

## Theoretical Views Of The National Economy

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**ABSTRACT:** Purpose-study of theoretical views on the national economy, as the difficult economy, social, organizational, scientific and technological system and the rationale for the peculiar features. Methodology-systematic approach and methods of comparative analysis. Findings-identification of new scientific and theoretical justification in terms of theory development on the national economy. Research limitations-in terms of scientific and theoretical studies require more extensive research. Practical implications-ability to use as a research source in the development of new concepts of national economies. Originality/value- stands as a one of the new research studies related to the theory of national economy.

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### 1. Introduction

National economy of each state is very complex economic, social, organizational, scientific and technological system. It possesses the total economic benefits accumulated in the process of implementation of the potential of national economy. It is advisable to distinguish natural resources, production, labor, scientific-technical and other potential among them.

Development of national economy provokes establishment and improvement of national market, and within the boundaries of these different segments of national market, such as commodity and capital markets, services market, labour market, real estate market, intellectual property market, means of production markets and etc, are shaped and operated. This article is also an effort to percept national economy as institutional issue.

### 2. Historical approaches which criticize classical political economy and their specific features

German economist Friedrich List (1789-1846) was the first critic of classical political economy. In his «National System of Political Economy», he approaches political economy not as universal and the most advanced system, but as historical science and divides five stages of the nation's economic development. This historical approach was not a coincidence, because in the first place F. List wanted to reflect the characteristics of the development of his own country (Germany). History itself is the biggest nationalization. Therefore, criticizing «cosmopolitan economics» by Adam Smith, F. List primarily performs as a national economist. [F. List «National System of Political Economy» 1841]. In his «The political economy of exchange valuables», he opposes the theory of

national economic production forces, which stays in the center the priority of internal market on external, not division of labor. [F. List «The political economy of exchange valuables» 1843]. Understanding that the relative advantages mainly can be used by rich countries, free traders<sup>1</sup> are profitable for advanced nations, he protects complex development of Germany under the guise of protectionist policy. (*the harmonious combination of agriculture and manufacturing industry*). He considers that raising prices as a result of protectionist policy will be industrial education method of nation.

Just F. List views defined the development of the historical school which prepared formation of national economy as a free field. Historical school was a strong protest against formalism and abstraction of classical political economy which made person second class detail. He reflected the growing idea of the human factor role in the development of humanity.

Historical school has gone three stages in its development: old ( V. Rocher, B. Gildebrand, K. Knis), new ( G. Schmoller, K. Bucher) and newest (W. Sombart, M. Weber)

German economist, critic of classical political economy Gustav von Schmoller promoted a fair description of actual economic behavior, emphasized the role of the development of non-economic factors, first and foremost, the economic life of moral norms, ethics and culture.

German economist Werner Sombart (1863-1946) analyzed the role of institutions in shaping special features of the economic structure regarding

<sup>1</sup> Free trader- in economic theory, direction which announce state not interfere free trade in political and economic life and business activities.

genesis of modern capitalism as a specific manifestation of life.

German economist Max Weber(1864-1920) showed different types of capitalism: political, imperialist, fiscal, industry. But, probably, his contemporaries were much more influenced by the honest opinions Max Weber's «Protestant ethic and the spirit of capitalism» and «The Three Types of Legitimate Rule» works. The first work which connects directly the source of market economy with unique features of European civilization, suggested sharply the issue about tradition of life in other countries, in this regard, were demonstrated inability rapid capitalist modernization of then peripherals of world economy.[ M. Weber «Protestant ethic and the spirit of capitalism» M.2003. p44-135].

As showed by M. Weber, classification of the main types of management have different bases: the rational-legal- legitimized rational administration, historically traditional norms, the charismatic personality of the leader's commitment and its unique skills: courage, confidence, moral qualities and talent. These three "ideal" types of sovereignty is not only showed the differences, as well as substantiated the necessity of a civilized approach an analysis of economic phenomena more adequately.

M.Weber was sure that the laws of economic development may not be taken directly from history. The study of real trends allows to identify this or other events. It is very difficult to confirm the importance of scientific research in the theory of ideas. M.Weber does not deny the construction of a Marxist development, believed that if they are true, even if they are theoretically more perfect species.

Source of research German philosopher and economist K.Marx (1818-1883) is material, in the socio- historically determined production. He described production method as dialectical unity of production relations and forces, the forces of production in itself as the size of the man's power over nature. According of K. Marx's opinion, major production forces of humanity arent production tools, but they are the people with general and professional knowledge, manufacturing experience , the skills of workers, working, employee, skills and a creative force. K. Marx separates different stages of their development qualitatively, and it occurs through them within the relations of production ( the production of natural forces , the forces of social production , the total production capacity ) [ K. Marx , F.Engels Works . 2nd edition . 4th ed , s168 1955-1981 ] . But understanding these stages became possible at the end of the twentieth century. At the beginning of the twentieth century completely different picture was dominated. Thanks to Q.V.Plexanovun - famous scientist (1856-1918), the vision of the instruments of

labor was intensified by determining production capacity[ QVPlaxanovun " Marxism and the main issues ," 1908 ] .

Boundaries separating the economic systems is industrial and scientific-technical revolution. Within each of these systems can be further partitioned topology, which allows you to determine the formation and civilized ways for the synthesis of approaches.

K. Marx and German philosopher F.Engels (1820-1895) by the materialist understanding of history developed a new methodology for the analysis of the national economy that has created prerequisites [K. Marx, F.Engels Works. 2nd edition. Volume 1, p.47-49, 1955-1981].

The study of economic systems of modern times is usually possible in the case on the institutional basis of economic theory. Institutionalism that formed in America assembled on itself the basis ideas of the German historical school English Fabist, French sociological tradition. We can not deny impact Ood marxism on institutionalism. The old institutionalism emerged in the late nineteenth century and formed as a trend in 20-30s of twentieth century. He tried to catch the "middle line" between marxism and economix.

In 1898th year American economist Torsteyn Veblen cticized German economist Q.Smoller for excessively emprizm. Attempting to answer to the question why economy is not science of evolution he proposes social philosophy ,anthropology and psychology instead of narrow economist approach. This was attempt to transform economist approach into social problems( Torsteyn Veblen "Approach of poor class" M.Progres.1984)

So historical approaches critisizing classical political economy and analyzing their specific features play substantial role in investigation of theoretical views of national economy and submitting their specific features.

### **3. Scientific provision of strategies with relevant to instutionalism**

Firstly, scientific provision of strategies due to "institutionalism" mentioned as actions and thought style through traditions of nations and groups

In 1998th it was dubbed notion of "institutionalism". It was used by Uilton Hamilton. He defined institute as actions and thought style through traditions of nations and groups. A ccording to his view institutions define past procedures, shows general agreement, loyalty in the society. Institution means traditions, unions, states and so on. Usually, traditional institutionalists are T.Veblen, American economist-institutionalist U.Kler Michael(1874-1948), American economist-institutionalist C. Kommons (1862-1945), German economist

K.A.Vittfogel(1896-1988), Norway economist Q. Myrdal (1898-1987), American economist-institutionalist C.K.Gelbreyt (1908-2006), American economist R.Haylbroner (1919-2005).

Institutionalism as special orientation although formed in the end of 20th century, for a long time was in the periphery of economist thought. Explaining of economic welfare actions only by institutional ways did not cause more proponents.

There are profound differences between ‘‘ past’’ institutionalists (*Torsteyn Veblen, C.Kommons, C.K.Gelbreyt*) and non-institutionalists(*R.Kouz, D.Nort v̄ a C.Byūikenen*).

First, ‘‘ past’’ institutionalists ( for example, C.Kommons ‘‘ About law aspects of capitalism’’ ) attempted to learn problems of modern economist approaches by the help of methods of other sciences,law and policy; non-institutionalists went by opposite way-problems of politology and law problems by methods of neoclassic economist, before

all involving modern microeconomic apparatus and game theory.

Second, traditional institutionalist approach deals with inductive method, attempting to go from specific cases to general that as the result general institutionalist theory could not be formed; non-institutionalism by deductive way- went from general principles of neoclassic economic theory to concrete events of social life.

Third, the "old" institutionalism as radical economic thinking focuses on activity of groups (mainly trade unions and government) which protect the interests of individual; non-institutionalism considers independent individual as main and this solve the becoming of a member of appropriate group by will and interests.

The picture which describes the differences between "old" institutionalism and non-institutionalism is below:

Sign	"old" institutionalism	Non-institutionalism
Movement	From law and politics to economy	From economy to politics and law
Methodology	Other humanitarian sciences ( law, sociology)	Economic neoclassic (the methods of microeconomics and game theories)
Method	Inductive	Deductive
Attention focus	Collective movement	Independent individual
Background for analysis	Holism	Methodological individualism

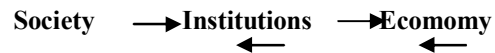
Picture: The differences between "old" institutionalism and non-institutionalism

In recent years, interest in institutional researches increased. This is partially related with overcoming of limitations to several conditions which is specific for economics( full efficiency, perfect competition axioms, creation of balance only by price mechanisms and etc.) and attempt to looking through modern economic, social and political processes in detailed way and partially with analyzing of issues which occurred during Scientific and Technical Progress. Traditional research methods do not give proper results that's why let's take a look at its improvement through neoclassic theory conditions.

There are general provisions which related to non institutionalists: First, social institutes are important and second they are analyzed by standard tool of microeconomics. In 1960-1970th "economic imperialism" of G. Becker has appeared. In this period the economic concepts: balance, efficiency, education, family relationship, health, crime politics and etc. began to be applied in the fields of economy. As a result of this, the basic neoclassical economic categories had a deeper interpretation and application in a wider sphere.

In modern theory institutions are understood as "game rules" and limited frames "created by humans" and these organize interaction between people as well as providing fulfillment of measures system.

Below is given description of society, institutions and mutual relations of economy:



Institutions is classified as formal (eg the U.S. Constitution) and informal (eg, the Soviet Union, "telephone law")

When we speak about non-formal institutions we can realise the generally accepted conditionality and human's rules of ethnic behaviour. This are tradition, "laws", habits, rules and regulations which are the consequences of close existence of people. Because of them people easily learn desires and can easily understand each other. This behaviour forms cultural codes.

On the other hand, when we speak about formal institutions we can realise the rules which are

created and defended by authorized people (government officials).

With the development of society changes are possible both in formal and informal rules, as well as means and effectiveness of coercion to the implementation of rules and restrictions. The changes in formal rules (or in mechanisms ensuring their compliance) usually require significant spending of resources.

Economic entities can direct their talents and knowledge for the search of beneficial opportunities through the creation of both final and intermediate organizations that can act in economic and political spheres. It is important that they would ensure the required changes in formal rules. Economic changes can occur quickly enough (as in the periods of revolutions or conquests). When coming to the changes in informal rules, they are implemented gradually. The rate of changes is absolutely different here; culture, occasion and natural selection play an important role here.

Various variants for the emergence of institutions are possible as a result of collision between old and new, formal and informal rules. All these four variants are available in modern Russia. As a result, we have the restructuring of all restrictions in both directions.

Organizations play an important role in institutional changes. In the broadest sense of the word, organization is a group of people united with the inclination to work together in order to achieve a certain goal. Aimed at maximizing the revenues, organizations and their leaders form the directions of institutional changes. There are two main strategies of change: one is carried out within the existing set of limitations, while another requires changes of the limitations themselves.

Effective rules are those which block unsuccessful activities and support the successful ones. Namely they initiate the economic growth.

Nevertheless, questions arise: why ineffective forms are preserved? Which factors ensure the survival of economies with persistently low parameters of functioning? What causes the block of new forms of economic management? What is the role of the previous development trajectory? Are only due to accidental circumstances the ineffective technologies and the form of economic management find a sufficient number of supporters?

Given that the institutional system of any economy generates both productive and counterproductive incentives for the organization, the national economy is a combination of various development trends. If the feedback is fragmentary, and transaction costs are high, then the direction of development will be shaped by subjective models of

players. A variety of institutional constraints and unique institutional catches are set here. All these questions are put by Douglass North (born in 1920) in his work titled "Institutions, institutional changes in functioning of the economy"

Long-term economic changes are the result of the accumulation of countless short-term decisions of political and economic agents. Choices that are made by the agents reflect their subjective view of the outside world. Therefore, the degree of compliance between the results and intentions depends onto what extend these ideas are correct. Since the models reflect the ideas, ideology, beliefs (which can only partially subject to correction and improvement of feedback) , the consequences are often not only uncertain, but also unpredictable.

The development problems of the national economies of the backward states were studied mainly by left-wing radical economists. Their concepts of a peripheral mode of production can be considered as a special kind of institutionalism. The theories of flawed, peripheral, dependent development were at the focus of left-wing radicals. The study of a peripheral development began not with the analysis of a production, but analysis of the scope of exchange, and the exchange of not internal, but external, i.e. international trade.

The failure of attempts of rapid transformation of traditional society not only made to draw attention to the internal problems of peripheral economies, but also contributed to the search of foreign economy reasons for failure. The problem of antagonism of relations between developed and developing countries was at the center of research of a number of scientists, primarily of Latin American ones (P. Prebisch, S. Furtado).

Left-wing radicals clearly showed that many internal factors of developing countries were the reflection of external factors. Weak development became a product of dependence as well as dependence flew out from a weak development in turn. The desire to establish reasons of emergence of that phenomenon turned their eyes to history. A number of works in which the emergence of modern capitalist world economy were traced appeared. Among them we should first of all mention the works of A. Frank and I. Vallerstein.

The idea of strengthening of the asymmetric interdependence has received an original interpretation in the concept of World- Economy of I. Vallerstein (p. 1930). The main stages of the evolution of capitalist World- Economy over a long period since XV till XX cc. were showed at the books of supporters of World- system approach. The stages of hegemony of Holland (1620-1672), Great Britain (1815-1873) and USA (1945-1973) were

distinguished. How the colonial era turned to a neocolonial one was showed.

The main blame for third wave states' backwardness of capitalism development lies on the countries of "golden billion". These highly developed countries of first class direct the system of capitalist world economy in such a way that underdeveloped countries are just doomed to remain as backward ones: their raw resources are bought at low prices and products of high technology are sold to them overpriced; they aren't admitted to the advanced technologies; not only capital, but even "brains" are pumped out from them. In short, "the aristocrats" of first tier not only don't intend to submit a hand to those who are trying to catch them up, but, on the contrary, "hit the hands" of those who are trying to hold on the handrails of this foremost express. A group of countries which occupy intermediate positions (semi periphery) also appears. They are peripheral to the more poor countries.

### Conclusion

The theories of national economy developed as an alternative to the main stream of economic thought. If the main stream is mainly engaged with the theories of universal development of national economies, then the cameralists, German historical school, old institutionalism, post-Cainsionism, left-wing radical economy school and new institutional theory laid to the theoretical foundations of national economy analysis.

The economic systems are a set of interrelated economic elements which form a certain integrity, economic structure of society; relations' unity, which are accumulated under the production, distribution,

exchange and consumption of economic benefits at the different stages of human society development.

Let's consider the typology of main approaches of the economic systems in historical aspect. With a certain degree of conditionality, the existing approaches can be divided into the formational and civilizational ones. Consideration of the humanity development as a combination of ethnic groups adjoins to the last one. From the development point of view, a number of researchers consider that humanity passes advanced stages; the others consider that development makes a cycle.

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