**Political Economy**

Paul Adler  
Marshall School of Business  
University of Southern California  
Los Angeles, CA, USA  
Email: padler@usc.edu  
Version: Dec 29, 2009


**Definition**

“Political economy” refers to the combined and interacting effects of economic and political structures or processes, and by extension, to the scholarly study of this domain.

The term originated in the 17th and 18th centuries to refer to economic policies of the nation-states that were then consolidating. The writings of that period (such as by the Physiocrats and Mercantalists) focused on taxes and trade policy. The meaning of the term was broadened in the 19th century to refer to the manifold ways in which capitalist economic structures and market processes influenced and were influenced by political power at local, national, and international levels. The great theorists of that period were Adam Smith, David Ricardo, Richard Malthus, John Stuart Mill, Karl Marx.

Starting in the late 19th century, political economy as a scholarly field was increasingly displaced by economics. This shift reflected the celebration of the market as an autonomous mechanism for spontaneous coordination that ostensibly neither required nor induced any political structuring. The displacement was facilitated by the development of increasingly elegant mathematical models; in contrast, the study of political economy is by nature more context dependent, more institutionally specific, and requires a more heterogeneous mix of concepts and approaches.

Notwithstanding the great analytic successes of this economics orthodoxy and despite its hegemony in universities across the non-communist world, the stark facts of the interdependence of economic and political phenomena – the variable government role in monetary, fiscal, trade, and industrial affairs, and business’s role in shaping government policy and socio-economic inequality – have stimulated continued research in political economy.

**A fragmented field**

Political economy today is a fragmented field. It is fragmented, first, by the heterogeneity of theoretical traditions, of which the main ones are:
(a) **class-based**, in the form of (i) a Marxist or Marxist inspired tradition, building on scholars such as Ernest Mandel, Michel Aligetta, Giovanni Arrighi, Robert Brenner, Paul Baran, Paul Sweezy, David Gordon, Richard Edwards, and Michael Reich; and (ii) a “post-Keynesian” tradition, in the work of scholars such as Hyman Minsky and James Crotty;

(b) **institutionalist**, which differs from the first mainly by its less economic and more sociological roots, building on Marx but also on Thorstein Veblen, John R. Commons, and Karl Polanyi: some key contemporary scholars in this tradition are Paul Evans, Fred Block, Geoffrey Hodgson, and William Lazonick; this tradition has been particular strong in international political economy and in a growing body of feminist political economy;

(c) **rational choice**, where the “mainstream” economic tradition addresses the political economy domain using its standard tools and concepts, via (i) “public economics” - the study of how government tax and expenditure policies affects individuals and firms, and how a “social-welfare maximizing” policy maker should design these policies; and (ii) “public choice” theory, which extends the *homo economicus* model to politics by assuming that politicians behave in ways that maximize their individual self-interest. The more adventurous edges of this orthodox research have rejoined heterodox political economy’s interest in exploring the origins of institutions and cultures.

**The various uses of political economy in CMS**

As a resource for critical management studies, political economy can be contrasted with several other popular approaches to CMS, most notably those focused on culture and those grounded in phenomenology and symbolic interactionism that give priority to the social construction of shared meanings. Political economy research also differs from some other strands of CMS in its reliance on an epistemology that is more typically critical-realist if not simply positivist.

Political economy figures in CMS in two main ways: (a) as an argument about the importance of the broader, “macro” structures of political economy to the activity within and the behavior of organizations (mainly business organizations), and (b) as the study of the “micro” political-economic structuring of relations within and between organizations themselves.

Concerning the former, macro approach, critical management studies has argued against a long tradition within management studies has sought to assert its independence from the broader fields of sociology, economics, or political economy. CMS researchers have argued that such a conceptual strategy risks naturalizing features of contemporary organizations, making their historically contingent features—most notably their specifically capitalist features—appear inevitable and universal. The CMS critique is exemplified in labor process theory (which I take to be part of the broader CMS field, notwithstanding its opposition to the poststructuralist stands of theory that have been popular within CMS): labor
process theorists have long argued that we miss the essential if we fail to noted the pervasive effect on organizational structure and process of the class antagonism between workers and managers (as representatives of capital within the firm). Marxist political economy has been particularly strongly represented in this line of work (reviewed in Adler 2009; Adler forthcoming). Studies of the mutations in the macro structures of political economy have been linked to changing subjective identities via a number of paths discussed by theorists such as Karl Marx, Norbert Elias, and Jürgen Habermas. We should note too some writing on the political-economic analysis of the emergence of CMS itself (Hassard et al. 2001).

Macro political economy has been also informed critically oriented research on the strategic conduct of firms. Hymer’s Marxist analysis of multinational corporations was a very influential precursor. Marens (2009) discusses a range of Marxist-inspired political economy scholarship and its significance for corporate strategy and structure. Political economy has also informed CMS critiques of corporate claims to social responsibility: see e.g. Banerjee (2009). CMS has to date had little to say about strategic action by organizations (business or advocacy groups) oriented towards the polity and its policies: Jacobs (1999) and Levy (e.g. Levy and Egan 2003) are exceptions.

As concerns the micro perspective on the political economy of organizations themselves, Mayer Zald and J. Kenneth Benson were important precursors for CMS work that aimed to reveal the political stakes of apparently neutral technical/administrative exigencies. Michael Burawoy (1979) argued that the firm should be understood as a political-economic structure with its own internal “state apparatus.” Pfeffer and Salancik’s “resource dependency” theory provides a political-economic theory of interfirm behavior, integrating economic profit and political power considerations in the analysis of corporate board interlocks and other strategic ties: Mark Mizruchi (Mizruchi and Yoo 2002) and Donald Palmer (Palmer and Barber 2001) continue a long tradition of Marxist research that studies the ways these ties reflect and enact macro-level class structures.

Further reading

For overviews of the competing perspectives in political economy, see Caporaso and Levine (1992) and Miller (2008). Ackroyd et al. (2005) provide an overview of various strands of research on work and organizations that are strongly grounded in political economy.
References


