



EDITED BY
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The Oxford Handbook of POLITICAL ECONOMY

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THE OXFORD HANDBOOK OF

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POLITICAL ECONOMY

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Edited by

BARRY R. WEINGAST

and

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CHAPTER 1

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THE REACH OF POLITICAL ECONOMY

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BARRY R. WEINGAST
DONALD A. WITTMAN

Content

OVER its long lifetime, the phrase “political economy” has had many different meanings. For Adam Smith, political economy was the science of managing a nation’s resources so as to generate wealth. For Marx, it was how the ownership of the means of production influenced historical processes. For much of the twentieth century, the phrase political economy has had contradictory meanings. Sometimes it was viewed as an area of study (the interrelationship between economics and politics) while at other times it was viewed as a methodological approach. Even the methodological approach was divided into two parts—the economic approach (often called public choice) emphasizing individual rationality and the sociological approach where the level of analysis tended to be institutional.

In this *Handbook*, we view political economy as a grand (if imperfect) synthesis of these various strands. In our view, political economy is the methodology of economics applied to the analysis of political behavior and institutions. As such, it is not a single, unified approach, but a family of approaches. Because institutions are no longer ignored, but instead are often the subject matter of the investigation, this approach incorporates many of the issues of concern to political sociologists. Because political behavior and institutions are themselves a subject of study, politics also becomes the subject of political economy. All of this is tied together by a set of methodologies, typically associated with economics, but now part and parcel of