

## **Economic psychology: its place and function in modern science**

*This study examined internal and external reasons of intensive development of economic psychology as a branch of scientific and practical science that influenced the progress of modern psychology. Analysis demonstrated difference between the main notions of economic psychology: economic consciousness, economic behaviour, subjects of economic behaviour (personality, small and large groups)*

*The greatest attention is focused on double status of the economic psychology (in economic and psychological science, difference of their research paradigms) and interdisciplinary links with ethics and psychological branches of science (social psychology, management psychology).*

*The article highlights more intensive development of internal psychological level of interdisciplinary studies in economic psychology by comparison with external psychological level.*

**Key words:** *economic consciousness, reasons, economic objects, subjects of economic behaviour, interdisciplinary place of social psycholog.*

**Basic phenomena and concepts of economic psychology.** For the last scores of years in our country the economic psychology has been inspiring a renewed interest and has been developing as a branch of psychological science, an interdisciplinary.

Science of economics. **Intensity of development** of any domain of knowledge, including economic psychology can not depend on one group of factors, but many decisive factors or reasons as complex phenomena in science usually have a lot of determining factors.

Our review of literature shows that a lot of scholars believe that economic psychology of our country has actively developed in 1990s of the XX th century, probably it is so obvious that it won't request more striking evidence of the fact from the historians in the future. We percieve this statement as more or less apparent.

The main reason of development of this science is due to socio economic state of Russian society in 1990s, its practical demands and requests for different branches of the science, among them economic psychology. The most urgent development of this science is caused by practical reasons.

Naturally, we can not explain this quick development minimizing the importance of other reasons, as following:

- a) the state of inner readiness and appeared possibilities of psychological science: theoretical (conceptual), methodical (instrumental), practical reasons, availability of specialists and etc-this is related to internal psychological reasons;
- b) the increased interest of other branches of science, first of all, economics, in receiving additional facts, behavioural patterns, schemes explaining different issues boundary to with psychology, existing demand for this knowledge in other branches of science- these are external psychological reasons;
- c) the historical experience formed in process of intensive creation of new scientific psychological branches in response to acute practical needs at a certain historical period – these are historical-psychological reasons.

A primary concern of economic psychology has been economic-psychological phenomena in their combination : economic-psychological processes, states and characteristics of different subjects. However, in spite of a big diversification of these phenomena, the main ones are phenomenon of economic consciousness and economic behaviour and corresponding notions used in economic psychology.

**Economic consciousness** is a private form of individual or group consciousness consisting in different forms of individual or group knowledge of subject about different economic objects and

his relation to this knowledge. The most important phenomena of individual or group consciousness studied in modern economic psychology are the following:

- social ideas of economic objects, real as well as ideal ones;
- relation to economic objects, opinions and judgments about them, appreciations and so on;
- social attitudes, stereotypes and prejudices connected with economic objects;
- emotions, feelings and emotional experience related to economic objects;
- phenomenon of social expectations, anticipation, forecast of economic changes, that is to say, forthcoming events, connected to economic objects;
- social categorising and interpretation of economic and psychological phenomena and etc.

Above mentioned parts of economic consciousness have no adequate unified basis of selection, furthermore they overlap each other by their content

and used as terms in different theoretical approaches of research in the field of economic consciousness. We introduced them together though they are different because the research attention is focused on them as phenomena of economic consciousness.

According to the last publications, under economic objects they imply most commonly the following:

- wages, profit, financial position or on the whole economic conditions of life of different economic subjects ;
- wealth and rich people;
- poverty and poor people;
- different property and owners;
- money, firm currency or jewelry;
- different financial assets as money equivalents: shares, financial notes, accounts and etc;
- savings at bank accounts and similar financial organizations.

Under *economic behaviour* which is closely connected with economic consciousness is meant various external forms of individual and group subjects regarding diverse economic objects.

The most important among them , for instance:

- choice of the forms of economic activity (wage labour, joint ownership, entrepreneurship and etc);
- real business activity with various informative and formal and dynamic psychological characteristics;
- different forms of economic behaviour: consumer behaviour, saving behaviour, investment behaviour and so on.

Last decade in the science of our country the terms of economic consciousness and economic behaviour were turned to more integral (generalized) notions as “economic activity” or its synonym “economic vital activity”, and some others close to them. The need in such generalized notions is prompted by necessity of research of such economic and psychological phenomena, that integrate economic consciousness and various forms of economic behaviour. We are not able to analyse separately these phenomena, it would be extremely difficult, almost impossible.

Although it is necessary to note that the greatest research attention has focused on economic consciousness of personality and social group.

Traditional *subjects of economic activity* (vital activity) are: personality (in some theories they use the notion “human being”); small groups and first of all initial work collective; large social groups, including, as a rule, socio economic (property groups) and socio demographic groups.

The personality and large social groups as subjects of economic activ-

ity are favoured today in economic and psychological researches.

**Relation between economic and social psychology.** The place of economic psychology in the system of psychological science is still poorly analysed by specialists, many issues of theoretical contents are not solved, these questions usually follow the creation of any branch of psychological science and request a rather long period for handling. We suggest that the most acute question now is the question of relation between economic and social psychology. It is necessary to say that there is a regularity of creation of several modern branches of psychology, the same discussions are persisted around organizational, historical, political, cross-cultural psychology and others.

Let's consider some possible solutions of relations between economic and social psychology that exist in the reviewed literature.

1. The economic psychology is a part of applied social psychology. This suggests that the economic psychology does not create or discover any laws of social behaviour but proves existing socio psychological effects and phenomena in an individual, particular form. It uses conceptual apparatus of social psychology and does not create its own methods of research.

2. The economic psychology is a theoretical and practical branch of social psychology.

It studies theoretical and practical aspects of economic behaviour of people (of individual and social groups) as a particular form of social behaviour, but having certain characteristics. Law knowledge of social behaviour helps to realize the special features of economic behaviour, but it is not enough to explain adequately economic behaviour.

The economic psychology analyses special, theoretical and practical problems, creates research methods, having their own peculiarities. The economic psychology makes its own conceptual apparatus, adding and developing that one of social psychology.

3. Accepting an intimate linkage among the social and economic psychologies, some scholars believe that the economic psychology is an independent branch of psychology.

It is called to decide those particular problems and questions which are typical for economic psychology and do not exist in social psychology.

More often among them they distinguish the process of coming to an economic decision by a person under different conditions, research of ideas about economic contents and etc. Moreover, according to this point of view the economic psychology is adjacent to social and individual psychology, the general theory of mental processes and psychology of personality and so on. Considering all these facts we should admit that in modern psychology many

systems cross, but do not overlap completely each other.

The same is also related to the methods of research: the economic psychology is able to show its own practical methods without denying their similarity with the system of methods of social psychology.

At the present state of professional discussion of this question, it is too early to choose the unique answer about the relation between the economic psychology and social psychology and deny others as false. Actually the discussion about the status of economic psychology is not closed, it is open, and we hope that some new possible alternatives will appear and clarify the status of this science.

***Interdisciplinary place of the economic psychology.*** Today there are strong grounds for believing in the interdisciplinary character of the economic psychology as a branch of science. The interdisciplinary character shows itself at different levels typical to other branches of psychology. First of all it shows up at external psychological level, where psychology borders other sciences, where it appeared and where it continues to develop.

In our opinion the most interesting studies lie on the line of intersection of economic psychology and ethics. It refers to a wide phenomenon of business communications in individual, self-employment, administrative activity, all the studies made under the direction of Lokshishina E.H. in the State University of economics and finances in Saint Petersburg. We found the integration of the economic psychology and business ethics in cross-cultural business studies

carried out by Shikhirev P.N. at high school of international business of the Academy of national economy under direction of Russian government.

Secondly, the interdisciplinary character of economic psychology is manifested at the internal psychological level, that is to say in the frame of psychology. The best known examples of this type are formed with two branches of psychology. One is bordering ethnic psychology and it became an economic ethnic psychology, thanks to studies made by the members of the share of social and economic psychology in the state economic Academy in Irkutsk.

The works implemented under scientific supervision of Karnisheva A.D. are considered as major works in this field, they enable to explain and create the above mentioned branch of science. Another scientific trend of research that has just appeared is called "Economic and psychological problems of management". A large scientific collective of psychologists headed by Fominikh V. P. in Chuvash state University is engaged in these studies.

The bulk of researches and their contents fulfilled in context of social, historical, organizational, political, ethnic, pedagogical psychology, psychology

of personality, labour favours our view.

The enumerated examples reveal that much more interdisciplinary researches are actively made at internal psychological level in comparison with the external one.

Thirdly, It is very important that the economic psychology attains double status : in economics and psychology. In a certain historical period there were (at some stage they exist now) psychological engineering psychology and technical engineering psychology, by analogy, psychological and sociological social psychology, psychological and medical clinical psychology and etc, so we can speak about economic and psychological economic psychology.

***Function of economic psychology in the progress of psychological and economic sciences.*** Creation and development of economic psychology as an independent branch of science became possible thanks to maternal sciences, it is generated from. However this process turns very quickly into the process of mutual enrichment. It is obvious now that the progress of economic psychology gives a lot of advantages for the modern psychological science as a whole.

We want to dwell upon this question below.

1. Researches of economic psychology contribute to the solution of the major problem of psychology- social and economic determination of psychology, in particular , human consciousness and its generalities. The question is to what extent different psychological components of a human being as an individual, a personality, a subject of activity and an individuality ( according to Ananiev B.G.) are determined by material and economic conditions of his life. It is a traditional question for psychology which was limited by philosophico-methodological aspect of the analysis, characteristic to a long period of psychology development.

Now it becomes the central goal of the studies just in the economic psychology. Studies of psycho-economic problems must add to knowledge of psychology of modern people, and become a step forward understanding of the role of social-economic factors in these complicated phenomena.

2. The economic psychology significantly enriches psychological science by introducing in scientific use and elaborating some *new psychological terms*, if they didnot exist it would be difficult to describe and imagine psychological nature of the human being. Among those terms and phenomena, we can recite a wide range of different notions: economic behaviour and economic consciousness , property and proprietor, wealth and poverty, money attitudes and advantages, profit and expectation, and many others which in the aggregate could form one of the most important economic and psychological characteristics of a person or different social groups.

3. The real mutual enrichment consists of developing methodical resources of research in economic psychology, more than in other branches of psychology. Economic psychology uses integrated experiment, methods of quality analysis and different applications of programs based upon combination of quality and quantity methods.

The development of economic psychology illustrates very well possibilities of combination of different kinds of methods, integration of nomotetic and ideographic type of knowledge, although the common trend at the moment is to improve ways and methods of quantity studies.

If we touch upon special contribution of the economic psychology, we can give as an example studies of diaries which was used in economics to control the structure of expenses, but as a method of studying vital activity of a personality or a small group, in particular, as a method of studying a family or an initial group.

The next question that arises –what gives economic psychology to economics.

The reply should be done by economists, though there are some obvious facts, facts at “the surface” that we must indicate.

1. Economics also studies a person, but its subject is an economic person, this is one-sided characteristic. Economic psychology using all psychological theories gives to economists *data about psychological behaviour and this enables* to explain laws of his economic behaviour, and sometimes thanks to psychology check and correct economic laws. The most useful turn to be information about individual and group decision making, motivation structure, intercommunication and mutual influence of different psychological components: needs, motives, character, abilities, orientation and etc. Economic and psychological studies helped economists to understand nature of irrational economic behaviour and include in economic models a special factor “an irrational person”.

2. Economic psychology shows the real *role of economic conditions*, factors, phenomena and so on in the human life, which are studied by economics of a person. Economic and psychological studies demonstrate that between socio economic conditions or economic environment and a real human behaviour there is a system of psychological phenomena (factors) that influence economic behaviour, economic conditions, state of economic environment. That's why psychological factors are extremely important in economic studies.

All the basic terms and methods in economic psychology were taken from basic disciplines, so the process of separation was carried out by the contents which was not typical for both economics and psychology. Alongside

the subject, we find specific methods of interpretation of collected data and particularities of research organisation. We believe that all these distinctive features will be accumulated in all spheres of this science, not only subject, but objects, methods and terms will be specific and used only in this science.

Creation of economic psychology is already an interesting socio-psychological phenomenon which represents an integration of economists and psychologists different by their mentality and the system of scientific notions.

Economists try to create such economic conditions, introduce such mechanisms and models which facilitate a person or social groups, organisations to work economically, make a profit and increase it.

Psychologists suggest there are no universal socio economic mechanisms, that will influence equally different people. All the conditions and mechanisms, created by economists work only on a part of people who have certain orientations, motives and a system of values.

Other employees may refuse directly or show unwillingness to work under proposed economic conditions. Some people can refuse big profits or wages, if it involves risks or a more difficult, strenuous work. Psychological paradigm offers a multifactor system of interpretation of the same behaviour form among different people. A certain place in this system is occupied by economic factors, but they can lose their decisive role, they can easily change under the pressure of really important factors in a human life. They are not only psychological, they are moral and ethic factors, the values of physical health. They could transform effect of economic conditions and mechanisms. That's why the validity of researches not taking into account the above mentioned factors is very often questioned by psychologists.

The integration of economists and psychologists in the field of social psychology let psychologists to deeply understand universal models describing economic phenomena, including human economic behaviour. Economists realize the role of psychological variables in the economic projects.

At the moment we find the phenomenon of two economic psychologies, because researches made by psychologists and economists differ greatly and carry the imprint of maternal sciences. This phenomenon is traditional for many interdisciplinary branches of science, especially when they appear. Then they develop independently, which is quite natural.

It is difficult now to forecast further ways of development of economic psychology.

*Conclusion.* Summarizing preliminary analysis of the development of economic psychology in the context of modern psychology, it is possible to underline some peculiarities of its progress.



It is necessary to draw attention to intensive development of the economic psychology in the second part of 1990 s of the XX th and the XXI st century.

We have to recognize the historical continuity of different stages of origination, maturity and development of the economic psychology of our country.

We should highlights more intensive development of internal psychological level of interdisciplinary studies in economic psychology by comparison with external psychological level.

We must be aware of the possible double status of the economic psychology : in economics and psychology.

This article outlines some “mosaic structure” in the modern economic psychology and in the new only forming trends. Structural parts are badly connected by the content and develop in a relatively independent way.

The progress of the economic psychology depends on practical needs and requests of society in a high degree. The potential of independent development is very low.

It was concluded that the economic psychology is created as an interdisciplinary scientific and practical branch of psychology and the leading position in this science is occupied by practically oriented researches and studies.

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