

POL2012: Theories and Models in Political Economy

Neo-Classical Political Economy

Marius Swane Wishman

Department of Sociology and Political Science



Historical Context - A Crisis of Capitalism

- ▶ Social upheaval
- ▶ Marxism/socialism
- ▶ Economic depressions
- ▶ Imperialism
- ▶ Natural sciences
- ▶ Utilitarianism

Supply and Demand

- ▶ Lon Walras (1834-1910)
- ▶ William Stanley Jevons (1835-82); Carl Menger (1840-1921)
- ▶ Alfred Marshall (1842-1924)

Assumptions

- ▶ Utility
- ▶ Rational actors
- ▶ Information and competition
- ▶ Class, competing interests

Benefits

- ▶ Proof
- ▶ Models
- ▶ Prediction

Firms and Consumers

- ▶ Consumers
- ▶ Firms
- ▶ Passive
- ▶ Pareto (1848-1923) Efficiency

How to structure the market

- ▶ Perfect competition
- ▶ Easier said than done?
- ▶ Allocation versus Creation
- ▶ How should we structure markets for long-term economic growth?

Distribution

- ▶ Pareto (1848-1923)
- ▶ Political question

Similarities

- ▶ Capitalist markets economy
- ▶ Pursuit of “governing laws”
- ▶ Equilibrium
- ▶ Private property
- ▶ Economic liberalism

Differences

- ▶ Neo-classical is far less holistic
- ▶ “Physics envy”