

THE FUNCTIONS OF ECONOMIC SCIENCES AND ECONOMIC INSTABILITY**Dr Sławomir Czarniewski**University of Management in Białystok
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Abstract: Civilization is entering into an era of uncertainty and economic instability that has become visible in political, social and economic areas. In these new times, uncertainty and risk represent a normal state of affairs, while certainty and recurrence of behavior are seen as a luxury or “rare state”. Over many years, modern economic paradigms have isolated the economy from the rich and multifaceted society, and has subordinated the human being through the creation of universal and anonymous rights of market mechanisms. This all has very serious consequences, since from the point of view of economic science (economics, in fact), the human being is disappearing, the moral being that is able to take responsibility for his own actions in an individual and exclusive way, and take responsibility for the good and evil that is caused by him. The main thesis of this work is the observation that the world is becoming increasingly unstable and dynamic. Therefore, economic sciences (including economics as the most general science) must keep pace with these changes and also evolve. A change in the existing economic paradigm is needed, but it should be of evolutionary nature rather than revolutionary.

Key words: economic areas, instability in economy, market mechanisms, management, science.

Introduction

Some economic studies (including neoclassical economics) are increasingly powerless in the face of significant problems that are triggered by the modern world, imbued with the spirit of selfishness and pragmatism, consumerism and uncertainty. As a result, modern economics is losing its three basic characteristics as a science; the characteristics of description, explanation and prediction. From science in general, and from economics in particular, one should not expect the overcoming of dangers, but the generation of new ideas and interpretation of a changing reality (Sadowski, 2010, pp. 54-55).

Criticism and disappointment found in public opinion about the topic of economics results from the reasonable conviction that the real test of any scientific discipline is its ability to describe real processes and its ability to generate forecasts and recommendations. The state in which economics finds itself at present seems to indicate that it has failed in both areas.

Research Methodology

The aim of this study is to reflect on the status of economic sciences, on the cognitive value of formulated theory, and to answer the question of whether economists are using proper methods to carry out scientific study, as well as to question the deeper effects of these created theories. The achievements of the many economic sciences should be respected for many reasons, the least of which is their cognitive value. At the same time, some assumptions must be realigned with reality in order to better describe the real world. Many researchers have forgotten that the subject of economic sciences (including economics) are not abstract entities, but people: their preferences, aspirations, values and behaviors. The issues mentioned above are analyzed in this study.

The issues presented in this work do not exhaust the list of problems that aggravate researchers in this field. The contents (threads) included here give a sketch of the issues in order to stimulate the asking of further questions, rather than looking for specific answers. They are to become an inspiration for further exploration, to expand the boundaries of our knowledge and research abilities in the fields of economic science.

Economic sciences in the context of the occurrence of crisis

P. Krugman – a 2008 Nobel Prize Laureate – notes that most of what was created in the framework of macroeconomics over the past thirty years turned out to be useless in the best case, or harmful in the worst case (Krugman, 2009).

It is important to find an answer to a key question: why did modern economics not foresee the crisis? The answer is very simple: even if it wanted to do so, it could not, because its fundamental assumptions – in many areas – are far different from reality (Schleifer & Vishny, 2010, pp. 306-318).

The main problem lies in the fact that none of the macroeconomic models available today, regardless of whether they are based on neoclassical or Keynesian thought, describe the modern economy properly. The flagship model of neoclassical economics, in the form of the Real Business Cycle Theory, in practice does not question economic fluctuations (Garbicz, 2011, pp. 49-50). Any fluctuation in production is explained by supply-side factors, such as changes in technological progress. According to this model, the economy moves along at a balanced pace at all times. Everyone behaves optimally, and therefore there is no alternative to the observable trend. As a result, the proponents of mainstream neoclassicism claim that current events are just another bottom, another collapse in production that has occurred many times over the years.

How will economic theory change under the influence of the crisis? Firstly, the creation of alternative solutions is a very difficult task, so its realization will not be fast. Secondly, the supporters of schools that have failed have gone on the offensive. A good example of this is the behavior of neoclassicists who blame the policy of low interest rates as the cause of the crisis. Thirdly, thanks to extensive fiscal action, the crisis has not been too severe, suggesting that there will be little inclination to draw conclusions from this event. Despite these pessimistic viewpoints, economics must evolve, because it is facing a number of challenges.

It should be noted that in many areas, economics has lost paramount social values – freedom and responsibility of the human being and social justice. Secondly, the attention of researchers has focused on the process of management in a model of perfect competition, or its various versions. The consequence of this is that specific solutions that existed in individual countries or economic regions were disregarded (Keller, 2004, pp. 752-754). Modern economics is characterized by a kind of institutional neutrality, because institutional layers have been completely omitted in analysis. Thirdly, various dominant trends in economic theory are concerned with the micro-economic analysis of market entities in the strict sense, such as enterprises and households, without researching issues such as organs of political authorities or individual human beings who operate in the market (Czarniewski, 2014, pp. 208-222).

There is no doubt that economic phenomena occur in a particular place, in strictly defined social and historical conditions. These conditions – these specific situations – must be taken into account in economic analysis. The overriding social values, such as the individual freedoms of human beings and social justice, should also be taken into consideration. In this context, the humanistic paradigm of economic sciences seems to be the correct one.

Economics is mainly a normative field of science. It not only describes economic reality, but also says what it should look like. Value judgements are made on a daily basis, not only when paradigms change, and may be extremely different from one another. The same economic phenomenon, such a deficit in public finance, in a given country at a given time, is often evaluated differently by Keynesians and by Monetarists (Madej, 2011, p. 164). There are also differences in the connections between the system of values and the points of view of the scientific community, and the system of values and the points of view of the non-scientific community (politicians, journalists and other social groups).

New challenges in management science

Over time, the dynamic growth and complexity of the environment, and the rigid structure of the organization, have become barriers to their development, preventing them from being able to keep pace with changes in the environment, much less create these changes. Modern theories and methods of management have searched for reserves of productivity and dynamic growth not by setting boundaries, but by crossing them (Alvesson, 2004, pp. 45-58).

New phenomena and processes have appeared in management that thirty years ago were not being analyzed; in fact, they had not even been identified. It has become necessary to redefine the existing canons of management and to introduce new rules. The philosophy of organizational management has changed, and old paradigms are undergoing scientific and empirical verification. Adoption of the evolutionary paradigm from economics and cultural anthropology helps modern researchers track the progress of the blurring of boundaries and the formation of complex relationships between parts of the organization and their environment (Czarniewski, 2015/b, pp. 9-16).

The ways and scope of development of the organization are undergoing metamorphosis. It is hard to imagine the development of a company without internal and external cooperation, without the broadening of the scope of its activity (both geographically and sectorally), and without the use of modern tools and methods of management. The problem of boundaries also relates to the connection between management science and other disciplines. The interdisciplinary nature of the development of management science is pointed out more and more frequently.

Many studies show the connection between management and many other scientific disciplines. These include: law, economics, mathematics, systems theory, philosophy, ergonomics, psychology and sociology. There is no doubt that management science has benefitted from the achievements of a much greater number of scientific disciplines. The results of many studies clearly indicate the functional relationship between the degree of development of management science and the number of scientific disciplines from which the achievements and inspirations came from. More and more often, the boundaries between scientific disciplines are blurred, and achievements made in management science becomes an inspiration for the development of other disciplines. This symbiosis of scientific disciplines with the participation of management science is even seen in medicine and in technical sciences (Hutter, 2011, pp. 201-206).

Strengthening management science with knowledge from other disciplines becomes a stimulus for development among all parties. It gives the opportunity to acquire new knowledge, to verify existing theories, and to enrich research work. Many scientific researchers also stress the diversity and multidirectional search for scientific inspiration. The complexity and novelty of many phenomena and processes taking place in organizations and their environment make it necessary to search for new inspiration, both scientific and non-scientific.

The rearrangement of market forces and the stronger role of consumers in relationships with enterprises has certain implications for the business strategies of companies (and also for management science), especially for those companies that consider themselves market leaders (Mainkar, Lubatkin & Schulze, 2006, pp. 1062-1075). The most important strategies include:

- Engagement in dialogue with consumers. Companies must free themselves from mental patterns and managerial arrogance. They must move beyond rigid corporate procedures, establish deeper relationships with consumers and cultivate them, bearing in mind that the modern consumer is not and does not want to be just a recipient of information. To increase knowledge about the consumer, companies should develop analytical facilities and invest in various types of analysis.
- Personalization of the value chain; companies must make a critical review of ways to create values for their customers and consumers. They should also reconfigure the value chain to offer their consumers an individualized package of benefits adjusted to their

expectations and preferences (product features, flexible terms of delivery convenient for their customers, convenient payment methods, after-sales service etc.).

- Creating positive consumer experiences at every stage of value creation and in all phases of consumer-company contact is the best way to build the reputation of the company and to protect it against the activities of current and potential competitors. This is not about instrumentally using the so-called "marketing experience", but about instilling the pro-consumer and partnership attitude (a sort of "empathy for the consumer") in all employees of the company.

This adduced understanding of the enterprise corresponds with the modern concepts formulated through the study of management science. In this sense, the enterprise functions as a platform for interactive relationships with customers and consumers who participate in the process of creating new value (Czarniewski, 2015/a, pp. 166-174).

Radical changes in consumer – company relations pose new challenges for enterprises, managers, as well as for the study of management. Currently, to maintain their position in the market, enterprises must go beyond the narrow framework of sectoral analysis and must attentively observe the phenomena, trends and processes occurring in their environment (Doyle, 2008, pp. 23-34). The development of information and communication technologies, new consumer trends, as well as moral and cultural changes, significantly affect the functioning of modern enterprises and make it necessary to redefine their objectives, strategies and business models. The contours of modern enterprises are blurring. Consumers and customers (as well as competitors) are increasingly acting as partners in value creation. This means that concentrating on one's own resources and improvement of one's own outstanding competences may not be enough to successfully compete in very competitive markets (Reeves, Love & Tillmanns, 2012, pp. 76-83). What is needed is a holistic overview of market reality, as well as imagination and knowledge that allow for better understanding of trends and phenomena that exist in the environment.

This means that management science must strengthen their diagnostic and predictive potential by expanding cognitive horizons through integration and creative interpretation of different research tools and methodological concepts. An important issue is the enrichment of methodology and cognitive instruments used in management science. These aspects should be reflected in implemented research projects which - besides extending the boundaries of human cognition and creating new paradigms - should also have applicative qualities and practical use for businesses and managers (Wessmer, 2010, pp. 143-145).

In conditions of abrupt change occurring in the environment of today's enterprises, management science must help enterprises in identifying, diagnosing, and projecting emerging business models. This, in turn, will facilitate companies in finding accurate answers to important questions regarding the possibility of survival and growth in times of a highly variable environment (Davenport, Leibold & Voelpel, 2006, pp. 25-28).

The scientific achievements and experiences of managers, researchers and consultants form a great body of knowledge about the functioning of the organization. However, this knowledge is fragmented; studies often do not provide a consistent picture of reality. Different viewpoints and methods prevent the synthesizing of these studies and observations. One can see that the representatives of management science, instead of building a general theory of organization based on combined theory and research, often divide this discipline into sub-disciplines, schools of thought, methods and approaches, making it impossible to establish a strong theoretical foundation for this discipline.

By analyzing the above mentioned trends of management science, a common feature observed is development in the direction of crossing cognitive boundaries, which up to now were thought of as impermeable. The scientific achievements of the past several decades clearly show that these boundaries are fluid and rather arbitrary.

Conclusions:

1. It seems that the main task of economic sciences should be to provide tools to forecast economic reality, and not supply ready-made solutions. Unfortunately, economists have become oracles and prophets who have tried to foresee the future. That is why they bear - to some extent - responsibility for economic instability. The occurrence of crisis in contemporary economics must be seen in a broader context, connected to fundamental economic processes and civilization-shaping trends that change the nature of national economies and the world economic system.
2. Economic research and the interests of economists mainly focus on the situation of countries with a developed market economy, while most of the world's population lives in countries with only a partial market economy. Therefore, economic research and analysis must make more of an effort to take into account economies that actually exist in a given region of the world.
3. The general crisis occurring in economic sciences cannot be solely identified with the global financial crisis. The crisis of economics as a science is not a new phenomenon, but has been occurring for many years. The global economic downturn has only highlighted the shortcomings of economics. In addition, we are faced with the dynamic development of various schools of economics, such as institutional economics and behavioral economics, which are much better at bringing economic science closer to reality.
4. One of the key areas of rapid development of management science is concerned with the relationship between organizations and their broadly-understood environment. Permanent additions to the dictionary of management science have become such words as: globalization, competition, organizational flexibility, holistic environment analysis, contextual analysis of the company. Increasingly, there is a noticeable need for cooperation between organizations and the wider environment. The boundaries of the organization have faded away. At the same time, the line between identity and the right to self-determination of the organization has blurred.
5. Mainstream economic research must become more interdisciplinary. Explanation of real economic processes requires a growing number of "borrowing" from such humanistic and/ or social sciences as: psychology, sociology, political science and law. Moreover, economists should use new, previously unknown empirical research methods, such as: psychological experiments, computer simulations, and representative surveys.

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