

Yurii Sapachuk
PhD in Economics, Assistant Professor
National University of Kyiv-Mohyla Academy

Сапачук Ю.М.
кандидат економічних наук, доцент
Національного університету «Києво-Могилянська академія»

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**ECONOMIC THEORY AND POLICY:
FROM THE ABSTRACT TO THE CONCRETE**

**ЕКОНОМІЧНА ТЕОРІЯ ТА ПОЛІТИКА:
ВІД АБСТРАКТУ ДО КОНКРЕТНОГО**

*The difficulty lies, not in the new ideas,
but in escaping from the old ones, which ramify,
for those brought up as most of us have been,
into every corner of our minds.*
J. M. Keynes

For each science there is a natural question concerning its essential connection with a concrete reality and practical utility. For the economic science this question arises especially acutely and urgently. The reason of this is, firstly, the fundamental importance of that aspect of life, which is studied by an economic science and secondly, it is combined with specific toolkit of this science, which differ from other social sciences in its increased level of abstraction. Therefore, the question of realness of an economic science and its connection with economic policy requires a serious scientific research.

As experience shows, the methodological discussions on this topic become particularly acute during the periods of global economic crises usually. The criticism is primarily directed at the dominating macroeconomic theory which as it is considered, is responsible for the ineffective macroeconomic policy in the light of the current crisis. Next comes the microeconomic level, where the functioning of individual markets is being studied and, finally, the hypotheses of the behavior of market participants and its coordination, which underlie this microeconomic theory.

To begin with it is necessary to notice that the question of the influence of economic theories on economic policy is being discussed long since and till these days. In particular, J. M. Keynes and F. Hayek defended the opposite courses of economic policy and both believed in the possibility of influence on it by economic theorists and tried to use this opportunity. In addition, V. Pareto and J. Stigler considered that the real influence of economic theories on a policy

is the extremely insignificant, and the current situation and the interests of the dominating social classes simultaneously generate the economic science and economic policy [3, p. 5]. Investigating this point in question, it should be noted considerable heterogeneity of an economic science, which exists practically from the moment of its occurrence.

Depending on the aforesaid it is possible to allocate two approaches, canons or types of an economic science [1, p. 28]. The first canon is connected with the aspiration to reach the universal truths applied in all geographical and historical contexts. It is guided by a natural-science ideal and active use of metaphors from the natural sciences (*an equilibrium metaphor*). The behavioural hypothesis here is approximated by a metaphor of the “*economic man*”. The basic theoretical problem is the interaction independent atomistic agents. This canon conditionally includes the school of physiocracy, both classical and neoclassical political economy and Marxism. In particular, A. Smith is an atypical representative of the given canon, because his theoretical postulates are close enough to a reality, in contrast to the strictly consistent D. Rikardo.

The second, less abstract canon is based on experience and is built from below upwards. The purpose of representatives of the given canon is to create directly a useful economic theory. Its creation should be based on a basis of the description of the real world. Therefore Friedman’s “the methodology of a positive science” which assumes to receive correct and useful forecasts from the unrealistic data, here is unacceptable. This canon is based on the notion of a diversity in human motivation and, consequently, it is not separated radically from the other social studies. The representatives of this canon are the mercantilists, the historical school, Austrian neoliberalism, American institutionalists, followers of J. M. Keynes and German “ordo-liberals”.

The principal point consists in how belonging to the first or second canon correlates with an economic policy formation. According to E. Reinert’s concept the freedom of commerce and an abstract economic theory are correlated in the same way as the active state regulation and a more concrete theory. The abstract economic theory of the first canon based on the ideal scheme of interaction of free market agents, acting motivated on their own interests and based on free competition, is fully consistent with economic liberalism. Nevertheless, according to base positions of their abstract theory classics directly did concrete political conclusions – D. Ricardo’s conclusion on cancellation of “grain laws”. According to J. Schumpeter’s expression it is so-called “Ricardian vice” [2, p. 516].

The Austrian school of neoliberalism’s affiliation with the second canon is conditional enough. During the well-known debate about possibility of economic calculation under socialism pro-socialist arguments O. Lang and A. Lerner were the extremely abstract, based on the model of general balance, and L. Mises’s and F. Hayek’s antisocialist arguments were connected with the real imperfection of an information available to economic agents. At present,

the first canon has evolved from mechanical models (from A. Cournot to A. Marshall) to purely mathematical ones. Concerning to the economic policy formation it is necessary to notice that approximately in 2000-th the revision of Washington consensus's theses begins and the attention to institutes of economic development and the state economic policy amplifies.

Thus, arises an important question concerning a proper correlation of both canons in an economic theory and practice. The modelling abstract world of the first canon allows to analyze more deeply the world surrounding us, to see in it the laws that are hidden from the average person and to avoid logically insolvent arguments. The abstract economic theory recommends the policy based on a limited number of principles. Into this number enter both a policy of economic liberalism, and full centralisation of economic activities. These series includes both the policy of economic liberalism and the full centralisation of economic activities policy. The economic history testifies to efficiency of the economic policy proceeding from the concrete theory, which closely related with a specific situation and gets out *ad hoc*.

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