The initial title of my presentation was “Is There a Crisis in Modern Economic Science?” However, I was persuaded that it would be improper to ask questions rather than to answer them. I have changed the title, but the issue remains open. It is repeatedly raised by experts in economics or put to them by society. When trying to answer this question, I will surely have to deal with the methodological problems of modern economic science.

I would first like to say a few words about what should be understood by economic theory, and about the nature of its crisis.

It would be wrong to believe that modern economic theory represents something single, logical, and consistent. We rather deal with a kind of matrix, in which research approaches represent rows and the diverse problems to be solved within the framework of these approaches, columns. Accordingly, the intersections of rows and columns (approaches and problems) should be marked with either crosses or zeros (to denote whether the problem is considered within the framework of a given approach or not). Unfortunately, there are too many zeros in this matrix.

Among the approaches, we should emphasize the so-called mainstream. It is to be noted that economic science differs greatly in this respect from other social sciences, in which various research approaches are on a more or less equal footing and pretend to free competition. In economic theory, in contrast, there is always the mainstream, which may vary with time to include modern research approaches and rid itself of outdated ones. This is what resulted from the 1970s energy crisis, when Keynesianism dropped out of the mainstream. However, the criterion of belonging to the mainstream is basically intuitive. It comprises those fields whose representatives widely publish their research works in leading journals and are awarded prizes (especially, the Nobel Prize) and which are taught at major universities.

The core of the mainstream is the so-called neoclassical theory—a research approach based on the assumption of rational (maximizing the criterion function) human behavior and the equilibrium position of the world. This approach can explain the arrangement of the world, given that this arrangement is optimal for economic actors and that it would be disadvantageous for them to alter the current state of affairs, because it provides the best standard of well-being. This approach is static in principle and studies stable-state (universally optimal) parameters. This does not mean that one cannot study economic shifts within the framework of neoclassical theory: this is quite possible, but only by way of so-called comparative statics—the comparison of alternating equilibrium positions. The picture of motion achieved is similar to a cartoon, where individual still frames consecutively replace each other.

One of the major reasons for the leading role of neoclassical theory is its universality, which can be explained by the profundity of abstraction. If we look at the corresponding matrix row, we will see that it is filled with crosses only. The neoclassical approach may be applied to nearly any problem in modern theory and even beyond it. G. Becker and his followers, advocates of economic imperialism, have extended the neoclassical approach to problems of racial discrimination, family and marriage, and many others.

Neoclassical theory originated when consumer choice was studied. Later, it was expanded by research into firms, income distribution, and so on. Then (in the 1970s–1980s), it “colonized” macroeconomics, that is, this approach was extended to a very broad range of objects. All these objects are studied using a single theoretical apparatus. Consequently, neoclassical theory made it possible to consolidate economic science.
Of great importance is the fact that the leading role of neoclassical theory is more noticeable in economic education than in economic science. The point is that it is much easier to teach the neoclassics, as it can be taught by textbooks and problem books varying the degree of complexity. At the same time, it may be quite difficult to instruct in other fields, for example, institutionalism. The trouble is that there is no low level of complexity in these fields. To grasp them, the students must know not just the elements of the theory but also have an idea of a range of problems, including ones of interdisciplinary nature. As a result, since universities predominantly and sometimes exclusively teach neoclassical theory, this approach is largely used in research.

What else does the mainstream comprise besides neoclassical theory, which forms its core? In the 1960s, it was Keynesianism, which, as we know, lost its importance in the 1970s, giving way to monetarism of the Chicago school, which, in turn, was replaced by so-called classical macroeconomics (macroeconomics on a neoclassical base). In the 1980s, the mainstream incorporated new institutionalism—research into institutional problems by means of neoclassical tools. Some representatives of this field—R. Coase, D. North, and R. Vogel—were awarded Nobel Prizes. Economic theory is basically like a set of nesting dolls that consists of the mainstream core, the mainstream, and general economic theory. In addition to the mainstream, it includes so-called heterodox approaches that do not apply the rational individual and equilibrium position premises and commonly use the results of other sciences, in particular, social sciences: sociology, psychology, and others. As a case in point, I could mention behavioral economics, traditional institutionalism, radical (neo-Marxian) economic theory, the currently fashionable woman’s studies, and so on.

Such is the structure of modern economic science. What is meant, then, when people say it is in recession? According to Lakatos, a crisis of some research program implies its transition to a degenerative stage in which its heuristic capacity has dramatically decreased in comparison with competing concepts. Such situations are typically accompanied by discords among scholars of authority and reduced prestige of the science in society. Economic science has experienced such circumstances, although not often. One could say that a theory is in a crisis when its key problems cannot be solved by the available procedures. Academician V.M. Polterovich emphasized this in his paper on the crisis of economic theory [1], which is of special note as the most significant contribution to this topic in modern Russian economic literature. However, it is rather difficult to assess the crisis. I think it is quite possible to proceed from some intuitive feeling of a crisis that simultaneously appears among the economists and the general public.

Recent history has witnessed a few situations apprehended by society and the majority of professional economists as a crisis of theory: the Great Depression of the 1930s, the stagflation of the 1970s, and the unsuccessful experience of reforms in Eastern European countries, especially, Russia, which were implemented based on the Washington consensus recipe. The question about how such recipes agree with the neoclassical theory discussed above is really controversial. Today, the world’s interest in this problem has dropped, with the negative impacts of globalization more often viewed as the major generator of crises.

I would emphasize that crisis situations have both temporal, or external, and constant, or internal, elements.

The external cause is always some acute problem, which the public believes ought to be addressed by economists, but is not. Similar problems may occur and then lose their acuteness, being nonperiodic but repetitive.

The internal cause, in contrast, is constant in nature. Owing to this fact, economic theory is liable to crises irrespective of external circumstances. The internal cause is a contradiction between economic theory’s pretense of practical utility and its abstract, formal, or model nature, in consequence of which the gap between the theory proper and its applications is greater than in natural or other social sciences. The relation between economic theory and economic policy is weaker than, for example, between biology and medicine, physics and engineering, or psychology and psychiatry.

Economic theory occupies, in a sense, an intermediate position: one could say that it is a social science, which would like to be natural but cannot be classified as exact and which has rigorous methods that in many cases are even more rigorous than those of natural sciences. Nobel Prize winner in economics K. Arrow once carried out an interesting experiment. He posed the same problem to physicists and economists. It appeared that physicists found an approximate solution using a computer while economists sought optimization problems and tried to find a rigorous solution.

In contrast to natural sciences, economic science does not deal with quantitative constants. Its ideas and predictions, with some exceptions (for instance, in the theory of expected utility), are predominantly of a qualitative nature, which makes it rather difficult to notice anomalies. Thus, Tycho Brahe recorded the orbital deviations of the planets of the Solar System from their estimated orbits. There are quite a few similar examples in economic science, of which we could recall experiments of M. Allais and some other researchers who experimentally verified the theory of expected utility and ascertained that it could be in many cases disproved.

D. Kahneman and A. Tversky, who built a generalized theory based on accumulated anomalies, are, in a way, Keplers of economics. Kahneman was awarded