

COMMENT

The politics in political economy

POWER FOR THE GREATER GOOD: There must be checks and balances and unbending rule of law

WHEN I was in university 35 years ago, the subject of political economy had a notorious reputation. It was associated with left-wing anti-establishment radicals, even though it also had many moderate and well-meaning liberals in its midst.

This was not always the case. Economists had used the term political economy for centuries — some still do so today — without any notion of prejudice.

Adam Smith, for example, had been a professor of logic and moral philosophy at Glasgow University's Department of Political Economy.

The University of Chicago's

School of Economics, long regarded as a bastion of free-market economics, has published its famed *Journal of Political Economy* for 120 years.

Political economy originally just meant the working of economics within a state (or polity in Greek). Over time, however, the word political started to move closer to the concept of power.

It attracted and, as a consequence began to be defined by, those who viewed the world primarily through the lens of politics and power. One of the greatest exponents of this was Karl Marx.

To political economists, the idea that markets, much less society's welfare, are guided by an "invisible hand" is laughable. Power either resides with an enlightened and benevolent state or with greedy capitalists and their henchmen.

History, of course, has shown that those who represent the state can match the most acquisitive of capitalists.

Furthermore, they can also use

state apparatus to quash public dissent. But that is another story.

Western political discourse for more than a century has, therefore, rather unfortunately in my opinion, been portrayed as a battle royal between individual freedoms and collective welfare.

In the economic realm, it has been depicted, again, regrettably in my view, as a struggle between big, powerful and coercive government versus free, open and voluntary markets.

This dialectic continues to this day. It is one of the central bones of contention in the United States' presidential elections and we will find out the decision of the American people on Nov 6.

It is, to varying degrees, also being played out, sometimes in violent and bloody confrontations, in Europe and throughout the rest of the world, including this region.

So should we now place our trust in powerful and dictatorial governments or powerfully free and voluntary markets?

From my perspective, this is not

even a real question.

The reason why I consider these to be unfortunate (if somewhat understandable) is threefold.

First, I really do not think that any of us can dispute that power, whether public or private, is integral to every aspect of human affairs and its management, from the smallest units to the largest organisations.

The only real choice is whether the power that is placed at one's disposal is used in legitimate, responsible and efficient, or illegitimate, irresponsible and inefficient ways.

Second, history shows that while both autocracies and democracies can elevate human welfare for a time, they are also capable of going off the rails and contributing to great human misery and suffering.

After more than 30 years, I must say that I am distrusting of either all-powerful and all-knowing individuals or governments. To me, both are pure fantasies as are their choices.

Third, for power to be wielded for the greater good, there must be systemic checks and balances,

there must be unbending rule of law and there must be the right to take away power when it is misused.

There is nothing inherently good in one system or another. Power must simply be recognised for what it is and safeguarded against abuse.

But recognised and safeguarded by whom? The answer obviously is by those who wield the power.

Most ruling elites cannot be expected to be struck by a bout of conscience and give up discretionary power voluntarily although this has happened over the last century.

More likely than not, however, it will have to be an act of public acclaim, whether deliberate or spontaneous.

Many of the economic successes that we see around the world are the result of the latter.

Understanding the nature and consequences of power holds a key to making the transformations that Malaysia wants and needs.

All the best laid plans may flounder until we learn to acquire, manage and use it better.

✉ steve@isis.org.my



Steven CM Wong
is senior director,
ISIS Malaysia