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Economic development versus social life

Abstract

Nowadays, no one could question the fact that in the post-communist countries the laws of economics work in the same way as in the countries in which the communist system has never prevailed. Yet the long-term results of a strategy implemented in the 1990s for the economic transformation, for social life have become visible just now which means that a formulation of a diagnosis encompassing the entirety of the results of "the shock" transformation for the individual aspects of social life is possible only now. From this point of view, we are still living in the period which one can recognise for the great economic experiment.

Key words: economics, management, entrepreneurship, development.

If we want to answer a question what benefits we can get from understanding of complex relationships connecting economic development with other aspects of social life, we should realise that economic development is something more than long-term process of wealth growth. Since not only getting rich by societies is an effect of development, but also a series of technological changes leading gradually to transformations of some spheres of social life such as transport, communication or trade in goods. Technological progress is associated, in turn, with economic development because one of elements and at the same time conditions of economic development is also innovativeness¹ by which it is necessary to understand a tendency to replace foregoing existing, but still effective, methods of production by more modern methods what, in consequence, leads to the competitive advantage of enterprises and profit growth. In different words, economic growth is inseparably associated with a technical progress as a result of innovativeness, and that technical progress impinges on all spheres of social and individual life, leading gradually to the transformation of the whole of society. In connection with the wealth growth of individuals and thus the level of satisfaction of the various

¹ Zgodnie z definicją Oslo, przedsiębiorstwo jest innowacyjne wówczas, gdy w ciągu ostatnich trzech lat wprowadziło na rynek co najmniej jedną ważną innowację. Por. *Podręcznik Oslo. Zasady gromadzenia i interpretacji danych dotyczących innowacji*, Warszawa 2008, s. 49.

types of needs, the technological development leads to deep transformations of all spheres of social life. As a result of the growth the societies have become more and more well-off what lets individuals keep relative independence from different individuals and a society as a whole, on the other hand, they undergo principal structural transformations. Both of these phenomena impinge secondarily, as a matter of fact, on the economic growth process itself.

It is worth turning our attention that wanting to qualify precisely the relationship between economic development and social changes, it is necessary to have a precise definition of development. In general, the level of economic development of individual countries is defined in a quantitative manner by means of an index called gross domestic product. This index has, however, many disadvantages, and those disadvantages, what is characteristic, result from changes happening in the present world, indeed, under the influence of the economic development (the information technology revolution, changes in management at the micro level, globalisation and connected with it a difficulty in subordinating GDP to individual countries). Meanwhile the economic growth entails lots of phenomena which cannot be measured in a quantitative manner, and which, undoubtedly, constitute a constant element of that growth.² Therefore, also appear proposals to add to the profile of the economic growth such categories as the wealth distribution or pollution of the natural environment, and even a general level of life satisfaction.³

Nevertheless, irrespective of how we characterise economic development, undoubtedly, the relationships between economic life and remaining aspects of social life are unusually complex. Their exact cognition is an aim of several scientific disciplines including, first of all, social sciences. Relationships between economic development and the social surroundings of enterprises make up, as a matter of fact, the object of interest of economics. Understanding of mutual relationships between social life and economic development from the point of view of the influence of social environment on the activities of individual enterprises and the economies of individual countries is essential for this science because here we are always supposed to deal with a kind of feedback: some social phenomena affect the activities of enterprises (positively or negatively), whereas the economic development, in turn, secondarily affects those phenomena. Cognition of social phenomena having an impact on the economic life allows to adjust the action strategies of enterprises, on the one hand, to social surroundings and minimise possible conflicts, on the other hand, affect social consciousness in such a way that it would not make up a hampering factor for economic development. Knowledge about these kinds of dependencies also has an essential practical significance because it makes possible the adjustment of enterprises' activities to social conditions both at the level of individual enterprises and at the institutional one.

The studies of relationships between economic development and social transformations is one of the aims of sociology. Within sociology came into being a sepa-

2 J. M. van der Bergh, *Abolishing GDP*, „TI Discussion Papers”, No. 07-019/3, 2007, s. 12 i nast.

3 J. Boyd, *The No market Benefits of Nature. What Should Be Counted in Green GDP?*, „Resources for the Future. Discussion Papers”, No. 06-24, 2006, s. 5 i nast.

rate sub-discipline studying sociological aspects of economic development called sociology of economy or economic sociology.⁴ Coming into being of economic sociology is associated with questioning a reigning foregoing approach to the treatment of economic issues in a separation of remaining social processes.⁵ The disadvantage of a global approach seems, however, that it does not consider, to a sufficient degree, quick changes which set in the present economy, treating economic processes as they would constitute in a whole the product of one society. However, it is worth noticing here that both economics and sociology study connections of enterprises in their social surroundings in a specific socio-economic situation. Since this situation changes dynamically (and economic development is indeed the prime mover of these changes), therefore earlier arrangements after certain time become useless.

One can also point out a series of different fields which due to their subject may seem to be interested in the issues connected with the economic development. Disciplines even so distant from economics and sociology as religious studies or philosophy are interested in the influence of economic growth (in the sense of getting rich) on definite social phenomena. Classic M. Weber's work *Protestant Ethics and the spirit of capitalism* is the example of considerations over the relationship between religion and getting rich.⁶ Questions about the ethical aspects of getting rich make up, in turn, the object of interest of ethics of business. The problem of relationships between enterprises and political institutions constitutes the object of interest of political sciences. If we take into consideration the influence of technical innovations on the development of investigative tools, then we enter the issues of philosophy of science. The consumption-based economy (as opposed to the savings-based economy) determines definite changes in the sphere of values accepted in society what constitutes, in turn, the subject of philosophy of culture. We could enumerate still many more these kinds of examples - in essence, it would be difficult to point out a branch of knowledge (except of the sciences) which would not be interested in the problem of the relationships between economic development and the remaining areas of human activity, one way or the other.

However, the reflection over economic development serves, firstly, society itself, because it allows to administer economic processes so that they could bring benefits to the whole of society, but not only for a narrow group of the economic elite. The economy is the common good so that it should serve the whole of society. It can develop independently from the majority of society, serving, first of all, a small group of the capital owners, however, it can increase the wealth of the whole of society. In the latter case, the economic development is accompanied with development of the whole of society. On that occasion, we are supposed to deal with the socio-economic development which can also be measured in a quantitative

4 Por. W. Morawski, *Socjologia ekonomiczna*, Warszawa 2001.

5 S. Partycki, *Spoleczne funkcje rynku*, Lublin 1998, s. 5

6 Jak zauważa autorka wstępu do polskiego przekładu *Etyki* J. Mazińskiego, głównym problemem rozważań Webera jest pytanie, czy człowiek pobożny może być zarazem człowiekiem zamożnym, tzn. czy może, nie tracąc pobożności, podejmować działania, powodowany jedynie chęcią zysku. Por. J. Mizińska, *Wstęp*, w: M. Weber, *Etyka protestancka a duch kapitalizmu*, Lublin 1994, s. VII i nast.

manner. The Human Development Index (HDI) serves it. The comparison of this index with the economic growth index allows to define to what extent the economy of the given country makes up *de facto* the common good, serving the whole of society, and to what extent it develops somewhat despite of the good of society causing a series of negative results and very few positive ones.

As I have mentioned, economic development comprehended as a progressive process of innovations caused by the desire of the profit maximisation (technical, organizational, political, legal ones etc.) affects all symptoms of social life, transforming gradually the whole of society. Marxists turned their attention to this fact at the same time treating economic processes as a main source of injustice in social life. That is why Marxism also sought in considerations relating to development of production and trade in goods a key to understanding and explanation of the most important problems tormenting modern societies, such as poverty, exploitation, colonialism etc. For Marxism the economic development in itself was not a negative phenomenon, they found to be harmful only its influence on social life. What is interesting, wanting to narrow the gaps in negative outcomes of economic development, Marxism did not postulate changes on the pure economic grounds (e.g. through the introduction of the market control), but it demanded the transformations of the social structure in such a way so that society stops to be susceptible to the negative results of this development. Creating a new society, Marxists desired to create also new relationships connecting the production of goods and trade in them with social life.

Despite the utopia of the Marxist project, no one could deny that certain diagnoses relating to the influence of economic development on society formulated by Marx remain, as it seems, righteous until today. One of them is a thesis, according to which it comes to the objectification of labour and relations between people in the capitalist society. The relationship between the product of human work and the work itself is broken off, and as a result of it that product becomes transformed into goods, i.e., into the object of the possible exchange (possessing a certain abstract value which levels it with other objects). "It is only a definite social relation between people themselves –as Karl Marx wrote – here it takes for them the shape of a delusive figure of the relationship between things."⁷ On the other hand, reification of the relations between people, in consequence, leads to atomisation and the final breakdown of society.

Admittedly, an attempt of construction of a new society based on Marxist premises concerning relationship between the economy and society has ended in a defeat. Nonetheless, it does not mean that controlling social transformations encompassing the bases themselves of the social existence based on scientific knowledge about laws ruling the economy and their influence on social life is impossible. The system transformation in the post-communist countries is the example of using this kind of social engineering. The transformation in the economic sphere consisted in the replacement of the centrally controlled economy with the free-market economy with an assumption that society is able to accept the laws of the free

7 K. Marks, *Kapitał*, t. I, Warszawa 1959, s. 83.

market. As the system transformation had no precedent in the history of economics, at the beginning of 1990s one could not foresee neither the final results of the transformation for the state and society nor even this whether the transition from the planned centrally economy to the free-market economy is at all possible.⁸ Therefore, the transformation of the economy had a revolutionary character, for the basic dimensions of the economy had to undergo the principal change, i.e. the predominant form of property, the mechanism of allocation of resources, and the function of money in the economy.⁹ At the same time, an effective reform of the economy, leading to macro-economic stabilisation, has constituted a condition *sine qua non* of all other transformations including especially institutional changes¹⁰ (and subsequently political and cultural ones).¹¹

The model of transformation applied in the countries of Central and Eastern Europe was based on several assumptions. The most important premise was a thesis in accordance to which the laws of economics work universally, and it will suffice to remove institutional obstacles so that they disclose their workings. Therefore, the reformers' knowledge about

laws ruling the free-market economy was a basic condition for the effectiveness of reforms. The second assumption has claimed that it is impossible to carry out the reforms without a radical rejection of the foregoing non-market mechanisms of the management of the economy. It has meant in practice that one cannot execute the economic transformation with the small steps method. Finally, according to the next assumption, institutions functioning correctly in the conditions of the market economy should turn out equally effective in the economies subjected to the reform.¹²

As it is commonly known, in Poland was applied the model of transformation based indeed on these assumptions. However, these assumptions were not generally accepted, and constituted the object of criticism already in 1990s. First of all, the view according to which the transformation should be carried out sharply was doubtful, as allegedly there is no way to introduce the principles of the free market in the state in which function institutions created for the needs of the centrally planned economy. The followers of this view underline that admittedly the laws of economics are invariable, however, the formation of the free market is the process conditioned historically, therefore, there is no way to foresee all results of the transformation for specific societies. As societies differ between each other, there are also different social initial conditions of the transformation process. Due to it, it is not possible to apply one model of transformation and obtain every time

8 Świadczą o tym m.in. skrajnie odmienne oceny polityki gospodarczej formułowane przez kolejne rządy solidarnościowe na początku okresu transformacji. Por. G. Kołodko, *Gospodarka polskiej gospodarki. Sukces czy porażka?*, Warszawa 1992, s. 14 i nast.

9 Por. W. Wilczyński, *Trudny powrót Polski do gospodarki rynkowej, w: Drogi wyjścia z polskiego kryzysu gospodarczego*, pod red. W. Wilczyńskiego, Warszawa-Poznań 1992, s. 14.

10 L. Csaba, *The Capitalist Revolution in Eastern Europe. A Contribution to the Economic Theory of Systemic Change*, Aldershot 1995, s. 79.

11 Por. M. Ratajczak, *Transformacja ustrojowa w świetle ustaleń i założeń ekonomii instytucjonalnej*, „Ruch Prawniczy, Ekonomiczny i Socjologiczny” 2009, nr 2, s. 237.

12 Por. L. Balcerowicz, *Socjalizm, kapitalizm, transformacja. Szkice z przełomu epok*, Warszawa 1997, 228 i nast.

the same results. Moreover, not only the laws of economics exert the influence on functioning the institution of the free market, but also the culture of the given society and accepted ethical values in it. That is why it is necessary to introduce the system transformation gradually, observing the results of individual reforms for the individual institutions of the economic life and adjusting an action strategy to those results.¹³

Therefore, in the case of the economic transformation in the post-communist countries we have dealt with two divergent views. According to the first of them, the knowledge of laws of economics is a sufficient condition for an effective transformation; according to the latter view, equally important is understanding of relationships connecting the economy and society. From today's perspective, one can estimate the results of the structural transformation for social life in a various way, nevertheless, undoubtedly the basic assumptions have turned out correct. Nowadays, no one could question the fact that in the post-communist countries the laws of economics work in the same way as in the countries in which the communist system has never prevailed. Yet the long-term results of a strategy implemented in the 1990s for the economic transformation, for social life have become visible just now which means that a formulation of a diagnosis encompassing the entirety of the results of "the shock" transformation for the individual aspects of social life is possible only now. From this point of view, we are still living in the period which one can recognise for the great economic experiment.

It seems that knowledge about social aspects of the economic development will play a larger and larger role as a factor stimulating that development in the close future. It will be so because the present economy at a quicker and quicker pace becomes the knowledge based economy. According to the definition of the World Bank, "the knowledge based economy is the one which makes effective use of knowledge for economic and social development, where creation, use and acquisition of knowledge is found to be the main factor of growth and competitiveness in the global economy."¹⁴ On the one hand, it is knowledge about technological processes conditioning the growth of production and trade exchange, but on the other hand, knowledge about the economy itself and the ruling regularities. Because of the increasing significance of knowledge in the present world, those enterprises achieve a success which have developed the skills of continuous learning and adjusting their way of functioning to changing surroundings. In any case, that capability of continuous learning is the condition of not only effective management of a single enterprise, but the condition for the management of the economy at the whole country scale. Understanding of relationships combining economic development and social life will constitute, therefore, not only a tool increasing possibilities of activities for enterprises and economies, but also one of the main factors making changes in the individual spheres of social life.

13 G. Roland, *Transition and Economics. Politics, Markets, and Firms*, London 2000, s. 329.

14 C. Dahlman, *World Bank Knowledge Economy Products and Strategy: Emerging Lesson*, "PREM Learning Week", April 9 2003, Washington DC.