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THE «CONSTITUTION» OF POLITICAL ECONOMY: THEORY AND POLICIES

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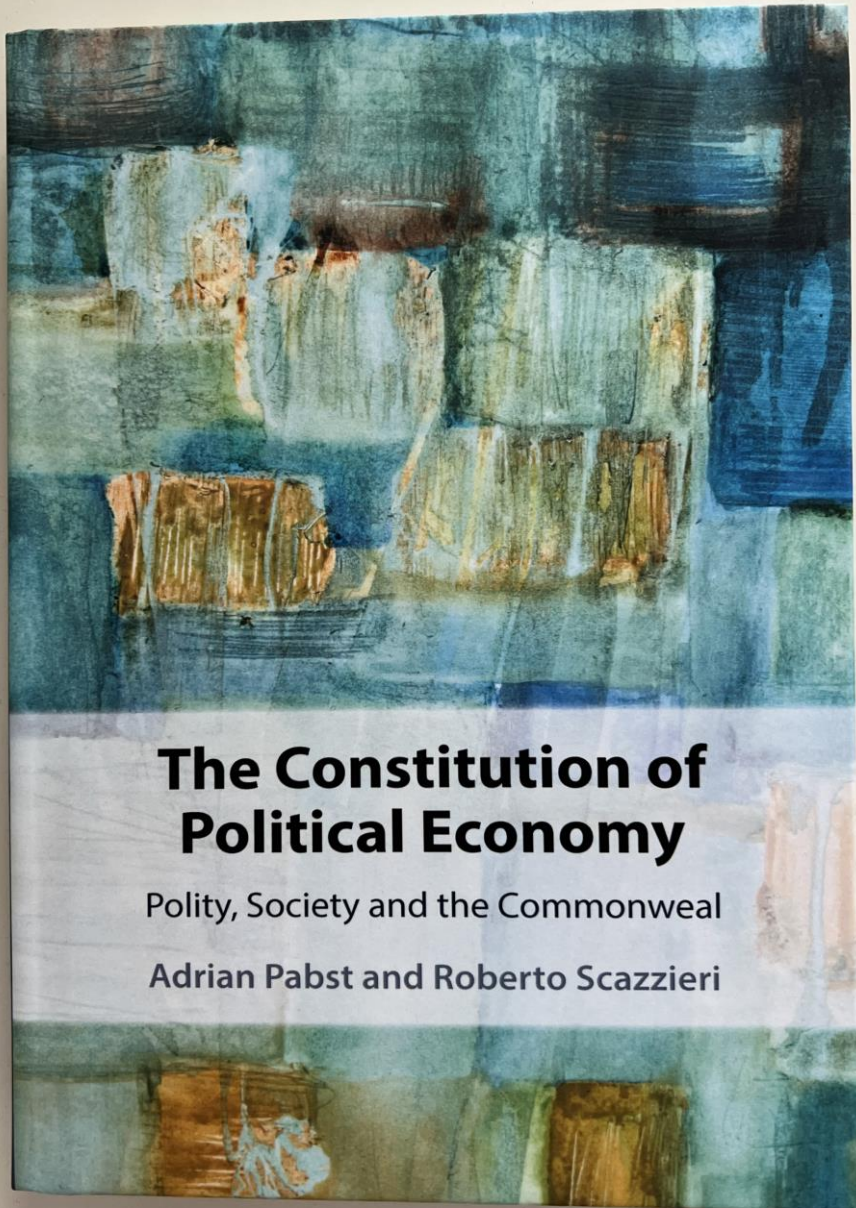
The «constitution» of political economy: theory and policies

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The Constitution of Political Economy

Polity, Society and the Commonweal

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*The Constitution of Political Economy:
Polity, Society and the Commonwealth*
(Cambridge: CUP 2023)

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8. Conclusion: The Constitution of Political Economy

- 8.1 Constitutional Principles and Transformation Maps
- 8.2 Dispositions, Interests, and Sequences of Change
- 8.3 Towards a Dynamic Theory of Political Economy

1. Disciplines and domains of inquiry

- Economics and Politics as “disciplines”
- The economic domain and the political domain: the “economy” and the “polity”
- The “economy” as the sphere in which the material conditions for a society’s persistence over time are achieved and maintained (R. Scazzieri, 2018)
- The “polity” as the sphere of “systemic actions” (actions that directly or indirectly affect society as a whole, at any given time and/or along its trajectory over time) (A. Pabst, 2014, 2018)

2. What is “Political Economy”?

- **Political economy** as the domain in which systemic actions concerning the **material persistence** of society are taken (A. Pabst and R. Scazzieri, 2016; I. Cardinale, 2018; R. Scazzieri, 2020; I. Cardinale and R. Scazzieri, 2024)
- Neither political economics nor economic politics but rather a complex balance between economy and polity as overlapping spheres

3. A structural framework of analysis

- The “economy” and the “polity” as systems of components related to one another by patterns of **relative positions** and **interdependence**
- Components of both the “economy” and the “polity” may be identified at **different levels of aggregation**
- The **relevant levels of aggregation** may vary depending on contexts (from micro-units to the systemic unit)
- **Intermediate levels of aggregation** may be the most relevant ones

4. Intermediate levels of aggregation and structural analysis

- The “economy” and the “polity” as **systems of interdependencies** within the “social body” (such as the interdependencies between productive sectors, territories, social groups) (Pasinetti, 1975; Quadrio Curzio, 1986; Quadrio Curzio and Pellizzari, 2018; Strathern, 2020; Pabst and Scazzieri, 2012, 2023; Cardinale and Scazzieri, 2023)
- The “economy” and the “polity” as webs of interdependencies at **multiple levels of aggregation**
- **Political economy** as the **crossing over of interdependencies** in the “economy” and in the “polity”

5. The “constitution” of political economy: structural framework and open-endedness

- The “constitution” of a political economy: a system of relatively persistent relations and arrangements between actors at relevant levels of aggregation at the interface between the economy and the polity
- this is a **material constitution**, considered as a system of relatively persistent relations between social groups (see C. Mortati, 1998; P. Grossi, 2010; A. Pabst, 2018, 2020; A. Pabst and R. Scazzieri, 2016)
- The “constitution” of a political economy: the system of relatively persistent relations and arrangements between actors at the levels of aggregation that are **relevant for systemic actions** concerning the material persistence of society (these are the actions identifying the field of political economy)

6. The “constitution” of political economy: structural constraints and open-endedness

- The “viability” of a political economy
- Economic “viability” and political “viability”
- The economic “viability” may be inconsistent with its political “viability”
- The “viability” of a political economy as a **circumscribed** and **open-ended** field of relations and actions involving plural levels of aggregation
- The “viability” of a political economy as a **circumscribed** and **open-ended** field of relations and actions involving shifting and sometimes not coinciding boundaries of the corresponding economy and polity

7. The “constitution” of economic policy: “embedded” policy making

- The “constitution” of a political economy makes certain policies feasible and other policies unfeasible depending on whether they are compatible with it (Di Tommaso et al., 2020, 2024)
- Policy-making can be **embedded** or **disembedded**
- **Embedded policy-making** requires that:
 - (i) **policy objectives** be identified consistently with the way in which the **relative positions** of individual and collective actors are identified in the “constitution” of the political economy under consideration
 - (ii) **policy actions** be identified and implemented consistently with the arrangements under (i)
 - (iii) **policy actions** be identified and implemented within the **feasibility range** associated with the “constitution” of the political economy under consideration (policy objectives following “needs” rather than “desires”)

8. The “constitution” of economic policy: “embedded” liquidity policy

- Advanced division of labour entails complementarity between short and long activities
- Complementarity between short and long activities gives rise to the need for “material” debt-credit relationships: debt-credit relationships allowing synchronization between short and long activities (provision of **structural liquidity**)
- “Embedded” liquidity policy (credit policy) is different depending on whether the dominant need for structural liquidity is “horizontal” or “vertical”: (i) a **horizontal synchronization need** may require industry-specific, or even process-specific, liquidity provision; (ii) a **vertical synchronization need** may require liquidity provision at the aggregate (macroeconomic) level
- Standard inflation targeting is compatible with “embedded” liquidity policy only by fluke (A. Pabst and R. Scazzieri, 2023, section 7.4; see also I. Cardinale, D. Coffman, R. Scazzieri, 2017; A. Aftalion, 1929)

9. The “constitution” of economic policy: “embedded” international trade policy

- The free trade versus protection duality
- Alternative classifications of economic units and alternative visualizations of international trade (by country, by trading block, by “internalization” within the global economy)
- From weighing of sectoral interest to systemic trade policy: pure free trade, pure protection, “heterogeneous” policy mix
- Plurality of linkages and “heterogeneous” policy mix: different trade regimes adopted for different activities belonging to the same trading aggregate
- “Embedded” trade policy beyond free trade connectivism (“horizontal” globalization) and neo-mercantilism (F. Galiani, 1770)

10. The “constitution” of economic policy: “embedded” industrial policy

- Production networks and “embedded” industrial policy
- Policy objectives (growth, employment, sustainability, resilience) and visualizations of production networks
- Horizontal and vertical visualizations of production networks
- Policy objectives, visualization of production networks, and industrial policy instruments: (i) “horizontal” industrial policy; (ii) selective industrial policy (M. Mazzucato, 2018; infrastructural industrial policy (knowledge infrastructure, see P. Bianchi and S. Labory 2018; energy infrastructure, see R. Cardinale, 2023)

11. Transforming policy making

- Policy making in a political economy (policy making at the crossroads between the economy and the polity)
- Policy objectives and policy instruments **within** the relational network of each political economy (need of entering the “black box” of each economy and polity)
- Policy objectives and policy instruments within the “**constrained open-endedness**” of each constitutional settlement for the political economy under consideration
- Need to distinguish between objectives and instruments **within** each constitutional settlement and objectives and instruments presupposing the **transformation** of it

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