



# Comparative Perspectives; Mainstream Economics and Political Economy

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## Abstract

The fields of political economy and mainstream economics are essential because they provide opposing viewpoints on economic theory and policy formulation. The focus of mainstream economics is on individual rationality and market efficiency, but political economy adds depth to our understanding by integrating institutional dynamics and socio-political contexts into economic analysis. Crafting comprehensive economic policies that strike a balance between equity and efficiency is crucial for promoting sustainable development and improving global societal welfare. This requires integrating insights from both fields. This paper aims to Compare the Mainstream Economics and Political Economy Perspectives. The results found that the comparative analysis of political economy and mainstream economics advances economic theory and policy-making by highlighting the limitations of market-centric approaches and advocating for a broader consideration of institutional structures and historical contexts. This approach underscores the importance of integrating insights from both disciplines to develop more effective economic policies that address both efficiency and equity concerns while promoting sustainable development and societal well-being on a global scale. In conclusion, the comparison of mainstream economics and political economy highlights the need to go beyond purely market-driven approaches. Policymakers can better address economic challenges with a comprehensive approach that balances efficiency, equity, and sustainability by integrating insights from both disciplines. This will ensure that policies are firmly rooted in strong institutional frameworks and historical understanding to improve societal welfare on a global scale.

**Keywords:** Comparative Perspectives; Mainstream Economics; Political Economy

## Introduction

Research gaps in the comparative perspectives of political economy and mainstream economics point to several important areas that require more study. First off,

political economy challenges the tenets of mainstream economics by emphasizing the power structures, institutional configurations, and historical settings that influence economic outcomes Blyth M & Soskice D, et al. [1,2]. Mainstream economics places a strong emphasis

on individual rationality and market efficiency. Empirical research that systematically compares the performance of policies derived from these various perspectives in accomplishing economic objectives like growth, equity, and sustainability is still needed [3].

Second, there are opportunities for more in-depth research due to the methodological distinctions between political economy and mainstream economics. Political economy uses interdisciplinary approaches that draw from sociology, history, and political science, while mainstream economics heavily relies on mathematical modeling and deductive reasoning Stiglitz JE [4]. Scholarly investigation may delve into how these methodological decisions impact the presentation of economic concerns, policy suggestions, and their execution in various socio-political environments. Furthermore, there is a lack of knowledge regarding the real-world effects of incorporating political economy and mainstream economics ideas into frameworks for formulating policy. Political economy challenges the tenets of conventional economics, but it also acknowledges that concerns about social justice and distribution must be taken into account in addition to economic efficiency Blyth M [1]. Future studies should look into how combining insights from both viewpoints to create hybrid approaches could result in more sustainable and effective economic policies, especially when it comes to tackling today's pressing global issues like income inequality, climate change, and technological disruption Oatley T [3]. Thus, this highlights the necessity for empirical studies that examine the different theoretical underpinnings, methodological philosophies, and real-world policy implications of political economy and mainstream economics. Closing this gap could help advance a more sophisticated knowledge of economic theory and policy-making, increasing the likelihood of inclusive and sustainable economic frameworks being developed on a global scale. This paper aims to Compare the Mainstream Economics and Political Economy Perspectives.

### Perspectives of Mainstream Economics and Political Economy

Comparative viewpoints from political economy and mainstream economics offer important insights into divergent methods of comprehending economic phenomena and suggesting courses of action. Based on neoclassical ideas, mainstream economics prioritizes individual rationality, market efficiency, and the competitive market-based distribution of limited resources Mankiw NG [5]. This method, which focuses on maximizing producer and consumer welfare in times of scarcity, employs mathematical models to examine economic behavior and results [4].

Political economy, on the other hand, combines social and political analysis with economic analysis to investigate how institutions, societal structures, and power dynamics influence economic outcomes Oatley T [3]. By claiming that institutional structures, historical settings, and distributional conflicts all have an impact on economic decisions, political economy challenges the tenets of mainstream economics Blyth M [1]. It highlights how historical circumstances, social norms, and government action shape economic outcomes and policies [2].

Moreover, mainstream economics frequently promotes limited government intervention and highlights the benefits of free markets, prioritizing efficiency and equilibrium as primary objectives [5].

Political economy, on the other hand, challenges the idea of equilibrium and contends that power dynamics and institutional change constantly shape economic systems Oatley T [3]. This viewpoint emphasizes how crucial it is to comprehend how social forces, political choices, and economic processes interact to affect distributional outcomes and the welfare of society [1].

Furthermore, there are substantial differences between the methods used by political economy and mainstream economics. To develop theories and test hypotheses, mainstream economics mainly relies on mathematical modeling and deductive reasoning Stiglitz JE [4]. Political economy, on the other hand, takes a more interdisciplinary approach, analyzing economic phenomena within larger social contexts by incorporating knowledge from political science, sociology, and history Hall PA, et al. [2]. Political economy can investigate the intricate relationships among political processes, institutional frameworks, and economic behavior that impact policy outcomes because of this methodological diversity.

In critical terms, the comparative analysis of political economy and mainstream economics advances our knowledge of economic theory and public policy. It draws attention to the shortcomings of exclusively market-based strategies while highlighting the significance of institutional analysis, power relationships, and historical background in influencing policy decisions and economic results [1].

Policymakers can create more effective strategies that address distributional equity and efficiency issues while also promoting sustainable economic development and societal well-being by combining insights from both viewpoints.

Mainstream Economics (Neoclassical Economics)	Political Economy	Comparison and Critique
<p>Roots and Principles: Mainstream economics, rooted in neoclassical principles, emphasizes market efficiency, individual rationality, and the allocation of scarce resources through competitive markets [5].</p>	<p>Integration of Factors: Political economy integrates economic analysis with political and social factors to explore how power dynamics, institutions, and societal structures shape economic outcomes [3].</p>	<p>Goals and Perspectives: Mainstream economics focuses on market efficiency and individual rationality, advocating for minimal government intervention, while political economy critiques these assumptions, emphasizing power dynamics, institutional frameworks, and historical context in shaping economic outcomes [1,2].</p>
<p>Goals and Focus: It prioritizes efficiency and equilibrium as central goals, often advocating for minimal government intervention and emphasizing the virtues of free markets [5].</p>	<p>Critique and Alternative View: It critiques the assumptions of mainstream economics, arguing that economic decisions are influenced by distributional conflicts, institutional arrangements, and historical contexts [1].</p>	<p>Methodological Differences: Mainstream economics relies on deductive reasoning and mathematical models, whereas political economy employs interdisciplinary methods to explore complex interactions between economic behavior, institutions, and political processes [3,4].</p>
<p>Methodology: Mainstream economics relies heavily on deductive reasoning and mathematical modeling to develop theories and test hypotheses [4].</p>	<p>Methodology: Political economy adopts a more interdisciplinary approach, drawing insights from history, sociology, and political science to analyze economic phenomena within broader social contexts [2].</p>	

**Table 1:** Comparison of Mainstream Economics and Political Economy.

## Criticize

The theoretical underpinnings, methodological philosophies, and policy implications of political economy and mainstream economics differ significantly, as shown by the comparative viewpoints between the two fields. Based on neoclassical principles, mainstream economics stresses individual rationality, market efficiency, and the role of competitive markets in resource allocation Mankiw NG [5]. Political economy, on the other hand, integrates social, political, and historical elements into its analysis of economic phenomena, challenging the limited focus of mainstream economics [1,2].

The significance of comprehending power dynamics, institutional frameworks, and distributional effects in influencing economic outcomes and policy decisions is emphasized by this critical approach [3].

Furthermore, the methodological distinctions between these two viewpoints shed light on the framing and treatment of economic issues. To develop theories and test hypotheses, mainstream economics mainly relies on mathematical modeling and deductive reasoning Stiglitz JE [4]. On the other hand, political economy uses interdisciplinary approaches

to examine economic behavior in larger socio-political contexts by referencing sociology, political science, and history Hall PA, et al. [2]. Creating a bridge between these methodological approaches could improve economic analysis by strengthening the robustness of policy recommendations and integrating insights from various disciplines.

## Advantage Recommendation

To further research and practice in comparative perspectives between mainstream economics and political economy, several recommendations are made.

First, to achieve economic objectives like growth, equity, and sustainability, empirical research that systematically compares the efficacy of policies derived from both perspectives is required. These studies ought to take into account how various institutional configurations and historical backgrounds affect the results of policy [3].

Second, Subsequent studies ought to investigate mixed methodologies that incorporate perspectives from political economy and mainstream economics. Policymakers can create more inclusive and sustainable economic frameworks by fusing institutional analyses, distributional equity

concerns, and economic efficiency considerations Blyth M [1]. This strategy may be more successful in addressing today's pressing global issues, such as income inequality, environmental degradation, and technological disruption.

Third, the advancement of knowledge in this area depends on interdisciplinary partnerships between economists, political scientists, sociologists, and historians. Researchers can create thorough frameworks that capture the intricate relationships between institutional dynamics, political processes, and economic behavior by encouraging cross-disciplinary communication and collaboration [2].

Fourth, it is important to encourage practitioners and policymakers to think about how economic policies will affect society as a whole. This entails assessing policy decisions' long-term sustainability, social equity concerns, distributional effects, and economic efficiency Stiglitz JE [4]. Through the implementation of a comprehensive strategy for formulating policies that incorporate knowledge from political economy and mainstream economics, governments can foster more robust and equitable economic growth.

In conclusion, the comparative viewpoints of political economy and mainstream economics provide important insights into the nuances of economic theory and policy-making. Through the implementation of suggested recommendations and the resolution of identified research gaps, scholars and policymakers can make a valuable contribution to the advancement of economic knowledge and the promotion of more equitable, sustainable, and effective

economic policies on a global scale.

### Further Research Recommendation

To further research and practice in comparative perspectives between mainstream economics and political economy, several recommendations are made. First, to achieve economic objectives like growth, equity, and sustainability, empirical research that systematically compares the efficacy of policies derived from both perspectives is required. These studies ought to take into account how various institutional configurations and historical backgrounds affect the results of policy.

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