

## ASPECTS ON ECONOMICS AND POLITICS RELATIONSHIP

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### Abstract

The relationship between politics and economic knowledge is highly debated. One general view states that economics should be lacking of politics because of its corrupting effects, while another view conversely argue that politics can be distorted by the impact of economic knowledge. Both views indicate that the solution is to eliminate the influence of one over the other. The relationship between economics and politics can be discussed in two distinct but also intertwined ways, demonstrating a classical and modern relationship. The first arises from the emergence of economic science itself. Because of the natural relationship between economics and politics, economics has been called "political economy." The second relationship between economics and politics is highly novel compared to the first and analyzes politics using an economic method. However, both of the approaches mentioned above are in the context of the famous phrase "political economy". Seen interdisciplinary, the potential relations between economics and politics are emphasized.

**Key words:** economics, politics, relationships

The original name of the basic science of economics (i.e. 'political economy') clearly indicates the main relationships between these two disciplines. In general, political economy is considered an interdisciplinary subject that mainly includes economics and society, social organizations that generate political relations, together with their influences on each other. Moreover, political economy is not limited to economics and politics, but is connected to other areas of the humanities, including law and the social sciences.

### MATERIAL AND METHOD

Material and method. Economics and politics are therefore not easy to separate. Adam Smith defined economics as a science that investigates the nature and cause of the wealth of nations. It is clear that the wealth of nations cannot be created unless the government and a well-defined body of political governance function effectively. According to A. Marshal and other pioneering economists in this field, economics is a study of humanity in the ordinary affairs of life, and economics examines how to make the right choices. They go on to say that economics studies the allocation of limited resources in response to unlimited needs. They further argue that economics is the study of choice of individuals, societies and the world under conditions of scarcity and surplus to maximize benefits and thus satisfy their unlimited needs in

the present and future. If we consider the definitions mentioned above, it can be easily understood that there is a natural relationship between economics and politics. Moreover, even though economics is defined as a science that examines the production, consumption, trade and distribution of wealth, and politics is called the study of the framework of government, the interrelationship between the two is inevitable. This finding is consistent with Aristotle's first definition of economics as "the management of a household." Moreover, the connection between economics and politics is easy to make because economics deals with the allocation of resources by firms, households and governments, and politics provides insight into the impact of decisions made by political institutions on different societies. A significant number of economic problems also mix with politics. Social entrepreneurship, labor migration, globalization and the role of constitutional law are generally emphasized in economic well-being. Based on the findings of other authors, the study of politics involves analyzing the ways in which individuals and groups interpret political issues and attempt to shape government decisions. On the other hand, economics is viewed as a science of managing the economy and politics is viewed as the art of applying power in terms of organizing the same economy. So it is necessary to explain the relationship between economics and politics. In other words, the rational and unbiased relationships between these two disciplines should receive significant attention, because the

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combination of economics and politics can be distorted and generate ideological connections, which is not accepted by moderate economists. The structure, performance and scope of government (i.e. the public sector as a whole) are seen as the primary and direct link between economics and politics. The public sector economy also includes the executive government, the legal system and the judiciary. Emphasis is placed on the state and administration in general and their involvement in economic conditions, especially when economics and politics are linked. For example, some authors of some schools of economic thought are more willing to encourage government intervention in economic systems, while others take no action in this regard. Moreover, the 'prudential contract of market and government (PCMG)' is presented as an alternative to traditional economic management in the continuation of the 21st century. Traditional economic management was based on strong government intervention in the economy on the one hand, or on the Laissez-fair framework on the other. According to fundamental research in the public sector, both of the above-mentioned paradigms have failed to properly govern economic management. Furthermore, new theories of public sector economics demonstrate the effectiveness of the "friendly market-government pact" in addressing current economic problems

## RESULTS AND DISCUSSIONS

According to a new political economy, the new paradigm of economic management, that is, "PCMG", includes the following features. 1) Much supervision and little government intervention in the economic system; 2) Considering the rules of the game at national, regional and global level; 3) Peaceful and democratic relations between the government and the market system; 4) An additional package that includes interest-free governance, a standard tax system and a limited period of political governance. It is clear that all the features mentioned above include both economic and political dimensions. The operation of two categories of public decision-making reveals another important connection between economics and politics. This concerns, on the one hand, monetary policy supervised by central bank officials, and on the other hand, fiscal policy managed by the government. The performance of central banks is questionable among politicians, and central bankers blame government intervention for deteriorating monetary policy. Moreover, critical and controversial issues, including central bank independence, are other issues that connect economics and politics. The last point is the significance of interdisciplinary studies in the continuation of the 21st century and the role of

economics and politics in improving and enriching these studies, which are among the most fruitful studies for solving various problems in both economic and political area. In addition to the general issues explained in the first part, there are some specific topics that usually fall under economics and politics, including political economy, public policy, public sector economics, good governance, globalization, size of government, economic management, public choice and the welfare state. Political economy is considered a distinct term in the field of economics and politics. Hayek pointed out that the separation between law, economics and politics is a tragedy, and that political economy, as the original term for economic science, naturally links economic science and political science. According to modern economic reports, it is impossible to separate economics and politics. Therefore, the scientific method of studying political economy is not unique due to its broad interdisciplinary nature, but consists of pluralistic methods. The methods of political economy seek to contextualize economic life and attend to questions of power, social relations, and meaning. Moreover, such an economy involves two influential wings, including market allocation of resources and government supervision. As Buchanan rightly believes, while the optimal allocation of resources in the economy is an important pillar in the management of economic systems, performance in this important task is highly dependent on the functioning of a well-developed official and political system. In other words, due to its strong dependence on the allocation of resources to the government, political economy is closely linked to law, as this economy evaluates economic aspects such as production and trade, as well as their connections with government and law. Based on political economy, theories and methods also develop various economic systems. Consequently, there is also a fundamental relationship between political subsystems and economic subsystems. Thus, an interdisciplinary approach is considered the main approach representing such a relationship. Furthermore, discussing how political and economic institutions influence each other is considered the main mission of interdisciplinary economics. In this framework, political economy is linked to sociology, because economics looks at the family, population, poverty, literacy and the like. It is worth noting that these problems are of a sociological nature. Moreover, the creation of another sub-discipline such as global political economy is seen as a result of interdisciplinary economic studies. Global political economy describes the economic aspects of various non-

economic areas, such as politics, sociology, culture and history, on an international basis. Today, political economy is considered an extremely broad scientific and practical field that deals with the most important aspects of human life. Public policy is another essential term in the field of economics and politics. Public policy is government and state policy that affects the entire society, even environmental issues and the like. More importantly, public policy is not limited to the functions of the executive government, but relates to the responsibilities of all decision-makers, including the legal and judiciary. It is also a broad strategy that the public sector uses to fulfill its obligations and duties in governing society. These policies are still used to address a public problem, be it economic, political, social and the like. Accordingly, it includes regulatory policies, distribution policies and the like. After its emergence in the 1960s, public policy encompassed economics, sociology, political science, even philosophy and other disciplines.

For example, government policy had to be in principle ethical and logical, and in this sense is therefore based on philosophy. Moreover, such a policy should focus on economic concepts if it is rational (which it should be) and consider cost-benefit analysis. On the other hand, this policy relies on sociology in analyzing social problems. Finally, it deals with political science and economics in sustaining the decision-making process. Political economy is considered a distinct term in the field of economics and politics. Hayek pointed out that the separation between law, economics and politics is a tragedy, and that political economy, as the original term for economic science, naturally links economic science and political science. According to modern economic reports, it is impossible to separate economics and politics. Therefore, the scientific method of studying political economy is not unique due to its broad interdisciplinary nature, but consists of pluralistic methods. The methods of political economy attempt to contextualize economic life and attend to questions of power, social relations, and meaning. Moreover, such an economy involves two influential wings, including market allocation of resources and government supervision. As Buchanan rightly believes, while the optimal allocation of resources in the economy is an important pillar in the management of economic systems, performance in this important task is highly dependent on the functioning of a well-developed official and political system. In other words, due to its strong dependence on the allocation of resources to the government, political economy is closely linked to law, as this economy

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Furthermore, it focuses on matching the invisible hand of the market with the visible hand of governments in a mixed economy setting

## CONCLUSIONS

According to experts in this field, such an economy is a field of study and action that deals with the daily activities of citizens. Furthermore, public sector economics evaluates both the tax system and taxes in addition to government expenditure. From an economic point of view and given the standardized tax system, taxes are the only source of revenue to finance public sector expenditure. Government spending is seen as another pillar of the public sector economy. Public sector economics is thus clearly among the most important problems of political economy. According to Baily, the nature of the public sector is such that taking political economy into account is considered a necessity. Debates on the incentives of government officials for the candidate for the next election, the efficiency of the bureaucratic system, the size of government, distribution policies, privatization, attention to citizens' civil rights, public transport, public services and lists of similar councils are located focuses on public sector economics. Undoubtedly, all these problems are in principle both economic and political in nature. Moreover, good governance is another fundamental issue in economics and politics, which generally involves the dynamic exercise of administrative power and politics over a wide area and has enormous varieties. For example, according to the World Bank (2019), good governance is a necessary condition for economic development and this is therefore, closely linked to economics and politics. For the United Nations, good governance involves at least eight elements, such as popular participation, the rule of law, transparency, responsiveness, consensus orientation, justice and inclusiveness, in addition to effectiveness and efficiency and accountability. Not surprisingly, this also includes political pluralism, full respect for human rights, an efficient public sector, legitimacy and access to well-developed knowledge, information and education, as well as people's political empowerment, sustainability, solidarity and tolerance. Based on the findings of the World Economic Forum, good governance is linked to economic growth, promotes gender equality, helps preserve the environment, enables citizens to

express their economic and political freedom and creates conditions for poverty alleviation. All these components are also common problems in economics and politics. Finally, welfare states, globalization, institutional economics, economic democracy, economic law, social economics, economic management and energy economics are seen as the other components in interdisciplinary studies of economics and politics. The welfare state is a political system in which the government is responsible for ensuring that all citizens have access to a minimum standard of living. The scope of government support for the welfare of citizens includes the provision of minimum health, education and health insurance, as well as employment opportunities for the unemployed and the payment of unemployment income to job seekers, the payment of old-age pensions and the like. The performance of the welfare state, its effectiveness, its long-term impact and other similar topics are discussed by economists, politicians, different movements, different political parties, and so on. Despite the continued existence of welfare states in the 21st century, their dimensions show a dramatic change. excellent studies are growing rapidly in both the general branches of economics and politics and their subfields. One reason for this large body of research is the analytical power of political economy itself. Moreover, the obvious relationship between the various problems of everyday life on the one hand and political economy on the other is given as another reason for this. Finally, some influential issues that concern the daily life of a citizen and at the same time are considered issues fraught with political economy.

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