

Economics and Politics: Editorial note

Yadollah Dadgar

*Faculty of Economics and Political Sciences, Shahid Beheshti University, Tehran, Iran**

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ABSTRACT

The relationship between economics and politics can be discussed in two distinct and simultaneously intermingled frameworks, demonstrating a classic and modern relationship. The first one emerges from the dawning of economic science itself. Due to that natural relation between economics and politics, economics was called “political economy”. The second relationship between economics and politics is highly novel compared to the first one and analyzes the politics by using an economic method. However, both of the above-mentioned approaches are in the context of the famous expression of “political economy”. By benefiting from the interdisciplinary method, the present study highlighted the potential relationships between economics and politics. Finally, one of the key mission of this note was to concentrate on some substantive relationships between these two distinct disciplines and their interdisciplinary dimensions.

1. Introduction

Taking into consideration the original name of the economic science (i.e., “political economy”) obviously indicates the key relationships between these two disciplines. Generally speaking, political economy is considered as an interdisciplinary subject which especially includes economics and politics, along with their influences on each other. In addition, political economy is not limited to economics and politics while it is related to other humanities fields including the law and social sciences as well. Thus, economics and politics are not easily separable. Adam Smith (1970, 1776) defined economics as a science which inquiries into the nature and cause of the wealth of nations. Obviously, the wealth of nations cannot be created unless a standard government and a well-defined body of political administration work efficiently. According to Marshal (1962, 1890) and other pioneer economists, economics is a study of mankind in the ordinary business of life.

(2005), economics examines how to make proper choices. They continue that economics studies the allocation of limited resources in response to unlimited wants. In addition, they maintains that economics is the study of choice-making by individuals, societies, and the globe the under conditions of scarcity and surplus towards maximizing the benefits and thus satisfying their unlimited needs at present and future (Khumalo, 2012).

* E-mail address: y_dadgar@sbu.ac.ir

Considering the above-mentioned definitions, it can be easily understood that a natural relationship exists between economics and politics. Further, the interrelationship between these two is unavoidable even if economics is defined as a science which investigates the production, consumption, trade, and distribution of wealth and politics is referred to as the study of the framework of the governance. This finding is in line with the first definition of economics by Aristotle (384-322 BC) as “the management of a household”.

Furthermore, the link between economics and politics is readily straightforward since economics deals with the allocation of resources by firms, households, and governments and politics provides an understanding of the impact of political institutions on different societies. A considerable number of economic problems are intermingled with politics as well. Social entrepreneurship, labor migration, globalization, and the role of constitutional law are typically highlighted in the economic wellbeing.

Based on the finding of LSE (2019), “the study of politics involves analyzing the methods in which individuals and groups interpret political issues and seek to shape the government decision”. On the other hand, economics is regarded as a science for managing the economy and politics is considered as the art for applying power regarding organizing the same economy. Thus, one necessary point should be explained about the relationship between economics and politics. In other words, the rational and unbiased relationships between these two disciplines should receive considerable attention since the combination of economics and politics can be biased and generate ideological connections, which is not welcomed by moderate economists. The structure, performance, and scope of the government (i.e., the public sector as a whole) are regarded as the main and direct link between economics and politics. The public sector economics covers the executive government, the legal system, and judicial powers as well. The state and governance are emphasized, in general, and their involvement in economic circumstances, in particular, when connecting economics and politics. For instance, some schools in economics are more willing to encourage government intervention in economic systems while some others take no action in this respect. Additionally, the “prudential compact of market and government (PCMG)” is posited as an alternative for traditional economic management in the continuation of the 21st century. The traditional economic management was based on either strong government intervention in the economy on one extreme or the Laissez-Fair framework on the other.

According to the seminal public sector studies, both of the above-mentioned paradigms failed to properly operate the economic management. In addition, new theories of public sector economics prove the efficiency of the “friendly compact of market and government” in tackling the current economic problems (e.g., Grosse and Meyer, 2019; Dadgar, 2019; Wang, 2014). According to a new political economy, the new paradigm of economic management, that is, “PCMG” includes the following characteristics.

- High monitoring and low intervention of the government in the economic system;

- National, regional, and global consideration of the rules of the game;
- Peaceful and democratic relationship between government and the market system;
- A complementary package including no rentier government, standard taxing system, and a limited period of political administration

Obviously, all the above-mentioned features encompass both economic and political dimensions. The operation of two categories of public decision-making demonstrates another brilliant relationship between economics and politics. These are monetary policies under the supervision of central bank officials, on the one hand, and fiscal policy managed by the government, on the other. The performance of the central banks is debatable among politicians and central bankers accuse government intervention in worsening the monetary policy. Further, the critical and challengeable issues including “independence of the central bank” are other vivid issues which tie economics and politics. The final point is the significance of interdisciplinary studies in the continuation of the 21st century and the role of economics and politics in improving and enriching these studies which are among the most fruitful studies for resolving various problems in both economic and political areas.

2. Typical issues under the scope of economics and politics

In addition to general issues explained in the first section, some specific subjects exist which are typically concerned to economics and politics, including political economy, public policy, public sector economics, good governance, globalization, government size, economic management, public choice, and the welfare state. Some of these issues are briefly dealt with in this section.

1. The political economy is considered as one clear term in the scope of economics and politics. As a famous Nobel Laureate economist, Hayek pinpointed that the separation of law, economics, and politics is a tragedy and political economy, as the original term for the economic science, links naturally economic science and political science as well. According to modern economic reports, dichotomizing economics from politics is impossible (EOP, 2019). Therefore, the scientific method for studying political economy is not a unique one due to its broad interdisciplinary nature, instead, it is made of plural methods.

The methods of political economy seek to place economic life in the context and pay attention to the questions related to power, social relations, and meaning (Chicago University, 2019). Furthermore, such economy covers two influential wings including the market allocation of resources and government monitoring.

As Buchanan correctly believes, although the optimum allocation of resources in economics is a major pillar in managing economic systems, the performance in this major task heavily relies on the functioning of a well-developed official and political system. In other words, due to the strong dependency of the allocation of resources to the government, the political economy is tightly linked to the law since this economy evaluates economic issues like production and

trade, and their links with the government and law. Based on political economy, economic theories and methods develop different economic systems as well (Varoufakis, 2011).

Accordingly, a basic relationship is also present between political subsystems and economic subsystems. Thus, an interdisciplinary approach is considered as the main approach, which represents such a relationship. Additionally, discussing how political and economic institutions affect each other is regarded as the key mission of interdisciplinary economics. In this framework, the political economy is connected to sociology since this economy analyzes family, population, poverty, literacy, and the like.

It is worth mentioning that these issues are sociological in principle. In addition, the creation of another sub-discipline as the global political economy is viewed as one outcome of economic interdisciplinary studies. Global political economy describes the economic aspects of different non-economic areas such as politics, sociology, culture, and history in an international groundwork. Nowadays, the political economy is taken into account as an extremely broad scientific and practical field which deals with the main aspects of human life.

2. Public policy is another pivotal term in the scope of economics and politics. Public policy is the government and state the policies which affect the whole society, even environmental issues and the like (Anderson, 2000).

More importantly, public policy is not limited to the duties of executive government, instead, it is related to the responsibilities of all policymakers including legal and judicial powers. It is also a broad strategy which the public sector uses to perform its obligation and duties regarding managing the society. This policy is further utilized to deal with a public problem whether it is economic, political, and social and the like.

Accordingly, it includes regulatory policy, distributive policy, and the like. Obviously, the public policy includes problem recognition and setting, policy plan and its specific formulation, as well as policy implementation and evaluation. Thus, such a policy could be a system of laws and regulation, along with the course of action. Therefore, it is a complementary part of the public sector and political economy as well. Furthermore, public policy is in the framework of the economic interdisciplinary and multidisciplinary skeleton thus the researchers use economic, political, and social techniques for its analysis. Generally speaking, policy analysis employs both qualitative and quantitative methods including case studies, model building, and statistical analysis, and the like.

After its emergence in 1960, public policy encapsulated economics, sociology, political science, even philosophy, and the other disciplines. For instance, the public policy required to be ethical and logical in principle thus it is based on philosophy in this respect. Additionally, such a policy should focus on economic concepts if it is (which should be) rational and considers cost-benefit analysis. On the other hand, this policy is based on sociology when it analyzes social problems. Finally, it is concerned with political science and economics when it maintains the process of decision-making (Bricker, 2019).

3. The public sector economics is regarded as the third fundamental issue in the scope of economics and politics. It is a key branch of economics which is concerned with the impact of the performance of all non-private sectors in the society on the welfare of the citizens as a whole. Overall, public sector economics deals with justifying the existence of government and explaining how it affects economic activities. In addition, it focuses on matching the invisible hand of the market with visible hand governments in a mixed economy establishment. According to the claims of the experts in this area, such economics is an area of study and actions which is concerned with everyday activities of the citizens (Dadgar, 2018; Glasco, 2019).

Further, public sector economics evaluates both the taxing system and taxation in addition to government expenditure. Economically speaking and considering the standardized taxing system, tax is the unique and solitary source of income for financing the expenditures of the public sector. Government expenditure is regarded as another pillar of public sector economics. Thus, public sector economics is clearly among the main issues of political economy as well. According to Baily (2015), the very nature of the public sector is in such a way that takes the account of political economy is considered as a necessity. Debates about the incentives of governmental officials to the candidate for the next election, the efficiency of the bureaucratic system, the size of the government, distributing policies, privatization, paying attention to the civil rights of citizens, public transportation, public services, and similar board lists are in the domain of public sector economics. Undoubtedly, all these issues are both economic and political in principle.

4. Further more, good governance is another fundamental topic in economics and politics, which is generally the dynamic exercise of management power and policy in a broad field and includes huge varieties. For instance, according to the World Bank (2019), good governance is a necessary precondition for economic development thus it is firmly linked to economics and politics. To the United Nations (UN, 2019), good governance deals with at least eight elements such as people participation, the rule of law, transparency, responsiveness, consensus-oriented, justice and inclusiveness, in addition to effectiveness and efficiency and accountability.

Not surprisingly, it also encompasses political pluralism, the full respect of human rights, efficient public sector, legitimacy, and access to knowledge, information, and well-developed education, as well as the political empowerment of people, sustainability, solidarity, and tolerance (UN, 2019). Based on the findings of the World Economic Forum (2019), good governance is related to the economic growth, promotes gender equality, helps to sustain the environment, enables the citizens to express their economic and political freedom, and provides conditions to reduce poverty. All these components are also common issues of economics and politics.

5. Finally, welfare states, globalization, institutional economics, economic democracy, economic law, social economics, economic management, and energy economics are regarded as

the other components in the interdisciplinary studies of economics and politics. The welfare state is a political system within which the government is responsible for ensuring that all the citizens have access to a minimum standard of living. The domain of governmental help for the welfare of the citizens encompasses providing the minimum health, education, and insurance against disease, as well as employment opportunities for unemployed individuals and paying unemployed earnings to those who are seeking for a job, paying old-age pensions, and the like.

The performance of the welfare state, its efficiency, long-run impacts, and similar other topics are discussing among economists, politicians, different schools of thoughts, different political parties, and so forth. Despite the continuation of the welfare states in the 21st century, its dimensions demonstrate a dramatic change (Barker, 2017; Hubble et al., 2019). Additionally, globalization is another famous term which is discussed under both economics and politics. This term can be defined as the growing interdependence of the economy, politics, culture, law, and social relations of the world. In other words, globalization is a social, cultural, legal, economic, and political phenomenon. Since this multidimensional phenomenon deals with the change of views, the interaction between governments and people, global management development, international law, global trade, working with the intergovernmental organization including World Bank, IMF, World Trade Organization, and UNs, and the like.

Global dimensions are changing due to a rapid change in all aspects of life. The benefits and costs of globalization, its different impact on different nations, its pay-off for environmental atmosphere, along with its technological and ideological backbones are all being discussed among the economists, politicians, lawyers, sociologist, and the like (Hazeley, 2018; Roth, 2019; Albo, 2018). Economic democracy is another common term between economics and politics and, in general, indicates the entrance of democracy into economic issues. Democracy in politics (e.g., within political parties) implies publicizing the freedom to all citizens, providing opportunities for free election, selection of the desired rulers, and the active participation of citizens in the decision-making respecting civil life, as well as applying an identical rule of law to all citizens and protecting the human rights.

In addition, democracy in economics deals with the protection of the economic rights of all and the active participation of workers and staff in decision-making in the workplace, and the like. Therefore, a democratic economy means performing an economic activity and distributing the output by all. However, no consensus exists respecting defining economic democracy and thus it faces considerable different viewpoints. Some studies believe that the Scandinavian model for the democratization of the economic system could be a role model while some others prefer to switch to the new definition (e.g., Downs, 1997; Smith, 2005; Sharma, 2019).

The development itself is regarded as another popular concept which is common in economics and politics. Although economic development is a growing field in economics, it does have various elements which are common in both economics and politics.

According to Nobel Laureate Amartya Sen (2001), development is about creating freedom for people while removing the obstacles to greater freedom. Obstacles to freedom and development include poor governance, corruption, and poverty. Obviously, the components of economic development do have politico-economic dimensions and such development reflects the acceptable working of political administration and socio-economic progress, and therefore, requires economic growth as well.

Further, economic development can be construed as a brilliant interdisciplinary economic term, which is considered as a crossroad of politics, economics, along with social and legal institutes. High-level economic development accompanies by improving social welfare and democratizing political institutions. Furthermore, sustainable development is a border development-related concept which encompasses improving the life of the next generation, protecting the environmental ecosystem, and applying the just distribution of income and wealth.

Accordingly, economic and politics are simultaneously recognizable in sustainable development (Hedstrom, 2018). Additionally, institutional economics is another conventional branch of economics and politics since it is concerned with the impact of social and political norms on production, distribution, and consumption. More particularly, new institutional economics is developed as a movement within economics, political science, and law which evaluates the role of institutions in preventing economic growth. New institutional economics, as a new branch of general institutional economics, includes work in political economy, property rights, and public choice. In addition, it is tightly related to economic development, political organizations, legal contracts, social capital, informal economy, rent-seeking, and economic corruption (TRC, 2019; North, 1992; Moe, 2019). Therefore, a significant clue is obtained for the interrelationship between economics and politics by reviewing the main interdisciplinary studies in social sciences, especially economics.

3. Final remarks

Interdisciplinary studies, in general, and economic interdisciplinary studies, in particular, are regarded as the most fruitful works in the constitution of the 21st century. Among these studies, economics and politics are highlighted to have a great share. Further, remarkable studies are rapidly growing in both general branches of economics and politics and their sub-branches. One reason for this large body of research is the analytic power of political economy itself. Furthermore, the obvious relationship between different issues of daily life, on the one hand, and political economy, on the other, is suggested as another reason in this regard. Eventually, some influential issues which deal with the daily life of a citizen and are simultaneously considered as political economy loaded issues are as the following subject matters:

- Public sector economics;

- Welfare state;
- Economic wellbeing;
- Social welfare;
- Optimum management;
- Good governance;
- Public policy;
- Civil rights, human rights, and property rights;
- The performance of the legal system;
- Efficient taxing;
- Globalization;
- Global management and the like

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