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## Conference Notes on the 2025 International Conference on Applied Economics and Political Economy (ICAEPE 2025)

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**Abstract.** The International Conference on Applied Economics and Political Economy (ICAEPE 2025), held in Vienna on May 14–17, 2025, brought together scholars, policymakers, development agencies, and research institutions working at the intersection of economics and political economy. The 2025 edition of the conference distinguished itself through its comprehensive analytical scope, strong empirical orientation, and its highly interdisciplinary engagement with global political-economic transformations. The conference published both an Abstract Book and a Proceedings Book, providing an extensive record of the empirical studies, conceptual debates, and policy dialogues presented over the four-day event. This set of conference notes synthesizes the key intellectual contributions, methodological innovations, and policy implications of ICAEPE 2025, highlighting sessions most relevant to Journal of Economics and Political Economy—particularly macroeconomic governance, institutional analysis, global economic restructuring, inequality, political institutions, geoeconomics, and public policy evaluation.

**Keywords.** Political Economy of Global Polycrisis; Macroeconomic Governance and Institutions; Geoeconomic Fragmentation and Trade Restructuring; State Capacity, Development, and Inequality; Economic Policy, Democracy, and Institutional Quality.

**JEL.** E02; F50; H60; O43; P16.

## Conference Notes

The opening keynote delivered by Prof. Lutz Reinhardt (University of Bonn) explored how the “polycrisis era”—a term referencing overlapping global shocks such as pandemics, geopolitical fragmentation, supply-chain disruptions, inflation volatility, and climate-driven economic losses—has reshaped both theoretical and empirical approaches in political economy.

Reinhardt argued that the global political economy has entered a phase of structural uncertainty, where conventional models of steady-state equilibria fail to capture systemic fragility. He emphasized three contemporary trends identified in multiple papers in the Proceedings Book:

1. Reconfiguration of global value chains away from efficiency-maximizing frameworks toward resilience-oriented production networks.
2. Return of industrial policy with governments adopting strategic interventions in energy, semiconductors, AI, and biotechnology.
3. Geoeconomic competition replacing purely geopolitical rivalry as states increasingly use sanctions, trade restrictions, and technological controls as tools of economic statecraft.

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This framing shaped discussions throughout the conference and influenced many sector-specific and region-specific analyses presented later.

### **Empirical Macroeconomics and Policy Sessions**

**Inflation Dynamics and Monetary Regimes Post-2020:** The conference featured strong empirical work on inflation persistence after the global COVID-19 shock. A notable multi-country study from the Proceedings Book used panel VAR models for 28 advanced and emerging economies. The authors found that post-2021 inflation exhibited:

- higher pass-through from commodity prices,
- greater sensitivity to supply bottlenecks, and
- reduced effectiveness of traditional interest-rate channels due to fiscal dominance in several developing countries.

Policy discussions emphasized the tension between inflation control and growth recovery, especially in emerging markets.

**Fiscal Policy, Public Debt, and Political Constraints:** Papers on fiscal sustainability highlighted how political institutions shape debt trajectories. A highly cited empirical paper examined 85 countries from 2000–2023, finding that:

- Countries with proportional electoral systems tend to accumulate higher public debt,
- Coalition cabinets generate more fiscal fragmentation, and
- Independent fiscal councils improve long-run debt sustainability.

The Political Economy section of the conference repeatedly emphasized institutional quality as a determinant of macroeconomic credibility.

### **Political Economy of Development and Inequality**

**State Capacity and Economic Transformation:** A central theme of ICAEPE 2025 was the role of institutions and state capacity in shaping development outcomes. A landmark study from the Abstract Book analyzed how bureaucratic professionalism influences industrial upgrading in East Asia, finding that:

- Meritocratic recruitment in public administration strongly predicts manufacturing diversification,
- Countries with low administrative capacity face premature deindustrialization,
- Strategic coordination between the state and private sector accelerates technological transformation.

This line of research resonated with a broader debate on “developmental state models” in a more fragmented global economy.

**Inequality, Political Power, and Redistribution:** Several sessions explored how political structures shape inequality. Using large cross-country datasets, one study argued that presidential systems with weak party structures exhibit lower redistribution and higher inequality due to short-term electoral incentives.

Another paper used machine learning techniques to analyze 40 years of inequality data, finding strong evidence of elite capture in countries with low judicial independence.

The Proceedings Book documents multiple case studies showing how political polarization weakens redistribution mechanisms, especially in Latin America and Southern Europe.

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### **Globalization, Geoeconomics, and Trade Structures**

Fragmentation of the Global Trading System: One of the most widely discussed sessions focused on the “geoeconomic fragmentation” phenomenon. Researchers from the WTO and UNCTAD presented results showing:

- A measurable decline in trade openness since 2019,
- Rising formation of politically aligned trade blocs,
- Increased concentration of strategic goods (chips, batteries, rare earths).

Participants debated whether the world was shifting toward regionalization or deglobalization. While no consensus emerged, empirical evidence suggested a structural reorganization rather than a full reversal of globalization.

Sanctions, Economic Statecraft, and Political Economy Outcomes: Papers on economic sanctions provided compelling insights. A large-N quantitative study concluded that sanctions reduce long-term economic growth not only in targeted countries but also in sender countries with high export dependence.

The Proceedings Book includes a rich comparative study showing how authoritarian and democratic regimes respond differently to sanctions, with democracies tending to experience more rapid political polarization.

### **Methodological Innovations**

ICAEPE 2025 highlighted new methodologies increasingly used in political economy research:

- Causal inference with synthetic controls (applied to industrial policy shocks)
- Machine learning for political text analysis (detecting institutional weaknesses)
- Natural experiments using administrative datasets (evaluating fiscal rules)
- Network analysis for studying international alliances and trade dependencies

These methodological sessions demonstrated the field’s ongoing shift toward data-intensive, multidisciplinary approaches.

### **Roundtables: Governance, Democracy, and Economic Stability**

High-level roundtables debated the political sustainability of economic reforms. Key themes included:

1. Democratic backsliding and economic governance, with evidence showing strong correlation between weakened checks-and-balances and macroeconomic volatility.
2. Populism and fiscal behavior, where multiple studies documented expansionary fiscal cycles during populist administrations.
3. Trust in public institutions, shown to be a robust predictor of investment flows and long-term policy adherence.

These insights are deeply relevant to the mission of Journal of Economics and Political Economy, which examines the interplay between political structures and economic outcomes.

**Concluding Insights: Political Economy in a Transitional Global Order**

ICAEPE 2025 made clear that economics and political economy are merging into a more integrated analytical field. As global conditions grow more uncertain—due to climate risks, geopolitical rivalry, technological disruption, and democratic erosion—the boundaries between economics, political science, and public policy are dissolving.

The conference's contributions offer several forward-looking insights:

- Political institutions are the decisive variable shaping economic stability.
- Global economic governance is undergoing a structural realignment.
- Development pathways increasingly depend on state capacity and institutional quality.
- Economic models must account for uncertainty, fragility, and rapid structural change.

The Abstract Book and Proceedings Book of ICAEPE 2025 provide a rich and nuanced archive for scholars of economics and political economy. For readers and contributors to Journal of Economics and Political Economy, the conference offers both theoretical innovations and empirical lessons essential for understanding the evolving global landscape.



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