

THE REFLECTIONS OF ECONOMIC THEORIES ON SOCIAL WELFARE AND SOCIAL PEACE

***Hasan ALPAGO**

Abstract

The focus of this article is to evaluate the economic theories developed throughout the history of economic thought from a macroeconomic perspective, the role of the thinkers who shaped them in ensuring social welfare and peace, and the economic developments in this process with a comparative analysis. In this respect, the emergence of schools of economic thought and the approach of theorists have been evaluated. Thus, it aims to contribute to the work of scientists and researchers in finding solutions to the economic problems encountered in the globalizing world and in the shadow of the COVID 19 pandemic. In this respect, how and under which conditions the schools of theoretical thought emerged as a result of forcing it has been revealed more clearly in this study. In this context, the concepts of "classical economy", "national economy" and "global economy" and the starting points of the economists who developed and classified these approaches were examined with a comparative analysis. Classical economics is the beginning of the theoretical treatment of the nation and the interaction of different nations through economic interaction. Adam Smith's "The Wealth of Nations" is generally understood as the scientific discussion of the origins of economic theory and the understanding of economic action. After Adam Smith, social scientists such as Ricardo, Marx and Keynes made important contributions to this field.

Keywords: Economic Thought, Economic Change, Social Development, Social Welfare, Social Peace

EKONOMİ TEORİLERİNİN TOPLUMSAL REFAHA VE SOSYAL BARIŞA YANSIMALARI

Öz

Bu makalenin odak noktası, makro ekonomik bir bakışa açısıyla iktisadi düşünce tarihi boyunca geliştirilen iktisat teorilerini, bunları şekillendiren düşünürlerin toplumsal refahın ve barışın sağlanmasındaki rolünü ve bu süreçteki iktisadi gelişmeleri karşılaştırmalı bir analizle değerlendirmektir. Bu doğrultuda iktisadi düşünce ekollerinin ortaya çıkışı ve teorisyenlerin yaklaşımı değerlendirilmiştir. Böylece küreselleşen dünyada ve COVID 19 pandemisinin gölgesinde karşılaşılan ekonomik sorunlara çözüm bulunmasında bilim insanlarının ve araştırmacıların çalışmalarına katkı sağlamayı amaçlamaktadır. Bu bakımdan teorik düşünce ekollerinin nasıl ve hangi koşullar altında ortaya çıktığı bu çalışmada daha açık bir şekilde ortaya konmuştur. Bu bağlamda "klasik ekonomi", "ulusal ekonomi" ve "küresel ekonomi" kavramları ve bu yaklaşımları geliştiren ve sınıflandıran iktisatçıların çıkış noktaları karşılaştırmalı bir analizle incelenmiştir. Klasik iktisat, ulusun teorik olarak ele alınmasının ve farklı ulusların ekonomik etkileşim yoluyla etkileşiminin başlangıcıdır. Adam Smith'in "Ulusların Zenginliği" genel olarak ekonomik teorinin kökenlerinin ve ekonomik eylem anlayışının bilimsel tartışması olarak anlaşılmaktadır. Adam Smith'ten sonra Ricardo, Marx ve Keynes gibi sosyal bilimciler bu alana önemli katkılarda bulunmuşlardır.

Anahtar Kelimeler: İktisadi Düşünce, Ekonomik Değişim, Toplumsal Gelişme, Toplumsal Refah, Sosyal Barış

* Dr., Nişantasi University, Faculty of Economics, Administrative and Social Sciences, hasan.alpago@nisantasi.edu.tr, ORCID: 0000-0001-7695-2794

Introduction

The basic thesis on which economic theories are based is: “Resources are limited but needs are unlimited.” Here, the main goal of both quantitative and qualitative economic theories is to enable limited resources to respond to endless needs at an acceptable level. Since resources are scarce and needs are unlimited, economic theories are based on the principle of establishing a balance in economies in the face of these two opposite situations. Thus, the principles of maximum benefit, efficiency, low cost and priority of needs constitute the basic starting point of almost all economic theories.

When we look at macroeconomic developments in terms of the development of civilizations, a process based on economic opportunities has been experienced. When the economic opportunities of individuals and society increased or economic crises were experienced, a change and transformation process was necessarily experienced. In this context, people have resorted to making the best use of scarce resources and creating new resources. As a result of these searches, today's modern production stage has been reached. In other words, the fact that people have reached the industrialization process using the latest technology from a hunter-gatherer economic structure is a result of the search for an optimal use of scarce resources. Undoubtedly, the economy has played a fundamental role in this process of change and transformation. In other words, the development of communities and the establishment of new shelters and settlements have depended on the resources they could reach. As a result, sufficient and accessible resources determined the extent of development. In this respect, individuals and societies have experienced a development process in different dimensions since the early ages. Consequently, the distribution, sharing and management of resources were as important as their existence.

In this context, scholars have suggested solutions within the framework of various theories. According to the sources from the past to the present, ancient Greek philosophers such as Plato and Aristotle made suggestions about the distribution and management of resources.

On the other hand, the views until the 18th century, instead of focusing only on economic problems, their results and solution possibilities, evaluated the issue in general from moral and socio-political perspectives, and discussed its economic dimension in a narrow framework. However, Adam Smith, an intellectual moral philosopher who lived in the middle of the industrial revolution and could observe the developments well, laid the foundations of today's economic theories by putting the economy at the center of this change and transformation process.

Therefore, in the process of economic change and transformation, it has become a branch of science that is at the forefront of basic dynamics such as military, law and religion. From this point of view, it can be said that the economy now has a more effective and meaningful place in the development of societies than in the past. As a social science, economics can be better understood when it is considered within the framework of its historical development process. As a matter of fact, the aim of this study is to evaluate the development of economic thought from Aristotle to the present from a systematic perspective. In this study, in the light of these concepts, the change and transformation process of economic thoughts and civilization, evolving from the past to the present, has been examined from a macroeconomic perspective.

1. Theoretical and Conceptual Objective of the Study

In order to be able to evaluate the developments in the social and economic life of the society, both theoretically and practically, in a more concrete way, it should be handled through three types of data and these data should be evaluated with a comparative analysis. These data consist of past developments, current developments and projections for the future. In this respect, more realistic and high probability projections for the future can be obtained if historical data and current data are compared correctly. For example, in order to be able to make an accurate assessment of the economy of a country and to draw a more accurate picture of the future outlook of the economy, comparing the data in certain periods and certain sectors of that country with each other and making an analysis accordingly allows to make more accurate predictions. This situation requires the same approach in terms of determining the performance of companies and the direction of their future investments. Based on this motto, this article aims to objectively evaluate the macroeconomic transformation

process, which directly affects the welfare of the society and therefore social peace, by analyzing the progresses in the field of economic thought, by comparing different theoretical approaches.

The primary objective of this study is to systematically analyze the relationship between economic development and social development in a chronological manner. This study is expected to make a contribution to the economic literature. First of all, it is important to evaluate the direct relationship between the economy, urbanization and globalization in the current sense in the context of theory and practice in the field of economics.

The research subjects of this study are:

- What is the contribution of economic theories to social welfare and to social peace
- What is the relationship between economic activities and their social consequences?
- How important is the relationship between the success of economic policies and the level of welfare?

The history of economic thought functions as a bridge between economics and history. Thus, by comparing the historical development of the foundations of both economic activities and social dynamics, it works as sub-discipline that draws lessons from the past for the future of society and directs macroeconomic policies in this respect.

Aristotle, while declaring the administration of the country in his work "The State", also emphasizes that the correct management of resources is very important for the success of state administration.

Although Aristotle talks about the functions of money and the role of the state in providing market balance in his work, he does not mention the issues such as maximum efficiency, minimum cost, efficiency, the best management of scarce resources, which have been progressively mentioned in current studies. Instead, he put

forward theses about how society should be managed economically and politically under the roof of the state.

The economy was considered more as home management. There are many reasons for this. The most important reason was the understanding centered on the family structure and the society in which the family is located. In those times, due to the social structure of the family and society, and under the economic conditions they had, it was not possible for everyone to participate in economic life. In this framework, basically the head of the family had to work and manage his family. In this perspective, the economic problem was, in principle, the problem of the head of the family. In this respect, the term economy means “Oikos”, that is, home management.¹

Ultimately, economic, and social developments throughout history are complementary elements of a process that complements each other. Social progress has not been achieved without economic competence, and it has not been possible to increase economic welfare without developing reforms and more effective approaches in social terms. Indeed, it is seen that developed countries have made progress by considering these two factors. In this respect, it is important to evaluate the causes and consequences of these developments.

2. Development Process of Economic Policies

From the point of view of the history of economic thought, the vital needs and desires of human beings must be met, albeit partially, to survive. In addition to basic services such as health, education, security and transportation, the most basic material needs of human beings are food, clothing, and shelter. Goods and services are produced to meet man's material needs and wants. Man is an entity that can sustain his material life by consuming produced goods and services. The production, distribution, and consumption of goods and services constitute the area of interest in the economic discipline of social life.

The history of economic thought is a science that provides the development of a set of theories and methods to evaluate scarce resources optimally and effectively as a means

¹ Burak Atamtürk, **İdeoloji, Bilim ve İktisat**, İstanbul, İstanbul Üniversitesi, İktisat Fakültesi, Maliye Araştırmaları Merkezi Konferansları, 2007, p.7.

of efforts to meet endless needs. In this respect, it is a new perspective and a revolutionary understanding in itself. In other words, economics is a scientific approach developed to understand and manage global and local developments and to be a good consumer and producer.²

The basis of past and present economic problems is how to manage scarce resources in the most effective and efficient way in the face of endless needs. However, scientific and social experiences and changes have led to different policies in terms of both individuals and states. For example, the most important income sources of states in history have been the goods they plundered and the regular tributes they received in the regions and countries they occupied. However, today, states give more weight to taxation and commercial relations. In the history of society, armies often met their basic needs such as food for the goods they plundered from the regions they went to, while going to war on foot to countries and regions tens of thousands of kilometers away from their centers. Persian invasions are the simplest example of this situation. No one cared about the factors that caused the economic and social destruction of wars like today, and after each great war, a great economic famine and social destruction occurred in that region. Sometimes this could lead to a catastrophe that would last for centuries. However, although wars continue today, the flow of goods and services in terms of trade is more stable than in the past. This is largely due to globalization.³

The optimal use of resources, which is the common point of economy and politics, and the policy of continuing economic activities despite wars come to the fore as a more dominant approach today. Thus, as in every branch of science, economics is a discipline that aims to solve the problems of people, societies, households, and companies. The basis of economics is based on the principle of developing a method and system that can respond to scarce resources, endless wishes, and passions as much as possible. Macroeconomics produces solutions by considering economic problems

² Karl E. Case, Ray C. Fair and Sharon M. Oster, **Principles of Economics**, Pearson, 2008, p. 214

³ Herodotos, **Herodotos Tarih- Hasan Ali Yücel Klasikleri**, Çev. Müntekim Ökmen, İş Bankası Kültür Yayınları, 2006, p. 495.

in a macro framework⁴. The economy is the management of production possibilities curves that increase or decrease due to different reasons throughout history.⁵

3. Major Turning Points in the History of Economic Thought

From past to present, individuals and societies have pursued three basic goals for their living. These are:

- Health conditions
- Security
- Sufficient economic resources.

As a matter of fact, in order for people to lead a healthy and safe life, they must first have sufficient economic resources. This requirement has arisen from the beginning of the basic conditions of living in prosperity throughout history. This is reality and will continue to be important for economic prosperity in the future. In other words, people will try to use scarce resources in the most economical and effective way for a more prosperous life. The science of economics basically considers these priorities of people and tries to explain what needs to be done for this by basing it on scientific theory and methods.

The history of economic thought deals with the historical development of both the economic activities of people and the material foundations of society. The science of economics, like other branches of science, contributes to a scientific integrity within the framework of the benefit of humanity by cooperating with other disciplines for the welfare of the society and a more prosperous life. To better evaluate the economic, socio-cultural and socio-political development process of societies and to develop new macro-economic policies accordingly, to increase the welfare of the society and to manage scarce resources in the best way.⁶

⁴ John Sloman and Alison Wride, **Economics**, Pearson, 2010, p.8.

⁵ Tümay Ertek, **Temel Ekonomi**, Beta Yayınları, 2013, p.75.

⁶ Muhammed Karataş and Eda Çankaya, "İktisadi Kalkınma Sürecinde Beşeri Sermayeye İlişkin Bir İnceleme," **Mehmet Akif Ersoy Üniversitesi Sosyal Bilimler Enstitüsü Dergisi**, 0(3), 2010, p.6.

In terms of the history of economic thought, the socioeconomic change and transformation process of societies can be classified under several main subtitles.

3.1 The Formation Period of Economic Policies (400 BC - 1770 AD)

Plato, in his work "The State", (380 B.C.) stated that property was shared by public power and that the labor force should be classified according to the criteria of specialization. Aristotle, on the other hand, argued that there should be private property, as he stated in 350 BC, but instead of a capitalist approach in today's sense, he argued that private property should be limited, and capital accumulation should not become personal ambition.⁷

According to Aristotle, having private property should be seen as a natural right in order to use economic resources more efficiently. This philosopher suggested that the public and the state should work together to increase the level of welfare and provide economic growth. In Aristotle's view, the state should collect the revenues and distribute them as grants in case of need. All efforts should be directed toward the continuation of the welfare level. Therefore, small savings should be collected in a fund, and thus a resource should be created for those in need. This will be an initiative that will benefit both the poor and the rich.⁸

The importance and development process of an economic management in the lives of individuals and societies has evolved from ancient Greek culture to the present day. Greek thinkers such as Plato and Aristotle also put forward views on economics, but in terms of economic thought, these are only basic concepts and not accepted as any theory.⁹

Thomas Aquinas argued in 1265 that prices should be balanced and that a fair pricing should be made instead of a purely profit-oriented target, as scarce resources would impoverish people with excessive price increases. For this purpose, while determining

⁷ Platon, **Devlet**, Çev. Sabahattin Eyüboğlu, Türkiye İş Bankası Kültür Yayınları, 2019, p.76.

⁸ Ömer Torlak, "İktisadi Düşünce Tarihi Yazımında Avrupa Merkezci Mikro Yaklaşımına Alternatif Bir Öneri ya da Muhafazakârlığı Aşmak," **Muhafazakâr Düşünce Dergisi**, 2020, p. 13.

⁹ M. Kutluğhan Savaş Ökte, "Antik Çağda İktisadi Düşünce," **Elektronik Sosyal Bilimler Dergisi**, 7(24), 2008, p.7.

the value of a good, a selling price should be determined according to the cost and a reasonable profit ratio. The scarcity of resources and high demand for goods lead to an unfair economic system.

Throughout the history of economics, economic and social transformation have experienced parallel developments. Medici Bank, which was established in 1397, opened the doors of a new era in the history of money. The establishment of this bank is the result of an obligation of monetary activities to the banking system. The truth is that every necessity has brought with it a crisis or a new innovative solution.

While these developments are taking place in the field of money and banking, new approaches have been also developed in economic theories. William Petty pointed out that the importance of measurement in an economy and stated that the economy consists of a balance between a cost, revenue, and profit rate. In 1689, John Locke put forward the thesis that the source of his wealth was labor rather than trade. In 1752, David Hume criticized the free public goods and drew attention to the need for people who benefit from these goods to pay wages in proportion to their consumption. But Hume concedes that there is no way other than taxes to price and charge public goods. Because it is not possible to collect the price of streetlamps in any other way.¹⁰

Physiocrats such as François Quesnay-1756 stated that it was advantageous to have agriculture and land as a source of wealth. By drawing the “Economic picture”, Quesnay has drawn a flow chart of factors in an economy as well as goods and services, as in the blood circulation system in an economy.¹¹

On the other hand, the Silk Road can be considered as the pioneering project of a process that started globalization and international trade in history. Indeed, the Silk Road is an excellent organization and international cooperation project that enables caravan trade goods and services to reach Europe from China. The Silk Road can be considered as the bogeyman of a sociocultural revolution and transformation, not only

¹⁰Mehmet Tomanbay, “İktisadi Düşüncenin Gelişimi ve İktisat Okulları,” *Ufuk Üniversitesi Sosyal Bilimler Enstitüsü Dergisi*, 8 (15), 2019, p.19.

¹¹Loic Charles, "The Tableau Economique as Rational Recreation," *History of Political Economy*, 36(3), 2004, p.21.

for the trade of goods and services but also because it carries out the journey of people from country to country and from one continent to another by crossing borders.¹²

3.2. The Scientific and Intelligent Age of Economic Policies (1770-1820)

Adam Smith pioneered the acceptance of economics as a science in his work called *The Wealth of Nations* in 1776. Adam Smith, on the other hand, gave the example of a pin factory in his book "*The Wealth of Nations*", which he wrote in 1776,¹³ and drew attention to specialization and division of labor, just like Plato, and stated that such an approach would both increase efficiency and increase the amount of production. Throughout history of the economic actions, in all continents such as Africa, Asia, and Europe, have always pursued a better economic position. However, the methods they followed differed. In this respect, those who follow the right method become rich, while those who follow the wrong method lose. On the other hand, countries now have to follow the immutable logical method that the economy requires. This is based on the requirement of pursuing a liberal economic policy raised on trade and cooperation.¹⁴ From the point of view of the history of economic thought, the economic perspectives that developed after Smith take place in three different approaches. These are liberal or neo-liberal, socialist approaches, and mixed approaches.¹⁵

Thomas Malthus' theory of population in 1798 is basically based on the thesis that when population is not controlled, it increases at a geometric rate, but resources increase at an arithmetic rate.¹⁶ As in every system and process, the biological development process of living things and the conditions they live in are the main determinants in determining the possibilities and limits they may have in the

¹² Mehmet Bulut, *Medeniyetler Güzergahı İpek Yolu*, İstanbul, İZÜ Yayınları, 2018, p.11.

¹³ Adam Smith, *The Wealth of Nations*, Philadelphia, Thomas Dobson, 1776, p.201.

¹⁴ *A.g.e.*, p. 201.

¹⁵ Rudiger Dornbusch and Stanley Fischer, *Makroekonomi*, Çev. Ak, S., Fisunoğlu, M., Yıldırım, E., Yıldırım, R., İstanbul, McGraw-Hill Akademi, 1998, p.8.

¹⁶ Thomas Robert Malthus, *An Essay on the Principle of Population*, London, 1798, p.4.

future.¹⁷This point of view also affects the form of economic and social opportunities that can be had in a society.

1803 Jean-Baptiste Say developed Say's law, basing the operation of markets on Smith's theory of the invisible hand. Accordingly, every supply creates its demand, and thus every good and service produced finds a buyer in the market. Thus, the economic balance is established by itself. On the other hand, in 1817, David Ricardo stated that the free trade and specialization of labor formed the basis of classical economics. David Ricardo brought to the fore the idea of developing an economic understanding based on cooperation and maximum efficiency, rather than the invisible hand in economics or an automatic balance as predicted by Say's law. Accordingly, division of labor and cooperation based on specialization should come to the fore to produce more goods and services. Many economists like Ricardo pioneered the history of economic thought of the people who own capital, and therefore the shaping and development of economic policies. The contribution of these capital owners to the history of economic thought is particularly evident in the 15th and 17th centuries.¹⁸

The nation state and globalization processes require different economic policies. As a matter of fact, while mercantilist economic policies are based on the nation state, liberal and Ricardian economic ideas are based on the development of international trade and commercial relations based on the principle of comparative advantage. However, today more mixed economy models find application area. In particular, the interventionist state approach of Keynes is considered as the basic principle in the determination of economic policies. As a matter of fact, during the COVID 19 pandemic, it has been seen that the state power plays a fundamental determinant role in economic and social life on a global basis.¹⁹

3.3. Industrial and Economic Revolutions (1820-1928)

As the society developed, as urbanization and most importantly, as the population increased, it required to develop new economic approaches to meet the increasing

¹⁷ Charles Darwin, **The Origin of Species by Means of Natural Selection, Or, The Preservation of Favoured Races in the Struggle for Life**, Books, Incorporated, Pub., 1859, p.42.

¹⁸ Torlak, a.g.e., p.12.

¹⁹Ali Çımat and Filiz Daşkiran, "İktisat, Türkiye'deki Eğitimi ve İktisadi Yenilik." **İktisadi Yenilik Dergisi**, 1(2), 2014, p.26.

needs of scarce resources and to adapt to urbanization. John Stuart Mill laid the foundations of liberal economics in 1848, advocating both trade and social justice. Both Mill and Marx not only produce and consume but also the combination of scarce resources and the production process are very important. However, previously, workers' rights, the role of the labor force as a production factor, and its share in this process were not given much importance. In particular, Marx pioneers a new approach to the history of economics with his theory based on rewarding the labor force, which is accepted as the biggest production factor, in proportion to its efforts. In 1848, Karl Marx and Friedrich Engels published their communist manifesto.²⁰

As in every field, economic policies and rules are not as just based on scientific facts and economic priorities. The dominant socio-economic and political culture play a fundamental determinant role in shaping this process. In this regard, Marx, Althusser, and Gramsci take an approach that supports this basic idea. According to them, the dominant powers that want to establish their hegemony follow an economic policy that supports their ideology. In this respect, economic theories are not only shaped by economic schools and rules.²¹

When the agricultural sector and the industrial sector are compared, it is seen that the income inequality is more in the industrial sector. The main reason for this is that the natural balance is followed in the agriculture sector and the capitalist system in the industrial sector is based on the principle of maximum profit and minimum cost, sometimes necessitating working with lower wages due to negotiation power and livelihood.²²

According to Marx, just as a physicist observes natural processes or the results they occur, social scientists must observe the effects of the capitalist mode of production and the corresponding conditions of production and exchange on individuals and

²⁰ Ömer Yılmaz, Alaattin Kızıltan and Vedat Kaya, “İktisadi Kriz Kuramları,” *Finansal Küreselleşme ve Para Krizleri*, *Erciyes Üniversitesi İktisadi ve İdari Bilimler Fakültesi Dergisi*, 0 (24), 2005, p.14.

²¹ Atamtürk, *a.g.e.*, 2007, p.4.

²² Gökay Karaduman and Ahmet Tabakoğlu, “19. Yüzyıl Temettuat Defterleri’ne Göre Üsküp/Koçana Kazası’nın Lorenz Eğrisi ve Gini Katsayısı ile Gelir Dağılımının Analizi,” *Eskişehir Osmangazi Üniversitesi İİBF Dergisi*, 16(1), 2021, p.3.

society at the social level and offer solutions accordingly. In other words, just as there is a continuous process of change and transformation in nature, there is a continuous process of change and transformation in economic and political terms in social management. In this process, systems have been created that allow people to live with low incomes for the sake of those who are neglected and protect their advantageous positions. In this respect, this system, which has been used and accepted, should be changed by making economic, political and socio-cultural innovations. The labor class must have a fundamental determinant role in the realization of change. Thus, the “surplus value” created by labor can play an effective role in establishing a more just system in society.²³

In the years after the industrial revolution, revolutionary innovations took place in economic and social life. This situation directly affected people's economic behavior and preferences. Following these developments, new theoretical approaches emerged in the field of economic thought. At the beginning of these theories are approaches such as the Austrian school of economics. 1871 William Javons develops the concepts of value and marginal utility. In 1871 Carl Menger establishes the Austrian school that defends the free market mechanism against Marx. Von misses Hayek is a follower of this. He is a journalist and a good observer. The Austrian school of economics developed an approach to economics based on human and social psychology and consumer behavior rather than mathematics and numbers. In this respect, this school has been accepted as a unique school and has preserved its validity until today 1874. Leon Walras developed the general equilibrium theory and explained that the free market is stable.²⁴

In 1890, Alfred Marshall developed his mathematical economic approach and brought econometrics to the fore. The emphasis on mathematics and quantitative data in economics is based only on a correct assessment of the current situation. In the long run, economics is not a system that always gives the same result, like the laws of

²³ Karl Marx, **Das Kapital, Kritik der politischen Ökonomi**, Rosa-Luxemburg- Stiftung Verlag, Berlin,1890, p.105.

²⁴Ömer Demir and Mustafa Acar, **Sosyal Bilimler Sözlüğü**, Ankara, Adres Yayınları, 2005, p.22.

physics and mathematics. It is possible to attribute this to the conjuncture and changing human behaviors.²⁵

Vilfredo Pareto developed the theory of Pareto efficiency; one loses so the other wins. In 1914, Friedrich von Wieser developed the concept of opportunity cost. Thus, he developed theories that measure the value of abandoned options. Arthur Pigou focused on the environmental tax and externality. Ludwig von Mises argues that there is no end to communism and that liberal economics is the best option. 1927 Joseph Schumpeter develops his theories of entrepreneurial spirit and destructive creativity. Schumpeter's technological developments are important in terms of innovation and contribute to the development of new policies in the economy.²⁶ In addition to physical capital for economic development, the existence of human capital is also important.²⁷

3.4. War and Economic Depression (1929-1945)

The positive trend created by the industrial revolution also increased the degree of competition among countries. The increase in welfare has not only been effective in the production of goods and services, but also led the countries to the production of war industry and industrial heavy war equipment. This led to wars becoming more destructive. Industrial heavy weapons produced thanks to the industrial revolution were effective in the emergence and spread of the First World War. This situation also caused the economic and social consequences of the war to be more severe. As a matter of fact, the First World War, which started in 1914 and ended in 1918, almost paralyzed the European economy, which was the center of industry, and reduced the impact of the positive economic developments created by the industrial revolution. Following this, a long-term stagnation period was entered in the USA and Europe. This recession resulted in the great economic depression of 1929. As a result, economic approaches based on classical economic theories that were valid until that

²⁵ Atamtürk, *a.g.e.*, p.8.

²⁶ Perihan Hazel Er, "Girişimcilik ve Yenilikçilik Kavramlarının İktisadi Düşüncedeki Yeri: Joseph A. Schumpeter," *Selçuk Üniversitesi Sosyal Bilimler Enstitüsü Dergisi*, (29), 2013.

²⁷ Karataş and Çankaya, *a.g.e.*, p.11.

time had difficulty in finding a solution to this crisis. In the face of this situation, Keynes' theories came to the fore as a remedy.²⁸

From the point of view of the history of economic thought, developing socioeconomic and political approaches played an active role in determining the economic policy to be applied. The 1929 crisis led to the implementation of Keynes' interventionist economic policies by governments. Thus, the acceptance of an economic policy is important in terms of providing solutions to developing events.²⁹

J.M. Keynes was a liberal who revived the economy with government spending. In times of economic crisis, liberal, social and neo-liberal perspectives and economic policies have some common points. The most important of these is that they foresee economic shrinkage and welcome such a result naturally. It is accepted that some sectors will be affected more in this process. Socialist views argue that in this process, the working class was neglected and dismissed under the pretext of crisis, and the cost was reduced by putting pressure on the working class. Liberal views, on the other hand, accept crises as a kind of market regulatory mechanism. Accordingly, economic crises as a result of the crisis allow strong firms to continue their existence, while weak firms result in bankruptcy. Firms in such an economic structure evolve and become stronger.³⁰

While defending Keynes' theories, he argues that the state should assume a temporary regulatory and balancing role, when necessary, without contradicting classical economic views whenever possible.³¹

Thanks to the interventionist fiscal and financial policies of Keynes, the problem of economic recession in the 1929 crisis was largely overcome. However, this policy paved the way for the state's intervention in economic and social life. As a result, more

²⁸ Murat Nişancı, Metin Uçar and Semanur Soyyiğit, "Ülkelerin İktisadi Gelişmişlik ve İktisadi Karmaşıklık Düzeyleri Arasındaki İlişki: G8 Ülkeleri Örneği," **Cumhuriyet Üniversitesi İktisadi Ve İdari Bilimler Dergisi**, 20(1), 2019, p.18.

²⁹ Mehmet Halis Özer, "Serbest Cumhuriyet Fırkası'nda İktisadi Düşünce," **Elektronik Sosyal Bilimler Dergisi (elektronik)**, 13(51), 2014, p.81

³⁰ İslam Altun and Ahmet Tabakoğlu, "Uluslararası Firmaların Kriz Dönemi Tasarruf Stratejilerinin İncelenmesi," **Artuklu Kaime Uluslararası İktisadi ve İdari Araştırmalar Dergisi**, 3(1), 2020, p. 22.

³¹ John Maynard Keynes, **The General Theory of Employment, Interest and Money**, Harcourt, New York, 1936, p.17.

public funds were shifted to the arms industry. As the most important result of these developments, Germany to start World War II by developing a huge arms industry. As a result, the world faced a new crisis. The new conditions created by World War II again played a role in shaping economic theories. In 1940 Simon Kuznets developed conjuncture theory. In 1944 Karl Polanyi improved cultural and traditional economic views. In these theories, the theses defended that flexibility in economic life and economic behavior can lead to different results and special situations from time to time as a result of war, cultural differences and other factors. Thus, the problems caused by the war were tried to be eliminated thanks to the positive results of the industrial revolution.

3.5. Post-War Economy (1945-1970)

The Second World War had more socioeconomic consequences than the First World War, distorting the distribution of economic resources and throwing them out of balance. Therefore, after the Second World War, the allied countries started to establish global institutions that could regulate the global economy, especially money markets, in times of crisis. Institutions such as the IMF, the World Bank, and the European Coal and Steel Association, which laid the foundations of the EU, came into existence after this period.

In this period, theories such as Friedman's money theory, Solow's growth theory, and Nash's game theory came to the fore. The discovery of money gave a new dimension to economic activities. It accelerated the distribution of goods and services and the process of exchange. However, the distribution of scarce resources among unlimited needs, could not solve the problem. It only accelerated the process of change and transformation and thus increased the volume and speed of economic activities and trade.³²

The management of financial instruments and their impact on the economy gained momentum, especially after the industrial revolution. Especially after the World Wars,

³²Richard Lipsey and Peter Steiner, *Economics*, 7th Edition, Harper, New York, 1984, p.4.

countries focused on interest-based borrowing as well as printing money due to both war financing and post-war reconstruction expenses. That is why the problems of balancing debt repayment, inflation, and interest rates began to come to the fore. The Ottoman Empire had to accept capitulations by entering into interest and debt spirals. The management of the interest rate, which acts as a bridge between such income and capital, began to require an institutional structure in an economy.³³ Central Banks assumed this task and started to see the balance between goods and services and monetary activities in the market against the reality of inflation by using the interest rate as an API tool.³⁴

3.6. 1970 -2022 Current Economy

Although economic policies cannot be implemented independently of ideological and political decisions, scientific approaches play an important balancing role in establishing a balance between facts and political interests.

The domestic resource shortage of countries can be met in two ways by outsourcing. It is the option of realizing capital and technological innovation in the country by encouraging foreign direct investments (FDI) by making physical investments in the country by foreign companies themselves. The second is to attract financial instruments. These two sources have both advantages and disadvantages. Foreign direct investments and foreign financial flows can make the country's economy dependent on foreign capital.³⁵

In particular, it may be possible that domestic capital cannot develop in the face of foreign investments. In addition, since foreign financial investments concentrate on the stock market and foreign exchange markets, it may lead to the formation of speculative bubbles and crises. Classical economists oppose the role of the state in the economy and therefore public borrowing. Because government borrowing means more taxes, which means more public intervention.³⁶

³³ Irving Fisher, **The Theory of Interest**, New York, The MacMillan Company, 1930.

³⁴ Case, Fair and Oster, **a.g.e.**, p.122.

³⁵ Çımat and Daşkiran, **a.g.e.**, p.18).

³⁶ Tekin Akdemir and Şahin Yeşilyurt, "Devlet Borçlarının Kökeni, Gelişimi ve İktisadi Temelleri", **Karadeniz Teknik Üniversitesi Sosyal Bilimler Enstitüsü Sosyal Bilimler Dergisi**, 8(16), 2018, p.6.

The spread of economic policies on a global basis causes states to shape their economic policies accordingly.³⁷ Today's modern economic policies have been developed based on the suggestions of philosophers and social scientists.³⁸

Measuring the development levels of countries with econometric models will achieve meaningful results but evaluating these data by comparing them with other country data within the framework of economic policies will yield meaningful results.³⁹

Globalization not only ensures the globalization of economic advantages but also causes problems to spread rapidly on a global basis.⁴⁰ Maverdi, one of the leading Islamic scholars of the twentieth century, also accepted the liberal economy understanding as one of the leading systems, provided that it respects fair and human values, and evaluated the protection of private property rights as a positive approach in terms of both state and public welfare.⁴¹

Health, environment, and social integration in metropolises are deformations in parallel with this urbanization. Since these negative results will lead to an increase in the number of unhealthy people in the long run, rather than the costs to the economy, it will lead to the normalization of social depression and related violence. Therefore, in parallel with the increase in the number of goods and services produced by unnatural methods as a result of 21st century technological and scientific studies, an increase can be expected from the negative effects of these products on public health.⁴²

Conclusion

The ultimate goal of all branches of science, especially economics, is to develop methods to increase the welfare of individuals and societies, and to offer more efficient and effective solutions based on scientific perspectives in this direction. In this context,

³⁷ Nuran Koyuncu and Yasin Yılmaz, "XIX. Yüzyılda İktisadi Liberalizm Akımının Osmanlı Ticaret Kanunnamesi'nin Kabulüne Etkisi," *Adalet Dergisi*, *Adalet Dergisi (Türk Hukuk Tarihi Özel Sayısı)*, 2019.

³⁸ Tomanbay, *a.g.m.*, p.14.

³⁹ Nişancı, Uçar and Soyyiğit, *a.g.m.*, p.11.

⁴⁰ Yılmaz, Kızıltan and Kaya, *a.g.m.*, p.20.

⁴¹ Ebü Maverdi, *Ḳavânînü'l-vizâre ve Siyâsetü'l-Mülk*, Rıdvân es-Seyyid Yayınları, 1998, p.24.

⁴² Hasan Alpago, *Kesin Dönüş*, KDY, İstanbul, 2022.

scientists who contribute to the field of economics have also developed theories that aim to increase economic and social welfare. From the cooperation example in Smith's pin factory to Ricardo's absolute and comparative trade theories, the main purpose is to incorporate scarce resources into the production process most effectively and efficiently, thus enabling more goods and services to be produced. Likewise, the main goal of Marx and Keynes is not ultimately the domination of the public over the economy. What makes these two thinkers in common is that they propose to use the power of the public for the welfare of society. While Marx advocated absolute nationalization in the economy under the domination of the working class, Keynes suggested that the state should only assume a regulatory and supportive role when necessary. Both economists ultimately suggested that the state should free individuals after a certain stage. Marx defended a socialist idea by arguing that this would be possible with the absolute dominance of the proletariat, while Keynes argued that the intervention of the state in the economy should come to an end with the erosion of the crises. As a result, in any case, in a society with a high level of prosperity, peace and tranquility will gain weight. In this context, the discipline of economics, which is based on the most efficient and effective management of scarce resources in meeting endless needs, serves peace as it strives to increase the welfare of the individual and society. The economic concept has a long tradition. The first economic ideas date back to ancient times and the Middle Ages. In this sense, it did not start from scratch while writing Adam Smith's *The Wealth of Nations*. On the contrary, it greatly benefited from the contributions of previous thinkers to the history of economic thought. However, with Smith, economic thought entered a new era and experienced a high level of dynamism and was characterized by various paradigm shifts in this process.

When considered from a macroeconomic perspective, current economic policies are based on theories and experiences developed as a result of thousands of years of experience and knowledge of the society. As a result of this, different economic policies have been developed, sometimes supporting each other and sometimes contradicting each other. Economic theorists have developed their ideas mostly based on Adam Smith's important work "*The Wealth of Nations*". As a matter of fact, Smith's

work stands out as a guiding fundamental work in terms of economic history, as well as macro and microeconomics perspectives.

On the other hand, after Smith, economists such as Ricardo, Say, Marx, Fischer, Menger, Keynes, and Schumpeter developed their echoes inspired by Smith. While Menger is considered one of the pioneers of the Austrian School of Economics, their economic model controlled by the public through the working-class so-called proletariat Marx comes to the fore and this is accepted as a unique economic approach.

On the other hand, Keynes developed an economic approach that found a middle way, inspired by Smith and Marx, so to speak. This is called the interventionist or mixed economic model. In this study, based on this main concept, the most important economic thinkers and approaches from the beginning to the present have been evaluated. In this respect, the main objective of this study and its contribution to the literature can be formulated as follows: economic ideas will help us to sharpen our view of reality and, in parallel, produce contemporary solutions to new problems. Economic crises in underdeveloped and developing countries may be felt more severely than before 1980. Because when the majority of the rural people who produce their own products settled in the city, people came to be more dependent on meeting their basic needs such as food, clothing and shelter. In this respect, the studies of economists on the management and distribution of scarce resources are of particular importance in terms of maintaining social peace.

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