

POLITICAL ECONOMY

A. Political Economy as Part of the Social Contract

1. So far we have studied how Americans wanted to live together by a “social contract” to protect their rights.
2. A part of this idea of a social contract is called “*political economy*.”
3. A political economy is “*the government making laws about the people making and trading things*.”

B. Modern Political Economy

1. In modern America we are used to the fact that some parts of the economy are businesses (like local restaurants) and huge corporations (like Apple and Amazon). Some parts, however, are controlled by government, like “public” education.
2. The mixture of the private and public elements is why the modern American political economy is called a “mixed” economy.

C. The Trend Towards Socialism

1. Because the government is controlling more and more of our lives, more parts of life will soon be controlled by government than are private. Right now in America, the government controls 46% of the economy. In Canada, it’s 52%. In France, it’s 62%.
2. When the government controls more than it lives free, that is generally called “socialism.”
3. One reason government control is growing is that most people want the government to tell them what to do about the Covid-19 pandemic.
4. Most people also want the government to help them as much as possible if they don’t have enough money. One example of this is that presidents Trump and Biden have mailed government checks to people because they are not allowed to go to work.

D. The Original American Political Economy

1. How did America get to a “mixed economy”?
2. At first, Americans didn’t want the government interfering in what they make or trade. This was one of the reasons for the American Revolution! For example, the *Stamp Act* of 1765 was a tax on the making and trading of legal documents.
3. When the colonists rebelled against it, the British government placed a new tax on tea, and the colonist of Boston threw the tea in the ocean in the Boston Tea Party!
4. Thomas Jefferson and George Washington believed that the best kind of political economy was one like ancient Rome, where leaders like a famous man named Cincinnatus were farmers.
5. This is known as *agrarianism*.
6. The only other kind of political economy they knew of was the political economy of Europe, in which kings made laws to control trade (like the Stamp Act and Tea tax). This kind of political economy is known as *mercantilism*. Obviously, it was not popular in America at first, because it was the way the British Empire acted, and Americans wanted a political economy of freedom instead.



A statue of Cincinnatus in the American city of Cincinnati (evidently, named after him) shows the ancient Roman leaders giving up the “fasces” (a symbol of power) a returning to the plow (a symbol of agrarian life).