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Principles of Scientific Economics Construction

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Abstract: It is an indisputable fact that mainstream Western economics deviates from reality, indicating that there is no scientific economics in the real economy and society up to now. The key to building scientific economics is to correctly interpret market economy society. The three major characteristics reflecting economic society are: economic goals, economic growth methods, and rapid economic growth methods. Only by correctly interpreting these three characteristics can we correctly interpret the market economy. The most important of the three major characteristics is the economic goal, which determines the structure and direction of the economic society. The article argues that the economic goal pursued by people in a market economy is the utility value attribute of goods, and current economics has not been able to provide the correct economic goal. Western economics uses the measure of utility value, price, but does not understand what price is. Without economic goals is equivalent to having no foundation for an economic edifice. On the basis of clarifying that the economic goal is utility value, two methods can be derived to reach the economic goal, namely two economic driving forces, which are changing the nature and position of things, corresponding to the production and transaction economic activities in reality. Finally, the concept of an economic growth accelerator was proposed, and the market economy is built on the basis of an economic growth accelerator, which is why the market economy can grow rapidly. The correct interpretation of market economy is the foundation for building scientific economics.

Keywords: scientific economics; Economic objectives; Economic growth methods; Economic growth accelerator; Market economy.

I. Introduction

At present, mainstream Western economics dominates the economy and society. It is an indisputable fact that Western economics deviates from reality. Professor Coase called it "blackboard economics". [1] Professor Gao Hongye, the authoritative professor of Western economics in China, also pointed out that "practice is the standard for judging truth, and the theoretical system of Western economics does not fully meet the requirements of science... However, the theoretical system of Western economics has not yet passed the test of practice." [2]

The current state of Western economics determines that it cannot interpret market economy, so economists generally acknowledge that they do not understand market economy. Professor Wei Xinghua said, "Since China transitioned from a planned economy to a socialist market economy, resources have shifted from planned allocation to market allocation. There is still no consensus in the academic community in China on the exact meaning of market allocation of resources. [3] Professor Li Daokui said, "The definition of market economy in foreign economic circles is extremely unsystematic. So far, academic discussions in foreign economics have not focused on the fundamental issue of 'what is a market economy'. [4] Professor Zhang Weiying said, "Understanding the market is not an easy task. Since Adam Smith, even within economists, the debate about market economy has never stopped. [5]

At the same time, the people engaged in economic activities have created the brilliance of a market economy. According to economists, the vast majority of human wealth is created by a market economy in just over 400 years. Taking China as an example, the reform and opening up has taken the path of a market economy. In just 40 years, according to the National Bureau of Statistics, "In 2017, China's gross domestic product increased by 33.5 times in constant prices compared to 1978, with an average annual growth rate of 9.5%. [6] Thus, an economic paradox arises: economists who study economic laws do not understand economic laws, while people who do not study economic laws understand economic laws.

The key to solving economic paradoxes is to understand the economy and society.

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II. Interpretation of Basic Economic and Social Methods

2.1. Main Economic and Social Characteristics

Interpreting the economy and society, like drawing a city map, requires identifying its main characteristics. For a city, it is buildings and streets. We need to explore the main characteristics of the economy and society. The economy and society are a dynamic system that constantly moves forward. Just like a giant ship sailing at sea, it must have a destination. There must be a goal for advancing the economy and society, called the "economic goal". Economic goals are the most important characteristics of economic society. Seizing this characteristic is a crucial step in our interpretation of the economy and society.

After determining the important feature of economic goals, it is easy to know that the second question we need to explore is how to achieve economic goals. Just like the driving force required for giant ships, driving the economic and social progress also requires driving force, which we call "economic driving force" or "economic growth methods". The third issue is to study how to generate the maximum economic driving force, known as "maximizing economic driving force" or "economic growth accelerator".

2.2. Interrelationship between the three major features

Interpreting economic society is actually interpreting three major characteristics: economic goals, economic growth methods (economic driving force), and economic growth accelerators (maximization of economic driving force). Among them, economic goals are the foundation, which determines the methods and accelerators of economic growth. If the economic goal is wrong, the theory based on it must be incorrect. Therefore, interpreting economic goals is the most important part of interpreting economic society and constructing scientific economics.

III. Economic Objectives

3.1. Overview of Economic Objectives

It is easy to understand economic goals from the significance of economic and social existence. Economic society refers to a society where people engage in economic activities. Why do people engage in economic activities? The reason is that there is a scarcity contradiction, that is, the Earth's resources are limited while human needs are unlimited. It is precisely in order to solve the contradiction of scarcity that people engage in economic activities, resulting in economic and social development. People will not engage in economic activities related to non scarce resources, such as producing sunlight, air, etc., because they are not scarce. So, the economic goal of economic society is to solve the scarcity contradiction, abbreviated as the scarcity contradiction. Economic goals have objectivity and uniqueness.

3.2. Understanding of Economic Goals in Western Economics

Western economics has a very vague understanding of economic goals. Of course, it also acknowledges the contradiction of scarcity, known as scarcity. This can be seen from the economic definition. At present, the widely accepted definition in the economic community is the economic definition given by British economist Robbins in the 1930s: "Economics is the science of studying how scarce resources are effectively allocated. [7] Linking economic definitions with scarcity indicates that Western economics recognizes solving scarcity contradictions as an economic goal pursued by economics. Of course, it may understand more than one economic goal.

3.3. Transformation of Economic Objectives

The economic goal of solving the scarcity contradiction is relatively complex, and it is an unattainable economic goal, resulting in the problem of changing economic goals.

3.3.1. Correct economic goal transformation

Below is a correct idea for changing economic goals. According to the definition of scarcity contradiction, solving scarcity contradiction can be carried out in two directions: one is to reduce human needs, and the other is to enhance the ability of goods to meet human needs. The contradiction of scarcity can be resolved in any direction. This indicates that the economic goal of scarcity contradiction is equivalent to being composed of the two sub goals mentioned above. Achieving any sub goal is achieving the main goal.

It is easy to find that in the field of economics, reducing human needs cannot be studied. So, the economic goal shifts to enhancing the ability of goods to meet human needs, which is to enhance the usefulness of goods. The usefulness of things is defined as the utility value attribute of things, thus the economic goal is to "enhance the utility value of things", abbreviated as "utility value". As early as over 2000 years ago, the ancient Greek economist

Xenophon had already proposed the viewpoint of utility value. He believes that wealth does not mean that a person owns something, but that it is useful to you. He said, "A flute is wealth to those who can play, but to those who cannot, it is like a useless stone. [8]

3.3.2. Transformation of Economic Objectives in Western Economics

Just as there is no clear concept of economic goals, the transformation of economic goals in Western economics is also relatively vague. It first links scarcity with efficiency, and then considers Pareto optimality to be effective. Here is Samuelson's viewpoint: 'This makes us have to face the crucial concept of efficiency.'. We can see that economics runs through two core ideas, namely that goods and resources are scarce, and that society must effectively utilize these resources. If an economic activity is no longer likely to enhance anyone's economic welfare without causing others to deteriorate, it is considered efficient. [9]

Later economists proved that the general equilibrium of the market satisfies Pareto optimality. Professor Wang Xuemei, who studies the history of economics, said: "In the 1950s, American economist Arrow proved mathematically that there is a unique solution to general equilibrium - that is, the market can be completely cleared, and thus won the Nobel Prize in Economics. Subsequently, welfare economics proved that general equilibrium is the Pareto optimal state. [10] Professor Yang Chunxue said, "In mainstream economics, the fundamental theoretical cornerstone that supports advocates of free markets is the general equilibrium theory. [11]

According to the above analysis, Western economics has identified another economic goal as general equilibrium, which remains an unattainable economic goal.

IV. Economic growth methods

On the basis of economic goals, it is necessary to study economic growth methods, which are the methods by which the economy and society achieve economic goals, that is, economic driving forces.

4.1. Economic driving force under correct economic goals

Economic driving force refers to "all methods of enhancing the utility value of things". Obviously, many methods can be found. But because it is to enhance the utility value of things, it is necessary to change things, and there are only two ways to change things: one is to change the properties of things (physical or chemical), and the other is to change the position of things (different people's positions). It is easy to find that they can all enhance the utility value of objects. For example, when wood is processed into wood products, it changes the physical properties, which increases the utility value. When iron ore is smelted into steel, it changes the physical and chemical properties, which also increases the utility value. So, changing the nature or position of things is two economic driving forces. We describe this as follows:

Economic driving force one: changing the nature of things can enhance their utility value;

Economic driving force 2: Changing the position of objects can enhance their utility value.

It is easy to find that the two economic driving forces presented here correspond precisely to the two types of economic activities of production and transaction in economic society.

4.2. The Economic Driving Force of Western Economics

The economic goals of Western economics are relatively vague, but it knows that economic and social progress must have economic driving force, and it also knows that economic driving force in reality must be related to economic activities. Therefore, the economic driving force discussed in Western economics still cannot be separated from economic activities. But it provides a different approach.

It can be considered that the content of microeconomics research is the economic driving force or economic growth method understood by Western economics. It includes three major theories: producer theory, consumer theory, and market theory. Professor Gao Hongye divides the research of microeconomics into three levels: "The first level is to analyze the economic behavior of individual consumers and producers. It analyzes how individual consumers make optimal consumption decisions to achieve maximum utility, and how individual producers make optimal production decisions to achieve maximum profit. [12] He discussed the issue of market equilibrium in the latter two levels. Temporarily ignoring market theory, microeconomics studies the pursuit of profit maximization by producers and utility maximization by consumers. Obviously, the economic driving force of microeconomics is the behavior of producers and consumers, corresponding to two different economic

goals.

4.3. The Fatal Mistakes of Western Economics
Below is an analysis of the fatal mistakes made by Western economics.

(1) Target confusion

There is only one economic, social, and economic goal, which Western economics does not understand. In microeconomics, two economic goals are given: the profit pursued by producers and the utility pursued by consumers. It does not understand that profit corresponds to price, and the price of a market economy is a measure of utility value, so the profit target is actually the utility value target. The utility defined by consumer theory is a misconception, as it does not understand that the correct utility and utility value are consistent.

(2) A one-sided approach to economic growth

Under the confusion of goals, Western economics cannot provide the correct method of economic growth. Its producer theory belongs to the production economic activity theory, but lacks the concepts of products and enterprises; Its consumer theory belongs to the theory of transactional economic activities, but it lacks consumers as sellers of buyers, goods, and markets. The method of economic growth must be achieved through production and transaction economic activities, and Western economics provides a one-sided concept. In fact, it does not study transactions, assuming that the transaction cost is zero. As Professor Sheng Hong pointed out, "In mature orthodox economics - neoclassical economics, enterprises are regarded as production functions, and market relations are expressed by supply and demand curves. Both market transactions and intra enterprise transactions are actually assumed to be instantaneous, while conversely speaking, transaction activities are not scarce and transaction costs are zero. [13] It does not understand that consumer theory belongs to the theory of transactional economic activities.

The errors in economic goals and growth methods make it impossible for Western economics to interpret economic society correctly. Furthermore, it is even less likely to interpret the market economy. The market economy is the fastest growing society in the economic society, and it is built on the economic growth accelerator analyzed below.

V. Economic growth accelerator

Since ancient times, there have been production and trading economic activities in economic society. Why was economic growth slow at that time? Obviously, in addition to economic driving force, there is also the problem of maximizing economic driving force, which is the problem of economic growth accelerator.

5.1. Quantity and quality of force

All economic activities can be regarded as forces, and the magnitude of decisive force is two factors, the quantity and quality of force. Obviously, the more economic and social forces there are, the faster economic growth is, or the greater the strength (quality) of each force, the faster economic growth is. The economic growth accelerator is a mechanism that increases the quantity of power and enhances the quality of power.

There are many methods to increase the quantity of power, such as increasing labor force and developing new land resources, which are issues that are being studied by the entire economy and society. From an economic perspective, we focus only on analyzing the quality of power improvement.

5.2. Quality of lifting force

It is necessary to study how to improve the quality of force while the quantity of force remains unchanged. In fact, it is to identify all the factors that affect the size of influence, analyze them, and provide answers. For example, for the same 100 people and 100 resources, the efficiency generated by enterprise organizations and individuals working alone is different. So, the "organizational form" of a company is a "factor" that enhances the quality of its capabilities. Obviously, there are multiple factors that enhance the quality of power. In addition to the "organizational form of the enterprise", the following analysis is another factor "human status".

The state of a person refers to the state in which they engage in economic activities. Wealth in the world is created by people, and their state has a great impact on wealth creation. There are many types of human states, including non economic ones such as physical strength and profound knowledge. We only consider the two good states in the field of economics: altruism and hard work. People who participate in economic activities are always altruistic and doing their best. Abbreviated as the dual transformation of human beings. Obviously, the quality of the dual influence of people.

In the real market economy society, we can

definitely observe that people engaged in economic activities are in a dual state. Here is a simple analysis: (1) In a commodity economy society, producers produce products for trading. The transaction standard in a market economy is the "utility value" of a commodity, and the higher the utility value, the higher the price. So, producers must pursue the production of the most useful goods for others, which is altruistic, determined by utility value; (2) When a producer produces a product, he does not know the selling price of the future product, which is equivalent to pursuing the future price. The commodity price is constantly changing, and the only choice for the producer is to do their best to produce the product, thus achieving their best.

In addition to "organizational form of enterprises" and "state of people", there are many factors that can be explored to determine the quality of influence. The reason why market economy is the fastest growing economic society is that it is based on the optimal state of these factors. They are the foundation of our construction of scientific economics.

VI. Conclusion

It should be noted that the content discussed in this article is fundamentally different from another international scientific and economic formulation. The scientific economics pioneered by scientist Pierce is actually an application of economics, and "science and technology are the research objects of economics". [14] The scientific economics discussed in this article refers to economic theory. As a pioneer of scientific economics in the application of economics, " Pierce was further developed into new scientific economics ", [15]including later economics professors such as Wilbur. He was one of the main pioneers of new scientific economics. [16] The scientific economics they are talking about actually refers to the application of economics in science and technology.

This article studies the economic theory that should be regarded as a science. Economists generally define economics as a science, or rather a scientific discipline. As a scientific discipline, the study of economic laws in economics must conform to reality in order to be called scientific economics. The current mainstream Western economics cannot achieve this, as Professor Gao Hongye pointed out, "it does not meet the requirements of science. [2] Thus, the problem of constructing scientific economics proposed in this article arises. The research logic of this article is simply summarized as follows: due to the lack of scientific economics, an economic paradox arises; The prerequisite for constructing scientific economics is to correctly interpret the economic and social characteristics, that is, to interpret the three major characteristics of the economy and society: economic goals: economic goals, economic growth methods, and economic growth accelerators; This article reveals that the fatal problem in Western economics is the wrong economic goals, making it impossible to have the correct economic growth methods and accelerators. The entire Western economic theoretical system is completely wrong. On the basis of revealing the mistakes in Western economics, a correct interpretation of the economy and society was provided, forming the foundation of scientific economics.

Economists are the ones who suffer the most from conducting research on the wrong theoretical system, as lifelong research may turn into nothing. Countless cases in reality have proven this point. The direction is wrong, the harder you work, the farther away you may be from your goal. So, building scientific economics is to save economics, that is, to save ourselves, and requires the joint efforts of all economists.

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