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THE CRITISISM OF DOMINANT NEO-CLASSICAL ECONOMICS IN THE LIGHT OF POST AUTİSTİC ECONOMİCS: CASE OF GLOBAL CRİSİS.**Abstract:**

Dominant neo classical system is criticized for not solving the problems of current economics. In other words, it is seen the reason of current economic issues. And also it is believed that unsolved problems come with global crisis were developed by dominant classical thought. In 2000's Post Autistic economic movement came to the scene with published declaration by pupils of Ecole Normale Superieure in France. According to declaration dominant economic thought turn into the autistic characteristic. Due to this fact, economic science is vanished by intense mathematical formulas. So that had broken of connection with real life. In this paper first, basic hypothesis of neo classical thought will be examined. Following that, solving suggestion for problematic area in the light of autistic movement will be explained. In the other words, especially in the course of time, the current economic system remains incapable to meet society's expectations, demands, and requirements, the system and method debate has been increasing. Recently, the basic reason that led to criticism by focusing the global economic crisis has developed in the direction of the Neo-classical system. Another purpose of this study is to open discussion of last 2008 global crisis to Turkey's assessment from the view point of Post Autistic Economics.

Keywords:

The Post Autistic Economics Movement, Neo-classical Economics, The 2008 Global Economic Crisis

JEL Classification: E13, P16, P51

Introduction

Neo-Classical theory which is dominant economic doctrine has been criticized for not solving the problems of today's economy. Even, the main reason of the 2008 Global Crises is told due to its internal structure. In the early 2000s, Post autistic economics movement has emerged with the declaration by pupils of France's prestigious Ecole Normale Supérieure School. Declaration, which is emphasizes the more realistic, pluralistic and not breaks the relationship among the social science, claims that economic science gets lost in the intense of math formulas.

In this study, first of all, basic assumption of Neo-classical theory will be addressed and reviewed the controversial aspects. In the second part, it will be examined the criticized parts of ne classical economy and post autistic Economics. In the last part, I will try to understand the reason of 2008 Crisis in the light of neo classical thinking.

1- Neo Classical Paradigm and Basic Criticized Assumptions

Hegemony of neo classical economy continues over a centuries. With the slogan of laissez faire laissez passer , activity of public was decreased.

1.1. Ideological Criticism

The birth and development of economics has realized with capitalism like another natural science. First scientific breakthrough had been seen by mercantilist movement. Afterwards, physiocrats and Classics laid the foundations of economics (Lange, Çev.:, Şeref, 1968:70).

1.2. Placed the utility Instead of Labour-Time

First noticeable conflict of neo classical economy is individualism. Individual rationality is the source the welfare of the individual and society. Wage is the return for he spent of labor and persons get the wage what they engrave.

In neo classical thought, utility is much more important than labor –time. Kahneman and many economist and psychologist claimed that experienced utility can be measured. (Kahneman, 1999:112).

1.3. Unreality the Assumption of Homo Economicus and the Criticism of Neoclassical Rationalism

A term that describes the rational human being assumed by some economists when deriving, explaining and verifying theories and models. Homo Economicus, or economic human, is the figurative human being characterized by the infinite ability to make rational decisions. (Çeçen, 2004: 221). Homo economics term is one of the most criticized

assumption for neo classical thought as well. This term explains human being like a machine and ignores the social characteristic. According to Faber et al., human behaviors cannot be monitored completely. (Faber, Manstetten ve Petersen,1997: 83).Daniel Kahneman, who is Nobel laureates in 2002 , claims that human being may behave systematically irrational under the condition of uncertainty and risk. (Kahneman ve Tversky, 1979 :263)

1.4. Impossibility of Perfect Competition Mechanism

Perfect competition describes a market structure where competition is at its greatest possible level. To make it more clear, a market which exhibits the following characteristics in its structure is said to show perfect competition:

- Large number of buyers and sellers
- Homogenous product is produced by every firm
- Free entry and exit of firms
- Zero advertising cost
- Consumers have perfect knowledge about the market and are well aware of any changes in the market. Consumers indulge in rational decision making.
- All the factors of production, viz. labour, capital, etc, have perfect mobility in the market and are not hindered by any market factors or market forces.
- No government intervention
- No transportation costs
- Each firm earns normal profits and no firms can earn super-normal profits.
- Every firm is a price taker. It takes the price as decided by the forces of demand and supply. No firm can influence the price of the product.
- In today's world, asymmetric information is seen all area. Because of this fact, perfect competition theory does not work as what classical economy says. Time and space barrier are the another factor for not working system as well as expected (Weintraub, 1999: 140). Homogenous product produced by every firm is an utopia for today's life.

1.5. Critisizm of Profit Maximization

The aim of firms is the profit maximization in neoclassical thought. In order to realize this aim, firms increase their produce to the point that marginal costs are equal to marginal income. Because of this fact, firms determine their sale price according to this rule, whereas today's world majority of firms all around the world don't focus on the profit maximization. And also calculation of marginal income and marginal cost is an imaginary assumption.

2. The Birth and Development of Post Autistic Economics

In the early 2000s, Post autistic economics movement has emerged with the declaration by pupils of France's prestigious Ecole Normale Supérieure School. Declaration, which is emphasizes the more realistic, pluralistic and not breaks the relationship among the social science, claims that economic science gets lost in the intense of math formulas.

Fundamental problem criticized by Post Autistic Economy like below;

- Created fictional world is inadequate to explain reality and changes in real life
- Inadequacy the explaining of the crisis and the economic relationship
- Math is target not vehicle in classical economics and attempt the measure of thing that cannot measure by using math
- As for the rational homo-economicus model that behavior an imaginary economy that does not exist
- A practical method of Ceteris paribus assumption
- Money is mentioned superficial and realty of Money is not considered

Post autistic movement was adopted by many economists. After published in La monte, it became much more respectable. Being setup post autistic journal, effect area of thought could be expanded.

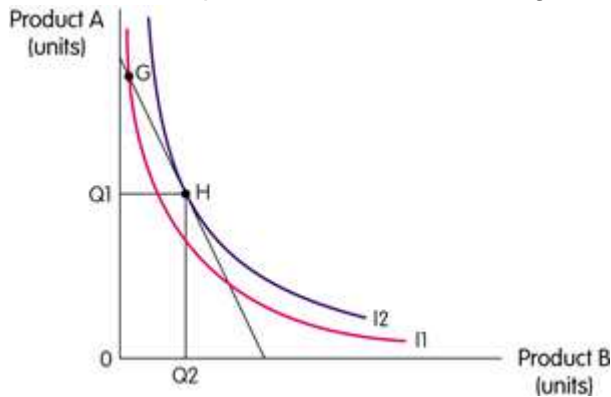
After defending of post autistic movement by Bernard Guerrien who is strong proponent of neo-classical economics, it came into prominence. According to Guerrien, perfect competition market is impossible in real life beside fictitious households. (Guerrien, online sources)

Economic Dimension of Autism

One of the main problems that post autistic movement elaborate the necessity of microeconomics. In order to complete the goal of maximum profit and maximum benefit, complete information and full insight about the future is a necessity. And current human being pays importance the ethical things so neo classical thought is not suitable for them. Choosing between two products in consumer model works healthy under the condition that there are two people in system like neoclassical model explains. However, there are much more actor than neo classical thought accepts so this theory does not work in real life. It should not forget that competition is seen among people in current life. Another problem in neo classical economics is the determining of price. Post autistic movement try to understand price is determined by whom. Firm behavior in neoclassical thought is other discussed issue. According to neo classical thought, main aim of the firms is to make maximum profit by equalization the increasing marginal cost with declining marginal income. Empirical studies

about this rules does not give as a parallel results like claimed by neo classical thought. According to result, 95 % of circumstance shows that marginal cost stay stable or falling in real life.

Another assumption of neoclassical thought is the law of Maximizing utility



A consumer will maximize utility by consuming on the highest possible indifference curve. This is where an indifference curve is tangent to the highest possible budget line. A consumer could consume at G, for example, but would be on a higher indifference curve at H. This means that to maximize utility the consumer would consume Q1 of product A and Q2 of product B.

The consumer is maximizing utility where the budget line and indifference curve are tangent i.e.

$$\frac{MU_b}{MU_a} = \frac{P_b}{P_a}$$

this equation we get:

$$\frac{MU_a}{P_a} = \frac{MUP_b}{P_b}$$

This is the equal marginal condition. The last unit of A per pound provides the same utility as the last unit of B per pound. The consumer cannot increase her utility by rearranging her consumption patterns; she is maximizing her utility. In real life, this law is an imaginary as well. In empirical study, Spilberg tried to measure of student's behavior but he could not be successful. As a result of Spilberg's study, it can be understood that human being cannot think and act rationalist and objective every time. So that it can be say mentioned explanation in neo classical economy doesn't reflect the real life everywhere and every time.

Carvell, who is highly respected name in economy methodology, claims that instead of intensive math, more tangible expression should be used (Caldwell, 2002: 13).

Proposals of Post Autistic Movement

We can classify the proposals of Post Autistic Movement as follows:

- In microeconomics lesson, students should be given less math and its derivatives. For instance, when elasticity is taught to students, instead of giving intense math, concepts such as demand and supply curves, production possibilities frontier etc should be explained by using graphs. Similarly, in macroeconomics, students shouldn't be given econometrical models when teaching the concepts such as inflation, rate, unemployment, saving and consumption. Simplify techniques is much more effective for students.
- The science of Economics, should work in coordination with other disciplines. Crisis and their reasons show that all disciplines related with economics has to work together.
- The science of economics should connect with diminishing sources. Social events such as environmental pollution, alternatives of nuclear energy and fossil fuel, should be interests of economics. And also new methods to reach sources should be investigated.
- Income distribution is one of the most important points of macroeconomics. Neoclassical thought cannot respond how to determine profit and wage levels. Because this thought disregards to social class. Power concepts, which is supported by Marxist and Keynesian thought, is disallowed by dominant view. Post autistic view should consider this fact.
- It should be given to the various ideas in the post autism.
- Human being should be considered not only production factor but also social presence.

Post Autistic Analysis of 2008 Global Crisis

Financial crisis is described variety ways. One of them belongs to Mishkin. According to him, financial crisis is a disruption to financial markets in which adverse selection and moral hazard problems become much worse, so that financial markets are unable to efficiently channel funds to those who have the most productive investment opportunities (Mishkin, 1996:1-2). In today's world meets the financial crisis as a result of different events such as problems in developing countries, international financial shocks, the wrong exchange rate management, financial irregularity, financial liberation and the weakness of the national banking system (Sachs, 1995:22).

In 2008 the global crisis erupted in the United States as a result of global capitalism and the liberalization of capital. Following, it spread to the EU countries. In the end of second quarter of 2008, crises got under the influence all around the worlds. In response to crisis, neo classical thought began to be discussed.

- It is really that dominant economic thought couldn't perceive the crisis by analyzing early warning system. In neo classical thought, markets are in balance as long as the absence of government intervention. So equilibrium among demand and supply is determined by prices. When demand increases, price increase too; as long as supply expands, prices decreases which means prices are flexible. But global crises experiment show that mentioned thesis didn't work in 2008. Global crisis erupted in the absence of government intervention. And also it was got under the control by government interventions.
- According to neo classical supporters, reel variables in economics such as manufacturing, employment and income are not affected by quantity of Money. However, in global crisis, the abundance of liquidity played an important role. In contrast to neo-classical economists' opinions that governments can not be successful by pumping Money, almost all countries struggled with crisis by using opposite views. One of to most important way to prevent of the effect was top rint Money and launch to market.
- In spite of the fact that perfect competition market is an assumption of neoclassical economics but before the crisis erupted, investor who made an investment did not have perfect information in which we cannot mention about perfect competition. Keen claimed in his article entitled Mad, bad, and dangerous to know that The most important thing that global financial crisis has done for economic theory is to show that neoclassical economics is not merely wrong, but dangerous (Keen, 2009:2).
- Dominant economic thought which was supported by capitalist idea ignore the reality that capitalism is suitable for financial crisis. But in real life, capitalism includes the speculations. Whereas neo classical economics supporters claim that speculation provides stability. In global crisis, speculation played an important role in mortgage market.
- Neo classical economics don't accept the government intervention. Whereas, maojority of countries struggle to survive economic crisis by government helps.

Conclusion

Almost no economist could estimate the Global financial crises before. Neo classical economics based on classical economics believe that markets are regulated by invisible

hand. This idea lost trust with last crisis. One of the most important criticism to neoclassical economics was made by Paul Samuelson.

Post autistic criticism on neoclassical economics doesn't focus on to eliminate it. Main aim is to complete its shortcoming. This study showed that neoclassical economics can't meet the problems of in today's world. So that as a parallel of criticisms and shortcomings, it should be developed and updated in order to be capable of responding the problems of in today's world.

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