

Political economy beyond economics



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*Spring School Political economy of production and labour
Florence, 16-20 March 2026*



Why Political Economy?

- Economic and social research has become more fragmented, pressure on PhDs to focus on narrow themes, lack of broader understanding
- Pressure from mainstream approaches: standard research questions, methods, data-driven work
- Alternative/critical perspectives are fragmented, with separate streams and little dialogue
- The spring school offers a space for dialogue linking approaches from economics, politics, sociology, labour studies, gender studies



Why Production and Labour

Focus on the transformations in the real economy at the world scale:

- Economic and social models, North and South
- Production systems and GVCs,
- Digital technologies and labour
- Employment, labour, gender, unions, conflicts
- Distribution and inequality
- Macroeconomic, industrial and local policies



Other schools

- **Innovation, growth, international production.**

Models and data analysis, Sapienza Rome, 25-29

May 2026 <https://sites.google.com/view/advanced-innovation-course>

- **War, peace and the world order, Scuola**

Normale Superiore, Florence, 29 September-3

October 2025, lectures:

https://www.youtube.com/watch?v=MCGEcGkWpSw&list=PL4eX8mtGxkAng2i5YNT1_Lk49j3CyBmKO



Key concepts and issues

- Capitalism and economic processes
- The State system and politics
- Historical depth, political, social context
- Which theory? Strong concepts
- Quantitative analysis, careful use of data
- Qualitative methods
- Policy analysis



The economic mainstream

- Individuals, homogeneous agents, methodological individualism
- Full information, no uncertainty, preferences
- Market competition
- Equilibrium and efficiency
- Exogenous “shocks” (world, technology, etc)
- Linear relations, no cyclical processes, feedbacks, path dependency
- Ability to absorb critical ideas (tech, evolution, behaviour, politics, economics’ ‘imperialism’)



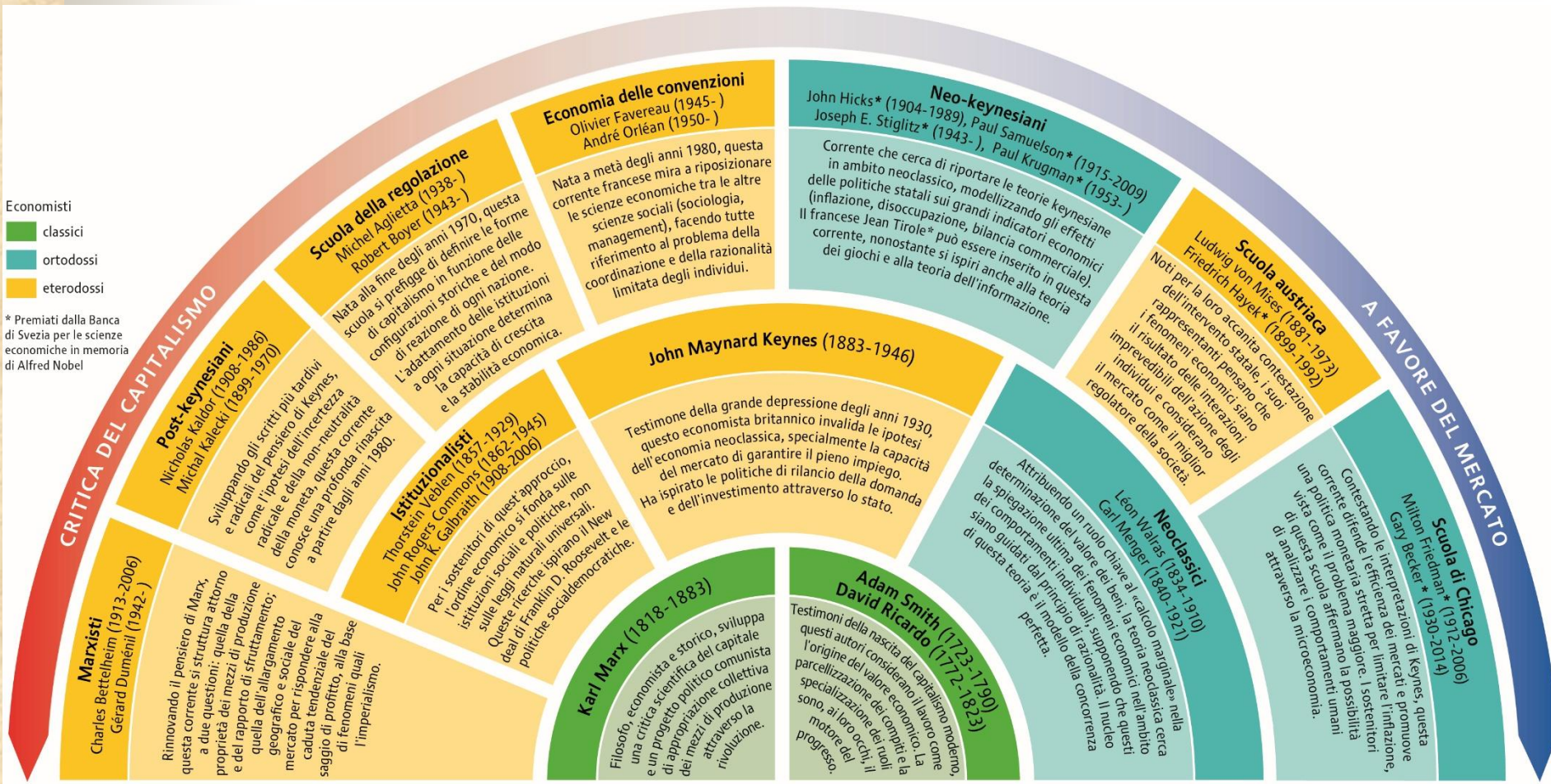
Comparing Different Schools of Economics

	CLASSICAL	NEOCLASSICAL	MARXIST	DEVELOPMENTALIST	AUSTRIAN	SCHUMPETERIAN	KEYNESIAN	INSTITUTIONALIST	BEHAVIOURALIST
The economy is made up of...	classes	individuals	classes	no strong view, but more focused on classes	individuals	no particular view	classes	individuals and institutions	individuals, organizations and institutions
Individuals are...	selfish and rational (but rationality is defined in class terms)	selfish and rational	selfish and rational, except for workers fighting for socialism	no strong view	selfish but layered (rational only because of an unquestioning acceptance of tradition)	no strong view, but emphasis on non-rational entrepreneurship	not very rational (driven by habits and animal spirits); ambiguous on selfishness	layered (instinct – habit – belief – reason)	only boundedly rational and layered
The world is...	certain ('iron laws')	certain with calculable risk	certain ('laws of motion')	uncertain, but no strong view	complex and uncertain	no strong view but complex	uncertain	complex and uncertain	complex and uncertain
The most important domain of the economy is...	production	exchange and consumption	production	production	exchange	production	ambiguous, with a minority paying attention to production	no strong view, but puts more emphasis on production than do the Neoclassicals	no strong view, but some bias towards production
Economies change through...	capital accumulation (investment)	individual choices	class struggle, capital accumulation and technological progress	developments in productive capabilities	individual choices, but rooted in tradition	technological innovation	ambiguous, depends on the economist	interaction between individuals and institutions	no strong view
Policy recommendations	free market	free market or interventionism, depending on the economist's view on market failures and government failures	socialist revolution and central planning	temporary government protection and intervention	free market	ambiguous – capitalism is doomed to atrophy anyway	active fiscal policy, income redistribution towards the poor	ambiguous, depends on the economist	no strong view, but can be quite accepting of government intervention

Economisti

- classici
- ortodossi
- eterodossi

* Premiati dalla Banca di Svezia per le scienze economiche in memoria di Alfred Nobel



Principali correnti e teorie economiche

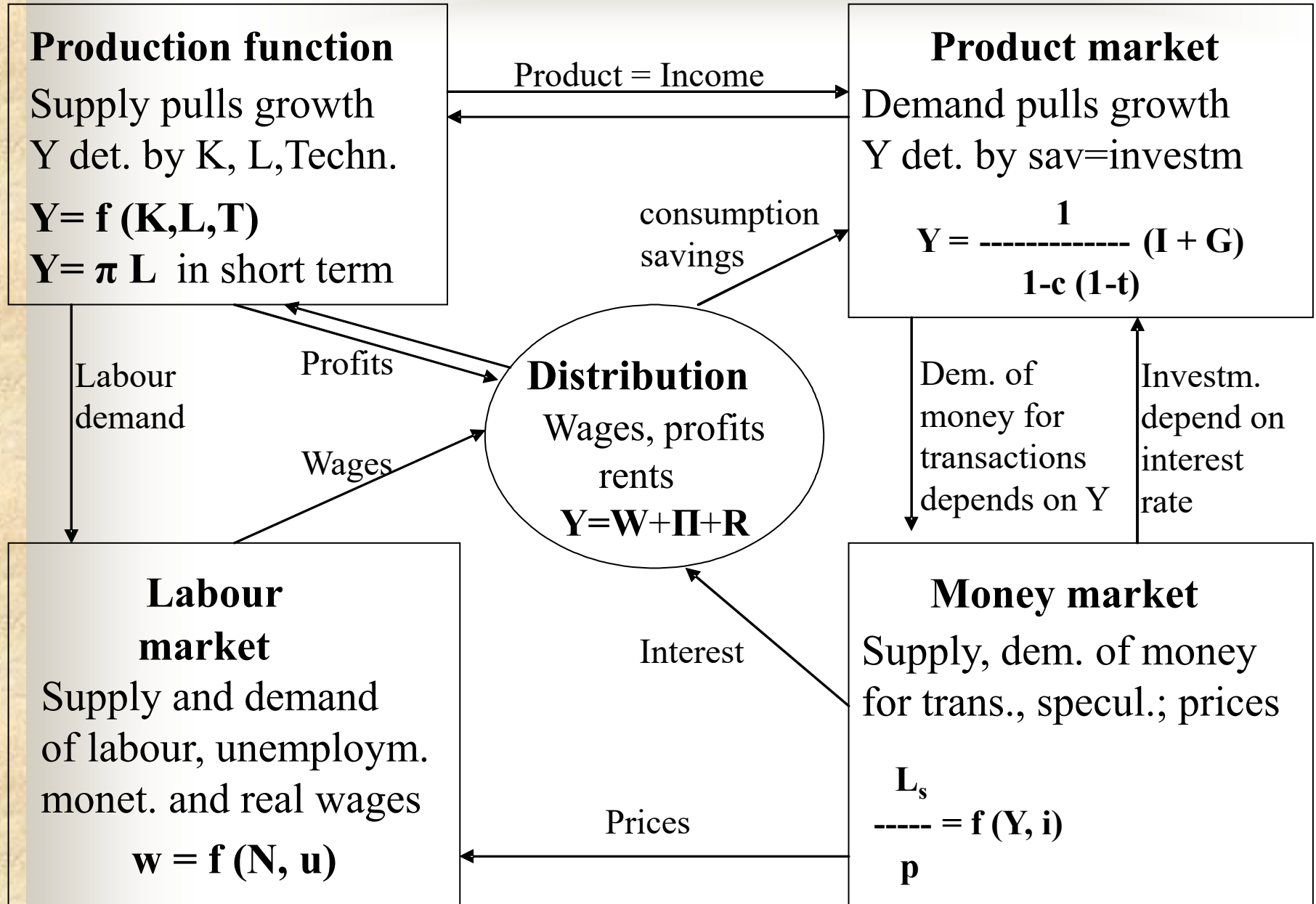
Come suggerisce una nota battuta, basta mettere tre economisti in una stessa stanza per ottenere quattro punti di vista diversi. Forte di questo principio, lo schema non pretende di descrivere l'insieme delle correnti del pensiero

economico. Al contrario propone tre assi di rappresentazione sintetica. Il primo dal centro verso l'esterno è cronologico: dai padri fondatori (XVIII-XIX secolo) alle scuole contemporanee. Il secondo contrappone ortodossi (blu) a

eterodossi (giallo): i primi considerano i soggetti economici come degli esseri distinti, razionali e calcolatori che si muovono sui mercati; i secondi collocano la loro riflessione nell'ambito delle scienze sociali e/o della

filosofia politica. Il terzo asse di lettura è strutturato sull'arco del cerchio: la critica al capitalismo aumenta spostandosi verso sinistra; la difesa del liberalismo cresce man mano che si va verso destra.

The economic system





Some alternative (macro) approaches

- **Post-Keynesian and structural change**
(Kalecki, Kaldor, Pasinetti)
- **Political economy, institutions, society:**
Varieties of capitalism, social blocs, growth models, critical pol eco (political science poleco)
- **Tech paradigms and evolutionary perspectives**
(Schumpeter, Freeman, Nelson, Winter, Dosi)
- **Development process and virtuous circles**
(Myrdal, Hirschman, dependency school)
- **World system, capitalism and hegemony**
(Arrighi, Wallerstein, Amin, Frank)



Some methodological guidelines

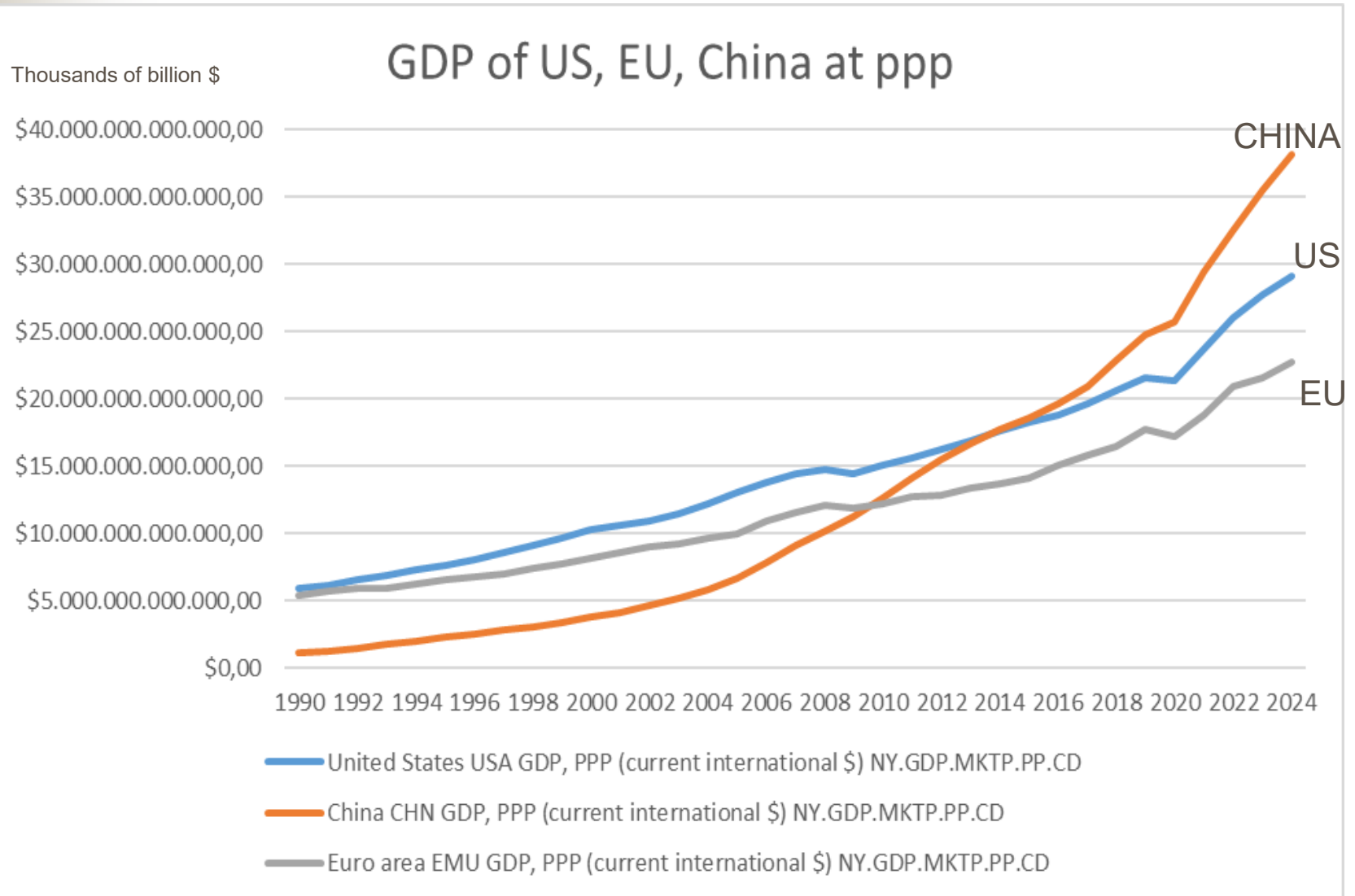
- Context: capital-labour relations, politics, society
- Heterogeneity, complexity, variety (countries, industries, firms, labour, tech)
- Focus on change, disequilib, cycles, uncertainty
- No determinism, caution on causality, circular cumulat causat, virtuous/vicious circles
- Need to link macro-industry-firms-individuals
- Hierarchies, power (centre vs periphery, countries, platforms, GVCs, firms, individuals)



The real world matters

- What is happening in the world?

GDP at purchasing power parities



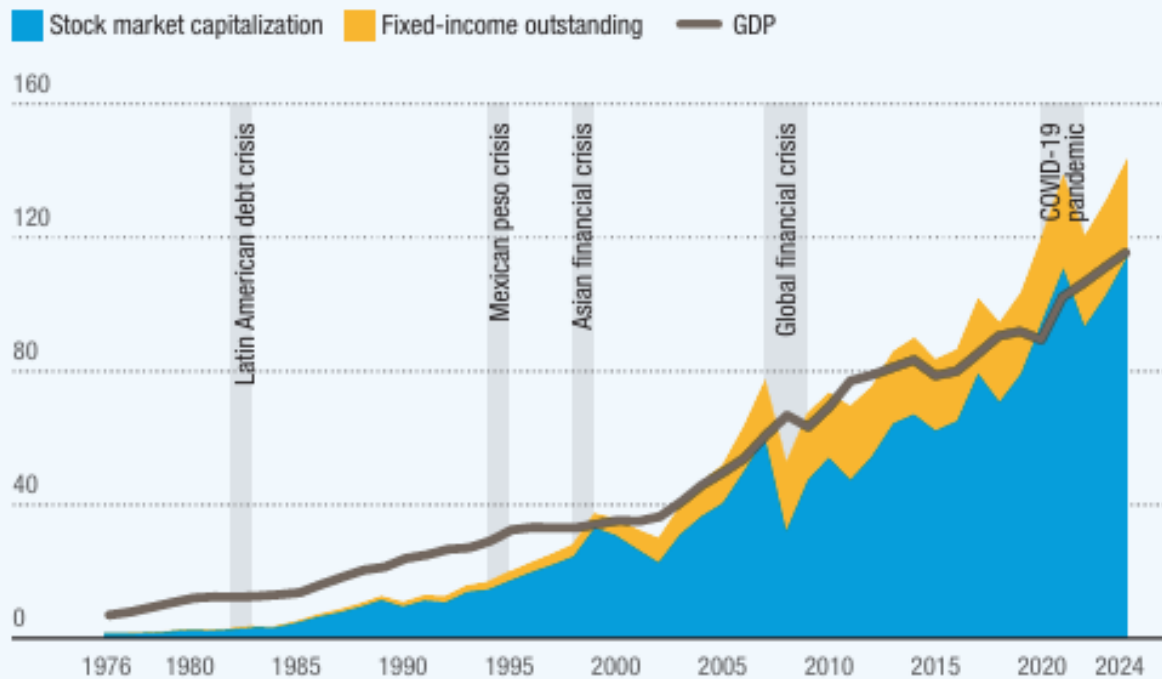
Finance grows faster than world GDP (Unctad)



Figure 18

Global financial market expansion has outpaced real economic growth

Global GDP, global equity market capitalization and global fixed-income outstanding (Trillions of dollars)



Source: UNCTAD based on World Bank, WFE and BIS Statistics.

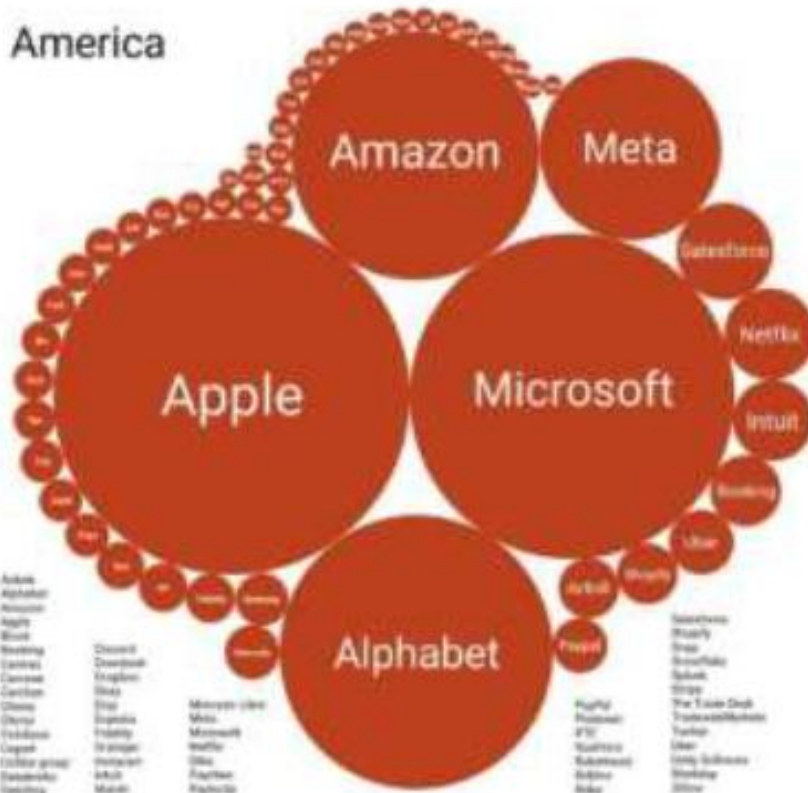
Note: Financial market size is defined as the combined value of stock market capitalization and outstanding fixed-income securities. Economic growth is measured by GDP in current dollars.

The power of US (and China's) digital platforms

Top 100 Worldwide Platforms

Market Cap / Valuation from most recent financing
Total Value: \$14.1 trillion
 as of August 2023

America



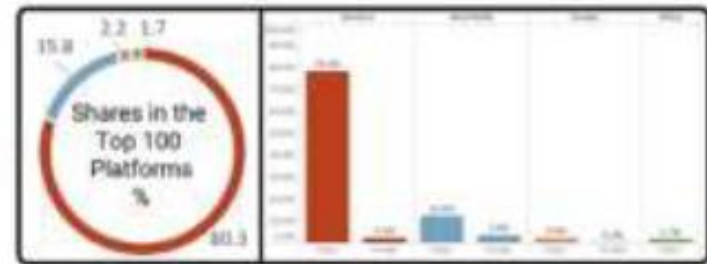
Europe



Africa



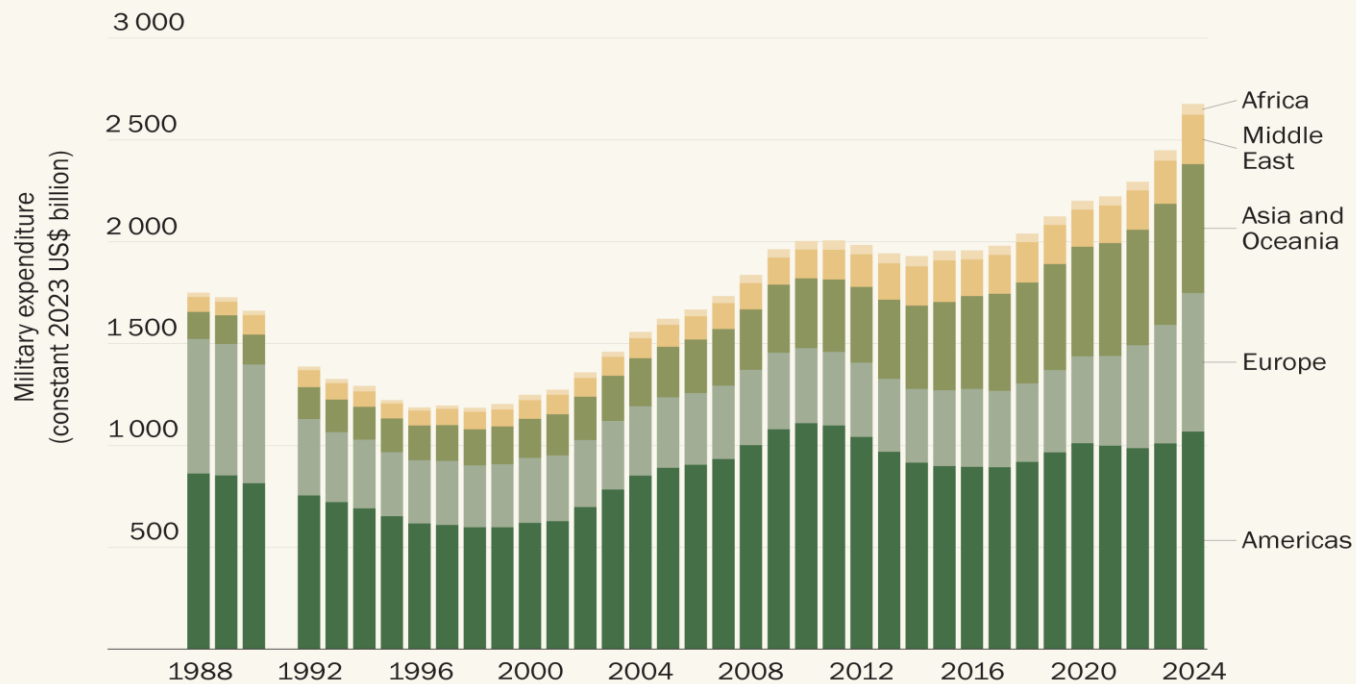
Asia-Pacific



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Unprecedented rise in global military expenditure

Global military expenditure increased to \$2718 billion in 2024, the 10th year of consecutive rises

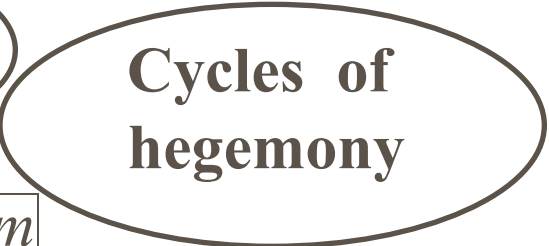
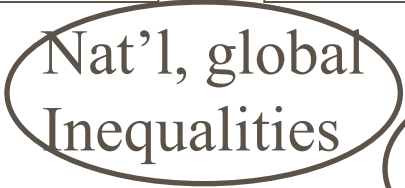
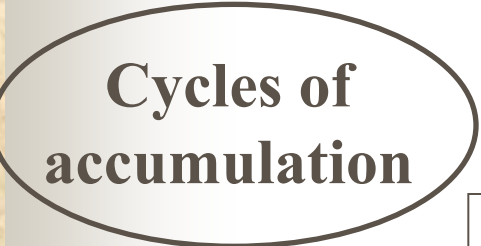
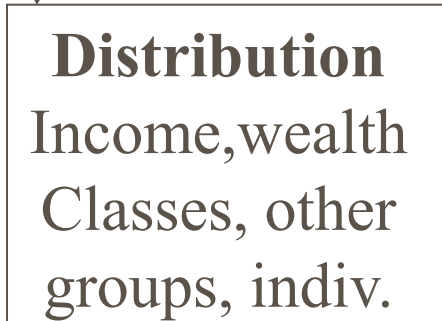
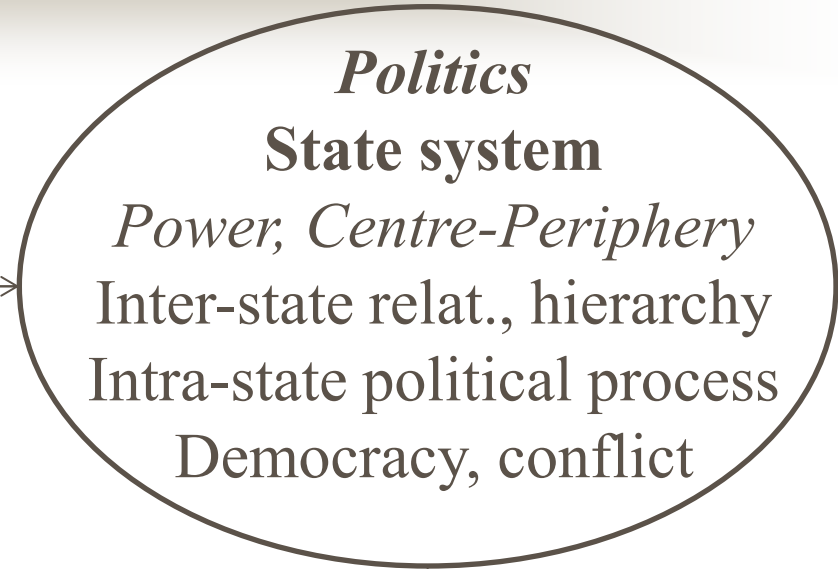
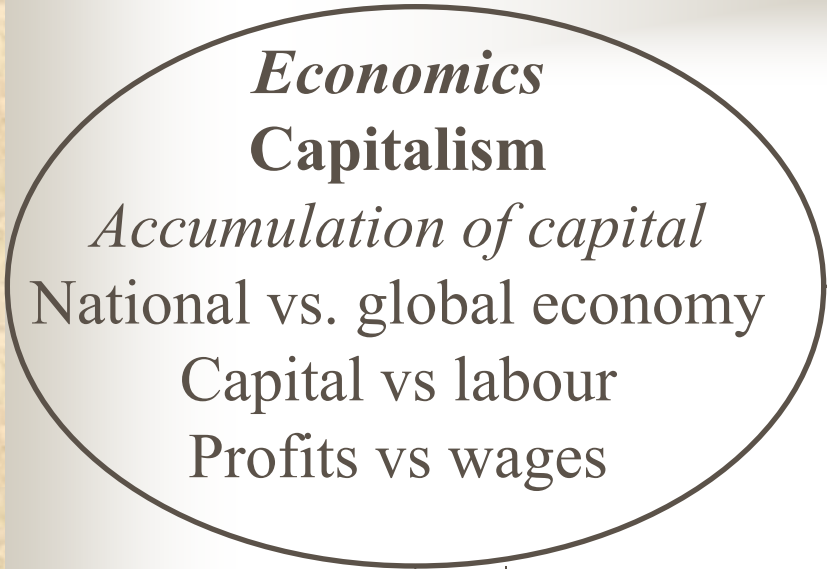


Note: The absence of data for the Soviet Union in 1991 means that no total can be calculated for that year.
Source: SIPRI Military Expenditure Database, Apr. 2025.



Capitalism and the State system

- All of the above point out the close relationship between economics and politics
- How do we understand the links between them?
- The world scale is important; national processes are constrained by the position in the world hierarchy



Reproduction of the system



Globalisat, nat'l power, democracy

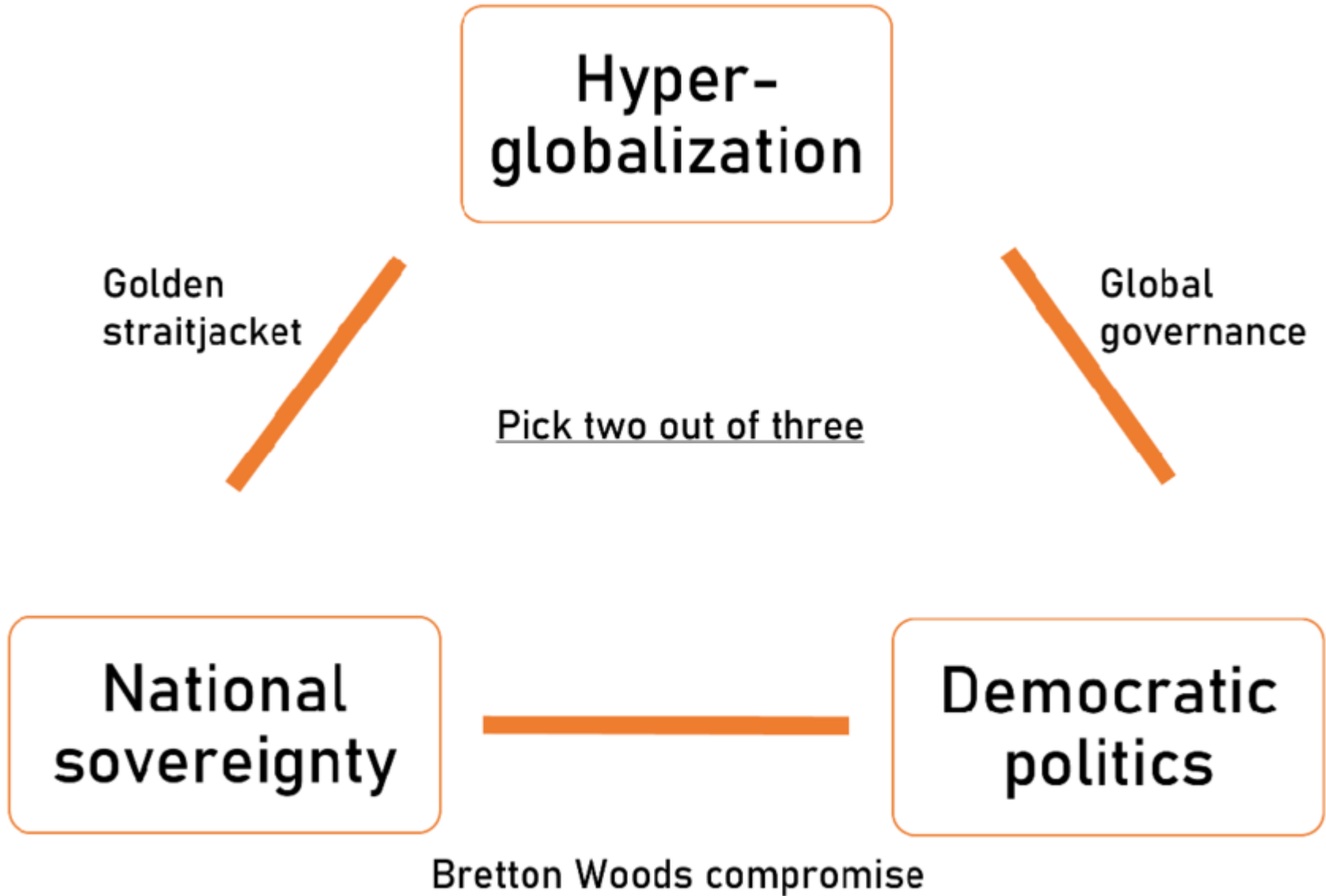
What links between them?

Little attention from economics

Dani Rodrik trilemma:

"democracy, national sovereignty and global economic integration are mutually incompatible: we can combine any two of the three, but never have all three simultaneously and in full."

Rodrik's trilemma





The world system

- How to integrate an analysis of economics and politics at the world level? **Giovanni Arrighi**, *The long XX century*, and the world system approach: Immanuel Wallerstein, Samir Amin, André Gunder Frank, etc
- Capitalism and its dynamics
- The state system and its dynamics
- Cycles of accumulation
- Cycles of hegemony



Economics

- **World system of capitalism since 1500, Marx, Braudel, centre-periphery**
- *What are the drivers of capitalist development at the world scale?*
- Historical succession of **cycles of accumulation**, with phases of *material expansion* and *financial expansion*, **crises** are structural
- The centres of the accumulation change
- Cycles of political **hegemony** develop in parallel



History

- Braudel: “Financial expansion is the signal of the coming fall” of economic power
- Arrighi: “The Long XX century”: succession of cycles with the **hegemony** of:

Genoa and Spanish Empire (1600)

The Netherlands (1700)

British Empire (1800)

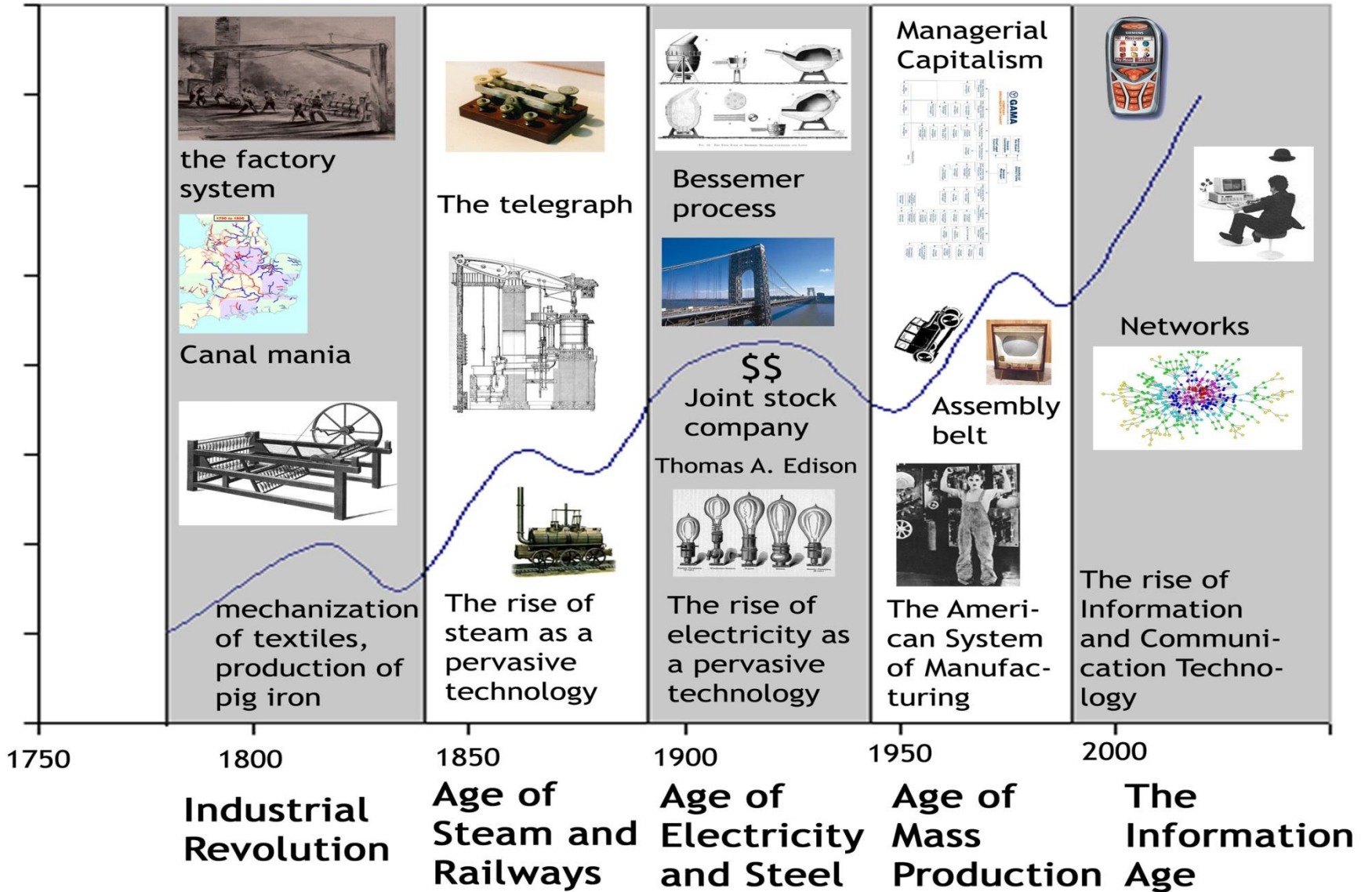
United States (1900)

long periods of transition/conflict/ **systemic chaos**



Phase of material expansion

- The **centre** of the world economy grows due to: new technologies, production systems, markets, high monopolistic profits (Schumpeter), gains in productivity (Smith), wages (Marx)
- *The accumulation of capital is driven by a material expansion*
- This attracts new investment of capital (for high profits), new countries (for natl development): **competition and national rivalries reduce profits** → *‘signal crisis’* ends the phase of material expansion





Techno-economic paradigms

- **Freeman-Perez; Freeman-Louça**
- **Technological paradigms** as cycles of rise and fall of dominant sets of technologies
- A new technology with pervasive applications and with rapidly decreasing costs.
- Importance of matching technological development and social-institutional context
- Higher productivity, new products, new markets
- Associated to the **long waves** of growth (Kondratiev) and to phases of material expansion



Phase of financial expansion

- After the “signal crisis” capital stays in more liquid form: **finance**, looking for financial profits and rents, extracted from productive activities (conflict between industrial and financial capital) and from the periphery. Finance develops in new forms, extends in new activities, bubbles
- *The accumulation of capital is driven by a financial expansion*
- Lack of material basis for capital accumulation:
→ ‘*terminal crisis*’ of the cycle of accumulation



Finance

- Capital accumulation in money form (**M-M'**)
- *Elements*: Stock markets, public debt for public expenditure, private debt of firms and households (housing mortgages, consumer debt), extension to different activities, pervasive nature
- *International dimension*: liberalised capital flows flows to financial centres, Wall Street and City
- Financial accumulation is concentrated in the **centre** of the world system
- Less room for **labour gains**: higher inequality



Financial accumulation

- *Where do financial profits come from?*
- Extraction from productive activities and from centre-periphery relationships (*Value question*)
- Expectation of rising asset values, attracting more capital flows in search of short term gains
- Key role of monetary policy: zero inflation, expansion of money supply, free capital flows
- *How do crises happen?* 1929 Great crash, Bubble bursting. Why rapid recovery after 2008 crisis?



US, Europe, Japan:

the centre of the world system

- XX century US-led 'Fordist' material expansion
- **1970s**: crisis of accumulation: more competition, social conflict, wage rises, welfare states, lowest inequality ever
- **1980s**: capital shifts to financial accumulation

Technological paradigm of digital technologies

Neoliberalism as political paradigm

- **2008-present** financial crisis, pandemic, inflation, wars: systemic chaos

GDP growth (annual %)

World Bank national accounts data, and OECD National Accounts data files.

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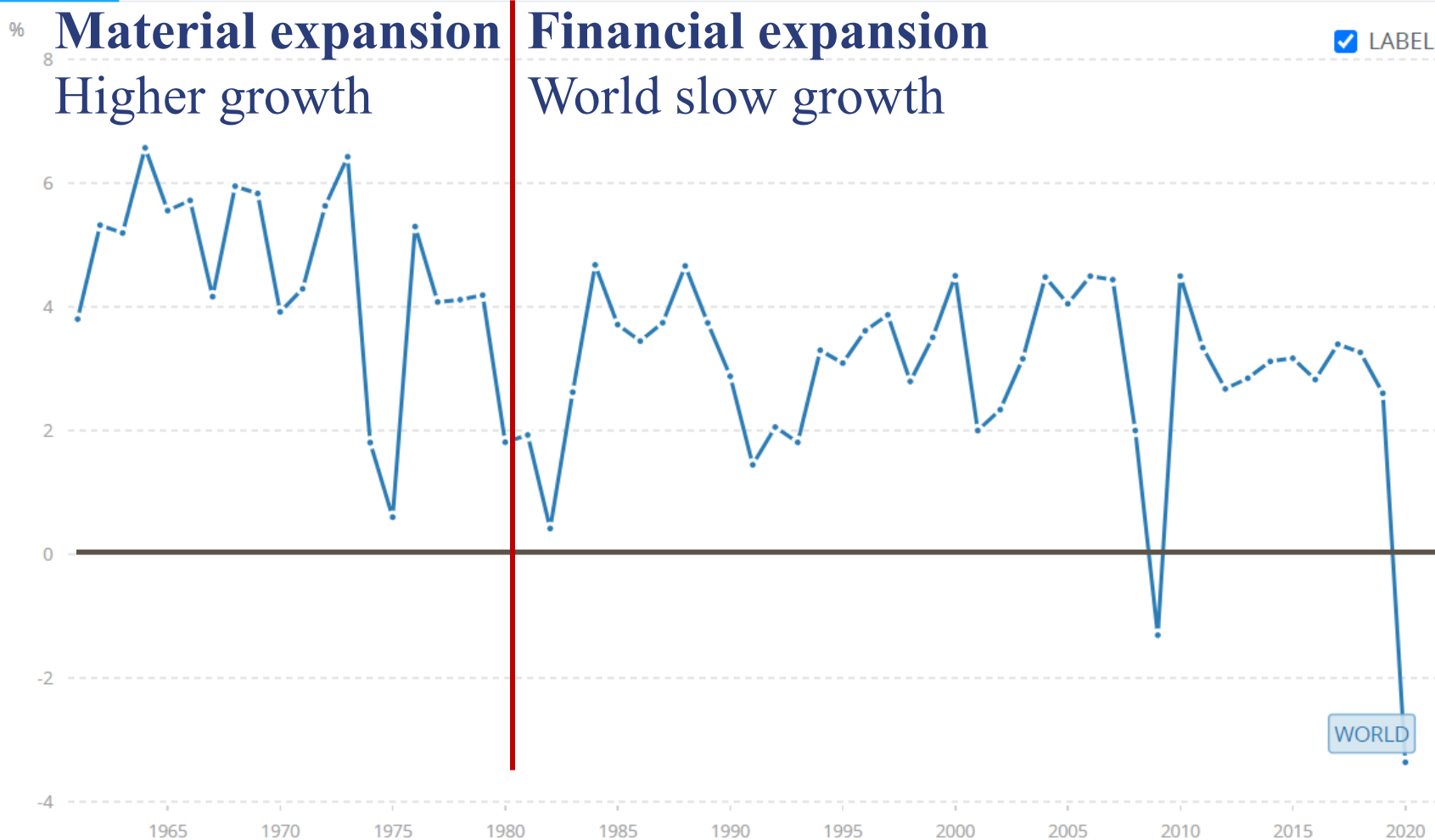
Line

Bar

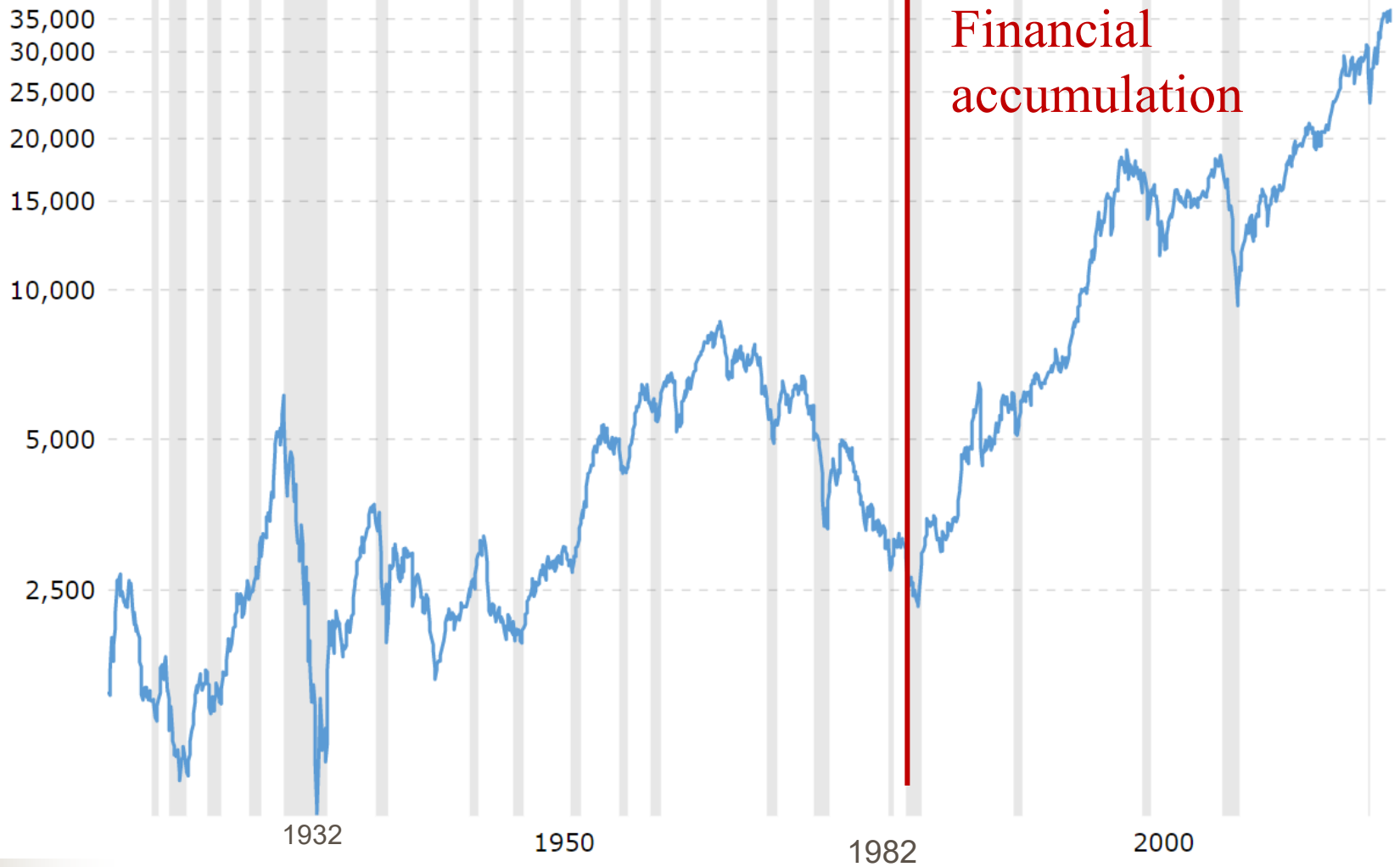
Map

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Dow Jones - DJIA - 100 Year Historical Chart



★ Real Gross Domestic Product (GDP) (GDP1)

United States

DOWNLOAD 

Observation:
Q4 2021: **19,805.962** (+ more)
Updated: Jan 27, 2022


Units:
Billions of Chained 2012 Dollars,
Seasonally Adjusted Annual Rate

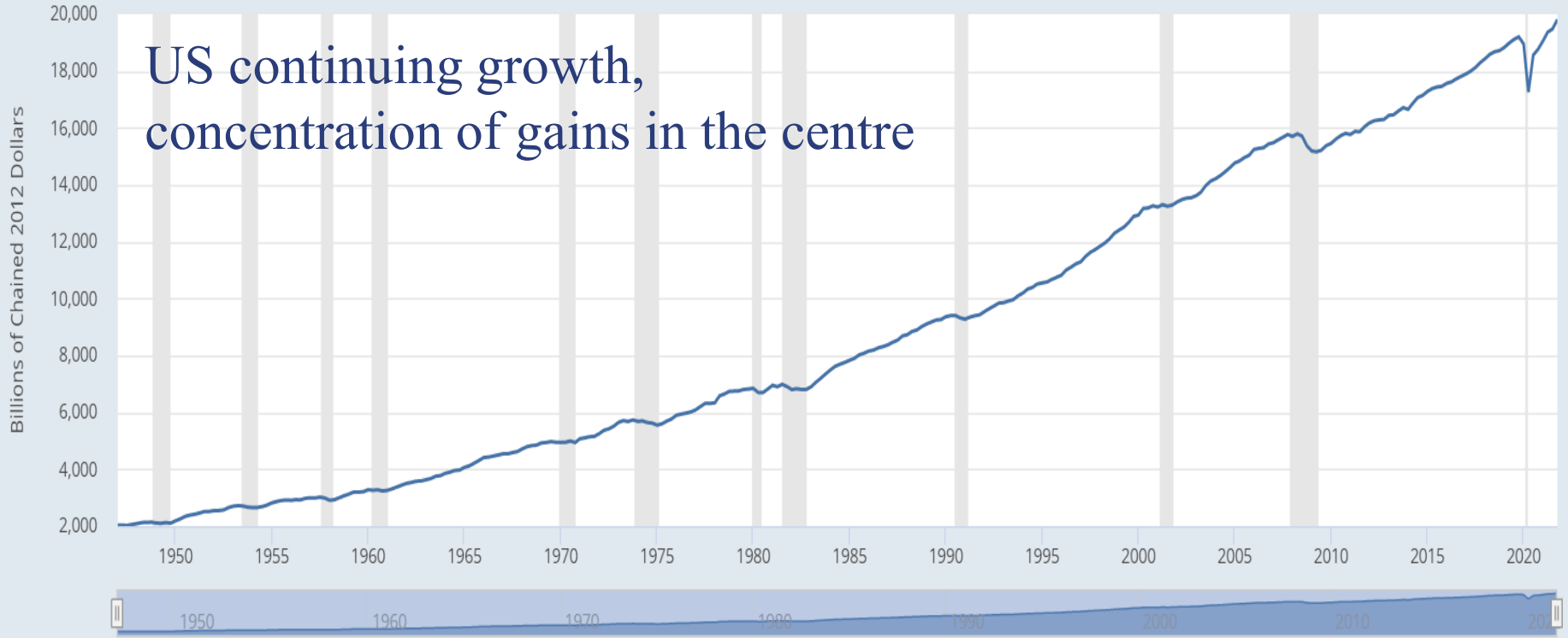
Frequency:
Quarterly

1Y | 5Y | 10Y | Max

1947-01-01 to 2021-10-01

EDIT GRAPH 

FRED  — Real Gross Domestic Product



Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Economic Analysis

fred.stlouisfed.org



Distribution and inequality

- The outcomes of phases of growth include the distribution between capital and labour and the effects of policies
- Capital share up
- More individual inequality
- Policies matter

US, growth and distribution (Milanovic, 2025)

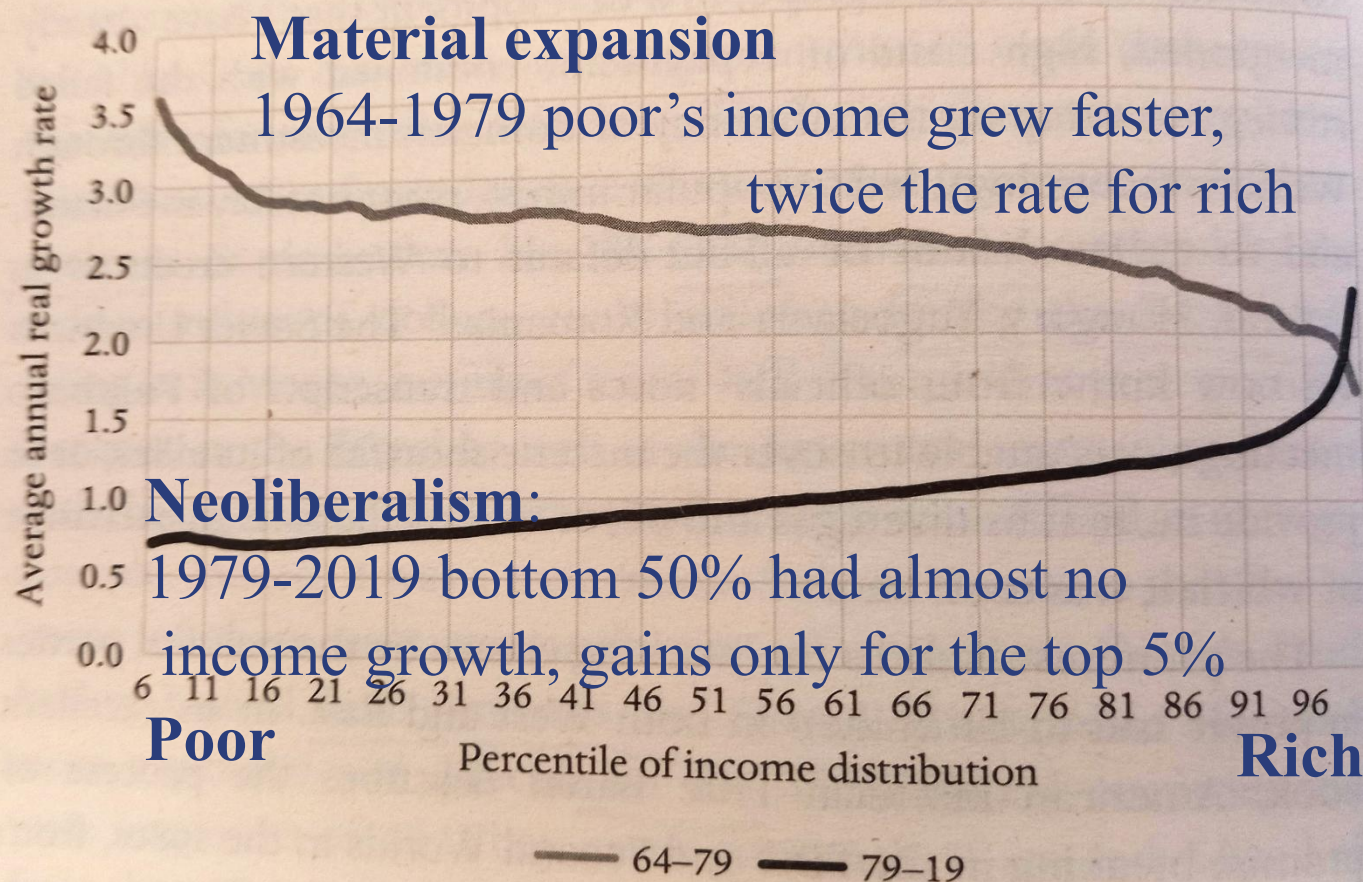
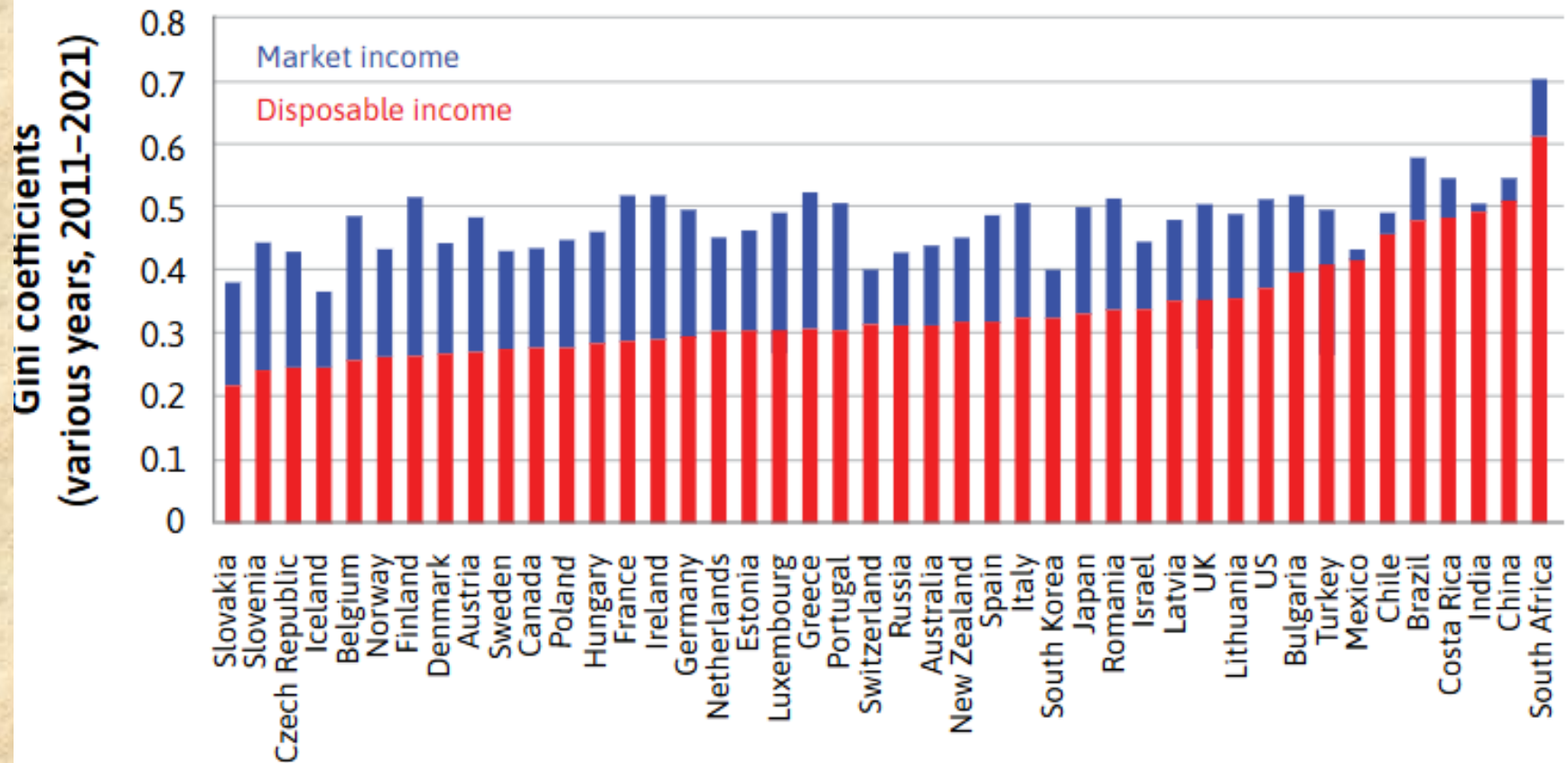


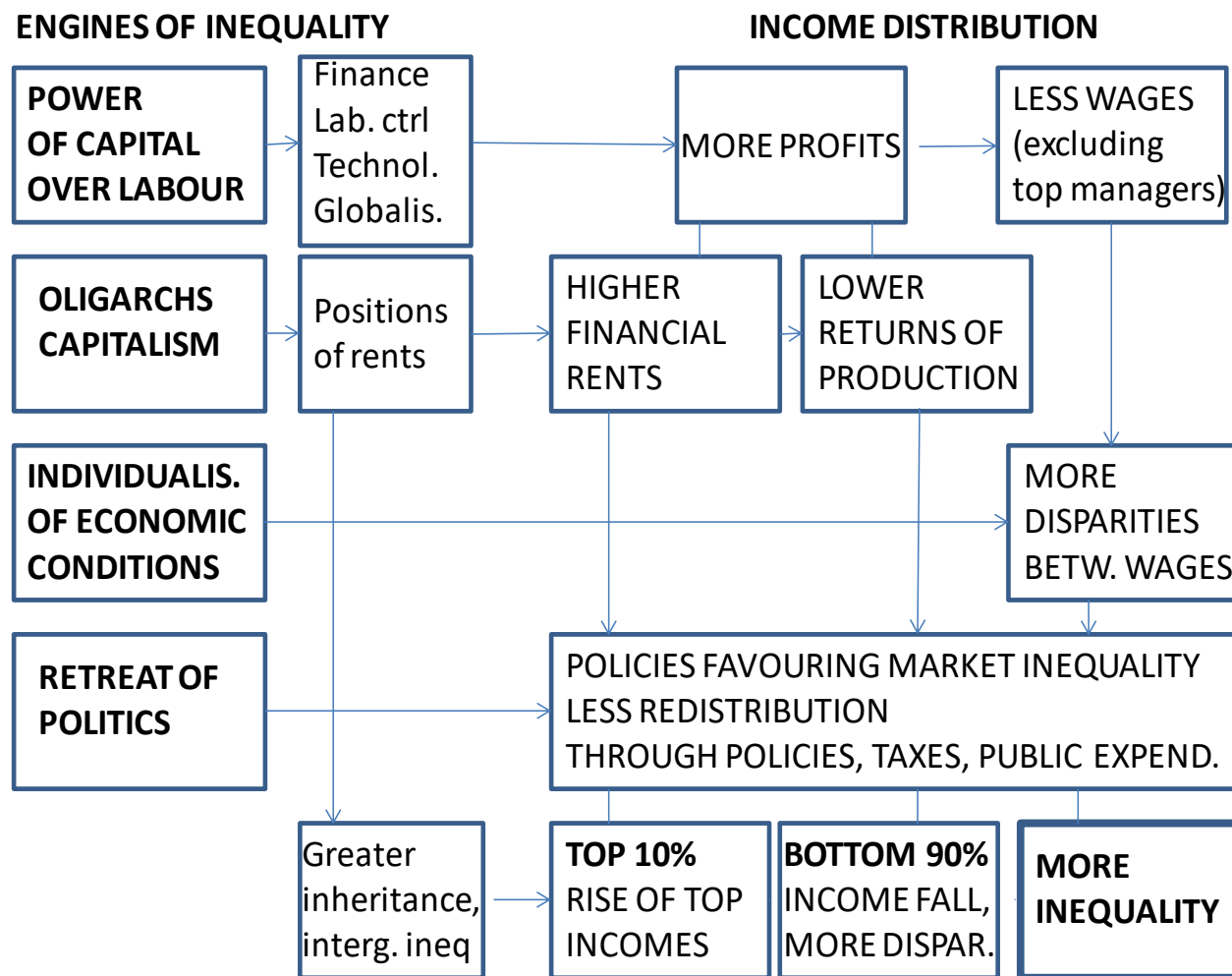
Figure 1.2. United States: Growth incidence curves for 1964-79 and 1979-2019 (average annual real per capita growth)¹³

Market vs disposable income ineq



The four engines of inequality

Franzini-Pianta, *Explaining inequality*, Routledge 2016





Hierarchies. Countries are not equal

- Natl economies are not equal, there is a hierarchy, affecting econ outcomes and distrib
- Who wins/loses from openness? History
- **Centre, Semiperiphery, Periphery**
- Different possibilities and trajectories of economic growth
- Political power btw States affects economic possibilities



Centre economy
Surplus, inputs, markets, finance, seigniorage

Power shapes economic relations
Economic flows and relationships

Tech
Trade
Investm

Capital
Flows
Debt

Exchange
Rate, int'l
monet. system

*Int'l econ
Institutions
Political
relations*

Periphery economy
External constraints, opportunities



Politics. Hegemony and State power

- Gramsci's hegemony (within a country)
- When a ruling class exercises a political, intellectual, and moral leadership, shaping the direction of change of country, organising consent rather than enforcing domination
- Ideology, common world-view, intellectual and moral reform
- Econ, pol structures, institutions are reshaped
- *Context: Liberal and Fascist Italy*



Hegemony in world system

- Intl context based on inter-State relations, weak institutions, no (democratic) political process
- Power matters: consent vs domination by force
- The most powerful State can shape direction of change of the world system: intl order – econ, pol – designed for its advantage
- Hegemony has to create order and space for expansion of (some) other States and capitals
- World system with a hegemon, a centre and periphery



Hegemonic cycles

- Accumulation cycles develop in parallel to **hegemonic** cycles where:
- The dominant State has an hegemonic role in the world system, obtains the benefits of accumulation and power
- **No “State vs Market”**: the State creates the conditions for accumulation in the centre
- When an hegemony ends, systemic chaos and then new order

Old hegemony

World system is shaped by econ, pol advantage/leadership of a State

Hegemony creates the **intl econ, pol order** allowing benefits for Centre, **expansion** of the world system

Consensus/emulation in the **Centre**
Control/acceptance in the **Periphery**

Crises and Transition

Hegemonic power is eroded by:
Economic success of other States of Centre,
more competition,
lower profits →
Accumulation crisis

State political rivalry
Social conflict in the Centre and Periphery
→ *Hegemonic crisis*

Towards a New hegemony

Systemic changes, **strategies** of the old Hegemon

Systemic chaos: econ pol disorder, wars

Centralisat/reorganiz of systemic power

Emergence of a new advantage/leadership of a State able to offer order and expansion



Hegemonic decline: economics

In phases of decline, the world system is characterised by **systemic chaos** (Arrighi Silver 1999 *Chaos and governance in the world system*)

- Slower expansion of the Centre, rise of finance, more competition for capitals, more rents, highly concentrated gains, bubbles, more instability, uncertainty, inequality
- Rise of material expansion in China and Asia, econ challenge to the Centre
- **Neoliberalism** as paradigm



Hegemonic decline: politics

- Int'l pol context: challenges to hegemonic power, restoration of power vs acceptance of decline, nat'l vs multilateral responses; new regional powers, new coalitions, wars
- Weaker State power with Neoliberal globalisation
- Nat'l pol context: breakdown of hegemonic consensus, weaker democracy, rise of right
- Social: end of social bloc: decline of status, income, need for protection, higher inequality, new types of conflict

Neoliberal Capitalism and the State system

EXPANDED

**Neoliberal
Capitalism**

Globalisation of capital, labour
Finance as mode of accumulation
Digital tech as forms of control

Nature,
knowledge

Personal data Private governance, monopolies

More
Commodities

Privatisation
PPPs, rules

Liberalisation
Deregulation

REDUCED

State system

Reduction of
State power
Supranational
institutions pro-
market (IMF,
WTO. etc)
US hegemony

**Policies
by States**

Instability, crises, lack of governance, weaker US hegemony

Neoliberal capitalism and State policies

Capitalism

Finance as mode
of accumulation

**Global/
regionalisat. of
production**

**Green
economy**

**Digital
platf., data as
commodities**

**Privatisation
Liberalisat.**

Management of crises

States

Expanding State intervention

More resources, less political visions

**Support for
capital,**
ad hoc subsidies

Redistribution

ad hoc facing crises,
no democratic process
rights-based actions

Warfare

vs. Welfare

Public-private governance

Supranational institutions reshaped

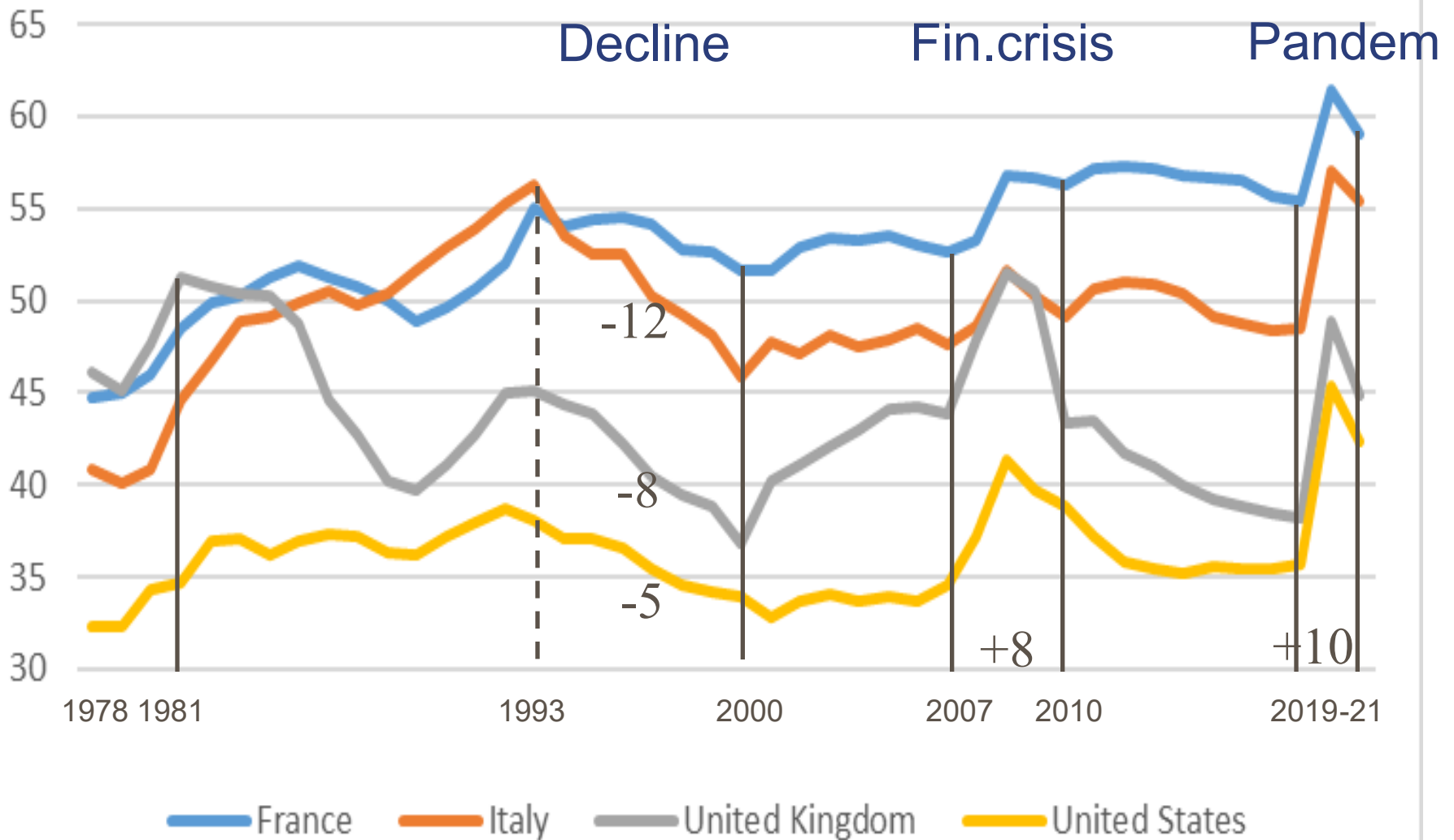
Inequality
Legitimation crisis



Is there a return of the State?

- 1981-1993: **Rise of Neoliberalism** (UK, US), late expansion of welfare state in South EU
- 1993-2000: **General decline** of State intervent. (Neoliberal EU, privatisation, globalisation)
- 2000-2007. Stability
- 2007-2010: **General return** of State intervention for the financial crisis (up to 8 %points of GDP)
- 2010-2019: Stability
- 2019-2023: **General return** of State intervention for the pandemic/war (up to 10 %points of GDP)

Government expenditure, % of GDP (IMF data)





Is there a fall of globalisation?

- **Globalisation** is still there for the **centre**: finance, big tech, GVC, extractivism, commodif: pillars of accumulation at global scale
- Global trade grows for the **periphery**
- End of **multilat neoliberal order** in some areas: trade, strat tech, supply chains, role of States
- Bilat/Reg power relations, asymmetries, hierarchy new forms of governance of global processes
- Private powers controls global decisions (finance, debt, dig tech, health, climate, etc)



Is there a fall of neoliberal globalis?

- 40 years later, **Neoliberalism** still rules, no alternative model
- In the US, EU, continuing evolution of Neolib: mix with nationalism, milit power, anti-immigr
- National-level: neoliberalism dominates policy
- The return of the State is a supporting role to capital, no control over economic trajectory
- Private power
- China as the alternative? **Political control over economic trajectory** (is this real?)



More State? State-capital relations

- **No recovery of the space for public activities** beyond a market logic, no public enterprises, States do not have enough information/capabilities on tech/prod/finance
- **Public-private relations:** Private role in policy decisions (McKinsey govt), PPPs as ways to privatize/individualise services. Revolving doors, regulatory capture
- **No political dimension**, no rebalancing power relat., technocracy, no democratic processes (EU/natl), policies ‘outside’ democratic politics



Trump's economic policies

- 90 countries with 15% tariffs (EU, Japan) UK 10%, Canada, Mexico clashes
- Political fight with Brazil, India
- Systemic challenge with China, negotiations
- Issues: Tech, chips, Nvidia, drugs
- Dollar, finance, US debt

Short term acquiescence

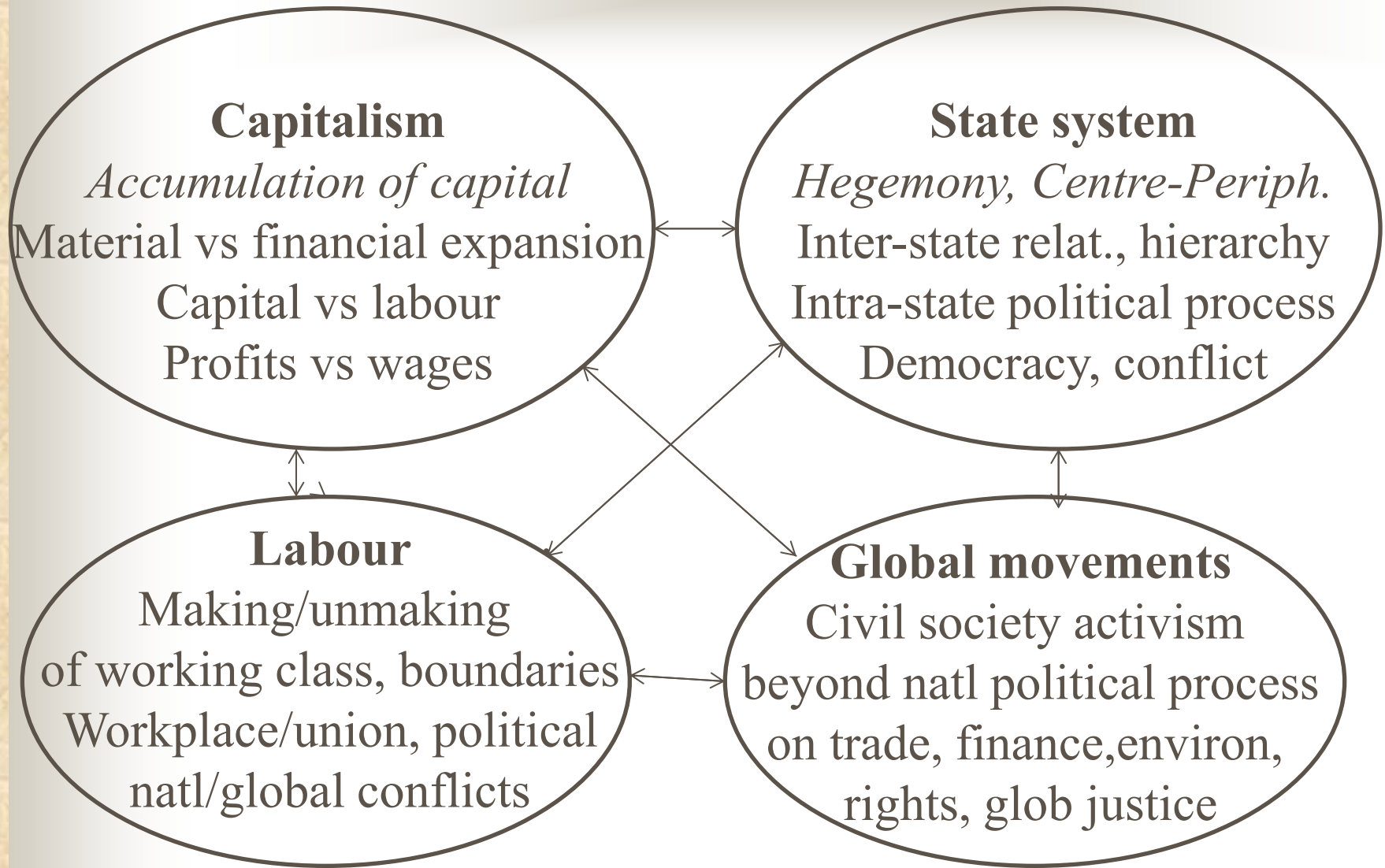
China patient confrontation

Long term weakening of US power



State, capital and social conflicts

- Other actors matter: labour and society
- Weaker collective identities, individualism
- **Capital-labour** at global scale
- **Anti-systemic (tnl) movements:** global issues as focus of mobilisation: rights, justice, develop, climate, wars. *Lack of supranat'l democracy*
- **Nationalist movements:** recovery of State power, demand for protection from capitalism and disorder



Economic processes

Political processes

Capitalism

Crisis of accumulation
Deepening imbalances

World system

Hegemonic crisis

At intl level, weaker econ order:
Lack of tools for econ governance
of finance, redistrib,
Power of markets vs States
Power of the US (*Tariffs*)

State intl policy
Brexit

At natl level:
Econ decline, inequality, less
legitimacy, weaker State agency
Demand for protection
Nationalism

Natl political process
Extreme right

Natl civil society
*From anti-systemic to
need for protection*



An age of systemic chaos

- World system matters: capitalism, states, wars
- Today: US hegemonic decline and the responses shape the context of conflicts: **Systemic chaos**
- **Wars:** US threat of military force (intern/extern) spread of long-terms wars, Ukraine, Middle East
- **Politics:** Instability, populism, lack of consensus
- **Economics:** crisis, uncertainty,
- *What hegemonic transition and new world order?*
- *A multipolar system?*
- *Rise of China as new hegemonic power?*

Capitalism

*Financial accumulation
global value chains, digital
monopol, commodification
Extractivism
Global scale*

State system

*Power, Centre-Periphery
Greater role of States,
support capital, managing
crises, no political control
Where is democracy,
conflict?*

Neoliberalism

Natl neoliberal
Some areas: end
multil. intl order

Globalisation

Bilat/reg power
relations, new
spec governance

Inter-State relations

Sovereignty?
Military power returns
Mil-ind-dig complex

Crisis of accumulation

Material expansion in China
Financial power in US

Crisis of hegemony

Systemic chaos

The war system

