

# Study on Ontological Contours of Future Economic Theory

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**Abstract**—The pluralism or monism of economic reality seldom becomes subject of a philosophical reflection. Meanwhile, world crisis of 2008-2009 and correction of mistakes after it made problems of an economic mainstream obvious. Not only the methods applied by the dominating economic theory but also its ontological basis were called in question. The article is just devoted to critical analysis of ontological basis of a mainstream. Only by means of such criticism it is possible to outline ontological contours of future economic theory.

**Keywords**—*philosophy of economics; methodology of economics; ontology of economics; economic reality*

## I. INTRODUCTION

The economic theory found its methodology where during its emergence it could only receive it - in the field of natural sciences. "An invisible hand" of providence and the "forces of chemical affinity", nowadays forgotten, were once in one conceptual row. Meanwhile, sooner or later, positivistic revolution in science of the 19th century had to transform also economy.

The amalgamation of positivism achievements with economy was historical service rendered by J.S. Mill. And he made it so successfully that inspite of antipositivistic position of marxism and historical school, it was J.S. Mill but not V. Rosher or K. Marx whose views dominated in economic methodology until the end of the 19th century. In paradoxical way, positivistic methodology retained in economy even when the marginalism opposed both classics and marxism with historical school.

As Philip Mirowski convincingly showed, marginalism became, actually, an application of laws of thermodynamics to economy. Ph. Mirowski has even claimed that "Neoclassical economic theory was appropriated wholesale from mid-nineteenth century physics; utility was redefined so as to be identical with energy". [1]

In addition, at the end of the 19th century the physics was under strong influence of machism. Thus, one may say that marginalist revolution was not just a projection of physics in economy but that of physics in its machist option. Machism concentrated on cleaning "experience" of any metaphysics.

That is why, the marginalists considered value in economy to be the same pseudo-problem as, for example, availability or absence of a good angel near Jesus Christ. It was only the next occasion to strike with "Occam's razor". Thus, having lost value, the economy became "economical" long before Leonid Ilyich Brezhnev proclaimed this slogan.

Marginalism was replaced with neoclassics, and the positivism continued to remain the only scientific form of methodology in economy. Even appearance of post-positivism with its philosophy of sciences has nothing changed in this situation. The philosophy of economics being a part of philosophy of science was still remaining positivistic. In any case, all the discussions taking place within the frames of western philosophy of economy were not beyond positivistic methodology. And nevertheless, as M.V. Sinyutin correctly remarked: "... the more thoroughly economists come to understanding of the essence of methodological contradictions, the more obviously polemic passes into the field of ontology. Thereby, an old truth is confirmed that the methods of investigating of an object are in essential dependence on properties of its reality". [2]

## II. THE RESEARCH FIELD OF ONTOLOGY IN ECONOMICS THEORY

But what does the economic reality represent? Is it single or multiple? Accordingly, shall we consider one economic ontology or many? There are different points of view on the matter. For example, Tony Lawson while being a critical realist has raised in the West a question of an ontology role in the economic theory and wrote "... I suggest there is but one reality". [3]

Ya.V. Tararoyev and N.A. Ivanenko consider that "The reality on a broader scale and economic, in particular, does not come down to some commodity market relations. There are reality elements including economic which "do not fit" the market and have no market value. Nevertheless, such elements have the full-fledged but not fictitious ontologic status, they exist and it is necessary to recognize the fact of their existence". [4] According to O.I. Ananyin, a reproduction cycle includes "products", "conditions" and "decisions". Accordingly, there are also three types of

economic ontology: productive, behavioural and institutional. "Each subsequent phase of a cycle assumes the previous one, and only all together they make an economic reality. At the same time, qualitatively diverse processes in the ontologic relation correspond to phases of a cycle". [5]

As we see, there are supporters of the ontologic monism and of the ontologic pluralism. And it is possible to show without effort that the last are much more numerous. And it is not accidental. Alas, but a so-called "ontological turn" of the first half of the XX century connected with the haydeggerian appeal to life was a false trail. Already at the beginning of the book "Being and Time" M. Heidegger writes that "Indefinability of the being does not dismiss a question of its sense but, on the contrary, raises it". [6] And further, throughout all the book, M. Heidegger does not answer a question "What is the being?" but raises a question "What is the sense of the being?" And this substitution of the being by its "hermeneutics" was interpreted by many philosophers as a true ontology.

That is why, it is difficult not to agree with T.H. Kerimov's conclusion that "In the 60-80th of last century the ontological turn was disguised by different directions - hermeneutic, linguistic, communicative, etc. The idea of mediating of the being by various discursive educations had serious consequences for construction of ontology. It was considered that as our understanding of the being is mediated by language, the text, the letter, communication or even social forms, we have no direct access to the being as it is distorted by these intermediaries. Paradoxically, "the ontological turn" made ontology impossible". [7] It is possible to add that postmodernistic idea of plurality of the truth has also contributed in emergence of plurality of ontologies in economy.

Most often, these ontologies differ a little from an usual "tough" kernel of research programs as it looks, for example, in the works by O.B. Koshovets: "... any scientist irreflexively uses ontological structures in the beginning of his reasoning as a system of initial assumptions, prerequisites or hypotheses. These "ready" structures acting as construction tools of a new fragment of knowledge are the part of cash scientific ontology on which this fragment of knowledge relies and which is implicitly borrowed from basic scientific tradition". [8]

Meanwhile, two different scenarios of development of the economic theory also depend on the fact how we answer a question concerning singular or great number of economic reality. If, for example, we recognize that in economic reality there are both "market" and "non-market" sectors but at the same time it is single, then we undertake to find any theory general for them. Today "philosophy of economy" has claim on this role, though without sufficient reason. The same circumstance concerns also productive, behavioural and institutional ontology. If they exist within a uniform reproduction cycle, then there has to be also an ontological theory uniting them.

And on the contrary, if we consider that there are, actually, several economic realities and respectively several ontologies reflecting them then, all the same, we will not

manage to pull together all different "visions" of economic problems. For example, P. Otmakhov describes this situation in such a way: "For a scientist educated in Marxist tradition, transition from value to the production price is a natural process of ascension from the abstract to the concrete but for a neoclassic of the concept of the I and the III volumes of the "Capital" it is a flagrant contradiction because the price can be based either on the value or the production price, but not on one and another at the same on time. /.../ As a result, the joint search of the truth by means of exchanging logical arguments will become impossible". [9]

### III. THE CRITICISM OF ONTOLOGICAL BASIS OF NEOCLASSICS

However, will the mainstream recognize the unity of economic reality? Undoubtedly, the main peculiarities of this reality were described long ago. By the way, it is known, for example, that "... neoclassics proceed from methodological individualism: if we know the behaviour of a part we understand how the whole "behaves". The regularities of behaviour of a separate economic entity extend to behaviour of all economic system". [10] Besides, as the same author notes in the dominating economic theory: "*The world is considered as deprived of uncertainty, while a person - as a subject having nearly boundless calculating and informative capabilities*" (I.V. Rozmainsky's italics - A.A., A.O.). In other words, "a modern mainstream" of economic science includes all these concepts in which the economic behaviour of people is treated in terms of optimization, maximizing or minimization of some target functions". [11] It is probably necessary to add also an idea of the perfect competition characteristic for all representatives of the dominating economic theory.

The problem of a mainstream does not lie in the fact that it deals with the fractional economic Universe but in the fact that its ideas of unity of economic reality do not coincide with existing situation. All critics of a mainstream are of the same opinion starting with J.M. Keynes who wrote: "Too large a proportion of recent "mathematical" economics are merely concoctions, as imprecise as the initial assumptions they rest on, which allow the author to lose sight of the complexities and interdependencies of the real world in a maze of pretentious and unhelpful symbols". [12]

Apropos of "perfectly competitive capitalism", it was Michael Perelman who had most successfully spoken on the subject in his book: "We may justly compare this ideal vision of a perfectly competitive capitalism to a unicorn. We all know what it is supposed to look like, although none of us have ever seen it". [13] Many critics of a mainstream note that "... social reality is mostly far from atomistic..." [14] that a priori equilibrrious microeconomics is badly joined with non-equilibrrious macroeconomics that any economic agent cannot just have all completeness of information on situation at the market, etc.

Even such a tested and trustworthy method as mathematical models appeared under criticism fire. It would seem, it is obvious that "Genuine maps must idealize heavily - for instance, by omitting countless detail because of scaling

and simplification or by deliberate misrepresentation for convenience (when, say, a curved street is represented as straight). Something analogous is true of models in science". [15] However, unreality of initial prerequisites calls in question all conclusions of economic models. Regarding this, T. Lawson has wittily noticed: "Thus suppose I want to deduce the (apparently true) proposition that "all ravens are black". One way I might do it is by including in my assumptions, the propositions: "all ravens are vegetables" and "all vegetables are black". Clearly my desired conclusion follows by deductive logic". [16] Actually, it means that using economic models it is possible to prove everything. V.V. Mukhachev also writes about the lameness of econometrics: "... prerequisites of a mainstream *are conditional and therefore are unreal*. (V.V. Mukhachev's italics - A.A., A.O). When using "unreal", i.e. really not existing, prerequisites of the theoretical analysis neither mathematics nor econometrics as well cannot give reliable results". [17]

And still, the main ontologic shortcoming of the dominating economic theory is that it ignores qualitative distinctions of economic reality. "... presumption of the universal relevance of mathematical-modelling methods in economics ultimately presupposes the ubiquity of (strict) event regularities". [18] However, in practice there is no such regularity in economy, as well as there is no complete reversibility of economic processes also.

The simplest biological organism shows us that the whole is more than its parts. Here works the principle of methodological "holism" but not that of "individualism". The social organisms are even more complicated. Ontologically the economy is a social science. That is why the mathematical reduction essentially hardens its processes.

But if the economy is a public but not a natural science, therefore, it has to be involved in methodology of social sciences. That is why the economy cannot do without such an essential principle of social sciences as "historism". Of course, the nature has its history too. But in comparison with life of the certain person and even of all the mankind, its laws can be considered immutable. No matter if we speak about the past, the present or the future of the nature, we are always sure that its laws are just the same as they were known by our ancestors. The speech can be only about width and depth of knowledge of laws of the nature.

Quite another thing is economic life of society. Its periods are different in history of social development. Therefore, all "... social mechanisms are learned only *a posteriori* (P.T. Manikas's italics - A.A., A.O.). These mechanisms are historically concrete and must be revealed empirically. It is a sharp contrast with the theory of the neoclassics who try to develop the anti-historical universal theory of the market and the social mechanisms forming the market". [19]

And now, let's ask a question: can an economic mainstream, remaining at former ontologic positions, be updated so to include, both the principle of "methodological holism" and the principle of "historism"? Most likely, no, it is not. Therefore, alternative economic theories have to do it.

#### IV. THE ONTOLOGICAL BASIS OF ECONOMIC THEORIES OF ALTERNATIVE TO MAINSTREAM

At present alternative theories are the following: post-Keynesianism, institutionalism, marxism, feminism, ethical economy and Austrian economic school. All of them oppose a mainstream to a different degree. But at the same time, as Tony Lawson fairly noticed: "... the true ontological nature of the differences is rarely explored". [20] And meanwhile, as T. Lawson states in his another work: "... *the essence of the heterodox opposition is ontological in nature*". (T. Lawson's italics - A.A., A.O.) [21]

What is the ontological nature of these distinctions? And the main thing is that could they become a basis of some uniform economic platform? These questions are too difficult to answer within one article. Therefore, we will try to plan at least the main points of rapprochement between so various economic theories.

And such points of rapprochement do really exist. For example, between post-Keynesianism and institutionalism there is the unity of views on fundamental uncertainty of the future. And it means (representatives of the Austrian school also agree with it) that no economic agent can just count all its changes because of the volume of market information.

The moral economy and feminism agree between themselves that it is impossible to consider a person acting in economy only as an exclusive egoist. Post-Keynesianism, marxism and institutionalism recognized that homo economicus is free only within conditions and conventions which are set by society. And even a part of ideas of classical school could find its the place in the ontological basis of the general and future economic theory alternative to a mainstream.

In particular, D.G. Egorov came to a conclusion that "... the marginal analysis in itself does not contradict using the category of "value". Really, according to marginalist approach demand is equalized with the offer when marginal utilities of the seller and buyer are equalized. But how an economic individual defines usefulness *in itself* (i.e. what is the starting-point of this process? What is this basic value which is changing depending on the welfare rarity)? What does *homo oeconomicus* rely on? Marginalism just removes this question postulating fundamental subjectivism for *homo oeconomicus*, i.e. considering the concept of "usefulness" as primary (not defined). If we take a step forward in comparison with a boundary at which neoclassics stopped, we will accept that *homo oeconomicus* (D.G. Egorov's italics - A.A., A.O.) defines usefulness relying on some objective property inherent in any goods, thereby, we also will come to value". [22]

Most likely, the majority of alternative economic theories, except, perhaps, Austrian school, could agree with the fact that the whole submits to special regularities, not the same as the single. However, the transition from positions of methodological individualism to positions of a methodological holism does not solve all the problems. Until it is shown in what way the general quality is born from individual strivings and how it is changing from an era by an

era, business will not get off the ground and the microeconomics and macroeconomic and will remain, actually, two different forms of economic reality.

It is possible to say that little by little this problem is already realized in modern philosophy of economy. As to the fact that the economic reality is though uniform but at the same time is multistory. For example, Tony Lawson writes: "*The social realm is also found to be structured*". (T. Lawson's italics - A.A., A.O) By this I mean that it does not consist just in one ontological level". [23] Also M.V. Sinyutin pays attention on capability of economic reality to generate new ontological forms: "Temporary forms of social existence are capable to assume independence from each other but at the same time to reproduce new different forms. Between these forms, the complicated dependence taking a systematic character is formed". [24]

The question is how to unite all these multistory forms of economic reality. And here the value with its transformed forms which was once rejected by neoclassics could be useful. As to the value, it would be negation of negation. At least, at the moment, there is no other social mechanism in economy which could connect among themselves at the intrinsic level all the forms of existence and reflection of uniform economic reality.

#### V. CONCLUSION

We observed the history of formation of economic methodology and came to a conclusion that it appeared to be in captivity of philosophical positivism. And as to positivism, the methods of natural sciences were always an ideal of scientific knowledge. Having appeared in marginalism, "a thermodynamic metaphor" mentioned by Ph. Mirowski was not yet rejected by economy. And meanwhile, the economy is essentially a social science. Therefore, its actual claims for being the most exact of the humanities is an attempt to remain sitting at the same time on two chairs. Even K. Popper was urged to recognize: "What holds for the other social sciences must hold for economics". [25] It means that, sooner or later, the economy should recognize its ontological status of social science. But before uniting with social sciences (we will dare to paraphrase slightly a classical phrase of V.I. Lenin), economy is to be demarcated resolutely and irreversibly with natural sciences, first of all, with methodology of natural sciences. It should not be rejected. It should just stop being the only science.

If in practice, the mixed economy triumphs in the world then does it not mean that the mainstream and alternative paradigms should look for the uniform ontological basis in the economic theory? Recognition of economy as an entirely social science must become the first step on the way to such unity. And this automatically leads to adding to its armoury not only quantitative but also qualitative methods of a research of uniform economic reality. The future will show if it is possible to fulfil it in reality.

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