

This article was downloaded by:[University of New England]  
On: 30 May 2008  
Access Details: [subscription number 789506931]  
Publisher: Routledge  
Informa Ltd Registered in England and Wales Registered Number: 1072954  
Registered office: Mortimer House, 37-41 Mortimer Street, London W1T 3JH, UK



## Australian Journal of Political Science

Publication details, including instructions for authors and subscription information:  
<http://www.informaworld.com/smpp/title~content=t713404457>

### Political Economy Today and Tomorrow: The Contribution of **The Oxford Handbook of Political Economy**

Christopher Lloyd <sup>a</sup>  
<sup>a</sup> University of New England,

Online Publication Date: 01 June 2008

To cite this Article: Lloyd, Christopher (2008) 'Political Economy Today and Tomorrow: The Contribution of **The Oxford Handbook of Political Economy**', Australian Journal of Political Science, 43:2, 341 — 345

To link to this article: DOI: 10.1080/10361140802051009  
URL: <http://dx.doi.org/10.1080/10361140802051009>

PLEASE SCROLL DOWN FOR ARTICLE

Full terms and conditions of use: <http://www.informaworld.com/terms-and-conditions-of-access.pdf>

This article maybe used for research, teaching and private study purposes. Any substantial or systematic reproduction, re-distribution, re-selling, loan or sub-licensing, systematic supply or distribution in any form to anyone is expressly forbidden.

The publisher does not give any warranty express or implied or make any representation that the contents will be complete or accurate or up to date. The accuracy of any instructions, formulae and drug doses should be independently verified with primary sources. The publisher shall not be liable for any loss, actions, claims, proceedings, demand or costs or damages whatsoever or howsoever caused arising directly or indirectly in connection with or arising out of the use of this material.

*Review Essay*

**Political Economy Today and Tomorrow:  
The Contribution of *The Oxford Handbook  
of Political Economy***

CHRISTOPHER LLOYD

*University of New England*

Barry Weingast and Donald Wittman (eds), *The Oxford Handbook of Political Economy* (Oxford: Oxford University Press, 2006), xvii + 1093 pp., £85.00, ISBN 0199272220 (hbk)

What is political economy? This is a controversial question and debate continues, as shown by, and despite, the publication of a huge new volume, one of the 10-volume series of *Oxford Handbooks of Political Science*. This very valuable series has been a monumental production, under the general editorship of Robert Goodin, of the Australian National University's Research School of the Social Sciences. The extremely useful, although somewhat uneven, *Political Economy* volume, edited by Barry Weingast and Donald Wittman, has 59 chapters, more than 1000 pages, and aspires to provide a comprehensive coverage of the state (or 'the reach') of the discipline or sub-discipline. But right at the outset of reading this volume we can see how controversial is the question of defining the field – what it is that political economy studies and the methodologies that it brings to its research.

Many volumes purporting to be the political economy of a subject or to define the sub-field have appeared over recent decades, attesting to the contested nature of the field or sub-field. Any search of a good university catalogue, or even of Amazon's database, will reveal dozens or hundreds of titles beginning with *The Political Economy of...* or being a study of the usefulness of a political economy approach to some current economic or political issue. (For example, Staniland (1985) was one of the earliest in the current upsurge of interest and is still very valuable. See also Moss (2002).) There are approximately 10 journals in English alone with the words 'political economy' in their titles and many others that publish such articles from time to time. Weingast and Wittman say that, in their view, 'political economy is the methodology of economics applied to the analysis of political behavior and institutions' (p. 3), and on the next page they say:

[T]he unit of analysis is typically the individual. The individual is motivated to achieve goals (usually preference maximization but in evolutionary games, maximization of surviving offspring), the theory is based in mathematics (often game theoretic), and the empirics either use sophisticated statistical techniques or involve experiments where money is used as a motivating force in the experiment. (p. 4)

Many political economists would not agree with this. The statement is controversial for several reasons. First, it takes a rather restricted view of the broad area of what, ethnographically, we can discern as the actually existing field of political economy, as understood and articulated by its actual practitioners in the voluminous literature. Second, it adopts narrow definitions of methodology (essentially methodological individualism) and theory (rational choice); and third, in any case, the book does not actually restrict itself entirely to this understanding of the field in the topics covered and approaches used by all its contributors. Thus, it is clear that the viewpoint of the editors is not a good guide to what is actually going on in the broad field of political economy, both in terms of what is reflected in the actual contents of the volume and, wider still, what can be seen from observation and examination of the self-defined activities of the practitioners.

Before saying more about what can be discerned as the life of the field by observing its practitioners and discussing their differences, let us see the vast scope of this *Handbook*. It is divided into XIV sections with four or five chapters in each section. The sections deal mostly with the sorts of topics one would expect from the editors' overview – individualised decision making and choices in advanced democracies, whether collectively or individually expressed and whether as voters or candidates or legislators. But a few chapters are at odds with this 'standard' approach, insofar as that standard approach studies institutions as the collective outcomes of individual, supposedly rational, choices or as the rules and norms that exist through the choices of individuals. These different chapters (and each different in differing ways) – such as Chapter 39 by Bates on state and development, Chapter 41 by Venables on economic geography, Chapter 46 by Bueno de Mesquita on international conflict, Chapter 52 by Swedberg on economic sociology, Chapter 53 by Bowles and Gintis on sociobiology, and even, surprisingly, Chapter 57 by North on what is missing from political economy (cf. the critique of North in Milonakis and Fine (2007)) – all point ways towards a more comprehensive or significantly different approach to political economy by emphasising in different ways the roles of irreducible political power and irreducible institutional and/or geographic systems that have powers that cannot be examined via methodological individualism. They seem to be saying, not in so many words perhaps, that an approach that centres on a methodological structuralist approach is necessary. That is, the dialectic of power between agents and structures is what is at the heart of socioeconomic–political systems.

So, we should ask, despite the great breadth of topics covered and the technical virtuosity of many of the authors, how representative is this book of the field? Given that there are these heterodox elements in the book, we can say that the contents go some way towards revealing the range of the field, but much more could have been done to provide a balanced survey. We can see this by approaching the field historically.

Political Economy in the broad sense is older than Economics as it exists today in its orthodox, mainstream manifestation. Political Economy has certainly evolved since the 18th century but there is no doubt that, today, Economics in its orthodox or mainstream form and Political Economy are not the same, whereas they were in the 18th century. The advent of post-Smithian Classical Economics in the early 19th century and the various conceptual and philosophical ‘revolutions’ within Economics in the mid-to-late 19th century all served to separate Economics (with a capital E) methodologically and conceptually from Political Economy. The latter, a largely inductive, historical and sociopolitically-oriented field that examined social structures and institutions as much as individual and collective actions, became somewhat ‘ghettoised’ by the hegemony and power of orthodox abstract and deductive (i.e. scientific and positivist) Economics from the late 19th century until undergoing a powerful revival from the 1960s and 1970s. Just what was the impetus and essence of the revival and how has Political Economy become distinctive and so healthy again? We can approach this issue first via the Weingast and Wittman volume, both in terms of their stated overview and the actual contents. As their introductory chapter, ‘The Reach of Political Economy’, reveals, their position is precisely the one that many political economists have supported and many others have reacted against. Their position is a strong defence of the power of orthodox economics to explain politics and the place of political decision making in economic policy. The critics essentially reject this approach in favour of the retention of concepts of the structural power of institutions and the irreducible role of unequal access to political power by groups and key actors in the life of nations, societies and economies. This (perhaps too starkly drawn) division, then, is over the problem of power and its distribution and retention.

Explicating this further, I think we can see from the overall contents and arguments of many of the authors of the *Handbook*, including the heterodox ones, and other works in the sub-field, that the fundamental philosophical/methodological issues concern, firstly, the relative autonomy from each other of the domains of politics, government, and economy, and, secondly, the appropriate methodological approach. Cutting across these issues of domains and methodologies is the structural issue of social reality: in what manner and through what sort of phenomena do structures (i.e. social, political, economic) exist and what are their powers and propensities, if any?

Neo-classical political economy, of the sort advanced by Weingast and Wittman, argues essentially (and sometimes only implicitly) that the ontological assumptions, methodology, and theory of orthodox economics can subsume the other domains of social science in the sense that the decisions, processes and performances of actors anywhere and everywhere can be examined and explained using the principles of orthodox economics because the motivations of actors are the same everywhere – individualist maximisation. Those principles can be summarised as methodological individualism, rational choice theory of behaviour, and econometric calculation of the correlations between statistical series of quantified economic and political actions.

‘Traditional’ or socio-relational institutionalist political economy that derives from developments in the 19th century argues essentially that political and other sorts of institutions and the behaviour that they embody have to be explained by

use of concepts and theories about *real* institutional structures and political behaviour that are different from economic decision making and behaviour. The main issue for political analysis is power – the origins, composition and distribution of power among individual and group actors; power to effect structural change in society via the processes of decision making at the level of political organisations and the state. Structural changes include those of the economic system. This approach argues that economies are directly affected by political power struggles and political decision making, and so economic structures and changes have to be explained by reference, at least in part, to the institutional organisation of pre-existing social relations and decisions into hierarchies of power. For these institutionalists, the organisational structure of social relations sets the limits and possibilities of choices and agency.

Radical political economy tends to reverse the relationships between politics, governance and economics from that of neo-classical economics in the sense that economic systems and processes are viewed as politically constructed and governed by power, which is unevenly distributed. Class and group structural locations and the loyalty of individuals to their fundamental group interests strongly affects their decision making and actions. Moreover, the competitive equilibrium model of the neo-classical capitalist economy bears little relationship to the real world of socially and politically structured exchange that is always institutionally contextualised and contested (cf Bowles and Gintis 1993).

If we take other examples of volumes that set out to delineate and illustrate the scope of political economy, we see quite different approaches to that of the *Handbook*. One good example is the volume on *Political Economy of Modern Capitalism*, edited by Crouch and Streeck (1997), which represents a kind of reaction against individualist orthodox economics in favour of studying the institutional (in a broad sense) differences between forms of national capitalist economies. They said their collection of studies was an example of ‘New Institutionalism’ and was inspired by work in sociology and political science as much as in economics. (Of course, there have been several ‘New Institutionalisms’ in recent decades, so that claim comes with something of a discount.) Since that time there has been a veritable welter of work in the ‘Varieties of Capitalism’ mode, all of which purports to be studying and theorising the complex differences in the institutional forms of modern economies as politically influenced and historically moulded structures. (Examples include Whitley (1999), Hall and Soskice (2000), and Coates (2000).) All of this work rejects the nostrum that the tools of orthodox economics are adequate to analyse the workings of modern political economies.

Thus, I think we can see that the impetuses to the revival of political economy as a broad field were: (i) On the one hand, great confidence in the power of orthodox economic reasoning to explain areas of human life other than the economic, strictly speaking, or, to put it another way, a desire to use those seemingly very powerful tools to bring all social life into the domain of economics; (ii) on the other hand, disenchantment with the limitations of orthodox economics to explain both economies themselves, as well as politics and societies; (iii) a revival of political theory and philosophy generally; (iv) reinvigoration of older traditions of institutionalist and Marxist economics and politics; and (v) development of new forms of systems and evolutionary theory

in the social sciences, such as the New Evolutionary Economics à la the work of Ulrich Witt (2003) and many others; the French Regulation School (e.g. Boyer and Saillard (2002)) and the Canberra Regnet School, as epitomised by John Braithwaite's work on the connections between regulation, governance and the history of capitalism (Braithwaite 2005; 2007). And adding to these most recently has been the very significant work in human sociobiological aspects of behavioural and social structural foundations of social systems, such as summarised in the chapter by Bowles and Gintis in the *Handbook* (see also Gintis et al. 2005; Henrich et al. 2004). All of these reinvigorated and innovative streams of thought are playing roles in the broad field of political economy today, so that we can sum up the present field as containing a very vigorous, but not always engaged, debate about how to build a more comprehensive and unified social science (see extended discussion in Lloyd 2008). The rational choice prescription no longer dominates this broad interdisciplinary field, as seemed to be inexorably happening a decade or two ago. Now we see much work in what the editors of another of the volumes in this series, *Contextual Political Analysis* (Goodin and Tilly 2006), have described as 'contextualisation', by which they mean that the study of politics, especially political history (and politics is always historical, a dimension that is often missing from the Weingast and Wittman volume) in the broad sense of collective actions aimed at influencing governmental regimens, have always to be analysed within their *pre-existing* institutional, cultural and social, as well as economic, contexts.

## References

- Bowles, S. and H. Gintis. 1993. 'The Revenge of *Homo Economicus*: Contested Exchange and the Revival of Political Economy.' *Journal of Economic Perspectives* 7: 83–102.
- Boyer, R. and Y. Saillard. 2002. *Regulation Theory: The State of the Art*. London: Routledge.
- Braithwaite, J. 2005. *Neoliberalism or Regulatory Capitalism*. Regulatory Institutions Network Occasional Paper 5. Canberra: Research School of Social Sciences, The Australian National University.
- Braithwaite, J. 2007. 'Can Regulation and Governance Make a Difference?' *Regulation and Governance* 1: 1–7.
- Coates, D. 2000. *Models of Capitalism*. Cambridge: Polity Press.
- Crouch, C. and W. Streeck, eds. 1997. *Political Economy of Modern Capitalism*. London: Sage Publications.
- Gintis, H., S. Bowles, R. Boyd and E. Fehr, eds. 2005. *Moral Sentiments and Material Interests: The Foundations of Cooperation in Economic Life*. Cambridge, MA: MIT Press.
- Goodin, R. E. and C. Tilly, eds. 2006. *The Oxford Handbook of Contextual Political Analysis*. Oxford: Oxford University Press.
- Hall, P. and D. Soskice, eds. 2000. *Varieties of Capitalism*. Oxford: Oxford University Press.
- Henrich, J., R. Boyd, S. Bowles and C. Camerer, eds. 2004. *Foundations of Human Sociality: Economic Experiments and Ethnographic Evidence from Fifteen Small-scale Societies*. New York: Oxford University Press.
- Lloyd, C. 2008. 'Towards Unification: Beyond the Antinomies of Knowledge in Historical Social Science.' *History and Theory* 47.
- Moss, L. S. 2002. *The New Political Economies: A Collection of Essays from Around the World*. Malden, MA: Blackwell Publishers (originally published as *American Journal of Economics and Sociology* 2002; 61(1)).
- Milonakis, D. and B. Fine. 2007. 'Douglass North's Remaking of Economic History: A Critical Appraisal.' *Review of Radical Political Economics* 39: 27–57.
- Staniland, M. 1985. *What is Political Economy? A Study of Social Theory and Underdevelopment*. New Haven, CT: Yale University Press.
- Whitley, R. 1999. *Divergent Capitalisms*. Oxford: Oxford University Press.
- Witt, U. 2003. *The Evolving Economy – Essays on the Evolutionary Approach to Economics*. Aldershot, UK: Edward Elgar.