Economy

Economy Today
An Interdisciplinary Approach to Contemporary Economic Challenges

edited by Piotr Urbanek

WYDAWNICTWO
UNIWERSYTETU
ŁÓDZKIEGO

Introduction

The dynamic changes in the economy have created new challenges for academia. The new economic reality is shaped by the combined effects of factors taking place in the economic environment of enterprises and in the very companies themselves. These are firstly, the processes of globalization and integration of the world economy, and secondly, knowledge and information as key factors leading to the achievement of competitive advantages. These objective processes, observed in both global and regional markets, have been affected by the outbreak and course of the recent financial crisis. This forces the world of science to rethink theories and models describing the functioning of the economy, markets, and businesses. This is the challenge facing representatives of various disciplines of science involved in the study of economic and social aspects of the complex economic reality. **Today's economy** requires an **interdisciplinary approach to contemporary economic challenges**.

This book fits into such a multidisciplinary research approach. The book includes 19 original studies. The articles are the result of research conducted by eminent international economists, authors representing academic centres in different countries. The articles address current phenomena observed in the global economy. The authors do not aspire to comprehensively explain all the very complex and multi-dimensional economic developments, but illustrate many of these phenomena in an original way. The multi-threaded and multi-dimensional nature of the discussion in particular articles deserves attention. These include theoretical and methodological articles as well as the results of empirical research presented by the authors.

The articles demonstrate the very broad spectrum of the authors' scientific interests. At the same time the issue of contemporary economic challenges, viewed from different perspectives, is interwoven in many studies. The first approach refers to the **process of economic integration and economic growth**, which on the one hand is the result of, and on the other determines the position of, national economies on the world market. At the same time the share of the economy in the international division of labour is determined by phenomena occurring at the level of **economic regions** and domestic markets, including the **financial markets**, which reflect the attractiveness of the economy as a place to invest capital. Most studies comprise an assessment of the sources of competitive advantages, **management processes and processes of creating value** which are taking place in enterprises. This is based on the assumption that the competitiveness of enterprises decides the competitiveness of economies and regions. At the same time the economic processes taking place in the business environment have an impact on the competitive position of companies on both the domestic and foreign markets. Therefore there is an interaction of interrelated factors which together create a multidimensional space. The authors of the studies included in the book undertook this type of research primarily with reference to the phenomena related to the processes of economic integration and economic growth, regional policy, the functioning of financial markets and issues of business management, with particular emphasis on the determinants of values and social and ethical aspects of management.

The book consists of five parts. The chapters in thefirstpart of the monograph are devoted to theissuesof economic integration and economic growth. Integration in the global economy can take different forms, the World Trade Organization being one such example. **Chapters 1 and 2** present the process of economic integration of the Chinese economy. The first chapter is devoted to the WTO, which is a member-driven international trade organization composed of governments and customs territories. Nowadays the WTO is an important platform for the development of triangle relationships between China, Taiwan and the EU. The author puts special emphasis on the Economic Cooperation Framework Agreement (ECFA) under the WTO and analyses its significance for the triangle trade relation both now and in the future. The second chapter presents and analysis of the Chinese economy, which takes a closer look at the role of the state (and political actors) in economic development from the socio-economic and macroeconomic perspectives. It is argued that China's system is hardly a Nash-like equilibrium and correction in the growth distribution pattern is required. The author points out that: "combining the standard macroeconomic approach with insights from new institutional economics, the paper argues that while the government's actions were mostly growth-enhancing, the nature of this development was biased toward the Party-state and in the long-term unsustainable".

The Visegrad (V4) countries – the Czech Republic, Hungary, Poland and Slovakia – are another example of economic integration. They joined the European Union in 2004 as rather weak economies, and since then they have recorded an economic development benefiting from a better business environment, new business opportunities, and access to EU structural funds. **Chapter 3** examines the impact of EU membership for the Visegrad countries' economic development and the labour market developments after their EU accession. The author explores the employment opportunities for V4 countries in the field of the green economy. Economic integration can take on the form of institutional structures like the EU. But it occurs also as a result of international trade, which makes a significant contribution to economic growth, especially nowadays when globalization is becoming a widespread phenomenon. Chapter 4 describes the phenomenon of a country's trade openness and the impact of economic growth of importing countries and effective exchange rates to the growth of a domestic economy. The empirical results presented in the chapter, based on annual data collected for the Albanian economy for the period 2000 to 2013, indicate that exports can increase intra-industry trade, help a country to integrate into the world economy, and reduce the impact of external shocks on the domestic economy.

The processesof economic growthare inextricably linkedwith the phenomenon ofthe business cycle and economic fluctuations. Grasping the pattern behind the cyclical nature of the economy is one the most challenging tasks for economists and economic theories. **Chapter 5** focuses on this issue. It examines the economic cycles in Poland in the years 2000–2013 to verify how the cycle's morphology changed after the crisis of 2008 and whether the changes match the theoretical characteristics of classic or modern cycles. The results, based on the analysis of the Polish GDP, show that the positive growth rate has been lower since the crisis, that cycles last for approximately 3.5–4 years, and their length and turning points suggest that in terms of morphology they match the characteristics of modern cycles.

The second part of the book contains three chapters dealing with the issue of regional policy. **Chapter 6** introduces an interdisciplinary assessment of urban patterns as a factor of socio-economic development, presenting selected examples of how different urban patterns influence family economics, risk management for city dwellers and entrepreneurs, the labour market and social inclusion or inequality. The author provides an assessment of the way in which the durability or flexibility of the business environment influences the sustainable urban development. He concludes, that "it is not possible to identify one spatial pattern that in the best way meets the need to adapt to new challenges and threats. However, case studies can point to certain features of cities, especially their diversity, as being the most important for their proper functioning (…)". An alternative approach to regional policy can be seen in **Chapter 7**, taking into account Poland'sthree-tier division of the country into basic administrative units. Local government units play an extremely important role when it comes to the management of public funds. This is related to the broader decentralization of public tasks and also to some extent to local governments' autonomy in shaping their own fiscal policies. The chapter analyses the issues of control and reduction of local government debt in connection with new restrictions implemented at the Polish local government level. Social housing policy is one of the most important areas of local authority's responsibility. The author of **Chapter 8** points out that "the disregard for social housing has reached its particularly acute level in post-socialist countries which have mass privatized, resulting in outstanding levels of home ownership (…)". She describes the linkage between housing re-privatization and the lack of social housing policies and displacement in Bucharest, Romania. These considerations areconducted inthe broader context ofhousing policy in Romania, its devolution from the central government to the local administration and the possibility of having an endemic discriminatory attitude towards those people who are at risk of becoming homeless.

The dominantthemein the thirdpart of this book is the functioning ofthe financial sector. Competitive pressure in the banking sector causes banks to introduce new financial investments, products, and services that are designed to generate additional income. They should also focus on current customers, who can spend more money when they are properly encouraged by a bank. **Chapter 9** is the methodological text, describing the application of the taxonomic measure of investment attractiveness (TMAI), which is an element of multidimensional comparative analysis. The aim of the paper is to verify the usefulness of the TMAI method for creating short-sell portfolios. Such statistical techniques might help investors to make long-term accurate decisions, but as the author highlights "there should also be used other methods which would confirm its indications (…)".

The market comparison method is one of the methods most widely used by practitioners to estimate the fair value of the equity of a company. This justifies the attempts of further research to improve the efficiency of the estimators of a company employed in this method. In **Chapter 10** the author presents a critical review of practical approaches to consider the one-off events in the comparative method. The author recommends including resistant indicators – P/E and P/S – which will not change due to one-off events in the final estimate of the value of a company. **Chapter 11** is the final chapter in this section of the book and analyzesthe risk reduction mechanisms used by mortgagors. The author identifies two basic types of mortgage borrowers: those with low creditworthiness and those with high creditworthiness. The analysis mainly deals with credit risk reduction mechanisms that are used by real estate purchasers. The results make it possible to identify several basic risk reduction mechanisms that were used by the mortgage borrowers under study. But as the author concludes "the strategies and effects which are identified in this paper and which lead to a reduction in mortgagors' level of risk consciousness not only do not protect consumers against the risk but may also significantly increase this risk (…)".

The two last parts of the book are devoted tovarious aspects of corporate management. There are two research perspectives of special interest to the authors: determinants of an organization's value and social and ethical issues in management. One can use many methods to carry out a competitiveness assessment. Such an analysis gives the opportunity to identify companies' strengths and weaknesses and allows them to adopt a successful competitive strategy, which determines a company's position in the marketplace. According to the author of **Chapter 12** "methodology and techniques of assessment are not sufficiently developed (…)". They require complex calculations and obtaining and using the necessary information, which significantly reduces the possibility of their practical application. Such restrictions can be overcome by an original methodology for quantifying the attractiveness of the goods to the client in relation to the other goods,as presented in the paper. As the author writes, "(T)his approach allows us to obtain a complete understanding of the advantages and disadvantages in the enterprise, as the company's competitiveness takes the form of goods and affects the competitiveness of technological, organizational and economic aspects of the enterprise market (…)". Another approach to the problem of competitiveness can be found in **Chapter 13**. The purpose of this paper is to identify the key competences of global managers in the cross-cultural management of multinational corporations, which "have become one of the most important drivers of continuous globalization and constant developments in the global economy (…)". The review of the literature presented in the paper reveals that cultural self-awareness, intercultural communication and a global mind-set should characterize successful global managers. Such managerial competences seem to be a very important source of success for multinational corporations. The issue of management in a global multicultural organisations is continued in **Chapter 14**. This paper presents management tools which can be useful, especially in the environment of multicultural organisations, to manage the process of change. The choice of these tools is based on personal work experience and interviews with those leaders who have been managing changes in such organisations. As the author emphasizes, the key factor of success is flexibility and modification of the implemented tools, as they must be adjusted to the culturally diversified environment of the world's organisational and national cultures. Chapter 14 also describes the process of communication within an organization, while **Chapter 15** focuses on the problem of a corporation's communication with its business environment, especially with investors. This is an important component that shapes and builds organizational image. Such communication is a crucial factor in the process of building relationships of listed companies with stakeholders and may significantly affect a company's value. As the author underlines "intangible assets can become a sustainable source of competitive advantage more than technology or patents in the long term. Companies' strategies need to include a strong foundation for building the reputation or image (…)".

The last part of the book consists of four chapters. The author of **Chapter 16**points out three basic dimensions of corporate activities: economic, environmental and social. The concept of corporate social responsibility presented in the paper tries to alleviate the inadequate relation between them. A case study of the Norwegian Government Pension Fund is used to show the growing awareness of the role of balance in sustainable development, which is necessary to achieve economic success, while respecting the environment and the needs of the individual. **Chapter 17** presents another social perspective of management processes. The aim of the paper is to indicate the opportunities for practical implementation of social engineering in company management. According to the author, social engineering "is a practical science which is based on techniques offered by science (sociology, praxeology, juridical studies, psychology, logic, political science, management) and methods aimed at influencing the reality, relying on acquiring the desired behaviour of individuals or social groups to pursue adopted aims (…)". Knowledge of such rules and methods of making an impact on people, as well as basic sociotechnical models on the highly competitive market, are nowadays necessary for managers to increase an enterprise's functionality and competitiveness. A corporation's cultural and ethical values are becoming important aspects of economic efficiency. This is especially visible in the banking sector. **Chapter 18** presents an analysis of the impact of social and individual values on the profitability of Czech banks. The authors demonstrate that domestic banks tend to focus on the person and client codes of ethics aremore individualistic. The final **Chapter 19** also emphasizes the social aspect of economic processes. The authors focus on the social and individual impacts of the economic crisis, because as they argue "global economic processes directly influence and severely touch individual human being. Their repercussions can be observed not only at the economic level, but also analysed in a sociological and psychological sense (…)". That is why "the economy should be understood in terms of the social order, being only one of its dimensions (…)".

The book is addressed to those persons interested in issues of economics, finance, regional economy, and the management sciences. It can be valuable for economic practitioners, members of management and supervisory boards of companies, and financial analysts, and the articles may also be useful for academicians and students.

The book fits into a multidisciplinary research approach. The articles are the result of research conducted by eminent international economists, authors representing academic centres in different countries. The articles address current phenomena observed in the global economy. The authors do not aspire to comprehensively explain all the very complex and multi-dimensional economic developments, but illustrate many of these phenomena in an original way. The multi-threaded and multi-dimensional nature of the discussion in particular articles deserves attention. These include theoretical and methodological articles as well as the results of empirical research presented by the authors.

The book is addressed to those persons interested in issues of economics, finance, regional economy, and the management sciences. It can be valuable for economic practitioners, members of management and supervisory boards of companies, and financial analysts, and the articles may also be useful for academicians and students.

Piotr Urbanek, University of Łódź

NBP Narodowy Bank Polski

WYDAWNICTWO
UNIWERSYTETU
ŁÓDZKIEGO

www.wydawnictwo.uni.lodz.pl
e-mail: ksiegarnia@uni.lodz.pl
tel. (42) 665 58 63, faks (42) 665 58 62

ISBN 978-83-8088-012-2

9 788380 880122