

## **Application possibilities for the methods of constructive and evaluative economics**

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### *Introduction*

Mainstream economics became one-sided in its method; despite every worthwhile criticism, positivism „is” the only scientific method in the academic sphere. However, the history of theoretic economics – including modern paradigms – warns us: „there is no system, without method”.

In this paper we draw attention to positivism, as a method, which dominates over every alternative scientific methods now, and keeps them on the periphery of the intellectual world. We are committed to diversity of the systems and methods of economic culture, which cope with the biggest challenges of modern economy (such as devastated ecological living terms, extreme wealth and income inequality, and the unreasonable indebtedness of many countries in the world).

Firstly we introduce the stations of positivistic recognition and give adequate criticism to them. We points out that positivism – oppositely to it’s self-determination – cannot fulfil the requirements of exactness, either verifiability, moreover objectivity is only the apologetics of the actual global libertarian mixed economy. Analyzing the steps of positivistic cognition reveals that there are such traditional methods (we take hermeneutics into the forefront) which are necessary even in the positivistic view.

Those methods what are definitely opposite to positivism are listed to the methods of alternative economics. We would like to point out the importance of the aforesaid hermeneutics, evolutionary economics and so on. These gnoseological ways could enrich normative and positive economics, so it could make for renewing education, political economy and business practice.

### *The way of scientific recognition*

Science is a non-crucial phenomenon, a sheer historical formation. Greeks came to the nearest of the so called scientific sphere: this independent and precondition-free phenomena. According to the latest characteristics, science cannot be against for nations, folks or humans, moreover it cannot depend on authority, profit or vanity. This degradation is discoverable at every turn of the late modern science. Despite these facts (according to Heidegger), if science wants to fit it’s self-determination, it could exist for us and by us. In this approach science originates from philosophy. The Aegean miracle is that Greeks – with their own language and tribal starting position – could

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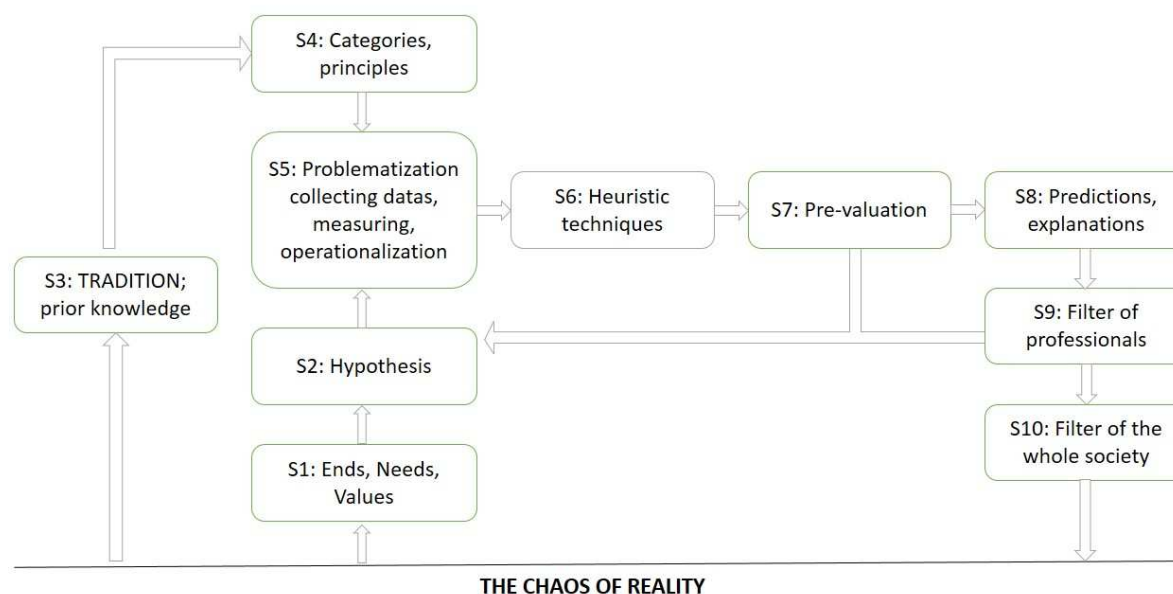
face the whole spectrum of the existence (see Herman Daly's Ends and Means pyramid<sup>2</sup>), and then captured and analyzed it. We would like to enhance the unavoidable affection of scientific recognition for philosophical anthropology, ontology, axiology, ethics and gnoseology. „Every science is philosophy, either that know it or not.” (Heidegger, 1992:63) The incompleteness theorem of Gödel is valid until know: „for any consistent, effectively generated formal theory that proves certain basic arithmetic truths, there is an arithmetical statement that is true, but not provable in the system” (1931:173-198). Positivism – which was started by the Cartesian revolution and born in the spirit of Enlightenment – wanted to make science almighty, so the Gödel-theorem has thrown back. The spiritual, mental and social conditions of the world and it's ecological environment would be very different, if the modern scientists understood the essence of Greek knowledge: knowledge is so powerless compared with necessity. The essence of Greek knowledge – unchanged in the elapsed 2000-2500 years – is such a theoretical mental constitution which is relating to the matters of it's investigation as they require (human psyche, society and the harmony of the nature have so strict preconditions, that devastating and threatening analysis has no reason for existence).

We divide the way of scientific recognition into ten stations. It will broaden gnoseological borders providing a place for sociological approaches (see figure 1!). First step (S1): the ends of the research are originate from the value system of the researcher. Second step (S2): researchers draw up assumptions about the analyzed economic phenomenon – these are the so called hypotheses. Third step (S3): for verification firstly man can review prior knowledge (TRADITION), that provide a framework to the study. It includes discovering previous theoretical essays on the investigational area, social habits, historical experiences etc. Fourth step (S4): sorting categories, theories and standards from prior knowledge, what are describing the theme of the research. These chosen items are previously verified so acceptable without control. Fifth step (S5): problematization. It involves collecting matters, measuring, specifying previous categories and terms (the latest can be called as operationalization). This step shows inordinate information (statistical data, opinions, comments, criticism etc.) which can verify, revise or reject assumptions. Sixth step (S6): from the knowledge basis of S5 researchers committed to make a clear idea – conducting relationships, regularities and principles. In Greek term this step called heuristic station, this is the art of discovering, creation of a new theory. Theory is the complexity of exactly (with deductive logic) conducted theorems, which originate from consistent assumptions.

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<sup>2</sup> Daly, H. – Farley, J. (2004). Ecological economics. Washington DC: Island Press

Figure 1. Ten steps of scientific recognition



Seventh step (S7): pre-valuation – researcher compare the result with previous hypothesis. Logically there are several outcomes: a) Hypothesis is verified by the result of the heuristic station. b) It is partially verifiable. c) The result contradict to the assumption. In case b) and c) researcher should make a decision: 1) Rejecting the hypothesis, 2) Modifying assumptions according to the result, 3) Walk again on the first seven steps of scientific recognition hoping that new information could verify hypothesis. After the feedback man can verify the new or modified assumption or reject it. Eighth step (S8): epistemology call this station prediction or forecast. In this form the research can be revealed. It will be available for professionals and the public at large through journals, books and electronic databases. Ninth step (S9): the community of scholars accept the publicized research. Tenth step (S10): filter or the whole society. When professionals accepted the results, society make the eventual decision about application.

According to positivism those intellectual products are scientific, which meet two criterions: on one hand (mathematically) exactness, and on the other hand verifiability. After completing these criterions, positivistic science declare „what is” and predict „what become”. Achieving these criterions in fact is likely to provide objectivity. In certain cases either we should accept this approach, mentioning about reduced economic questions.

Positivism grammatically originates from the term of makings (lat. positivum). Originally it spells such a philosophical and theological direction that regards „makings” and „principles” as the criteria of professionalism. Mainstream social studies – concentrating on economics – willy or unawares, knowingly or unwittingly but absolutize this way of scientific recognition. In our view this method – the positivism – is only apologetics of an absolutized economic system (a global libertarian technocrat mixed economy (Somogyi, 2015), expanded worldwide by the United States of American in the last two centuries). Here we cannot speak about unsustainability and social tragic of this system, only we want to criticize its absolutized method: positivism. We note some questions about it, through the steps of scientific recognition (see at figure 1).

- On what a philosophical-anthropological basis the values, ends and needs of positivistic economists stand? Behind its statements we could find mostly hedonistic-materialistic elements (Mueller, 2016) and the economically depraved form of this conception: „homo oeconomicus”.<sup>3</sup>

- Material, power and vanity interests are unfortunately discoverable behind scientific life. We saw it in ethical incompatibilities when academic consultants appeared on the backstage of financial and other well-profitable business areas.<sup>4</sup> Societal and ethical questions are inevitable at the first step of recognition.

- Hypothesis is such a cerebral work, which is still unopened by progressive brain research. Exactness and controllability are also hardly interpretable at this stage of the process.

- Prior knowledge and tradition of the research are so meaningful, that professionals or a group of scholars cannot strain or verify the whole attainments. Available principles and categories often inaccurate or inadequate, so in social studies we cannot handle them like the discrete laws of physics and mathematics. Researchers should keep in mind, that economics is definitely a social science.

- On the station of problematization we faces a lot of shortcomings, in context of our own measures or the database we use. Not to mention the number of researches, which operate with surveying uninformed people to raise sample size.

- At heuristic stage methodologically diversity is inevitable. Mainstream economics often use econometrical models for the sake of professionalism, but they reduce real conditions so much that the result is being unusable in economic practice.

- Step Seven shows us new researcher' tricks what evidently undermine exactness and controllability. Determinant part of researchers modify their original hypotheses during analysis to accommodate assumptions with findings. This additional practice leads to serious ethical doubts about the research.

- Without social institutional nets the publication and filtering process is impracticable, so on the ninth and tenth station objectivity is impossible.

## *Beyond positivism*

According to the Greeks science should rooted on the cultural-spiritual background of the examined area, so we cannot go without normative approaches. Normative economics committed to represent values and moral considerations. It deals with “what is” and “what is ought to be”.

When we do not absolutize the way of positivistic scientific recognition, we open new methods for intellectual thinking. In this way perhaps we discover that there is impossible to grow endlessly in a finite space, that utilitarianism is not the most effective decision making behavior, that people have not only rational thinking and moral cannot be dismissed from science henceforward (and so on). These themes still

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<sup>3</sup> You can find the criticism of „homo oeconomicus” conception here: Petőné Csuka Ildikó – Majoros András – Somogyi Ferenc (2008). A „homo oeconomicus” fogságában. *Polgári Szemle*, 2008. 2. sz.

<sup>4</sup> It's revealed by the shocking documentary of Charles Ferguson (2010). *Inside Job*.

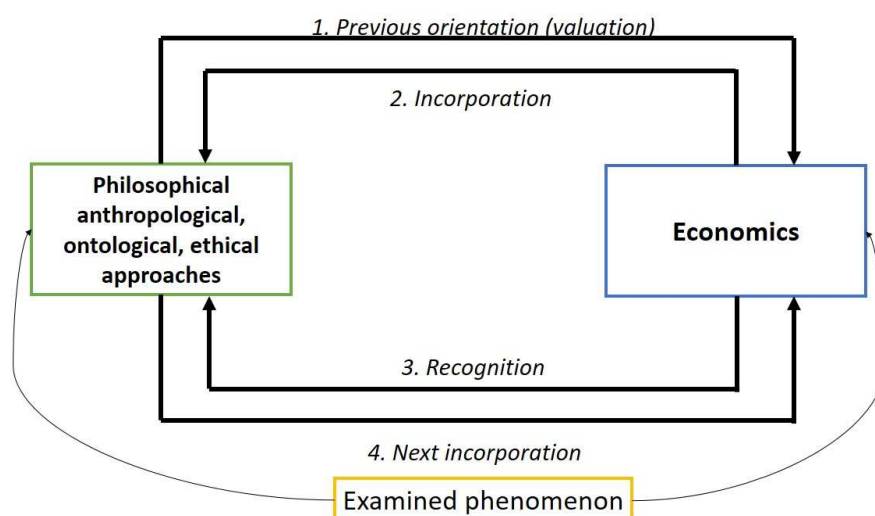
without explanations suggest us changing methods is actual and indicate to research at different ways. We could make out our case at every positivistic steps of scientific recognition, but we concentrate now on two steps only.

On heuristic station (S6 on figure 1) professional manage to synthesize previously collected relationships, principles and regularities. The method of mainstream economics is a single scheme. 1) The scholar sets assumptions directing for the examined subject (not so humbly these called axioms in microeconomics). 2) For a short period and a narrow domain they set up concrete hypotheses. 3) According to their experiences they fix a terminology. 4) They reduce phenomenon to mathematize and then 5) post some results of mathematical transformation based on tautology. 6) At least they are waiting for the confirmation of like-minded associates. After the research confirmed – among the frames of positivism – it considered as verified truth. If reality shows similar phenomenon to the verified hypothesis, academic institutions will dedicate this intellectual product scientific.

In terms of methodologically pluralism – despite we have reservations about it – we accept the reason for existence of positivism. In narrow delimited research themes it could lead to useful results. Our most important criticism about positivism is on sounding value-neutrality, what is only about serving the current economic system.

At heuristic station there are also different, occasionally more universal methods. We suppose significantly the most important method of them: ecological hermeneutics. Hermeneutics is the art of recognition. It is the most universal method, which is inevitable for every other methods. The steps of hermeneutical cycle are the following: 1) Previous orientation (valuation) on the examined issues. Here we should take into account philosophical anthropological, ontological, axiological, gnoseological and ethical approaches to discover cultural-spiritual dimensions. 2) Values from the first station steep economics and incorporated in the study. 3) This incorporation or reaction support recognition. 4) Recognition contribute to renewing anthropological, social-ontological, axiological and ethical basis, establishing new researches on economic fields. This is a cycle, so we should come around so long as we get into evidences (see figure 2!).

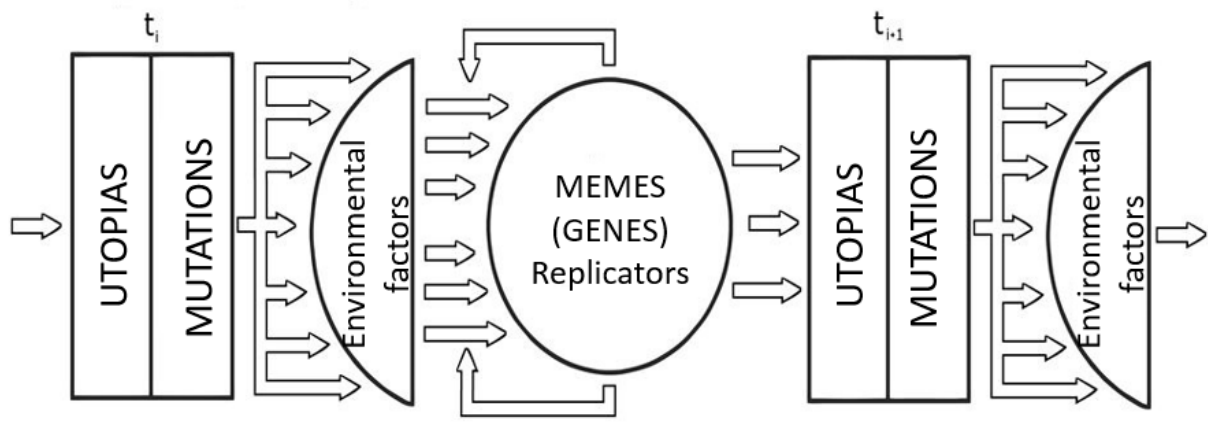
Figure 2. Hermeneutic cycle of recognition



Evidence: it comes natural for a healthy average adult that will not take further explaining. The process could start from any pole, when the arrows are controversial. Completing the requirements of philosophical anthropological, axiological,

gnoseological and ethical approaches encumber the scholar's tasks. It would made so hard barriers on professional selection that will open the road only for geniuses. Cultural and civilizational regression in these days definitely caused by faulty scientific selection mechanism. The massification of scholars make science a new industry, where uncontrolled mental products stream the marketplace. These "mental products" dispense with philosophical anthropological, ontological, gnoseological, axiological and ethical grounding, so no wonder that this material degrade mankind through capitalism and global libertarian technocrat system, estranging people from their distinctiveness: the spirit. At heuristic stage we mention the ever hotter method of evolutionary economics.

Figure 3. Process of cultural evolution



This method built on the analogy of biological evolution. There are three determining phenomenon in this system: a) gene or replicator, b) mutant, c) environmental factors. In every "biological machine" (vegetable, animal and human) the features of genes are very insistent: 1) long life (not in specimen but in species or copies), 2) fertile (reproducing in favorable living space), 3) reliable duplication capacity (it could perform self-reproduction correctly). According to Mendel-principles genes are discrete independent units, thus nature has eliminated the threat of attenuation and uniformity through mutation and natural selection. The method of cultural or economic evolution – as analogy of biological evolution – should find the gene (replicator), this is meme<sup>5</sup> in social-economic researches (Dawkins, 1986). Then man should define environmental factors, and account with effects of mutation, such as utopias and scenarios – tendencies overarching from past to future.

On problematization station we should recognize the order in collected data, categories, principles etc., a correct hypothesis. This "tidying" want new methods in the case of a difficult problem, exactly a method-combination of well-known methods. Beside hermeneutics we could line up evolutionary economics, the whole analytic resources of positivism (statistical methods), essay technique, descriptive-explaining theories, action theory etc. We wanted to attract attention for this diversity of methodology.

The ninth step of scientific recognition (the filter of professional community) strengthen the fact that positivistic monopoly is untenable. Epistemological literature keep count of only few theories what can judge the justice of new examinations. 1) Logical positivism – according to the Hungarian Imre Lakatos – say that we can achieve righteousness in small steps, when the researcher hasn't got any value-

<sup>5</sup> R. Dawkins has created the definition of meme. He wanted to capture the unit of cultural transmission, mimicry and intuition, so he shortened the Greek term of mimema to meme.

assumptions, analyzing the subject objectively, using mathematical exactness, methods and conclusions are controllable, and it is verifiable by reality. Two conditions of “truth” are exactness and controllability on every steps of recognition. 2) According to falsification-verification approach (by Karl Popper) the community of professionals should canvass the whole way of scientific recognition from assumption to prediction, and if they have found a contradiction, the theory is rejected, it is false. If they have not found (under the mainstream culture) such a false element in the conduction, the theory is verified. Certificated research is not “the right” theory, but it is allowed as right theory as long as we find a better explanation. Popper (1989) would like to classify social studies as natural sciences which have theories controlled by testing, but philosophy of science pulls out. The essential problem is that Popper did not recommend where is the border between certain knowledge and believes. 3) The light publication of a free-spoken researcher give us the point of reference about a true theory – this is paradigm-theory by T. S. Kuhn. Paradigm-theory determine the criteria of the so called normal science. According to Kuhn (1984:29) this research is “definitely built on one or several scientific results of the past, such results which are allowed by a community of professionals as the basis of their activity.” For economics such basic results are the books of A. Smith (1776), D. Ricardo (1817), J. S. Mill (1848), A. Marshall (1890) and in these days Economics by P. A. Samuelson (1948). These were points of reference for several economists in the past. Thousands of economists have grown up on their definitions, principles, methods, models and theories, so it marked the framework of normal science. Kuhn (1984:30) highlighted two features of these pioneers: “Their processing manner was so modern thereto find stable followers against the competing methods, and so open-minded to leave undecided problems for the upcoming professionals.” With these characteristics – modern and open-minded – featured theories called paradigms by Kuhn. If reality back out from the net of mainstream theory, crisis will come. This situation has a break on normal science whereon revolution comes on a new ideological basis. If this “mutant” (see back figure 3) is viable, the community of scholars will accept and serve it. The new paradigm – also verified by the whole society – is being a part of normal science. It gives new problems and tasks to professionals... 4) At least there is the anarchist concept of P. Feyerabend. Community of scholars have such self-irony that account this conception as the most outstanding testing theories. According to Feyerabend (2002:57) there is no scientific method; professional “progress” and “truth” are myths: “anything goes” – he said.

## *Summary*

After clearing the steps of scientific recognition (see figure 1) we gave the criticism of positivism. It is really not only about querying the absolutism of this cognitive process. If we sprang from this sentence: “There is no system without method”, we criticized not only a method but a system also. Global libertarian technocrat system break to autocracy today, their apologetics are ready to strengthen itself by positivism. Every other theories what are different from the mainstream are marked as utopias. Karl-Otto Apel (1993) draw attention to utopists in this manner: “who believes – for example in sight of ecological crisis – that could turn off from mainstream so that represent alternative ends on public discourses” (Apel, 1993:36-37).

We have dwelled on for some length two stations of scientific recognition, because – from our point of view it is very seasonable – we wanted to argue on the necessity

of methodological pluralism in social studies and philosophy of science. At the stage of hermeneutics (S6) and filter of professionals (S9) we showed that challenges in these days remain unanswerable without methodological diversity.

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