

The relationship between economics and ideology and its impact on economic crisis

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Abstract— The assessment of the current status of economics must take into consideration the intellectual and historical context. Such an approach enables the understanding of the causal relationship between the evolution of economic ideas and theories and the major financial and economic crises. The current impasse of economics is caused by the inability of the dominant theory to identify the forces that contribute to the destabilization of the economic system and to provide adequate solutions.

Economic crises are essentially crisis of ideas. The impact of the orthodox economic theory on the global crisis is indisputable and requires considerable theoretical and methodological efforts to reform the economy.

Change of vision, openness to a non-conformist thinking, realistic and practical approaches represent fundamental dimensions of a deeply humanistic economic science.

Keywords— utopian economy, free market ideology, economic myth, standard economy, politics of the crisis.

I. INTRODUCTION

In order to understand the status of modern economics, we must address the issue of economic theory. The conditionality relations of the economic theory with economic policy and finding the criteria to confer legitimacy, scientific attributes and effectiveness must point out that economic theory is not a natural given, and its concepts and constructs are the result of human thought. Therefore, the minimal methodological requirements entail the establishment of methods used to befittingly reflect the reality, the context of the evolution of economic ideas and their relation with the events.

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Many controversies and disagreements were roused by the process of clearing up the connections between ideology and causal relations and the economic crisis, as well as by identifying the validity and falsity conditions of the economic theories. However, the validity limits are difficult to challenge, and the same thing happens with certain symmetry in the rise and fall of theories and the influence over political decision makers to justify their decisions.

There are always different types of ideas within a debate. Sometimes, it is surprising to remark the swiftness with which some theories are enforced and become leading theories both in national policy and in "networks" promoted by international bodies. The assessment of the success or failure of economic theory must take into consideration the criteria used. When the result of applying prescriptions to some economic theories is appreciated in the light of a limited test, economics may be a great success. In the case of a very general theory about what is happening within society, the inclusion of intellectual values with ideology is more than evident. Thus one can explain the possibility of alternative theories that result from similar economic and political realities. However, the analysis of events and their consequences is achieved considering the existing economic theories. The test for an economic theory or model consists of their usefulness rather than whether they are true or not.

Economic theories are considered to be metaphors and models and not realistic descriptions. (Skidelski, Wigström, 2010, p. 6).

The skill of the economist is in deciding which of many incommensurable models one should apply in a particular context. Major difficulties arise when theories are faced with unknown territory.

The scientific method requires, first, that economic theories to be built in line with reality. At the same time, in order for a theory to be relevant, it is necessary for events happening in the real world to be perfectly possible in that theory. If the theory interferes with the behaviour of the economy, reforms designed based on such behaviour will result in negative consequences.

II ECONOMICS, ECONOMIC POLICIES AND IDEOLOGY

There are different views on the interaction of theory with economic policies. If economic policy is treated as the effect of some rational decisions, disagreements arise on the

relevance of economic theories and their role in providing legitimacy and scientific support for solutions proposed to decision makers. The existing relations between the economic theories of scientists and the economic policies used by the government generate controversial debates. Radical views argue that the objective of economic policy is not to implement economic theory and the politicians' most significant problem is not represented by a better implementation of the results of economic theories. For the supporters of this orientation, economic policy is not the expression of justice or truth of an economic theory. In contrast, we find those who argue that economic theory remains relevant for economic policies (H. Minsky, 2011, p. 569), and theorists' reflections are converted into decisional results.

In some cases, different economic theories can become politicized intellectual arguments for political parties.

The theoretical economist is involved in developing economic theory, and economic policy does not always appear as a simple implementation of the economic theory. Decisions are not taken based only on theory (J. Sapir, 2011, p. 65), but in close connection with numerous other factors. The idea that economists are able to directly guide the policies in the name of the "scientific law" is considered to be illusory.

The relations between theory and action are more complex and interwoven. Economic policies can be based on economic theories, but they can be influenced by the ideology of political decision makers, as well as their moral and ethical beliefs. Thus, the policies on deregulation constituted the consequence of some economic and political "forces" - interests, ideas and ideologies (J. Stiglitz, 2010, p. XVII).

Capturing the role of economic and political variables in substantiating and implementing the economic policies requires a complex analysis to elucidate the role of doctrines and practical reasons. Which one are determinants: the economic theories or the political variables?

The doctrines or the practical reasons? Therefore, it is called for the identification of the degree to which solutions to economic problems are the result of the implementation of economic research or the dominant ideology.

Scientifically, there is no good or bad economic policy, but effective or ineffective instruments meant to help in achieving a given objective. The configuration of an adequate economic policy is the result of political debates. Also, economic performance does not constitute the exclusive result of the "iron laws" of the economy. The political and economic framework of the economic reforms is evident and the political variables have a decisive impact on the characteristics and directions of the economic policies.

The disguised attempt to mask the relations of economy with politics intensifies the difficulty of highlighting the similarities and differences existent in economic policy. Thus, the conjunction of capitalism with democracy made possible the identification of various common elements within the economic practice of developed countries. Likewise, the particularities in the organization of capitalism and labor, combined with those in the organization of the political

system have generated significant differences in the economic policy.

The interaction between democratic governance and the market economy, the extent to which politics and economic theory share the same ideology, the congruence of the political and economic systems, as well as the scientific knowledge and the dominant ideology, proved to be essential factors of the effectiveness of economic policies advocated in the post-war period.

The role of ideology in economics and its impact on economic decisions remain controversial. Ideological stakes have played an important role in the evolution of economic thought and in the expression of its various theories. However, ideological determinism did not prove to be superior to economic determinism. On the one hand, the identification of the same thought mechanisms surprisingly appears in theorists with different intellectual formation, and on the other hand the intellectual myopia of many experts in Economy whose ideological assumptions ignore the reality, as well as the prevalence of ideology within the international economic and financial community. The perspectives on the role of ideological solutions to economic problems are various.

Olivier Blanchard dismissed the idea that Economy was driven by ideology and supports its pragmatism, while J. Stiglitz argues that economics has been replaced too often by ideology. The limits of knowledge underlie the distinction between ideology and science (Joseph E. Stiglitz, 2003, p. 351). The triumph of ideology over science is sometimes declared categorically: the shift from the Economy impregnated with methods of natural science to an Economy dominated by ideology, PostKeynesian is more ideology than science (R. Solow), at least in the case of Macroeconomics, it all comes down to ideology.

The advocates of political bankruptcy assert that ideologies are outdated and that they continue to exist, but in a sweetened form and we are currently go through an era of triumphant pragmatism (M. Laine, 2009, p. 32). In the same spirit, T. Blair said that the twenty-first century will be a struggle for pragmatic ideals and not ideological dogmas.

Economic theory and ideology are more impetuous accused of the genesis of the current economic crisis. Ideology plays an important role in formulating theories and it designates a priori beliefs of the theoretical economist that results from its value system. Although economists step aside from the scientific research, their tendency to accept the ideological assumptions as hypothesis is more than obvious.

Economy has a particularity in relation to other social sciences: ideology can lead to the emergence of absurd theories and rationalizations (Guerrien B., 2007, p. 27). Such fact represents further proof that the greatest enemy of truth is not "the lie" but "the beliefs". The dangerous interaction between economics and political ideology led to the emergence of some ridiculous doctrines of the efficient market, rational expectations, etc. which monopolized the thinking of governments, regulatory institutions and business world (A. Kaletsky, 2010, p. 6).

Within economics, approaches are based on different visions of society which depend to a large extent on the social philosophy and associated value systems. Are economists not interested? Clearly, they are interested. It is impossible for them to detach from political and ideological criteria, as long as the choice depends on the core values, as well as on the theoretical and practical experience.

Therefore, ideology inspires political and economic action. However, economic doctrine cannot be separated from political doctrine. Generally, political doctrines outrun the institutional and economic reforms. Liberalism asserted as school of economic and political thought and monetarism represented an economic ideology with a political potential. Although it is sometimes suggested, it should be noted that economists have provided theories that were pure ideology. The relationship between ideology and the requirement for rigour has not been sacrificed.

In economics, significant changes occurred in the '70s because ideological and methodological trends were operating in the same direction (Backhouse, 2010, p.151).

Due to the economic failure, new theories and political movements emerge. During this period, the need to develop new theories based on free markets is widely perceived. Orientation towards the free market solutions is due to awareness that non-market planning and regulation have failed. Thus, the Reagan "revolution" Reagan aimed at the execution of the restoration process for the traditional conservative values and the free market. In this respect, the impact of New Right on economic theory and policy is evident.

Political revolution in the U.S. and England would not have been possible without a parallel revolution in economic thinking. In the aftermath, the conservative economists have decided to ignore the historical reality and to favour the simplifying processes of the ideology of market fundamentalism. Starting the '80s, the idea that markets are self-regulating and efficient starts to prevail not only in conservative political circles, but also in academic circles.

Economics is dominated by a small group of economists from the top departments of the University of Chicago, Stanford, Harvard, etc. who set directions for development of new ideas and economic theories. A. Greenspan, one of the most famous promoters of neoliberalism, expressed his total confidence in the market's ability to create stability. In his view, free market ideology represents more than a set of opinions: it is a well-developed and all-encompassing way of thinking about the world (J. Cassidy, 2009, p. 6).

The predilection of the modern economic theory for unjustified and simplifying assumptions allowed politicians, regulators and bankers to believe that stability is automatic, involuntary unemployment is impossible, and efficient markets can solve all economic problems. One should notice the pace of the neoliberal precepts penetrating public policies, turning into leading ideas both in the national policy, as well as in the way of thinking of the international regulatory agencies.

The contemporary economic researches have been made based on deductive analysis established on the concepts of balance, rational behaviour and expectations.

"Truths" spread by the free market ideology are based on narrow visions and prefabricated concepts. The efficient market hypothesis represented a truism by the '70s, and the axioms of rationality of perfect competition and individual were dominant. These ideas have generated the "neoclassical" paradigm and an intellectual movement that has monopolized the economic thinking.

They were not presented as theories, but as hypothesis: national expectations hypothesis, efficient markets hypothesis, etc. The rational, efficient and natural use of magic words by Nobel Prize laureates provided a large audience to the dominant economic paradigm. The main reason why economists have adopted an unrealistic view of the world consists of its political implications. National expectations and the "natural" rate of unemployment have demonstrated that the government's efforts to control and lead the economic cycles and unemployment were futile and counterproductive. Also, efficient markets "have shown" that the government's solely constructive role in economy was to deregulate and privatize. Such conclusions were expected by politicians and business leaders in order to validate Reagan and Thatcher reforms (A. Kaletsky, 2010, p.179).

The '90s marked the concern for the consolidation of the neoliberal message and its association with the new discourse on globalization. At the same time, is marked the conjunction of neoliberalism with the new financial model of growth, whose dominant feature was the deregulation of financial markets. Enforcing the priority of the financial circuit stimulated the emergence of "financialization", which reinforced the boom of the '90s.

Conventional theories conclude that finance helps in stabilizing the economic fluctuations, contributes to the effectiveness of capital allocation and provides the financing needs of the real activities. The ardent advocates of laissez-faire in finance enforced the theories that promote the efficiency of financial markets. These theories become the dominant doctrine and they were based on implausible assumptions regarding the behaviour of investors and speculators.

After two decades of neoliberal strategies, the conservative political project is seriously implausible. The realities of financialization have invalidated the rhetoric based on the efficient markets hypothesis. There were no scientific grounds for the hypothesis that markets were efficient (Stiglitz, 2010, p. 243). The malfunctioning of markets in situations characterized by asymmetric information constitutes one of the greatest discoveries of economic theory in the last decades (Skidelski, Wigström, 2010, p. 69).

The process of dismissing the archaic beliefs revealed that markets are not self-creating, they are not self-regulating and self-stabilizing and they represent a fallible coordinator of the economic activity. (D. Rodrik, 2011, p. 22).

The assessment of the present status of economics must be based on the prevalence of theories which, according to a significant number of economists, led to serious errors in economic policy. Legitimately, it is considered that the current global crisis is the result of free market ideology. Therefore, the state of crisis is representative for the popular theory which is dominated by dogmas, myths and ideological obsessions.

The ideological approaches to the detriment of scientific ones, the process of enforcing the neoliberal hegemony and the free trade as economic ideology, the ideological obsession on “liberalization”, the tendency to canonize certain laws of capitalist economy conjoin with the hostility directed to political authority and maintaining antistatist rhetoric.

The speech based on a simplistic ideology is omnipresent. The argument according to which the state is ineffective is based more on ideology than science, and market dichotomy – the state represents an abusive simplification.

Ideological dogmas embedded in the public conscience are associated with myths which characterize the utopian economics. Economic myth represents the false perception of a phenomenon which is common to many economists (P. Bairoch, 1999, p. 6) or denotes a deeply held belief or idea which may or may not be true.

The dominant myth of academic economics is represented by the competitive market and inefficient government. In addition, there is also the myth according to which the private activity is more efficient than public activity, the rational agent myth and the myth of the natural tendency of an economy towards full employment (Backhouse, 2010, p.182).

The dominance and persistence of theories based on false and simple assumptions determined economics to alter its status of scientific discipline and to become the biggest supporter of free market capitalism.

The economic crisis triggered in 2008 increases the doubts on the validity of the standard theory and indicates the collapse of the intellectual foundations of neoliberalism, the loss of credibility and the failure of a selective economic ideology.

III ECONOMIC CRISES-POLITICAL EVENTS

Despite the crises which have left a mark, capitalism did not cease to change and adapt to new realities. Through its evolution, capitalism must be considered an economic system that reinvents itself through crises. Realities have shown that its significant changes were due to major and generalized crises that capitalism faced. By this, crises appear in a new light, as ways to revive capitalism.

There is a close interconditionality between the transitions of capitalism and the economic and financial crises. On the one hand, capitalism generates the conditions for genesis, increased frequency and virulence of crises. On the other hand, deep crises create prerequisites for the organization of new forms of political and economic regime and, ultimately, contribute to changing global economic order. Crises that have transformed global

capitalism and resulted in the emergence of new institutions, new policies and ideologies involve both risks and opportunities.

They represent a period of reorganization and reconsideration of the conditions for continuation of capitalism, as well as the foundations for its future expansion.

A new thinking in line with current realities and based on the demystifying of economic processes, contributes in finding several new meanings and perceptions of crises. Additional elements may be arising in such context in an effort to elucidate complex issues: how should capitalism which triggered the crisis be reformed, should the current world crisis be a crisis of globalization or capitalism, to what extent has the nature of capitalism been affected, the crises and capitalism issue in the twenty-first century, etc.

One should distinguish between crises of capitalism and crises in capitalism in order to identify the determinants and connotations. For the first category, it is required the reorganization of the capitalist system itself and not only certain components of the economic system. Change in perspective over crisis also aims at the rethinking of the state's role in preventing, managing and identifying the solutions for economic recovery and growth.

Within a certain period, they were considered to be more like natural events generated by economic laws rather than political actions. Within the development of the modern capitalist economy, this view has changed and the state's role in crises management is again at the forefront. By their nature, crises are considered political events which do not follow a cyclical pattern or repeat sequences of the past.

Thus, the credit crisis of 2007, the 2008 financial crash and the 2009 recession are believed to be aspects of a wider crisis, due to growth model deficiencies and changes of power occurring in the global political economy. They can be seen from multiple perspectives: crises of the banking system, crises of regulation, political crises of the global order legitimacy (A. Gamble, 2009, p. 42). The political determinants of the global crisis are increasingly present within the approaches dedicated to its genesis and characteristics.

Thus, the crisis is considered to be political to a large extent. (M. Laine, 2009, p. 99) and the role of the political process played in the genesis and overcoming of the crisis is acknowledged (R. Boyer, 2011, p.p. 91-121). All these guidelines lead to the tendency to interpret crises as part of the “politics of the crisis” and to reconsider the relationship of politics to economics. Although the concerns to explore the economics of the crisis should not be neglected, the focus is shifted on emphasizing the role of the political action in triggering and overcoming the crises.

Thus, prerequisites are created to open a new era, marked by the rupture of some previous economic determinism. Under the conditions of the crisis, individuals are increasingly aware of the need for a critical intervention from the state, as well as the ability to liaise with politics.

The determinism of politics over economics represents an analysis that focuses on the major role of the political processes in overcoming major crises. Political legitimacy is considered to be crucial for any major reform, which makes political reason to prevail against economic rationality. Sometimes, it is omitted the fact that politics is not subject to economic logic as it operates in a different space, namely the space of power. The current context requires not only the need to set again the problems of power in the centre of economics as well, and not only in the centre of politics, but also the provision of a new political-economic configuration. Power is present not only in politics, but also in economics and the configuration which varies in time and space results from their articulation. If the area of economics is characterized by the accumulation of wealth, the political one distinguishes by the accumulation of power.

Proclaiming the triumph of politics is due to the belief that overcoming the current crisis will be ultimately resolved due to politics and not at all due to applying a macroeconomic exercise or to the economists' fragile knowledge. (R. Boyer, 2011, p. 215).

IV CONCLUSIONS

Recent history has shown an increase of concern for the reform of economics as a result of periods of increased economic turbulence. For that matter, major financial and economic crises have had a decisive impact on the transition of capitalism and economics.

All crises are bound to be idea crises. There are always different types of ideas in debates. Their importance and power of influence are considerable. The insufficient comprehension, but especially the encouragement of some obsolete doctrines may represent important obstacles to world prosperity. (P. Krugman, 2009, p. 219).

The dilemmas of overcoming the current crises have increased the critics' acerbity towards economics and economists. The accusations aim mostly to the inability to prevent crisis and to provide solutions. Believing that economics is the main culprit for crisis triggering must determine the process of rethinking the attitude towards such branch of science. Very often we witness criticism from individuals who trivialize this subject. Inability or lack of comprehension of the complexity of the economic problems turns into a tendency to discredit and attitude of challenging economics.

Opinions on the status and scope of Economy are various. Some consider economics as a relatively facile subject compared to the higher spheres of pure science. Others evoke enigmas and mystery in relation with functioning of economy, with the transition from boom to bust and vice versa.

Obviously, it would be a mistake to tend to exonerate and to elude the role of inadequate economic ideas and theories in the triggering of the crises. But the concern must be not so much to identify the culprits, but rather the need to hope for a veritable revolution of the existing theoretical framework.

The failure of the old vision over the economy based on ideological dogmas, assumptions and false dichotomies

reveals a deep gap between reality and the thesis supported by the dominant economic science. The emergence and persistence of some erroneous thesis and ideas, as well as economists' appetite for their acceptance and promotion, are due to multiple and complex situations. There are many criticisms which concern important issues. The current economic science is immune to value judgments, it lacks morals and is characterized by a reductionist, analytical, and mathematical model-based approach (T. Sedlacek, 2012, p. 533).

Paradigm of standard economy is brought into discussion again. A change of perspective represents a remarkable shift within the intellectual climate and it requires the rethinking of the foundations, a complex innovation process, massive restructuring, as well as a new methodology.

The process of setting up an agenda for reforming the Economy is subject to the extent of how prepared it is to begin a new era. Such a thorough reassessment requires the development of new tools of thinking, which theoretically represents a complex and difficult effort. Conditionings are multiple: identifying means to choose a different path, a theoretical vision able to explain instability, establishing the theoretical framework of the reform within a dysfunctional economy, foreshadowing an alternative theory, etc.

The beginning of a new era for economics involves the elimination of resistance to change, the stimulation of debates and a plea for pluralism.

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