

RECENT DEVELOPMENTS IN POLITICAL ECONOMY

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Abstract

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.(investopedia.com). Political Economy is a growing subject. Its applicability is increasing as a multidisciplinary and interdisciplinary study area. Political Economy mainly highlights the following three aspects. i) It analyzes how political forces affect the economy, ii) It assesses how the economy affects politics, iii) It uses the tools of economics to study politics.(IMF) In the era of globalization there is significant rise on interconnectedness and interdependencies of nations not only economic interms but also cultural, demographical and sociological. Role of international trade is vital in economic development of the countries. Therefore, a study of Political Economy is gaining importance in other social sciences branches. On this background present paper focuses on recent development in Political Economy.

Introduction

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.(investopedia.com)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), and communism (the theory where all property is publicly-owned and everyone works based on their own needs and strengths).(investopedia.com) In the era of globalization there is significant rise on interconnectedness and interdependencies of nations not only economic interms but also cultural, demographical and sociological. Role of international trade is vital in economic development of the countries. Therefore, a study of Political Economy is gaining importance in other social sciences branches. On this background present paper focuses on recent development in Political Economy.

Objectives

- 1.To study nature and features of Political Economy
- 2.To study recent developments in Political Economy

Methodology

This paper primarily is based on a literature review. The paper highlights major developments in the field of Political economy. Previous research work is reviewed to capture latest developments in Political Economy.

Political Economy

Political Economy is a growing subject. Its applicability is increasing as a multidisciplinary and interdisciplinary study area. Political Economy mainly highlights the following three aspects.

It analyzes how political forces affect the economy. Voters and interest groups have a powerful impact on virtually every possible economic policy. Political economists strive to identify the relevant groups and their interests, and how political institutions affect their impact on policy (IMF.org).

It assesses how the economy affects politics. Macroeconomic trends can boost or ruin an incumbent's chances. At the more microeconomic level, features of the economic organization or activities of particular firms or industries can have an impact on the nature and direction of their political activity (IMF.org).

It uses the tools of economics to study politics. Politicians can be thought of as analogous to firms, with voters as consumers, or governments as monopoly providers of goods and services to constituent customers. Scholars model political-economic interactions in order to develop a more theoretically rigorous understanding of the underlying features driving politics (IMF.org), .

All three methods have profoundly affected both scholars and policymakers. And political economy has a lot to offer both to analysts of how societies work and to those who would like to change society (IMF.org). In this way Political economy not only studies the interrelations of various political variables with economic and developmental variables but also it helps in assessing the extent of effects of these political variables. And, most significantly it helps in providing aids in solving problems and issues arising due to above effects.

Global Trends

Top five trends in the global economy as revealed by the Global Competitiveness Index 4.0 in 2019 prepared by World Economic Forum are key trends (weforum.org).

- 1.The last 10 years saw global leaders take rapid action to mitigate the worst of the financial crisis, but this alone has not been enough to boost productivity growth.
- 2.With monetary policy running out of steam, policymakers must revisit and expand their toolkit to include a range of fiscal policy tools, reforms and public incentives.
- 3.ICT adoption and promoting technology integration is important but policymakers must in parallel invest in developing skills if they want to provide opportunity for all in the era of the Fourth Industrial Revolution.
- 4.Competitiveness is still key for improving living standards, but policymakers must look at the speed, direction and quality of growth together at the dawn of the 2020s.
- 5.It is possible for an economy to be growing, inclusive and environmentally sustainable – but more visionary leadership is needed to place all economies on such a win-win-win trajectory.

Political Economy of Public Policies

Providing policy options is the main aim of Political Economy. The agricultural and food sector is an ideal case for investigating the political economy of public policies. Many of the policy developments in this sector since the 1950s have been sudden and transformational, while others have been gradual but persistent.(Anderson, Rausser&Swinnen, 2013). Therefore, it said that Political Economy is applied branch of study. It helped a lot in solving majors problems of the world today by helping countries devising suitable public policy.

The Political Economy of Deep Integration

Modern trade agreements no longer emphasize basic trade liberalization but instead focus on international policy coordination in a much broader sense. This integration is viewed from three perspectives. First, the political conflict surrounding trade agreements is moving beyond the classic antagonism of exporter interests who gain from trade and import-competing interests who lose from trade. Second, there is a more intense popular backlash against deep integration agreements than there was against shallow integration agreements. Finally, the welfare economics of trade agreements has become more complex, in the sense that the goal of achieving freer trade is no longer sufficient as a guide to evaluating the efficiency of international agreements (Maggi & Ossa 2021). It is observed that in the era of globalization there is rise in deep integration of trade and agreements.

Conceptualizing the Gig Economy

The advent of online platforms has been considered to be one of the most significant economic changes of the last decade, with their emergence reflecting a longer trend of increasing contingent work, labor market flexibility, and outsourcing work to

independent contractors. Gig economy has four dimensions, namely, online intermediation, independent contractors, paid tasks, and personal services. The four dimensions also span four key regulatory questions: How should online platforms be classified and regulated; how should gig workers be classified and regulated; what should count as paid and unpaid work; and should we treat earnings from performing gigs differently than earnings from sharing assets? (Koutsimpogiorgos, Slageren,, Herrmann & Frenken, 2020). 21st century is a century of information and communication technology. Therefore, quantum of online activities is rising. Multinational online apps and cloud based internet platforms are increasing. This necessitates a need of study of gig economy and its relevance in public policies like taxation, income and employment.

The Political Economy of Taxation

There is a relationship between taxation and spending. However it is found that there is an increase in deficit spending. There are attempts by both sub-state and supra-state political units to get more control of taxation relative to national states. (Kiser & Karceski). In the era of globalization and liberalization taxation and its policy has significant influence in Political economy. A balanced approach towards taxation and liberalization need to be adopted.

Political Economy of Higher Education

Education is one of the major linchpins of economic, social and political development of any nation. Recent evidence suggests that higher education can produce both public and private benefits. Thus, the role of the state in making education policy, and funding education is indeed critical, and cannot be left to be determined by market forces alone. Nevertheless, the trend of inadequate government funding for universities, loss of autonomy, infrastructural decay, falling academic standards, politicization and privatization of education, etc. appear to be a worldwide phenomenon and not just restricted to the developing world. (Shrivastava & Shrivastava, 2014)

There is a shift in the roles of higher education and research related to the reorientation of developed regions from export-oriented, investment-led growth to knowledge-intensive, investment-led growth, supplemented in some cases by efforts to create international financial hubs to exploit a global trend towards financialisation. (Jessop, 2016). Higher education and technological advancements are keys to development in the era of globalization and fast changing world.

The Political Economy of City Diplomacy

City diplomacy is a major trend in the soft power development. As cities face daily political issues deriving from globalisation (such as mass tourism, migration, climate change, and commodification of culture), they demand for, rather than contesting with a nationstate, an operational reinterpretation of sovereignty oriented to solve problems. Political economy approach is a useful method to understand the role of global cities where the nation state has many deficiencies. The global city establishes rules to influence international legal development and practice, even without a traditional legal basis (such as sovereignty, monopoly on violence, and legal exclusivity). As these 'superstar cities' grow, other cities are losing opportunities to develop and take advantage of globalisation. The risk of inter-urban inequality feeds populism. Cities will become the middle power in global political organisations in the future, and political economy will shed light on how power and values operate at the urban level. (Manfredi-Sánchez, 2021). Issues of urbanization has to be addressed not only from national but also from global context.

Conclusion

In the era of globalization there is significant rise on interconnectedness and interdependencies of nations not only economic interms but also cultural, demographical and sociological. Role of international trade is vital in economic development of the

countries. Therefore, a study of Political Economy is gaining importance in other social sciences branches. Recently, Political Economy has attracted attention of the scholars from all branches to study not only economic but also strategic, diplomatic, societal and geo-political perspectives.

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