

Abstract mathematical models and deductive methods in microeconomic analysis of real economic phenomena

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Abstract

Economists like to think that their discipline is "the most scientific 'of all the social sciences and in favor by the abstract mathematical models and deductive methods that are currently prevalent in the profession. However, the inability of accepted economic theory to deal with the global problems of the seventies of the twentieth century onwards, has led to confusion in the profession. Reliance economists said mathematical models and deductive methods as a substitute for studying economics in the real world and its social institutions, contributed to their failure.

Keywords: *microeconomic analysis, "neoclassical synthesis" of neoclassical economics, abstract mathematical models, deductive methods*

Prologue

Modern science and its methods arose as a result of the struggle against the medieval way of thinking. Galileo Galilei, who lost the battle but won the war¹, believes that ignorance is the mother of malice, envy, anger and all other vices, horrible and loathsome sins.

The basic tool of science become instruments for observing, measuring and experimentation. The theory is not just contemplation, but, above all, the mathematical construction and mathematically speaking, who regularly needs to have its experimental interpretation and its exact, sensual - observation justification. For modern scientific thought began their triumphant campaign against the metaphysical way of thinking, the struggle for a new method. Descartes, the founder of the famous Cartesian rationalism, believes that the old paradigm of knowledge does not match the demands of the time. It is a simple formula, "I think, therefore I am", philosophical speculation finally freed medieval preoccupation with evidence of the reality objektivnog world. On the other hand, the British philosophers have resisted this karterzijanskom subjectivism, believing that primacy in the knowledge of the world has a sensual experience and observation of the outside world. According to them, the human mind is not the source, but also a treasure trove of knowledge originally acquired sensory experience, then systematized mental ability. In this way, in modern philosophy signed two great traditions, known as rationalism and empiricism. These traditions have greatly influenced the beginnings, but also on the development of economics as a science, as well as to the origins of microeconomic analysis and to današnjih days. The use of abstract mathematical models and deductive methods in microeconomic analysis has its roots in the rationalist philosophical direction. On the other hand, empiricism are the roots of the analysis of real economic phenomena and social institutions in the real world.

What really happened with economic theory in general, and therefore the microeconomic analysis?

1. Neoclassical economic thought and the "neoclassical synthesis"

In the sixties of the twentieth century seemed to have solved the century-old problem of the rapid economic growth and the rapid economic decline. Differences in economic theory merged into the neoclassical economic thought known as "neoclassical synthesis". "

¹ Homa Katouzjan, *Evolucija ekonomskog metoda: od političke ekonomije do pozitivne ekonomike*, Gledišta, br. 5-6 za 1985, str. 27.

Neoclassical synthesis" is reconciled classical economics "invisible hand" of Adam Smith with the theory of John Maynard Keynes. In his famous university textbook "Economics," Paul Samuelson (Paul Samuelson) writes in the foreword that the neoclassical economic thought fully accepted. He points out that the system of modern economic analysis is moving increasingly towards the synthesis of its two main areas: 1) macroeconomic analysis in production, employment and price stability, and 2) microeconomic analysis, ie. price analysis, market and costs as well as the distribution and generation of income: wages of labor (wages), profits, rents and interest. Macroeconomic analysis and microeconomic analysis, appear as the two main parts of the general system of modern economic analysis. The general system of modern economic analysis, Samuelson called the "neoclassical synthesis".

Macroeconomic analysis is generally still developed system of Keynes analysis. Microeconomic analysis deals with the analysis of prices and distribution and is perfected, significantly corrected and further developed system Postclassical traditional, in fact, Marchallian economy. While the general system Postclassical traditional economics consisted mainly microeconomic analysis of prices and distribution, until then the modern microeconomic analysis appears only as one of the two main areas of the general system of modern economic theory, or "neoclassical synthesis". Marchallian system of microeconomic analysis are corrected and perfected later economists, especially Hicks and theorists of monopolistic and imperfect competition. As for some of their basic assumptions and presumptions, Marchallian system has undergone changes and brought into harmony with the modern system of macroeconomic analysis. In both the amended form, as a modern post-maršalijansa microeconomic analysis, has become one of the two main components of a comprehensive system of economic theory by Samuelson called the "neoclassical synthesis"

2. The model of "perfect competition"

The term "perfect competition" and a model of "perfect competition" is nothing new in the history of economic thought. For "perfect competition" advocated by economists physiocrats school of economics, then economists belonging to classical economic thinking and economists marginalist economic orientation. "Perfect competition" for Samuelson is a condition in which no producer or owner of the factors of production is not able to individually influence the market price. Otherwise, we have a greater or lesser degree of imperfection of competition. The model of "perfect competition" is not in its pure form existed in the period of liberal capitalism of the nineteenth century. "Complete" or "perfect competitor," he who buys or sells a good or not can affect the market price. It may be small farmers who individually produce very insignificant part of the total agricultural production.

The model of "perfect competition" requires "perfect information". Consumers must be sufficiently trained to be able to compare products. Workers must be aware of the alternative options, and possible competitive capitalist investment. Otherwise, sellers can demand higher prices than the competition and if they pass it, and the workers can demand wages that are higher than the equilibrium wage. However, this is no longer the model of perfect competition.

"Perfect competition" seeks "perfect mobility of factors of production." The workers must have the freedom to seek the highest price they can get for their work, and capitalists to invest their capital where it will bring them maximum profit. Otherwise there will be a situation that the same factors of production dictate different rates, and this is not the model of perfect competition. Economists who are supporters of the model of perfect competition for, claim to monopoly prices or wages can not last very long, since he always takes some entrepreneurs who seize the opportunity, appears on the market and forced to re-establish equilibrium price. The model of "perfect competition" defines the best possible world, but a world that is not real. Not true, inter alia, because such a model assumes a market that consists of many sellers and many buyers but each of them have too little market power to dictate prices. The seller is the one who accepts the equilibrium price. Otherwise, this is no longer the model of perfect competition.

The model of "perfect competition", as already mentioned, in the history of economic practice, especially the history of economic thought is not new. However, the new is that during the seventies of the twentieth century, the "neoclassical synthesis" extremely seriously shaken. Within the "neoclassical synthesis" was relegated to macroeconomic analysis and had again begun to dominate the contemporary post-Marchallian microeconomic analysis, and is particularly important that the model of "perfect competition" has become again an actual and significant. The theory of "perfect competition" and competitive market, formulated by Baumol 1982.

3. "Neoclassical synthesis" stagflation and "perfect competition"

In the seventies of the twentieth century, the economies of industrialized countries in the world, not only have stumbled, but stumbled in ways that baffled accepted "neoclassical synthesis" or neoclassical economic theory. In the late seventies countries with developed market economies increasingly difficult to have managed to simultaneously achieve three basic objectives of development: 1) stability and dynamic development with optimal economic growth rate, 2) full employment of all factors of development and 3) if possible, enough to balance the balance of payments. The main dilemma was: the stability of the economy and prices, or dynamic and loaded inflationary economic growth. Or, with high employment instability, or stabilization of the economy with high unemployment and the reduction of the rate of economic growth. Said economic situation economists call stagflation. Because it combines mass unemployment and high inflation, economists are called stagflation two-headed monster.

Stagflation sharpening contradictions, macroeconomic analysis in production, employment and price stability, ie Keynesian economic thought of as part of the "neoclassical synthesis" has led to a crisis. Economists have received a bad reputation and losing orientation. There's also a sharp polarization between the ruling concept of economic policy.

Given the growing budget deficit, rising unemployment and inflation, unsatisfactory results deflationary policy and income, as well as two basic methods of anti-inflation policy in the sixties and seventies, Keynesian economic policy is trying, without departing from its basic orientation, introduce elements of monetarist prescriptions, in order to curb inflation. Modern conservatism began as a result of criticism of the welfare state "New Deal," Johnson's "Great Society" and Nixon "imperial presidency."

Approval known as the "neoclassical synthesis", which existed in the sixties, it disintegrated to: a) the so-called "Chicago" (Chicago) monetarists, led by Milton Friedman, Jeffrey Sachs and others, b) postkeynzijance, and c) the school of rational anticipation. For postkeynzijanstvo is considered to be dissident schools, that is the weakest and, some would say, the most disdained of all. Postkeynzijanci harder to save the neoclassical synthesis of Keynes that Keynes schoolgirl Joanne Robinson (Joan Robinson) called "bastard Keynesianism" Neoclassical economists refer contemptuously to postkeynzijancima. Those who claim to be heirs of Keynes instinski considered as economic Anabaptists, once, in historical terms, strange theological fallacy that never disappears.

After 1970, the whole flood of serious and ideologically different articles and books gave notice that the economy is in a serious crisis. Some titles express this situation: "The crisis of economic theory" (The Crisis in Economic Theory), "economists at an impasse" (Economists at Bay), "What happens to the economy" (What's Wrong With Economics), "The inadequacy of conventional economics" (The Irrelevance of Conventional Economics) "Why the economy has not become a science" (Why Economics Is Not Yet a Science), "Dangerous Currents: state of the economy" (Dangerous Currents: The State of Economics), etc.

For Keynesians, inflation occurs when aggregate demand exceeds supply goods and services. Antinflaciona policy aims to reduce the excessive demand higher taxes and interest rates and cuts in public works. For monetarists, inflation is a monetary phenomenon. Inflation, recession, nezaposlneost and balance of payments crisis, stemming from wrong politics of money, which leads to faster growth of money in circulation than the growth of production. Friedman believes that the increase of investment over savings, the pressure of wages, profit and material costs and an increase in budget deficits produce inflation. Deviation emitted amounts of money from the demand of real stocks of money leads to inflation processes. Anti-inflation policy should reduce public spending, taxes and public loans, exert strict control of growth of money supply and abandon the policy of income or price policy and earnings. Monetarist theory of inflation is based on a quantitative theory of money. Changing the amount of money in circulation determines aggregate demand and produces changes in the price level. This theoretical model on the causes of inflation implies implicit assumption about the existence of a market of "perfect competition for".

Keynesians argue that monetary policy is ineffective to curb cost inflation. This inflation can be prevented fiscal policy and income policy.

Monetarists believe the opposite: only monetary policy to stabilize the economy since the purpose of budgetary policy is the only reallocation of economic resources. Fiscal policy has a second class of great importance in achieving short-term price stability.

The increase in fiscal revenue does not necessarily lead to reduced investment and demand. When it comes to unemployment Keynesians are based on the so-called Phillips curve. Phillips has performed an empirical analysis of the relationship between unemployment and the rate of change in nominal wages. His goal was to demonstrate the stability of long-term relationships between unemployment and inflation. The stability of the Phillips curve provides the ability to perform economic policy choice between unemployment and inflation. A supporter neokejnsijanizma J. E. Meade points to the fact that Keynes analyzed unemployment as a phenomenon of weak overall demand from the times of the Great Depression of the thirties. Stagflaciona unemployment from the seventies is different. It is structural unemployment. Therefore Meade believes that unemployment should be treated by sector.

Considering the problem of unemployment, monetarists reject Phillips evidence of long-term stability of the relationship between unemployment and inflation. There is long-term and steady choice between unemployment and inflation. Starting from the instability of the Phillips curve, monetarism returning theory of "perfect competition" of the labor market.

Until the mid-seventies in Western Europe and the United States trade unions were powerful, and the influence of the state is very large. The effect of these two powerful and well-organized participants in the labor market was aimed primarily at maintaining a high level of real wages and protect workers' rights in respect of release from work. At the same time there were also high compensation to unemployed persons, which was satisfied from the request for social justice.

The seventies, however, have brought in almost all Western European countries, high unemployment accompanied by a low rate of production growth. Political parties (Conservative), who are at the end of the 70s and early 80s came to power in some countries of Western Europe and the United States, felt that the wage rigidity in the downward movement of the underlying cause of rising unemployment. The high and constantly rising real wages have made labor expensive factor. Therefore, in terms of the difficult economy, inevitably came to replace manpower capital. In addition, the companies have resisted the admission of new workers, because employees' rights were protected so that, in cases of crisis and to adapt the company to the new conditions, the number of employees is very difficult to have to reduce. Recognizing the preceding facts it was considered that the unemployment problem can be solved as follows: a) reduce the protection of employees and the unemployed, b) weaken the union c) implement deregulation. In this way, it is expected to strengthen competition in the labor market and to reduce real wages. Cheapening labor, and greater flexibility in terms of number of employees, that the reduction of barriers to dismiss workers, putting pressure on workers to accept lower wages and were supposed to encourage entrepreneurs to greater involvement of the workforce.

The view that the rigidity of wages, the growing unemployment is the result of NEOKOM-wire theory of employment, which is committed to the model of "perfect competition" and the labor market. This model includes the free operation of competition in labor and product markets, which includes the free movement of prices and wages in both directions. This is an essential prerequisite for the market reached a state of equilibrium in the long-term. The labor market balance is determined by full employment, but it is characterized by the existence of certain "willing" of unemployment - so called. natural rate of unemployment. If, however, there are obstacles to the free functioning of market forces (such as, for example, organizing workers into unions, state interventionism, etc.) And, therefore, can not be free movement of prices and wages depending on supply and demand, unemployment will exceed equilibrium level, ie. in addition there will be willing and forced unemployment. Thus, the neoclassical theory and the model of "perfect competition provides the opportunity to reduce unemployment by making should weaken the union and pull the country from the labor market. The main weakness of the neoclassical theory and the model of "perfect competition" in the labor market lies in the fact that this theory and this model postulates the free functioning of the market, or the possibility of constituting the model of "perfect competition" in the economy, which in practice or when been, nor ever shall be.

So, unlike kejsijanaca, monetarists believe that inflation is more harmful than unemployment. They believe the "perfect competition" in the labor market, without state intervention, leading to full employment. We also believe in the rule that the growth rate of money supply limits the potential rate of inflation, because it deprives the economy of supplementary liquidity which causes inflation. Keynesians regulate the size of the aggregate demand via interest rates and fiscal policy.

In neoclassical economics, the initial theoretical standpoint remained attitudes classic Smith's invisible hand is the late twentieth and early twenty-first century, again dominated by projections of perfect competition and "general equilibrium." It is believed that "general equilibrium" characterizes the entire economy. The model savrešene competition speaks almost axiomatic, but as Keynes's conceptions do not exist.

Formal neoclassical economics, and still represents the ruling school. Still its theoretical starting point is the ability to connect baselines classic Smith's invisible hand - the principle of economy which itself regulates - with Lord Keynes's view that it is essential that government measures of state interventionism achieve macroeconomic stabilization. However, the aforementioned theoretical background of neoclassical economics is simply neglected and Economics, are flooding the analysis dominated projections of perfect competition and "general equilibrium."

It is believed that "general equilibrium" characterizes the entire economy. Because of the situation: 1) the collapse of "neoclassical synthesis", and 2) still formally survival of neoclassical economics as the governing school of economic thought, but dominated by projection of "perfect competition," which, since they are not real but are based on theoretical assumptions textbook, must prove abstract and deductive mathematical and econometric methods, economist Joanne Robinson rightly notes that "economic theory in the West in a very bad condition. It (economic theory - prim. IS) is extremely confusing, and the basic ideas are divided into different segments, which can not exist together. The production function is an effective means dumbing down, a student of political economy is exposed to the formula $Y = f / c, k /$, and then moves on to the next question in the hope that this will not forget to ask in what units is measured 'k'. But before a student ask that question, it will itself become a professor habits of laziness spirit thus passed on from one generation to another. "

Neoclassics against state interventionism Keynes. They find that the measures of state interventionism disrupt certain aspects of economic life. Although "recognize" the shortcomings of the model of "perfect competition," they, starting from assumptions rather than actual facts, construct a model of "perfect competition," which defines the best possible world. However, since their model is based on assumptions rather than realistic and attainable facts, that the world does not represent the real world that can be realized.

4. The abstract mathematical models, deductive method, empiricism and microeconomicanalysis

-Traditions of rationalism and empiricism-Since the model of "perfect competition," supporters of neoclassical economics is not constructed on the basis of actual facts but assumptions, to prove the starting assumptions and hypotheses they have to use abstract and deductive mathematical and econometric methods. In this way neoclassical economics creates the illusion of a world that best identifies with the reality of the world and believes that the world of reality, which is quite different, we need to adapt their models of "perfect competition." So neoclassics simply gloss over the fact that the world of reality what it is, illusions and the world is what it is not. Neoclassical economic theory of deductive reasoning, starting from axioms. It is a priori assumes that the perfect competition at the same time optimal description of the world and a useful approximation of the real world. When it appears that the high unemployment rate, or fragmented labor market, oligopolistic corporations, national economic development strategy, a large public sectors, controlled bank, protected agricultural market and the logic of social organization in general speak of a world that is very far from the rocks of perfect competition from textbooks and automatically corrected markets, neoclassical economists argue that the world would be far better if it were built on the basis of lessons from textbooks. This is proved by the textbooks used deductive methods. However, the "deductive method in the field of economy displaces emprizam. Those who truly possess empirical curiosity and the ability to understand how to operate banks, corporations, manufacturing, trade unions, as well as a desire to learn about economic history, or individual behavior, are dismissed as empiricists ad hoc, literary historians or sociologists and remain on the margins of the profession. In their place, the faculties of economics graduate a generation of bright connoisseurs of abstract mathematics, but basically ignorant when it comes to real economic life. "

They use statistical and mathematical models in several different ways. Some mathematical models are purely theoretical and serves only algebra to manipulate assumptions. This also applies to the theory of general equilibrium, as well as much less important issues to write the articles in the magazines. The application of mathematics in econometric modeling can be a very empirical. Commercial consulting firms, such as "Wharton Econometrics", "Chase Econometrics" and "Data Resources, Inc." They came up with a complex model of the economy, which can be used with a thousand equations related to some computer program.

Collecting data over a long period of time and making a correlation tables, the modeler econometricians trying to predict how the variables affect each other in the future. At the end of the sixties sharply increased popularity of constructing large-scale econometric models of economic forecasting. Difficulties with such models are that it always has more variables than the model also assumes that the past does not indicate always the future. In the seventies when the main influences on macroeconomic stability consisted in the external variable factors, the so-called external shocks (oil price increase member countries of OPEC, for example) and structural changes in economic systems, large econometric models of economic forecasting somewhat ceased to be so popular. One thing different, and even more controversial use of econometric techniques consists in trying algebraic modeled hypothesis. One of the mathematical method, known as multiple linear regression, allows testing of a large number of variables, which could be the cause-and-effect relationship, so to be considered one by one. Manipulating time-delay good expert in econometrics can "prove" almost anything. In addition, although many economists argue that a fair way of testing a theory consists in specifying hypotheses and embodiment regression equations, it is common practice to equations handled a long time, whereby manipulate time-delay, deadlines, and other variable factors, until equation more or less fail to confirm the hypothesis. Of course, certain correlations can be pure coincidence; the second apparent correlation may mask the real causes that have been overlooked.

When it comes to models known Friedman's neoclassical model of employment. Normally, as previously mentioned, with the problem of unemployment, Friedman and the monetarists reject Phillips evidence of long-term stability of the relationship between unemployment and inflation. They find that there is long-term and constant choice between unemployment and inflation. Starting from the instability of the Phillips curve, monetarism returning theory of "perfect competition" model or the balance on the labor market. For Milton Friedman (Milton Friedman) is not important, whether it is an assumption empirically adequate as they are internally consistent and while data do not refute the model. Thus, even in a world where competition is far from being perfect, it is reasonable to construct a certain model of economic activity to the model of "perfect competition" and axioms of neoclassical economics. Thus, for example, Friedman and constructed a model of "perfect competition" of the labor market, even though he knows that it is based solely on assumptions that do not exist in the real economy.

Friedman's model of "perfect competition for" the labor market, ie employment model sought to demonstrate that the labor market there is a "perfect competition" and equilibrium in the long term, characterized by the absence of enforced unemployment. Friedman, indeed, acknowledges that the state of long-run equilibrium occurs a certain percentage of the unemployed, but adds that it is only about the workers who are looking for better jobs, ie. it is a voluntary unemployment. The unemployment rate that exists in a state of long-run equilibrium is called the natural rate of unemployment.

The main characteristic of this model is that employment and output specific to the labor market as a result of the action demand for labor and its offerings. In accordance with this phenomenon of involuntary unemployment may be only temporary. Unemployed create pressure in the direction of lowering real wages, which, if the price of labor fleksibilna, actually leads to falling rents and reduction of unemployed workers.

The model assumes that the labor market and products perfectly competitive. In such circumstances, the firm will hire labor until marginaini income is equal to the real wage that is, for every company in the market, exogenously determined. Marginal revenue is determined by the volume of hired labor, but also capital. Therefore, in order to eliminate the impact of capital on employment, starting from the current protzvodne function which implies unchanging capital stock. In this case the marginal product of labor depends solely on labor input. Newly recruited units of work leads to a certain increase of the production representing marginal revenue. Figure 1. The demand for labor in conditions of perfect competition

$Y = f(E)$ Short-term production function

$E_0(W)$: The function of the demand for labor

The way of creating demand for labor is shown in Figure 1. In the upper part of the image data is short-term production function $y = f(E)$ where "y" production and employment E. Production is as stated above exist only as a function of the number of employees. Marginal revenue of labor MPL is defined by the slope of the production function $dy / dE = f'(E)$, while the level of employment depends on real wages, which in Figure 1 is represented as the slope of the tangent to the production function.

The company will employ new workers until the marginal revenue equals the real wage which is exogenously determined. In other words, the firm can not influence the height of wages, but accepts it as a given. Therefore, if the real wage, for example, increases from W_0 to W_1 , profit maximization will require that both marginal revenue increase labor costs in the same amount as in this case, can only be achieved by reducing the number of employees from E to E_1 . Conversely, employment can grow only if real wages fall. The lower part of Figure 1 shows the demand for labor as a function of real wages.

In short, the production company is a function of the number of employees $y_s = y_s(E_d)$, while the number of employees functionally dependent on real wages $E_d = E_d(w)$.

Thus, as has already been said about Milton Friedman does not matter whether it is an assumption in the model of "perfect competition" labor market empirically correct. It is important that the assumptions are internally consistent and that the data do not refute the model.

For example, in one typical article, the question is how wealth, income, and other variable factors influence the decision on whether to buy or rent a house. The model was used for the analysis is based, inter alia, on the assumption that the market house is in equilibrium. "The model is algebraic way, in theory, carry out various reactions of consumers when taking into account different market conditions. Writers then make some conclusions such as, for example, this: "Renting is an attractive if housing construction dependent on a random monetary gain or loss, but consumers also can invest their money in the capital market at a set rate to get." In other words, consumers will prefer to opt for something safe, but for something uncertain. What in this article, as well as others like it surprising is that it contains no data, no hint that writers ever really studied the housing market. The article is pure manipulation of the assumptions and conclusions with the help of mathematical logic. Among the most severe critics of excessive application of mathematics in economics is one of the most famous mathematicians Wesley Leontief (Wassily Leontief). The inaugural address as president of the AEA (American Economic Association, the American Economic Association), 1970 Leontief, as the first economist who worked with computers and as the inventor of mathematical analysis "input-output", which he in 1973 passed Nobel Prize, denounced the increasing preoccupation with an imagined, hypothetical, rather than perceptual reality and described the "Darwinian" process by which pure theorists displace those who study the real economy.

On the other hand, unlike the application of mathematical logic, abstract mathematical models and deductive methods, for those who study the real economy empirically, it is possible to investigate if certain assumptions of the standard model of perfect competition should be applied and when not. For example, it is possible to analyze: 1) How and in what way, and at which conditions the standard model of perfect competition, technological and institutional changes that affect economic growth? 2) What institutional circumstances merit public intervention? 3) What links exist between the economic impact of the cultural and political values? 4) What is the market behaving as one from the textbook? 5) What do you really explain the wide disparities in the level of technological successes that are achieved by different countries in different historical times? The above questions are rarely treated in economic journals. In addition to the available levels of abstraction and assumptions. Even if this remark brings into question the theory, empiricism becomes a real thorn in the deductive method. Economists from Harvard University Richard Freeman (Richard Freeman) and James Madoff (James Medoff) have collected data that show that the actual impact of unions on labor productivity depends on the specific institutions. Giving workers the right to vote and allowing them the right to a fair appeal, some unions are obviously contribute to increasing the impact. Another negative influence. When it all comes down to specific cases, neoclassical economic thought passes over important variable factors of working motivation and the interplay between labor and management. Studies such as Freeman and Medoff's reject commonly as follows: "It is very interesting - But this is not the economy."

According to the definition that prevails is that the economy is the study of the distribution of scarce resources, namely the study of the ways in which free and perfect market directs scarce resources to use these resources optimally and achieve the greatest profits, the standard neoclassical economic literature provides little useful insight into the sources of technological innovation. There are historical examples that point to a situation where it is not free and perfect market channeled scarce resources where they can benefit most. For example, the economic agents in the United States before World War II were unused because unemployment was high. Decreased demand and decreased purchasing power of the population. Therefore, the company had no customers for their products, capacities they were unused and normally a consequence of all this is irrational investment capital.

With it came the war that forced the government to raise taxes and public loans and to suddenly spend about a third of the gross national product in war production. The result was: 1) a decline in unemployment from 15 to two percent, 2) the rate of economic growth reached an average of 11 percent a year throughout the war, and 3) there was also the development of new sophisticated technologies, many of which had postwar peacetime application and training a whole generation of skilled industrial workers. The economic development of the United States during World War II is a school case that talks about the positive effects of diversion of certain economic activities that are characteristic of the economy of the so-called "perfect competition". Instead of the so-called perfect the mechanisms of the market economy Economic flows are regulated by means of large state planning and state control of investment, wages and prices. However, neoclassical economists poklonjaju much attention to the economy during the war because of economic experiences during the war spoil their equations econometric models of the economy of perfect competition. There are now experiencing a very interesting and at first glance paradoxical situation. In fact, as already noted neoclassical economists poklonjaju much attention the war years, as economic experiences during the war spoil their equations econometric models. However, after the Second World War, the world was about 260 armed conflicts of various intensity and duration.

In over 220 conflicts the United States were directly involved vojim their strengths and their products, and almost all the others, and their arms or in any other indirect way. So when it comes to the world of reality holders of economic power, especially in the US, are very well known economic experiences during the war and that experience in the United States, as we have seen, are very well applied in particular during the Second World War. However, at the same time the universities are still improving application of abstract mathematical models and deductive methods. Simply world could go to one side, and the economic theory on the other side. Simply the impression that deliberately gives much more importance development of abstract mathematical models and deductive methods and the world starnosti marginalize. It is no accident, Joan Robinson noted that the production function is an effective means of dumbing down, because when you are a student of political economy exposes the formula $Y = f / c, k /$, and then moves on to the next question in the hope that this will not forget to ask in what units is measured 'k'. However, before a student ask that question, he would himself become a teacher; habits of laziness of spirit is so transmitted from one generation to another.

Lately, the economic magazines crept even some suspicion in itself. In an extraordinarily rich articles published in the journal "Journal of Economic Literature", entitled „ The rhetoric of economics "(The Rhetoric of Economics), Donald McCloskey (Donald McCloskey) from Iowa State University says that the economy is full of metaphors that have no application in empirical reality, but that is literally accepted, because they are in language matematike.U said region McCloskey cites literary critic Richards (IA Richards) and says: "To say that markets can present 'charts' supply and demand nothing less than a metaphor said that 'the breath of the west wind fall' .. Each step in the economic reasoning, even reasoning official rhetoric, is a metaphor. For the world it is said that 'looks like' in some složni model, measuring region for him is said to have a similar easy merljivoj variable size that we have at hand. "

Citing literary critic Richards (IA Richards), McCloskey believes that the modern economy by mnogo.čemu metaphor that got out of control. It not only stylizing and wrongly formulated what is happening in closely ekonoraskim fields fisted, but also extends his theory of rational homo economicus „, "and on those areas of life in which apparently apply other values except materijainog maximization, on which no data One example is the economic theory of the family, who feel that children from material goods.

.Umesto Conclusion

As Thomas Kuhn (Thomas Kuhn) observes in his book "The Structure of Scientific Revolutions" (The Structure of Scientific .Revolutions) Scientific conflict is always the most intense along the borders of some established scientific paradigms that question the abnormal observations. "Felling" some scientific paradigm, says Kuhn, is very similar to the political revolution that seeks „, to change political institutions in ways that those institutions prohibit ". Mistrust of empiricism in economics is a reliable sign of insecurity regime.

"The most frequently repeated opinion Thomas Kuhn states that no paradigm can not squeeze proof, just another paradigm. And it seems that there is no such schismatic paradigm that would be able to has been instilled .in economy. Thus, the economic orthodoxy reinforce ideology, professional sociology, politics that decides whose works are published, who promotes and whose research is funded. In the economics profession free market of ideas is another market that is not functioning as a model.

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