis, that led her to develop the conceptualisation of 'structural power' which is the basis of the distinct structural analysis that became one of her major contributions to the study of IPE (1988e).

The question of power informs and directs not only her own analysis but her intertextual engagement with other work in IPE. From an early stage in her career, Strange became convinced of the inadequacy of mainstream IR attempts to explain power, and was deeply critical of the absence of power in (international) economics. In her view the failure correctly to analyse power, specifically the failure to recognise the incidence of structural power, leads directly to a serious misrecognition of the 'reality' of the global political economy, primarily by US scholars, which had and still has serious political consequences and implications. This misrecognition of power was manifested in the overwhelming US IPE concern for regimes during the 1970s and early 1980s, and in the claims of declining US hegemonic power that dominated US IPE/IR in the 1980s. It was also evident in the questions regarding the role and policies of the US in maintaining and directing the structure of global capitalism, particularly in the realm of finance and credit, all of which she addressed, considered and criticised (particularly, but not only: Strange 1982a; 1982c; 1986f; 1987; 1988a; 1990c).

This concern also informed her directly related work on the ontology of IPE, although this was also driven by her analysis of the deepening complexities of the global political economy: who or what are the significant and powerful entities in the global political economy, and how can the interactions between them be characterised? Again, for Strange, the misrecognition of power both derives from, and contributes to, the fact that American IPE continued to be based more on a notion

of 'politics of international economic relations' (that is, a state-based ontology), than a more 'realistic' ontology of international political economy (1997b). The 'real' world political economy has changed and with it the nature of the state and the distribution of global authority but, Strange charged, those in IR and most of those in IPE had failed to recognise these changes.

The development of this ontological argument eventually took her, over a period of some twelve years, from a position where she argued that the necessary starting point of IPE was within the state-based study of International Relations (Strange 1984e) to the rejection of mainstream IR as too state-centric to be able to capture the nature of contemporary global political economy, and therefore unsuitable as the disciplinary 'home' of a 'realistic' study of IPE. Referring to IR's claim that the state always remains at the centre of the world stage, she concluded: 'It is the *always* that I now find unacceptable, and which leads me to feel that perhaps I have at last reached the final parting of the ways from the discipline of international relations' (1996b: xv). This is the core argument of her last published works (1999, 2000):

We have to escape and resist the state-centrism inherent in the analysis of conventional international relations. The study of globalisation has to embrace the study of the behaviour of firms no less than of other forms of political authority. International political economy has to be recombined with comparative political economy at the sub-state as well as the state level. (1999: 354)

International Political Economy needed, Strange concluded, to be about political economy, not about the central concerns of International Relations.

Debates, issues, concepts and theory

Susan Strange's work covers a wide range of issues, debates, concepts and theories. Here we identify four strands of this work, each interacting and informing the others, that reflect her major contributions to IPE. These are: her development of structural power as a basis of conceptualising global political economy; her analysis of international and global money, finance and credit; her analysis of US policy and power; and her distinctive approach to theory and methodology. Each of these strands are developed and articulated within the broader framing dispositions and themes we have discussed above.

Structural power

We regard Strange's development of structural power as her most significant contribution towards IPE, although, as Palan suggests, it is also ultimately probably her most problematic (Palan 1999). Her notion of structural power and the analysis of IPE it inspired, was an intellectual and political response to the problems and growing complexity of the international political economy of the mid-1970s onwards, not least the formal US repudiation of Bretton Woods on 15 August 1971. This was linked with an intertextual critique of conventional notions of power based on her growing conviction that such analyses were unable to capture the

reality of power in international political economy. Addressing her own rhetorical question 'What is economic power, and who has it?' she noted that her enquiry was 'prompted by the growing dissatisfaction with the apparent inability of most conventional theories of international politics and economics to offer any coherent explanation of certain recent events and developments' (Strange 1975a: 207), specifically the power of multinational oil companies, US–European monetary relations and possible shifts in US power. Scepticism regarding power seen as only material capabilities, and her earlier work on finance, encouraged her to suggest that the US's key role in the global political economy was as supplier of the world currency and thus, as framer of the rules of the world economy.

This key conceptual shift led Strange to conclude that the conventional IR notion of power was inadequate for IPE. This notion considers power to be relational and is defined as 'the power of A to get B to do something they would not otherwise do' (Strange 1988e: 24) and is usually 'measured' and assessed by physical capabilities. However, she argued, there are two kinds of power in a political economy – relational power *and* structural power – and furthermore structural power had become much more important in the post-1945 world political economy. For Strange, structural power was

the power to shape and determine the structures of the global political economy within which other states, their political institutions, their economic enterprises and (not least) their scientists and other professional people have to operate ... Structural power, in short, confers the power to decide how things shall be done, the power to shape frameworks within which states relate to each other, relate to people, or relate to corporate enterprises. (1988e: 24–5)

As we have indicated, for some time Strange had been having difficulty with the dominant analysis of the role of America in the global system, and perhaps most famously, the arguments in the early to mid-1980s, that the US was losing its hegemony (Strange 1982a; 1987). Having been largely vindicated by subsequent events, during this period Susan Strange strove to develop an IPE analysis that would allow her to present analytically what she believed about the power of America; that its 'decline' was illusory. This work was not popular in the US not least of all because Strange (never one to hold back) peppered her analysis with an assault on the myopia of her American colleagues. Her translation of the concept of structural power into an analysis based on four structures of power was in this sense a direct response to short-sighted arguments that proposed that the global system was entering a period After Hegemony (Keohane 1984). Hence, her structural analysis had been percolating in her work for a few years before its final formulation in the mid-1980s.

In 1968 Strange had acted as a rapporteur for the Social Science Research Council Advisory Group on International Organisation (chaired by Geoffrey Goodwin) and in her report (Strange and Goodwin 1968) she emphasised certain key themes, prominent among which were the impact of structures of power and the impact of technical change. Seven years later, these ideas had started to solidify into the

approach which would be set out in *States and Markets*. In 'What is economic power and who has it?' (Strange 1975a), she linked the (to her, already apparent) error in American self-perceived decline to an emerging idea of structures of power (although the final shape of this argument was not clearly articulated at this stage). The problem for her was not so much lack of power, but the lack of will to exercise it, or to recognise the latent possibilities such power encompassed (1975a: 224). American protestations of declining power were not completely without foundation, however they emphasised only one aspect of power, the relational, when in fact, in the realm of international regulation and rule making, that is the realm of structural power, America remained dominant. But by the early 1980s, this tentative structural account of power had become more developed. At the end of her forthright critique of regime analysis (1982a), Strange presented an 'outline of a better alternative' which set out, without developing it at any length, the basic framework she developed over the next six years.

Finally, in 'The Persistent Myth of Lost Hegemony' (Strange 1987), and in considerably more detail in *States and Markets* (1988e), Strange laid out the four structures of power which she had settled on as being the key to understanding both the global system itself, and the role of the US within this system. After some indecision, she had fixed on four key structures: security, finance, production and knowledge, which then related to secondary structures like international trade, welfare or transport. Within these primary structures, the role of agenda setting and its impact on the decision-making (or bargaining processes) was the key issue. The structures set the realm of possibilities, or more clearly the 'rules of the game'. But despite her grounding in the financial sector, Strange refused to accord priority to any one of these structures, rather they continually interacted with each other. As Strange put it:

[Each structure] security, production, finance and knowledge-plus-beliefs is basic for the others. But to represent the others as resting permanently on any one more than on the others suggests that one is dominant. This is not necessarily or always so. (Strange 1988b: 31)

One or other structure may be dominant, may ground the others, in a particular instance, but this can never be assumed; it is part of the purpose of IPE analysis to reveal at certain points how and which structures are prevalent at particular moments.

Having laid out her new approach at some length, Strange started to deploy it to further her critique of the supposed decline in American power in the global system. For instance, in 'Finance, Information and Power' (1990a) she outlined the differences between the relational power of Japan, and the more important structural power of the USA, linking both with regulatory ability in the financial structure and issues of communication in the knowledge structure. She also developed a notion of an American-based empire, ruled by a new global business civilisation (1989b; 1990c) which allowed her to further develop a non-territorial understanding of power. While not sharing the pessimistic or fatalist view of many