

The Politics and Economies of Accounting for Goodwill at Cisco Systems



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Political Economy

1. What is political economy? Intersection of Politics with Economics. Concern about the economic policies employed by states and the development of macro-economics. The relations between states and economic drivers (business-manufacture/real economy; banks, financial institutions, shares and corporate investment - fiscal economics). The role of international political economy - Bretton Woods and dollar as reserve currency.

2, Theories of political economy. i) Classical/Marx/Keynesian/ Monetarism and Neo-liberalism. ii) Different systems: US and free market enterprise; Command Economics; Workers Democracy and Stakeholder; Third Wayism; Development and international trade/globalisation. Which system of government or governance is best for economic growth, prosperity and happiness? Keynesianism v Hayek. Why 'austerity measures been pursued in the light of modern economic collapse? Have people had enough? Trump on populist right v Corbyn on left? Offering alternative economic planning.

3. Debate: IPE and Globalisation: New World Order/BRICS. Global redistribution/global disaster capitalism and global economic failure. Is economic growth part of the solution or part of the problem?

1. What is Political Economy?

Broadly Political Economy refers to the policy area where politics meets economics.

It provides a particular focus on economic policy.

Political economy is about the relationship between politics and economics.

Whether political economists are looking at domestic systems or international systems, power and money are under analysis.

In that way, political economy expanded the emphasis of economics, which comes from the Greek oikos (meaning "home") and nomos (meaning "law" or "order");

Thus political economy was meant to express the laws of production of wealth at the state level, just as economics was the ordering of the home.

Therefore political economy draws upon economics, law, and political science in explaining how political institutions, the political environment, and the economic system—capitalist, socialist, or mixed—influence each other.

The Journal of Economic Literature classification codes associate political economy with three sub-areas:

the role of government and/or power relationships in resource allocation for each type of economic system;

international political economy, which studies the economic impacts of international relations; and

economic models of political processes

In other words, political economy is about:

the role of the state with regard to the economy;

interactions between political and economy processes;

distribution of social power based on property and wealth.

Principally, Political Economists reflect upon how the distribution of power within an economic system is, and can be, justified or not.

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2. Theories of Political Economy

Theories of political economy. Classical Free Market /Marx/ Command Economy

Classical Economy (Adam Smith, David Ricardo)

For Adam Smith the economy was seen as a complex natural organism.
Human Labour is a key source of wealth

Seeking balance between self-interest and cooperation
"It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages." (The Wealth of Nations)

The market is the most efficient and effective allocator of resources.
Ties in with individual freedoms and market rights. Smith seen as a classical liberal. Along with Hume and Ricardo.

The Hidden Hand of the Market and Division of Labour

Smith argued that by deepening the division of labour, competition would lower prices and thereby extend markets.

Extended markets and increased production lead to a new step of reorganising production and inventing new ways of producing which again lower prices.

Smith's central message is therefore that under dynamic competition a growth machine secures "The Wealth of Nations".

It predicted England's evolution as the workshop of the World, underselling all its competitors.

However, John Ruskin argued that to exclude moral problems from political and economic analysis is akin to being interested in 'a science of gymnastics which assumed that men had no skeletons'.

On the 'essence of wealth consists in its authority over men'.

Political economists must seek to learn more than how states become wealthy, but understand systems of domination.

Command Economy meets the Free Market

Mix of Command Economics and free-market enterprise: China

In the surviving 'communist' states e.g. China, Vietnam, party contacts still determine access to economic opportunities.

The system delivers growth from a low base but is corrupt and economically inefficient.

China and market reform and rise as a manufacturing economy.

Need of global markets and the US.

Marxism: Critique

Following Ruskin, for Marx argued that the free economies are social arrangements created by specific institutional and material forces.

Private property is a social construct, not something 'natural' or 'given' and is therefore mutable.

Workers produce surplus profits.

We explore reasons back to why only a part of what they have produced the surplus is left to the capitalist in the form of surplus value.

Ownership of capital (and labour) is in the hands of a few.

Power and domination is rooted in ownership and control of capital.

Workers are impoverished wage slaves.

Class divisions between the bourgeoisie and the proletariat are based on their roles in the economy and the state.

Ownership and Power

Capitalism is a system in which the private ownership of the means of production predominates.

Only a few people (Capitalists) own Capital - factories, land and machines.

The majority of the population work for these capitalists in return for wages - they sell their labour power and are exploited.

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Contradictions of Capital

Capitalism is prone to periodic crises - periods when production slows down and people are thrown out of work.

Each capitalist is trying to outdo the others.

They will invest in more and better technology in order to do this.

However as they accumulate capital they will find it difficult to maintain a high rate of profit.

After a period there will be so much capital invested that the rate of profit will start to fall, and thus a crisis will begin.

They will go on until sufficient companies have gone out of business and their capital scrapped, that the remaining firms can make a sufficient profit again and start once more to accumulate capital.

This is an inevitable and cyclical process.

Social Revolution and Command Economics

Underlies the theory of Opponents - Capital and Labour will undermine capitalism due to inherent contradictions.

Social Revolution will occur and the highest stage of capitalism - Communism will be born.

In a communist command economy the national government set quotas for state-owned production units and allocated resources to them.

The bureaucracy then implemented the plan.

This method could mobilise resources for industrialisation and force development.

However, command economies would be criticised for the absence of a price mechanism limited productivity and quality.



YouTube

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