

PHD THESIS SUMMARY:
**Dreaming of Unity: Essays on the History
of New Political Economy**

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This PhD dissertation studies the development and use of economic tools in political research during the period 1950–2000. Many of the scholars examined in this dissertation apply different definitions to the term political economy and its derivatives, as a result of their different research traditions, many of which come into conflict with one another (Almeida 2018). For this reason, I use the label new political economy in this work.

One might say that new political economy arose from the inability of the theory of economic policy to analyze the interests of policymakers, upon ignoring issues of political economy and government failure. This critique was first advanced by public choice theorists and radical political economists; the former used rational choice theory while the latter rejected it. Despite their differences, these groups advocated a return to the approach of classical political economy, where economic and political issues were studied as one. Public choice theorists argue, however, that the classical political economy should be updated with new methods, such as mathematical models and rational choice theory.

Despite recognizing the importance of public choice, one aim of this dissertation is to explore the history of groups that used rational choice theory to study political phenomena without necessarily being affiliated with the public choice movement. Another aim is to understand their relationship with mainstream economics, and, further, to consider the possibilities and challenges for the unification of the social sciences.

The second chapter provides a historical recapitulation of the political business cycle model, one of the most important models of political economy, first formalized by William Nordhaus (1975). Nordhaus' argument was that the business cycle, one of the most important macroeconomic phenomena, might also have its origins in political practices, i.e. through attempts of politicians to manipulate the economy. The political business cycle model failed to become mainstream due to the lack of decisive

empirical support and a failure to meet the demands of the rational expectations program. Nevertheless, the model continued to be relevant and is still studied and updated due to its simplicity and versatility (Franzese and Jusko 2006).

The third chapter deals with the interdisciplinary approach to macroeconomics and political economy labelled new political macroeconomics, portraying it as a separate tradition of public choice, which first started with the political business cycle model. New political macroeconomics presents itself as a way to understand collective decision-making using insights from macroeconomic theory, and de-emphasizing ideological concerns (Drazen 2000; Persson and Tabellini 2000; Alesina, Persson, and Tabellini 2006). Although there is overlap in research topics, the new political macroeconomists do not consider themselves part of the public choice movement (Sayer 2000), thus they do not participate in the networks of the public choice movement—though, this attitude has been deemed harmful by public choice scholars (Padovano 2004; Blankart, and Koester 2006; Mueller 2015). As such, the chapter tries to understand why new political macroeconomists choose to distance themselves from the public choice movement. I argue that this happens due to (i) fundamental differences in method, and (ii) the regular conflation of public choice theory with the libertarian Virginia tradition. This overlapping of themes, however, allows for new political macroeconomics to be considered a separate tradition of public choice.

The fourth chapter investigates how Douglass North's ideas about political economy evolved, given that new institutional economics is an important component of the new political economy. From his early contributions to new economic history (North 1961; Sutch 1982), North understood the importance of history in economic analysis. The cliometrics approach did not yield good results, in his opinion, which led him to pursue institutional analysis (North 1981, 1990). He resorted to both Marxism and public choice to inform his views on political economy and claimed to remain in the middle of these two extremes (North 1986). In the 1980s, North worked with political scientists, economists, and other social scientists at the Center in Political Economy at the Washington University in St. Louis, from where he could influence both economics and political science into adopting an interdisciplinary approach with a focus on economic theory.

The fifth chapter studies the work of Albert O. Hirschman in political economy. Though he was not affiliated with any school or tradition, he

was also dissatisfied with how mainstream economics treated political economy, and criticized rational choice theory. At first, he tried to establish a dialogue with them, through the exit-voice-loyalty framework, which distinguished action into two conceptual types: ‘exit’, which concerns the changing of preferences, and ‘voice’, which concerns the struggle to make changes (Hirschman 1970).

While exit-voice-loyalty became one of the most cited frameworks for the analysis of social interaction, it had little influence upon economists. Hirschman saw the incompatibility between his approach and rational choice-based political economy and thus worked on his own version of political economics, through ‘trespassing’ disciplines (Hirschman 1981). In so doing, he focused on the political economy of citizenship, which he envisioned as an alternative to rational choice-based theories (Hirschman 1977, 1991, [1982] 2002).

The sixth and final chapter covers issues of interdisciplinarity and ideology. Regarding interdisciplinarity, I evaluate whether new political economy has the capacity of opening the way to greater cooperation, i.e. to a theory of everything in the social sciences, or if it is rather just another example of economics imperialism. The ideology issue refers to the observation that many of the scholars mentioned here refused to identify with the label ‘public choice’ due to ideological concerns, an aspect denied by the latter movement’s supporters. I argue this is a credible charge, especially due to biased practices in research on the history of public choice. I finish the chapter by discussing the presence of ideology in political economy itself. The dissertation concludes with a reaffirmation of the vastness of new political economy and a reflection on its contributions and ambitions. The new political economy proposes an integrated approach in which the boundaries between disciplines within the social sciences do not stand in the way of a free exchange of ideas, methods, and insights. There are however important obstacles to overcome, and unity remains a dream.

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