

What Is Really Wrong With Today's Neoclassical Theory

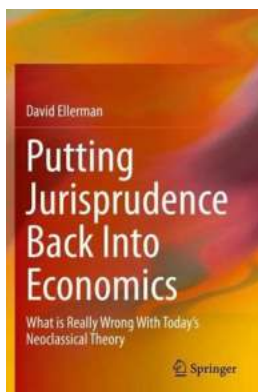
| Classical Theory | Neoclassical Theory |
|--|--|
| - is the accumulation and allocation of surplus output, and therefore their emphasis was on production and on the factors that influence the supply of goods. | -focuses on individual choices, which unavoidably reflect subjective preferences and beliefs, and the allocation of given resources among alternative uses. |
| Classical theory paid comparatively little attention to choices of individuals. | as neoclassical economists theorize it, is the aggregate end product of individuals. |
| The classical economists have made consistent efforts to explain the rise of the capitalist mode of production in terms of historical analysis. | neoclassical theories are expressed in mathematical models which exclude the concept of history. |

The Rise and Dominance of Neoclassical Theory

In the realm of economics, the neoclassical theory has reigned supreme for decades. It has been extensively taught in universities, adopted by institutions, and revered by policymakers. However, an increasing number of economists and scholars are questioning the validity and adequacy of this approach in explaining real-world economic phenomena. In this article, we will explore what is really wrong with today's neoclassical theory and why alternatives should be considered.

The Narrow Assumptions of Neoclassical Theory

One of the fundamental flaws of neoclassical theory lies in its narrow assumptions about human behavior and rationality. It assumes that individuals always act in their self-interest, possess perfect information, and make rational decisions. In reality, humans are influenced by a myriad of social, psychological, and cultural factors that can lead to irrational behavior and suboptimal decision-making.



Putting Jurisprudence Back Into Economics: What is Really Wrong With Today's Neoclassical Theory

by Asian Development Bank (1st ed. 2021 Edition, Kindle Edition)

★★★★★ 5 out of 5

Language : English

File size : 8529 KB

Text-to-Speech : Enabled

Screen Reader : Supported

Enhanced typesetting : Enabled

Word Wise : Enabled

Print length : 342 pages



Neoclassical theory also oversimplifies the complexities of markets by assuming perfect competition and equilibrium. It fails to adequately account for market failures, externalities, and the power dynamics that shape economic interactions. This limited perspective hinders our understanding of real-world economic dynamics and impedes effective policy interventions.

The Neglect of Heterodox Approaches

Another troubling aspect of today's neoclassical theory is its disregard for alternative economic schools of thought. Heterodox approaches, such as

institutional economics, Marxist economics, and feminist economics, offer valuable insights and perspectives that can enrich our understanding of economic systems. Yet, neoclassical theory often dismisses or marginalizes these alternatives, limiting the development of a more comprehensive and inclusive economic framework.

The Failure to Address Income Inequality

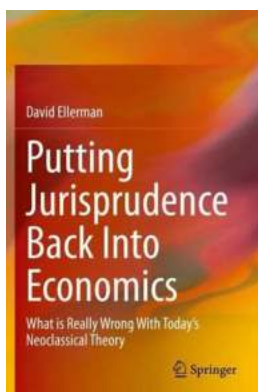
Income inequality is one of the most pressing challenges of our time. Yet, neoclassical theory fails to adequately address this issue. It perpetuates the notion that market outcomes are always fair and just, overlooking the systemic inequalities and power imbalances that contribute to wealth concentration. By neglecting to account for the social and political factors that influence income distribution, neoclassical theory falls short in providing effective policy solutions to tackle inequality and promote social justice.

The Need for Pluralism in Economics

To overcome the limitations of neoclassical theory, economists and policymakers must embrace pluralism in economics. Pluralism acknowledges the diversity of economic perspectives and encourages the integration of various theoretical approaches. By embracing heterodox viewpoints and fostering interdisciplinary collaborations, we can develop a more nuanced and inclusive understanding of complex economic systems.

Furthermore, expanding the scope of economic analysis to include non-market activities, social enterprises, and ecological considerations is crucial for addressing the shortcomings of neoclassical theory. This broader perspective allows for a more holistic understanding of sustainable development, environmental protection, and social well-being.

While neoclassical theory has undoubtedly made significant contributions to economics, it is essential to recognize its limitations. By acknowledging the narrow assumptions, neglect of heterodox approaches, failure to address income inequality, and need for pluralism, we can pave the way for a more comprehensive and relevant economic framework. Only by challenging prevailing orthodoxies can we make progress towards a more inclusive and equitable society.



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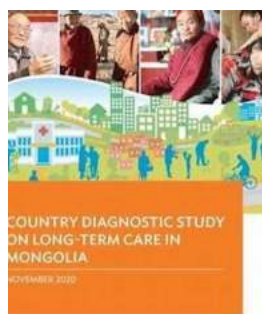
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This book presents an integrated jurisprudential critique of neoclassical microeconomic theory. It explains what is 'really wrong' with the theory both descriptively, as well as normatively. The criticism presented is based on questions of jurisprudence, and on neoclassical theory's sins of omission and commission concerning the underlying system of property and contract. On the positive side - while the presentation is almost entirely non-mathematical - the book contains the first mathematical treatment of the fundamental theorem about property and contract in jurisprudence that underlies a market economy. The book follows the tradition of John Stuart Mill as the last major political

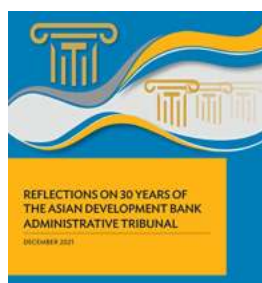
economist who considered the study of property rights as an integral part of economic theory. The conceptual criticisms presented in this book focus on the descriptive and normative misconceptions about property and contracts that are deeply embedded ideology in neoclassical economics, not to mention in the broader society. The book recognizes that the idealized microeconomic theory is not descriptive of reality and focuses its criticism on conceptual mistakes in the theory, which are even clearer due to the idealized nature of the theory. Therefore, the book is a must-read for scholars, researchers, and students interested in a better understanding of jurisprudence in economics, neoclassical microeconomic theory, and political economy in general.



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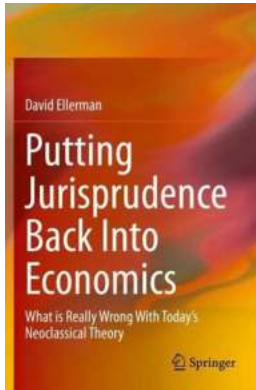


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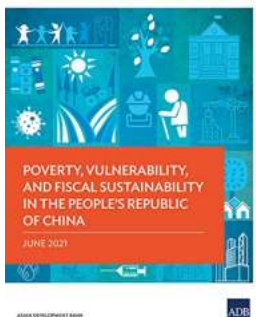
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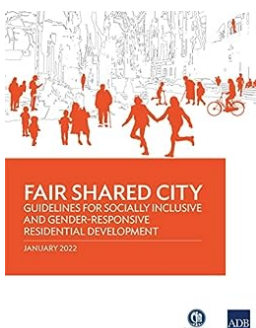
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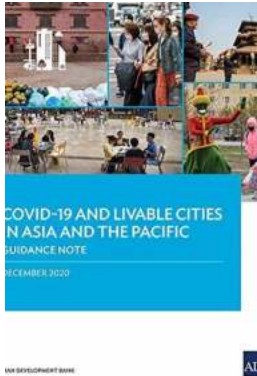
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