

The neoclassic nothing

“With the correct manual in their bag, the “market Bolsheviks” will be able to fly to post-socialist countries and use the pacifist version of Lenin’s methods to achieve the reverse transition.”

Joseph E. Stiglitz

Classical Economics bears a hard to solve problem: time. In fact, time is a *caeteris paribus* condition for the conceptual system of what we call classical economy. Meaning the theoretical fundamentals of Political Economics laid by Adam Smith in the context of the Enlightenment’s rational breakthroughs.

In fact, the issue was about an explicative model of the material progress, with wealth as a central variable. As any explicative model, this was based on simplification, too. In the context of the fashion of secularization the model was also based on the rational objectivity of a regulatory force, of a non-subjective nature, which spun away the failures from the randamental norm. The market has replaced the heart of the system. Success was the effect of the inflexible application of directions of the recipe maker – attested in a canonical perimeter of private property, competition and market. The pre-existence of these is a methodological given. There is no order of prevalence, nor of contingency in this triangle of rational magic.

From the perspective of the emerging processes, time, however, cannot be ignored without proclaiming the epistemic inconsistency of classical economy. Especially its conflict with logic. Whether the market validating efficiency only if simultaneously meeting two prior conditions – private property and competition – will or will not remain an assumption, is an illustrative debate.

Within the framework of a functional market economy this relationing has power of law. The market is a consequence of the exercising of the right to own property, by the Procrustean rules of competition. Property and competition matter in equal measure for the efficiency. The functioning of the market is dependent of property and competition to the absolute. The absence of a dependency blocks the mechanism. The market has no sense if the conditional dualism holds no content. The twinning of determinism is at the fundament of the vision of classic economy.

The invariable application of this theory legitimizes the orthodoxy of classical economy; as it does its inconsistency of substance in times of change.

The most eloquent episode, out of which classical economy has fashioned itself a conceptual – and almost fatal – crisis, was the post-communist transition. The economical alignment of the greatest transformational process, with a value of a test for the classical economy, was the transition from the planned economy, of a socialist type, to the market economy, of capitalist type. The canonical diptych of the transformation was liberalization – privatization. Through the scope of liberalization – at first that of prices – the competition was targeted, while through the telescope of privatization private property was brought

into focus. Adam and Eve created at once. Tempted by the tree of neoclassical knowledge, they were destined to instantly procreate – naturally and unconsciously – the infant of the primary trinity: the market. In other words, this event is predetermined in order for neoclassical theory to remain infallible.

But what can inevitably happen in theory cannot actually happen in reality, where the transformation process is perceived through the axis of time. In order for the causes of the expected effect to exist, they must be created. In what order, even in what order of priority, as warranted by the limits of simultaneity imposed by the anthropic principle and not by theoretical illusions and abstract visions, atemporal and ahuman, is the great challenge. If private property and competition cannot be created together and instantaneously – after the mandatory impossibility illustrated by the historically proven truth that nature, including the human variety, does not make leaps – will the market still be born? Or, more precisely, in how much time will it be born? Does the “enfant terrible” of classical economy evolve in its placenta for a reasonable time until it can produce the expected cry which certifies for us the fact that the incubator is no longer needed? Can the market be a human expression of performance?

The fact that neoclassical economy – the virtuous daughter of Smithian economy – hasn’t provided answers to these challenges has prejudiced the path and consistency of the post-communist transformational processes. The denial – inspired by neoclassical theory – of accepting the order of priority in the sequences of change, together with the rules of the game and the arbiters of equilibrium have burdened the transition with the problems of managing structural crises, in whose universe of meanings the frictions have lessened the effect.

The immediate liberalization and overnight privatization not being possible, the market was late to appear. And in any case, it did not have the means to make its presence felt as a regulating and testing function of allocating efficiency. The consequence: the distortion of the informational capacity of prices and the loss of economic potential through illegitimate privatization.

The end of neoclassical economy no longer justified the means in this situation. The means, however, have laid the mark of inconsistency over the final end.

Political Economics in general, and neoclassical in particular, suffer from self-consistency. As the philosophical vision of modernism, which strives to found itself exclusively on the new, creating an ontology out of nothing, the classical economy appears as a recipe of self-legitimizing authority explaining a reality which only functions in theory.

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