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Editorial

A general view on political economy

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EDITORIAL NOTE

The study of production and trade, as well as its relationships with law, custom, and government, as well as the distribution of national income and wealth, is known as political economy. In everyday speech, "political economy" refers to economists' advice to the government or the general public on general economic policy or specific economic ideas created by political scientists. A rapidly growing mainstream literature from the 1970s has expanded beyond the model of economic policy in which planners maximize utility of a representative individual toward examining how political forces affect the choice of economic policies, especially as to distributional conflicts and political institutions.

Political economy is an interdisciplinary field that combines economics, sociology, and political science to explain how political institutions, the political environment, and the economic system—capitalist, socialist, communist, or mixed—influence one another. A micro foundations theory is public choice theory. Micro foundations are an attempt to comprehend macroeconomic processes through the behaviours and interactions of economic players. Micro foundations research looks at the relationship between macroeconomic and microeconomic principles in order to better understand macroeconomic models' aggregate relationships. Macroeconomists have tried to incorporate microeconomic models of individual behaviour to infer correlations between macroeconomic factors in recent decades. Many macroeconomic models, representing various ideas, are currently derived by combining microeconomic models, allowing economists to test them using both macroeconomic and microeconomic data. Because Micro foundations theory and political economy are so closely linked, both approaches model voters, politicians, and bureaucrats as primarily self-interested, in contrast to earlier mainstream economists' views of government officials attempting to maximise individual utility from some kind of social welfare function. As a result, economists and political scientists frequently associate political economy with approaches based on rational-choice assumptions, particularly in game theory and in studies of phenomena outside of economics' traditional scope, such as government failure and complex decision-making, where the term "positive political economy" is commonly used. Economic regulation, monopoly, rent-seeking, market protection, institutional corruption, and distributional politics are examples of "classic" public policy subjects. The impact of elections on economic policy, the drivers and forecasting models of electoral outcomes, political business cycles, central bank independence, and the politics of unsustainable deficits are all examples of empirical study. Modeling economic policy and political institutions in terms of interactions between agents and economic and political institutions, including the apparent discrepancy between economic policy and economist's recommendations through the lens of transaction costs, has received a lot of attention recently. Since the mid-1990s, the area has grown, assisted in part by new cross-national data sets that allow ideas about comparative economic systems and institutions to be tested. The importance of institutions, backwardness, reform, and transition economies, the role of culture, ethnicity, and gender in explaining economic outcomes, macroeconomic policy, the environment, fairness, and the relation of constitutions to economic policy have all been discussed, both theoretically and empirically. An anthropologist, a sociologist, or a geographer may use a political economy method to describe political or economic regimes that form primarily at the level of states or regional government, but also inside smaller social groups and social networks.

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