

**CDSSES 2020****IV International Scientific Conference "Competitiveness and the development of socio-economic systems" dedicated to the memory of Alexander Tatarkin****PHILOSOPHICAL CONCEPTS AND ECONOMIC THEORY OF ORGANIZATION OF THE MODERN ERA**

Galina Ryazanova (a)\*

\*Corresponding author

(a) State university of management, 99, Ryazansky Pr., Moscow, Russia, ryazanovagn63@gmail.com

**Abstract**

The era of modern (Art Nouveau) was a significant period in the development of human civilization. It marked profound changes in all spheres of society - in politics, economics, social relations, culture, and art. Philosophy was a key source of global transformations - from the transcendental ideas of the representatives of German classical philosophy to the too contradictory Friedrich Nietzsche and the author of "intuitive reality" Henri Louis Bergson. The research aims to detect the relationship between the philosophy of the XIX-th and early XX-th centuries and the economic theory of organization. The study used logical and historical methods, scientific abstraction, analogies, comparative and systems approaches. The article identifies the relationship between philosophy and the economic theory of organization defines common features that reflect the worldview created by the philosophy of modernity. Simultaneously, within the framework of the key neoclassical paradigm, there were multidirectional vectors of research in the economic theory of modernity's organization using different methodologies and tools.

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## **1. Introduction**

The formation of philosophical trends of the modern era emerged under the influence of natural science political and social changes in the XIX-th century (Stromberg, 1968). The industrialization of society the emergence and formation of capitalism significantly changed the world's picture for modern society. The main goal of modern philosophy was freedom from the prejudices of the religious era of the Middle Ages.

In Sazanova & Ryazanova (2020), the main idea of that time was to obtain objective and unambiguous knowledge of universality and consistency in all spheres of human life.

The modern era's periodization is blurred: some researchers consider the beginning of era modern in the last three decades of the XIX-th century and the end - the first decade of the XX-th century. The other scientists believe that the influence of modernism survived until the middle of the last century. The modern era was influenced anyway by key philosophical concepts that were reflected in scientific theories of all areas of knowledge (Carolino, 2016).

The philosophy of modernity formed a new person - a courageous free rational mono-economic agent capable of changing himself and space. The created concept of the atomized person served as the basis for the creation of theories in all branches of scientific knowledge (Egorov, 2016), in particular, in the economic theory of organization. The liberal economic ideas of Adam Smith as opposed to the protectionism of the mercantilism served as the starting point for the research vectors of the firm (Newbert, 2018). Metamodern organization was a rational logically holistic microeconomic agent with bold entrepreneurial ideas high potential and ready to compete.

## **2. Problem Statement**

The interaction of philosophical knowledge and the economic theory of organization has been poorly studied and this article fills this gap. To understand the laws and patterns of the economic theory of organization, it is necessary to research:

- The world's picture of the era values and ideals.
- Mentality and aspirations of economic agents.

### **2.1. Transformation of society and change of institutions**

In this article, the author reveals the connection between the philosophical worldview and society's development, identifies the challenges and opportunities of the modern era.

### **2.2. Reflection of modern philosophy in the theory of organization**

The author touches on the subject about reflecting the philosophical concepts of modernity on the economic theory of organization. The article identifies the prerequisites for the emergence and future development of the economic theory of organization.

### **3. Research Questions**

Reflection of the philosophy of the modern era on the formation of the economic theory of organization

#### **3.1. Philosophical knowledge - general scientific knowledge - economic knowledge - organization theory**

What ideas of philosophy of the modern era had a significant impact on forming the world's picture of an economic agent?

What general scientific paradigm formed the basis of economic theory and economic theory of organization?

#### **3.2. Prerequisites, features, and prospects of the economic theory of organization**

How was the methodology of the economic theory of organization formed?

Which of the economists of the modern era contributed to the formation of the economic theory of organization?

Who was the successors in the research of the theory of organization of the modern era?

### **4. Purpose of the Study**

The source of any scientific knowledge was the philosophical worldview of the era. The purpose of the study is to identify the characteristic features of the modern era's philosophy and the vector of its influence on the economic theory of organization.

#### **4.1. Transformation of reality of the modern era, philosophy, and economy**

- Vajda (1980, p. 76) emphasized, that contrast to the medieval dullness the modern era had proclaimed faith in human a priori freedom and originality of personality These ideals were demonstrated in painting, poetry, architecture, music and disclosed in ideas of naturalism. The economic space has also been transformed Articles recognized factors influencing the formation of a new picture of the world.

#### **4.2. The evolution of the economic theory of organization of the modern era - from the classical paradigm to marginalism, Marxism, institutionalism**

- A portrait of an economic agent of the investigated era was rational mobile making decisions person maximized utility. Dorahy (2020) wrote, that the interactions of economic agents were based on economic benefits It was formed from the main provisions of the philosophy of modernity and classical political economy.
- The study aims to reveal their evolution into the multi-vector methodology of the marginalist, Marxist and institutional theory of organization, to identify how the mechanistic picture of the

world and Cartesian coordinates are reflected in economics and in the economic theory of the firm.

## 5. Research Methods

The author of scientific work used general scientific and specific research methods

### 5.1. General scientific research methods

Historical and logical methods were used in considering the transformations of the economic space in a historical retrospective, identifying the prerequisites and results of changes in the philosophical worldview and the impact of these transformations on the economy and the economic theory of organization

To highlight the specific features of the economic theory of organization of the modern era was used the method of generalization.

### 5.2. Specific economic research methods

- The method of scientific abstraction was used to identify the universal laws formed by economists-scientists based on a graphical representation of the economic processes of a firm related to costs, revenue, profit.
- Studies of the main provisions of modern philosophy and their reflection in the economic theory of organization were conducted based on methods of analogy and comparison.
- The systematic approach was reflected in a systematic interdisciplinary analysis of the processes of the socio-economic ecosystem and their translation in the economic theory of organization of different directions.

## 6. Findings

Evidence of the appeal to the conceptualization of economic problems has come to us since ancient times. The pre-scientific period was characterized by the complete subordination of economic thought to economic practice. The sources of ancient economic thought were statesmen and philosophers. The earliest mention of the influence of ideological and philosophical ethical norms could be traced in the ancient Babylonian code of laws of King Hammurabi of the XVIII-th century BC; later in the ancient Indian Arthashastras of Kautilya of the IV-th century BC and ancient Chinese laws of Kun Tzu of the V-IV-th centuries BC.

Greek philosophy had a huge influence on the economic knowledge of the pre-scientific period ancient Greek ethics supported the economic institution of the market and the institution of private property.

Medieval philosophy with an emphasis on theocentric viewed economic institutions through the prism of church. The greatest interest was directed to the institution of property in terms of protecting the legal possession of land by feudal lords.

Key factors in the formation of rationalism during the Renaissance were humanism and the separation of philosophy from theology. The heliocentric system of the universe and the idea of the superiority of reason over religious faith turned the view of the economic institutions and the microeconomic agent. Renaissance mercantilists and physiocrats laid the foundations for the institution of protectionism and created the prerequisites for the emergence of scientific economic knowledge.

### **6.1. General features of the economic theory of organization of the modern era**

The general provisions of the organization's economic theory were built based on a mechanistic picture of the world reflected in classical political economy. The main provisions of the firm's theory brought the fore the problems of rationalizing the use of resources obtaining optimal proceeds to maximize profits, thus uniting the postulates of the English classical political economy and marginalists. Sonnenshein (1973) signed out key areas of research were associated with the acquisition of ideal knowledge to construct a universal model that would give clear answers in terms of the methodology for creating and developing an organization. The law of homothetic integrated harmoniously into this methodology since the modern theory of organization assumed the possibility of calculating the equilibrium point in Cartesian coordinates even under the conditions of displacement of one of the parameters (one of the points) of the model in (Mantel, 1976). The diversity of filling the real economic space was reduced to specific markers that characterize the regularity of models excluding other factors. In particular, the model of decision-making by a mono-economic agent to use its labour as a factor of production of the organization demonstrated exceptionally rational behaviour of the employee: he calculated the opportunity costs of working in the firm, determined potential income and potential prospects, and based on rational analysis determined the feasibility of selling his labour (Haller & Heuermann, 2020).

### **6.2. The economic theory of organization A. Marshall, K. Marx, institutional school**

Alfred Marshall made a significant contribution to the economic theory of organization of the metamodern period (Machlup, 1970). Without denying the key economic laws of the classics, he significantly expanded the boundaries of the firm's methodology and the scope of its research. He investigated the mono-economic agent as the behaviour of consumer groups which was reflected in further marketing concepts of the XX and even XXI centuries, and the process of determining the equilibrium was first tried to be considered in dynamics, forming the preconditions for the emergence of the theory of Newman - Wolfe and evolutionary trends in economic theory (Bear, 2020). Konzelmann et al. (2018) researched Marshall's scientific works on the role of cooperation between organizations and the synergistic effect for organizations of different levels, both at the level of each company and within the framework of the association). This theory served as a methodological basis for the creation of the theory of integrated clusters in the late XIX-th and early XX-th centuries and its implementation in economic activities. Marshall interpreted the concept of the profit on the new. In Marshall (1920, p. 123), the first part of it was the result of the functioning of the organization and the second part of it was a result of the entrepreneurial abilities of the owner as a "risk bonus".

Karl Marx's economic theory of organization was a part of his economic and political philosophy based on the Hegelian dialectic understood through the materialistic concepts of Feerbach. The Marxist organization was a structural complex formed on the features of the connection of production forces and industrial relations (Sazanova et al., 2019). Labour for Marx was not a product as it is perceived by representatives of the mainstream (Burns, 2017), but a factor in the creation of new value the formation of new capital. The ideas of Marxist methodology had a significant impact on the development of the theory of organization of the XX century and were implemented in the economic space of socialism (Petersen, 2020). At present, economists are once again turning to the legacy of Marx, whose key ideas are based on the radical concept of Ernesto Lacló and the neo-Marxism of Alexander Buzgalin.

Since the periodization of the modern era has no clear boundaries, scholars regard the beginning of the XX-th century as both modern and postmodern. The author considers it necessary to touch upon the features of the theory of the organization of the institutional school, which combined the features of the classical and Marxist methodology based on interdisciplinary approach. By forming links between an organization as an economic institution and non-economic institutions representatives of this direction presented a new look at the microeconomic agent and its behaviour in the market. Thorstein Veblen's research subject was the firm as a social institution with the peculiarities of interaction of agents within the organization and as consumers of the firm (Thompson, 2016). John Commons combining the economic institution of the firm and legal institutions introduced the concept of "transactions" and "title of ownership" preparing the theory of transaction costs by Ronald Coase, published in the 30-s of the XX century.

## **7. Conclusion**

The origins of transformations in all spheres of social life is the philosophy of the time. The philosophy of the modern era has introduced new ideas, revolutionizing the global economic space.

### **7.1. Methodological basis of the theory of organization of the modern era**

The theory of organization of the modern era was formed on the methodological basis of the main provisions of the classical paradigm generated by the philosophy of modernity. Its characteristics:

- • individualism and rationalism of economic agents;
- • labour as the basis of value and wealth;
- • absence of barriers in making economic decisions by economic agents and their entry into the market (on the commodity market for microeconomic agents, on the market of factors of production for mono-economic agents);
- • the possibility of achieving equilibrium even within the law of homotheticity, regardless of the location of objects in the economic space;
- • neutrality of money and the possibility of equitable distribution of wealth.

## 7.2. Followers of research on the economic organization of modern

Based on key postulates formed by representatives of English political economy, the theories of organization of the modern era expanded the mainstream's understanding and created the preconditions for further research.

- The methodology of Alfred Marshall was reflected in the theories of Newman - Wolfe, Armen Alchian, Richard Nelson / Sydney Winter, and others.
- Marxist concepts had a significant impact on Karl Renner, Ernesto Lacló, Mikhail Tugan-Baranovsky and others.
- The interdisciplinary approach of the old institutionalists became the basis for the theories of Adolph Burleigh, Gardiner Means, George Buchanan, Ronald Coase and others.

The basic concepts of the economic theory of the organization of modern influenced the views of scientists of the XX-th century and do not lose their relevance at present.

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