

# NOTES ON POLITICAL ECONOMY

Political economy is the social science that studies the interrelationships between the political and the economic. The relation between the two is not unidirectional, running only from the political to the economic. The reverse linkage is equally important, though decidedly much more complex. To understand this (reverse) linkage, we must understand at least the fundamentals of the relation between the society (class and non-class social formations) and the state, that is, delve into the domain of political sociology. Most of the time, the theory of this reverse linkage running from the economic (and other social forces) to the political via social classes (and other groupings and elites) is called the theory of political economy; at other times, only the role of the political in the economic is emphasized as the true kernel of the theory of political economy. But either of the two linkages, by itself, is one-sided. It is both together that constitute the theory of political economy. More generally, the relative emphasis as between the political and the economic can vary with the needs of the context of explanation. Thus, following the dominant interpretation and to highlight the role of the political vis-a-vis the economic, political economy (PE) may as well be defined as the study of the political factor in its interaction with the economic. By itself, it is an overly simple statement if we take the political factor as given, for the true guts of the PE approach lie in analyzing several factors that lie behind the political factor and their complex interaction in its constitution, i.e. the constitution of the state (the center of the political factor) and the political practices that go with it. Thus conceived, the state becomes only the mediating factor through which its ultimate determinants interact with the economic. This consideration shows the keen insight of Marx's statement that 'the state is the official resume of a society'. Poulantzas has stated the same thing thus: 'the state is the material condensation of all the class contradictions of a bourgeois society'.

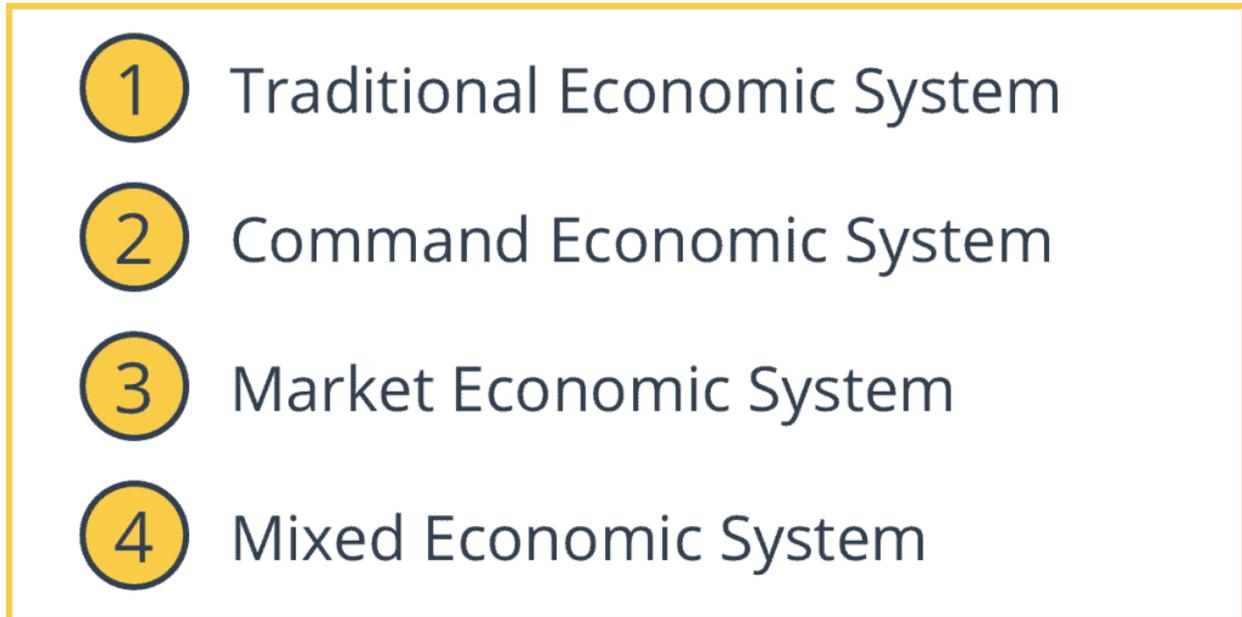
The above is explained very briefly below. To begin with, we note that the whole society serves as the basis of the state. As the society, so the state (largely). So, the structure of society becomes very important for understanding the true nature of the state. Also, this structure has differential impact on the constitution of the state. This structure, in turn, is founded upon several factors such as the economic, the ideological-cultural, including religion, and the state itself along with the State Apparatuses. Thus, the economic factor affects the economy both directly as well as indirectly through affecting the structure of society and thereby the state. Similarly, the state also affects the economy directly by its policies and actions and indirectly by affecting the ideological factor, the class structure of society which, in turn, affect the political and the economic and, above all, by mediating all manner of struggle, economic and political, class and non-class. The above points towards a very important aspect of social reality that of complex interdependence between several factors and consequent interaction between them that goes on all the time in real life. A large and variable part of it, however, remains submerged and does not come to the surface. And what comes to the surface is generally the proverbial tip of the iceberg. Moreover, in bourgeois societies, there is a lot of mystification and misrepresentation around true social relations, so that the truth often remains hidden. Hence the need for extreme care in distinguishing between surface phenomena and true substance.

The aforesaid complex interdependence between various factors at the levels of the society, the state, the economy and the ideology-culture serves as the terrain of the political economy. This, then, is a systematic study of the forces that shape the character of the state and also its form and functions vis-a-vis the economic and also of how, in the case of a capitalist society, they undergo changes with the development of capitalism. Summing up, we may say that the study of political economy may be divided into three departments: (i) Social analysis of the formation and dynamics (or movement) of social forces of class and non-class factors; (ii) Political analysis of the formation, working and movement of political forces of the state, state apparatuses, political parties and others; and (iii) economic analysis of socio-political forces as they impinge on the formation, working and the dynamics of socioeconomic policy formulation and execution.

Source: SURAJ B. GUPTA, Why Political Economy, Indian Economic Review, Special Number, 1992, content downloaded from 98.211.96.133 on Sat, 05 Sep 2020 18:01:37 UTC

# ECONOMIC DIMENSION

## Four Models of Economies



### 1. Traditional Economic System

The traditional economic system is the most traditional and ancient types of economies in the world. Vast portions of the world still function under a traditional economic system. These areas tend to be rural, second- or third-world, and closely tied to the land, usually through farming.

In general, in a traditional economic system, a surplus would be rare. Each member of a traditional economy has a more specific and pronounced role, and these societies tend to be very close-knit and socially satisfied. However, they do lack access to technology and advanced medicine.

### 2. Command Economic System

A command economy is where a central government makes all economic decisions. Either the government or a collective owns the land and the means of production. It doesn't rely on the laws of supply and demand that operate in a market economy. A command economy also ignores the customs that guide a traditional economy. Since the government is such a central feature of the economy, it is often involved in everything from planning to redistributing resources. A command economy is capable of creating a healthy supply of its resources, and it rewards its people with affordable prices. This capability also means that the government usually owns all the critical industries like utilities, aviation, and railroad.

In a command economy, it is theoretically possible for the government to create enough jobs and provide goods and services at an affordable rate.

### Advantages of Command Economic Systems

- If executed correctly, the government can mobilize resources on a massive scale. This mobility can provide jobs for almost all of the citizens.
- The government can focus on the good of society rather than an individual. This focus could lead to more efficient use of resources.
- An entire society can be transformed to conform to the government's vision, from nationalizing companies to placing workers in new jobs after a governmental skill assessment.

### Disadvantages of Command Economic Systems

- Rapid change can completely ignore society's needs, forcing the development of a black market and other coping strategies.
- Innovation is discouraged and leaders are rewarded for following orders rather than taking risks.
- It is hard for central planners to provide for everyone's needs. This challenge forces the government to ration because it cannot calculate demand since it sets prices.
- Workers are forced to pursue jobs the government deems fit.

### 3. Market Economic System

In a market economy firms and households act in self-interest to determine how resources get allocated, what goods get produced and who buys the goods. This is opposite to how a command economy works, where the central government gets to keep the profits.

There is no government intervention in a pure market economy (*laissez-faire*). However, no truly free market economy exists in the world. For example, while America is a capitalist nation, our government still regulates (or attempts to control) fair trade, government programs, honest business, monopolies, etc.

In this type of economy, there is a separation between the government and the market. This separation prevents the government from becoming too powerful and keeps their interests aligned with that of the markets.

Historically, Hong Kong is considered an example of a free market society.

### Advantages of a Free Market Economy

- Consumers pay the highest price they want to, and businesses only produce profitable goods and services. There is a lot of incentive for entrepreneurship.
- This competition for resources leads to the most efficient use of the factors of production since businesses are very competitive.
- Businesses invest heavily in research and development. There is an incentive for constant innovation as companies compete to provide better products for consumers.

## Disadvantages of a Free Market Economy

- Due to the fiercely competitive nature of a free market, businesses will not care for the disadvantaged like the elderly or disabled. This lack of focus on societal benefit leads to higher income inequality.
- Since the market is driven solely by self-interest, economic needs have a priority over social and human needs like providing healthcare for the poor. Consumers can also be exploited by monopolies.

## 4. Mixed Economic System

A mixed economy is a combination of different types of economic systems. This economic system is a cross between a market economy and command economy. In the most common types of mixed economies, the market is more or less free of government ownership except for a few key areas like transportation or sensitive industries like defense and railroad.

However, the government is also usually involved in the regulation of private businesses. The idea behind a mixed economy was to use the best of both worlds – incorporate policies that are socialist and capitalist.

To a certain extent, most countries have a mixed economic system.

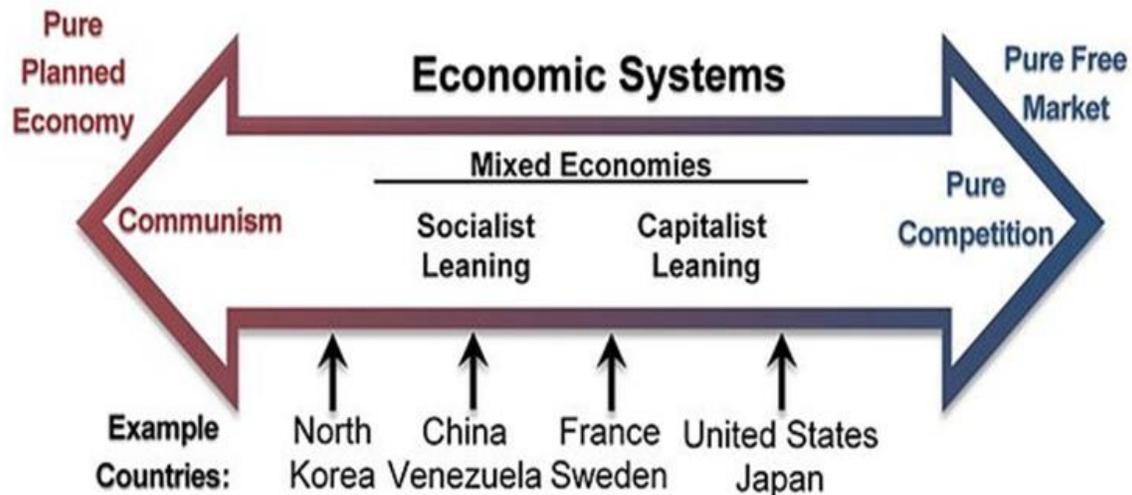
## Advantages of Mixed Economies

- There is less government intervention than a command economy. This results in private businesses that can run more efficiently and cut costs down than a government entity might.
- The government can intervene to correct market failures. For example, most governments will come in and break up large companies if they abuse monopoly power. Another example could be the taxation of harmful products like cigarettes to reduce a negative externality of consumption.
- Governments can create safety net programs like healthcare or social security.
- In a mixed economy, governments can use taxation policies to redistribute income and reduce inequality.

## Disadvantages of Mixed Economies

- There are criticisms from both sides arguing that sometimes there is too much government intervention, and sometimes there isn't enough.
- A common problem is that the state-run industries are often subsidized by the government and run into large debts because they are uncompetitive.

Source: <https://www.intelligenteconomist.com/economic-systems/>



## Key Terms

**Capitalism** is a free-market system built on private ownership, in particular, the idea that owners of capital have property rights that entitle them to earn a profit as a reward for putting their capital at risk in some form of economic activity. Opinion (and practice) differs considerably among capitalist countries about what role the state should play in the economy. But everyone agrees that, at the very least, for capitalism to work the state must be strong enough to guarantee property rights. According to Karl Marx capitalism contains the seeds of its own destruction, but so far this has proved a more accurate description of Marx's progeny, communism.

The term “capitalism” was almost unknown in the English world until first popularized by English translations of Karl Marx *Das Kapital* in 1867.

***Laissez-faire*** (French: 'let do') is an economic system in which transactions between private parties are absent of any form of economic intervention such as regulation and subsidies. Likely originated in a 1681 meeting that took between French Controller General Colbert and a group of French businessmen.

**Free market**, an unregulated system of economic exchange, in which taxes, quality controls, quotas, tariffs, and other forms of centralized economic interventions by government either do not exist or are minimal. Exchange is undertaken as a voluntary agreement between people because each expects to gain from it. As the free market represents a benchmark that does not

actually exist, modern societies can only approach or approximate this ideal of efficient resource allocation and can be described along a spectrum ranging from low to high amounts of regulation.

**Invisible hand**, Adam Smith first used in his book *The Theory of Moral Sentiments* (1759) to describe the unintentional effects of economic self-organization from economic self-interest.

**Mercantilism** an economic policy (16<sup>th</sup> to 18<sup>th</sup> century) designed to maximize the exports and minimize the imports for an economy. It promoted imperialism, tariffs and subsidies on traded goods to achieve that goal. The policy aims to create trade surplus and accrue hard currency to the nation's coffers it includes.

**Surplus value** the difference between the amount raised through a sale of a product and the amount it cost to the owner of that product to manufacture it: i.e. the amount raised through sale of the product minus the cost of the materials, plant and labor power.

**Labor theory of value** says that the value of a finished good correlates solely with the number of labor hours required to produce it. First conceived by Adam Smith in the second half of the 18th century -- the time of the industrial revolution. By the mid-1800s, Karl Marx, posited that the marked-up price of goods above and beyond their labor cost resulted in the exploitation of workers thus surplus value belongs to the worker.

**Socialism**, social and economic doctrine that calls for public rather than private ownership or control of property and natural resources. According to the socialist view, individuals do not live or work in isolation but live in cooperation with one another. Furthermore, everything that people produce is in some sense a social product, and everyone who contributes to the production of a good is entitled to a share in it. Society as a whole, therefore, should own or at least control property for the benefit of all its members.

**Communism**, political and economic doctrine that aims to replace private property and a profit-based economy with public ownership and communal control of at least the major means of production (e.g., mines, mills, and factories) and the natural resources of a society. Communism is thus a form of socialism - a higher and more advanced form, according to its advocates. Exactly how communism differs from socialism has long been a matter of debate, but the distinction rests largely on the communists' adherence to the revolutionary socialism of Karl Marx.

**Marxist – Leninism**, an interpretation of Communism in which Lenin sought to adapt the central tenets of Marxism to the experience of Russia, an economically backward agrarian state. The emergence of imperialism was considered to be a central, unforeseeable factor which had occurred since the development of Marxism. This enabled the propertied classes in industrially advanced countries to expand production and to spread the economic benefits to those workers who were prepared to accept the current economic system. This group of workers formed a so-called 'labor aristocracy', a process which prevented class unity. Left to itself, the proletariat would never rise up against the existing order. Hence Lenin emphasized the importance of the

need for party elites and of 'professional revolutionaries', who would prepare and carry out the revolution and then create a Communist consciousness among the workers.

**Social Democracy,** Social democracy is seen as a pragmatic compromise between capitalism and socialism. Social democracy is a distinctive body of political ideology which prescribes the use of democratic collective action to extend the principles of freedom and equality valued by democrats in the political sphere to the organization of the economy and society, chiefly by opposing the inequality and oppression created by laissez-faire capitalism.

# POLITICAL DIMENSION

Aristotle states that “the politician and lawgiver is wholly occupied with the city-state, and the constitution is a certain way of organizing those who inhabit the city-state”. The state is by nature a collective entity, a multitude of citizens. Citizens are distinguished from other inhabitants, such as resident aliens and children. He defines the citizen as a person who has the right (*exousia*) to participate in deliberative or judicial office. In Athens, for example, citizens had the right to attend the assembly, the council, and other bodies, or to sit on juries. The Athenian system differed from a modern representative democracy in that the citizens were more directly involved in governing. Citizens were more deeply enfranchised than in modern representative democracies because they were more directly involved in governing. This is reflected in Aristotle's definition of the citizen (without qualification). Further, he defines the city-state (in the unqualified sense) as a multitude of such citizens which is adequate for a self-sufficient life.

Aristotle defines the constitution (*politeia*) as a way of organizing the offices of the city-state, particularly the sovereign office. The constitution thus defines the governing body, which takes different forms: for example, in a democracy it is the people, and in an oligarchy, it is a select few (the wealthy or well born). Before attempting to distinguish and evaluate various constitutions Aristotle considers two questions. First, why does a city-state come into being? He recalls the thesis, ***that human beings are by nature political animals, who naturally want to live together.***

He then adds that “the common advantage also brings them together insofar as they each attain the noble life. This is above all the end for all both in common and separately”. Second, what are the different forms of rule by which one individual or group can rule over another? Aristotle distinguishes several types of rule, based on the nature of the soul of the ruler and of the subject. He first considers despotic rule, which is exemplified in the master-slave relationship.

He next considers paternal and marital rule. It is noteworthy, however, that paternal and marital rule are properly practiced for the sake of the ruled (for the sake of the child and of the wife respectively), just as arts like medicine or gymnastics are practiced for the sake of the patient. In this respect they resemble political rule, which is the form of rule appropriate when the ruler and the subject have equal and similar rational capacities. This is exemplified by naturally equal citizens who take turns at ruling for one another's advantage.

This sets the stage for the fundamental claim of Aristotle's constitutional theory: “constitutions which aim at the common advantage are correct and just without qualification, whereas those which aim only at the advantage of the rulers are deviant and unjust, because they involve despotic rule which is inappropriate for a community of free persons”.

The distinction between correct and deviant constitutions is combined with the observation that the government may consist of one person, a few,

or a multitude. Hence, there are six possible constitutional forms:

	<b>Correct</b>	<b>Deviant</b>
<b>One Ruler</b>	Kingship	Tyranny
<b>Few Rulers</b>	Aristocracy	Oligarchy
<b>Many Rulers</b>	Polity	Democracy

This six-fold classification sets the stage for Aristotle's inquiry into the best constitution, although it is modified in various ways throughout the *Politics*. For example, he observes that the dominant class in oligarchy is typically the wealthy, whereas in democracy it is the poor, so that these economic classes should be included in the definition of these forms. Also, polity is later characterized as a kind of “mixed” constitution typified by rule of the “middle” group of citizens, a moderately wealthy class between the rich and poor.

Aristotle's constitutional theory is based on his theory of justice, which is expounded in *Nicomachean Ethics*. Aristotle distinguishes two different but related senses of “justice” — universal and particular — both of which play an important role in his constitutional theory. Firstly, in the universal sense “justice” means “lawfulness” and is concerned with the common advantage and happiness of the political community. The conception of universal justice undergirds the distinction between correct (just) and deviant (unjust) constitutions. But what exactly the “common advantage” entails is a matter of scholarly controversy. Some passages imply that justice involves the advantage of all the citizens; for example,

every citizen of the best constitution has a just claim to private property and to an education. But Aristotle also allows that it might be “in a way” just to ostracize powerful citizens even when they have not been convicted of any crimes. Whether Aristotle understands the common advantage as safeguarding the interests of each and every citizen has a bearing on whether he anticipates what moderns would understand as a theory of individual rights. Secondly, in the particular sense “justice” means “equality” or “fairness”, and this includes distributive justice, according to which different individuals have just claims to shares of some common asset such as property. Aristotle analyzes arguments for and against the different constitutions as different applications of the principle of distributive justice. Everyone agrees, he says, that justice involves treating equal persons equally, and treating unequal persons unequally, but they do not agree on the standard by which individuals are deemed to be equally (or unequally) meritorious or deserving. Justice requires that benefits be distributed to individuals in proportion to their merit or desert. The oligarchs mistakenly think that those who are superior in wealth should also have superior political rights, whereas the democrats hold that those who are equal in free birth should also have equal political rights. Both of these conceptions of political justice are mistaken in Aristotle's view, because they assume a false conception of the ultimate end of the city-state. **The city-state is neither a business enterprise to maximize wealth (as the oligarchs suppose) nor an association to promote liberty and equality (as the democrats maintain). Instead, Aristotle argues,**

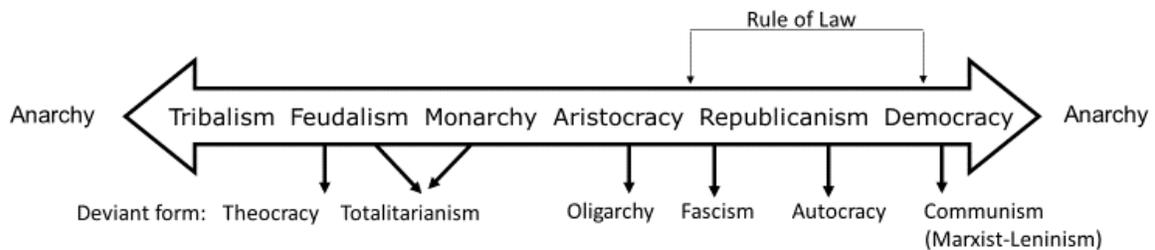
**“the good life is the end of the city-state,”** that is, a life consisting of noble actions. Hence, the correct conception of justice is aristocratic, assigning political rights to those who make a full contribution to the political community, that is, to those with virtue as well as property and freedom. This is what Aristotle understands by an “aristocratic” constitution: literally, the rule of the best persons. Aristotle explores the implications of this argument in the considering the rival claims of the rule of law and the rule of a supremely virtuous individual. Here absolute kingship is a limiting case of aristocracy. Aristotle describes the ideal constitution in which the citizens are fully virtuous.

Political science studies a comparable range of constitutions: first, the constitution which is best without qualification, i.e., “most according to our prayers with no external impediment”; second, the constitution that is best under the circumstances “for it is probably impossible for many persons to attain the best constitution”; third, the constitution which serves the aim of a given population happens to have, i.e., the one that is best “based on a hypothesis”: “for ought to be able to study a given constitution, both how it might originally come to be, and, when it has come to be, in what manner it might be preserved for the longest time; I mean, for example, if a particular city happens neither to be governed by the best constitution, nor to be equipped even with necessary things, nor to be the [best] possible under existing circumstances, but to be a baser sort.” Hence, Aristotelian political science is not confined to the ideal system, but also investigates the second-best constitution or even inferior political systems, because this may be the closest approximation to full political justice which the lawgiver can attain under the circumstances. Although his own political views were influenced by his teacher Plato, Aristotle is highly critical of the ideal constitution set forth in Plato's *Republic* on the grounds that it overvalues political unity, it embraces a system of communism that is impractical and inimical to human nature, and it neglects the happiness of the individual citizens. In contrast, in Aristotle's “best constitution,” each and every citizen will possess moral virtue and the equipment to carry it out in practice, and thereby attain a life of excellence and complete happiness. All of the citizens will hold political office and possess private property because “one should call the city-state happy not by looking at a part of it but at all the citizens.”. Moreover, there will be a common system of education for all the citizens, because they share the same end. If (as is the case with most existing city-states) the population lacks the capacities and resources for complete happiness, however, the lawgiver must be content with fashioning a suitable constitution. The second-best system typically takes the form of a polity (in which citizens possess an inferior, more common grade of virtue) or mixed constitution (combining features of democracy, oligarchy, and, where possible, aristocracy, so that no group of citizens is in a position to abuse its rights). Aristotle argues that for city-states that fall short of the ideal, the best constitution is one controlled by a numerous middle class which stands between the rich and the poor. For those who possess the goods of fortune in moderation find it “easiest to obey the rule of reason”. They are accordingly less apt than the rich or poor to act unjustly toward their fellow citizens. A constitution based on the middle class is the mean between the extremes of oligarchy (rule by the rich) and democracy (rule by the poor). “That the middle [constitution] is best is evident, for it is the freest from faction: where the middle class is numerous, there least occur factions and divisions among citizens. The middle constitution is therefore both more stable and more just than oligarchy and democracy. Although Aristotle classifies democracy as a deviant constitution (albeit

the best of a bad lot), he argues that a case might be made for popular rule. The central claim is that the many may turn out to be better than the virtuous few when they come together, even though the many may be inferior when considered individually. For if each individual has a portion of virtue and practical wisdom, they may pool these assets and turn out to be better rulers than even a very wise individual. In addition, the political scientist must attend to existing constitutions even when they are bad. Aristotle notes that “to reform a constitution is no less a task [of politics] than it is to establish one from the beginning,” and in this way “the politician should also help existing constitutions”. The political scientist should also be cognizant of forces of political change which can undermine an existing regime. Aristotle criticizes his predecessors for excessive utopianism and neglect of the practical duties of a political theorist. However, he is no Machiavellian. The best constitution still serves as a regulative ideal by which to evaluate existing systems.

Source: <https://plato.stanford.edu/archives/win2017/entries/aristotle-politics/>  
 from the Winter 2017 Edition of the Stanford Encyclopedia of Philosophy

## Continuum of Governance



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### CONTINUUM OF GOVERNANCE

#### Anarchy

Anarchism refers to the absence of government, a condition in which a society operates without a central governing body. According to Hobbes “In such condition, there is no place for industry; because the fruit thereof is uncertain: and consequently, no culture . . . no knowledge . . . no

account of time . . . no society; and which is worst of all, continual fear, and danger of violent death; and the life of man, solitary, poor, nasty, brutish, and short.”

### Tribalism

Tribalism refers to a form of governance in which there is an absence of central authority and where, instead, various regional tribes lay claim to different territories, resources, or domains. In this system, trade, commerce, and war may occur between different tribes without the involvement or oversight of a unifying structure. This was a particularly common way of life in the premodern world, where different families and clans would establish a set of common rules and rituals specific to their community. While many tribes have forms of internal leadership — from councils and chiefdoms to warlords and patriarchs — tribes are also distinct for having relatively limited role differentiation or role stratification within. In some regards, this can make the customs internal to some tribes particularly egalitarian.

### Feudalism

Feudalism is a social structure revolving around land ownership, nobility, and military obligation. Though not a formal way of governing, feudalism refers to a way of life in which sharp, hierarchical divisions separate noble classes, clergy, and peasantry. Opportunities for movement between these hierarchies is largely impossible. In this system, peasants typically provided labor and military service in exchange for occupancy of land and protection from outside forces under the authority of a noble lord. In turn, lordships, or fiefdoms, often engaged one another politically, economically, and militarily. Feudalism was a highly decentralized and agrarian way of life supplanted when the European monarchies created the infrastructure to impose central rule over their various dominions.

### Monarchy

Monarchy refers to a form of rule in which absolute power and authority are held by a single member of a royal bloodline. In a monarchy, the individual in the seat of power is often believed to have been placed there by “divine right,” or the will of God. In a monarchical society, power is inherited within a line of succession that relates to one’s bloodline and birth-order within the ruling royal family. Though the monarchy has historically indicated absolute power, the concept has become increasingly diluted with the evolution of democratic principles. Today, some monarchies exist but are merely symbolic, whereas others coexist within constitutional structures. However, until the 19th century, monarchy was the most common form of government in the world.

### Aristocracy

Aristocracy refers to a form of government in which wealthy nobles are given power over those in lower socioeconomic strata. Positions of leadership are reserved for those of an elite ruling class, a status which is typically hereditary. The privileged ruling class is viewed, in this system, as possessing the education, upbringing, and genetic traits required for rulership. Aristocracy promotes an inherent class system that connects wealth and ethnicity with both the ability and

right to rule. Variation may include Oligarchy: a form of government in which a smattering of individuals rule over a nation; a catch-all for any number of other forms of governance in which a specific set of qualities — wealth, heredity, race — are used to vest power in a small group of individuals; Oligarchies are often characterized by tyrannical or authoritarian rule and an absence of democratic practices or individual rights

## Republicanism

Republicanism, the form of government — not to be conflated with the Republican political party specific to U.S. politics — refers to a system in which power is vested in the citizenry. In technical definition, a republic is a nation in which the people hold popular sovereignty through the electoral and legislative processes as well as through participation in public and civic life. In its earliest form, the republic was perceived as a counterbalance to monarchy, an approach which merged monarchy and aristocracy with some trappings of democracy. A system in which no single force or entity can exercise unchecked control or authority. Typified by fair and free elections, civic participation, protection of human rights, and the rule of law.

## Democracy

A form of government in which the people are given a direct role; literally, rule by the people; the majority ordinarily prevails. The ideal system requires discourse, debate, and compromise to satisfy the broadest possible number of public interests. What constitutes the appropriate size of the *polis* becomes a factor in the efficacy of a democracy.

## Deviant Forms

### Totalitarianism

Totalitarianism is an authoritarian form of government in which the ruling party recognizes no limitations whatsoever on its power, either in the public life or private rights of its citizens. Power is often vested in the hands of a single figure, an authority around whom significant propaganda is built as a way of extending and retaining uncontested authority. Totalitarian states often employ widespread surveillance, control over mass media, intimidating demonstrations of paramilitary or police power, and suppression — usually violent — of protest, activism, or political opposition.

### Oligarchy

Oligarchy refers to a form of government in which a smattering of individuals rules over a nation. In many ways, oligarchy is a catch-all for any number of other forms of governance in which a specific set of qualities — wealth, heredity, race — are used to vest power in a small

group of individuals. Oligarchies are often characterized by tyrannical or authoritarian rule and an absence of democratic practices or individual rights.

### Fascism

Fascism is characterized in as including extreme militaristic nationalism, contempt for electoral democracy and political and cultural liberalism, a belief in natural social hierarchy and the rule of elites, and the desire to create a “people’s community” in which individual interests would be subordinated to the good of the nation.

### Autocracy

System of government in which supreme political power to direct all the activities of the state is concentrated in the hands of one person, whose decisions are subject to neither external legal restraints nor regularized mechanisms of popular control

### Communism

In its purest form, Communism refers to the idea of common, public ownership of the economy and the subversion of the ruling class by the working class. As such, communism often incorporates the idea of revolutionary action against unequal rule. Communism often positions itself as a counterpoint to the economic stratification and his resistance to stratification sometimes also takes the form of a single-state authority, one in which political opposition or dissidence may be restricted. This may manifest in as a more authoritarian form of governance.

### Theocracy

Theocracy refers to a form of government in which a specific religious ideology informs the leadership, laws, and customs of a nation. In many instances, there will be little to no distinction between scriptural laws and legal codes. Likewise, religious clergy will typically occupy roles of leadership, and in some instances, the highest office in the nation. Because religious law usually extends from writings and traditions that are many centuries old, and therefore impose practices that may not conform with present-day standards of ethical justice or constitutional law, theocracies frequently run afoul of organizations and agencies advocating for global human rights.

Source: <https://thebestschools.org/magazine/common-forms-of-government-study-starters/>

### **Rule of Law**

**Rule of law**, the mechanism, process, institution, practice, or norm that supports the equality of all citizens before the law secures a nonarbitrary form of government and more generally prevents the arbitrary use of power. Arbitrariness is typical of various forms of despotism, authoritarianism and totalitarianism. Despotic governments include even highly institutionalized forms of rule in which the entity at the apex of the power structure (such as a king, a junta, a

party committee, or president) is capable of acting without the constraint of law when it wishes to do so.

Ideas about the rule of law have been central to political and legal thought since at least the 4th century bce, when Aristotle distinguished “the rule of law” from “that of any individual.” In the 18th century the French political philosopher Montesquieu elaborated a doctrine of the rule of law that contrasted the legitimate authority of monarchs with the caprice of despots. It has since profoundly influenced Western liberal thought.

Source: <https://www.britannica.com/topic/rule-of-law>

### **Conservatism**

Political doctrine that emphasizes the value of traditional institutions and practices. It is a preference for the historically inherited rather than the abstract and ideal. This preference has traditionally rested on an organic conception of society—that is, on the belief that society is not merely a loose collection of individuals but a living organism comprising closely connected, interdependent members. Conservatives thus favor institutions and practices that have evolved gradually and are manifestations of continuity of and stability. Government’s responsibility is to be the servant, not the master, of existing ways of life, and politicians must therefore resist the temptation to transform society and politics. Conservatism is suspicion of government activism.

Source: <https://www.britannica.com/topic/conservatism>

### **Liberalism**

Political doctrine that takes protecting and enhancing the freedom of the individual to be the central problem of politics. Liberals typically believe that government is necessary to protect individuals from being harmed by others, but they also recognize that government itself can pose a threat to liberty. The problem, then, is to devise a system that gives government the power necessary to protect individual liberty but also prevents those who govern from abusing that power. Most liberals have insisted that the powers of government can promote as well as protect the freedom of the individual. According to modern liberalism, the chief task of government is to remove obstacles that prevent individuals from living freely or from fully realizing their potential. Such obstacles include poverty, disease, discrimination, and ignorance.

Source: <https://www.britannica.com/topic/liberalism>

### **Progressivism**

a social political movement that aims to represent the interests of ordinary people through political change and the support of government actions; progressives seek to come to terms with

the extreme concentration of wealth among a tiny elite and the enormous economic and political power of corporate interest and promote public policies that will lead to positive social change.

## **Corporatism**

A social political concept that the society and economy of a country should be organized into major interest groups (*corporations*) and representatives of those interest groups settle any problems through negotiation and joint agreement rather than through competition. A corporate economic works through collective bargaining. Under corporatism the labor force and management in an industry belong to an industrial organization. The representatives of labor and management settle wage issues through collective negotiation. Seen as an alternative to socialism with an emphasis on social justice.

Source: <https://www.sjsu.edu/faculty/watkins/corporatism.htm>

## Questions of Governance to consider

- Who participates
- How to participate
- Who makes decisions
- How are decisions enacted
- How are rights and responsibilities defined
- How are conflicts resolved
- Is there an opportunity to appeal

# VALUES DIMENSION

Cultural arguments once loomed large in explanations of the ways in which countries differed economically and politically. Economists mostly abandoned such reasoning in the 20th century, not only because it provided cover for racists but also because of its lack of explanatory power. In 1970 Robert Solow, a Nobel prizewinner, quipped that attempts to explain growth with variables such as culture generally ended up “in a blaze of amateur sociology”. This position is changing, however, and not before time. A better grasp of how cultures work may be needed to understand modern political economy.

The responsible intellectual use of cultural arguments begins with clear terminology. In “A Culture of Growth”, published in 2016, Joel Mokyr, an economic historian at Northwestern University, describes culture as “a set of beliefs, values, and preferences, capable of affecting behaviour, that are socially (not genetically) transmitted and that are shared by some subset of society”. Economists typically treat rational self-interest as the lodestar of human behaviour. But Mr Mokyr recognises that acquired social codes also influence individual choices, and thus broader economic activity. Culture is not immutable, as those who ascribe countries’ diverging fates to deep-rooted cultural attributes often suggest. It evolves as the ideas and influence of different groups shift.

Cultural evolution is essential to the thesis of “A Culture of Growth”, which attempts to explain why sustained growth began where and when it did. Mr Mokyr says that factors often credited with kick-starting industrialisation—such as capital accumulation and the cost and supply of certain kinds of labour—may be necessary but are not sufficient. The true catalyst was a continent-wide evolution in beliefs. In Europe between the 16th and 18th centuries, a group of intellectuals often called the “Republic of Letters” groped their way towards a bold new view of nature and knowledge. Francis Bacon, an English intellectual and early contributor to the movement, thought that through disinterested and open inquiry, nature’s secrets could be understood and then manipulated to the benefit of humankind. Such views helped nurture the Scientific Revolution and the Enlightenment, but also percolated through society, influencing behaviour. Once the notion became widespread that objective knowledge was possible and could be used to improve people’s lives, the emergence of self-sustaining economic growth was near-inevitable.

In a recent essay Enrico Spolaore of Tufts University writes that Mr Mokyr’s ideas show how economists might make better use of culture. He does not simply argue that Europe industrialised first because of a particular European cultural way of being. Rather, he identifies a specific cultural change—the rise of an evidence-based, humanistic approach to scientific inquiry—which led to a shift in behaviour that enabled industrialisation. He contrasts this with, for example, China, where rationalistic schools of philosophy such as Mohism were eclipsed in intellectual circles by tradition-venerating Confucianism. China’s fate is not down to something inherent in Chinese culture. Rather, history unfolded one way in one place, and another in another.

Mr Spolaore has deployed cultural arguments in his own research. In work with Romain Wacziarg of the University of California, Los Angeles, he studied how cultural barriers within Europe created social distance, which impeded the flow of ideas and practices. Fertility control, which contributed to a falling birth rate in France in the early 19th century, before anywhere else, spread first to places that had close cultural and linguistic links to France. The reason to consider such cultural factors, Mr Spolaore argues, is that modern economic phenomena often cannot be explained without them. An account of the Industrial Revolution that omitted cultural shifts would be less useful and informative. And imagine trying to explain the labour-market fortunes of women and racial minorities over the past century solely as the outcome of individual decisions made on the basis of rational self-interest.

On reflection, it seems obvious that cultural change can unlock the economic potential of people and ideas, with history-altering results. Such shifts matter for reasons other than their effect on GDP. Evolving norms that allow women, ethnic minorities, immigrants, and gay and transgender people to play full roles in society not only boost growth but reduce human suffering. But because these shifts matter economically, the dismal science needs a better understanding of when and how cultures change—especially now.

Despite Mr Trump's trade war, America's longest-ever expansion rolls along. But as Trump admirers at a political rally demand that Ilhan Omar, a Somali refugee and naturalised American citizen who is now a congresswoman from Minnesota, be "sent back", it is worth thinking harder about the broader nature of Mr Trump's economic influence. Mr Spolaore, listing the social norms that became a part of Mr Mokyr's "culture of growth", includes "tolerance of heterodox views, rigorous standards based on proofs and reproducible experiments, and positive attitudes towards openness, collaboration and disclosure". These norms shaped behaviour, which enabled progress. But cultures change. ■

Source: <https://www.economist.com/finance-and-economics/2019/07/25/a-societys-values-and-beliefs-matter-for-its-economy>

Social values are defined as standards, which individuals and social groups employ to define personal goals and essentially shape the nature and form of social order in a collective i.e., what is acceptable and not acceptable, what ought or not to be, what is desirable or non-desirable (Kluckhohn, 1951; Tsirogianni & Gaskell, 2011).

### **Individualism vs. Collectivism**

A culture that values individualism emphasizes Independence and individual goals over the group as a whole. People are expected to focus more on individual goals, pursuits, and passions; families and groups are limited and more exclusive.

A culture that values collectivism emphasizes group harmony and group living over individual passions and pursuits. People are expected to view themselves through the lens of society as a whole, and families and social groups are broader and more inclusive.

## **Self-interest vs Common Interest**

The supposed conflict between individual self-interest and the common good is one of the hottest debated issues in economic ethics, environmental ethics as well as at the intersection between ecology and economics.

Examples concerning planet earth ecology include air and water pollution, overfishing, the clearing of rain forest for agriculture, animal habit destruction, the over-exploitation of natural resources especially in so called ‘Third World’-countries, carbon emissions and the burning of fossil fuels/non-renewable energy resources and consequential global warming and climate change (i.e., ecological footprint).

From an economics perspective we have to debate the role of privilege- and rent seeking special interest groups, the phenomena of lobbyism and corruption, corporate scandals, the role of hedge funds, private equity, derivatives, investment-banking, gambling/speculation on the stock-exchange, insider-dealings, market manipulation, the alleged ‘greed’, avarice, and other forms of unethical behavior as well as the near-sightedness of (some) managers and the short-term oriented incentive systems of shareholder-value capitalism (e.g. bonus payments, thinking in quarterly periods; short-term economy), etc. – all seeming at odds with the broader and long-term interests of other legitimate stakeholder-groups like customers, suppliers, employees and the general public. All these phenomena may be summarized under the heading tragedy of the commons given their lack of economic, social and environmental sustainability.

Source: <https://www.normativeorders.net/en/research/research-projects-2012-2017/66-forschung/forschungsprojekte-2012-2017/1318-self-interest-vs-the-common-good-on-a-central-issue-in-economic-ethics>

## **Freedom vs Equality**

The clash between the two has, at its roots, the difficulty in making consistent the freedom of individuals, the desire for an equal outcome, and, crucially, our natural inequalities. Liberals stress the first and last of these, stating that we are both free and endowed at birth with differing levels of ability. Given these natural differences, those who are more able will make use of their talents to acquire material goods, through hard work, trade, and so on. Thus, material inequalities between individuals flow directly from differences in natural endowments, and our freedom to use these endowments to pursue our self-interest.

Socialists who want to eliminate these material inequalities are thus confronted with a problem. Either they need to somehow eradicate natural differences between individuals (which seems impossible), or they need to limit freedom. In an attempt to give equal material rewards, therefore, socialists inevitably have to interfere with free interactions between individuals. The end result, it seems, is a loss of liberty.

Despite this, the tension between liberty and equality is, in fact, based only on a certain reading of equality (an absolutely equal distribution of material goods) and of liberty (freedom from interference).

Source: [www.hoddereducation.co.uk](http://www.hoddereducation.co.uk) › PolRev-23\_3-Ideologies (Volume 23, Number 3, February 2014)

## **Justice vs Fairness**

justice means giving each person what he or she deserves or, in more traditional terms, giving each person his or her due. Justice and fairness are closely related terms that are often today used interchangeably. There have, however, also been more distinct understandings of the two terms. While justice usually has been used with reference to a standard of rightness, fairness often has been used with regard to an ability to judge without reference to one's feelings or interests; fairness has also been used to refer to the ability to make judgments that are not overly general but that are concrete and specific to a particular case. In any case, a notion of being treated as one deserves is crucial to both justice and fairness.

When people differ over what they believe should be given, or when decisions have to be made about how benefits and burdens should be distributed among a group of people, questions of justice or fairness inevitably arise. In fact, most ethicists today hold the view that there would be no point of talking about justice or fairness if it were not for the conflicts of interest that are created when goods and services are scarce and people differ over who should get what. When such conflicts arise in our society, we need principles of justice that we can all accept as reasonable and fair standards for determining what people deserve.

Source: <https://www.scu.edu/ethics/ethics-resources/ethical-decision-making/justice-and-fairness/>

## **Opened vs Closed**

Karl Popper constructed a theoretical framework based on the dichotomy between the open society and the closed society. In an open society people subject their values, beliefs, institutions and traditions to critical scrutiny and this can result in social tension and social change. A society marked by rigid class hierarchy, conformity to the customs of the tribe, and uncritical deference to authority and tradition—a “closed society.” The structured and organic character of closed societies helps to satisfy a deep human need for regularity and a shared common life. In contrast, the individualism, freedom and personal responsibility that open societies *necessarily* engender leave many feeling isolated and anxious, but this anxiety, Popper said, must be born if we are to enjoy the greater benefits of living in an open society: freedom, social progress, growing knowledge, and enhanced cooperation. “It is the price we have to pay for being human” (*Open Society Vol. 1*).

Source: <https://iep.utm.edu/popp-pol/#SH1a>

## **Stability vs Change**

There should be no need to belabor the fact of change in these days of world ferment, or the importance of understanding the mechanisms of cultural change. Whether we hope to control the

future course of development, or only to anticipate it so that we can be prepared to adjust to it, an understanding of the manner in which change takes place is required. The consequences may be less serious in music than in the field of politics, but change is no less apparent, with mass media affecting what had long been remote and isolated parts of the world. It is my belief that we would better understand change in political beliefs if we knew more about the way in which music, the dance, or any other forms of traditional behavior develop, and of how they are modified by the outside influences with which they are brought into contact.

Two different views of social change. One emphasizes the continuity of actors in fields and posits piecemeal social change. The other views change as more revolutionary resulting in entirely new and novel fields (sometimes in what can be described as a punctuated equilibrium model of change where external events occur and completely transform the field. Once an order is institutionalized, participants have a commitment to maintaining that order and work to stabilize it. The concept of social change seems incompatible. One of the most important sources of change is when other groups or organizations may decide to try and occupy the same social space

Source:

<https://www.jstor.org/stable/pdf/834847.pdf?refreqid=excelsior%3A04e38503a4985db8d4fff5a41b0c7f6f>

<https://sociology.berkeley.edu/sites/default/files/faculty/fligstein/Stability%20and%20Change.pdf>

DOI: 10.1177/2158244014525412

### **Transformation vs Restoration**

Reflective of the evolving nature of the USA and how the parties are positioning themselves against those dynamics. The two main parties now represent a Coalition of Transformation and a Coalition of Restoration. Democrats' long-term trajectory focuses on the powerful cultural and demographic currents transforming the American landscape. Republicans, as a Coalition of Restoration, is becoming overwhelmingly dependent on the votes of older non-urban, non-college educated whites unsettled by those changes.

Source: <https://www.theatlantic.com/politics/archive/2012/11/the-coalition-of-transformation-vs-the-coalition-of-restoration/265512/>

### **Equity vs Efficiency**

An equity-efficiency tradeoff results when maximizing the productive efficiency of a market leads to a reduction in its equity—as in how equitably its wealth is distributed. The debate around the tradeoff often focuses on addressing growing economic inequality within a country or region where the economy and GDP are growing. The concern for some is that the least affluent members of society receive a disproportionately small share of the increasing wealth. Academic discussion of equity-efficiency revolves in part around whether equity and efficiency are always inversely related or whether they can both rise at once. Use value vs. exchange value

Source: <https://www.investopedia.com/terms/e/equityefficiencytradeoff.asp>

## Use value vs Exchange Value

A commodity has a use. This is its use-value. It tells us how a commodity satisfies a social need. There is a finite limit to the amount of labor that can be devoted to the production of use-values. Society must apportion this labor between the production of different use-values in some way. In different societies this labor is apportioned by different methods. In a market society it is the buying and selling of the products of labor in the marketplace that serves the purpose of allocating labor between the production of use-value. This creates a second type of value, unique to market societies: exchange-value.

Exchange value is the ratio in which one good exchanges for another. Perhaps one book exchanges for a loaf of bread.... In a developed market society one commodity eventually emerges as the primary commodity in which all other commodities express their exchange value. This is what money is. By comparing the ratio of commodities to money the exchange value is measured.

These two sides of the commodity, its use-value and exchange value, form two opposing, contradictory poles. Much of the social antagonisms of capitalism are rooted in this tension between use-value and exchange value.

Source: <https://libcom.org/library/use-value-exchange-value-value>

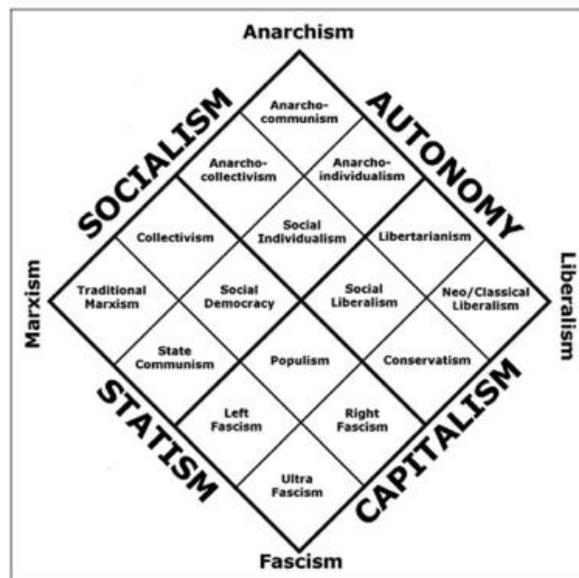
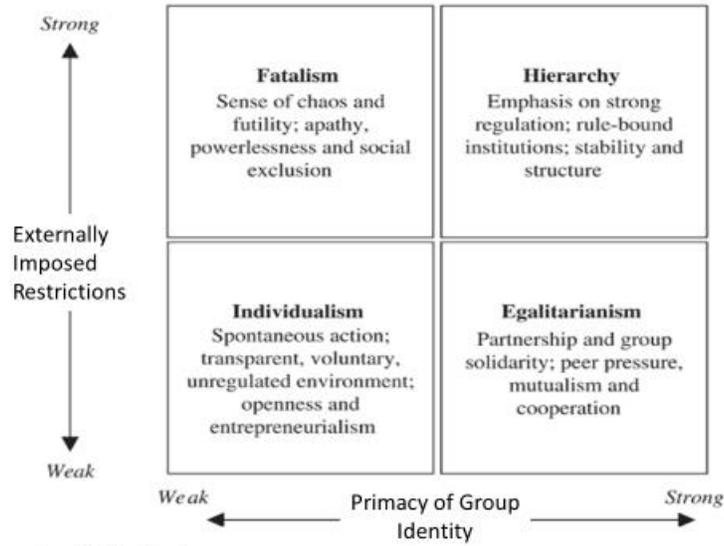


Figure 1. The political economic matrix

Source: Adapted from 'The Anarchist Economical-Political Map' ([http://www.anarchy.no/a\\_e\\_p\\_m.html](http://www.anarchy.no/a_e_p_m.html))

## A Framework for World Views



Source: Adapted from Cultural Theory