Paradigmal Foundations for Overcoming the Crisis of Economic Theory

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Abstract. The article examines the state of modern economic theory, characterized as experiencing a paradigm crisis, and describes a variety of scientific views aimed at understanding the causes of the crisis. Besides, it gives an analysis of economic paradigms that helped to get out of crises at different historical periods, as well as possible ways and prospects for overcoming the crises, which are proposed by scholars of different schools of economic thought. Attention is paid to the description of different stages of modern science - classical, neoclassical and post-non-classical – and to the evidence that proves the close correlation between the periods of economic theory development and stages of general scientific studies. The need for formation of a new economic paradigm is reasoned, the one that will have the status of meta-theory for all economic knowledge and will be based on new philosophical and methodological foundations: ontological, epistemological and axiological ones. The emphasis is on the need for an interdisciplinary approach which will help to overcome the paradigm crisis, an approach that includes methods of various sciences, but does not allow the economy to be reduced to any of these sciences. The conclusion is made about the need to apply the methodology of social philosophy to make it possible to view the science of economics through the prism of the universal, and the possibility of using an activity-based social-philosophical method as an explanatory principle.

1. Introduction
Economic space of the society includes all the practices of economic activity as well as the comprehension of these activities. The latter entails a wide range of issues, from scientific theoretical studies to public opinion, which means that the economic activity constitutes one of the main spheres of public life as it guaranties the satisfaction of primary needs of people, the ones without which high living standards and the life itself are impossible. It accounts for the fact that economic processes of real life affect all indicators of people’s living standards rapidly and directly and economic crises that shatter the life of people are as threatening as political actions or even revolutions. Hence, it is quite understandable why the analysis of economic processes and, primarily, the crises has always been the issue of major importance and it determines the topicality of the article. A great number of books and researches that handle this issue give an additional proof of the significance of this urgent problem. Many foreign authors (for example, Friedman (1953), Caldwell reviews (1982), Aumann (1985), Malinvaud (1995), Blaug M. (1994), Krugman P. (2012) as well as the Russian ones (Polterovich V.M., Inshakov O.V., Auzan A.A., Tombovtsev V.L., Nekipelov A.D., Smirnov V.V. and many others) have raised the problem, in concern with formation, development, functioning and updating of economic theory, its methods and approaches.

The words “there is nothing more practical than a good theory” are attributed to many authors but the exact author is not known. These words are the best embodiment of the role and importance of theoretical comprehension and approaches to current economic processes, primarily, to economic crises. Theoretical analysis, aimed at revealing the causes of economic crises and modeling ways of overcoming them, becomes one of the main tools for handling economic downturns and crises [4], which determines high scientific significance of the research meant to distinguish new paradigmatic aspects of the science of economics. However, the researches of the last decades have not been fruitful in revealing the causes of economic crises and it testifies to the crisis in the economic theory...
itself. There is one way to define the problems and settle them, that is – to form new paradigmatic foundations for the economic science. And it is very complicated as nowadays there is neither a single vision nor a univocal appreciation of what is happening. All this points to the necessity to solve the research task, the concept of which (at least in the form of stating a problem) draws attention and streamlines creative efforts of the author of the article.

2. Theoretical part

Economic sphere of the society is a subsystem of the society as a whole system, being a functioning system. It implies that this function and its main characteristics are attributed to it by the society itself which, according to the development logic, leads the scientists to the comprehension of the facts that occur in social phenomena and processes. It asks for deeper study of the essence of what is happening, namely, for studying socio-economic laws that shape these processes and specific features as embodied in this or that historical environment. It is one of the reasons to carry out basic researches as the situation is getting more and more urging. The state of crisis that is characteristic of modern economic theory (as we have already mentioned) make fundamental researches a priority, necessary for making decisions about further development of economics as well as for laying down the fundamentals for the decision-making that can optimize economic practice.

Scholars of economics do not only suppose but also reason that the economic theory is deeply in crisis. When it has lost the integrity of the economic worldview it has simultaneously lost the ability to solve practical economic problems, to determine economic guidelines and to suggest appropriate recommendations to solve the problems. The way out of the crisis can be found in establishing a new paradigm which will restore the integrity of the economic outlook and integrate all the best practices of economic theory” [7]. These words of Academician A.D. Nekipelov confirm that economic theory is in paradigmatic turmoil and finding a way out is a challenge for the whole scientific community of economists. “Modern global financial-economic crisis is a reminder of the crisis which the world economic science experiences. Its inability to understand emerging issues, to respond to dramatic problems of modern environment once again call for economists to consider the reasons of the existing situation in economy and about the possible ways to enhance its practical effectiveness” [10]. Economic science has experienced such problems not once and every time the way out of the crisis required an enormous effort from the scientific community in order to create a new paradigm that can serve as an explanatory principle for the economic processes that cannot be analyzed with the tools of the current paradigm” [5].

Methodological and historical studies show that classical science has always emphasized the environment, the laws of its existence as its object of research. The non-classical science diverted attention to the means of studying and changing the reality, and only the post-non-classical science took note of the man, the subject of all social processes and phenomena. The economic theory has gone all the way to its paradigmatic formation [2] and all its epochal stages demonstrated the shift towards this or that object of research. Classical political economy changed the mercantilist emphasis from monetary circulation and later from trade balance and the protectionist theory of the state to the new liberal paradigm where the focus was on the market and market laws, its “invisible hand” [11] which was supposed to regulate everything without states involvement and even without people’s involvement. The approach is one of the doctrines where the emphasis is on the object of the research. The new stage of neo-classical economic science demonstrates a shift from the object of the research to the research tools and it resulted in mathematization of the science, the development of various models and variants of economy and its separate branches, replacement of “the value concept” by the utility principle and etc. All these features correspond to the science development principles as a whole at its non-classical stage.

Keynesian theory presents a new paradigmatic period in the development of economics when the role of the state is diminishing in economy and in cash flows regulation. It helped to recover the
economy\(^1\) but the Keynesian economy has not become a universal and global economic paradigm. It was later replaced by the monetarist theory (the Chicago School) with its “cash rule” [12] which led to significant results when improving the economy of US, Germany, Great Britain and some other countries. Nevertheless, it didn’t yield positive results in the post-communist space. Moreover, on the territories of Russia, Ukraine the effect was quite the opposite and absolutely negative. It prompted new voices to support the Keynesian theory because “when monetary policy does not bring desired effects and is not efficient in stimulating high expenses of the private sector then the public sector is set to replace it and help the economics” [15].

The current post-non-classical stage of development pays special attention to the subject, both the researcher and the researched one. What accounts for it and does it happen by chance? It is very difficult if possible to answer the questions univocally. Nevertheless, the very logic of scientific thought has reached the stage when the man and the human factor become the object of scientific focus. Its academic analysis can result in the next scientific revolution which will open a new heuristic potential and it will help the science move to a new circle of its development.

There have been numerous reconstructions, modeling the development of economic science, which prove a correlation between the stage of economic theory development and the stages of science in general. These researches demonstrate that current stage of economic theory pays attention primarily to the man and his place in economic practices as well as to its studies, that is, to the science of economics.

The above mentioned examples of emerging economic doctrines confirm the fact that economic theory participated in the development of numerous paradigms, theories, and concept programs which helped the economy to overcome crises at different development stages. Nevertheless, a universal comprehensive approach, suitable for all types of economic systems, theories, paradigms and for all historical periods, has not appeared. All doctrines are local in their nature, not up to the level of meta-theory, while only the latter can establish a methodological basis and become an explanatory principle for all economic processes.

There is a well-known parable about an elephant, when a dozen of blind people were brought to the elephant from different sides with a task to read it by touch in different parts, and then to give a definition of an elephant. As a result, there appeared ten different definitions, each of them describing the part of the elephant that was available to them in the process of touch-reading. And no one has been able to define what the elephant, as a whole, is. A similar thing is observed in the economic science, where we see a variety of the so-called “field theories” that explore certain areas of the economy and sometimes can function well in the field. They can be fairly good for some fields of knowledge but not for the whole economy. Thus, a variety of newly-emerging theories which are positioned as having a paradigmatic status, leads to the appearance of certain mythologization of the economic space, being also an evidence of the paradigmatic crisis in economic science, which can be seen not only in the identification but also in the assumptions of possible causes, that result in economic crises.

Many scholars of economics have attempted not once to understand the causes for such a low heuristics of the theories. Some of them believed that the roots of the causes are in the total mathematization of economics, when the reality is described by “complex refined mathematical dependencies”. Economists are at a loss “because they have mistakenly taken the beauty for the truth, the former being clad in impressive mathematics” [3]. The same point of view is shared by P. Krugman [14]. His opponent, J. Cockrein, is categorically against such an approach and reproaches P. Krugman for the politicization of economic phenomena [2]. V.V. Smirnov [10] adheres to the same point of view, indicating ideologcal oversimplification of economic theory as the major cause of the crises. Moreover, the scientist believes that "the economic theory, influencing the formation of economic policy with its insufficiently-founded recommendations, led to a global financial and

\(^1\)It is a well-known fact that after Roosevelt was elected a US president the Keynesian theory became a normative one
economic crisis.” [10] One of the most common explanations for the causes of what is happening is not the theory itself, but the problem of overstated expectations of the society, which waits for recipes to overcome the economic crisis [3].

Academician V.M. Polterovich pointed to a low predictability of economic science about twenty years ago [9] and since then practically nothing has changed. He made a very important conclusion that “if it is true that the main reason is the lack of universal economic laws and an extraordinary diversity and rapid changeability of economic objects then the way out can be found in a fundamentally different organization of scientific research” [9]. As we see it, the settlement of this paradigmatic crisis can be approached through a fundamentally different research organization which will involve “philosophizing” not mathematisation [10] of economic science as a way to handling the crisis and forming a new paradigm. It implies the development of new theoretical, methodological and philosophical foundations that can not only help the economic science out of the crisis, but will also provide it with theoretical tools to cover a wide variety of interdisciplinary research which will pave the way to the development of different sciences [1]. The thing is that modern scientific rationality pushes the scientists to the interdisciplinary scientific development which, according to our mind, will be the main feature of the present stage of scientific evolution. The scientific rationality is a symbiosis of mathematical, natural-science, engineering-technical and social-humanitarian rationalities. Interdisciplinary approach involves the use of various methods both for the formation of a new paradigm and for the study of economic practice, but it does not include mathematization or, what is even worse, the biologistization of the economy, as it sometimes occurs in some branches which are developing within the frames of the philosophy of economics. They proclaim that their object is the man in its entirety and his/her inextricable relationship with nature, but they substitute philosophical and methodological analysis by some reasoning which they declare to be of a metaphysical theoretical level. Such an approach cannot create the grounds necessary for the formation of a new paradigm, for philosophical analysis is not just an exposition of everything that comes to your mind but it is a precise logical-methodological algorithm based on a set of principles and laws.

Another problem of modern economic theory which affects the creation of a new paradigm is the distortion of the principle that should be taken into account when constructing an economic theory. The paradigm should obligatorily include four stages: description, explanation, forecast and recommendations. Nowadays we mainly encounter the following: a description is followed by a forecast and recommendations with a missing, utmost important stage, that is – EXPLANATION. But the latter is absolutely necessary, for the major task is not only to explain HOW this or that process is taking place, but mainly to account for WHY it occurs because it is important to reveal the essence of the object in question. The essence of the matter is far from being simple and the phenomenon cannot be identified by mere observations and descriptions of the object. The essence is a matter of intelligibility and can be cognized only through intellectual reflection over the essence of the object of study and only a methodology, having strong philosophical foundations, can cope with it. It is time to understand that the paradigmatic crisis of economic theory will never be settled if there is no meta-theory that embraces the conception of the society seen as an integral system, and based on economic paradigm.

The elaboration of philosophical foundations for any certain science implies, first of all, the identification of ontological, epistemological and axiological foundations of this science. Ontological grounds give the picture of the world, the very type of materially determined systems that science (economic theory, in our case) analyses with the help of a paradigmatic prism. The changes in the paradigm entail the changes of ontological grounds, that is, another picture of the world. It is the revealed ontological grounds that make it possible to comprehend the essence of the object concerned, its function in the society, and it was an aspiration of the science of the classical period. Epistemological grounds give a researcher the tools to comprehend this ontological object and to receive the idea of how to cognize the world in general. If we imagine a religious picture of the world and religious instruments of cognition then the difference between ontological and epistemological grounds and the rationalistic picture of the world becomes immediately evident. Neoclassical science,
as we have already mentioned, was focused on the tools of world cognition, namely, epistemological grounds. Axiological grounds entail, first of all, the value prism of the world-view and value identification which defines the goal-setting of the subject. Axiological grounds are closely connected with the subject and the subjective perception of the man’s and society’s existence. These basic grounds define modern post-classical stage of scientific development, including the economic theory, which has both positive theories (that is, ontologically grounded) and normative ones (that is, value-oriented)

3. Conclusion
Taking into account all the above-mentioned, it is possible to draw some conclusions. Nowadays there are all necessary conditions and opportunities to lay down a new ontological, epistemological and axiological grounds for economic science. First of all, modern economic theory has modified all the stages of its historical development and the economic knowledge has worked out foundations of a new economic paradigm, though the latter has not yet systematized all the necessary prerequisites to formulate philosophical and methodological grounds necessary for this new economic paradigm. Secondly, modern trends in economic science focus on the man as well as on the human capital, on the study of various models of the man, on the impact of socio-cultural factors both on the functioning of economy and on its understanding. All this makes it possible to develop a new economic paradigm on the basis of socio-philosophical principle of activity. Social philosophy is the methodology that regards the society and all the social processes and phenomena through the prism of the universal [6]. It can give the economic theory, firstly, the universality level necessary for developing philosophical grounds in order to create economic meta-theory. The latter will embody itself in formulation of economic doctrines for some economic fields of knowledge after a series of methodological and logical transformations. The approach will grant the economics branches logical integrity, strict succession and completeness that will not depend on the stage of historical development. Secondly, social philosophy can provide a necessary methodology for the study of economic processes which will involve an activity approach that can act as an explanatory principle for economic science.

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