

**Editorial note.** The following publication continues a series of articles in the Journal (starting from no.2, 2014) devoted to the all-Russian research-to-practice conference “Society and sociology in modern Russia”, which will be held in Vologda in November 2014. The author, Academician M.K. Gorshkov, is a known Russian sociologist, a developer of the theory and methods of the sociological research of mass consciousness, the Russian identity structure, social types of citizens in post-Soviet Russia. Since 2005 he has been Director of the Institute of Sociology of the Russian Academy of Sciences, Chief Editor of the journals “Sociological Science and Social Practice” and “Bulletin of the Institute of Sociology of RAS”. The fundamental work “The dream of the Russians: an ideal and reality” (2013), and new editions of yearbooks “Reforming Russia” have recently been published under his supervision. M.K. Gorshkov is a frequently published author in leading Russian publications. The Editorial Board expresses its sincere gratitude to Mikhail Konstantinovich for the acute article.

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## On the axiomatic interpretation of the economic factors’ impact on economic growth



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**Abstract.** The article draws attention to the role of non-economic factors in the development of new models of economic growth. It indicates key axiomatic statements defining the basis for interaction of social science with the society and state. The study considers the results of twenty year reforms in Russia and their impact on the formation of public consciousness. It analyzes the role of the government and problems of social policy at the present stage of the Russian society development.

**Key words:** society, socio-economic development factors, human capital, social policy.

The world experience and Russian transformations' practices indicate that the system of social relations and interactions is a set of objective and time-tested rules that do not require special verifications or checks. Such axiomatic regulations define the role and place of scientific knowledge in the system of public management and predetermine the principles and rules of interaction of social science with society and authorities.

As we speak of non-economic factors of economic growth, we consider the results of the long-term sociological monitoring and try to formulate some axioms that, according to the classical interpretation, do not need to be proved. Moreover, they are a fundamental basis for further development of new scientific regulations.

The mentioned above is directly related to such a critical problem of modern social sciences as an impact of various factors on the rate and sustainability of socio-economic development of society, its modernization and consolidation. It should be noted that scientists paid special interest to the problem in the second half of the 20th century, in the period of the global economic recovery. At the same time, they agreed that the main *determinants of economic growth* were not only *gross capital formation and technological progress, but also human capital*.

What was the basis of such understanding? It was the fact that numerous

studies of key economic development sources could not confirm the thesis on the critical (and, what is more, exclusive) role of "physical capital" accumulation in this process, such as capital goods and manufactured products involved in the production of goods and services. There **Axiom 1** appears. It can be formulated in the following way:

**The complication of social reproduction structure requires the development of new models of economic growth, taking into account the influence of such non-economic resources as information, physic-geographical conditions, institutional structures, mass character spiritual and psychological education, qualitative and productive work, quality of life, levels of culture, education, professional knowledge and skills, health state as components of human capital, which have proven their ability to be "motivators" of long-term and stable economic development.**

The 2008–2009 global economic crisis, the consequences of which the world economy is still facing today, its manifestation at the level of national economies have brightly demonstrated *the significance of non-economic factors in the system of anti-crisis measures and the rehabilitation of economic growth*. What is more, the scientific community has become more interested in the characteristics of relationship between economic and non-economic components of the national economies growth, in the

development of directions and methods to regulate and use non-economic factors.

Taking into account these considerations we can formulate **Axiom 2: the key imperative that underlies new models of economic growth is economy humanization that presupposes the priority of human personality in the system of factors and objectives of economic development.**

This statement is not accidental, as the essence of development is determined by the focus on an individual, human potential as the main wealth of any society; and the basic objective of the country's economic growth is an increase in the production of goods and services and provision of a higher standard of living on this basis.

The problem to find an economic growth model, adequate to national characteristics, and ways of further economic development is especially critical for Russia, which economy has been increasing mainly due to extensive factors for a long time. The crisis of recent years has clearly showed that the *Russian society is facing a new stage, in fact, a turning point in its socio-economic development.*

Having practically exhausted the possibilities of the previous economic growth model, post-reform Russia faced the necessity to use all resources and reserves of labor productivity more intensively. The causes are convincing, since the goals of the country's socio-economic development and conditions for it are different from

those fifteen years ago, after the 1998 crisis. The key objective today is not to resolve the problem of transformational recession, as it was at the end of the 20<sup>th</sup> century, but to boost sustainable and balanced growth for further society modernization, transition to the innovation stage of economic development and creation of corresponding infrastructure of the post-industrial society.

That is why, the "The final report on the results of expert work on urgent problems of socio-economic strategy of Russia for the period till 2020" states that the further development of the Russian Federation should be based on two interrelated issues – *a new model of economic growth and new social policy.*

However, in the current Russian reality, there is clear inconsistency between the economic growth and qualitative characteristics of social development. At the same time, the recognition of the need to implement the humanistic approach to economic development (many politicians pay attention to it in their public speeches) is accompanied with the lack of up-to-date methods of detection and analysis.

But the estimate of economic growth in the absence of humanization indicators is meaningless for economic development, as the economy growth, which does not enhance the level and quality of life, is contrary to its key objective of ensuring welfare for all people and conditions

for their self realization. Thus, we can formulate another axiomatic statement, i.e. **Axiom 3: for true comprehensive and detailed understanding of economy, its processes and determining its prospects one should apply not only economic, but also sociological, socio-philosophical, ethical and aesthetic categories.** We speak about the categories that consider economy in terms of universal, fundamental values and anti-values that form the “backbone” of human life: good and evil, justice and injustice, love and hate, truth and lie, freedom and dependence. These values and anti-values, their relations lead to progress or degradation of the society.

Thus, there appears **Axiom 4: the success of the Russian society modernization depends not only on the efforts of an economic and scientific–technological nature, but also on the improvement of social environment in general. In the social system “society” the economy, as its subsystem, is inseparable from the state government, politics, spiritual development; and the ideological and moral condition of people cannot but affect their economic behavior.**

One can continue: society's unity, people's confidence in justice and vitality of the social system, trust in state leaders are important to achieve the objectives. In other words, this means *social capital*; its accumulation, as the human capital accumulation, is increasingly recognized as a key for successful economic activity.

Undoubtedly, one of the main conditions of the post-reform economic recovery in Russia is identification of most effective models of socio-economic processes, such as those that combine strong points of market and planned economies. The choice of the model is not only of an economic, but also of political, ideological, and, therefore, strategic nature. Thus, the following statement can be regarded as axiomatic (**Axiom 5): any large-scale changes, society transformations are inextricably connected with the dominant ideology of the current time, advanced ideas, which can become a driving force not only for the modernization breakthrough, but also for socio-economic, technological and moral progress of the country.**

The Russian market and democratic reforms that had started after the USSR collapse were carried out on an ideological basis of western countries. Life has proved its inadequacy to the post-Soviet realities. This inadequacy was confirmed by the consequences of the global economic crisis, having led to rethinking of neoliberal views, in the West as well. Prominent Western economists mark that “market fundamentalism... of the last 20 years has failed the exam dramatically”<sup>1</sup>, as a result, “the world is watching the sunrise of a new economic hybrid, which could be called “state capitalism”<sup>2</sup>.

<sup>1</sup> The Global Economic Crisis: System Failures and Multilateral Remedies. UN, New York, 2009, p. III.

<sup>2</sup> The Economist. 2010, January 23<sup>rd</sup>-29<sup>th</sup>, p. 22.

Modern states (not only our state, but also Western societies relatively prosperous in the social sense) fulfill important functions to prevent and mitigate the failures of market mechanisms. Post-reform Russia can not solve a number of urgent tasks without state participation. The problems are the following: to overcome dangerous property stratification of the population, ruinous inflation, massive capital and brain outflow, economically unjustified and unfair labor payment, ensuring the prosperity of culture, science, education and healthcare. One should also fight with rampant crime and corruption, unemployment, protect interests, rights and freedoms of all citizens.

The state social functions should take an increasingly important place in the ideology justifying the policy and maintenance of civil peace. In this respect, the report of the International Monetary Fund “World Economic Outlook” is very relevant. It states that “the main lesson of the post-Communist transformation definitely lies in the fact that the state institutions are critical. Market without strong state regulation leads to the change of irresponsible state power into unregulated private enrichment, leading to economic and social decline”<sup>3</sup>. Thus, the acute issue is not to define how great the participation of the state should be in society in general

<sup>3</sup> World Economic Outlook Supporting Studies IMF. 2010, p. 35.

and in economy in particular, but to ensure the *quality of state participation* in economic and social spheres.

Post-reform Russia will have to draw lessons from two-decade market transformations: politic and public consciousness should comprehend towards what society the country is moving, experiencing systemic transformations. Meanwhile, nowadays the constitutional definition of Russia as a social state remains unclear, and the science considerations on this issue are not formally approved. So, *the population does not have the most important orienting point, the understanding of what social structure the country will have in the result of the reforms*. Thus, **Axiom 6 is the following: the absence of understanding of ultimate goals of the reforms, the lack of ideas, encouraging people, in the society are, in fact, not less significant obstacles to the country modernization than research and technology backlog.**

Approval of the given axiom presupposes another axiomatic statement. It is **Axiom 7: one can expect a system breakthrough in economic development only when the practical implementation of the state course bears the population tangible fruit, strengthens people’s confidence in the success of the transformation.**

Increasing acuteness of “hereditary” (the 1990s) and already acquired new problems have led to the fact that the socio-

economic results of the second decade of reforms, having radically changed the state of mass consciousness and social concerns for the better, have practically exhausted its positive socio-psychological impact on the society. The “Pendulum” of social well-being has swung in the direction of the zero mark from the mark “plus”, and its further movement in an undesirable direction is now constrained only due to the level of economic and political stability, relatively acceptable for the population, the revival and strengthening of the international standing of the Russian Federation and the reunification of Russia and the Crimea. At the same time, the current situation in the society can be called “the effect of scissors”: *despite people's increased satisfaction in their material security, the critical assessment of the existing situation is increasing in the society*. The point here is not in mass reactions on the opposition's actions and state policy but in decreasing positive emotional mood, most population had in the period of wide support of efficient political and economical measures. The main reason for this is that the growth of the population's well-being does not improve their life quality.

The positive socio-psychological resource is decreasing in the society, instead people feel injustice, shame for the scale of corruption and dominance of bureaucracy; they feel helpless to influence

what is happening. The consequence is growing feelings of aggression among our citizens.

The adverse moral and psychological climate in the society is fostered by a significant share of those (40%) who think that they have a low level of life and can not expect social guarantees covering sickness, old age, unemployment and disability. It is not accidental that the post-Soviet reforms reduced their confidence in the future.

The Russians' generalization of their personal situation in post-reform Russia is their own assessment what they gained or lost in the reforms of the last two decades. The share of those who gained is very small, it is only 10%, and in two and a half times less than the share of those who lost (25%). Another third can be called “even hands”, they neither gained nor lost.

The rapid growth of social aspirations of our citizens due to the sharp social differentiation and social inequality in spheres of life undermines the achievements of recent years, as the gap between real and desired status for most people does not only preserve, but also increases.

The Russians' assessment of their achievements in various spheres of life suggests that they stand a better chance to achieve success at the micro level: in the family, with their friends, in the sphere of entertainment. The situation at the macro-social level is much worse: not

Table 1. Type of the state in relation to the economy, to the greatest extent meeting the interests of Russia, %

Type of the state	
State that restores the centralized regulation of economy and controls prices	28
State that minimizes its interference in economy and gives maximum freedom to private initiatives	9
State that restores the public sector of economy, while expanding private economic and political opportunities of citizens	41
Type of state is irrelevant; the country needs a leader who takes full responsibility for what has happened in Russia and conducts tough policy	22

many citizens have a prestigious job, career or their own business, although their significance in the system of values of the population is constantly growing.

The social feeling of many citizens is mostly deteriorated due to decrease in social mobility. The Russians have few possibilities to improve their social status by themselves, by changing their location. One can single out such rare exceptions as citizens, having moved to villages, and residents of big cities, having moved to towns with smaller population.

Mobility is characteristic for different generations to different extents, and, as a rule, it is people under 30 who move to another town. Although, today young people demonstrate high levels of mobility (13% of the group up to 30 years have moved to the present place of residence during the last decade), they still lag behind the group of over 40–45 in their youth. It demonstrates insufficient use of potential mobility of Russian youth and ambiguity of ideas about necessary mass import of

labor force from abroad into Russia when the country has a huge domestic resource of labor force rearrangement.

The vast majority of Russian people have insisted since the first reforms that the state should dominate in both economic and social spheres. Society supports neither the liberal model of social policy, which implies minimum interference of the state in the social sphere, nor free market economy in which everything depends on private actors. The population has recently preferred the model, when the state provides everybody with a certain minimum, and then a person achieves everything himself/herself.

In the Russians' opinion, the effective economic model of the country should be based on mixed economy with a leading public sector (*tab. 1*).

This means that all strategic economic sectors should be controlled by the state, and private management of various enterprises should be combined with state monitoring over them. If we appeal to the

famous historical period, the model, the Russians crave for, is similar to Lenin's NEP, a state capitalism model.

Despite considerable government efforts to enhance the situation in the social sphere, the population gives quite a moderate estimate of authorities' actions in this field. Alongside with known flaws and failures, it is also caused by the fact that the social policy concept is still *uncertain and controversial not only for experts, but for the population as well; the limits of its capabilities and responsibility are not defined in political or public aspects. Another critical problem has not been resolved yet: the choice of targets appropriate to the state of post-reform society.*

According to the strategy of social-economic development, *global experience offers several approaches to the social policy development, including two major – American and European (Rhine) ones.* The differences between them are mediated by the impact of many factors, mostly by the levels of economic development, features of government and civil society structures, historical and cultural traditions, etc. After the collapse of the USSR in the early 1990es, in the difficult circumstances of transition from paternalism to a new paradigm, based on market distribution mechanisms, *the Yeltsin regime has adopted an American model of social development. Such a model corresponded to qualitatively new conditions*

*of socio-economic development of post-Soviet societies and Russian mentality least of all.* The reason for it is its basic features:

- minimum interference of the state in economic life, the importance to solve social problems is reduced;
- poverty is not a key problem, it does not require state interference;
- intention of the state that is transferred into the strategy of citizens' economic behavior to “to raise money”, “knock up a fortune” quickly;
- absolutization of the principle: to impose huge taxes upon the rich means to decrease investment, and to give more money to the poor means to discourage them to work.

The Russians have felt deplorable results of the American model implementation for two decades. Deep social differentiation, emergence of social inequalities in all spheres of social life, fall of civic engagement of the population, tendencies of consumption and rampant crime are just some negative social “outcomes” of the American model that have turned out to be large-scale and painful in Russia.

One can only regret that *the 1990 Russian reformers rejected a more appropriate model that takes into account our country's history and Russian mentality. It is a European model, characterized by experts as “capitalism with a human face”.* Germany,

Switzerland, the Netherlands, Sweden, and partly Japan follow the mentioned model.

Unlike the American model, the European one pays much more attention to social problems. Public interests and social partnership mechanisms are in focus. The true wealth of the country is qualified employees, regarded as a driving force of production and economic modernization.

If the American model focuses on the almost complete exemption from economic and political restrictions in the market, the European model provides mechanisms to “integrate” market in the system of public administration. Great importance is paid to balancing “socially dangerous” tendencies of capitalism, which lead to monopolization and mass inequality.

*The key issue of Russian social policy is not the amount of resources directed at solving urgent social problems, but the character and effectiveness of the implemented measures.*

In this context there are four possible functions or “supertasks” of social policy that have a direct impact on the choice of goals, methods and priorities of its implementation:

- *ensuring social and political stability;*
- *targeted aid to the poor* (humanitarian function of social policy);
- *ensuring the country’s competitiveness on the global stage;*
- *ensuring the society’s integration, its internal solidarity and unity.*

When the dominant function of social policy is stability, the resources are directed primarily to those social groups that can protest or support opposition structures. In turn, the super-task of *the humanitarian mission* improves the targeting of social assistance and preferential attention to the poorest groups (that is constantly declared, but not yet implemented).

When in the modern world social policy is *a powerful tool to enhance the quality of human capital* and ensure its competitiveness

Table 2. The Russians’ views on the state role in the social sphere, %

State should not interfere in the lives of citizens, everyone relies only on themselves	2
State should help the weak and the helpless	12
State should ensure certain minimum, and everyone has to gain the rest himself	45
State should provide full equality of all citizens (property, legal, political)	41

Table 3. The Russians’ views on the models of social protection, %

State should provide assistance only to the unemployable (the elderly, disabled, orphans)	12
State should provide targeted assistance to some other population groups who are in a difficult position (the unemployed, poor families with children)	32
State should protect all the poor	50
Social protection should be carried out mainly at an enterprise	2
People have to solve their problems themselves and do not to rely on the state	4

internationally, investment in human capital becomes a priority. Such stumbling points as quality education and health services should be in focus in Russia.

Finally, when *social integration and nation consolidation* are in focus, the state has to comprehend what the society (or, at least, most people) considers as socially equitable and socially unjust, and then appropriately to build social policy.

Naturally, *different types of resources, their different amounts and methods of use* are required to implement different models of social policy.

*The development of social policy, meeting the expectations of Russian people, is complicated by the fact that the authorities, considering the population's views on the optimal social policy model, rather rely on myths than on data of real expectations of different population groups.*

Meanwhile, the results of numerous sociological researches show that most Russians have made the state responsible for the situation in the social sphere. It is important to understand that *our people consider the state's participation in solving social problems not as direct coercive interference, but as establishment of "rules of the game" and control over their compliance.*

The available data (*tab. 2*) suggest that most Russians' assessments of the optimal model of management in the social sphere can be expressed in two definitions:

1. *The state should ensure certain minimum, and everyone has to gain the rest himself.* Nowadays, this view is shared by 45% of the population, representing a variety of socio-professional and demographic groups.

2. *The state should provide full (economic, legal, political) equality to all citizens.* This view is shared by 41% of our citizens, which, first of all, elderly rural residents who get government transfers, as well as non-working pensioners and low-skilled workers.

However, it is clear what models of social protection, including those with state participation, are most preferable for citizens. Thus, only a small percentage of respondents (6%) believe that social protection should be primarily implemented at an enterprise or people have to solve their problems themselves and do not rely on the state (*tab. 3*).

The idea of justice has always been one of the key notions in the Russian socio-cultural model. Today it is very important for the population concerned about the future of the country. The slogans, indicating the Russians' dreams about this future, have the following components: *social justice, equal rights for everybody, a strong state that cares about its citizens.* More than half of the population supports such a synthesis of the ideas, other options lag behind significantly.

At the same time, *the dream of the Russians to live in fair and reasonably organized society (it is one of three main current dreams!) is closely connected with the dream of securing human rights, democracy and freedom of expression, as well as with the idea of a strong state capable of ensuring order in the country*<sup>4</sup>. It demonstrates a remarkable link “government and justice”, existing in the minds of our fellow citizens: *those who would like to live in a fair society, consider the state as the main actor ensuring this justice.*

According to the sociological surveys data, the semantic content of such an important idea of social justice can be different. What do Russians consider as fair and unfair when assessing their current domestic situation?

The vivid negative indicator is the fact that *nowadays the overwhelming majority of the Russians mark great differences in incomes (83%)*. At the same time, two-thirds of our citizens believe that the system to distribute private property, prevailing in the country, is unfair; the similar share of the population states that people do not receive worthy remuneration for their labor skills, abilities and qualifications. More than half of Russian people (54%) believe that, taking into account their qualifications and harsh labor conditions,

<sup>4</sup> O chem mechtayut rossiyane: ideal i real'nost' [What the Russians Dream about: Ideal and Reality]. Edited by M.K. Gorshkov, R. Krumm, N.E. Tikhonova. Moscow: Ves' Mir, 2013, pp. 311-324.

they receive at work much less than they deserve<sup>5</sup>.

Thus, Russian people estimate excessive differentiation of income and inequality in the distribution of private property very negatively. It is important to note that *current social inequality seems unfair to all social strata regardless of their levels of life and their well-being dynamics. As a consequence, the Russians, when evaluating the current situation as just or unjust, more often take into account the ideas about fair society than their personal interests; and this idea discloses a normative-value model that does not only prevail in the country, but also has its own, sometimes invisible influence on the population's responses to the government actions.*

The social structure of the post-reform Russian society presupposes that social expectations of most citizens are mostly connected with the state (*tab. 4*). There are still *a number of “socially weak” groups, in fact uncompetitive in the labor market. To maintain any acceptable standard of living they rely on the state assistance.* This situation will persist for a long time.

The core of the Russian normative-value system is state social services. Hence, **Axiom 8: the government's commitment to provide citizens with social services is, in fact, a basis for the whole system of relations in Russian society, a basis for**

<sup>5</sup> Bednost' i bednye v sovremennoi Rossii [Poverty and the Poor in Modern Russia]. Edited by M.K. Gorshkov and N.E. Tikhonova. Moscow: Ves' Mir, 2014, pp. 277-295.

Table 4. Number of main social strata of the Russian society, %\*

Social strata	
The distressed	7
Having low income	48
The middle class	23
The well-to-do	19
Having high income	3

\* For more information, see: Tikhonova N.E. *Sotsial' naya struktura Rossii: teorii i real' nost'* [Social Structure of Russia: Theory and Reality]. Moscow: Novyi khronograf, 2014.

**state legitimacy and citizens' readiness to meet the government requirements.** In the framework of this model, the social function of the state always dominates over the economic one, since such symbiosis is based on the notion that the strong (the state) is responsible for the weak (a person).

On the one hand, the dominant socio-cultural model hinders the neoliberal social policy in Russia and the implementation of the state key task to ensure "targeted assistance" to the most needy. In this case the state is not responsible for other social groups. But, on the other hand, the idea is connected with the idea of the social state, proclaimed in the Constitution of the Russian Federation and widely developed in Europe.

However, many Russian people do not still understand that the implementation of the social state ideas has nothing to do with philanthropy and promotion of a welfare mentality. After all, the social welfare state considers *the economic efficiency not as an ultimate objective but as a means to meet the material and spiritual needs of the citizens.*

Therefore the main task of social policy is not to distribute benefits, but to provide people with conditions for free activity. They can create these benefits and take care of themselves and their families. The paramount directions of the state social policy are to create conditions so that everyone can have the opportunity to get education, profession, a work place, save up and acquire the property.