DOI: https://doi.org/10.53486/sstc2026.v2.86

CZU: 330.8

CRITICAL THINKING IN THE VIEW OF THE FOUR MAINSTREAMS OF ECONOMIC THOUGHT

GANDIREA CRITICA DIN PERSPECTIVA CELOR PATRU CURENTE PRINCIPALE ALE GANDIRII ECONOMICE

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Abstract: *This paper analyses the importance of critical thinking in the study of the four major mainstreams of economic thought: Economic Liberalism, Economic Socialism, Keynesianism and Economic Institutionalism. The relevance of the topic derives from the fact that students and policymakers often accept one economic doctrine as universally valid without considering its assumptions, limitations and historical context. The objective of the paper is to demonstrate that critical thinking allows a more balanced understanding of economic problems and of the policies proposed by different schools of thought. The research is based on comparative analysis, literature review and the examination of practical examples such as the Great Depression, the transition economies of Eastern Europe and the response to the COVID-19 crisis. The findings show that each mainstream offers valuable insights, but none can independently explain all economic phenomena. Therefore, critical thinking is essential to compare theories, evaluate empirical evidence and select the most appropriate policies.*

Key words: *critical thinking, Economic Liberalism, Economic Socialism, Keynesianism, Economic Institutionalism, economic policy*
JEL CLASSIFICATION: A20, B22, B25, E60

INTRODUCTION

Critical thinking represents one of the most important competences in the study of economics. Rather than simply memorising theories, students and policymakers must learn to question assumptions, compare competing ideas and evaluate the real-world effects of different economic policies. Economic problems are complex and often require the combination of several theoretical perspectives.

The four mainstreams of economic thought examined in this paper are Economic Liberalism, Economic Socialism, Keynesianism and Economic Institutionalism. Each of these approaches proposes a different explanation of how the economy functions, what role the state should play and how economic problems such as inflation, unemployment, inequality and economic growth should be addressed.

Economic Liberalism emphasises free markets, private property and limited government intervention. Economic Socialism argues that the state should play a central role in the ownership and allocation of resources in order to ensure equality and social justice. Keynesianism focuses on aggregate demand and supports active government intervention during recessions. Economic Institutionalism underlines the importance of formal and informal institutions, such as laws, social norms and governance structures, in shaping economic performance.

The purpose of this paper is to demonstrate that critical thinking helps students and policymakers understand both the strengths and the weaknesses of each mainstream. The paper compares these approaches and analyses how they explain major economic events.

LITERATURE REVIEW

Economic Liberalism originates in the works of Adam Smith and David Ricardo. It argues that markets function most efficiently when individuals are free to pursue their own interests. Smith

maintained that competition and the "invisible hand" coordinate production and consumption more effectively than government planning (Smith, 1776; Ricardo, 1817).

The mainstream is based on private property, free competition, limited state intervention and free trade. Liberal economists believe that excessive regulation, subsidies and state ownership reduce efficiency and slow economic growth. However, critics argue that completely free markets may generate inequality, monopolies and social exclusion, as illustrated by the Great Depression of the 1930s (Chang, 2002; Stiglitz, 2012).

Economic Socialism emerged as a critique of liberal capitalism. Karl Marx and other socialist thinkers argued that private ownership of the means of production creates inequality and exploitation. Therefore, the state should own or control key sectors of the economy in order to ensure a fairer distribution of resources (Marx, 1867).

Economic Socialism emphasises equality, collective ownership and social welfare. The socialist model influenced many economies in the twentieth century, especially in Eastern Europe and the Soviet Union. Although it reduced inequality and expanded access to public services, centrally planned economies often suffered from inefficiency, low productivity and limited innovation (Kornai, 1992).

Keynesianism was developed by John Maynard Keynes during the Great Depression. Keynes argued that market economies may remain below full employment because aggregate demand can be insufficient for long periods (Keynes, 1936).

According to Keynesian economics, governments should intervene through fiscal policy when private demand declines. Public spending, lower taxes and budget deficits can stimulate production and employment. Keynesian ideas became influential after the Second World War and re-emerged during the 2008 financial crisis and the COVID-19 pandemic (Krugman, 2009; Tooze, 2021).

Economic Institutionalism, associated with Thorstein Veblen and Douglass North, argues that economic performance depends largely on the quality of institutions. These include laws, political systems, property rights and social norms (Veblen, 1899; North, 1990).

Institutional economists maintain that countries with effective institutions generally achieve higher growth and lower corruption. North argued that strong institutions reduce uncertainty, encourage investment and lower transaction costs. Economic Institutionalism is therefore particularly useful for explaining why countries with similar resources may experience very different levels of development (North, 1990; Acemoglu and Robinson, 2012).

RESEARCH METHODS

The paper is based on comparative and descriptive analysis. First, the major assumptions of the four mainstreams are compared. Second, the paper analyses historical examples in order to evaluate the practical relevance of each approach.

The study uses secondary data from academic books, journal articles and official reports. Particular attention is paid to the Great Depression, the socialist economies of Eastern Europe, the 2008 financial crisis and the COVID-19 pandemic because these events generated different interpretations among economists.

RESULTS

Economic Liberalism argues that economic growth is achieved most effectively through free markets, competition and limited government intervention. Liberal economists often refer to the rapid industrialisation of the United Kingdom and the United States in the nineteenth century, when free trade and private investment contributed to strong economic expansion (Smith, 1776). Similar policies were adopted in the 1980s in the United Kingdom under Margaret Thatcher and in the United States under Ronald Reagan. Privatisation, deregulation and lower taxes were intended to stimulate entrepreneurship and investment. Supporters argue that these measures increased efficiency and productivity, while critics note that they also contributed to greater inequality and financial instability (Chang, 2002). The 2008 global financial crisis showed that insufficient regulation of financial markets may lead to speculative bubbles and systemic risks (Stiglitz, 2012).

Economic Socialism explains economic problems primarily through the unequal distribution of wealth and power. According to this perspective, markets tend to favour owners of capital, while workers receive a smaller share of national income (Marx, 1867). Socialist policies therefore support state ownership, redistribution and universal public services. In the twentieth century, socialist systems in the Soviet Union and Eastern Europe achieved rapid industrialisation, improved literacy and broader access to health care and education. However, excessive centralisation often reduced efficiency and innovation. After 1989, many socialist economies experienced stagnation and collapse because state enterprises lacked incentives to improve productivity and adapt to changing consumer needs (North, 1990).

Keynesianism provides one of the most influential explanations of economic crises. Keynesian economists argue that recessions occur when households and firms reduce spending at the same time, leading to lower aggregate demand, declining production and rising unemployment (Keynes, 1936). The Great Depression of the 1930s is usually presented as the classic example. Keynes argued that governments should intervene through higher public spending and lower taxes in order to restore demand and employment. Similar policies were used during the 2008 financial crisis and the COVID-19 pandemic. In the United States, the American Recovery and Reinvestment Act of 2009 and later the CARES Act introduced large-scale public expenditure and social support programmes. Keynesian economists considered these measures necessary because private demand had collapsed. Nevertheless, Keynesian policies may also create large budget deficits, public debt and inflation if spending grows faster than production (Mankiw, 2021).

Economic Institutionalism emphasises that economic performance depends not only on markets or state intervention, but also on the quality of institutions. Institutions include laws, political systems, property rights and public administration. Countries with strong institutions generally achieve higher growth, lower corruption and greater stability (North, 1990). Northern European countries provide an important example because they combine market economies with effective institutions and high levels of social trust. By contrast, many developing and transition economies face difficulties because institutions are weak. The transition of Eastern European countries after 1990 shows that similar reforms may produce different results depending on institutional quality. Countries such as Poland and Estonia developed effective institutions relatively quickly and therefore achieved faster growth, while others reformed more slowly (Acemoglu and Robinson, 2012). Institutionalism therefore demonstrates that economic policies cannot be evaluated separately from the institutional context in which they are implemented.

Table 1. Comparative Analysis of the Four Mainstreams

Mainstream	Main problem identified	Main solution proposed	Role of government
Economic Liberalism	Excessive government intervention and weak competition	Free markets, deregulation, free trade	Limited government
Economic Socialism	Inequality and concentration of wealth	State ownership, redistribution, planning	Central and active government
Keynesianism	Insufficient aggregate demand and unemployment	Public spending and fiscal stimulus	Active government intervention
Economic Institutionalism	Weak institutions, corruption and poor governance	Institutional reform, stronger rules and property rights	Government as creator of effective institutions

Source: *prepared by the author based on Smith (1776), Marx (1867), Keynes (1936) and North (1990)*

The comparison shows that no mainstream is universally correct. Economic Liberalism is useful in explaining the benefits of markets and entrepreneurship, but it may underestimate inequality and instability. Economic Socialism highlights social justice, but often neglects efficiency and innovation. Keynesianism is especially relevant during economic crises, although it may increase

inflation and public debt. Economic Institutionalism provides a broader explanation because it focuses on the institutional conditions necessary for development.

Critical thinking becomes essential because these mainstreams often lead to opposite policy recommendations. For example, during a recession, Keynesians support greater public spending, while Economic Liberalism would prefer lower taxes and market adjustment. Economic Socialism may support state ownership of key sectors, whereas Economic Institutionalism would emphasise improving the quality of institutions rather than changing ownership alone.

The role of critical thinking in economics may therefore be summarised as follows:

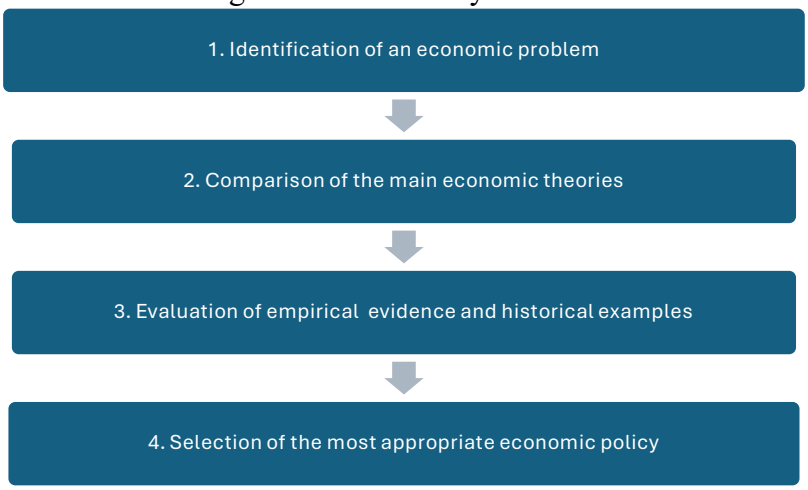


Figure 1. The Role of Critical Thinking in Economics
Source: prepared by the author.

Thus, the principal result of the research is that critical thinking enables economists and students to combine the most useful elements of different mainstreams instead of relying exclusively on a single approach.

CONCLUSIONS AND RECOMMENDATIONS

The paper concludes that critical thinking is indispensable in the study of economics. The four mainstreams of economic thought provide different explanations of inflation, unemployment, inequality and economic growth, but none offers a complete solution to all economic problems.

Economic Liberalism is particularly useful in explaining the role of competition, entrepreneurship and free trade. Economic Socialism provides important insights into inequality and social justice. Keynesianism is especially relevant during recessions and economic crises, while Economic Institutionalism highlights the importance of institutions and governance.

Therefore, students and policymakers should not rely exclusively on one theoretical perspective. Instead, they should compare theories critically, evaluate empirical evidence and adapt policies to the specific economic context.

The following recommendations may be proposed:

- students should compare different schools of thought rather than memorise only one theory;
- universities should encourage debates, case studies and comparative analysis in economics courses;
- policymakers should evaluate economic policies using empirical evidence and historical experience;
- governments should combine market efficiency, social protection, macroeconomic stability and institutional quality;
- future research should examine how these four mainstreams can be integrated in order to respond to contemporary problems such as climate change, inequality and digital transformation.

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