

# DISCUSSION TRIBUNE

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## The role of economics in the evolution of public conscience

*The article considers the place of economics in the evolution of social consciousness. It substantiates that the implementation of conceptual provisions of economic theories prevailing at the present time in the Russian practice does not provide the solution of national development problems. In the author's opinion, the economic science should contribute to the formation of public consciousness in which the primacy belongs to the function of creation.*

*Economic theories, social consciousness, socio-economic development.*



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Since the beginning of civilized society there is a system of sciences which studies the society, i.e. the people community characterized by unity of living conditions and their interests. Undoubtedly, such sciences studying society include philosophy, history, political science, psychology and economics in the broad sense of the word. Each of them has its own subject and object of research. But if twenty or thirty years ago it was thought that philosophy was a basic methodological science in the society, nowadays this point of view is not indisputable for the part of researchers. Indeed, a lot of individuals in our society such as philosophers, historians, physicists, mathematicians have rushed into the business and got involved in politics to master in practice the basic principles of "Economics" and they have forgotten "the main craft".

Such social processes have turned economics into the driving mechanism, which forms the worldview of an individual, manages its interests, incentives and gives rise to behaviour motives. That's why we should recognize the fact that nowadays economics influences over the evolution of social consciousness.

The issue of the subject of economics is disputable in economic science. There are discussions among economists in this area at present. The trouble is that subject and object of research, a system of methods and orientation of practical propositions depend on this problem. So, the famous American economists S. Fischer, R. Dornbusch and R. Shmalenzi ask, "Is economics a science?" And there is no single point of view on this issue. A lot of economists believe that, "Economics

is a discipline that studies the ways which are used by the society with limited scarce resources to solve the following problem: what, how and whom should it produce. This definition reflects the fact that the problem of choice in economics, i.e. the issue of decision-making about the use of limited resources to meet human needs and desires, is so ordinary that we often do not notice it when we face this phenomenon" [1]. This opinion is shared by A.S. Bulatov, "Economics is created and developed by economists from various schools. That's why its definitions are different... The economic life (economic activity) is based on the fact that our society uses economic resources to obtain the necessary public benefits. But these recourses are limited in most cases therefore they should be used as efficiently as possible" [2]. There is more original point of view. So, O.Y. Mamedov believes that "modern economy is an endless detective story: here randomness "pretend" to be regularity, and regularity is "rejected" by randomness; it is a title to economic independence and the possibility of staggering commercial success" [3].

However, today the historical human experience allows deeper examining of this question. Analysis of the facts in their historical sequence and logic of society's development allow us to consider this issue objectively. The initial idea of the economics' subject related to the economic doctrines of the ancient world which determined the economics as the science of wealth, the science about the ability to make capital and to coin. Mediaeval thinkers establish linkage between the subject of economics and the discussion of specific problems and their solution. Much prominence was given to the sphere of circulation. The classic English school expanded the subject of economics up to investigation of conditions of production, accumulation and distribution. Adam Smith (1723 – 1790) specified the subject of economics as studying of nature and causes of the nations' wealth.

David Ricardo (1772 – 1823) linked the subject of economics with the income distribution and determination of the distribution laws. John Stuart Mill (1806 – 1873) believed that the economics was interested in objectively existing laws which concerned the human actions aimed at the production of wealth. Wealth of the nation was identified by him with the mass of produced commodities. The main merit of the Marxism concepts emerged in opposition to the classical English school was strengthening of the social orientation of economics. So, Karl Marx (1818 – 1883) and Friedrich Engels (1820 – 1895) thought that the main task of economics was explaining of the society's nature and its evolution. The subject matter of economics was associated by Marxism with cognition of objective economic relations which developed between people in the process of production, distribution, exchange and consumption of material benefits. Such production relationships, according to classics of Marxist, were realized by interacting with society's productive forces. They were revealed as a system of objective social laws. The study of these laws, according to Marxism, was the task of economics. In accordance with Marxism theory, the method of materialist dialectics was the basic in the study of society. Subsequently it helped to determine the function of economic theory, study and explain processes and phenomena of economic life.

A number of domestic and foreign economists, particularly L.I. Abalkin, V.A. Medvedev, O.I. Ozherelyev and others share the same opinion. They consider that economics has four interrelated functions. They are ideological, cognitive, methodological and practical [2]. According to their opinion, economics carries out its cognitive function more successfully if it percolates into the essence of production relations and economic laws deeper and discloses their system and their mechanism of action more fully.

It is important to consider not only the system of economic laws, their correlation and identify cause-and-effect relation of economic phenomena and processes but use this knowledge in the management of the social and economic system. “Its aim is to examine and explain the processes and phenomena of economic life” [2]. Economics serves as a fundamental scientific basis for conscious control and management of the reproduction process. The role of cognitive function increases as the economic development progresses. In modern society the ruling groups base their activity on the development and achievement of economics. However, the management of social production hasn't comprehensive type and retains spontaneous and uncontrolled nature. Solution of social and economic problems has tendentious directivity which is at variance with the interests of reality reflection.

Society using the cognitive function of economics can actually reflect the reality in the form of economic categories, identify and resolve economic contradictions and build social and economic policy of the state skillfully.

Economics fulfils very important cognitive tasks:

- it explores and reveals the directions of production relations' transformation; it develops a mechanism for implementing of the economic laws;
- it determines the directions of all-round intensification of production in the scientific and technological social revolution.

Thus, the cognitive function of economics is presented as the most important theoretical weapon of the ruling social stratum. So, it performs an ideological function. It is important to form the scientific world outlook, advanced political and economic consciousness of the masses... Ideological reality of political economy is higher if it gives proof of the ways to solve urgent problems better and deeper and answer the pressing issues of our time” [2].

The obtained results of the theoretical analysis are generalized and then they are put into practice. As the final result they manifest themselves: in searching of the most effective forms and methods of use of objective economic laws; in the development of scientific bases of economic policy and economic management; creating and testing of a mechanism for the implementation of economic laws in society. The practical function of economics as a science is related to the specification of its theoretical conclusions and checking of their validity in practice.

According to such approach of researches, there are the most urgent tasks of economics. They were put forward by practice but now they need theoretical development. They are the following: state value and trends estimate of modern productive forces in the STR; study of property relations in a variety of forms and methods of their implementation; explanation of the purpose of production development; determining of the state's role in governance; creation of the theory of economic growth on the intensive basis and creation of the ways to improve the production efficiency; the relationship between nature and society, rates and proportions, structure and optimal public production; development of integral concept of functioning market economy with a glance of all its components, relating not only to the economy, but also to other areas of public life.

And from this standpoint economics has one more function – methodological. It serves as a theoretical foundation of a complex of sciences such as spectral, functional and the sciences which are at the interface of different fields of knowledge.

Some domestic economists follow the fundamental theoretical principles of modern Western economic theory which is associated with the dominancy of three schools: Vienna, Lausanne and Cambridge. The main merit of these schools is marginalist revolution in the analysis and synthesis of all economic acts on

the basis of individual degrees of preference, selection of the problems of partial and general equilibrium. In their opinion, the main purpose of economics is studying of social laws which determine the individual and psychological motives of the economic entity. Public laws are manifested as an arithmetic sum of the actions of all isolated members of society.

John Maynard Keynes (1883 – 1946) believed that economics studies the process when people make choice in the distribution of rare resources which have the alternative use and produce, exchange and consume the economic benefits to satisfy their unlimited needs.

Approval of Keynesian views on economics is related to the concepts of modern liberalism in the form of monetarism. The monetarists focus on the mechanism of influence over inflation processes by means of changes in money supply and money turnover. The subject of economics is associated with the study of the motion laws of money supply which are the fundamental principles of the economic development. Rational expectations theory appeals to the ability of subjects to adapt to the realities of the market economy. Public choice theory tries to overcome the weakness of economic regulation by the state and refers to the principle of individualism as the basis to make public decisions. Institutional economics considers mainly organizational and economic relations.

A number of domestic and foreign economists, particularly I.P. Nikolaeva [6] and V.D. Kamaev [7], note that there were various views on the subject of economics during different periods of our civilization. However, the most common definition of the subject of economics relates to the late XIX – early XX centuries. It is associated with the study of laws governing rational use of limited resources to meet competing goals. The economists focus on the problem of choosing the direction to use rare benefits. V.D. Kamaev writes: “The subject

of economics is people behavior in the process of production of goods in the world of limited resources and their management. The aim is to achieve maximum satisfaction of unlimited human needs through the provision of profit”.

However, if we consider this problem from the viewpoint of the modern civilization’s development, it is hardly possible to agree with these statements. The reasons are the following:

- it is impossible to reduce economics to the functional analysis; it follows from the conceptual positions which were explained above;

- the social and economic analysis can’t be excluded in spite of it is neglected by some authors because the society is a certain social environment within the scope of studying of the economics’ subject.

Marxism is an economic trend which proves that the main motive power of the civilization development is social productive forces which are based on the personal factor of production and real-valued elements of the material world. World outlook and society are formed under the influence of the human life conditions. Ignoring of these facts and circumstances by economics reduce its subject to scholasticism, i.e. to superficial judgment, vain philosophizing and knowledge detached from life.

Our rich historical experience has proved it. A lot of different plans for social expansion are adopted instead of elaborate state social and economic policy. And as the final result they are not implemented.

The President of Russia Dmitry Medvedev has suggested an idea in terms of social modernization. However, there were at least three major modernizations in our country: during the reigns of Ivan the Terrible and Peter I and in the period of industrialization in the middle of XX century. All these modernization periods were characterized by the rigid chain of command, forced labor and a significant social base of power in the society. Has the President such possibilities today?

Endless reforms in Russia have led to apathy of the Russian citizens and caused enormous damage to the reproduction of the national genotype especially in recent times. This implies that the management methods which were used previously can't be used in reforming of the Russian society because we don't know how we can make our nation to have self-respect and be respected in the world civilization. There is the only answer and it is simple. It isn't necessary to modernize our society, but we need "modernization" of public consciousness! Vladimir Lenin pointed the low level of proletariat's consciousness and wrote about it in his paper "Current tasks of the Soviet government" [8] in 1918, "Russian people are bad workers as compared with the advanced nations". What has changed over the past century and especially over the last two decades? Has Russia found its place in the modern world despite the titanic efforts of our people in modernizing of our society? Russia has been transformed into a raw material adjunct of the developed capitalist countries including China, hasn't it? What can we please ourselves? There is low working efficiency and poor quality of products generated by low technological and production discipline, lack of interest in the work of Russian citizens, tolerable standard of living, isn't it? List of the negative tendencies in our society can be continued! And it's impossible to pay no heed to it. The Russians should solve these problems because it would be fatal to hesitate.

It should be recognized that modern economics, the conceptual provisions of which are implemented in practice, does not cure the society but at the same time it destroys it. Liberalism in the form of monetarism is preached as the heart of economic policy of the state. The current leadership of our country worries about only the inflation rate in economy. However, the Russian government stimulates increase in food prices and service prices of natural monopolies setting the

inflationary spiral in recent years. The result is profitable for business which uses inflation as a means of enrichment and for government because macroeconomic indicators grow up and GDP increases at the expense of prices hike in economy and ultimately alleged image of general welfare is created.

And it follows the conclusion that economic science should serve not only ideological, cognitive, methodological, practical, but creative function!

What is the essence of the creative function of economics? Of course, it is necessary to formulate the purpose of social development. And the main purpose is the development of fully developed personality, the formation of society but not profit and gold and foreign currency reserves as the end in itself. It is difficult to understand the Minister for Finance Alexei Kudrin and his mentor, the supervisor of the Higher School of Economics, Doctor of Economics E. Yasin who believe that petrodollars shouldn't be spent, i.e. we must renew gold and foreign currency reserves, petrodollars shouldn't be used in the economy because they race inflation. Are there any benefits in this situation? It is known that such major reserve currency as dollar and euro undervalued by 25% and 23% respectively over the past 8 years. And we can only guess how much will these currencies depreciate in future because both dollars and euros are printed a lot today. Thus, the Russian Federation is the donor of the developed countries in these conditions. At the same time the real sector of the economy can't use the credit resources of the banking system in view of very high interest rates on credit. Why not establish an exchange of resources between Russia, the EU and the USA on the latest technologies and know-how that would actually spur the STR in the country? They say that it is impossible. The public sector of economy is not effective. The President of the Russian Federation Dmitry Medvedev said at the economic forum in Davos

that its enterprise would be privatized and our country would gain for a few tens of billions dollars. According to A. Kudrin, these financial resources shouldn't be invested in private business because it steals money. That's a bad luck. Meanwhile, V. Popov notes correctly, "There is no unambiguous evidence of greater efficiency of the private sector in comparison with the state sector in the economy". More "privatized economies don't show better results often than the economies with a significant portion of the public sector". Currently, the share of private sector in Russia is estimated at 65%; it is close to the share of private sector in the Eastern European countries. In the former Soviet republics the share of public sector has remained at over 50% only in Belarus, Uzbekistan and Turkmenistan. Over the past 20 years the production growth was 50% or more in these countries in comparison with the pre-crisis peak (1989). At the same time GDP growth hardly accounted for positive value in the more "privatized" countries in 1989-2009. There was even negative GDP growth in some countries, for example, it was minus 40% in the Ukraine [9].

There was a famine in the USSR for lack of ample foodstuffs in 1929 – 1934. Part of grain was intentionally sold abroad in exchange for currency which was used to purchase technological equipment for the industrialization of the country. There are the figures confirming the deaths of 7 million people in the Soviet Union. It is too difficult to justify these actions by the leadership of our country. However, we should take into account the fact that it was too hard to win the WWII without the military power of our state which was created in the interwar period. Today our country sells oil, gas, metals, grains, it is engaged in miserliness, but

our government doesn't worry about the current state of the country. How can we characterize these actions? What will future generations say about this "survival" period?

However, we will not go into greater details. Let's keep to the point. Indeed, what defines vitality of the nation? Common sense suggests that it is a high standard of living, i.e. the quality of life which can be achieved as a result of creative labor. What determines the quality of life? Of course, it is the quality of goods and services! Naturally, the goods must be cheap and affordable. Thus, we should reduce the costs of their production. There will be enough goods; that's why it is necessary to raise productivity of labor! All three indicators are linked together in the economic system including capitalism. And what about the revenues? What prevents us to implement this mechanism in practice? The action mechanism of these laws is objective in the system of capitalism, but they manifest themselves in the elemental form. Recurrent ruinous crises are the backbone of the capitalist economic system. And it follows from this that, certainly, capitalism as an economic system has given a powerful boost towards the development of the productive forces of the existing world civilization, but its lifetime is not infinite! So, the solution of urgent issues in the Russian society is possible if our economy has a creative function, i.e. we should change economic relations!

The economic reforms initiated in 1960s in Russia had been carried out for about 50 recent years. As the final result they had cloned capitalism in Russia as a new but old and forgotten economic system which transformed into *idée fixe* with serious social consequences for the overwhelming majority of population in our country.

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