

A Theoretical Examination of the Perspectives on Political Economy

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ABSTRACT In this joint work, we discussed the mercantilist, liberal and Marxist frameworks in political economy, pointing out the peculiar features of each approach. In conclusion, we contend that political economy involves a reciprocal relationship, whereby politics determines the framework of activities, on the one hand, and economic processes transform the power relationship among groups, on the other.

INTRODUCTION

One of the prevailing norms in contemporary Social Sciences is its division into various specialized disciplines each of which supposedly focuses on different aspects of social life. This seemingly watertight compartmentalisation tends to suggest the non-relatedness of varying aspects of our society the issues of which form the core of the social sciences disciplines.

This autonomy in the social sciences was engendered and facilitated in part by the need of western societies to focus attention on the maintenance of the prevailing social order (at the expense of societal change) and the emergence and dominance of behaviouralism. Although, a cursory look tend to creat this "illusion" of autonomy, the close relationship among the various aspects of social life appears to have gone beyond disputation but then, the extent of interrelationship is continuously open to questioning.

Particularly, the interplay of the forces of economics and politics in social life has been a great subject of intellectual discourse among scholars dating back to several centuries. Political economy has its origin in the mercantilist though. Later Mercantilism was largely superseded by the liberal school while Marxist political economy was the last of the three to emerge.

The discussional analysis of the above three traditions: "Mercantilist Political Economy" "Liberal Political Economy" and "Marxist

Political Economy" forms the central core of this paper. And we are not unconscious of certain classification of political economy as an approach by some theorists such as the division into the "liberal approach". The "world system perspective" and "Marxist approach" (Aina, 1986:1). Both the Marxist approach and world system perspective belong to the radical approach and are similar in some important respects.

We believe that for this paper, our classification which is representative of the major broad thoughts in the evolution of political economy –is quite apposite And, because of the need to bring out class analysis in this paper, we will undertake a detailed exegesis of Marxist political economy. For the purposes of lucidity, clarity and logicity this paper is divided into four sections. Section one deals with the introduction, Section II deals with the subject matter of political economy while section II encapsulates the analysis of the contending views on political economy. More precisely in this section we shall examine mercantilism, liberalism and Marxism in relation to political economy. The final section concludes the paper.

WHAT IS POLITICAL ECONOMY?

Prior to the beginning of this century analysis of politics and economics were carried out jointly rather than as separate entities. Indeed as has been remarked by Frieden and Lake, until a century ago virtually all thinkers concerned with understanding human society wrote about political economy (Frieden and Lake, 1995:2). Although the beginning of this century witnessed the attenuation of political economy among scholars, the second half of the century has experienced a resurgence of emphasis on political economy. The increasing redirection of attention to political economy has been occasioned by the appreciation of the fact that the understanding of social processes are not furthered by the isolated study of politics and

economics as separate realms.

Political economy has come to assume various forms or meanings. As noted by Frieden and Lake:

"For some, it (political economy) refers primarily to the study of the political basis of economic actions, the way in which government policies affect market operations. For others, the principal preoccupation is the economic basis of political action, the ways in which economic forces mold government policies" (Ibid: 1)

Regardless of the meaning it assume, political economy is a recognition of the need to properly study the interaction of politics and economy for a better understanding of society. It is concerned with the role of government in and the implication of government's intervention in the economy of the state. Within these parameters political economists have also addressed themselves to prescription of policies on issues that fall within the purview of political economy. And the contributions of various schools of thought in this area have been concerned with these issues.

There are two ways or senses in which political economy can be construed or understood. First political economy as an approach or mode of analysis and second political economy as the context in which the various socio-economic activities of production distribution, consumption and the relationships such as those of exploitation and domination operate (Aina, 1986: 11).

As an approach or mode of analysis political economy provides us a method of analyzing society or specific aspects of it in which primacy is assigned to material conditions (economic factors). The analysis of the substructure and individuals position in it – serves as a basis for the explanation and understanding of other aspects of social life, that is the superstructure which encapsulates politics, religion, culture among others.

As we remarked above, the second sense in which political economy can be understood is "a context within which the various socio-economic activities take place. It is in this sense that Leontyev defines political economy as: *the science that deals with the laws governing the production and distribution of the material means of subsistence in human society at various states of its development. Its subject matter is the social structures of production*

(Leontyev, 1972:7).

Political economy in this sense enables us to focus our study on the activities of production, distribution and consumption and the relationships the patterns generate at various stages in the historical development of human society.

In this section we have attempted to provide answer to the question what is political economy? Having done this we shall in the next section discuss the three contending views of political economy that have arisen in the evolution of the discipline.

CONTENDING VIEWS

The genesis of political economy can be safely traced to the era of mercantilism². The term "political economy" was first used by Antoine de Monchrestien (1575-1621) in his book entitled *Traite l'economies politique*-i.e. *Treatis on political economy* (Onimode, 1985, 25). Over time mercantilist political economy was more or less superseded by liberal political economy which has equally been challenged by the tenets of Marxism explainable in Marxist Political Economy. A critical explication of these is the crux of this section.

MERCANTILISM

Mercantilism derives its name from its emphasis on trade most especially international trade. Mercantilism with became popular and dominant from the sixteenth to the middle of the eighteenth century in some European countries such as Britain, Spain, France and the Netherland, holds that the most important way for a nation to become rich and powerful was to export more than it imported (Salvatore, 19: 1). Thus the mercantilists advocate the stimulation of exports and the restriction of imports as a way of enhancing the wealth and power of the state.

The state is the basic unit of analysis. Its wealth, power and prestige vis-à-vis other states form the major concern of mercantilist. Thus the mercantilist holds an organic view of the state, the whole is greater or more important than its parts. It subscribes to and espouses the political determination of economic relation. The protectionist thrust of the mercantilist is predicated on the need to minimize dependence on foreign sources of goods since foreign

sources might prove in accessible n times of war and the need to check unemployment since in boosting export employment is generated.

While mercantilism has been given such labels as “economic nationalism”, “protectionism” or the “doctrine of the German historical school” with minor variations in their detailed forms, the essence of the mercantilist perspective is the subservience of the economy to the state and its interest (Gilpin, Robert, 1992: 240). In its polemic, the mercantilist holds further that economic relations is conflictual and essential a zero-sum game.

The mercantilist school embraces such individuals as Jean Baptiste Golber and Friedrich List, mercantilism was later supplanted by Liberal Political Economy (discussed in the next subsection). It will be wrong however to consider mercantilism obsolete ipso facto. Indeed the mercantilists have made useful contribution to political economy. These contributions rest not only in providing a basis of reasoning for subsequent theorists (or some of them) in the discipline but also its prescriptions serve as policy option to government even in modern world.

LIBERAL (BOURGEOIS) POLITICAL ECONOMY

The central thesis of liberal political economy is freedom, both individual freedom and market freedom which results in social harmony and maximization of social welfare. Adam Smith, a pioneer of Liberal Political Economy, elaborates on this in his work. “An inquiry into the Nature and causes of wealth of Nations” published in 1776. Also belonging to this school of thought are such heavy weights as Thomas Malthus and David Ricardo. The latter’s work “the Principles of Political Economy and Taxation” 1817 contains major contributions to bourgeois political economy.

The identification of classical economics with political economy is based on its concern with the growth and development of an economic system, the factors both socio-economic and political which impede or facilitate this growth and the relationships and benefits of this process of growth to different social groups and collectivities with in the system (Aina op cit. P2). In essence it appreciates the interrelatedness of the various aspects of human life and carries out its task in recognition of this integrated

whole. To this end it is apposite to talk of liberal or bourgeois political economy.

As we have noted above liberals are advocates of individual and market freedom. Freedom, liberals posit, will ensure not only social harmony but also the maximization of social welfare. Aptly describing liberals position, Frieden and Lake (op. cit: 10) asserts that:

The liberal argument emphasizes how both the market and politics are environments in which all can be made better off by entering into voluntary exchanges with others. If there are no impediments to trade among individuals... everyone can be made as well off as possible... All participants in the market, in other words will be at their highest possible level of utility.

Underlying liberal political economy is the notion that freedom will culminate in the attainment of highest possible welfare. A free market relieved of all factors of monopolistic tendencies, it is thought, would in the long run at least serve the interest of all alike and therefore the greatest good of the greatest number. In addition to freedom however the liberals also assumes the “rationality” and “egoism” of individuals for creating such harmony and maximum welfare.

Laissez Faire, by way of emphasis, constitutes the hob around which the tenants of liberal political economy revolves. The self-regulating economy advocated by liberal leaves a minimal role to the government (Sabine, 1973: 629). Adam Smith in his work (already cited) contends that the role of the state should be limited to providing law and order - that is creating necessary conducive ambience for market competition. For Smith, any further state intervention would “prove inefficient at best, oppressive at worst”. This explains why the liberal gives primacy to economics and the production of wealth in the organization of society. From the foregoing, it can be seen that liberals believe in the relative separability and autonomy of political and economic spheres of activities.

While liberal school of thought’s contribution to political economy cannot be wished away, it nevertheless suffers some weaknesses which have elicited several criticisms. The major critic, contrasting and contending view of liberal political economy is the Marxist political economy. Indeed, Karl Marx, the foremost exponent of this school, takes as his point of departure the critique of bourgeois political

economy.

MARXIST POLITICAL ECONOMY

Writers of the radical (critical) political economy³ have often taken as a point of departure a critique of bourgeois economics either in its classical or contemporary form or both. Some of these criticisms border on the incogruence between the assumptions explanations ad predictions of bourgeois economics and the observed reality as well as the “false” presentation of capitalism as a permanent rather than a passing stage of development of human society”. (Onimode, 1985:2).

Indeed the permanence –status attributed to capitalism by liberals is one of the fundamental differences between Marxists and liberal. Elucidating on this position Joan Robinson (1964:1-2) observes that: the

Fundamental difference between Marxian and traditional orthodox economics are first, that orthodox economist accept the capitalist system as part of the eternal order of nature while Marx regards it as a passing phase in the transition from the feudal economy of the past to the socialist economy of the future. And second that the orthodox economists argue in terms of a harmony of interest between the various sections of the community while Marx conceives of economic life in terms of a conflict of interest between owners of property who do not work and workers who own no property (Robinson, 1964 p 1-2)⁴.

She also differentiated these two in terms of their purpose that is, the motivating factor “the orthodox economist” she contends identified themselves with the system and assumed the role of its apologist while Marx set himself to understand the working of capitalism in order to hasten its overthrow” (Ibid). These positions of liberal political economists have been a veritable source of its criticism by Marxist.

In his critique of bourgeois political economy Friedrich Engels – a contemporary of Karl Marx who indeed worked closely with Marx and also contributed immensely to Marxist political economy – Contends that:

It did not occur to (bourgeois) economics to question the validity of private property. Therefore the new economics was only half an advance. It was obliged to betray and to disavow its own premises, to have recourse to sophistry

and hypocrisy so as to cover up the contradictions in which it became entangled. (Engels, 1976: 198).

Marxist political economy – just like Marxism in general came into being with the writings of Karl Marx. Marx who witnessed the appalling and despicable living condition visited on the working class by capitalism debunked the essential postulates of bourgeois political economy. For Marx laissez faire espoused by bourgeois political economists creates nothing but extremes of wealth for capitalists and poverty for workers. Marx rejected the assertion by liberals that exchange between individuals necessarily maximizes the welfare of the whole society. He sees capitalism as an inherently conflictual system that should and would be inevitably overthrown and replaced by socialism (Frieden and Lake, op. cit. P. 11).

Marx theory of political economy cannot be fully grasped in isolation of his theories of history and sociology. The dialectical method of Marxist political economy grew and flourished from Marx’s dialectical and historical materialism. Thus, Marxist political economy is better understood within the context of his overall social theory.

The notion of “dialectical process” was borrowed by Marx from Hegel’s philosophy. For both Hegel and Marx the dialectical process has three phases; First the “Thesis” which produces an entity opposed to it, the “antithesis” (that is the second phase). The conflict between these two i.e. the thesis and the antithesis result in a “synthesis”. This synthesis unify the two opposing entities in a higher unity and itself becomes a “thesis” setting in motion a new stage of the dialectical process (see introduction to “The Communist Manifesto, Marx and Engles edited by Samel H. Beer).

While Hegel relates the dialectical process to the mind or ideas (hence dialectical idealism) Marx relates it to matter (hence dialectical materialism). For Marx matter is primary while consciousness is secondary. There is also the concept of “historical materialism” which is also known as the materialist interpretation of history in Marxist theory. Distinguishing between these two Onimode Stresses that while “dialectical materialism” deals more generally with nature and its laws of motion “historical materialism deals more specifically with the general laws of development of human society (Onimode op. cit., p. 28). In more specific terms the application

of dialectics to matter is called dialectical materialism while its application to social relations is known as historical materialism.

Historical materialism plays a pivotal role in Marxist analysis. It serves as the analytical tool for explaining societal changes. For Karl Marx, the moving force in a society consists of the forces and relations of production: any explanation of historical changes must focus on the changes in the means of production and changes in these relations between men as they are involved in the means of production. Marx in the preface to "A contribution to critique of political economy" affirm that the material condition of men cause changes in ideas and not vice versa. According to him, the economic substructure of a society (that is the forces and relation of production) is basic and this determines the rest of the institutional order – that is the political, legal, educational, religion, etc. of life which altogether constitute the superstructure of society. In Marx's own words: *In the social production of their life, men enter into definite relations that are in-dispensable and independent of their will, relations of production which correspond to a definite stage of development of their material productive forces. The sum total of these relations of production constitute the economic structure of society, the real foundation, on which rises a legal and political superstructure and to which correspond definite forms of social consciousness. The mode of production of material life conditions the social, political and intellectual life process in general. It is not the consciousness of men that determines their being, but on the contrary, their social being that determines their consciousness (Marx, 1979:137-8)*

Marx also believes that classes are the dominant actor in political economy. The society is dichotomized into two broad aggregates of individuals known as classes. These class are the dominant class and the dominated class. Membership of these group is determined by the individual's position in the relations of and ownership of the means of production. The relationship between these classes is that of antagonism. Hence Marx sees the political economy as necessarily conflictual. This is clearly antithetical to the liberal postulates of social harmony which we discussed earlier on.

Marx classifies the formation and development of societies into different phases. The

metamorphosis into different phases or stages of societal development market by a distinct mode of production is a consequence of the dialectical process: the mechanism of thesis – antithesis – synthesis. Marx refers to the existing mode of production in a particular stage of historical development as thesis". The opposing productive forces which emerge within it is the "antithesis" while the resulting mode from the conflict of these two is the "synthesis" which is a new and more productive economy.

An enunciation and explication of the modes of production which different societies have passed or may pass were undertaken by Marx sometimes in conjunction with Engels, in several of his/their works such as "The Economic and Philosophic Manuscripts" 1844 "The Germany Ideology" (1845-46) "Capital" and Economic Manuscript (1857-1859) among others (Marx, 1979: 20-27) From these, Marx's periodisation of history by modes of production can be classified into five stages viz. primitive/communal, slave, feudal, capitalism, socialism and communism.

Before explaining these mode of production we like to mention that Marx also wrote on the "Asiatic mode". However the Asiatic mode of production has been an object of controversy among Marxists some of who classify the ancient Asiatic societies as either slave-owning or feudal (Ibid p. 27)

PRIMITIVE SOCIETY

This society marked the beginning of human society. Production in this type of society was based on cooperation and collective efforts on the basis of family or clan. There was an absence of private property as property was communally owned. Common ownership of labour and land in this type of society made exploitation impossible. Natural Division of labour was based on sex and age which represented the only social distinction. The emergence and accentuation of specialization in different spheres of production (cattle rearing, hunting etc) by communities and individuals i.e. social division of labour and the gradual appropriation of communal property by tribal chiefs led to the development of class society.

SLAVE SOCIETY

This society arose when prisoners of war rather than killed or set free were turned into

slaves. Slavery represents the oldest and most obvious form of exploitation. Slaves were the principal means of production. The fruits of which were appropriated by the slave-owners who were the exploiters and the slaves who constituted the exploited. Slaves were nothing but property to the owner who possessed unlimited power over them.

Certain contradictions in the slave mode of production led to its demise. The need to increase production by increasing the number of slaves engendered constant wars. Also the peasants (free small producers who did not own slaves) were being increasingly marginalised by the expansion of the slave mode of production.

The combination of these and other contradictions necessitated the allocation of plots of land to peasants and later slaves resulting in another mode of production.

THE FEUDAL SYSTEM

The basic feature of feudalism is that it was a system in which landowners (the lords or feudals) allocated plots of land to individual serfs who in turn paid rents to the landowners either in form of services (corvee) or money. In this way surplus labour was extracted from the serfs by the land owners. These two sets constituted the two classes under the feudal system.

The collapse of feudalism was occasioned by certain forces. With the growth and expansion of community exchange and production techniques particularly in urban craft, the natural economy was undermined by the exchange whose growth was concomitantly erosive of the foundations of the feudal mode of production. (Leontyev, Op cit p. 31). As division of labour increased the economy increasingly went beyond the control of the lords.

Furthermore the emergence of commutation, that is exchange of monetary payment for feudal labour rent which united peasants to the land, marked the beginning of the "proletarianisation" of the peasantry in the feudal mode (Omimode, op. cit. p. 54). These factors coupled with the increasing restiveness of the serfs were some of the social forces that brought about the collapse of the feudal mode.

CAPITALIST MODE OF PRODUCTION

This is the mode of production that dominates the contemporary world. Capitalist society has

sprouted from the ruins of feudal society (Marx and Engel, 1955:10). The contradictions some of which have been mentioned earlier generated in the feudal mode culminated in the emergence of the capitalist mode.

This mode is polarized into two major classes – those who possess means of production and those who do not have the means of production. These are otherwise referred to as bourgeoisie and the proletariat respectively. The few bourgeoisie monopolise means of production while the proletariat in order to survive sell their labor-power to them. These two aggregates represent conflicting classes in the capitalist society. Stressing this position Marx and Engels posit that:

Society as a whole is more and more splitting up into two great hostile camps, into two great classes directly facing each other – bourgeoisie and proletariat (Marx and Engels: Ibid p. 10).

Marx believes that the contradictions inherent in capitalism will result in its inevitable end. Indeed he argues that capitalism will be superseded by a higher mode of production – the socialist mode. In his capital (Marx, 1955) he summarises the main principles of the economic law of motion of modern society – capitalist society.

Before we turn to discuss the mode of exploitation and force of contradiction in the capitalist mode as articulated by Marxists we consider it expedient to discuss some of the important elements in Marxist political economy such as the labour theory of value and some other concepts, the understanding of which in our opinion will ensure a better grasp of Marxist analysis.

Marx views capitalist mode of production as a system in which the means of production are monopolized by few individuals. By "means of production" is meant the "objects of labour" and the "means of labour" which are in turn defined as follows. The objects of labour are those things upon which labour power is applied. They can be objects of nature such as mineral resources (coal, oil etc) and land. The means of labour refers to the instruments used by man in the production process, examples include machines, machetes and factory building, they are things which aid man to act upon and transform the object of his labour. Instrument of labour can be viewed as the extension of man's natural organs-his hands, legs and brain.

The object of labour and the means of labour

represents two of the three main elements subsumed under the labour process. The third is labour itself where labour is conceptualised as a purposeful activity geared toward the attainment of pre-conceived goals. In the creation of wealth these three elements are present.

We have pointed out that the interaction or marriage of the object of labour and means of labour gives rise to means of production. When “labour-power” in combined with the means of production we have “productive forces” which is the expression of the total productive capabilities of the society.

Marx points out that production is social; when people engage in production, this is not done separately but rather they are interrelated. Regardless of the stage of historical development production is always social. Even in the primitive society cooperation existed. For Marx production outside society is meaningless. Relations which arise between people in the course of production is referred to be Marx as “Relations of production”. The most important relations in the capitalist society are those between the bourgeoisie and the proletariat.

In the course of this paper we have referred intermittently to mode of production. What is “mode of production”? the mode of production which is also known as the economic system is the combination of the forces of production and relations of production. In Marx analysis the economic system (the substructure of the society) is very important as it is taken to determine other aspects of social life which constitute the superstructure (i.e. the political, juridical, ideological and cultural institutions).

The substructure and superstructure (both of which we have already defined above taken together constitute the socio-economic formation.

Central to Marx analysis is the labour theory of value. Before his elaboration, Marx gave a critique of the theory of value as espoused by Ricardo (for criticism see Onimode, Op. Cit. pp. 68-70). Ricardo himself was influenced by John Locke who in espousing similar theory defended the institution of private property with his polemic that man was entitled to own anything into which he had put his own labour (Balinky, 1970, pp. 55-56).

Ricardo's theory that the value of a commodity lies simply in its power to command other commodities in exchange for itself; a power which in turn is determined by the relative labour

contents involved. Marx sees the value of a commodity as consisting of some elements (which he identifies as labour) intrinsic to it, something that exist independently of that commodity's power to command all other things in exchange for itself. Marx queries why any share of the value due to its labour content (Ibid).

CAPITAL ACCUMULATION AND EXPLOITATION UNDER THE CAPITALIST MODE OF PRODUCTION

Marx believes that the sources of the capital which is accumulated by the capitalist is the “surplus value”. Capital accumulation is the addition of part of surplus value to capital. Surplus value is generated through the following process. The few who possess the means of production employs labour to work for them. The mass of the people sell their labour to the capitalist since they do not own the means of production. Out of the value of the commodity produced by workers the capitalist pay them wages (necessary for their – subsistence wage) but the capitalist appropriate the rest of the value of the product. The difference between the value (price) of the product created by workers and the value (wages) they receive is “surplusvalue”.

According to Marx the driving force of capitalist mode of production is the production of surplus value and its appropriation by the capitalist. Part of the surplus value appropriated by the capitalist is constantly used in expanding production through reinvestment. This process is known as “circulation of capital”. Driven by the motive for profit and accumulation the capitalist intensify his exploitation of workers and also develop and adopt more efficient means of production. Marx uses the concepts of variable capital and constant capital in explaining the exploitative relations between capitalist and workers.

“Constant capital” is used to describe the capitalist investment in the means of factors of production such as machinery, factory building, raw materials and fuel. They are constant capital in that the magnitude of their value remain unchanged through the production process. “Variable capital” on the other hand, refers to the part of the capital used by capitalist to purchase labour power, this is indicative of the fact that the capital spent in employing workers increase in magnitude in the production process hence it is “variable” capital. The ratio of

constant to variable capital is known as the "organic composition of capital". The ratio of the surplus value to variable capital is called the rate of surplus value.

The capitalist intensifies exploitation of workers the inequality generated by the highly skewed income distribution widens and this exploitation and domination is reproduced in the superstructure of the society.

CONTRADICTION INHERENT IN THE CAPITALIST MODE OF PRODUCTION, ITS COLLAPSE AND SUPPLANTMENT BY SOCIALISM

Marxists are of the opinion that the contradictions and crisis which are present in capitalism will ultimately engender its overthrow and supplantment by communism via socialism.

Capitalism is characterized by a tendency towards contradiction of production and lower rate of profit. As capitalism develops the organic composition of capital increases, in other words as production expands the part of capital invested in constant capital expand rapidly in contrast to the share of variable capital. Since surplus value emanates from variable capital this implies a limitation in the ability of the capitalist to expand production by transforming surplus value into capital. This also implies a reduction in the rate of surplus value is not to say however that there is a decrease in the amount of surplus value.

The above scenario constitutes a contradiction in the sense that it negates another tendency in capitalism. The capitalist has an eternal quest for expanding production. This derives from the fact that production expansion tends to boost profit. Since at some point expansion in production-given more efficient means of production – makes reduction in unit price possible.

Although the above contradiction among others can be identified in capitalism, the central contraction of capitalism as noted by Marx is that rather than benefit from the process of accumulation the workers by that very process, are made worse off and more miserable (see Beer op. cit). This is because as the capitalist is forced to accumulate capital in order to subsist the organic composition of capital rises – that is variable capital declines in relations to constant variable and this result is the build up of large unemployed workers, what Marx calls "industrial

reserve army".

The large number of unemployed makes wage increase impossible and infact makes it possible for wages to be driven down by the capitalist up to subsistence level (i.e. survival wages). This worsens the plight of workers. The misery of the increasing industrial reserve army and the workers creates revolutionary tendencies in them which ultimately ensure the overthrow of capitalism.

V.I. Lenin in his 1916 Pamphlet entitled "imperialism: the highest stage of capitalism" extends Marx's idea of the analysis of capitalism of international political economy. Lenin posits (as epitomized in the title of his study) that imperialism represents the last stage in the development of capitalism before its supplantment by a higher social economic system. (Lenin, 1995: 110-120).

Lenin contends that free competition which is the fundamental attributes of capitalism and of commodity production in general is being transformed into monopoly which is the very anti-thesis of competition. Small-scale industries are being edged out the by a few large ones which in turn form cartels, syndicates and trust. This leads to concentration of production and capital and hence monopoly. According to Lenin the export of capital has become the feature of modern capitalism where monopolies prevails (as opposed to the regimes of free competition where export of goods "prevailed"). Lenin refers to the capitalism in this period as monopoly capitalism.

Another feature of modern capitalism identified by Lenin is the rise of "Finance capital". Banks initially acted as intermediaries in the making of payments. With increased deposits banks expanded credit facilities to industries and also acquire shares in them. Similarly industrial monopolies in turn hold shares in the banks. Lenin term this coalescence of banking and industrial capital as "finance capital".

As we have stated above Lenin is of the view that export of capital has replaced export of commodities. The need for export of capital is premised on the alleged fact that the "over-ripe" nature of capitalism in a few countries has made investment unprofitable. The backward countries noted for dearth of capital, low price of land, low wages and cheap raw materials, therefore provide room for escaping declining rates of profit home and for increasing profit abroad. The capitalist,

according to Lenin are supported by their governments. As more areas in the periphery are seized by imperial powers the competition (both military and economic) among the capitalist countries intensifies.

These contradictions inherent in capitalism will lead to its supersession by a higher mode of production – Socialism and communism, with the establishment of socialism, there is a transfer of state powers from the bourgeoisie to the working class and the dictatorship of the proletariat leads the rest members of the society. Socialism and communism are essentially the same mode of production. They represent “two steps in the economic maturity of communist society” with socialism representing the lower stage. At both stages individuals are no longer allowed to own means of production. A distinguishing characteristic of these stages is that whereas at the socialist stage distribution of resources is made on the basis of individual contribution – that is the quantity and quality of labour (thereby still providing room for inequality among members of the society), the guiding principle of distribution under communism is “from each according to his ability to each according to his needs” that is to say communism is egalitarian for since distribution is premised on needs, inequality is abolished.

CRITIQUE OF MARXIST POLITICAL ECONOMY

Attractive as Marxist political economy may be, it is not without imperfections. Several aspects of the theory have been criticized. Examples are economic determinism assumed by Marx and his labour theory of value (see for instance Beer op. cit). Also the principles of wealth distribution in communist society as articulated by Marx falls into problem because of the problem of determining individual needs. In this paper we will restrict our analysis of this criticisms to Marx's economic determinism. In his analysis Marx contends that economy determines other aspects of society including politics and not vice versa. This economic determinism of Marx has been the object of criticism, while it is incontrovertible that economic process (relations of production and patterns of distribution of wealth) exercise considerable influence on the political process contemporary evidence has shown clearly that

the relationship between politics and economics is that of reciprocity.

Policies enunciated and implemented through the political process could have effect on the substructure of the society. Some of such policies for instance could alter the pattern of economic relations and wealth distribution in the society, in which case it can be safely asserted that there is a two way relationship (i.e. reciprocal relationship) between politics and economics.

It is instructive to point out however that some Marxists have recognized the fact that politics could and indeed does exercise influence on economic structure and have assimilated this into their analysis. To them however this is not often the case. Politics is “largely” determined by the substructure of the society.

SYNOPSIS AND CONCLUSION

In this study we have examined the nature of political economy and three contending views on political economy particularly the relationship between politics and economics. While our analysis has been somewhat extensive we do not pretend to its being exhaustive.

We have stressed that the emphasis of the mercantilist is on the political determination of economics. The liberals on the other hand, give primacy to economics and the production of wealth in the organization of society and argue for the relative autonomy of the political and economic spheres. They do not subscribe to the complete autonomy of both spheres. Indeed they acquiesce that economic processes require political structures to support them.

The orthodox Marxists hold that economics determines politics – a one way relationship. Marx in his analysis attempt to show how changes in the economic factors and relations necessitate changes in the political and social structures. Neo-Marxists however agree that politics could affect economic process.

The table 1⁵ summarises the comparison of the three views on political economy.

LIBERALISM MARXISM MERCANTILISM

Harmonious Households and firms Maximization of global welfare Economic “should” determine politics Dynamic equilibrium
Conflictual Economic classes Maximization of class interests Economic “does” determine

Table 1: Comparison of the three conceptions of political economy

	<i>Liberalism</i>	<i>Marxism</i>	<i>Mercantilism</i>
Nature of economic relations	Harmonious	Conflictual	Conflictual
Name of actors			
Goals of economic activity	Households and firms	Economic classes	Nation-states
Relationship between economics and politics	Maximization of global welfare	Maximization of class	Maximization of national interests
Theory of change	Economic "should" determine politics	Economic "does" determine politics	Shifts in the distribution of power
	Dynamic equilibrium	Tendency towards dis-equilibrium	

politics Tendency toward dis-equilibrium.

Conflictual Nation-states Maximization of national interests Politics determine Economics Shifts in the distribution of power.

On the whole we have argued that contemporary world reality leads one to the conclusion that it is not the case that politics determines economics or that economics determines politics and not vice versa. In other words the relationship between politics and economics is not a one way traffic. Rather it is reciprocal relationship: Politics determines the framework of economic activities while economic processes transforms the power relationships among groups.

NOTES

1. This should not in anyway be construed to imply that the two approaches are the same. Indeed, analytically, they differ in several respects. But even within the broad liberal tradition, there is no complete harmony.
2. This not to suggest that rudiments of the study of politics and economics began in this era for indeed it can be traced as far back as the ancient Greek. But a well organized, systematic form and as we know it today political economy can be rightly said to have its roots in mercantilism.
3. It is instructive to note that while the Marxist approach represents the dominant one in this area not all writers of radical bent are Marxists.
4. This quotation was cited in Balinky, A (1970: pp 53-54) see references
5. This comparism in tabular form was given by Gilpin, Robert (see references)

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