

# HOW TO EVOLVE ECONOMICS AT FIRST STEP: DISMANTLING IDEOLOGIES

Yongshik Choe\*; Seong-yop You

\*[ecnms21@hanmail.net](mailto:ecnms21@hanmail.net)(Corresponding author), [yousuoy@hanmail.net](mailto:yousuoy@hanmail.net).

\*Research Professor, Business Economics; AI-based Strategic Management

\*The Institute for Industrial Policy Studies; Seoul School of Business, aSSIST

\*03767 Finland Tower 7F, Sinchon-ro 203, Seodaemun-gu, Seoul Korea; 03767 Ewhayeodae 2-gil,  
Seodaemun-gu, Seoul Korea

심사분야:경영전략

## Abstract

Economics is losing people's trust because it is rarely useful in the economic lives of people. Even its price theory, mainstay of economics, is scarcely utilized to invest into the stock market which nearly meets its stringent prerequisites such as perfect competition, full information, and strict balance. One of the most important reasons why economics has hardly evolved to be useful would be due to the fierce opposition between capitalism and socialism which causes a keen confrontation between neoclassical economics and Marxian economics. As a result, both the economics inordinately take scientific rigor only for the logical competition between them to defeat each other, not for the practical usefulness of people's living and not for the successful managements of company and national economy. So, it is essential to scientifically dismantle both the ideologies in order to evolve contemporary economics further. To do this, both neoclassical economics and Marxian economics which are the scientific base of each ideology, respectively, should be disorganized, and both the theorem of equilibrium price and that of labor value which are the foundation of each economics, respectively, should be dissolved. So, this paper dissolves both the value theorems to create a new theorem of relative value, disorganizes both the economics to establish a new paradigm, and thereby dismantles both the ideologies. This paper would be the first trial to scientifically dismantle both the ideologies and to create a new theorem of relative value which would contribute to the evolution of economics.

**Key Words:** Dismantling, Ideology, K-Economics, Kinetic-Energy, Relative-Value.

**JEL Code:** A10

## 1. Introduction

More than half a century has passed since Joan Robinson declared the dollar crisis in 1971 as the crisis of economics, referring to the failure of contemporary economics to explain it. More than 20 years have passed since French students wrote an open letter to professors in June 2000 that contemporary economics was autistic, immersed in the imaginary world. And more than a decade has passed since the British Academy confessed at the Letter to the Queen of UK in July 2009 that economics was incompetent when asked why bright economists was not able to foretell the global financial crisis erupted in late 2008.

In fact, whenever an economic crisis broke out in the economy, the issue of economics' crisis used to emerge since economics rarely foretold its outbreak. Even after it broke out, economists hardly identified its real cause, besides an adequate explanation about its developing process. For example, as for the financial crisis erupted in late 2008, they raised what happened in the course of its unfolding as its cause, however, which was far from its real root, the Ownership Society, they were not aware that a similar crisis to it had already occurred in the UK economy in the late 1980s because of the same cause, and they even made harmful arguments that would have deteriorated the crisis further, of which issues are discussed in earnest at another paper titled "Economic Pathology; A Research into its General Principle and Clinical Cases" (Choe, pp 118-132, 2021) with the heading of "Clinical Case IV: A New Perspective on the Causes of Global Financial Crisis in 2008".

In near future, the issue of economics' crisis would be aroused again as the world economy is confronting an economic crisis which would be one of the bitterest in history. And then contemporary economics will be revealed to be incompetent even in explaining the crisis, not to mention in foretelling it, just as an economist already pointed out, "most economists' efforts were devoted to study 'health' and very little to analyze 'illness' in economics" (Becker, 2010). Indeed, there is no Economic Pathology in contemporary economics despite the economy being inferior to humankind. In other words, the establishment of Economic Pathology is essential and urgent, of which issue is discussed in full swing at the above paper.

Why is mainstream economics so incompetent that it rarely foretells the outbreak of economic crisis? Most economists have regarded all economic crises, including the Great Depression, as the failure of market. Accordingly mainstream economics based on the market economy has considered the market as incompetent. However, it is rather safe to say that almost all economic crises are caused by the failure of government policy and that contemporary economics is so incompetent, of which issue is minutely discussed at the above paper. Of course, as for the Great Depression in the 1930s, the most serious crisis in history, there were some economists who clarified that the failure of government policy caused it rather than the market failure did (Kindleberger, 1973; Krugman, 1979; Bernanke, 1983; Obstfeld, 1986; Smiley, 2002; Feinstein et al., 2008). Regretfully, however, their clarification was made after more than 40years had passed from its outbreak. And as for other crises, it is hard to find any economist who asserted the failure of government policy as their real cause.

Anyway, it is the reality that contemporary economics is incompetent even in explaining not only economic crises but also general phenomena of the economy, besides in diagnosing and predicting them. Even nowadays, economics has little evolved to properly explain the economic phenomena as they are despite the old petition of French students to professors, “Wake up before it is too late!” in June 2000. So, economics is losing people’s trust much more than ever. As contemporary economics is scarcely useful for the economic lives of people as above, the respect for economists is seldom found nowadays in the world. It is a general perception of people that economics is rarely useful for their economic lives. Even the price theory which is the mainstay of economics scarcely explains the phenomena of price as they are, of which issue is discussed in full swing at our other paper titled “Kinetic Theory of Price: A Part of K-Economics” (Choe and You, 2023g). It is almost useless even in the stock market which closely satisfies the overly stringent prerequisites of economics such as perfect competition, full information, and strict balance. This is proved by the reality that it is hard to find any investor who invests into the market by utilizing the price theory.

The income theory of contemporary economics also often fails to properly explain the phenomena of income as they are, its money theory rarely diagnoses the phenomena of money and banking, and its theories of international trade and exchange rate hardly explains the balance of international payment and the fluctuation of exchange rate, of which issues are respectively discussed at our other papers titled “Kinetic Theory of Income: A Part of K-Economics” (Choe and You, 2023e), “Kinetic Theory of Money and Banking: A Part of K-Economics” (Choe and You, 2023f) and “Kinetic Theories of International Trade and Exchange Rate: A Part of K-Economics” (Choe and You, 2023d). Especially, the problem of its income theory is so serious that there have been few cases that the policy of fiscal deficit boosted the economy in the long run, rather resulting in stagflation and hyperinflation at last. To be blunt, all theories of contemporary economics are not for practical usefulness of people, but for an intellectual game of economists.

Why is contemporary economics rarely useful in the economy? It is because all theories of contemporary economics are underdeveloped yet not to meet the reality. Why is it underdeveloped yet? It is one of major reasons that contemporary economics is relying on overly strict premises such as rational behavior, perfect competition and general equilibrium which are far from the reality, as well-known. Why has mainstream economics obsessed with these overly strict premises despite ceaseless critiques of economists concerned against them for a long time? It is one of major reasons that the whole theories of contemporary economics should be collapsed when these premises are abandoned.

Why are not the above strict premises modified somewhat yet to meet the reality within the range that most theories of contemporary economics are not abandoned? It would be mainly due to the excessive pursuit of scientific chastity in contemporary economics. However, which is more important than the other between the practical usefulness of economics and its scientific chastity? Of course, the former is more important than the latter for the economic living of people and the managing performances of company and national economy. Despite this fact, what causes the excessive pursuit of scientific chastity? It is definitely caused by the extreme confrontation between capitalism and socialism in the whole 20th

century. The fierce confrontation between them has naturally caused a severe competition between neoclassic economics and Marxian economics which are the scientific bases of capitalism and socialism, respectively, and it has led to an excessive dominance of economic mathematics in mainstream academia as will be seen at fifth section of this paper. Above all, it is the natural fate of mainstream economics to defend the viewpoint of capitalism that the economy is a beneficiary and has to be protected, as will be seen at third section of this paper.

If so, what should do economists to evolve economics further? For the contemporary economics to properly explain and to correctly diagnose economic phenomena as they are, what should economists do? First, it is essential to dissolve both the ideologies of capitalism and socialism which have crucially hindered the evolution of economics. Second, it is also essential to establish a new value theorem which meets the economic reality, that is, relative value theorem based on the circular perspective, as will be investigated at third section. Third, according to this relative value theorem, the axioms of contemporary economics should be revised to closely meet the reality as discussed at our other paper titled “How to Evolve Economics at Second Step: Modifying Axioms” (Choe and You, 2023b).

Fourth, just as all natural colors in the nature are synthesized by the three primary colors of red, blue and yellow, it is essential to recognize the fact that all economic phenomena in the economy are also synthesized by the three primary economic phenomena of price, income and system. And it should be recognized too that each phenomenon of price, income and system is not a simple one caused by the operation of one principle, but a complex phenomenon caused by the operations of three principles of chaos, fluctuation and decision, as discussed in earnest at our other paper titled “How to Evolve Economics at Third Step: A New Approach to Economics” (Choe and You, 2023c).

Finally, based on the above viewpoints, the overall theoretical system of economics should be newly established, of which theme is examined in the book, *Predicting Economics: K-Economics* (Choe, 2023c). So, the new economics, K-Economics, can grasp and explain almost every inflection in the economic phenomena such as those of price, income and business cycle, of which issue is discussed in full swing at our other paper titled “How to Diagnose and Predict the Economy by Utilizing K-Economics” (Choe and You, 2023a).

Meanwhile, the above tasks are too broad for a single paper to cover. Therefore, this paper solely focuses on the first task that deals with the essentiality and urgency to dismantle both the ideologies of capitalism and socialism in order to evolve contemporary economics which is almost useless for the economic living of people and the managing performances of company and national economy. The other tasks mentioned above is respectively discussed at our other papers titled “How to Evolve Economics at Second Step: Modifying Axioms” (Choe and You, 2023b), “How to Evolve Economics at Third Step: A New Approach to Economics” (Choe and You, 2023c), and the book titled *Predicting Economics: K-Economics* (Choe, 2023c), as mentioned already.

This paper might seem merely a kind of essay, not a professional article. However, all the themes discussed at above papers need a long logic and long story to discuss them in full swing, which would little contribute to the evolution of economics by complicating them and the problems of economics. To

discuss even the theme of dimension in full swing which will be discussed in brief at third section of this paper, besides that of dismantling ideologies, a book of hundreds of pages would be necessary to cover it in full swing. In fact, the lead author of this paper published a book in Korean related to the theme of dismantling ideologies in 1991, but it has little contributed to the evolution of economics. Above all, those papers, although plain and easy to read, are full of new and creative contents that have been rarely seen at previous papers and books.

What should any author do when it is difficult for him or her to find any prior research on a theme of new, creative, practical, and strange to economists? Of course, he or she should write in a plain and easy way to understand because any paper, which is unfamiliar to editors and economists concerned, can get even a chance for them to review once. Indeed, they would not devalue the above papers as plain essays once they compare the capability of new kinetic theories in K-Economics to explain and diagnose the economy, which are based on the above papers, with the theories of contemporary economics. Foremost, economics should be easy for people to understand in order for it to contribute to the economic lives of people and the managements of company and national economy. In the reality, even though all theories of contemporary economics are very hard for ordinary people to understand, the economy is hard to be properly explained and to be correctly diagnosed with them, besides to accurately predict the economy which is necessary and essential for the well-living of people and for the successful managements of company and national economy.

In brief, the above papers are prerequisites of economics evolution. Particularly, both the ideologies of capitalism and socialism should be dismantled as soon as possible because they have fundamentally blocked the evolution of economics, as will be seen at fourth section. The authors of this paper investigate an efficient way to scientifically dismantle both the ideologies and suggest a new perspective of value theorem at the section, which would disorganize and evolve all theories of contemporary economics to meet the real economy.

Furthermore, there is one more thing important and urgent to be settled. It is the issue of surplus profit in contemporary economics along with that of quality since mainstream economics neglects the surplus profit which is the motive of all economic behaviors in the economy. Why does mainstream economics ignore the surplus profit? Its reason is mainly caused by the ideological confrontation between capitalism and socialism, as will be seen at second section. So, the dissolution of ideologies is urgent, essential and inevitable for the contemporary economics to evolve further and to be useful for the economic lives of people and for the managements of company and national economy.

Accordingly, this paper is organized as follows; first section introduces the issue of economics evolution which would be useful for the economic lives of people and that of ideologies which should be dismantled in order to evolve economics, as seen above; second section deals with the theoretical consideration to dismantle the ideologies of capitalism and socialism; third section discusses two kinds of value theorems which are the scientific base of each ideology, respectively; fourth section investigates an efficient way to scientifically dismantle the ideologies of capitalism and socialism; fifth section reviews the mathematical approach in economics and its abuses; sixth section examines the result of chasing

scientific chastity which ignores quality and surplus profit; and last section concludes this paper, summarizing its main achievements and proposing future works.

## **2. Theoretical Consideration to Dismantle the Ideologies**

On earth, what is so wrong with contemporary economics, as seen above? Why is the contemporary economics rarely useful in the real world even though a quarter of millennium has passed after its establishment? There must be some crucial reasons for contemporary economics to be incompetent in diagnosing and forecasting the economy which are essential for the economic wellbeing of people and the good management performances of company and national economy. To find the reasons, it is necessary to know when contemporary economics went so wrong. When did it go wrong?

It is often said that academic research is about standing on the shoulders of a giant and looking at the real world, as noted by I. Newton. In other words, it is desirable for scholars to conduct their academic studies based on prior outstanding achievements of prime antecedent scientists. This viewpoint is also firmly established in economics as an orthodox way to study. However, when the position that the giant stands is not desirable and his or her perspective is not appropriate, the story becomes completely different from the orthodox way to study, of which prime example is contemporary economics as will be seen soon.

Meanwhile, against the Newton's note, in physics, the Einstein's theory of Relativity was born to surpass the Newton's theory of Gravity, and quantum mechanics is also born to explain quantum phenomena that Einstein's theory of Relativity can hardly explain. On the other hand, in economics, regretfully, any revolutionary evolution has not taken place until nowadays, except for the marginal revolution. In fact, economics is not evolving enough to be useful for the economic lives of people even though almost all theories of contemporary economics scarcely explain the economic phenomena as they are in the economy, not to mention in diagnosing and forecasting them, as already discussed in brief.

Back to the point, Adam Smith, the founder of modern economics, studied economics from the viewpoint of moral philosophy, not from that of social science. Of course, he tried to research economic phenomena as they were in the real economy but approached them from the viewpoint of moral philosophy since he was a moral philosopher. So, he asked what the value of a good was and where it came from. As a result, he divided the value of a good into the natural price and the market price, and he preached from the viewpoint of moral philosophy that the labor value dominated the natural price. But this is not proper from the scientific viewpoint because the natural price never exists in the real economy, of which issue will be discussed soon at third section. In short, the first button in the development of economics was put on wrong by obsessing with the natural price that never exists in the real world that economic peoples live, and the subsequent progress of various theories of contemporary economics resulted in all other buttons being put on wrong.

Another error of Adam Smith was to assert that the wealth of nation is determined by production factors such as labor, capital and land. But the production factors are only a necessary condition in determining the wealth of nation. Another sufficient condition is needed for the national economy to grow.

Let's take an analogy to make it easy to understand, as follows. In order for an athlete to achieve outstanding performances, it is necessary for him or her to be born with excellent physique and talent. However, when he or she has not sufficient physical strength, he or she cannot fully demonstrate his or her excellent physique and talent. Even if he or she has excellent physical strength, it is difficult to fully demonstrate his or her physical strength as well as outstanding physique and talent when he or she has not excellent skill. And his or her game sense is essential in order for him or her to fully demonstrate excellent physique, talent, physical strength and skill throughout a game because either an opportunity or a crisis come even at its end.

What do physical strength, skill, and game sense mean in the economy? Simply put, physical strength means growth potential, skill means international competitiveness, and game sense means growth sustainability. By the way, all these things can be obtained through the perseverance of sweats, pains and bloods(sacrifice). By ignoring this fact, Adam Smith hindered the growth of national economy that could be achieved through the perseverance of sweats, pains and bloods, of which issue is sincerely discussed at another paper of lead author titled "A Research into the Scientific Policy of Government" (Choe, 2023a). In other words, Smith's assertion on the factors of national wealth has made people turn away from the perseverance of sweats, pains and bloods, and thereby has often aroused popularism, especially in the Third World, resulting in its underdevelopment and general poverty.

If so, what should the economists who have the will to fundamentally evolve the contemporary economics do from now on? Of course, they should go back to the first button, and find a new way for it to be buttoned right. What exactly should they do? At first, to fundamentally evolve the contemporary economics, they should ignore, for a while, almost all theories that have been developed until now by eminent economists. No matter how outstanding academic achievements they are and no matter how meaningful criticisms against them are, they are complicating the problems of contemporary economics further and hindering the evolution of economics. So, all of them should be ignored for a while in order to fundamentally evolve the contemporary economics. Otherwise, the evolution of economics is difficult to be expected because the first button was misplaced and most of numerous advances of economic theories were also thereby buttoned wrong. Accordingly, at this paper as well as at our other papers that lead to a series, there are little reviews on previous studies of antecedent, even prominent, economists.

Back to the point again, Adam Smith argued that the natural price was determined by the labor value, and the market price had the feature of going close to the natural price. In other words, to his viewpoint, the key was the natural price in the economy which was determined by the labor value. Why did he obsess with this labor value theorem which was far from the reality? It was because of the value paradox. He could hardly comprehend the reality that a diamond of little worth was expensive in the market while air and water of absolutely worth were priceless because he was a moral philosopher. So, he believed that the labor value dominated all the prices of goods in the economy.

This theorem of labor value played a vital role to separate the ideology of socialism from that of capitalism, as follows. For reference, although whether the value judgment is essential in economics or not has long been a subject of fierce debate in the academia, it is the authors' understanding that the value

judgement should be excluded when economists observe the economic phenomenon in order to derive a principle because the economy has not a warm heart, while they should consider the value judgment when they apply the principle thereby derived to the reality because they have their warm hearts.

First off, some prominent mainstream economists such as Jeremy Bentham (1748~1832), Jean-Baptiste Say (1767~1832) and Nassau Senior (1790~1864) who inherited the 'invisible hand' of Smith established the mainstream economics of capitalism backed up by the value theorem of utility relying on the utilitarianism. After then William S. Jevons (1835~1882), Carl Menger (1840~1921) and M. E. Leon Walras (1834~1910) initiated the marginal revolution in the 1870s to resolve the paradox of value, completing neoclassical economics along with the additional contribution of Alfred Marshall (1842~1924), establishing the general equilibrium theorem and consolidating further the ideology of capitalism.

On the other hand, Karl Marx (1818~1883) accepted the theorem of labor value to develop the political economics of socialism in his renowned book, *Capital: A Critique of Political Economy*, published in 1867. After then Marxian economists have had fierce debates with Neoclassical economists for a long time to defeat the others, relying on the above book of Marx. Particularly, the Russian Revolution strengthened the position of Marxian economics against that of mainstream economics in the early 20th century. The ideological conflict between capitalism and socialism developed into political confrontations between the superpowers of United States and Soviet Union after the World War II. Accordingly, the confrontation between capitalism and socialism became more violent than ever. So, capitalist economics and socialist economics have continued a sharp confrontation with each other, which has led to the fierce competition in order to show which economics is logically and scientifically superior to the other, and eventually each of them has overly pursued the scientific chastity and logical precision of economics.

As a result, each economics, unfortunately, has become increasingly distant from the real economy. Especially, mainstream economics has been played up by unintended strategy of Marxian economists. So, mainstream economics has become metaphysics that studies only the justifications of its price theory, income theory and other theories, not a social science that studies the economic phenomena as they are in the real economy. If so, what should mainstream economists have done for the evolution of economics? Of course, they should have gone back to the root which caused the ideological differentiation and found a new way to evolve economics from the root.

So, the first task of mainstream economists should have been to establish a new perspective different from the contemporary perspective as will be discussed shortly at third section because it would fundamentally disorganize both the capitalist economics and Marxist economics which are the theoretical bases of both the ideologies, respectively. And then mainstream economics would have evolved to meet the real economy and to be useful for the economic lives of people. Indeed, almost all theories of contemporary economics have little practical usefulness in their economic lives, as briefly mentioned already.

To empathize, it is essential and urgent to dismantle both the ideologies of socialism and capitalism and to dissolve both their value theorems. And then it would be possible to establish a new value theorem and to fundamentally evolve contemporary economics. Just as outstanding thinkers had established the viewpoint of individualism by rejecting the compassionate viewpoint of Catholic in the 17th and 18th century after the mercantilist era had already been opened, it is the time to scientifically dismantle both the ideologies of capitalism and socialism even though the latter has already lost its power due to the collapse of Soviet Union and the economic transformation of communist China. However, its theoretical validity has been persisted by Marxian economists owing to both the logical excellency and dynamic feature of its economics despite its theorem of labor value being criticized by numerous capitalist economists that it rarely meets the economic reality. So, the socialist ideology should be dismantled in order to evolve economics as soon as possible. It is the same of capitalist ideology because its economics has rarely explained the economic reality as it is, as already mentioned too.

Regretfully, the authors of this paper have hardly found any trial to scientifically dismantle both the ideologies despite the multiple arguments of economics' crisis in the academia although there were some studies that tried to simultaneously identify both the ideologies (Hunt, 1979; Schumpeter, 1951). And it is hard for the authors of this paper to find any trial to create a new value theorem which closely meets the real economy. In fact, all the market prices fluctuate in the real economy without regarding either the labor value or the utility value which is the theoretical basis of each ideology, respectively.

This paper might be the first trial to scientifically dismantle both the ideologies and to find a new perspective of value theorem which meets the reality. The authors of this paper believe that the new value theorem of ours would contribute to the evolution of economics so much that most economic phenomena can be correctly diagnosed as they are and can be accurately predicted their trends in near future. When the value of goods evolves from the absolute concept on static viewpoint to the relative concept on cyclical viewpoint, the need to distinguish between the natural price and the market price, which had bothered classical economists including Adam Smith, David Ricardo, Carl Marx and others, would disappear. Market price is dynamic equilibrium one as well as the natural one according to the relative concept on cyclical viewpoint, of which issue will be discussed at third section, as follows.

### **3. Scientific Dissolution of Value Theorems**

To completely dismantle both the ideologies, both capitalist economics and socialist economics should be disorganized from their foundations. In other words, both the theorem of equilibrium price that forms the basis of neoclassical economics and the theorem of labor value that forms the basis of Marxian economics should be dissolved. When the theorem of equilibrium price collapses in the neoclassical economics and that of labor value collapses in Marxian economics, all theories of each economics cannot help but collapse. To liken, a building collapses when its pillars are pulled out. It would be able to declare that both capitalism and socialism are completely dismantled when both their economics are disorganized by dissolving each value theorem. So, the lead author of this paper set out to dissolve both the value theorems which are the scientific foundation of each economics.

Surprisingly, the lead author easily found the clue to dissolve both the value theorems; Einstein's theory of Special Relativity provided him a crucial key to solve the problem. Especially, he has realized that anything which exists on the different dimension from the other cannot encounter with each other in any case. Both the theorems of labor value and equilibrium price exist in the 'two-dimensional world without time passing' that means they are absolute beings, while the price in the reality exists in the 'three-dimensional world with time passing' that means it is a relative being.

This concept of 'three-dimensional world with time passing' at this paper and in K-Economics is far from the dimensional world of Einstein's that is believed as a truth in physics. So, it is necessary to clarify the new dimension which is one of groundworks of this paper and K-Economics, albeit briefly, as follows. In mechanics, I. Newton regarded time and space to be absolute. On the other hand, A. Einstein conceived of time and space as relative and integrated them into one concept, creating the term of Space-time. Instead, he conceived of the light as an absolute being that was certified by  $E=MC^2$ . Which one of them is right? Contemporary physics teaches that Einstein's viewpoint is right while Newton's viewpoint is already discarded. But the judgment of the authors of this paper is that rather the former is wrong as far as the dimension is concerned even though the general perception of physics academia that Einstein's theories of Relativity evolved beyond Newton's theory of Gravity has strengthened the belief that the former is right while the latter is wrong.

If light is an absolute existence, it has not to be distorted by any variable and in any case in the relative world humankind live. However, when light passes through water or glass, it is refracted by it, which is a kind of distortion. Above all, any humankind who lives in the relative dimensional world should neither have been able to confirm nor to measure the light that exists in the absolute dimensional world. But anyone feels light, and its speed is already measured by physics. Therefore, light is never absolute. So, is the Einstein's theorem that the space-time is distorted by the gravity wrong? Yes, it is wrong. The space-time is not distorted by the gravity. Rather just light is refracted by the gravity. Even though space and time appear distorted, this is only an optical illusion. On the other hand, anyone who lives in the three-dimensional world with time passing never feels, sees, touches and grasps both space and time passing. Therefore, it is the judgment of the authors of this paper that both the time and the space exist in the absolute dimensional world as absolute beings, of which issue is earnestly discussed in the book, *Predicting Economics: K-Economics* (Choe, 2023c), with the heading of "A New Perspective of Dimension for the Evolution of Economics".

Indeed, both the theorems of labor value and equilibrium price exist in a virtual world that is different from the real economy where economic people live. So, any economist can neither grasp nor properly explain economic phenomena with the theorems. In fact, both the theorems do not consider the changes of economic situation; it has been believed at these two value theorems that the same principle always dominates the economy even if income increases with the development of technology, transaction ratio among goods changes, consumer's preference changes, and the input coefficient of production factors varies.

The labor value theorem recognizes by itself that it is an absolute one as seen from the assumption that the absolute measure of value is a precondition of its theorem. In fact, the existence of absolute measure was scientifically proved by using the standard commodity in the theorem of labor value (Sraffa, 1960). On the other hand, the Numeraire which is a prerequisite of general equilibrium is not certified yet in the theorem of equilibrium price, besides the issues of Reswitching and Capital Controversy. Nevertheless, mainstream economists argue that the theorem of equilibrium price can explain price phenomena as they are. In the real economy, however, all the prices of goods cannot be confirmed unless both money amount and income are given in the economy. Income varies when money amount fluctuates, the functions of demand and supply change when income varies, and all of them vary as the time passes, of which issue is discussed in full swing at our other paper titled “Kinetic Theory of Price: A Part of K-Economics” (Choe and You, 2023g). The theorem of equilibrium price ignores the time passing, as seen above. So, the theorem of equilibrium price is nothing more than an absolute value theorem because there is no dimension of time in the theorem.

It is hardly possible for any economist to grasp and diagnose economic phenomena as they are in the real world with either the labor value theorem or the equilibrium price theorem because economic phenomena exist in the three-dimensional world with time passing which is different from the absolute dimensional world of each value theorem. To liken, any ‘flyswatter in a picture’ cannot catch any ‘flying fly’ in the nature because the former exists in the ‘two-dimensional world without time passing’ just like the absolute value theorems while the latter exists in the ‘three-dimensional world with time passing’ just like the real economy. These absolute value theorems and the economic phenomena separately exist in the different dimensional world from each other, and they cannot encounter in any case. This issue of dimension makes not only the labor value theorem but also the equilibrium price theorem become useless in the real economy although they recently advance somewhat. For example, the disputes between Marxian economists and mainstream economists on the transformation problem, time preference theory, standard commodity, skilled labor problem and the like become futile in the ‘three-dimensional world with time passing’.

Both for the theorem of labor value and that of equilibrium price, it is impossible to grasp the economic phenomena as they are in the economy. So, the lead author of this paper should establish a new value theorem which meets the reality since the real economy is not able to be grasped by either the theorem based on labor value or that based on equilibrium price, as seen above. It becomes a new task for the lead author to seek and establish a ‘new value theorem’ suitable for the real world of three-dimension with time passing. He would declare that the dissolutions of two value theorems are completed when he finds and establishes such a new value theorem. At last, he finds and establishes the ‘relative value theorem on cyclical standpoint’ after paying persistent efforts for decades. In short, the economy should be approached from the cyclical viewpoint, and all the values of all goods should be based on the term of kinetic energy, not that of weight. This theorem of relative value on cyclical perspective denies any absolute value and any absolute scale because they cannot exist in the real economy, and they cannot be

found by anyone even if they exist. For this issue, an analogy is useful to easily understand its meaning, as follows.

The absolute value is equal to the weight of an object, and the absolute scale is just like a balance. For both the weight of an object and a balance to be meaningful, the assumption that both the weight of an object and the scale of a balance are always constant is needed. The significance of weighing disappears when the weight of an object changes by itself. Likewise, the meaning of weighing also disappears when the scale of a balance often changes. Meanwhile, in the real economy, the value of any good always fluctuates, and any scale of value always changes. Therefore, all the values of goods are relative, and all the scales of value are relative, too. To repeat, only the relative value and the relative measure of value have their meanings of existence in the real world because all the values of goods are always fluctuating and all the value scales are always changing in the real economy. It is meaningful in the economy how high the value of a good is, comparing to others, and how fast its value changes, relative to the past. The price expressed in the reality is meaningful as a transaction rate, and it makes sense to judge how fast or slow its changing pace is. Let us take an example.

Although each price of a bag of wheat and a bottle of wine is twenty dollars and the transaction rate between them is the same, the absolute value of each good does not exactly match with the other. The evaluation of people would greatly vary according to their social status and income level. There are some people who starve to death without a bag of wheat while the others do not worry about their lives without drinking a bottle of wine. Is it right to say that the value of a bag of wheat is different from that of a bottle of wine? It can be said like this at the moral viewpoint, but it cannot be said like this at the scientific viewpoint because a bag of wheat and a bottle of wine are sold at the same price in the real economy.

Likewise, it should not be said that the economic life of a person with annual income of \$100 thousand shows tenfold difference from that of another person with annual income of \$10 thousand. In Korea, the former may wear a pair of sneakers worth of \$200 while the latter may wear it worth of \$20. And it should not be said that the utility of \$200 sneakers is as big as the price, comparing to that of \$20 sneakers. And even if the income disparity between two countries is doubled, the level of people's economic life between them is not twice. Only the choice of people becomes broad when income increases. Therefore, all the values should be considered as relative by economists at least. It is also important to look at the temporal fluctuation of price, which is even relative. In the early 1980s, the color TV set of 14-inches was sold at more than \$300 of which price was about a month salary of general worker in Korea, but now its price has fallen to the range of \$200. It was a luxury goods at that time while it is a supplement for a large TV set nowadays.

The 'relative value theorem on cyclical standpoint' drives economists to recognize the real economy as it is. Everything that exists has its own existence value, which should be acknowledged in order to properly explain and to correctly diagnose the economy as it is. And this new value theorem enables economists to grasp economic phenomena as they are. The economic phenomena which cannot be explained by the absolute value theorem of contemporary economics can be explained by this new value theorem since it accepts all the economic phenomena as they are. Most of all, the new value theorem

provides a scientific foundation for the contemporary economics to evolve further, of which issue is discussed in earnest at our other papers titled “How to Evolve Economics at Second Step: Modifying Axioms” (Choe and You, 2023b) and “How to Evolve Economics at Third Step: A New Approach to Economics” (Choe and You 2023c).

In short, the authors of this paper have looked at the forest of economics from outside, and this viewpoint has provided them an opportunity to observe the transition of economics forest. Their immature idea to scientifically dismantle both the ideologies of capitalism and socialism has gotten them recognize the essentiality of a new value theorem and create a new concept of ‘kinetic energy on the cyclical perspective’, which would lead to a new paradigm of economics. On the other hand, other economists have obsessed with contemporary economics since they are in a deep forest of economics, unable to grasp the transition of economics forest and unable to evolve economics. The authors of this paper have been just lucky so much. The new paradigm of economics they have built would be competent enough to correctly diagnose the economy as it is in the reality and to accurately predict its near future to a certain degree that is different from contemporary economics, of which issue is minutely discussed at our other paper titled “How to Diagnose and Predict the Economy by Utilizing K-Economics” (Choe and You, 2023a).

#### **4. Scientific Dismantling of Capitalism and Socialism**

To simply speak in advance, either socialism or capitalism is the product of a narrow vision just like that of blind men who touch a part of elephant. Indeed, the ideology of socialism looks at the economy based on the perspective of production and distribution, while that of capitalism looks at the economy based on the perspective of consumption and exchange. However, the economy is not only composed of production and distribution or not only of consumption and exchange. The economy is composed by all of them. In the real economy, production, distribution, consumption and exchange coexist altogether to circulate and to operate the economy. If any one of them is omitted, the economic cycle cannot work. Therefore, each ideology has a crucial limitation from the starting point of approach to the economy. And the perspective that is biased toward one side is bound to generate a value theorem that loses the sense of balance, as follows.

First, socialism looks at the economy from the viewpoint of production and distribution. So, the economy is accepted as conflicting and suffering by socialists. Indeed, production requires the payment of labor’s suffering in advance, and distribution often causes the conflict among production participants. This viewpoint brought out the birth of socialism. Accordingly, socialism has the perspective of class struggle, and it considers the economy as an object to be overthrown by labors and managed by the labor government. All theorems of socialist economics such as historical dialectics based on materialism, exploitation of proletariat by bourgeoisie, accumulation of capital by labor exploitation, structuring exploitation, disappearance of majority capitalists by minority capitalists, collapse of capitalism, class revolution, exploitation of the periphery by the center of world economy, imperialism and the like are the

products of this biased viewpoint, not the balanced viewpoint which is essential for scientists to study the economy.

When the cyclical viewpoint the authors of this paper advocate is accepted in economics, even the term of capital becomes meaningless for the means of labor exploitation because the value of capital should be recognized as a kinetic energy by economists. In the real economy, the value of capital fluctuates according to the fluctuation of business cycle regardless of the labor value; the value of capital increases when the economy upturns while it decreases when the economy downturns. In other words, the absolute value of capital has no meaning in the real economy from the cyclical perspective. And the dispute on the Production Shifting becomes useless from the cyclical viewpoint of this paper.

Next, capitalism looks at the economy from the viewpoint of consumption and exchange. So, the economy is accepted as a kind of benefactor by capitalism economists because consumption is always pleasant and exchange can be achieved when it benefits both the parties of transaction. This is the reason why the economy should be regarded as an object to be conserved in capitalism, and this way of thinking gets capitalism economists believe that the economy is always balanced by the 'invisible hand'.

As a result, capitalism is theoretically neglecting any economic misfortune such as crisis, panic and depression which are obvious evidence of market failure, of which issue is discussed in earnest at another paper titled "Economic Pathology; A Research into its General Principle and Clinical Cases" (Choe, 2021). For reference, there was an economist who properly pointed out overall problems of mainstream economics' viewpoint in the economics academia (Hunt, 1979). However, he did not point out the problems of Marxian economics' viewpoint. Rather, he stood by the viewpoint of Marxian economics despite the fact that this viewpoint has also the same problems of mainstream economics' viewpoint, as seen already.

Each of these biased approaches leads to a static viewpoint in each economics. It is often forgotten by economists that the economy is circulating when it is looked only at the perspective of production and distribution or only at the perspective of consumption and exchange. It is the crucial reason why the economic theories of both ideologies have not evolved yet from statics to dynamics for hundreds of years. Accordingly, both socialism and capitalism have inherent limitations. Nonetheless, they have an extreme confrontation by rejecting each other, rather than trying to overcome their limitations and to complement with each other. And the confrontation between capitalism and socialism makes each economics become a metaphysics, not a social science. So, contemporary economics becomes rarely useful for the economic lives of people and for the managements of company and national economy, as seen already.

In addition, the approach to the system becomes fundamentally different from ever when economics is free from the bondage of ideology. Indeed, both market and capital are not exclusive to the era of capitalism. They had existed long before modern capitalism was born. There had been markets and tools, that is, capital, even before the human history was recorded. How can economists deny market and capital that exist in the reality? How can the production and distribution planned and executed by the government surpass the function of market? Absolutely, they cannot because there are few officers of government who surpass the function of market.

And the government had existed long before both capitalism and socialism were born, too. It is the government that has played a vital role in the economy together with the market. It designs and constructs the economy and market in the real economy. And it is not the unique feature of capitalist society that production separates labor from capital, and income is distributed into wage, rent and interest. They existed even in the old Phoenician era (BC 12th ~ 9th century), not to mention the era of Song Dynast (960 ~ 1279) in Mainland China, the Italian city states and the Hanseatic League in the Late Middle Ages.

Furthermore, both the perspectives of capitalism and socialism neglect the fact that all suppliers, that is, capitalists, mortally fall to ruin some time or other as the economic history has proved it. The dogmas of capitalism and socialism are merely failures of human beings who challenge the Providence once. Both capitalism and socialism are temporal products of an era which would not have last forever. In the reality, both the ideologies have gradually gone glimmering. Foremost, the dissolution of ideologies would combine capitalist economics and socialist economics into a new paradigm of economics in near future, as seen in the book, *Predicting Economics: K-Economics* (Choe, 2023c). And the issue of system is discussed in earnest at another paper titled “Kinetic Theory of System: A Part of K-Economics” (Choe, 2023b).

## **5. Mathematical Approach in Economics and Its Abuses**

Qualitative research is just as important as quantitative research in every academia. The former is especially essential for the evolution of science while the latter is usually based on the former. And it is common for the latter to verify the performances of qualitative research. Despite these facts, the academia of economics usually neglects the qualitative research, belittling it. Indeed, at present, mathematical approach, a kind of quantitative research, has dominated most studies of economists despite fierce and constant criticisms of some economists against the excessive mathematical formalization, which, however, is one of major factors for contemporary economics to lose people’s trust. For reference, in the business administration, the abuse of mathematical approach was bitterly criticized by the book, *In Search of Excellence* (Peters and Waterman, pp. 29-54, 1982).

In the reality, the economy is not so simple that economic mathematics and its model can properly explain and correctly diagnose it. How can economic mathematics well express various phenomena in the real economy? Despite mathematics showing just straight line, circle including ellipse, parabola, sigmoid and wave, how can they properly explain various phenomena in the real world? Absolutely, it cannot. Moreover, economic mathematics is almost ignoring cyclic fluctuations of price and income in the real economy since there is no sine, no cosine and no wave function to express a wave in economic mathematics.

Although it is true that mathematics is a leading method in scientific research, there are some fields where it is barely required even in the natural science. For instance, it is difficult to find any mathematical approach in biology because the objects of biological study do not move in a regular track even though mathematics is vitally required in physics because the objects of physical study move in a regular track. Which one of physics and biology is close to economics? Of course, economics is closer to biology than

physics. Furthermore, it is hard to find any mathematical approach in physiology, except statistical one. Is there any mathematical model to explain, to diagnose or to predict the activity of organism in physiology? Is there any mathematical approach to clarify any principle of organism in physiology? Absolutely, there is none. And it is hard to find any mathematical approach even in social psychology which is the theoretical base of behavioral economics. So, it is abnormal that mathematical approach and its model have dominated the studies of economics academia since the theoretical structure of economics is just alike that of physiology.

In addition, most mathematical models of economics are scarcely useful in the real economy because hidden variables and displacement parameters are included in all the mathematical functions that most economists favor. It is common that some preconditions are included in all the economic functions, which means that they include hidden variables and displacement parameters. Let us examine this issue with a simple equation;  $Y = 2X + 3$ . What does it mean if a variable which can make the constant of 3 into 10 or 100 is hidden in the equation? How about is it if a displacement parameter which can change  $2X$  into  $10X$  or  $X^2$  is hidden in the equation? Most of functional formulas that most economists love is just like above. Figuratively speaking, if a part of crown is not shown and its shape is constantly changing, its volume is hardly calculated by any equational function as Archimedes taught us long time ago. The volume estimated by this way has not any valid meaning even if the function to calculate it is outstanding along with the help of a supercomputer.

Above all, mainstream economics is consisted of monistic theories. For instances, the equilibrium price is decided by the interaction of demand and supply, and the balanced income is formed at the equilibrium of savings and investment in contemporary economics. Either the price theory or the income theory has only one principle in contemporary economics, which means monistic. Therefore, it is hardly possible to grasp any inflection point with this economics because most economic functions are expressed in an equation. One principle makes one movement track, that is, one vector, of which moving direction and speed are always constant. Accordingly, most economists who obsess with contemporary economics usually issue useless forecasts. One of the most useless predictions of economists and economic institutes are on the business fluctuation; many economists and institutes used to anticipate that the economy would continue to be robust when its business cycle was bullish, and vice versa, which had not a big meaning in the economic lives of people and in the managements of company and national economy.

## **6. Result of Chasing Scientific Chastity: Ignorance of Quality and Surplus Profit**

To exaggerate a bit, there are only four theories in mainstream economics which are useful for the economic lives of people, as follows. First, price rises when demand increases more than supply. Second, income increases when investment increases more than savings. Third, the economy fast grows when the surplus of international trade fast increases. Even a common who has not studied economics well knows them. The fourth is the principle that money creates credit. This one is unfamiliar to those who have not studied economics. But they can easily understand once hearing about it. Even these four clumsy theories rarely explain economic phenomena as they are in the real economy. Particularly, it is a severe problem of

contemporary economics to ignore quality and surplus profit which are crucial factors to correctly diagnose the economic phenomena, as follows.

First, there is no concept of quality in contemporary economics but only that of quantity still now because the former has an attribute that is difficult to objectify in numbers. As the numeral approach has been regarded as the characteristic of science in the economics academia, quality has been excluded from economics despite its vital role in the real economy, as will be seen shortly. What is the reason? As already seen, it is because the ideological confrontation between capitalism and socialism had been sharpened during the whole 20th century, and it has caused the scientific chastity to be pursued by economists more strictly than ever. As a result, quality has found no room in contemporary economics.

However, quality dominates all economic phenomena together with quantity. Even for the price phenomenon, one of the most basic economic phenomena, the influence of quality is so powerful that the prices of some goods vary relying on the quality rather than the quantity. In the real economy, a high-quality good is sold at a higher price than ordinary goods, which proves that the quality of goods has a significant effect on the price phenomenon as well as the quantity does. Especially, quality has a profound impact on companies, the suppliers of goods. It is the trademark that has born to guarantee the quality.

As economics is a social science focused on economic phenomena, all the phenomena in the economy, especially repetitive ones, should be the object of economics' study. In other words, quality as well as quantity should be a research topic of economics. All the regular phenomena that exist in the economic reality should be the object of economics' study so that economic phenomena, as they are, can be properly explained and correctly diagnosed by economists. The issue of quality is discussed in earnest at our other paper titled "Kinetic Theory of Price: A Part of K-Economics" (Choe and You, 2023g).

Next, all the companies in the economy work hard to maximize their profits in general, of which fact is a common sense. However, mainstream economics denies the surplus profit in its theory. It has considered that the surplus profit of company disappears at last since it is believed that the perfect competition is achieved shortly without any cost. However, the perfect competition is hardly realized in the economy. If the perfect competition is achieved shortly, it results in the perfect monopoly due to the difference of competitiveness among companies, of which issues is minutely discussed at our other paper titled "How to Evolve Economics at Second Step: Modifying Axioms" (Choe and You, (2023b). Nonetheless, mainstream economics allows only the minimum ordinary profit necessary for a company to survive. But it is wrong. There is no reason for companies to exist and to survive if only the ordinary profit were allowed. What is the reason for them to exist and to survive without any surplus profit? There is none.

Most importantly, capital is made up mainly by the surplus profit. It is hardly possible for any company to accumulate its capital and to buy a new production facility without the surplus profit. In this case, the new entrance of any company disappears, choking off the perfect competition. There is no reason that mainstream economics waves aside the perspective of company. This is a violation against the basic economic principle of 'invisible hand' advocated by Adam Smith which means that while anyone is doing its economic activity for its own profit, its benefit goes to everyone. It is right to state that all

companies strive to maximize their own profits, which ultimately benefits everyone. In this case, the principle of invisible hand, which mainstream economists believe, well works. In the reality, most companies are making all their efforts to maximize their profits, and they make too big profits to tell them as the ordinary ones. So, the supply theory of economics should deal with the question 'how can a company make its profit bigger than ever and others?' Here is the reason why the supply theory of mainstream economics is almost useless for making money which is the ultimate purpose of economic activity. From now on, let us examine the new logic of profit, which is excellent in understanding the supply phenomena and useful in making money.

Price plays the role of traffic light in the economy, as well known. Consumers and producers respond to the traffic light. It is the surplus profit to draw their responses. For instance, it is the surplus profit whether a consumer chooses to buy or not and decides which goods to choose. It is the same for a producer. The surplus profit is an agent for determining which goods to produce and for deciding whether to increase or to decrease the production. The increasing profit of company increases its production, employment and investment, while the reducing profit reduces them.

How do economic entities figure out the profit? The profit means the selling price minus the producing cost. So, it increases when the price rises or the cost decreases. A company can earn more money when it produces a goods that reduces the producing cost further or increases the selling price further. It is also a shortcut for any person to make money by investing and finding a job in the companies that can reduce faster the producing cost than others or can raise faster the selling price than others. However, mainstream economics often overlooks this simple and easy economic principle. From now on, let us take a close look at these two issues in turn. Some practical examples would be helpful to understood them.

First, the market of TV display has been an arena of competition between Plasma Display Panel (PDP) and Liquid Crystal Display (LCD) since the early 1990s. They have fiercely competed with each other for survival. In early days, the screen of LCD was crisp, and our eyes were tired more than PDP as the screen of LCD was attracted to the afterimage effect of movie. On the other hand, the screen of PDP was smooth and there was no afterimage effect while its electric consumption was more than LCD at that time. These disadvantages of them have gradually improved and the differences between them have almost disappeared nowadays. By the way, LCD has become increasingly dominant in the competition with PDP. What is the reason why LCD is dominant in the market even though it is a general evaluation of experts that PDP is better for the consumers who enjoy speedy sports still now without the afterimage effect of video although the performance of LCD has been improved very much? In addition, LCD was used at most for the calculator screen at the beginning of its development. On earth, why does LCD become dominant in the market?

One of the most important reasons is that the production cost of LCD has been reduced faster than that of PDP. The competition to cut the production cost between LCD and PDP has naturally led to the competition to cut the sale price. The producers of PDP who failed to cut the price competing with the producers of LCD suffered losses or less profits. On the other hand, the producers of LCD have made big profits which have led to decisive advantage in the competition with PDP because the production cost of

LCD has dropped faster than that of PDP. In addition, LCD is excellent in technological development, which leads to the births of LED, OLED and QLED by turns.

Understanding this economic principle makes it easy for a company to decide which goods to choose in other industries. Simply put, any company makes much more profit when it chooses to produce a good that can reduce the production cost relatively fast. Decreasing the production cost lowers the selling price so that a company overcomes the competition with others. Though companies do not want to lower their selling prices, they are not able to survive the competition in the market without it. Lowering the production cost is a way for companies to survive in fierce competitions.

Moreover, lowering the price can lead to a significant increase of consumption, which increases the surplus profit in turn. For example, when the price drops by 10 percent and the sales increase by 20 percent, the sales amount increases by 8 percent ( $0.9 \times 1.2 = 1.08$ ). This is particularly pronounced in the goods which has developed latest and in the high-tech industry of which demand is fast growing. To lower the selling price is a way to make a big money, which mainstream economics usually neglects.

Does only the development of technology drop the sales price as mentioned above? No, it does not. There are two other ways to drop the price. The one is to innovate the production way to reduce the production cost. One of typical examples is the conveyor system that Ford Motor Company introduced first, that is, a production organization that puts the car body on an automatically moving belt and assembles parts in stages. With this innovation of production technology, Ford did not only overtake dozens of car manufacturers at the time, but also led to the popularization of car by significantly lowering the price. It was no surprise that Ford made a huge profit at the time. The innovation of the production way is so important as seen above. After then, unfortunately, Ford fell behind in competition with other companies such as GM which built up various and beautiful models while the former rested in the T-car. At last Ford stopped production facilities once for a while.

The other is a way to increase productivity by mass production, as well known. The production cost per unit decreases when the volume of production increases. In this case, the economies of scale work as follows. Division of labor is well done when the production increases, and then it becomes easy to increase the productivity. In addition, there are various advantages such as the capability to independently perform the technology development and to independently activate the sales organization. Meanwhile, the economies of scale operate until the production scale reaches a certain level. Beyond that level, the diseconomies of scale work. What is the appropriate scale? It depends on the kind of industry as the scale of a factory to produce cars is larger than that of factory to produce clothes.

Next, profit does not only increase when the producing cost is lowered but also increases when the selling price is raised. Especially, the profits of traditional goods rarely increase without increasing their sales prices. This may seem self-contradictory, but it is the economy. In the real economy, there are a lot of companies which produce traditional goods to make big profits. Is it wrong that demand reduces when price becomes high and then profit reduces? Yes, it is wrong. Profit increases when it is found out the way to increase the selling price without decreasing demand. How can the selling price rise without reducing demand? It is the quality of goods to raise the selling price without decreasing demand, of which issue is

already discussed as above. And it is discussed further at our other paper titled “Kinetic Theory of Price: A Part of K-Economics” (Choe and You, 2023g).

In a nutshell, all the above cases would be strange for mainstream economists and hardly explained by contemporary economics which usually ignores the surplus profit. So, economics should be free from the ideological bondage for it to fundamentally evolve and should accept the terms of surplus profit and quality, as already seen. And then economics would diagnose and forecast the economy more correctly and more accurately than ever.

## **7. Conclusion and Additional Considerations**

To sum up, the ideological confrontation between capitalism and socialism which had been fierce throughout the whole 20th century have had a profound impact on the economics academia. Of course, the impact has been negative. Particularly, this ideological confrontation has led to the excessive pursuit of scientific chastity in each economics which is the scientific basis of each ideology, resulting in the fierce logical disputes between socialist economics and capitalist economics to defeat each other. And this scientific pursuit has led to the gain of economic mathematics and its models in mainstream economics, which have hampered the evolution of economics. As the scientific pursuit blocked the evolution of economics, both the economics of capitalism and socialism become increasingly distant from the real economy and increasingly far from the practical usefulness of people. In short, one of the most urgent and important tasks of economists should be to dismantle the ideologies so that economics evolves to meet more closely the real economy than before.

To dismantle completely and scientifically the ideologies, dissolutions of both Marxian economics and neoclassic economics are inevitable. To completely dissolve both their economics, it is indispensable to break up both the theorems of labor value and equilibrium price which are their scientific bases, respectively. When both the theorems of labor value and equilibrium price are scientifically dissolved, both the paradigms of Marxian economics and neo-classical economics as well as both the ideologies of socialism and capitalism are perfectly dismantled. This is alike the fact that every building collapses when its columns are pulled out. By the way, either the labor value theorem or the equilibrium price theorem is an absolute value one that exists in the virtual ‘two-dimensional world without time passing,’ which is hardly applied to the economic reality that exists in the ‘three-dimensional world with time passing’. It is the same as ‘any flyswatter in a picture’ can never catch ‘a flying fly in the reality’.

Foremost, whether it is neoclassical economics or Marxian economics, its approach to the economy is similar to the blind men who touch a part of elephant. First, Marxian economics approaches the economy from the perspective of production and distribution. Meanwhile, production requires painful labors in advance, and distribution usually causes conflicts among production participants. Accordingly, Marxian economics regards the economy as an object to be revolutionized by labors and then to be managed by the labor government. The term of labor revolution and the state-managed economy were born like this in socialism. On the other hand, neoclassical economics approaches the economy from the viewpoint of consumption and exchange. Meanwhile, consumption provides pleasures for consumers, and exchange

has a characteristic to give benefits for both partners of transaction. Accordingly, neoclassical economics regards the economy as an object to be conserved because it benefits all the economic people, as seen above.

However, there does not exist only production and distribution or only consumption and exchange in the real economy. All the consumption, exchange, production and distribution coexist to circulate and maintain the economy. In other words, neither Marxian economics nor neoclassical economics is realistic. Therefore, it is imperative to establish a new value theorem that can cover all the consumption, exchange, production and distribution. And it is essential to create a new value theorem that embraces the concept of kinetic energy, of which issue is minutely discussed at our other paper titled “How to Evolve Economics at Third Step: A New Approach to Economics,” since the economy always circulates and usually grows. The authors of this paper would like to name the new value theorem as ‘Relative Value Theorem on Cyclical Standpoint’.

In addition, the fierce confrontation between capitalism and socialism has led mainstream economics to neglect the surplus profit of supplier despite its especially important meaning in the real economy. Indeed, this surplus profit stimulates the activity of supplier and accumulates the capital which is essential for the economy to grow. Neglecting the surplus profit has usually resulted in wrong diagnosing and wrong forecasting of the real economy, which has disappointed common people. In other words, mainstream economics which is the theoretical basis of capitalism has excessively taken the side of consumer against the gaining power of socialism, resulting in the neglect of supplier’s function, one of most crucial factors in the real economy.

When economics is free from the bondage of ideologies, accepts the surplus profit as natural and evolves further to establish a new paradigm based on the new ‘Relative Value Theorem on Cyclical Standpoint’ and kinetic energy, it would enable economists to explain economic phenomena more properly, to diagnose them more correctly and even to forecast the economy more accurately than ever. So, it should be an urgent and essential task for economists to evolve economics further. In fact, a new paradigm of economics is already established by the book, *Predicting Economics: K-Economics* (Choe, 2023c) which has been studied by the lead author for more than half a century at every cost.

### **Declaration**

Funding: This study was not funded by anyone.

Conflict of interest; The authors declare that they have no conflict of interest.

Ethical Approval: This article does not contain any studies with human participants or animals performed by any of the authors.

### **References**

Beker, Victor A. (2010). “From the Economic Crisis to the Crisis of Economics,” *Modern Financial Crises*, pp 183–199, Part of the *Financial and Monetary Policy Studies*, vol 42. Springer, [https://doi.org/10.1007/978-3-319-20991-3\\_9](https://doi.org/10.1007/978-3-319-20991-3_9)

- Choe, Yongshik, (2021). "Economic Pathology; A Research into its General Principle and Clinical Cases," ScholarPublishing, <https://scholarpublishing.org/sse/eb209/>
- (2023a), "A Research into the Scientific Policy of Government," ready to be published.
- (2023b). "Kinetic Theory of System: A Part of K-Economics," ready to be published.
- (2023c). Predicting Economics: K-Economics, under publishing in Seoul, South Korea.
- Choe, Yongshik and Seong-yop You, (2023a). "How to Diagnose and Predict the Economy by Utilizing K-Economics," ready to be published.
- (2023b) "How to Evolve Economics at Second Step: Modifying Axioms," ready to be published.
- (2023c). "How to Evolve Economics at Third Step: A New Approach to Economics," ready to be published.
- (2023d). "Kinetic Theories of International Trade and Exchange Rate: A Part of K-Economics," ready to be published.
- (2023e). "Kinetic Theory of Income: A Part of K-Economics," ready to be published.
- (2023f). "Kinetic Theory of Money and Banking: A Part of K-Economics," ready to be published.
- (2023g). "Kinetic Theory of Price: A Part of K-Economics," ready to be published.
- Feinstein, Charles H., Peter Temin, and Gianni Toniolo, (2008). The World Economy between the World Wars, Oxford University Press.
- Hunt, E. Kay, (1979). History of Economic Thought: A Critical Perspective, HarperCollins College Div., 1991(1979).
- Kindleberger, Charles P., (1973). The World in Depression 1929-1939, University of California Press.
- Marx, Karl, (1867). Capital: A Critique of Political Economy, Vol. I - Part I: The Process of Capitalist Production, Cosimo Classics, 2013(1867).
- Peters, Thomas J. and Robert H. Waterman, (1982). In Search of Excellence, HarperCollins, 2004(1982).
- Smiley, Gene, (2002). Rethinking the Great Depression, Ivan R. Dee.
- Smith, Adam, (1776). An Inquiry into the Nature and Causes of the Wealth of Nations, University of Chicago Press, 1977(1776).
- Schumpeter, Joseph A., (1951). Ten Great Economists: From Marx to Keynes, Oxford University Press, 1951.
- Sraffa, Piero, (1960). Production of Commodities by Means of Commodities: Prelude to a Critique of Economic Theory, Cambridge University Press, 1972(1960).

\* For reference, the authors have submitted the papers registered above to a few journals of economics, but they are rejected by the journals despite their competences enabling to establish a new paradigm of economics which has the capability to properly explain, to correctly diagnose and to accurately predict the economy. If required by anyone, the authors would like to send them the manuscripts of the above papers by email.