

ON THE SUBJECT MATTER (SCOPE) OF ECONOMIC SCIENCE: HOLISTIC APPROACH

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ABSTRACT. The article deals with seemingly, allegedly a clear, settled issue – what is the subject matter (scope) of economic explorations (research). Focusing our attention on the definition of the concepts of economy and anti-economy we show that the issue is far from being settled because of its complexity and imaginary lucidity. Our deliberations are based on the premises of the holistic paradigm which contrary to methodological individualism allows to wider perceive economic reality and to develop more comprehensive conceptual framework for the understanding of the boundaries of economic inquiry and economic practice.

KEYWORDS: the subject matter (scope) of economic science, holism, individualism, economy, anti-economy, wealth scarcity of resources.

Introduction

It would be like the commonplace to state that the scope (subject matter) of economic science is the economy. But for many economists this linkage (link) between the two is far from obvious and they strive for alternative definitions of the scope of their discipline. Instead of saying that economists are dealing with economy (its, we have to admit, smacks a bit of tautology), they are looking for more complex but not necessarily correct answer.

Others do not pay attention to the problem of delimitation (definition) of the scope of their science at all. They follow the tradition according to which these matters (issues) are self – evident and/or unimportant. Suffice to look to the vast majority of the handbooks (textbooks) on (of) economics and (as

well as) scientific, among them methodological, publications to make sure that in most cases the subject matter (scope) of economic science is left undefined or described in unduly concise and superficial manner (form).

The phenomenon could be explained by at least two reasons. First of all many economists even if they belong to the family of economic theorists somehow omit the first step needed for the clear delimitation of the frontiers of economic research and economic activities namely the explicit systemic, comprehensive definition of the economy due to opportunity costs consideration.

They instinctively economize and avoid entanglement into methodological and conceptual discussions because opportunity costs involved are really huge. Therefore they prefer to go straight to the practical matters, instead of “wasting” time and efforts on “philosophising” (Rosen S. 1997; 150). In some cases such a choice is quite rational, in others – which requires certain methodological, paradigmatic foundation – leads to substantial cognitive and practical losses.

The other reason is the eternal, overwhelming (?) believe that the contents of the concept “economy” is self-evident, clear without any scientific descriptions. It is so widespread and deeply ingrained in the consciousness of our profession that only few in it raise the question – what the economy is (means). One of rare exceptions is Lithuanian economist A. Vengrys, who probably (arguably) was the first and for some time the only economist from the former Soviet Union, who not only raised the question, but also suggested some valuable insights in this regard (Vengrys A.1978).

Traditional economic theorizing is based on the explicit or implicit assumption that economic life is “white”, that economy automatically neutralizes those phenomena which represent appearance of various bads and waste of resources. But as we will show reality is the mixture of goods and bads, efficient and inefficient elements in actions of social actors. And the latter are not rare exemptions from rational activities. They comprise a considerable chunk, portion of real life and should be included into the field explored by economic science.

In this article we make efforts to demonstrate that holistic approach (vis a vis), towards in the exploration of the contents of economy opens the opportunity to present systemic, comprehensive, “unamputated” picture of economic reality and thereby to resolve two problems. Firstly, to give impetus for clearer understanding (definition) of the scope of economic science and, secondly, to reduce cognitive and material of financial losses for those, who work in applied economics or are involved in practical real life economic activities such as, for instance, public sector economy, taxation policy etc.

Why holistic approach?

Nowadays dominating cognitive paradigm in economic thinking is methodological individualism. Protagonists and instinctive followers of individualistic paradigm base their conceptual constructions and practical actions on several axioms, premises. The most basic, fundamental assumption is the

postulate that the only real actor in social reality is individual and that collective, communal actors is a figment of imagination of some thinkers (Mises L. 1996)¹. The second basic individualistic assumption follows from the previous. If the only social actor is individual and communal entities are non-existent, then the only driving force, the only motive of those individual activities is self-interest, or in other words, individual, private egoism. The third postulate could be derived from the first two – social reality should be understood as a sum of actions of individual actors. Then logically follows the conclusion that social (and economic) reality is “flat” and there is no ground to assume the existence of hierarchical structures in social reality.

At first glance it may seem that these are highly philosophical statements having little in common with practical matters. But it isn't the case. For instance, in the framework of rigorous individualistic thinking there is no place for public economy, real public choice, taxation and so on. For strict, pure individualist economic science would be reduced to microeconomics, because macro economy (and political economy) deals with aggregate, systemic, supraindividual economic parameters (Tabb W. 1999; 115). All these attitudes and perceptions influence policy-making, economic practice at large.

Individualistically oriented economists tend to imitate natural science first of all (classical) physics. By treating economy like physics, they are eager formalizers of economic sciences (Tabb W. 1999, 8 – 9) they also very reluctantly recognize the necessity and effectiveness of supraindividual governance, programming (Friedman M. 1962; Hayek von F. 1944). In their view the best programmer and governor (manager) is the individual left alone, not harassed by the state and other authorities².

Axiomatics of holistic thinking is different. It consists of this set of premises (Gyls P. 2008; 28-29):

- society consists not only of individual, but of communal, collective actors as well. Thus family, community, nation are legitimate, recognized participants of social thereby and economic activities;
- all these actors have their own relatively autonomous interests and needs. Individuals have private, collectivities – common, public interests and needs;
- society (and economy) is the system (not the sum) of actions of all these participants of social activities;
- lifespan of collective entities can be longer than this of the separate individual. State, family, political party usually lives longer than its individual citizens, members;

¹ L. von Mises asserts: “All rational action is in the first place individual action. Only the individual thinks. Only the individual reasons. Only the individual acts” (Mises von L. 1996, p. 97) It means outright denial of collective, for instance, national memory, communal spirit, teamwork (action), synergy, hierarchy.

² As an expression of radical individualism in this sense could be this postulate: “The great plans, - says H.Haynes, - drawn by the learned planners, in search for of community utopia, have all failed”. (Haynes R. (2005) Government plans never work / The Free Market. October, Vol. 26, No 10). In this short message there two categorical statements: the first, that government plans are always doomed, and the second – that community is utopia, unrealist creation of human mind.

- social reality is hierarchical i.e. there are several layers (stores) of it. Individual, family, community (territorial, ethnic, religious, etc.), country, supranational entity (organization), global community of the countries form this hierarchical structure;
- higher levels of social reality to large extent determine the characteristics and functioning of lower levels of the system. In other words the whole at least relatively is more important than the parts and elements;

In our view holistic approach has the advantage over individualism in the sense that it doesn't force the researcher, politician to deny the existence of nation, family and other forms of collectivities, or to make artificial cognitive shifts (*poslinkiai*) in economic or political thinking. For instance, it is not easy and rational to deny family with its norms, morality as a smallest collective entity or in other words, to reduce it to the sum of its individual members. Though, such attempts from time to time are made (Becker G. 1991).

But recognition of family as a collectivity by individualist means ideological shift or concession to holism. The same is with the country. If the country or nation is understood as collective, supraindividual entity acting on the international arena it means holistic deviation from individualistic thinking, because, we remind, the only reality is individual and only individuals can act. Moreover in strict individualistic model of thinking there is no such a thing as international arena, because there are no nations. There are only individuals and the only possible interactions are between individual persons on the "flat", non-hierarchical arena of interpersonal relations.

Notwithstanding, we talk about trade and war between nations, about cooperation and conflicts between families, ethnic or religions groups. And if this language is used by the proponent of methodological individualism it means contradiction between their promoted creed and their language, saturated (packed) with holistic terms like family, community, nation etc.

Having in mind limited space for paradigmatic considerations we have to confine ourselves to several remarks regarding correlation between the essence of holism and the problem of the scope (subject matter) of economic science.

Firstly, as we will show, holistic approach allows us to logically, without cognitive, ideological shifts include otherwise "homeless" public goods into what we call wealth. It automatically means their inclusion into economy, because the economy, as we will show, is the aspect of social reality, which reflects the movement (the flow) of wealth.

Public economy procures (produces) public goods. In its foundations are regimes of public (not private) choice, regimes of public governance and taxation. Thereby, holistic approach opens the possibility to include into the system of economic science such disciplines as economics of environment protection, economics of education, economics of health service or even economics of politics.

Secondly, it will open the opportunity to contribute to the explorations of the mixed economy. The latter is the system, where private and public economies coexist, complement each other and overlap.

Thirdly, the non-trivial problem of combination and contradiction between private and public interests and needs could be discussed in a more consistent way than its often done in the mainstream economic literature.

Fourthly, public choice theory issues examined in holistic cognitive framework would be freed from distortions characteristic to individualistic interpretation of the matter (Buchanan J., Tullock G. 1962). Individualistic interpretation of this theory can't give satisfactory results because individualists have difficulties with the recognition of supraindividual by their nature public needs. In pure individualistic thinking there shouldn't be such things as public choice, because the individual is motivated by his / her self-interest and in absence of communal entities there is no ground to talk about such things as public interests and public choice. Therefore for consistent individualist the only type of interests should be private interest and the only type of choice should be private choice.

Economy – what is it?

One of the biggest paradoxes of our profession is unawareness of the importance of the definition of the concept of economy. That leads to the situation when intuition, not clear explicit and structured knowledge is the basis for many theoretical doctrines and practical decisions.

The mainstream economic doctrine is not exception. It would be difficult or even impossible to find the publication in which the contents of the concept “economy” is thoroughly systematically and explicitly explored³, though there are some scattered statements about the features which could be attributed to economy. Some authors stress that economy is the sphere where goods and services are produced and distributed (some add – consumed). Others emphasize the problem of scarcity of resources used. A majority of them usually implicitly, i. e. without (explicit and) critical analysis, identify economy with market, production and exchange of private goods, commodities. As a result marketization (through privatization) in the mainstream economics means economization of “non-economic” spheres like health care or schooling. We admit that some of these postulates, and concepts, like scarcity are quite acceptable. Others, first of all identification of economy with market are misleading.

³ As S. Dow argues, mainstream economics has evolved virtually independently from explicit methodological analysis (Dow S. 1997; 73 Mainstream Economic methodology: Critical survey // Cambridge Journal of Economics, January. The prevalence of practical instincts expressed in dislike of (aversion for) “empty theorizing” increases the influence of various ideologies, common sense and departure from scientific requirements in economic thinking.

This piece-meal, patchy picture could be repaired, refined if explicit and holistic analysis of the issue is undertaken. Though the task is formidable, and the space very limited we will try to meet the challenge and present some insights to the problem.

Let's begin from the remark that concept should not be confused with reality itself. Too often we economists operating with concepts, postulates etc. forget that we are dealing with the mental models, analogs of the reality. If those models are properly “constructed”, reproduced and used, then our mental and, verbal and finally practical activities are successful – they quite precisely reflect reality and fit to reality. But in case of instinctive, casual, superficial “production” of concepts (postulates, theories) big discrepancies between our models and reality appear and that means the loss of our ability to see things properly, adequately and act correctly and effectively.

Concept “economy” is a mental “construction”, product. It reflects certain aspect of social life. It's created using the method of abstraction (which sometimes is called, named idealization) the essence of which is mental “extraction” from the whole reality of certain, essential attributes, features and relations and abstraction (?) from the other, non – essential features, relations.

Criterion is needed for this extraction – abstraction procedure. Using this criterion it is possible to mentally extract those features and relations which comprise the content(s) of the concept economy.

Logics and historical experience suggest that the role of such a feature (criterion) could play other concepts – wealth, economic goods and scarcity (limitedness) of resources.

Those three are interconnected. Wealth is certain amount of economic goods. The latter have two characteristics – utility and cost of production. Every economic good is valuable, belongs to wealth for two reasons (because): it brings to economic actors benefits and its production costs limited (thus valued) resources. From the latter statement follows the definition of the principle of economization or efficiency (effectiveness). The essence of this principle is that economic agents – only then they are economic in pure sense – have to seek optimal, i. e. the best possible ratio between benefits and costs. If those agents are not able to achieve this task, they are not in strict sense purely economic actors. In case they partly implement the principle of economization, they only in part behave as economic agents. In real life these suboptimal cases dominate (Gyls P. 2008; 42-44).

When human beings do not face, confront scarcity of certain resources, he has no need to economize. That means that in the spheres of circulation of so called free goods (free air in the fields, sunshine in the summer, water in the sea etc) the social actor does not behave as benefit – cost optimizer or in other words as *homo economicus*. Only in the conditions of scarcity of resources human being transforms into economic being.

Living in conditions of limitedness of (needed) resources (used) makes social actor to value things because of both their utility and their costs. These two characteristics make those things economic goods and part of the wealth.

Now its time to give concise, preliminary definition of economy. Economy is the aspect of social life in which the flow (production, distribution, exchange and consumption) of economic goods (wealth) is reflected. This circulation of wealth surrender (submit, obey) to the principle of economization. In short economy is the aspect of social life which reflects the circulation of wealth according to the economization principle.

Here one has to emphasize that economy is not physicyly separate part of reality. The reality is integral, physically indivisible.. Economy, politics, culture etc. are different sides of this integral reality. Economist looks to one, political scientist looks (observes) the other side of real world, but all these sides belong to the same object-reality. That means that economist, jurist, politologist, sociologist may explore the same phenomenon, but does it from different angles. For instance, political system for economist is the producer of public goods in form of adequate strategies, laws etc. representative of political sciences explores the political system in terms of power and authority.

Other aspects of social life which are beyond this definition are non- economic, they are exogenous to economy⁴. After its definition of the contents of economy seem elementary simple and obvious. They should be in the introductions, prefaces of handbooks (textbooks) of economics. The reality is different: as allegedly self-evident those introductory statements, postulates, stay unexplained to those entering economic studies, and to those, who are already in the profession as well.

Further elaborations on the content of economy (subject) require strict paradigmatic distinction, between methodological individualism and holism. Individualists tend to confine economy to the circulation of private goods i.e. goods, which have material form or form of services and which are traded on the market. For individualist economy and market are synonyms.

But if we would apply here the general definition of the economy, it would be obvious that looking through the individualistic “lens” only part of the economic reality would be visible. Part of those goods which are produced in the conditions of scarcity of resources fall out of individualistically perceived economy, because they are not traded on the market. We mean (have in mind) public goods. When individualist discusses economic matters he omits, excludes public goods. Thus one can easily identify economist as individualist even if he/she doesn’t openly declare his paradigmatic affiliation. In the text content of his/her book in other texts one won’t find the term “public goods”.

Some economists use this term, but do it with reluctance. Part of them think that public goods are confined to few cases like national defense. Others shun the term for ideological reasons – public goods do not fit to their understanding of the economy as a marketplace where only individuals act therefore

⁴ Other social sciences explore other sides, aspects of social reality. For instance, political sciences “extract” from this reality features, characteristic, relations which reflect creation, accumulation, use of power. They deal with the relation of power centers (structures), their role in evolvment and functioning of different types of power regimes (democratic authoritarian, to totalitarian). In shot, political sciences are interested in power systems, in which authority is partial case of (power). Power means ability to influence, to rule when authority is the formal right (given by official position of the agent) to influence and thereby to rule.

the term by them is marginalized or ignored altogether (almost totally). The result of such cognitive actions is “amputated” panorama of economic reality and narrowed scope of economic inquiry.

Economists with holistic inclinations favorably look at what is called as public goods. They have no negative instinct towards things connected with communities, collectivities and thereby to public goods. Unfortunately even those economists face some cognitive quandaries (difficulties) caused by marginalization and underdevelopment of the field. For instance, some of them are able to point explicitly to the main feature of public goods – that they satisfy common needs that they evolve with creation of different kind of communities (collectivities). Without communities and their common needs there are no public goods. If collectivities are in their infancy, regimes creating public goods are weak. In mature and efficient groups procurement of quality public goods is guaranteed. But in communities which are in decline, which suffer from what could be called as the tragedy of the commons⁵ the regimes of creation of public goods are distorted and thereby they produce inadequately small amount and low quality public goods.

Therefore then we talk about public goods we need to mention not only their non-rival and non-excludable character, but their collective, communal origin as well⁶. Common security, common order, legislation and law enforcement system, regimes of communal governance, information and knowledge of communal importance are only few examples of public goods. The whole variety of them is huge, as big is variety of communal needs.

Part of them is connected with politics. Politics as the system of regimes of national governance produces and supplies the society with large variety of public goods. In fact the origins of politics are rooted in the common, national needs for public goods like legislation, administration, policing, national strategies of development, roads, water and air quality protection etc.

Here the two caveats should be mentioned. Firstly, these goods are economic, not free goods. Only on the level of common sense they may seem as costless. In fact their procurement requires resources which are limited. Alas, not only in the mass media, but even in some scientific publications and encyclopedias public goods (national security) are confused with free goods (breathing air, sunshine) (see Wikipedia *public goods*).

In this sense it is not, strictly saying, correct to talk about free education or free health care, free politics etc. Costs of all these activities are covered by society in monetary (taxes) or one or another form of natural contribution (military services, participation in civic activities etc.). Society in the framework of public choice regimes can decide what public goods should be provided and what could

⁵ The author of the terms “the tragedy of the commons” G. Hardin uses it the case of inappropriate use of common pasture, but the term spread to denominate all cases of failure to pursue common good. (Hardin G. 1968)

⁶ P. Samuelson who introduced the concept of public goods says that they are goods which people enjoy in common in the sense that each individual's consumption of such a good leads to no subtraction from any other individual's consumption of that good. That's why P. Samuelson to denominate this type of goods used another term – “collective consumption good”. (Samuelson P. 1954)

be optimal level of costs (tax revenues, tax “burden”, civic participation) of their supply. Thus, costs are covered not directly from private (funds) resources but indirectly through public channels and first of all through budget.

Secondly, only on some occasions public goods exist in their pure form (Myles G. D. 1995, 264-265)⁷. When we give scientific definition of these goods we purify their contents from alien i. e. non-public features and include only such (a) characteristic which make them public good. That is the essence of the concept creation which is, as we have said, based on the procedure of abstraction, (idealization). The concept as a mental model always represents the idealized, purified picture of the phenomenon. In reality every phenomenon is intertwined, “polluted” with the elements of other phenomena. In real life public goods often have some features of private goods. In some goods these private elements are minor, in others they are ample. The law produced by parliament is more pure public good than education, because in the creation of the latter are heavily involved both public and private interests while in the former public interest is dominant. All said allow us to introduce the concept of mixed (public – private) goods.

Thirdly, admitting hierarchical character of economic reality we have to clearly, explicitly introduce the notion of the hierarchy of public goods. On every level of supraindividual, communal entities particular public goods exist. They satisfy specific needs of appropriate level of public, collective life. There are family, firm, (territorial) community, country, regional and global public goods. If researcher is consistent holist he/she has to admit the existence of the hierarchy of public goods. Until now this issue isn’t settled, although.

We would like to turn Reader’s attention to the fact, that the firm, for instance, corporation, usually is supraindividual, collective entity. For individualist such a statement might be as hubris indeed. Though it produces private goods i.e. commodities, its viability, competitiveness to certain extent depends on the internal regimes which produce public goods of its level. The most important of them are: managerial regimes, regimes reproducing common knowledge and experience, cohesion of employees expressed in their readiness to pursue common goals etc. All these goods satisfy common needs of the firm as a collectivity seeking specific goal – profit maximization.

Individualistic economics is unable to identify this side of entrepreneurship although managerial science, which is much more holistic than economics, pay huge attention to the aspects of firms life mentioned above. To tell the whole truth – managers usually don’t use the term “public goods”, when they explore, for example, behavior of groups, their cohesion, types of leadership, because their subject

⁷G. D. Myles discussing the problem of purity of public goods emphasizes the fact that impure public goods appear in cases of congestion and as the examples presents public parks and roads. In circumstances when congestion occur consumption, usage of such goods by additional (not optimal) number of people reduces the utility (benefit) received by all these people. That means the deviation from requirements applicable to pure public goods. (Myles G. D. (1995), 265.

matter is different from that of economics, but they admit the existence of groups and explore their activities.

We hope we showed that economy viewed through holistic “lens” gives wider, more precise and realistic understanding of what economic science and economic practice is all about. With inclusion of public goods into the category of wealth, opens the opportunity to legitimize such economic disciplines and spheres of economic activities as health economics, education economics, security economics and so on. Until now paradigmatically their status was not settled on the one hand. That leads to many uncomfortable situations. For instance, on the one hand economic science is compelled, has to deal with such problems as taxation or budgetary policy as large, on the other hand such efforts does not fit to the strict individualistic understanding of economy because budget is not market regime. It is the regime belonging to the sphere of public not private choice. Such a discrepancy between the paradigmatic foundations of mainstream economics and factual scope of economic deliberations unfortunately are overlooked.

Anti-economy, shadow economy and economic science

In the last few decades new field of economic investigations evolved. We have in mind the social area covered by terms like “shadow economy”, “hidden economy”, “unrecorded economy” “black economy”, “grey economy” etc. (Sennholz H. 2003). Despite the popularity of the topics, the field lacks of what could be called scientificity. Concepts used are vague, or duplicated, terminology confusing, methodological issues are ignored and therefore unsettled, unresolved.

Scientific knowledge must be systemic, orderly and consistent. Theoretical disorder in the field means that profession is not able to cope with the “curse of complexity” appropriately and is not scientific enough. Economic science has to deal with it and has to begin from introduction of conceptual and terminological order. Our purpose is to contribute to (this endeavor) these efforts.

In our earlier publication (Gyls, P. 2005) we made several suggestions concerning conceptual and terminological improvements in the area discussed. The essence of these suggestions presented concisely could be reduced to several points:

- in the process of “construction” of the concepts one should consistently use clear criteria of abstraction: We will name three criteria in the field – the criterion of “badness”, the criterion of (compatibility with) relation to a formal order, the criterion of recordibility;
- procedure of concept creation (giving its definition) shouldn’t be confused with the procedure of naming, “baptizing” the concept i.e. ascription to it of certain term, “name” in ideal cases, when strictness, consistence is observed, every concept should have one name in other words denominated by

one term, but for linguistic convenience and elegance social concepts usually have several names. But absolutely intolerable are cases, when one name, one term is given to two or more concepts;

- using the criterion of “badness” one can define the concepts, which could be “baptized” as economic bads, anti wealth and anti-economy. Introduction of these concepts means substantial deviation from mainstream economics which is based on the assumption that economic actor’s in principle are rational and effective. They participate in the circulation of only economic goods. Possibility of appearance of economic bads is minimal, slight and could be ignored without detriment to the results of scientific inquiry and economic practice. But these are not rare exceptions. It is substantial part of our real, everyday life. Economic bads and waste of economic resources i.e. deviations from the principle of economization represent anti-economy;

- what we called anti-economy could be named as black economy. That means that terms of anti-economy and black economy are synonyms i.e. two words representing the same concept;

- economy in its idealized, pure form could be given another name – “white economy”. White in the sense that it is connected only with the circulation of goods and represents optimal ratio between produced benefit (utility) and costs of it production;

- real life is the “mixture” of economy and anti-economy. In other words real activities are “grey”, because white and black economics are intertwined in it. In some cases real practice is dark /ly/ grey in other – bright (ly), light (ly) grey;

- the second group of concepts are derived from the application of the criterion of formality, legality. According to this criterion three concepts could be defined: official (formal) economy, unreglamented (free from formal reglamentation) economy and shadow (underground, informal) economy. The first concept reflects that aspect of life, which is regalemented by legal authorities by means of legislation, administrative formalization etc, the second – those parameters of social life which are free from legal or administrative reglamentation (for instance in household), the third represents those cases in which (then) formal, official regimes, order is broken, deviated, ignored. Here we have to reiterate our warning – real life is the mixture of three aspects defined above;

- shadow (underground, informal) economy and antieconomy are overlapping, but not identical things. Shadow economy always (has in itself) contains certain portion of anti-economy, at least in the sense that the disrespect, neglect of formal order is public bad. But on the other hand it is not always totally black. When social actors produce in the shadow economic goods (not bads like narcotics), in this sense the process has bright, light aspects. Therefore it shouldn’t be treated as absolutely black. Regrettably in economic literature this distinction between black and shadow economy is not made. It happens because criteria of badness and informality are confused;

- the third group of phenomenon could be conceptualized using criterion of recordability. According to this criterion we can distinguish between recordable and unrecordable economy. The

recordability of phenomenon depends on two conditions – on the measureability and legality. Measureless things and processes are such which have no clear, stable, objective measure (price, weight etc.) or are invisible because in hiding. Therefore it is practically impossible to include them into let's say, the output of the firm or GDP of the nation (country). For instance, knowledge as an economic good belongs to valuable, but hardly directly measurable phenomena. On the other hand that part of activities, which belong to shadow economy for understandable reasons is in hiding. Shadow economy produces both measurable (illegal vodka) and measureless (destruction of public order) goods and bads, but both groups of products are not directly recorded and measured. To this aspect of reality as well belong activities in the unreglamented economy, the most vivid example of which are products produced in household (family economy).

What are the consequences of such conceptualization of the spheres which too often are excluded from not only methodological considerations, but from the economic strategies, programs, from policy making. Here we would name several advantages of suggested approach.

Firstly, the conceptual improvements presented above opens the possibility to wider, more comprehensive understanding of what is the sphere of interests both for scientists and practitioners in economic profession. Explicit conceptual distinction between economy and anti-economy forces us from the outset, on the level of visions and strategies to consider not only positive, but negative sides of our actions , both economic goods and bads. Though in practice instinctively, intuitively economic actors often do this distinction, the absence of the very culture of such dichotomous thinking brings for societies extensive damage.

In this conceptual framework it would be difficult to oversee a large area (region) of social reality which substantially influence personal (individual), communal, national or global welfare. The evaluations (estimations) of the latter should be based on the understanding that it is the difference between the amount of goods and bads produced by society. Here we have to admit the existence of some trials to introduce such an approach into estimations of national welfare⁸, but they didn't change tangibly mainstream thinking and on the other hand these efforts were not supported by solid paradigmatic, methodological arguments. Holistic approach gives to these efforts substantial theoretical support and makes easier their legitimization i.e. scientific, social and political recognition (acceptance). Scientific correction of the (boundaries) of the panorama, explored by economists would lead to the improvement of the quality of political visions, strategies, programs.

⁸ Here we have to mention the indicator proposed by W. Nordhaus and J. Tobin and named measure of Economic Welfare. In this indicator are included not only positive parameters (they could be called goods), but negative parameters (bads) as well. This was one of the first step towards admission of the existence of irrational, anti-economic elements in social life for example environmental degradation (Nordhaus W. Tobin J. 1972).

Today we have new step towards more systemic understanding of the scope of interest of economists. We mean the proposition of Genuine Progress Indicator (GPI). It includes both positive and negative aspects of social activities. Special tribute for this conceptual progress is paid for H. Daly who formulated the idea of uneconomic growth. (Daly H. 1999)

Another advantage of restructured conceptual framework is better formalization of economic knowledge. If our conceptual and terminological propositions are right and precise, their application would mean better formalization, algorithmization, stereotipization of economic discourse with less losses in the channels of communication inside and outside economic profession. By this we want to say that formalization shouldn't be reduced to the (use) application of mathematical procedures. Any structuralization of the subject means giving the form, in other words – formalization. Formalization of thinking can be called as algorithmization, stereotipization, rutinization of it. Adequate, proper conceptual structuralization is the primary and basic stage of formalization of social knowledge. Quality of conceptual structure means quality economic vision (view), all in all it makes this knowledge more strict and “harder”. In the same time it provides better opportunities for further – mathematical, statistical formalization. Without correct conceptual apparatus mathematical formalization will be misleading though having the appearance of strict , “hard”, ”scientific” endeavors. If we don't know, what economy, national wealth, shadow economy is, if we are not able to discriminate between economic goods and bads etc., our mathematical modeling of economic life in many cases will be inadequate, misleading, having little in common with realities of social life.⁹

It is not only theoretical statement. When mainstream economists concentrate on GPD as aggregate indicator of national welfare ignoring the public goods and what could be ascribed to the anti-economy they are not aware that this indicator is partial and can not be used as systemic reflection of the state of effectiveness and welfare of the country. Those economists ignore the warning of Simon Kuznetz – the economist, who proposed the technique of measurement of national product. He warned that national product in no way should be used as synthetic, final indicator of national welfare.

Just recently appeared more comprehensive approach towards the problem of measurement of national welfare. We have in mind efforts directed at formulation of systemic indicator called Genuine Progress Indicator (GPI). The very term “genuine progress” implies that humanity undergoes (faces) the process in which imaginary progress, or progress in some terms could mean real regress, movement backwards, in other terms. Proponents of this indicator forcefully assert that negative side of social reality exists and it is threatening the very foundations (especially social and biological) of human existence. Among harmful effects of what superficially is treated as a genuine, progress (we mean growth of material production) they name resource depletion, air, water and noise pollution, family breakdown, crime. Thus the genuine progress is understood as process in which countries are promoting not only material, but social and ecological wellbeing. In the same time it's the process of neutralization of various bads.

⁹ In this sense we agree with J. Thomas (Thomas J. 1999) who is sceptical towards efforts to measure shadow economy without adequate theory which presents the set (system) of concepts reflecting this aspect of social life. This view applies to all spheres of economic inquiry not only those connected with shadow economy.

If the balance of all these developments is positive and sustained, country enjoys genuine progress, otherwise regressive forces and, tendencies overcome progressive ones. One can argue that efforts to introduce GPI are not totally consistent, that they too often based more on implicit than explicit holism, but it is certain challenge to mainstream economists and a undoubtedly major breakthrough in understanding of economic reality and national welfare.

Conclusions

Modern world faces big challenges. Today these challenges are more threatening than century or even several decades ago. Natural and social decay, senseless wars and civil conflicts threaten the very foundations of global survival. We stress – global not national or communal survival.

But these threats are in most cases only formally recognized, though pressure to deal with these challenges with time is growing and the costs of their neutralization in the future is increasing.

In the same time mainstream economics is entrenched into its old individualistic axiomatic and in fact for ideological or political reasons resists efforts to renew the basics of economic thinking. It goes on despite the fact that in the framework of mainstream economic philosophy, which was less detrimental hundred years ago, but causes huge losses today, its impossible (or at least difficult) to conceptualize the social reality as a whole. Without such a conceptualization, which means structurization (formalization) of economic knowledge, adequate improvements in economic visions, strategies and programs are extremely difficult or even impossible.

Thus the major changes (shifts) are needed in the understanding of the scope of economic science. The holistic approach to the task brings big advantages. Many things which stay “invisible” or marginalized in orthodox economics become legitimized, recognized part of the scope of economic thinking. If you are holist you without ideological pain can talk not only about individual but also about collective actions, not only about private goods (commodities), but about public goods as well. With such a paradigmatic change opens the possibility to claim that exist the hierarchy of public goods, because exist the hierarchy supraindividual, i.e. communal entities: family, firm, territorial community, nation, global community of states. Pure individualistic thinking rejects such a variant.

Traditionally the scope of economic thinking is reduced to the (exploration) market. Even if it is done on both micro- and macroeconomic level (in pure individualistic thinking macroeconomy shouldn't exist because it investigates not individual, but aggregate parameters of economic activities and in addition examines the fiscal, monetary and other means of macroeconomic governance) the economic problems of the public sector are ignored, neglected or at least marginalized. It means that due to the paradigmatic reasons the economic panorama is reduced to only one part of economic reality – market.

Holistic approach to the subject matter of economic science allows to widen the scope of economic thinking to what is called public economy with such sub-disciplines as economics of education, economics of health care, economics of social security and even economics of politics.

Holistic approach focuses on the whole. This whole has not only positive, rational, effective side but negative, irrational, ineffective side too. The latter could be conceptualized as anti-economy. Without such a conceptualization, economic thinker and practitioner is deprived of the possibility of conscious, thorough, and strict investigations of the origins of economic bads, inefficiencies, waste of resources. Only by shifting from the premise of eternal rationality of the social agents and first of all of individual and admitting their fallibility, the widening of the scope of economic explorations with the concept of anti-economy is possible (becomes reality).

Shadow economy doesn't fit the panorama of "rational world" as it is perceived by mainstream either. In the world of rational actors official order must be perfect and infallible, person always should be following prescriptions of this order. In real word neither official order nor those who have to respect this order are ideal. For both reasons shadow actions (activities) take place.

Until now economic science is not able to clearly distinguish between black (bad) and illegitimate economy. Strict discrimination between criteria of goodness-badness and legality-illegality allows us to define, to separate, although in real life closely related, concepts of antieconomy and shadow economy.

Mainstream economists have another difficulty when exploring shadow economy. They are not aware that official order is public not private phenomena. It might be public good or public bad. Thus tackling the problem of widening and deepening shadow economy shouldn't be reduced to the tax manipulation (lower taxes – smaller shadow economy). Inside holistic thinking the attention could be focused on identification of good, efficient and bad, deficient sides of what is called official economy. Decisive enforcement of positive parameters and correction of those elements, which produce bads in form of bad legislation, administration, together with efforts to clamp down on unacceptable deformations of official order, deviations from its requirements would be, conceptually speaking, more economic than simple reduction of (direct) taxes. In different countries people pay taxes of different size. And empirical data show that high taxes do not necessarily provoke the rise of shadow economy. Scandinavian experience is the most vivid argument in favor of holistic approach to shadow economy. In many cases contrary is true – countries citizens of which understand the benefits procured by public sector are ready to pay through taxes for viability and sustainability of this sector. By the way one of the functions of the public sector is neutralization and prevention of antieconomy.

Author of the paper is aware of the fact that (presented) suggested argumentation is quite parsimonious or even sketchy. But the wideness of the problem and its complexity requires much bigger research, publication than this article. Thus, our ambition was to present some paradigmatic, guidelines, the introduction to the more comprehensive explorations in the field. Nevertheless we hope that our

paradigmatic suggestions will provoke and / or will further discourse on the matter what in turn will lead to the more refined and sophisticated results. In the same time we hope that the gist of the article – the need of the shift from methodological individualism to holism while discussing the scope of our science – will survive withstanding the critical examination of colleagues from (in) economic profession.

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EKONOMIKOS MOKSLO DALYKO (OBJEKTO) KLAUSIMU: HOLISTINIS POŽIŪRIS

Povilas Gylys

SANTRAUKA

Straipsnis yra skirtas savo esme paradigminės problemos nagrinėjimui. Jame iš holistinių pozicijų tiriama, kokios yra mokslinių tyrimų ir atitinkamai ekonominės praktikos ribos. Tai darydamas autorius pateikia netradicinį ekonomikos apibrėžimą. Taip pat jis pateikia antiekonomikos sąvokos apibūdinimą parodydamas, kad antiekonomika ir šešėlinė ekonomika atspindi, nors ir susijusius, tačiau skirtingus, socialinės tikrovės aspektus. Straipsnio pabaigoje daroma išvada, jog į ekonomikos mokslo dalyką įeina tikrovės aspektai, kurie apima ne tik rinką, bet ir viešąjį sektorių, ne tik ekonomiką, bet ir antiekonomiką bei šešėlinę ekonomiką.

REIKŠMINIAI ŽODŽIAI: ekonomikos mokslo dalykas (objektas), holizmas, individualizmas, ekonomika, antiekonomika, turtas, išteklių ribotumas.