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Introduction

Political economy, in a nutshell, is the study of the intertwined relationship between politics and economics. It delves into how political systems and institutions shape economic systems, and vice versa. It focuses on production and distribution as to how are goods and services produced and distributed within an economy. What role do institutions like property rights and markets play in this process? It also deals with economic growth and development over time and focuses on what factors contribute to economic prosperity, and what are the challenges to achieving it. Political economy studies the international trade system and addresses on How do countries interact economically with each other. What are the benefits and challenges of globalization? It also buckles down to the role of the state and government in its economic system.

Political economy is a fascinating field that sits at the crossroads of politics and economics. It encourages asking "why" and "for whom" questions. Instead of passively accepting economic institutions and policies, it invites critical analysis of their origins, justifications, and consequences, especially for marginalized groups. Unlike traditional economics, political economy doesn't operate in a vacuum. It draws insights from a range of disciplines like political science,sociology, history, anthropology, and even philosophy. For example, how do governments intervene in the economy through regulations, taxes, and

spending? How do these interventions impact different groups and societal well

being? While markets play a significant role, political economy acknowledges their limitations and explores alternative economic systems and models, including socialist, feminist, and ecological perspectives. Therefore, the paper highlights the major interweaves of certain critical questions as mentioned above through the lens of political economy.

Further, the lectures unfolds the power dynamics of institutions as well as individuals wield power to shape economic structures and outcomes.

Chapter One: The concept of political economy and its historical development

Section One: The nature of political economy[1]

The first requirement: defining political economy and its emergence as an independent science.

Political economy is a dynamic and evolving discipline. It began during the Enlightenment in the eighteenth century with the work of classical economists including Adam Smith, David Ricardo, and Thomas Malthus. Much of their ideas, such as the notion that the market is governed by an invisible hand, are likely to sound familiar. According to these tenets of liberal economic thought, the government ought to take a laissez-faire approach by intervening as little as possible. This way, the laws of the market – such as the balance of supply and demand – can help return fluctuations in the economy back to equilibrium. 1

Political economy is a social science that focuses on the relationship between politics and the economy. It examines how politics and the economy influence each other. 2

Political scientists study how economic theories like capitalism, socialism, and communism work in the real world.

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1 Lily Cichanowicz , **What is Political Economy** ?, rerieved from : https://www.perlego.com/knowledge/study-guides/political-economy, on 12/04/2026 at 10.00.

2 Will Kenton,Reviewed by Michael J Boyle , **Understanding Political Economy: History and Real-World Impacts,** rerieved from : https://www.investopedia.com/terms/p/political-economy.asp, on 12/04/2026 at 11.00.

These ideas can be studied theoretically and as they are used in the real world. Public policy created and implemented derives from these economic theories. Political economists study the underlying roots of these policies and their results.[2]1

Alberto Alesina defined political economy in two ways. Historically, political economy was defined as a study of the relationship between political elections, political incentives and economic policy. Political economists typically addressed such questions as how the economy affects elections or how lobbies obtain various benefits from politicians. Today, politi cal economy has become a much wider field that touches upon the relation between economics and many other fields, from sociology, to anthropology, to psychology and, of course, to politics. For example, political economists may wonder how certain cultural traits affect economic behavior, how religion influences economic behavior or how conflicts are related to economics. Now, there is still a core of the field that focuses specifically on politics and economics, but I would define political economy as the area in which economics is linked to other social sciences more generally.2

He run the program of political economy at the National office of Economic Research (NBER), and that is the way we do things. Hence

1 Will Kenton,Reviewed by Michael J Boyle , Understanding Political Economy: History and Real-World Impacts, rerieved from : https://www.investopedia.com/terms/p/political-economy.asp, on 12/04/2026 at 11.00.

2 Alberto AlesinA, Introduction: What is political economy?,retrieved from : https://shs.cairn.info/journal-regards-croises-sur-l-economie-2016-1-page-10?lang=en,on 13/04/2026at20.00.

political economy is not very much different from political science? Indeed. He think that there are political scien tists who work in political science with the same method ology as economists', such as models and econometrics. In that respect, there is not much difference. Their focus may be 80 % politics and 20 % economics but if you read two papers, one written by a political scientist and one written by an economist, there will not be much difference.[3]1

However, it remains that a vast majority of political scientists do not use these quantitative methods, and rather qualitative case stud ies. For this subset of political scientists, the difference would thus be mainly methodological.

The second requirement: History and development of political economy

The roots of political economy as we know it today go back to the 18th century. Scholars during the period studied how wealth was distributed and administered between people.2 Some of the earlier works that examined this phenomenon include those by Adam Smith and John Stuart Mill.3

Robert Heilbroner's "Political Economy" isn't a single, unified theory; it's more like a guided tour through the history and major thinkers of economic thought. The book offers various sub-topics and figures such as Classical Economists viz; Adam Smith, David

1 Alberto AlesinA, Introduction: **What is political economy**?,retrieved from : https://shs.cairn.info/journal-regards-croises-sur-l-economie-2016-1-page-10?lang=en,on 13/04/2026at20.00.
2Adam Smith Institute. "**The Wealth of Nations**."
3 Nicholas Capaldi. "**John Stuart Mill: A Biography**." Cambridge University Press, 2004.

Ricardo, Thomas Malthus, and so on. The book also carries the analysis of class conflict and capitalist contradictions by Marx and Marxism. It also offers modern Challenges like Inequality, environmental degradation, and globalization along with Keynesian Economics (John Maynard Keynes) and the role of government intervention.[4]1

However, certain key themes and arguments run throughout the book:

a. Intertwined History and Economics: Heilbroner emphasizes that economic systems are not isolated phenomena but products of specific historical contexts and evolving social arrangements. He explores how historical events and ideas shaped major economic models, from mercantilism to capitalism and socialism.

b. Capitalism's Power and Fragility: Heilbroner acknowledges the dynamism and wealth-generating potential of capitalism, but he also critically examines its inherent contradictions and potential pitfalls. He highlights issues like income inequality, market instability, and ecological damage, arguing that capitalism requires constant adjustments and reforms to be sustainable.2

c. Beyond the Market Model: While acknowledging the dominant role of markets in modern economies, Heilbroner critiques their

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1 Manisha Sharma, **UNDERSTANDING POLITICAL ECONOMY: A JOURNEY BETWEEN POWER AND PRODUCTION** ; International Journal of Research in Economics and Social Sciences(IJRESS) Available online at: http://euroasiapub.org Vol. 14 Issue 02, Feb- 2024 ISSN: 2249-7382 | Impact Factor: 8.018| ; pp34-35,.retrieved from : https://www.researchgate.net/publication/378038022.
2 Ibid.

limitations and explores alternative economic models. He examines socialist and other planned economy systems, arguing that they offer valuable lessons for addressing problems like inequality and resource allocation. [5]1

d. Importance of Power Dynamics: Heilbroner emphasizes the role of power dynamics in shaping economic structures and outcomes. He argues that understanding who holds power in an economic system – corporations, governments, individuals – is crucial for understanding how production, distribution, and decision-making occur.

e. Need for Critical Thinking: Throughout the book, Heilbroner encourages readers to think critically about economic theories and policies. He challenges them to go beyond simplistic explanations and consider the hidden assumptions, values, and power structures that underlie different economic systems.

2. In "Why Nations Fail: The Origins of Power, Prosperity, and Poverty," Daron Acemoglu and James Robinson argue that the key to a nation's success or failure lies not in geographical luck, cultural differences, or even natural resources, but in its political and economic institutions. "Why Nations Fail" is a complex and nuanced book that has generated significant debate and discussion.2

1 Manisha Sharma, **UNDERSTANDING POLITICAL ECONOMY: A JOURNEY BETWEEN POWER AND PRODUCTION** ; International Journal of Research in Economics and Social Sciences(IJRESS) Available online at: http://euroasiapub.org Vol. 14 Issue 02, Feb- 2024 ISSN: 2249-7382 | Impact Factor: 8.018| ; pp34-35,.retrieved from : https://www.researchgate.net/publication/378038022.

But its central message - that institutions matter for economic development - remains a powerful and important insight for understanding the vast disparities in wealth and prosperity between nations.The book focuses on two types of institutions:

a. Inclusive institutions: These promote broad political participation, economic opportunity, and secure property rights. They encourage innovation, investment, and long-term growth, leading to prosperity for all. Examples include democracies with strong rule of law and competitive markets. [6]

b. Extractive institutions: These concentrate power in the hands of a select few, who exploit the rest of the population for their gain. They stifle innovation, hinder economic development, and create widespread poverty. Examples include dictatorships, feudal systems, and crony capitalism.

3. In Naomi Klein's "This Changes Everything: Capitalism vs. the Climate," she argues that climate change cannot be effectively addressed within the current framework of neoliberal capitalism. She contends that the system's inherent focus on prodigious consumption, deregulation, and corporate profit is fundamentally incompatible with the drastic reductions in carbon emissions needed to avert environmental catastrophe.

1 Ibid,p37.

Her book explores multiple facets of this complex issue:

- The scientific reality of climate change: Klein lays out the irrefutable evidence of human caused global warming, emphasizing the potentially catastrophic consequences if left unchecked.[7]

- The failure of market-based solutions: She critiques the idea that carbon trading and technological advancements alone can solve the climate crisis. She argues that these approaches often prioritize profit over environmental protection and can even exacerbate existing inequalities.

- The role of fossil fuel corporations: Klein exposes the immense political and economic power wielded by the fossil fuel industry, highlighting their efforts to obfuscate scientific evidence and hinder meaningful climate action.

- The rise of the "Blockadia" movement: She showcases grassroots movements around the world resisting resource extraction projects and advocating for systemic change. These groups, often led by indigenous communities and marginalized populations, are at the forefront of the fight for climate justice.

1 Ibid,p38.

- The need for a paradigm shift: Klein calls for a radical transformation of our economic and political systems, prioritizing ecological sustainability and social justice. She envisions a future powered by renewable energy, with equitable distribution of resources and democratic control over decision-making. "This Changes Everything" is a thought-provoking and essential read for anyone concerned about the future of our planet. It is a powerful reminder that the time for action is now and that we all have a role to play in creating a more sustainable and just world. The author in this book beautifully articulates that climate change is not just an environmental issue, but a social and political one. It is deeply intertwined with issues of inequality, power dynamics,.) and corporate greed. [8]

Addressing climate change requires a systemic transformation, not just incremental changes. We need to move beyond the confines of neoliberalism and reimagine our relationship with the planet and each other.Hope exists in the collective action of ordinary people.

4. Summarizing "Capital: A Critique of Political Economy" by Karl Marx is no easy feat, as it's a complex and dense work divided into multiple volumes. "Capital" is a challenging read, requiring careful study and engagement with complex theoretical concepts. Numerous interpretations and critiques of Marx's work exist, offering diverse perspectives on its validity and applicability.

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1 Ibid,p38.

Studying "Capital" provides a valuable opportunity to engage critically with the workings of capitalism and consider alternative economic models. The core theme of the book is to understand the idea of exploitation under capitalism. Marx argues that capitalism is inherently exploitative. Workers (proletariat) sell their labor to capitalists (bourgeoisie) for a wage, but the value they create through their labor exceeds that wage. This surplus value is appropriated by the capitalists, generating profit and perpetuating inequality. In his book, Marx explores various aspects such as;[9]1

a. Commodities: Goods and services produced for exchange, including labor itself.

b. Labor-Theory of Value: The value of a commodity is determined by the socially necessary labor time required to produce it.

c. Surplus Value: The difference between the value workers create and the wages they receive.

d. Class Struggle: The inherent conflict of interests between the bourgeoisie and the proletariat.

1 Ibid,pp3-39.

The third requirement: The difference between political economy and traditional economy

Both traditional economics and political economy examine the distribution of resources, yet they do so through distinct perspectives. Political economy sees the economy as part of social and political power structures, while traditional economics often sees the market as a self-regulating system that can be studied on its own.[10]1

- **Economics in the Old Way (Neoclassical)**

It stresses balance, scarcity, and efficiency. It often uses math models to guess how people and businesses will make decisions that will give them the most utility or profit.2

The "Rational Actor" theory says that people are "rational actors" who make choices based on what's best for them in a free market.3

Neutrality: It usually sees economic "laws" as objective and universal, like the laws of physics, and it often downplays the role of government intervention.4

- **Political Economy**

1 Caporaso, J. A, Levine, D. P**,Theories of Political Economy**. Cambridge University Press,1992.
2 Marshall, A, Principles of Economics,1980.
3 Smith, A. **An Inquiry into the Nature and Causes of the Wealth of Nations**,1776.
4 Gilpin, R.**Global Political Economy**: Understanding the International Economic Order. Princeton University Press,2001.
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It puts a lot of emphasis on power, institutions, and distribution. It asks who benefits from economic policies and how money can give someone political power (and vice versa).1[11]

The "Social Actor" sees people as part of social classes or interest groups whose choices are limited by history, law, and social norms.

Interdisciplinary: It combines law, sociology, and political science to explain why some economic results happen, acknowledging that markets are "embedded" in political systems.

Section three : The major schools of thought in political economy

The first requirement: Adam Smith's ideas (the wealth of nations and the invisible hand). And contributions by David Ricardo and John Stuart Mill.

A- Adam Smith

Adam Smith often called the father of modern economics, published “The Wealth of Nations” in 1776 – the same year America declared independence. Smith argued that individual self-interest, when operating in competitive markets, would benefit society as a whole. He famously wrote about the “invisible hand” – the idea that market forces naturally guide economic activity toward optimal outcomes.

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1 Acemoglu, D., Robinson, J. A.,**Why Nations Fail: The Origins of Power**, Prosperity, and Poverty. Crown Business,2012

2 **The Evolution of Political Economy: From Classical to Contemporary Theories**
Last updated on:July 16, 2025,retrieved from : https://polsci.institute/comparative-politics/evolution-of-political-economy-theories, on 14/04/2026 at 11.00.

Consider a modern example: When onion prices rise during monsoon season in India, farmers are incentivized to grow more onions next season. This individual pursuit of profit helps ensure adequate onion supply, benefiting consumers. Smith believed this self-regulating mechanism made extensive government intervention unnecessary.

Smith's key contributions included:[12]

-Division of labor: Specialization increases productivity and wealth

-Free trade: Countries should focus on their comparative advantages

-Limited government: The state should provide defense, justice, and public works.

-Market efficiency: Competition leads to optimal resource allocation.1

B-David Ricardo

He built upon Smith's work, developing the theory of comparative advantage that still influences international trade policy today. Ricardo argued that even if one country can produce everything more efficiently than another, both countries benefit from specialization and trade.2

For instance, even if Japan can produce both cars and textiles more efficiently than Bangladesh, both countries gain if Japan specializes in cars and Bangladesh in textiles. This principle helps explain why

1 **The Evolution of Political Economy: From Classical to Contemporary Theories**
Last updated on:July 16, 2025,retrieved from : https://polsci.institute/comparative-politics/evolution-of-political-economy-theories, on 14/04/2026 at 12.00.
2 Ibid.

countries like India excel in IT services while importing manufactured goods – each nation focuses on what it does relatively best.

Ricardo also developed the labor theory of value, suggesting that a commodity's value depends on the labor required to produce it. This idea would later become central to Marx's critique of capitalism.

The three requirement: Marxist criticism of political economy and criticism of capitalist accumulation and class contradictions.[13]

Karl Marx fundamentally challenged classical political economy by introducing class struggle and exploitation as central concepts.

Writing in the mid-19th century, Marx witnessed the harsh conditions of industrial capitalism and developed a comprehensive critique that continues to influence political economy today.1

1- Historical materialism (base and superstructure) Marx considers productive relations to constitute the "economic structure of society", which is the true basis on which a "legal and political superstructure" is based. The most important results of this perspective are:2

Defining consciousness: It is not people's consciousness that determines their existence, but rather their social existence that determines their consciousness.

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1 Ibid.

2Marx, K, **A contribution to the critique of political economy** (S. W. Ryazanskaya, Trans.).1999, Progress Publishers. (Original work published 1859). Retrieved from http://www.marxists.org/archive/marx/works/1850/pol-econ/index.htm.

Revolutionary change: Change occurs when the material forces of production clash with existing relations of production (property relations), transforming them from forms of development into "restrictions" that lead to the beginning of the era of social revolution.

2- Commodity Analysis (Use Value and Exchange Value) Marx explains that wealth in bourgeois society appears as a "massive accumulation of goods". The commodity has two aspects:[14]1

Use value: It is related to the material and physical benefit of a thing, and is only achieved through consumption.

Exchange value: It appears as a quantitative ratio according to which different use values are exchanged, and it is a physical expression of a specific social relationship.

3- The theory of value and labor (abstract labor) Marx presented a fundamental concept in which he distinguished between types of labor:

Labor as the essence of value: The exchange value of goods is the product of "embodied human labor," and this value is measured by the "socially necessary labor time" to produce them.

Abstract labor: In order for value to be measured, different types of labor must be reduced to "simple, homogeneous labor", which Marx calls "abstract public labor".

1Marx, K.. **A contribution to the critique of political economy** (S. W. Ryazanskaya, Trans.).1999, Progress Publishers. (Original work published 1859). Retrieved from http://www.marxists.org/archive/marx/works/1850/pol-econ/index.htm

4- Critique of the "Ahistorical Style" of Traditional Economics [15]

Marx criticized bourgeois economists who treat social phenomena as eternal natural things:

Relationships between people: He explained that economics does not deal with things, but rather with "relations between people, and in the final analysis between classes".

Historicism of Patterns: He classified the patterns of production (Asian, ancient, feudal, and modern bourgeois) as eras representing progress in the economic development of society, considering the bourgeois pattern to be the "last contradictory form" of the social process of production.

5- The Priority of Production

Marx believes that production is the decisive and prescribed stage in the economic cycle: production determines distribution, exchange, and consumption, and together they constitute "parts of one whole, and different aspects of one unit", but production is always the starting point.1

1 Ibid.

Chapter Two: Economic systems and ideological conflict

Section One: The Capitalist System[16]

An economic system can be defined as a set of principles that regulate economic relations between members of society, govern their behavior in carrying out economic activity, and determine the legal and social framework within which goods and services are produced and distributed. Since the existence of man on Earth, he has been struggling to survive and rebuild it, using all its resources and components.1 To secure his needs for food, clothing, housing, and security, and to improve his living and economic situation, he worked to develop methods of production and exchange. He also improved the level of administrative performance, adopted economic policies, invented money, and created wealth in the world of communications and information.

The first requirement: The conceptual framework of capitalism

The capitalist system is considered the intellectual (theoretical) cradle for building an economic system that has witnessed many developments and forms. It is the theoretical basis for building the capitalist system by presenting the most important theories and ideas that laid the basic building blocks in its construction, with reference to the most important thinkers and founders of the capitalist system with its various types. The aim of this brief presentation remains to understand the intellectual essence of this system, which helps to understand the subject as a whole.

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1 Namiq Salah El-Dine, **Contemporary Economic Systems: A Comparative Study**, Dar Al-Nahda Al-Arabiya, Cairo, 1973, p. 37.

1-Capitalism is an economic system where private individuals or businesses own capital goods, and the free market controls the production of goods and services.[17]1

2- Capitalism is an economic system in which private individuals or businesses own capital goods. At the same time, business owners employ workers who receive only wages; labor doesn't own the means of production but instead uses them on behalf of the owners of capital.

The production of goods and services under capitalism is based on supply and demand in the general market, also known as the market economy. This is in contrast to a planned economy or a command economy, in which prices are set through central planning.

3-Capitalism, economic system, dominant in the Western world since the breakup of feudalism, in which most means of production are privately owned and production is guided and income distributed largely through the operation of markets.2

The second requirement: schoolarly literature3

In the scholarly literature, there are different answers to the question of when capitalism began. The diversity of voices results from using different concepts of capitalism as well as from the fact that unambiguous turning points rarely occur in social and economic

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1 Daniel Liberto , **What Is Capitalism? History**, Pros & Cons, vs. Socialism,retrieved from : https://www.investopedia.com/terms/c/capitalism.asp,on17/04/2026 at 13.30.
2Robert L. Heilbroner,Peter J. Boettke, **capitalism,** retrieved from : https://www.britannica.com/money/capitalism,on 17/04/2026at 18.00.
3Jürgen Kocka, **Capitalism: A Short History, chapter of Merchant Capitalism**, pp. 25-53, https://doi.org/10.2307/j.ctvc77kv8.5 retrived from :https://www.jstor.org/stable/j.ctvc77kv8?turn_away=true, on 15/04/2026 at 10.00.

reality. Early rudiments are easiest to find in long-distance trade. In Mesopotamia and the eastern Mediterranean, on the “Silk Road” and the great East-West trade route through the Indian Ocean, this trade was largely in the hands of independent merchants.[18]1

Until around 1500, capitalism appeared on the scene primarily as merchant capitalism, in which form its impact on economy and society was rather limited overall. In the following three centuries, however, a fundamental broadening of capitalism took place: it expanded spatially into the newly established world trading system, crossed new frontiers into the sphere of production, and became important for society as a whole, especially in the Netherlands and England. How it was evaluated by the public changed, mainly for the better. In this phase, which from a European perspective is regarded as the early modern era.

Just as unlikely as it was that the Age of Enlightenment’s optimism about progress could be sustained, equally slim were the chances that interpreting capitalism as the core of a civilizing mission might outlast that era. This buoyant interpretation sprang from the soil of preindustrial capitalism but did not survive the rise of industrial capitalism in the nineteenth century.

At the beginning of the twentieth century, intellectuals like Werner Sombart and Max Weber were indeed convinced of capitalism’s

1Jürgen Kocka, **Capitalism: A Short History, chapter of Merchant Capitalism**, pp54-94, https://doi.org/10.2307/j.ctvc77kv8.5 retrived from :https://www.jstor.org/stable/j.ctvc77kv8?turn_away=true, on 15/04/2026 at 10.00.
2 Ibid, pp 95-191.

superior economic rationality, but they did not see it as a driving force behind moral advancement and progress in civilization.

The concept of capitalism began as a term expressing difference. It only made sense to the extent that it distinguished what it was describing from observable or imaginable alternatives. Over and over again, the concept has been filled with life by contrasting it with something else, usually with some kind of socialism. Today, it is frequently unclear which tangible or imaginable alternatives capitalism could or should be distinguished from. Perhaps this results in some difficulties attending the concept, especially its sometimes almost all-embracing character.[19]

Section Two: The Socialist System

The socialist system is based on collective ownership of the means of production, and the state's control over the management, administration, and practice of economic activity through central planning.

The first requirement: The conceptual framework of socialism 1

Definitions of socialism vary depending on the number of jurists who have studied this topic. However, some definitions of socialism can be mentioned that provide an idea of what is meant by this term by most writers and thinkers. The jurist Morrison came and decided that the essence of socialism is that the energy and land of large industries should be publicly or collectively owned and managed

1 Khaled Saad Zaghloul Hilmy, op. cit., p. 106

according to an economic plan that aims to achieve the public good and not individual profit. In other words, the socialist system glorifies the state's ownership of the majority of the factors of production and wealth, and is managed according to a comprehensive national plan that aims to increase national income while taking into account the participation of the people in the production of wealth and its fair distribution among the members of society, or it is a system characterized by the state's ownership of money, especially production money such as land, machinery and factories.[20]1

Socialism is a system in which the public, rather than private individuals, owns or controls major industries and resources.2

Socialism represents a populist economic and political framework rooted in the collective ownership of production means—such as machinery, tools, and factories—to satisfy human needs.

Unlike capitalism, where business owners control production and remunerate workers, socialism promotes shared control and ownership among the working class, envisioning a more equitable society. By examining the historical evolution, theoretical underpinnings, practical challenges, and examples like the former Soviet Union, this article delves into the complex dynamics of socialism in contemporary and historical contexts.3

1 Khaled Saad Zaghloul Hilmy, op. cit., p. 106.
2 Will Kenton, Understanding Socialism: History, Theory, and Modern Examples,retrieved from : https://www.investopedia.com/terms/s/socialism.asp,on 16/04/2026 at 10.00.
3Ibid.

Furthermore, Socialism is a rich tradition of political thought and practice, the history of which contains a vast number of views and theories, often differing in many of their conceptual, empirical, and normative commitments.[21]

In his 1924 Dictionary of Socialism, Angelo Rappoport canvassed no fewer than forty definitions of socialism, telling his readers in the book's preface that "there are many mansions in the House of Socialism". To take even a relatively restricted subset of socialist thought, Leszek Kołakowski could fill over 1,300 pages in his magisterial survey of Main Currents of Marxism .1

An important point about this definition of socialism is that socialism is not equivalent to, and is arguably in conflict with, statism, involves expansion of social power—power based on the capacity to mobilize voluntary cooperation and collective action—as distinct from state power—power based on the control of rule-making and rule enforcing over a territory—as well of economic power—power based on the control of material resources. 2

If a state controls the economy but is not in turn democratically controlled by the individuals engaged in economic life, what we have is some form of statism, not socialism.

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1 Stanford Encyclopedia of Philosophy Archive,Fall 2020 Edition, retrieved from : https://plato.stanford.edu/archives/fall2020/entries/socialism/#Bib, on 14/04/2026 at 10.00.
2 White, Stuart,, "Basic Capital in the Egalitarian Toolkit?", Journal of Applied Philosophy, 2015, 32(4): 417–431. doi:10.1111/japp.12129.

Three Dimensions of Socialist Views

When characterizing socialist views, it is useful to distinguish between three dimensions of a conception of a social justice. [22]

We identify these three dimensions as:1

1-the core ideals and principles animating that conception of justice;

2-the social institutions and practices implementing the ideals specified at one;

3-the processes of transformation leading agents and their society from where they are currently, to the social outcome specified in two.

Based on the previous defenitions, Socialism describes any political or economic theory that says the community, rather than individuals, should own and manage property and natural resources.

The term “socialism” has been applied to very different economic and political systems throughout history, including utopianism, anarchism, Soviet communism and social democracy. These systems vary widely in structure, but they share an opposition to an unrestricted market economy, and the belief that public ownership of the means of production (and making money) will lead to better distribution of wealth and a more egalitarian society.2

1 Gilabert, Pablo, “**Debate: Feasibility and Socialism**”, Journal of Political Philosophy, 19(1): 52–63. doi:10.1111/j.1467-9760.2010.00383.x,2011.
2 **Socialism**, retrieved from : https://www.history.com/articles/socialism, on 16/04/2026 at 12.00.

The second requirement: The intellectual roots of socialism.[23]

The intellectual roots of socialism go back at least as far as ancient Greek times, when the philosopher Plato depicted a type of collective society in his dialog, Republic (360 B.C.). In 16th-century England, Thomas More drew on Platonic ideals for his Utopia, an imaginary island where money has been abolished and people live and work communally.

In the late 18th century, the invention of the steam engine powered the Industrial Revolution, which brought sweeping economic and social change first to Great Britain, then to the rest of the world. Factory owners became wealthy, while many workers lived in increasing poverty, laboring for long hours under difficult and sometimes dang Socialism emerged as a response to the expanding capitalist system. It presented an alternative, aimed at improving the lot of the working class and creating a more egalitarian society. In its emphasis on public ownership of the means of production, socialism contrasted sharply with capitalism, which is based around a free market system and private ownership.erous conditions.1

Early socialists like Henri de Saint-Simon, Robert Owen and Charles Fourier offered up their own models for social organization based on cooperation rather than competition. While Saint-Simon argued for a system where the state controls production and distribution for the benefit of all society's members, both Fourier and

1 **Socialism**, retrieved from : https://www.history.com/articles/socialism, on 16/04/2026 at 12.00.

Owen (in France and Britain, respectively) proposed systems based on small collective communities, not a centralized state.

Owen, who had owned and operated textile mills in Lanark, Scotland, headed to the United States in 1825 to launch an experimental community in New Harmony, Indiana. His planned commune was based on the principles of self-sufficiency, cooperation and public ownership of property. The experiment soon failed, and Owen lost much of his fortune. More than 40 small cooperative agricultural communities inspired by Fourier's theories, were founded across the United States. One of these, based in Red Bank, New Jersey, lasted into the 1930s.[24]1

Influence of Karl Marx

It was Karl Marx, undoubtedly the most influential theorist of socialism, who called Owen, Fourier and other earlier socialist thinkers "utopians," and dismissed their visions as dreamy and unrealistic. For Marx, society was made up of classes: When certain classes controlled the means of production, they used that power to exploit the labor class.

In their 1848 work The Communist Manifesto, Marx and his collaborator, Friedrich Engels, argued that true "scientific socialism" could be established only after a revolutionary class struggle, with the workers emerging on top.

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1 Pablo Gilabert and Martin O'Neill, "**Socialism**." The Stanford Encyclopedia of Philosophy. Fall 2019 Edition, Edward N. Zalta (ed.).

Though Marx died in 1883, his influence on socialist thought only grew after his death. His ideas were taken up and expanded upon by various political parties (such as the German Social Democratic Party) and leaders like Vladimir Lenin and Mao Zedong.[25]

Marx's emphasis on the revolutionary clash between capital and labor came to dominate most socialist thought, but other brands of socialism continued to develop. Christian socialism, or collective societies formed around Christian religious principles. Anarchism saw not just capitalism but government as harmful and unnecessary. Social democracy held that socialist aims could be achieved through gradual political reform rather than revolution.

Socialism in the United States 1

In the United States, the Socialist Party never enjoyed the same success as in Europe, reaching its peak of support in 1912, when Eugene V. Debs won 6 percent of the vote in that year's presidential election. But social reform programs like Social Security and Medicare, which opponents once denounced as socialist, became over time a well-accepted part of American society.

Some liberal politicians in the United States have embraced a variation on social democracy known as democratic socialism. This calls for following socialist models in Scandinavia, Canada, Great

1 Peter Lamb, **Historical Dictionary of Socialism** (Rowman and Littlefield, 2016.
2 Glenn Kessler, **"What is socialism?"** Washington Post, March 5, 2019.

Britain and other nations, including single-payer health care, free college tuition and higher taxes on the wealthy.

On the other side of the political spectrum, conservative U.S. politicians often label such policies as communist. They point to authoritarian socialist regimes such as that of Venezuela to raise concerns about big government.

The wide range of interpretations and definitions of socialism across the political spectrum, and the lack of a common understanding of what socialism is or how it looks in practice reflects its complicated evolution. Nonetheless, socialist parties and ideas continue to influence policy in nations around the world. And socialism's persistence speaks to the enduring appeal of calling for a more egalitarian society.[26]

In conclusion ; Socialism has been an influential force for social change for almost two centuries. Its philosophy and ideology have inspired millions while simultaneously arousing fear and revulsion in its enemies. Having emerged after the French Revolution in the effort to build upon and develop the egalitarian ideas of the Enlightenment, socialism has taken many forms. It has, furthermore, sometimes been manipulated and reformulated by opportunists who have built authoritarianism and totalitarian dictatorships in its name. 2

1 Peter Lamb, **Historical Dictionary of Socialism** (Rowman and Littlefield, 2016)
2 op,cit.

Opponents seize on such examples to frighten away people who may otherwise have found socialism attractive. Socialism has survived such criticism and misrepresentation as its core principles have struck a chord with generations of people concerned with social justice.[27]1

The third requirement : Socialist Critiques of Capitalism and their Grounds

Socialists have condemned capitalism by alleging that it typically features exploitation, domination, alienation, and inefficiency. Before surveying these criticisms, it is important to note that they rely on various ideals and principles at DI. We first mention these grounds briefly, and then elaborate on them as we discuss their engagement in socialists' critical arguments. We set aside the debate, conducted mostly during the 1980s and largely centered on the interpretation of Marx's writings, as to whether the condemnation of capitalism and the advocacy for socialism relies (or should rely), on moral grounds (Geras 1985; Lukes 1985; Peffer 1990). Whereas some Marxist socialists take the view that criticism of capitalism can be conducted without making use—either explicitly or implicitly—of arguments with a moral foundation, our focus is on arguments that do rely on such grounds.

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1 Peter Lamb, **Historical Dictionary of Socialism** (Rowman and Littlefield, 2016),retrieved from : https://books.google.dz/books?id=vSHuCgAAQBAJ&printsec=frontcover&dq=historical+dictionary+of+socialism, on 16/04/2026 at 11.00.

2 Stanford Encyclopedia of Philosophy Archive,Fall 2020 Edition, retrieved from : https://plato.stanford.edu/archives/fall2020/entries/socialism/#Bib, on 14/04/2026 at 10.00.

1- Socialist Principles

Socialists have deployed ideals and principles of equality, democracy, individual freedom, self-realization, and community or solidarity. Regarding equality, they have proposed strong versions of the principle of equality of opportunity according to which everyone should have "broadly equal access to the necessary material and social means to live flourishing lives". Some, but by no means all, socialists construe equality of opportunity in a luck-egalitarian way, as requiring the neutralization of inequalities of access to advantage that result from people's circumstances rather than their choices. [28]1

Socialists also embrace the ideal of democracy, requiring that people have "broadly equal access to the necessary means to participate meaningfully in decisions" affecting their lives. Many socialists say that democratic participation should be available not only at the level of governmental institutions, but also in various economic arenas (such as within the firm). Third, socialists are committed to the importance of individual freedom. This commitment includes versions of the standard ideas of negative liberty and non-domination (requiring security from inappropriate interference by others).

1 Stanford Encyclopedia of Philosophy Archive,Fall 2020 Edition, retrieved from : https://plato.stanford.edu/archives/fall2020/entries/socialism/#Bib, on 14/04/2026 at 10.00.

But it also typically includes a more demanding, positive form of self-determination, as the "real freedom" of being able to develop one's own projects and bring them to fruition.

An ideal of self-realization through autonomously chosen activities featuring people's development and exercise of their creative and productive capacities in cooperation with others sometimes informs socialists' positive views of freedom and equality—as in the view that there should be a requirement of access to the conditions of self-realization at work.[29]

Finally, and relatedly, socialists often affirm an idea of community or solidarity, according to which people should organize their economic life so that they treat the freedom and well-being of others as intrinsically significant. People should recognize positive duties to support other people, or, as Einstein (1949) put it, a "sense of responsibility for [their] fellow men". Or, as Cohen put it, people should "care about, and, where necessary and possible, care for, one another, and, too, care that they care about one another".

Community is sometimes presented as a moral ideal which is not itself a demand of justice but can be used to temper problematic results permitted by some demands of justice (such as the inequalities

1 Stanford Encyclopedia of Philosophy Archive,Fall 2020 Edition, retrieved from : https://plato.stanford.edu/archives/fall2020/entries/socialism/#Bib, on 14/04/2026 at 10.00.

of outcome permitted by a luck-egalitarian principle of equality of opportunity .

However, community is sometimes presented within socialist views as a demand of justice itself (Gilabert 2012). Some socialists also take solidarity as partly shaping a desirable form of "social freedom" in which people are able not only to advance their own good but also to act with and for others .[30]

Given the diversity of fundamental principles to which socialists commonly appeal, it is perhaps unsurprising that few attempts have been made to link these principles under a unified framework. A suggested strategy has been to articulate some aspects of them as requirements flowing from what we might call the Abilities / Needs Principle, following Marx's famous dictum, in The Critique of the Gotha Program, that a communist society should be organized so as to realize the goals of producing and distributing "From each according to [their] abilities, to each according to [their] needs". This principle, presented with brevity and in the absence of much elaboration by Marx has been interpreted in different ways. One, descriptive interpretation simply takes it to be a prediction of how people will feel motivated to act in a socialist society. Another, straightforwardly normative interpretation construes the Marxian dictum as stating duties to contribute to, and claims to benefit from, the social

1 Stanford Encyclopedia of Philosophy Archive,Fall 2020 Edition, retrieved from : https://plato.stanford.edu/archives/fall2020/entries/socialism/#Bib, on 14/04/2026 at 10.00.

product—addressing the allocation of both the burdens and benefits of social cooperation. Its fulfillment would, in an egalitarian and solidaristic fashion, empower people to live flourishing lives . The normative principle itself has also been interpreted as an articulation of the broader, and more basic, idea of human dignity. Aiming at solidaristic empowerment, this idea could be understood as requiring that we support people in the pursuit of a flourishing life by not blocking, and by enabling, the development and exercise of their valuable capacities, which are at the basis of their moral status as agents with dignity.

2 -Socialist Charges against Capitalism[31]

1- Exploitation

The first typical charge leveled by socialists is that capitalism features the exploitation of wage workers by their capitalist employers. Exploitation has been characterized in two ways. First, in the so-called "technical" Marxist characterization, workers are exploited by capitalists when the value embodied in the goods they can purchase with their wages is inferior to the value embodied in the goods they produce—with the capitalists appropriating the difference. To maximize the profit resulting from the sale of what the workers produce, capitalists have an incentive to keep wages low. This descriptive characterization, which focuses on the flow of surplus labor from workers to capitalists, differs from another common,

1 Stanford Encyclopedia of Philosophy Archive,Fall 2020 Edition, retrieved from : https://plato.stanford.edu/archives/fall2020/entries/socialism/#Bib, on 14/04/2026 at 10.00.

normative characterization of exploitation, according to which exploitation involves taking unfair, wrongful, or unjust advantage of the productive efforts of others. An obvious question is when, if ever, incidents of exploitation in the technical sense involve exploitation in the normative sense. When is the transfer of surplus labor from workers to capitalists such that it involves wrongful advantage taking of the former by the latter? Socialists have provided at least four answers to this question.

The first answer is offered by the unequal exchange account, according to which A exploits B if and only if in their exchange A gets more than B does. This account effectively collapses the normative sense of exploitation into the technical one. But critics have argued that this account fails to provide sufficient conditions for exploitation in the normative sense. Not every unequal exchange is wrongful: it would not be wrong to transfer resources from workers to people who (perhaps through no choice or fault of their own) are unable to work.[32]

A second proposal is to say that A exploits B if and only if A gets surplus labor from B in a way that is coerced or forced. This labor entitlement account relies on the view that workers are entitled to the product of their labor, and that capitalists wrongly deprive them of it. In a capitalist economy, workers are compelled to transfer surplus

1 Stanford Encyclopedia of Philosophy Archive,Fall 2020 Edition, retrieved from : https://plato.stanford.edu/archives/fall2020/entries/socialism/#Bib, on 14/04/2026 at 10.00.

labor to capitalists on pain of severe poverty. This is a result of the coercively enforced system of private property rights in the means of production. Since they do not control means of production to secure their own subsistence, workers have no reasonable alternative to selling their labor power to capitalists and to toil on the terms favored by the latter. Critics of this approach have argued that it, like the previous account, fails to provide sufficient conditions for wrongful exploitation because it would (counterintuitively) have to condemn transfers from workers to destitute people unable to work. Furthermore, it has been argued that the account fails to provide necessary conditions for the occurrence of exploitation. Problematic transfers of surplus labor can occur without coercion. For example, A may have sophisticated means of production, not obtained from others through coercion, and hire B to work on them at a perhaps unfairly low wage, which B voluntarily accepts despite having acceptable, although less advantageous, alternatives.[33]

The third, unfair distribution of productive endowments account suggests that the core problem with capitalist exploitation (and with other forms of exploitation in class-divided social systems) is that it proceeds against a background distribution of initial access to productive assets that is inegalitarian. A is an exploiter, and B is exploited, if and only if A gains from B's labor and A would be worse

1 Stanford Encyclopedia of Philosophy Archive,Fall 2020 Edition, retrieved from : https://plato.stanford.edu/archives/fall2020/entries/socialism/#Bib, on 14/04/2026 at 10.00.

off, and B better off, in an alternative hypothetical economic environment in which the initial distribution of assets was equal (with everything else remaining constant). This account relies on a luck-egalitarian principle of equality of opportunity. (According to luck-egalitarianism, no one should be made worse-off than others due to circumstances beyond their control.) Critics have argued that, because of that, it fails to provide necessary conditions for wrongful exploitation. If A finds B stuck in a pit, it would be wrong for A to offer B rescue only if B signs a sweatshop contract with A—even if B happened to have fallen into the pit after voluntarily taking the risk to go hiking in an area well known to be dotted with such perilous obstacles. Other critics worry that this account neglects the centrality of relations of power or dominance between exploiters and exploited.[34]

A fourth approach directly focuses on the fact that exploitation typically arises when there is a significant power asymmetry between the parties involved. The more powerful instrumentalize and take advantage of the vulnerability of the less powerful to benefit from this asymmetry in positions. A specific version of this view, the domination for self-enrichment account , says that A exploits B if A benefits from a transaction in which A dominates B. (On this account, domination involves a disrespectful use of A's power over B.) Capitalist property rights, with the resulting unequal access to the means of production, put propertyless workers at the mercy of

1 Stanford Encyclopedia of Philosophy Archive,Fall 2020 Edition, retrieved from : https://plato.stanford.edu/archives/fall2020/entries/socialism/#Bib, on 14/04/2026 at 10.00.

capitalists, who use their superior power over them to extract surplus labor. A worry about this approach is that it does not explain when the more powerful party is taking too much from the less powerful party. For example, take a situation where A and B start with equal assets, but A chooses to work hard while B chooses to spend more time at leisure, so that at a later time A controls the means of production, while B has only their own labor power. We imagine that A offers B employment, and then ask, in light of their ex ante equal position, at what level of wage for B and profit for A would the transaction involve wrongful exploitation? To come to a settled view on this question, it might be necessary to combine reliance on a principle of freedom as non-domination with appeal to additional socialist principles addressing just distribution—such as some version of the principles of equality and solidarity mentioned above in section 4.1.[35]

3- Interference and domination1

Capitalism is often defended by saying that it maximally extends people's freedom, understood as the absence of interference. Socialism would allegedly depress that freedom by prohibiting or limiting capitalist activities such as setting up a private firm, hiring wage workers, and keeping, investing, or spending profits. Socialists generally acknowledge that a socialist economy would severely constrain some such freedoms. But they point out that capitalist

1 Stanford Encyclopedia of Philosophy Archive,Fall 2020 Edition, retrieved from : https://plato.stanford.edu/archives/fall2020/entries/socialism/#Bib, on 14/04/2026 at 10.00.

property rights also involve interference. They remind us that “private property by one person presupposes non-ownership on the part of other persons” and warn that often, although

liberals and libertarians see the freedom which is intrinsic to capitalism, they overlook the unfreedom which necessarily accompanies capitalist freedom.

Workers could and would be coercively interfered with if they tried to use means of production possessed by capitalists, to walk away with the products of their labor in capitalist firms, or to access consumption goods they do not have enough money to buy. In fact, every economic system opens some zones of non-interference while closing others. Hence the appropriate question is not whether capitalism or socialism involve interference—they both do—but whether either of them involves more net interference, or more troubling forms of interference, than the other. And the answer to that question is far from obvious. It could very well be that most agents in a socialist society face less (troublesome) interference as they pursue their projects of production and consumption than agents in a capitalist society .[36]

Capitalist economic relations are often defended by saying that they are the result of free choices by consenting adults. Wage workers are not slaves or serfs—they have the legal right to refuse to work for

capitalists. But socialists reply that the relationship between capitalists and workers actually involves domination. Workers are inappropriately subject to the will of capitalists in the shaping of the terms on which they work (both in the spheres of exchange and production, and within the broader political process). Workers' consent to their exploitation is given in circumstances of deep vulnerability and asymmetry of power. According to Marx, two conditions help explain workers' apparently free choice to enter into a nevertheless exploitative contract: (1) in capitalism (unlike in feudalism or slave societies) workers own their labor power, but (2) they do not own means of production. Because of their deprivation (2), workers have no reasonable alternative to using their entitlement (1) to sell their labor power to the capitalists—who do own the means of production. Through labor-saving technical innovations spurred by competition, capitalism also constantly produces unemployment, which weakens the bargaining power of individual workers further. Thus, Marx says that although workers voluntarily enter into exploitative contracts, they are "compelled [to do so] by social conditions".[37]

The silent compulsion of economic relations sets the seal on the domination of the capitalist over the worker…. [The worker's] dependence on capital … springs from the conditions of production themselves, and is guaranteed in perpetuity by them.

1Stanford Encyclopedia of Philosophy Archive,Fall 2020 Edition, retrieved from : https://plato.stanford.edu/archives/fall2020/entries/socialism/#Bib, on 14/04/2026 at 10.0

Because of the deep background inequality of power resulting from their structural position within a capitalist economy, workers accept a pattern of economic transaction in which they submit to the direction of capitalists during the activities of production, and surrender to those same capitalists a disproportional share of the fruits of their labor. Although some individual workers might be able to escape their vulnerable condition by saving and starting a firm of their own, most would find this extremely difficult, and they could not all do it simultaneously within capitalism .[38]

Socialists sometimes say that capitalism flouts an ideal of non-domination as freedom from being subject to rules one has systematically less power to shape than others. Capitalist relations of production involve domination and the dependence of workers on the discretion of capitalists' choices at three critical junctures. The first, mentioned above, concerns the labor contract. Due to their lack of control of the means of production, workers must largely submit, on pain of starvation or severe poverty, to the terms capitalists offer them. The second concerns interactions in the workplace. Capitalists and their managers rule the activities of workers by unilaterally deciding what and how the latter produce. Although in the sphere of circulation workers and capitalists might look (misleadingly, given the first point) like equally free contractors striking fair deals, once we enter the "hidden abode" of production it is clear to all sides that what exists is relationships of intense subjection of some to the will of

1Stanford Encyclopedia of Philosophy Archive,Fall 2020 Edition, retrieved from : https://plato.stanford.edu/archives/fall2020/entries/socialism/#Bib, on 14/04/2026 at 10.0

others . Workers effectively spend many of their waking hours doing what others dictate them to do.

Third, and finally, capitalists have a disproportionate impact on the legal and political process shaping the institutional structure of the society in which they exploit workers, with capitalist interests dominating the political processes which in turn set the contours of property and labor law. Even if workers manage to obtain the legal right to vote and create their own trade unions and parties (which labor movements achieved in some countries after much struggle), capitalists exert disproportionate influence via greater access to mass media, the funding of political parties, the threat of disinvestment and capital flight if governments reduce their profit margin, and the past and prospective recruitment of state officials in lucrative jobs in their firms and lobbying agencies.

At the spheres of exchange, production, and in the broader political process, workers and capitalist have asymmetric structural power. Consequently, the former are significantly subject to the will of the latter in the shaping of the terms on which they work. This inequality of structural power, some socialists claim, is an affront to workers' dignity as self-determining, self-mastering agents.[39]

The third point about domination mentioned above is also deployed by socialists to say that capitalism conflicts with democracy.

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1 Ibid .

Democracy requires that people have roughly equal power to affect the political process that structures their social life—or at least that inequalities do not reflect morally irrelevant features such as race, gender, and class. Socialists have made three points regarding the conflict between capitalism and democracy. The first concerns political democracy of the kind that is familiar today. Even in the presence of multi-party electoral systems, members of the capitalist class—despite being a minority of the population—have significantly more influence than members of the working class. Governments have a tendency to adapt their agendas to the wishes of capitalists because they depend on their investment decisions to raise the taxes to fund public policies, as well as for the variety of other reasons outlined above. Even if socialist parties win elections, as long as they do not change the fundamentals of the economic system, they must be congenial to the wishes of capitalists. Thus, socialists have argued that deep changes in the economic structure of society are needed to make electoral democracy fulfill its promise. Political power cannot be insulated from economic power.[40]

They also, secondly, think that such changes may be directly significant. Indeed, as radical democrats, socialists have argued that reducing inequality of decision-making power within the economic sphere itself is not only instrumentally significant (to reduce inequality within the governmental sphere), but also intrinsically significant to increase people's self-determination in their daily lives

1 Stanford Encyclopedia of Philosophy Archive,Fall 2020 Edition, retrieved from : https://plato.stanford.edu/archives/fall2020/entries/socialism/#Bib, on 14/04/2026 at 10.00.

as economic agents. Therefore, most democratic socialists call for a solution to the problem of the conflict between democracy and capitalism by extending democratic principles into the economy. Exploring the parallel between the political and economic systems, socialists have argued that democratic principles should apply in the economic arena as they do in the political domain, as economic decisions, like political decisions, have dramatic consequences for the freedom and well-being of people. Returning to the issue of the relations between the two arenas, socialists have also argued that fostering workers' self-determination in the economy (notably in the workplace) enhances democratic participation at the political level. A third strand of argument, finally, has explored the importance of socialist reforms for fulfilling the ideal of a deliberative democracy in which people participate as free and equal reasoners seeking to make decisions that actually cater for the common good of all .[41]

1 Stanford Encyclopedia of Philosophy Archive,Fall 2020 Edition, retrieved from : https://plato.stanford.edu/archives/fall2020/entries/socialism/#Bib, on 14/04/2026 at 10.00.

Section three: Political economy in the contemporary era

The first requirement: The rise of neoliberalism and the decline of the role of the state.[42]

Classical liberalism made no objection to the state playing a role in funding and providing basic social services. By contrast, neoliberalism views access to such services – including education and healthcare – as the responsibility of the individual, and sees no harm in privatising them.

Neoliberalism stems from intellectual roots that date back to the early 20th century, which gave rise to the Chicago School and the theories of Milton Friedman, then were rapidly implemented in the 1980s with the rise of Ronald Reagan in the United States and Margaret Thatcher in the United Kingdom, seeking to reduce the state's role to a minimum. This reshaped economic rules in a way that served the highest earners and the wealthiest in society at the expense of other groups, by removing regulatory constraints, particularly in the financial sector, reducing taxes on corporations and high personal incomes, weakening labour unions, and directing monetary policy toward combating inflation rather than focusing on achieving full employment.1

A-The gradual decline of neoliberalism

1 Omar razzaz, The Decline of Neoliberalism: Insights and Policy Implications, retrieved from : https://www.dohainstitute.org/en/economic-studies/Pages/the-decline-of-neoliberalism-lessons-and-policies.aspx#,on 17/04/2026 at 12.00.

The shifts underway in terms of economic, political, and social ideologies do not necessarily represent a fundamental break with the past, but rather a change in form and pace. Several indicators suggest a gradual disengagement from neoliberal ideology, not only in countries that were forced to adopt it under pressure from the major powers that formulated its rules and mechanisms, but also in those very countries that established and promoted this model.[43] 1

Over the course of these gradual transformations, a range of structural and policy factors have contributed to the erosion of the foundations of neoliberalism and the decline of its cohesion. As markets and corporations were unleashed to operate more freely in both the domestic and global spheres, in parallel with the slashing of regulation and cutting back of the economic and social roles of the state – which had previously held significant influence within liberal ideology – relative disparities in economic, technological, and institutional capabilities and resources became starkly evident in the economic and social landscape, both within and between countries. The bias towards the private sector at the expense of the public sector played a major role in driving the massive waves of innovation and technological development the world has witnessed over the past three decades. This contributed to the accumulation of unprecedented wealth and the "lifting" of hundreds of millions of people out of poverty. The middle class was likely the weakest link in this equation, as it proved unable to achieve economic growth or liberation

1 Roger Burbach, Orlando Núñez Soto & Boris Kagarlitsky, **Globalization and Its Discontents: The Rise of Postmodern Socialism**s, London: Pluto Press, 1997.

comparable to that achieved by wealthier and more privileged groups. This led to a gradual decline in its social standing and made it more vulnerable to erosion and marginalization under these dynamics.

B- Inequality as a Structural Product of Neoliberalism[44]

Over the past four decades, income inequality has intensified in most major economies, both advanced and emerging – particularly in the US, China, India, and Russia. This shift owes much to profound technological changes and digital innovations, driven primarily by the rules of globalization and the unchecked liberalization of the private sector from state oversight. These innovations have increasingly relied on highly skilled labour, and continue to do so. These transformations have also contributed to a redistribution of income in favour of capital at the expense of wages (labour income), and reinforced the dominance of large corporations in "winner-take-all" markets. Meanwhile, trade and the offshoring of production activities have undermined employment opportunities and weakened the wages of low-skilled workers. Thus, these changes are structurally biased toward educated, technical elites and the owners of wealth and capital, who already controlled a large share of national wealth to start with.1

C- Evaluatuion of neoliberalism

1-Economic Growth is Important, But Not at the Expense of Distributive Justice

1 Zia Qureshi, "Rising Inequality: A Major Issue of Our Time," Brookings Institution, 16/5/2023.

Countries make great efforts to raise their rates of economic growth rates – a legitimate and important goal that should not be compromised. However, ignoring the way in which different segments of the population benefit from this growth, or the fairness of its distribution, can entail huge social and political risks. Repeatedly ignoring the aspect of distributive justice can generate a growing sense of resentment and dissatisfaction, and may constitute a powerful incentive for radical shifts in approaches to development. The noticeable rise in levels of discontent and scepticism regarding the effectiveness of the economic and social policies adopted by countries most open to and committed to neoliberal rules, despite their success in expanding their economies and their leadership in innovation and technology, is compelling evidence that neglecting the question of fairness in the distribution of the fruits of growth has been a pivotal factor driving social and political unrest.[45]

2-Equality of Opportunity is the Sustainable Approach to Ensuring Distributive Justice

Liberalism views merit and competence as the best means to achieve justice the distribution of the benefits of economic growth. This is a valid argument in itself; yet a lack of equitable access to the prerequisites for meritocracy – most importantly, high-quality, effective education and equitable access to appropriate healthcare for

1 Omar razzaz, **The Decline of Neoliberalism**: Insights and Policy Implications, retrieved from : https://www.dohainstitute.org/en/economic-studies/Pages/the-decline-of-neoliberalism-lessons-and-policies.aspx#,on 17/04/2026 at 12.00.

lower-income groups – deepens the existing dilemma between the logic of meritocracy and the principle of equality of opportunity. Instead of meritocracy serving as a mechanism for social mobility, it may, in practice, reproduce inequalities, making the rich richer and the poor poorer, with the exception of a few isolated cases, which do not disprove the general rule.

While social protection policies can be important tools for mitigating imbalances in distributive justice, they remain incapable, on their own, of achieving sustainable prosperity. Therefore, overcoming the paradox of "justice versus meritocracy" demands that states systematically improve educational opportunities and ensure equitable access to healthcare and other essential resources, thereby consolidating and sustainably raising the level of equal opportunities.[46]

3-The State's Role is Complementary to the Market, not a Replacement for It

Contrary to neoliberal ideology, which posits that curbing to role of the state is a prerequisite for achieving sustainable growth and more efficient resource allocation, and that any expansion of the state's role necessarily comes at the expense of the more efficient private sector, practical experience has proven the contrary. Even at the zenith of neoliberalism, the state maintained a pivotal role in driving development and innovation, particularly in advanced technologies

1 op, cit.

and knowledge-based industries, often due to the private sector's reluctance to take the initiative – either because of its limited capabilities, or because the level of risk involved was more than it could bear.

This interventionist state is not necessarily limited to high-risk or capital-intensive emerging industries; it also extends to areas where the private sector plays the greatest role under normal circumstances, but from which it withdraws during prolonged economic crises, in contexts of geopolitical uncertainty, or when stimulatory industrial and investment policies intensify in competing or alternative economies.[47]1

However, the most crucial question here is the extent to which states can create innovative investment and policy tools that enable them to nurture economic activity or establish markets without compromising the principles of good governance, and without the state assuming the management of companies or activities it has financed; that is to say, a state that guides and enables the market, not one that replaces it. Experience around the world has shown that the transition of productive and service activities to more advanced stages of development and prosperity, once the state has played a pivotal role in launching or rescuing them, necessarily requires subjecting these activities to the rules of the private sphere. This can be achieved either

1 Omar razzaz, **The Decline of Neoliberalism**: Insights and Policy Implications, retrieved from : https://www.dohainstitute.org/en/economic-studies/Pages/the-decline-of-neoliberalism-lessons-and-policies.aspx#,on 17/04/2026 at 12.00.

through full or partial transfer of ownership, or through the restructuring of administrative and operational systems and the strengthening of governance and efficiency standards to ensure sustainable performance and greater competitiveness.

The second requirement: Market economy and government intervention.[48]

Government intervention can have a significant impact on a market economy by influencing various aspects of economic activity, market behavior, and resource allocation. The extent and nature of government intervention can vary widely among different countries and over time. We will delve into how government intervention can affect a market economy: 1

-Regulation and Oversight: Governments often implement regulations and oversight mechanisms to ensure fair competition, protect consumers, and maintain market integrity. These regulations may cover areas such as product safety, environmental protection, worker rights, and antitrust laws to prevent monopolies and anti-competitive practices.

-Consumer Protection: Governments may enact laws and regulations to protect consumers from fraud, deceptive advertising, and unsafe products. Regulatory bodies and agencies are established to enforce

1 How does government intervention impact a Market Economy?,retrieved from : https://whye.org/how-does-government-intervention-impact-a-market-economy#:~:text=Government,on 15/04/2026 at 11.00.

consumer protection laws and ensure that businesses adhere to safety standards.

-Property Rights: Government intervention is essential for establishing and protecting property rights, including intellectual property rights. Clear property rights are fundamental to a functioning market economy, as they allow individuals and businesses to own, transfer, and protect assets.[49]

-Market Stabilization: During economic crises or periods of extreme volatility, governments may intervene to stabilize markets. They can use monetary policy (e.g., interest rate adjustments) and fiscal policy (e.g., government spending and taxation) to mitigate economic fluctuations.

-Public Goods and Services: Governments typically provide public goods and services that the private sector may underprovide. These include infrastructure (roads, bridges, utilities), public education, healthcare, and national defense. Government provision ensures equitable access to these services.

-Redistribution of Income: Governments often use taxation and social welfare programs to redistribute income and reduce income inequality. Progressive taxation and social safety nets are designed to provide assistance to low-income individuals and families.1

1 **How does government intervention impact a Market Economy?,**retrieved from : https://whye.org/how-does-government-intervention-impact-a-market-economy#:~:text=Government,on 15/04/2026 at 11.00.

-Environmental Protection: Governments may enact environmental regulations to address pollution, resource depletion, and conservation. These regulations aim to limit the negative externalities associated with certain industries and promote sustainable practices.

-Labor Market Regulation: Governments can intervene in labor markets by setting minimum wage laws, regulating working conditions, and enforcing labor standards. These interventions protect workers' rights and ensure fair employment practices.[50]

-Monetary Policy: Central banks, which are typically government entities or have government oversight, play a crucial role in regulating the money supply, interest rates, and inflation. These policies impact the overall stability and functioning of the economy.

-Trade Policy: Governments establish trade policies, including tariffs and trade agreements, which influence international trade and market access for domestic businesses. Trade policies can protect domestic industries or promote global trade.

-Infrastructure Development: Government investment in infrastructure, such as transportation, telecommunications, and energy, can have a significant impact on economic development and the efficiency of markets.

1 **How does government intervention impact a Market Economy**?,retrieved from : https://whye.org/how-does-government-intervention-impact-a-market-economy#:~:text=Government,on 15/04/2026 at 11.00.

-Research and Development: Governments may fund research and development initiatives to promote innovation and technology advancement, which can benefit various sectors of the economy.

-Financial Regulation: Governments implement financial regulations to maintain the stability and integrity of financial markets. This includes overseeing banks, stock exchanges, and other financial institutions to prevent financial crises.

-Antitrust and Competition Policy: Government authorities monitor and regulate market competition to prevent monopolistic behavior and protect consumers. Antitrust laws are used to promote fair competition.[51]1

Taxation: Tax policies, including income, corporate, and consumption taxes, influence individuals' and businesses' economic behavior and resource allocation.

The impact of government intervention on a market economy can be complex and may involve trade-offs between various economic and societal objectives. While government intervention can address market failures, protect public welfare, and promote equitable outcomes, it can also introduce inefficiencies, administrative costs, and the potential for regulatory capture. The effectiveness of government intervention depends on the quality of policy implementation and the

1 How does government intervention impact a Market Economy?,retrieved from : https://whye.org/how-does-government-intervention-impact-a-market-economy#:~:text=Government,on 15/04/2026 at 11.00.

balance between regulation and market forces in a given economic context.

Based on the previous causes, A market economy is an economic system in which supply and demand determine the levels of production and the prices of goods and services. However, government intervention might influence its classification.

Historical examples of government intervention in market economies are Hong Kong in the 1950s and the United States in the 19th century.

Governments and private enterprises play significant roles in many economies today, creating mixed economies.[52]1

A market economy can also receive so much government intervention that it is considered a command economy instead, such as in the cases of North Korea and the former Soviet Union.

The third requirement : Development economics and social justice

Globalization has seriously aggravated the economic injustice of the international community, and human society is entering an era in which 1% of the rich control 99% of the wealth.2

Income inequality under the deduction of time formed the intergenerational transmission of wealth, which aggravated the rigidity of the social class and destroyed the creativity and activity of social

1 Sean Ross, **How Government Intervention Impacts Market Economies**,retrieved from : https://www.investopedia.com/ask/answers/032715/what-extent-can-government-intervene-market-economy.asp,on 17/04/2026 on 13.30.

2Helpman, E,**Globalization and wage inequality**. The National Bureau of Economic Research, Working Paper No. 22944,2016, . https://www.nber.org/papers/w22944(open in a new window) ;(Open in a new window)Google Scholar.

value such as social justice, security and stability, wellbeing, social cohesion, and so on. Against the background of the mutual game between globalization and counter-globalization, economic growth and social justice have become more closely linked and more complex and unpredictable.1

Economic growth can make great effects on both social and individual qualities 2. Models of economic growth have been extensively utilized by global elites to predict and guide social progress. The development of effective and widely applicable models and theoretical tool is most essential. Since the work reported by David Hume, several models have been established by economists to fit the rules of development. Several worldwide economists reach the consensus on the process of gradual reorganization and improvement. The sustainable economy development creates economic conditions, which are the prerequisites of human development.3.[53]

In the prevalent and traditional economic growth models based on above theories, the investment (Harrod–Domar Growth Model), education & human capital (Solow-Swan Model), income distribution (neo Cambridge growth model),4 industrial structure and technological progress (Endogenous growth theory) are also

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1Hillman, A. L.,**Globalization and Social Justice**. *The Singapore Economic Review*, 53(2),2008,pp173–189. https://doi.org/10.1142/S0217590808002896

2Higgins, P., Campanera, J. M, (**Sustainable) quality of life in English City Locations**. *Cities*, 28(2011),2011,pp290–299. https://doi.org/10.1016/j.cities.2011.02.00

3Rastegar, **M., Hatami, H., Mirjafari, R. ,** Role of social capital in improving the quality of life and social justice in Mashhad, Iran. Sustainable Cities and Society, 34(2017), 2017,pp109–113. https://doi.org/10.1016/j.scs.2017.05.024

4Domar, E. , **Capital expansion, rate of growth, and employment**. Econometrica, 14(2), 1964,pp 137–147. https://doi.org/10.2307/1905364.

incorporated in the equation besides of GDP-based economic indicators .

For the relationship between social justice and economic growth, economists and policymakers mainly focus on two critical aspects: one is social welfare; the other is income inequality and wealth distribution. [54]1

In the process of inequality evaluation, economic-induced inequalities have attracted increasing attention.2 The tendency of income inequality illustrates the challenge of tradeoff between growth and equity 3.

The increase in economy requires a compromise of justice. However, economic growth also has a positive impact on justice, and inequality is a critical determinant of growth in the medium term. 4

Consequently, it is hard to simply reveal the correlation and causality between social justice and economic growth.

By sum up this requireement , the social justice must be the foundation for economic progress if progress is to be sustainable. This means ensuring that people, regardless of gender, nationality, background or place of birth, have the right to live in dignity, with

1 Bryant, T, Implications of public policy change models for addressing income-related health inequalities. Canadian Public Policy,2015, 41(S2), S10–S16. https://doi.org/10.3138/cpp.2014-082.
2Dalton, H, The measurement of the Inequality of Incomes. The Economic Journal, 30(119), 1920,pp348–361. https://doi.org/10.2307/2223525.
3Baccaro, L., Pontusson, J. Rethinking comparative political economy: The growth model perspective. Politics and Society, 44(2), 2016,pp175–207. https://doi.org/10.1177/0032329216638053.
4Ostry, J. D., Berg, A., Tsangarides, C. G,. Redistribution, inequality, and growth.2014, IMF Staff Discussion Note, SDN/14/02.

equal opportunities to work, thrive and succeed. Societies built on fairness work better, trust more and grow stronger.

Chapter three: The interaction between political power and economic activity[55]

Government policies, laws, and regulations can significantly impact how economies function. For example, minimum wage laws influence labor costs and employment rates, while environmental regulations affect production processes and costs. Different groups within society, such as businesses, labor unions, and special interest groups, exert pressure on governments to influence economic policies in their favor. Trade agreements, sanctions, and foreign policy decisions can significantly impact a country's economic well-being. Trade wars, for instance, can disrupt supply chains and raise prices for consumers and businesses.Government spending and taxation influence aggregate demand, economic growth, and income distribution. Increased government spending can stimulate economic activity, while higher taxes can dampen it. Governments often resort to short-term policies like increased spending or tax cuts before elections to boost popularity, even if such policies have long-term economic consequences. Central banks manipulate interest rates and money supply to manage inflation and economic growth. Changes in interest rates affect borrowing costs and investment decisions, impacting economic activity. Lower interest rates encourage

1 Manisha Sharma, **UNDERSTANDING POLITICAL ECONOMY**: A JOURNEY BETWEEN POWER AND PRODUCTION ; International Journal of Research in Economics and Social Sciences(IJRESS) Available online at: http://euroasiapub.org Vol. 14 Issue 02, Feb- 2024 ISSN: 2249-7382 | Impact Factor: 8.018| ;pp12-13.retrieved from : https://www.researchgate.net/publication/378038022

borrowing and investment, while higher rates cool down an overheated economy. These all have a direct bearing on the production, consumption, and distribution of resources within an economy. It's crucial to remember that the relationship between politics and economics is complex and multifaceted. The specific policies adopted and their economic outcomes depend on various factors, including the institutional framework, political culture, and global economic context.[56]

The state of the economy can also have a profound impact on politics. For example, periods of economic recession or high unemployment can lead to increased social unrest and political instability. Conversely, strong economic growth can often bolster the popularity of incumbent governments. The state of the economy often becomes a central focus of political campaigns and policy debates. Candidates and parties vie for votes by proposing solutions to economic problems like inequality, growth, or job creation. Through the aspect of resource mobilization theory, it can be observed that access to economic resources gives certain groups greater political power to influence policy outcomes. Wealthy individuals and corporations can use their resources to lobby for favorable policies. Here, the Rational Choice Theory observes that the voters and politicians act rationally based on self-interest. Voters choose candidates who they believe will improve their economic well-being, while politicians cater to economic interests to secure votes and

1 op,cit.

campaign funding. Economic conditions, especially unemployment and inflation, can significantly impact voting patterns. Voters tend to favor incumbents during periods of economic prosperity and punish them during downturns. Businesses, labor unions, and other economic actors exert considerable influence on political decision-making through lobbying and campaign contributions, seeking policies that benefit their specific interests. However, economic inequalities and class interests can shape political alignments and ideologies. Different economic classes struggle for power and influence to shape policies that benefit them. Also, Economic crises and prolonged recessions can lead to social unrest, protests, and even regime change. Governments are often pressured to address economic grievances to maintain political stability. It's important to acknowledge that the influence of economics on politics is not unidirectional or deterministic. Political institutions, cultural factors, and individual leadership can also shape how economic conditions translate into political processes. The increasing interconnectedness of economies in the globalized world exposes national politics to international economic developments. Trade agreements, currency fluctuations, and global economic crises can have significant domestic political ramifications.[57]

Section One: The role of the state in economic activity

The role of state in fostering and boosting economic development specifically by considering the different empirical literature which is done by different individuals in different nations. Due to the nations can foster their economic development through various mechanisms. Among this way, by opening up their economy to international transaction, liberalization of their economy, liberalization of their institution and establishing democratic system in their nations.[58]

The first requirement: state and economics

The role of the state has occupied centre stage in the development of economics as an independent discipline and is one of the most contentious issues addressed by contemporary economists and political economists. The immediate post-war years saw a swing in economic theory towards interventionism, motivated by the urgent need for reconstruction in advanced capitalist countries, the establishment of socialism in parts of Asia and Eastern Europe, and the liberation of many developing nations from colonialism. After a quarter of a century of interventionist policies, a vigorous backlash against state intervention began with the discrediting of welfare statism in advanced capitalist countries, grew through the spread of liberalisation programmes among developing nations during the 1980s, and culminated in the dismantling of socialist central planning since 1989.1

1 Ha-Joon Chang , Robert Rowthorn , **The Role of the State in Economic Change**, Published: 28 December 1995,p1

In this book , the role that the state may assume. According to the authors, there are four state interventions in the market: New Political Economy, welfare economics, institutional economics and Austrian economics. The state has its different roles according to these views which varies from full state intervention up to a state-intervention-free market. The authors suggest that the state must possess all the strength of the argument offered by these views. [59]1

To sum it all, the state must be a good and ultimate entrepreneur and conflict manager at the same time. Too much intervention on the part of the state may harm the market while on the other, too much leniency on the side of the state may make the state too weak or too corrupt.

The second requirement: The influence of economic forces (lobbyists) on political decision-making.

A- Lobbyists:

Lobbyists are individuals or organizations hired to advocate for particular interests or causes to government officials and legislators. They aim to influence policy decisions, legislation, and regulations that affect their clients or causes.2

Role in Politics:

Lobbyists provide valuable information and expertise to policymakers, helping them understand complex issues and the

1 Ha-Joon Chang , Robert Rowthorn , **The Role of the State in Economic Change**, Published: 28 December 1995,p1, https://doi.org/10.1093/acprof:oso/9780198289845.003.0002pp 30–50.
2 The Influence of Lobbyists on Political Decision-Making,Porter,September 13, 2024,retrieved from : https://demstore.com/the-influence-of-lobbyists-on-political-decision-making,on 18/04/2026 at 20.00.

potential impacts of proposed legislation. They also mobilize public opinion and support for specific policies.

B- The Influence of Lobbyists on Political Decision-Making

1-Building Relationships:[60]

Lobbyists often build relationships with policymakers to gain access and influence. These relationships can be crucial in shaping policy discussions and outcomes. Frequent interactions and networking events help lobbyists establish trust and credibility with officials.

2-Access to Decision-Makers:

Lobbyists with strong connections to key decision-makers may have more influence in shaping policy decisions. Their access allows them to present their case more effectively and respond to policymakers' concerns and questions.

2- Information and Expertise

Lobbyists often bring specialized knowledge and expertise on complex issues. By providing detailed information and data, they help policymakers make informed decisions. This expertise can be particularly valuable in areas where legislators may lack detailed knowledge.

3-Drafting Legislation:

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1 The Influence of Lobbyists on Political Decision-Making,Porter,September 13, 2024,retrieved from : https://demstore.com/the-influence-of-lobbyists-on-political-decision-making,on 18/04/2026 at 20.00.

Lobbyists may assist in drafting legislation or regulatory proposals. Their involvement in the drafting process ensures that the interests they represent are considered in the final text of the legislation.

4- Campaign Contributions and Political Support[61]

Financial Contributions:

Lobbyists and the organizations they represent often make financial contributions to political campaigns. These contributions can help candidates build their campaigns and gain political support. In return, elected officials may be more receptive to the interests of their contributors.

Political Support:

Lobbyists may also provide political support in terms of endorsements, organizing events, or mobilizing voter bases. This support can enhance a candidate's visibility and chances of election, creating a reciprocal relationship.

Lobbying significantly influences economic policy by shaping legislation and regulatory frameworks to favor specific interests. This occurs as lobbyists advocate for policies that benefit their clients, often resulting in the allocation of resources and benefits that align with those interests.2 For instance, research by the Center for Responsive Politics indicates that industries such as pharmaceuticals

1 op,cit.
2 Carter Ellison, The Effect of Lobbying on Economic Policy: A Political Theoretical Analysis,retrieved from : https://economistsforromney.com/the-effect-of-lobbying-on-economic-policy-a-political-theoretical-analysis,on 19/04/2026 at 12.00.

and finance spend billions annually on lobbying efforts, which can lead to favorable tax breaks, subsidies, or regulatory exemptions. Consequently, the economic policies enacted may prioritize the interests of well-funded lobbyists over broader public welfare, illustrating the profound impact of lobbying on the economic landscape.1[62]

Section Two: Political and economic crises[63]

Financial crises remain a recurrent feature of modern economies despite evidence that many are predictable and preventable. we discusses how financial instability often reflects a political equilibrium rather than purely technocratic shortcomings. Contrasting economic and political perspectives on regulation, the chapter emphasizes how policymakers shape financial rules in ways that favor politically-influential groups but result in financial vulnerability. Key mechanisms include restricted bank chartering, safety nets, credit subsidies, and sovereign borrowing.

Political forces also shape crisis management. Delayed interventions, selective support, and constrained policy responses can deepen and prolong crises.

Together, these dynamics help explain the persistent and foreseeable nature of financial instability across time, legal origins, political structures, and institutional contexts. Instead of seeing financial crises as arising from an unavoidable vulnerability to external shocks they are better seen as a mirror of the societies in which they occur, reflecting their political structures, vying constituencies, cultural preferences, and blind spots.1

1 Charles W. Calomiris , Matthew S. Jaremski,**The Political Economy of Financial Crises**, Working Paper 35101DOI 10.3386/w35101,Issue Date April 2026, retrieved from :https://www.nber.org/papers/w35101,on 18/04/2026 at 12.30.

The first requirement: The impact of global economic crises on the stability of political systems.[64]

The growing interconnections among societies have facilitated the emergence of systemic crises, i.e., shocks that rapidly spread around the world and cause major disruptions. Advances in the interdisciplinary field of complexity can help understand the mechanisms underpinning systemic crises. This article reviews the most important concepts and findings from the pertinent literature. It demonstrates that an understanding of the nature of disruptions of globally interconnected systems and their implications is critical to prevent, react to, and recover from systemic crises. The resulting analytical framework is applied to two prominent examples of global systemic crises: the 2008 global financial crisis and the COVID-19 pandemic. that relying on reactive and recovery capacities to face systemic crises is not sustainable because of the extraordinary costs they impose on societies. Efforts are needed to develop a multipronged strategy to strengthen our capacities to face systemic crises and address fundamental mismatches between the nature of global challenges and the necessary collective action to address these challenges.

A-Understanding systemic crises under a complexity [65]

Complex systems are “systems in which the interactions of large numbers of entities may give rise to qualitatively new kinds of behavior different from that displayed by small number of them”,1 for examples of complex systems include living organisms, an organization, an ecosystem, the economy, society as a whole, and the biosphere 2. Many complex systems can be described as co-evolving multi-layered networks. Their overall behaviour crucially depends on structural details and usually cannot be described by reductionist approaches. 3

Complex systems typically exhibit an emergent behaviour where stability tends to prevail, but they can be disrupted and their functions impaired. A ‘crisis’ is an acute event that threatens the stability and persistence of a complex system.

1- From systemic risks to systemic crises

The literature on crises has classically focused on disaster management caused by natural ‘exogenous’ events. In international relations, the word ‘crisis’ has been used to describe the confrontation between major powers and the risk of escalation towards nuclear war (e.g., Cuban missile crisis in 1962). In the 21st century, the word ‘crisis’ has taken a new meaning due to the consequences of growing interconnectivity in social, economic, and political systems. As

1 Ladyman , Wiesner, 2020
2 Mitchell, 2009; Ruhl, 1996
3 Parisi, 1999

growing interconnectivity has not been accompanied by a fundamental reform of global governance, it has favoured the emergence of systemic risks.

While the world has experienced several systemic events with global repercussions, the concept of 'systemic crisis' has been mainly used in the context of financial and economic crises, particularly in the wake of the 2008 global financial crisis. [66]

We define a global systemic crisis as the result of an event originating in one area cascading into a wider macro-shock in areas that are not directly related to the origin of the crisis. A global systemic crisis affects many actors and implies the participation, interactions, and reactions of these actors within the global system. While the onset of a typical crisis is acute and rapid in its progression, it can have wave-like behaviour (e.g., the COVID-19 pandemic) and long-lasting impacts (e.g., the 2008 global financial crisis). Without a timely reaction, a systemic crisis might trigger irreversible change, as illustrated by the collapse of the Soviet Union in the early 1990s. However, it can also create the possibility of transformation of a system incurring fundamental change in its structure and goals. In other words, systemic crises are both one of the main threats facing humanity and an opportunity for change.

2- Application to the COVID-19 pandemic and the 2008 global financial crisis[67]

Both the global financial crisis of 2008 and the COVID-19 pandemic are manifestations of interactions in complex systems. The increased connectivity and density of financial networks were largely driven by the liberalization of capital markets and the development of information and communication technologies. 1

The rapid spread of emerging infectious diseases such as the SARS-CoV-2 virus can also be attributed to increased connectivity (e.g., travel and trade). 2

Furthermore, global environmental change and agricultural intensification have been associated with the emergence of zoonoses.3

Both systemic crises had an identifiable trigger that was localized in one place. Regarding the 2008 global financial crisis, the combination of a housing boom with a low interest rate led to increased accessibility to loans by individuals with a high default risk. The bursting of a real-estate bubble in the USA resulted in a mortgage crisis. Regarding the COVID-19 pandemic, a localized outbreak in

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1Goldin, I. Vogel, T,**Global governance and systemic risk in the 21st century: lessons from the financial crisis.** Global Policy, 1, 2010,pp4–15. Available from: https://doi.org/10.1111/j.1758-5899.2009.00011.x

2Farzanegan, M.R., Feizi, M,Gholipour, H.F. , **Globalization and the outbreak of COVID-19: an empirical analysis. Journal of Risk and Financial Management**, 14, 2021,p105.

3Jones, B.A., Grace, D., Kock, R., Alonso, S., Rushton, J., Said, M.Y. et al**. Zoonosis emergence linked to agricultural intensification and environmental change**. Proceedings of the National Academy of Sciences of the United States of America, 2013,pp110, 8399–8404. Available from: https://doi.org/10.1073/pnas.1208059110.

Wuhan in China is considered as the origin of the pandemic. However, the exact origin has not been established yet.

Both crises were enabled by an accumulation of vulnerabilities. The absence of prior immunity to SARS-CoV-2 in the population was a proximal vulnerability to the COVID-19 pandemic which was compounded by aging population and high prevalence of obesity and diabetes in many parts of the world. Unpreparedness and limited health systems capacities also made countries vulnerable to the pandemic. Regarding the 2008 global financial crisis, the lack of regulations of the market for subprime mortgage in the United States was a proximal vulnerability. Furthermore, the development of complex financial instruments (e.g., derivatives, credit default swap) led to uncertainty regarding the exposure to bad assets.[68] 1

Broader vulnerabilities were also present in both crises. Greater integration of global financial markets increased the risk that a failure of a core bank led to the default of other banks (Battiston, Farmer, et al., 2016c; Goldin & Vogel, 2010). Models did not capture these elevated risks. Regarding the COVID-19 pandemic, vulnerabilities included the social determinants of health, particularly ethnicity and socioeconomic deprivation.

1 Battiston, S., Farmer, J.D., Flache, A., Garlaschelli, D., Haldane, A.G., Heesterbeek, H. et al,**Complexity theory and financial regulation. Science**, 351, 2016,pp 818–819. Available from: https://doi.org/10.1126/science.aad0299

2 Gelfand, M.J., Jackson, J.C., Pan, X., Nau, D., Pieper, D., Denison, E. et al, **The relationship between cultural tightness–looseness and COVID-19 cases and deaths: a global analysis**. The Lancet Planetary Health, 5, 2021,pp 135–144. Available from: https://doi.org/10.1016/s2542-5196(20)30301-6.

Finally, cultural tightness/looseness, and trust in public institutions also affected the capacity for effective response.2

When the crises unfolds, the consequences of interconnectedness, Complex systems can be affected by a wide range of disturbances, ranging from short-term and high intensity to long-term and mild ones. However, not every fluctuation entails a new crisis. Some sort of variability, which can take the form of oscillations, is a frequently observed behaviour of dynamical systems including social systems (e.g., economic cycles). 1

When the system is not fragile, small disturbances do not alter its identity, and the system can recover quickly from the loss of performance (further discussed in Section 4). [69]By contrast, major events can result in a more marked loss of performance that can be brutal and affect the stability of the system. Catastrophic failures in complex networks are due to the destruction or malfunction of a major part of its constituents. 2

Some powerful shocks to a complex system can even lead to a permanent loss of structure, identity, and functions .3

1Turchin, P,**Historical dynamics: why states rise and fall**. Princeton University Press: Princeton,2003.
2 Albert, R., Jeong, H, Barabási, **A.-L, Error and attack tolerance of complex networks. Nature**, 406, 2000,pp 378–382. Available from: https://doi.org/10.1038/35019019.
3 Abel, N., Cumming, D.H. & Anderies, J. **Collapse and reorganization in social-ecological systems: questions, some ideas, and policy implications.** Ecology and Society, 11, 2006,pp1–25..

Chapter four: Modern trends and theories

Section One: Critical and Institutional Schools

The first requirement: The Chicago School and the New Critical Currents (Milton Friedman).[70]

The term "Monetarism" was coined in 1968 by Karl Brunner to refer to the macroeconomic theories and doctrines most closely associated with University of Chicago economist Milton Friedman. Although "born" in 1956, Monetarism only became a powerful intellectual force in the late 1960s and early 1970s, and had to wait until the late 1970s and early 1980s to be channeled into economic policy. By the mid-1980s, however, Monetarism was largely a spent force and, today, one would have to search very far indeed to find an old-fashioned "Monetarist".1

To the lay public, Milton Friedman is best known for his political views. Its well-known features are captured succinctly in his words:

"The basic long-run objectives, shared, I am sure by most economists, are political freedom, economic efficiency and substantial equality of economic power...I believe - and at this stage agreement will be far less widespread - that all three objectives can best be realized by relying, as far as possible, on a market mechanism within a "competitive order" to organize the utilization of economic resources."

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1 Frank H. Knight, "The Ethics of Competition", 1923, Quarterly Journal of Economics,retrieved from : https://cruel.org/econthought/essays/monetarism/friedmanchicago.html,on 18/04/2026at 12.30.

Already in his early years, long before Monetarism became formulated as a distinct economic approach, Friedman had already formed his basic "vision" of macroeconomics and the role of government policy, a vision made famous later in his popular tracts such as Capitalism and Freedom (1962) and Free to Choose (1980, with Rose Friedman) and numerous newspaper and magazine columns, interviews, television shows, etc.[71]

However, we should note that Friedman's belief in the market system as an efficient allocator of resources and his conviction that planning and intervention aggravated rather than cured economic difficulties, are not central tenets of "Monetarism", however compatible they may seem to be. Unfortunately, Friedman's political economy has tended to obscure his valuable contributions to economic theory proper. Indeed, much of the vitriol exchanged among the participants in the Monetarist debates of the 1960s and 1970s can be ascribed to the fact that Friedman's outspoken political views tended to act as a lightning rod for foe and friend alike.

As noted, "Monetarism" no longer exists as an independent intellectual force in economics. Most of its advocates have graduated on to the New Classical school (a.k.a. "Monetarism Mark II"). Both Monetarism and New Classicism have been referred to as two different incarnations of the "Chicago School". This label is due in part to the fact that Milton Friedman was both a student and a highly

1 op,cit.

influential professor at the University of Chicago in the post-war period.

But there is an older pre-Friedman Chicago School of inter-war University of Chicago economists Frank H. Knight, Jacob Viner, Lloyd Mints and Henry C. Simons. Their distinction lay in the fact that they were among the few centers of higher learning in the world that resisted both the Keynesian Revolution and the Monopolistic Competition Revolution of the 1930s and 1940s. Instead, throughout this period, the Chicago School stubbornly maintained its Neoclassical flavor.1[72]

Milton Friedman, who passed away on November 16 at age 94, once commented that there is no such thing as different schools of economics; there is only good economics and bad economics. While he may have sincerely believed this, Friedman was nonetheless the twentieth century's most outstanding contributor to what has become known as the Chicago school of economics.

The University of Chicago's economics department was founded in 1892 with the appointment of J. Laurence Laughlin as the head professor. An uncompromising advocate of laissez faire and free trade, Laughlin may be said to have set the tone for much of the department for the next hundred years.2

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1 Frank H. Knight, "The Ethics of Competition", 1923, Quarterly Journal of Economics,retrieved from : https://cruel.org/econthought/essays/monetarism/friedmanchicago.html,on 18/04/2026at 12.30.
2 Richard M. Ebeling, **Milton Friedman and the Chicago School of Economics**, Friday, December 1, 2006,retrieved from : https://fee.org/articles/milton-friedman-and-the-chicago-school-of-economics,on 17/04/2026 at 11.30.

In the period between the two world wars the market-oriented approach of the department continued with the writings and teaching of such leading scholars as Frank H. Knight, Jacob Viner, and Henry Simons. While they cannot be said to have been as staunchly free market as Laughlin or many of the Chicago economists who followed them, they forcefully emphasized the superiority of competitive markets and the price system, and the inherent problems that arise from intrusive and discretionary governmental power.

The Chicago school blossomed into one of the most influential schools of thought after Friedman joined the economics faculty in 1946 and then was joined by his long-time friend George J. Stigler in 1958.[73]

Friedman revolutionized macroeconomics, while Stigler helped to do the same in microeconomics. Friedman challenged the dominance of Keynesian economics in the postwar period, and Stigler's writings undermined many of the rationales for government regulation of business.

Their common method of analysis, which became a near hallmark of the Chicago school, was rigorous mathematical modeling combined with statistical research to demonstrate the empirical validity or falsity of an economic theory or policy prescription. They, their students, and a growing number of followers in the profession exposed as erroneous

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1 Richard M. Ebeling, **Milton Friedman and the Chicago School of Economics**, Friday, December 1, 2006,retrieved from : https://fee.org/articles/milton-friedman-and-the-chicago-school-of-economics,on 17/04/2026 at 11.30.

the Keynesian presumption that markets are inherently unstable and prone to monopoly.

Friedman and many of his Chicago colleagues shared a deep and determined allegiance to human liberty. Free markets, they explained, are the institutional guarantor of choice, opportunity, and limits on government control over people's lives. In Capitalism and Freedom (1962), for example, Friedman pointed out that when Hollywood actors, writers, and directors were blacklisted in the 1950s after being accused of communist affiliations, they were not doomed to starvation or imprisonment in the Gulag. Whether or not the blacklist was proper, those individuals could find alternative jobs in the marketplace because the government did not control or dominate the economy.[74]

"The fundamental protection was the existence of a private-market economy in which they could earn a living," Friedman pointed out. Government denunciation did not mean literal destruction, as it did under the communism with which some of the blacklisted actually sympathized.

Friedman more generally expressed this idea in his widely acclaimed Free to Choose (1980):

Economic freedom is an essential requisite for political freedom. By enabling people to cooperate with one another without coercion or central direction, it reduces the area over which political power is exercised. In addition, by dispersing power, the free market provides

1 op,cit.

an offset to whatever concentration of political power may arise. The combination of economic and political power in the same hands is a sure recipe for tyranny.

Throughout the twentieth century the Chicago school's rival in the defense of the market order and the free society has been the Austrian school, led by Ludwig von Mises and F. A. Hayek. The Austrians have also forcefully demonstrated the superiority of the free market and the hazards from all forms of socialist planning and government intervention. And they too have emphasized the uniqueness of the individual and the value of liberty.[75]

But their starting points have been radically different in reaching their pro-market conclusions. In his famous essay on "The Methodology of Positive Economics" (1953), Friedman argued that the goal of science was successful quantitative prediction and that any hypothesis, no matter how unrealistic its assumptions, was good if it resulted in better predictions. Thus, as one critic pointed out, if a strong correlation was found between the anchovy catch off the coast of Peru and business-cycle fluctuations in the United States, this would be considered a good predictive theory, regardless of any real causality between these two measured events.

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1 Richard M. Ebeling, **Milton Friedman and the Chicago School of Economics**, Friday, December 1, 2006,retrieved from : https://fee.org/articles/milton-friedman-and-the-chicago-school-of-economics,on 17/04/2026 at 11.30.

Section Two: Post-Keynes' Economy[76]

The first requirement: Keynesian theory and state intervention to control demand.

A- Defenition

Keynesian economics is a macroeconomic theory that advocates for government intervention and spending to help stabilize the economy, especially during times of economic instability.1

In addition, Keynesian economics, body of ideas set forth by John Maynard Keynes in his General Theory of Employment, Interest and Money (1935–36) and other works, intended to provide a theoretical basis for government full-employment policies. It was the dominant school of macroeconomics and represented the prevailing approach to economic policy among most Western governments until the 1970s.2

B- Keynesian theory

Keynes, in The General Theory of Employment, Interest and Money – hereafter Gen eral Theory proposed an economic agenda in order to address the fact that "the out standing faults of the economic society in which we live are its failure to provide for full employment, and its arbitrary and inequitable distribution of wealth and income". 3

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1 Robert C. Kelly, By The Investopedia Team, **Keynesian Economics: Theory and Applications**,retrived from : https://www.investopedia.com/terms/k/keynesianeconomics.asp,on15/04/2026 at12.00.
2 Keynesian economics, retrieved from : https://www.britannica.com/money/Keynesian-economics, on 15/004/2026 at 12.30.
3 Keynes, John Maynard. , **The General Theory of Employment,** Interest and Money (The Collected Writings of John Maynard Keynes, Volume VII). London: Macmillan,1973,p372.

The focus of his proposal was the capacity that the State should hold to steer the economic system, given that, if left to the free workings of market, the economic system and macroeconomic policies themselves – unless there was coordination among them – would not to solving, but to enlarging the main problems of monetary production economies. According to Keynes, the economic agenda of mobilizing resources to generate effective demand and distribute income involves nothing more than the set of conventional macroeconomic policies – fiscal and monetary and, in an open context, exchange rate policies.[77]1

As we know, in general, the cyclical instability of output and employment, and, as a result, changes in the income distribution are related to the entrepreneurs' decisions, which depend on subjective factors, such as expectations, conventions, and confident animal spirits, to expand investment, the economic system's driving force. This explains why Hyman P. Minsky 2, argued that, "if the market mechanism is to function well, we must arrange to constrain the uncertainty due to business cycles so that the expectations that guide investment can reflect a vision of tranquil progress". In an uncertain world, in which entrepreneurs risk their power of com mand over social wealth trying to gain more of it in the future, and by means of that they create employment, income and wealth,

1 Philip Arestis, Fernando Ferrari Filho, Fábio Henrique Bittes Terra, **Keynesian macroeconomic policy: Theoretical analysis and empirical evidence**,January 2018,Panoeconomicus,p1,retrieved from : https://www.researchgate.net/publication/324123017_Keynesian_macroeconomic_policy_Theoretical_analysis_and_empirical_evidence.

2 Minsky, Hyman , **Stabilizing an Unstable Economy**. New Heaven: Twentieth Century Fund Report,1986,.p6.

economic policy is the main source of solidity that private enterprise has to support their expectations and investment. In this sense, macroeconomic policies by which we mean fiscal, monetary and ex change rate policies – in a context of coordination is capable of affecting effective demand, as well as building a good institutional environment, which is essential to keep the entrepreneurs' expectations confident and stimulate their animal spirits. Given that this paper has two objectives: on the one hand, it aims to develop a Keynesian macroeconomic policy framework able to stimulate investment and effec tive demand, and, as a result, mitigate the unemployment rate, means, the main Keynes' ideas and arguments are developed by the Post Keynesian Agenda, which aims to explain the modus operandi of the economic system in the context of decision-making under uncertainty, imperfect competition, path-dependency analysis and fiscal, monetary and exchange rate policies. [78]1

However, Post Keynesians not only do they refer to Keynes' ideas and arguments, but also to Kalecki's contributions. Thus, Post Keynesian analysis relies on the basic insights of Keynes and Kalecki. For more details, see Geoffrey Harcourt 2006, Philip Arestis and Malcolm Sawyer 2011, Hein and Stockhammer 2011, Lavoie and Stockhammer 2012 and Sawyer 2012.

1 Philip Arestis, Fernando Ferrari Filho, Fábio Henrique Bittes Terra, **Keynesian macroeconomic policy: Theoretical analysis and empirical evidence**,January 2018,Panoeconomicus,p2,retrieved from : https://www.researchgate.net/publication/324123017_Keynesian_macroeconomic_policy_Theoretical_analysis_and_empirical_evidence.

It is important to mention that, on the one hand, considering the Post Keynesian Agenda, this paper focuses only on mac roeconomic policy and, on the other hand, its analysis is based, mainly, on Keynes' writings.

The idea is to offer alternative macroeconomic policy prescriptions, which do not rely on the New Con sensus Macroeconomics (NCM)2 proposed by mainstream economists. [79]

Moreover, considering these Keynesian macroeconomic policies, this contribution aims to es tablish the role, the logic of operation of each policy, and the proper coordination among them; and, on the other hand, it aims to present empirical evidence of the Keynesian macroeconomic policies.

1 op,cit, pp2-3.

The second requirement: The development of Keynesian thought in the face of the challenges of the twenty-first century.[80]

Raising Keynes: A Twenty-First-Century General Theory

The 21st century has witnessed a significant "Keynesian resurgence." While the late 20th century was dominated by neoliberal thought (emphasizing deregulation and market supremacy), recent global crises have forced a return to state-led economic management. In political science, this is viewed not just as a change in budget policy, but as a fundamental shift in the **nature of state sovereignty** and the **social contract**.1

John Maynard Keynes's General Theory of Employment, Interest, and Money was the most influential work in economics of the twentieth century. But, argues Stephen Marglin, its radical implications were obscured by Keynes's lack of the mathematical tools necessary to argue convincingly that the problem was the market itself, as distinct from myriad sources of friction around its margins.2

Marglin fills in the theoretical gaps, revealing the deeper meaning of the General Theory. Drawing on eight decades of discussion and debate since the General Theory was published, as well as on his own research, Marglin substantiates Keynes's intuition that there is no

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1 Usman W Chohan, **The return of Keynesianism? Exploring path dependency and ideational change in post-covid fiscal policy,** Policy and Society, Volume 41, Issue 1, March 2022, Pages 68–82, ,https://doi.org/10.1093/polsoc/puab013Published: 21 January 2022,pp 68-69.retrieved from : https://academic.oup.com/policyandsociety/article/41/1/68/6513363?login.

2 Stephen Marglin, Raising Keynes: A Twenty-First-Century General Theory,rertived from : https://marglin.scholars.harvard.edu/raising-keynes-twenty-first-century-general-theory,on 17/04/2026 at 11.45.

mechanism within a capitalist economy that ensures full employment. Even if deregulating the economy could make it more like the textbook ideal of perfect competition, this would not address the problem that Keynes identified: the potential inadequacy of aggregate demand.

Reviews[81]1

Stephen Marglin's magnum opus makes a powerful case that we cannot expect the economy to solve its own problems, and that instead economists and policymakers need to put persistent unemployment at the center of their thinking in order to both better understand the economy and to make a stronger case for using fiscal and monetary policy to change it for the better."—Jason Furman, Harvard University, former Chairman of the U.S. Council of Economic Advisers

This is a thought-stimulating reconstruction of John Maynard Keynes's insight that market economies do not automatically gravitate to full-employment equilibrium even if prices are flexible.

Stephen Marglin shows, with modern analytical tools and (yet) in an often entertaining style, how normal signal processing leads to real-time adjustments to shocks that can move a competitive economy out of equilibrium in the short run and into a different equilibrium in the long. He succeeds in demonstrating this without invoking all those

1 Stephen Marglin, **Raising Keynes: A Twenty-First-Century General Theory**,rertived from : https://marglin.scholars.harvard.edu/raising-keynes-twenty-first-century-general-theory,on 17/04/2026 at 11.45.

frictions and imperfections so indispensable to New Keynesians. The book opens a wide array of unorthodox, but well-founded perspectives on past and current issues of economic policy. It is the fruit of life-long research, and it deserves a wide readership."—Hans-Michael Trautwein, University of Oldenburg, Germany

Raising Keynes is a work of great significance that anyone seriously interested in how capitalism functions and malfunctions should read carefully. Stephen Marglin succeeds in clarifying the central ideas in John Maynard Keynes's revolutionary macroeconomic framework, while also extending and deepening those ideas in important ways, applying the ideas to our contemporary conditions, and also delivering devastating critiques of orthodox macroeconomic theory and practice.[82]

Marglin has taken 80 years of neoclassical distortions of Keynes, presented them with great clarity in their own language, and then pounded them into dust, pushing the detritus back into the faces of the high priests of the neoclassical synthesis, the New Keynesians, and the New Classical Economists. Raising Keynes issues a challenge that they would be cowardly to refuse – which is not to suggest that they won't do their best to ignore it."--James Galbraith, University of Texas at Austin

"Stephen Marglin's Raising Keynes: A Twenty-First Century General Theory is a landmark achievement. Marglin offers a restatement and

1 op, cit .

reformulation of the central message of Keynes' General Theory… defending it not only from decades of criticism by Keynes' detractors, but also from what he regards as decades of mischaracterization by the exponents of Keynesian macroeconomics.

This might seem well-traveled ground, and perhaps of purely antiquarian interest at this stage in the development of macroeconomic thought. But… public and professional debates have shown that there is far from a settled consensus about even the most fundamental questions about the economics of severe depressions. Marglin's review of the issues could therefore not be more timely. And he goes well beyond a simple rehearsal of familiar arguments, carefully developing a more technically sophisticated and internally coherent analysis than the one that Keynes managed to present in the 1930s." [83]1

Despite all, Keynes has NOT been totally vanquished. Two major crises in little more than a decade have resurrected him. Steve Marglin's masterful book will certainly help in this revival, especially among graduate students and other economists willing to open their minds and sit down and dig around in the equations.

1- The Core Theoretical Shift

In the 21st century, Keynesianism has evolved from a simple "fix-it" tool for recessions into a framework for addressing systemic

1 Stephen Marglin, Raising Keynes: A Twenty-First-Century General Theory,rertived from : https://marglin.scholars.harvard.edu/raising-keynes-twenty-first-century-general-theory,on 17/04/2026 at 11.45.

"polycrisis"—the intersection of climate change, inequality, and technological disruption.

***From "Hydraulic" to "Systems" Keynesianism:** Modern scholars (e.g., *Mann, 2017*) argue that Keynesianism is the "art of revolution without revolutionaries." It is the state's way of preserving the capitalist order by intervening to prevent total collapse.

***New Keynesian vs. Post-Keynesian:**

New Keynesians focus on "market failures" (like sticky prices) and advocate for central bank interventions.1

***Post-Keynesians** (and Modern Monetary Theory or MMT) argue for a more permanent, aggressive role for the state in creating full employment through direct spending.

2- Key Challenges and The State's Response[84]

Political scientists identify three primary challenges that have reshaped Keynesian thought today:

A- The Climate Crisis (Green Keynesianism)

The "Green New Deal" is the premier example of 21st-century Keynesian thought. It posits that the state must act as the "Investor of

13 Keynesian economics, retrieved from : https://en.wikipedia.org/wiki/Keynesian_economics#:~:text=Douglas%20Greenwald%20and%20Joseph%20Stiglitz,on 15/04/2026 at 12.00.

First Resort" because the private sector cannot or will not transition to a low-carbon economy fast enough.

Concept: The state doesn't just "regulate" the market; it "creates" the market for renewable energy through massive public investment.

- The Rise of "New Productivism"

Following the COVID-19 pandemic and supply chain disruptions, states have moved toward **Industrial Policy**. This is often called "Modern Supply-Side Economics" (e.g., Janet Yellen's framework).

***Sovereignty over Efficiency:** States are now prioritizing "resilience" and "national security" over the cheapest possible global prices.1

C-Financialization and Inequality[85]

21st-century Keynesianism addresses the "rentier state," where wealth is generated through asset ownership rather than production. Political science research (e.g., *Streeck, 2014*) explores how the state is caught between "market people" (investors) and "state people" (voters), leading to a democratic deficit that Keynesian spending seeks to bridge.

There is a number of ways amongst which macroeconomic policies interact; either positively or negatively, with each other, in their

1 William Davies,Andrew Barry, Icon,Ilias Alami, Icon,Samantha Ashenden ,Linsey McGoey, The state of the state, Published online: 21 Apr 2026,rertreived from : https://www.tandfonline.com/doi/full/10.1080/03085147.2026.2635241, on 16/04/2026 at 11.30.

conjoint task of reaching the eco nomic growth level necessary to accomplish full employment. In this sense coordina tion of policies means the government trying to enhance the positive, or to diminish the negative, impacts that one policy may exert on another, in order to make them, as Arestis ,1[86] argues, consistent "so that their impact on aggregate demand is cumulative, and not offsetting". Based on the previous sections, we describe some lines of coordination that the government can initiate. Aware that reciprocal interac tion between two or more policies exists, we present the coordination considering this feedback as constant. Moreover, these examples do not completely report all the possibilities of coordination; however, they show how powerful macroeconomic pol icy can be when carried out in a coordinated manner.

We should address one last issue. As their ultimate goal, Keynesian macroe conomic policies intend to achieve the best possible degree of development. Yet, one question arises: which is the notion of development that we might apprehend from Keynes and towards which the Post Keynesian macroeconomic policy should adhere to? In short, Keynes understood development as the stage of the capitalism

1Arestis, Philip, **"Fiscal Policy: A Strong Macroeconomic Role**." Review of Keynesian Economics, 1(1): 93-108,2012, p101, http://dx.doi.org/10.4337/roke.2012.01.06.

where economic problems, such as unemployment, unequal income shares, waste of available productive factors, and “the love of money as a possession”, struggle for surviving, amid other issues, would not exist anymore if proper econom ic policies are implemented. In this sense, economics, defined as the production and distribution of wealth, is the midway to this stage, though once inside of it, economics is no more an objec tive.

As Keynes stated, “this means that the economic problem is not – if we look into the future – the permanent problem of human race”, and “thus, for the first time since his creation man will be faced with his real problem, his per manent problem – how to use his freedom from pressing economic cares, how to oc cupy leisure ……. to live wisely and agreeably and well”. As history has been show ing during the last two centuries, free markets are not as efficient as necessary to ac complish this stage of development; so, economic policies need to be performed ac tively and in a coordinated manner to be effective.1[87]

1 Keynes, John Maynard. , **Essays in Persuasion (The Collected Writings of John Maynard Keynes**, Volume IX). London: Macmillan,1972,pp326-328.

Conclusion

According to this concept, political economy is the field of study concerned with the rela-tions between the political and the economic or between the polity and the economy. Asomewhat narrower version of this concept focuses on the relations between the stateand/or power, on the one hand, and the economy, on the other.Conceptualized this way, political economy does not correspond to any single specificdiscipline or subdiscipline. It is a multidisciplinary or an interdisciplinary field of study.In addition to economics and political science, other disciplines involved include sociol-ogy, international relations, law.

In summary, this study of political economy demonstrates that the discipline is far more than a mere investigation into wealth; it is an analysis of the perpetual dialogue between state authority and market dynamics. By tracing the evolution from the Classical foundations of Adam Smith and David Ricardo to the radical Marxist critiques and the eventual rise of Keynesian and Neoliberal frameworks, we observe that economic systems are never neutral. They are deeply embedded in ideological conflicts specifically the tension between Capitalist efficiency and Socialist equity.

The interaction between political power and economic activity, as explored in the latter chapters, proves that contemporary governance must navigate a delicate balance. While the New Institutional School highlights the necessity of legal and political "rules of the game," the

recurring nature of global economic crises serves as a reminder of the state's vital role in maintaining social stability. Ultimately, political economy provides the essential tools to understand that the challenges of the twenty-first century—ranging from digital transformation to social justice—cannot be solved through fiscal policy alone, but require a holistic understanding of how power structures dictate economic possibilities.

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