

Political Economy



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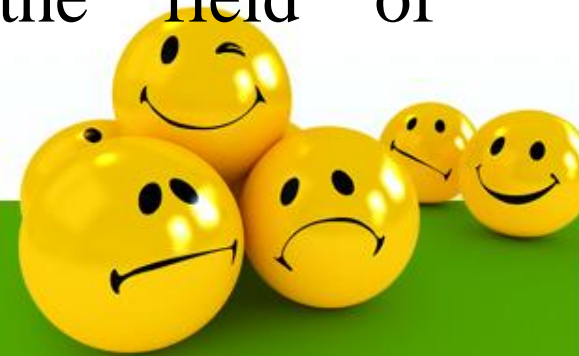
Background of the Political Economy

- Globalization is a complex and multidimensional (economic, political, social, technological, and cultural) process that involves a compression of time and space (Harvey 1989)
- The time-space compression, most simply, is a situation in which geographic distance has become less and less an obstacle to communication and information flows, to production, and to the movement of goods, people, ideas, and capital around the world.



Background of the Political Economy

- Globalization, as the foregoing discussion suggests, also means increasing interconnectedness, through which the actions and activities of states, societies, organizations, and peoples in one place can have significant reverberations in many other places, virtually anywhere on the planet.
- Such descriptions of globalization have become trite, but nonetheless, the implications of globalization remain immense, especially for the field of international political economy.



Introduction to Political Economy

- “Political economy is the science of wealth” and “deals with efforts made by man to supply wants and satisfy desires” (Eatwell, Milgate, and Newman, 1987: 907).
- In detail, political economy is the study of the laws that govern the production, distribution, consumption, exchange, and reproduction of goods and wealth in society.
- Production, distribution, exchange, and reproduction, on the other hand, are all interconnected. People typically produce in order to exchange and consume.



Introduction to Political Economy

- “Economics is the science which studies human behavior as a relationship between ends and scarce means that have alternative uses.” If economics is the study of the optimal use of scarce resources, political economy begins with the political nature of decision-making and is concerned with how politics will affect economic choices in a society.
- Society should be defined broadly to include not only countries or other such jurisdictions, but also, firms, social groups, or other organizations.



Introduction to Political Economy

- Political economy is a social science that studies production, trade, and their relationship with the law and the government.
- It is the study of how economic theories affect different socio-economic systems, such as socialism and communism, along with the creation and implementation of public policy.



Definition of Political Economy

- The term political economy refers to a branch of social sciences that focuses on relationships between individuals, governments, and public policy. It is also used to describe the policies set by governments that affect their nations' economies.
- The main concern of political economy is to determine the relationship between governments and individuals, and how public policy affects society. This is done through the study of sociology, politics, and economics.



Characteristics of Political Economy

Some of the characteristics or themes of a political economy include,

- The distribution of wealth
- How goods and services are produced
- Who owns property and other resources
- Who profits from production, supply and demand
- How public policy and government interaction impact society



Types of Political Economy

The types of a political economy include,

- **socialism** (which states that any production and wealth should be regulated and distributed by society)
- **capitalism** (where private owners control a nation's industry and trade for profit)
- **communism** (the theory where all property is publicly owned and everyone works based on their own needs and strengths).



Socialism:

- This type of political economy promotes the idea that the production and distribution of goods and wealth are maintained and regulated by society, rather than a particular group of people.
- The rationale behind this is that whatever is produced by society is done so because of those who participate, regardless of status, wealth, or position.
- Socialism aims to bridge the gap between rich and power, where one or more individuals don't have the majority of power and wealth.



Capitalism:

- This theory advocates profit as a motive for advancement.
- Put simply, the idea behind capitalism is that private individuals and other actors are driven by their own interests—they control production and distribution, set prices, and create supply and demand.



Communism:

- Individuals often confuse communism with socialism, but there is a distinct difference between these two theories.
- Communism was a theory developed by Karl Marx, who felt that capitalism was limited and created a big divide between rich and poor.
- He believed in shared resources, including property, and that production and distribution should be overseen by the government.



Political Economists

- Those who research the political economy are called political economists.
- Their study generally involves the examination of how public policy, the political situation, and political institutions impact a country's economic standing and future through a sociological, political, and economic lens.



Political Economy of International Business

- International political economy (IPE) or global political economy (GPE) is the study of global economic interactions with political and economic actors, systems, and institutions.
- IPE/GPE focuses on global economic governance through studies of macroeconomic phenomena such as globalisation, international trade, the monetary and financial system, international inequality, and development, as well as how these are shaped by international organisations, multinational corporations, and sovereign states, among others.



International Political Economy

- International political economy study, also known as global political economy, analyzes the relationship between economics and international relations.
- It uses ideas from economics, sociology, and political science. International political economy focuses on how states and institutions use global economic interactions to shape political systems.

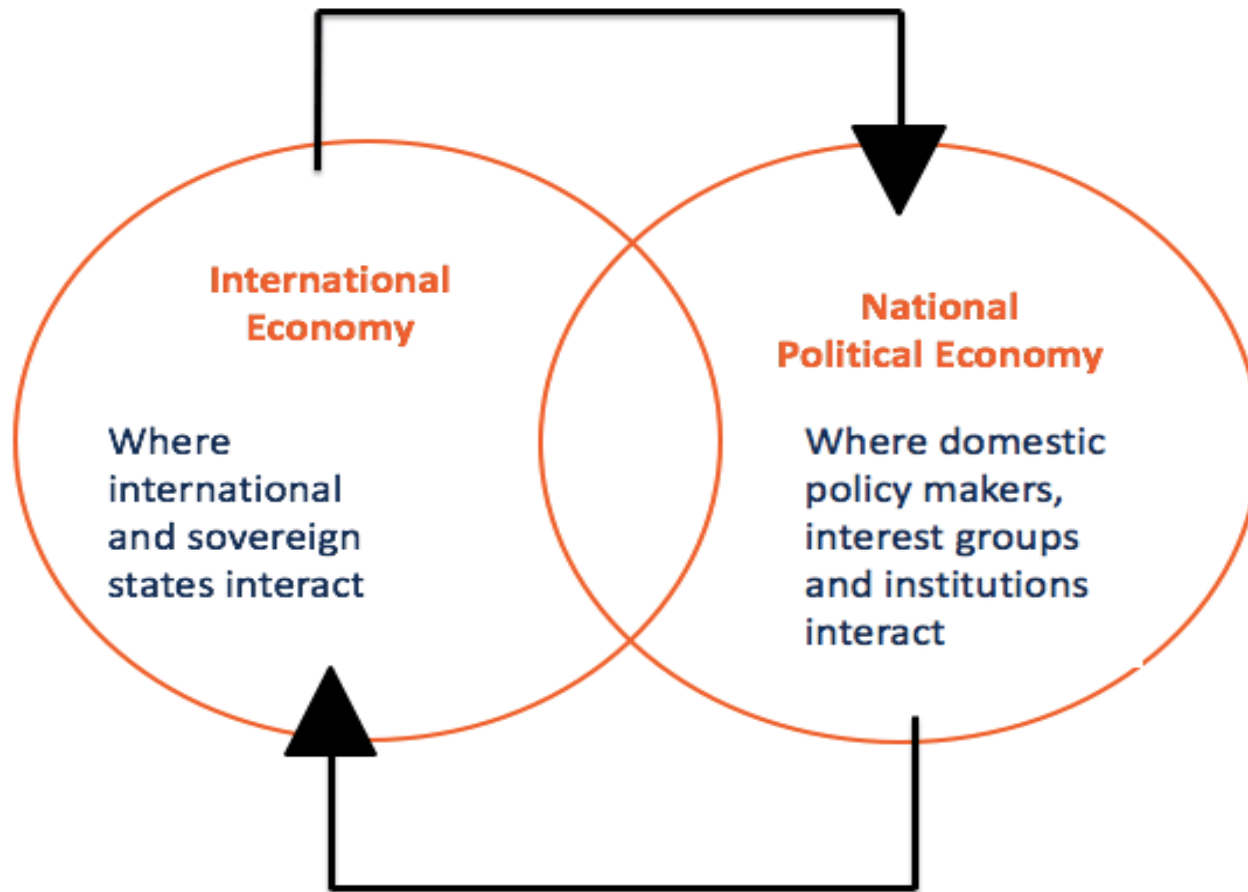


Why the International Political Economy is important?

International Political Economy prepares to understand the structures, hierarchies, and power dynamics that regulate finance and trade, drive globalization and economic nationalisms, and impact the distribution of wealth and poverty across and within states, regions, and the world



National and International Political Economy



International Political Economy

- International political economy studies problems that arise from or are affected by the interaction of international politics, international economics, and different social systems (e.g., capitalism and socialism) and societal groups .
- “International Political Economy” is the study of the tension between the market, where individuals engage in self-interested activities, and the state, where those same individuals undertake collective action . . .”(Balaam and Veseth 1996, p. 6).



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- First, it suggests that there are only two significant subjects of international political economy:
 - (a) markets, which are composed of self-interested individuals (and the firms that they operate)
 - (b) states, which are the primary political institutions of the modern international system.



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- Further, it suggests that a clear-cut distinction exists between economic or market-based activities and political or state-centered ones.
- Second, this definition tells that the most important aspect of the relationship between markets and states is based on tension, which is “a strained state or condition resulting from forces acting in opposition to each other.”



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- In other words, the definition presupposes that markets and states relate to one another in fundamentally adversarial ways
- As an area of study, it is concerned with, as Susan Strange (a prominent IPE scholar) puts it, “the social, political, and economic arrangements affecting the global systems of production, exchange and distribution, and the mix of values reflected therein” (emphasis added; 1994, p. 18).



Dilemma between State and International Business

- The definition of a dilemma is a situation where there is no clear easy choice or answer.
- An example of a dilemma is when you only have two extra tickets to an event and three friends that want to go.
- A circumstance in which a choice must be made between two or more alternatives that seem equally undesirable



Dilemmas Encountered in International trade

Three central dilemmas are examined:

- The unequal distribution of income and wealth created by international trade
- The tradeoff among competing values that trade requires
- The difficult interrelationship between economic and foreign policy goals within and among trading nations.



Dilemmas Encountered in International trade

- Though internationally framed, each dilemma has ramifications at a variety of levels all the way down to the individual's role in the global economy-as a consumer, as a citizen, and ultimately as a moral agent.
- So, The state has the responsibility to make the effective decisions among the alternatives which are lead to the interest of market as well as the state through an international business



Good Luck
THANK YOU

