

Introduction to the economy, a combination of



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Introduction

Individuals prefer different approaches to the economy depending on available resources and personnel. Every type of approach has its requisites that must be met first which depend on political and social environment. The existing socio-political forces are taken into consideration before choosing the theory to be applied in development. The politics of the day and available resources shapes the kind of policies in any economic organization. The three perspectives have both strengths and weaknesses but for effective approach to the economy, a combination of two is recommended. The policy makers and leaders in general ought to be extra careful when coming up with an approach for handling the economic activities of a state.

Liberal Economic Approach (Representing the Market)

The major proponent of the theory was Adams Smith who postulated that an economy expands rapidly when it is left to operate on its own.

He termed it as free market economy meaning the market logics are to be left to operate on their own. The approach encourages private accumulation of property; the state on its part should be viewed as a utility that facilitates opportunities for individual fulfillment of potentials. The state therefore, as a custodian of public good should provide services such as security, facilitation of infrastructure such as harbors and ports to facilitate exports/imports, construction of hydroelectric power complexes to produce energy to industries and good road network to expose the interior of the state to the outside world (Wendy pp 39). The approach argues that at no one time should the state interfere with the market logics. At other times, the

economy experiences some turmoil. The state should intervene only to restore normalcy. The state withdraws immediately the situation is restored, without the state intervention; many people will default in payment of mortgages and loans. Non-payment of taxes that results from bad economic situation makes it difficult for government to operate.

The government relies heavily on taxes for conducting its business and paying workers hence a bad economy paralyzes its activities. The theorists, from Adams Smith to Ricardo do agree that a free market economy encourages innovativeness, which further ensures happiness to the population. The market favors the most inventive and innovative manufacturer, consumers are interested in new products.

It therefore follows that producers will be keen to produce products and services that consumers want. The type of relationship that exists is cordial since the consumers and producers check each other regularly. The approach encourages trading without restriction hence the traders play a big role in maintaining peace integration. People who interact through trade will co-exist peacefully by exchanging other social products such as professional morals required in business.

On the side of pricing index, the economy is said to be self-regulating. The government should not try to set prices of goods since it destabilizes the market logics. The approach argues that the state does not have any relationship with the market; they are separate entities that should never be undertaken concurrently.

Nationalism/ Mercantilism (Representing the State)

The theorists in this approach are state-centric meaning that the state is intertwined with the market that is, the state is above the economy. The political class should issue directives that serve to control trading activities.

The market and the state is one and the same, the political class are the ones who invest most, conversely the acquisition of property is a sure way to obtaining the political power. Consumers and producers always pursue antagonistic interest. The consumers wish to obtain quality products at low costs while the producers on their side are interested in maximizing the profits by producing under quality products and disposing them at higher prices (Grant 21). The state comes in as an arbitrator by setting the standards required for goods to be traded in the market. Without the intervention of the state in the market, the security of the state will be in jeopardy. Some of the goods are of high security threat such as guns, weapons and drugs. Guns should never be allowed to enter into the hands of anyone since others will use them to deprive others of their property.

The government in that regard supervises distribution and management of drugs; the authorized authorities and individuals only dispense them. The state is the only legal authority that can enter into trade agreements with other states or organizations, the international trade treaties are always among states not individuals. Goods and services from other countries might not be allowed into a particular country because of one reason or another. Moreover, the government is the real business initiator in any country; it allocates funds to various sectors to spur development.

Marxism (Representing the Society)

The thinkers for this theory derive their arguments from the thoughts of Karl Marx. It postulates that people in a particular economy should determine their own destiny. The aim of the state according to this approach is to safeguard the interests of the owners of the means of production.

The state is the committee of the ruling class meaning that it is not interested in fulfilling the needs of the people. The citizens are usually used as rubber stamps in any electioneering process. They elect leaders who do not have their interests at heart; the bourgeoisie uses the state to fulfill their interests. The citizens believe that the owners of the means of production exploit them by misusing their labor. They are paid so poorly despite the fact that they contribute a lot in production of goods and services. They are exploited to an extent of being alienated from the society.

The workers do not access the goods and services they produce apart from lacking time for themselves and their families (Chen 17). The theory concludes that the workers will only determine their destiny by organizing a revolution. People should rise up against the ruling class by violating the rules and regulations set by the bourgeoisie through the government.

The preferred perspective

Although it is recommended that a number of perspectives be applied in approaching development, the most preferred one is mercantilism. The government should take full control of the state including the economic activities. The government plays a lot key responsibilities including arbitration, controlling the movement of important commodities, negotiating

trade agreements and facilitating development by providing infrastructure. Without the state, there would be no standardization of goods and services leading to dumping of goods in some countries. Local companies need to be protected because they are the real patriotic companies that will always serve to hold the economy of a particular state.

Foreign companies are highly unpredictable; they cannot be relied in stabilizing the economy since they can withdraw their operations any time.

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