

Litwinski, Michal

Working Paper

The cultural context of contemporary understanding of socio-economic development

Institute of Economic Research Working Papers, No. 61/2017

Provided in Cooperation with:

Institute of Economic Research (IER), Toruń (Poland)

Suggested Citation: Litwinski, Michal (2017) : The cultural context of contemporary understanding of socio-economic development, Institute of Economic Research Working Papers, No. 61/2017, Institute of Economic Research (IER), Toruń

This Version is available at:

<https://hdl.handle.net/10419/219884>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.



<https://creativecommons.org/licenses/by/3.0/>



Institute of Economic Research Working Papers

No. 61/2017

**The cultural context of contemporary understanding of
socio-economic development**

Michał Litwiński

Article prepared and submitted for:

9th International Conference on Applied Economics Contemporary Issues in Economy, Institute of Economic Research, Polish Economic Society Branch in Toruń, Faculty of Economic Sciences and Management, Nicolaus Copernicus University, Toruń, Poland, 22-23 June 2017

Toruń, Poland 2017

© Copyright: Creative Commons Attribution 3.0 License

Michał Litwiński

Michal.litwinski@ue.poznan.pl

Poznań University of Economics and Business; Niepodległości 10, 61-875 Poznań

The cultural context of contemporary understanding of socio-economic development

JEL Classification: *010; 040; B10*

Keywords: *socio-economic development; economic growth; social development; cultural context*

Abstract

Research background: The way of understanding of development concept in economics has been changing since the beginning of the discipline: from economic growth, through economic development to socio-economic development. The author of the paper believes that identification of features of cultural context that shape understanding of this phenomenon will allow to understand appropriately contemporary definitions of this process.

Purpose of the article: The purpose of the paper is to reconstruct features of socio-cultural context in which it has changed the way of understanding of development concept in economics. The specific objectives are as follows:

- identification of period in which it was recognised that development is something more than economic growth,
- identification of reasons and circumstances of evolution of development definition: from economic growth to socio-economic development.

Methodology/methods: A basis for conclusions formulation will be a research of literature (mostly publications in English). Analysis will have interdisciplinary character as it relates sociological and economic dimensions of analysis of development.

Findings & Value added: Division of economic development and economic growth took place in 1960s. Change of understanding of development concept was caused by the following factors: (1) influence of new sociological and philosophical ideas, (2) historical events, (3) growing meaning of formalism and scientism in economic considerations, (4) international cooperation for development.

Introduction

It is worth realising that the way of understanding of development concept in economics has been changing while the discipline has been evolving. There could be indicated the following main steps in the process of defining of development by economists of different epochs: from economic growth, through economic development to socio-economic development.

The author of the paper believes that it is essential to indicate features of cultural context that caused change of definition of development. It will allow to understand appropriately definitions of this process that are proposed by contemporary researchers.

The purpose of the paper is to identify features of socio-cultural context in which the way of understanding of development concept has changed in economics. The specific objectives are as follows: (1) identification of period in which it was recognised that development is something more than economic growth, (2) identification of cultural (sociological, philosophical, historical) reasons and circumstances of evolution of development definition: from economic growth to socio-economic development. In order to achieve these aims there will be described considerations in history of economic thought that were taken by the most influential researchers, as well as cultural background that influences the way of thinking in economics.

Research Methodology

A basis for making conclusions will be research of literature (mostly publications in English). In the paper there will be used the following research methods:

- **induction method** as a fundament of reasoning used in the process of detailed analysis of facts and elements of reality that contribute to cultural context, in order to make general conclusions concerning factors affecting the way of understanding of socio-economic development in economics,
- **comparative method** as an instrument of assessment of differences between ways of understanding of the development concept in the history of economic thought,
- **synthetic method** that allows to present results of research.

Definitions of basic concepts

As regards development of economies and societies there are indicated many terms that are important for understanding of this process – crucial concepts (that are the most popular in economic discourse) are as follows:

- economic growth (increase of volume of goods and services that are produced, in real terms; quantitative changes);
- economic development (both quantitative and qualitative changes, e.g. transformation of production structure, implementation of new methods of management of resources);
- social development (qualitative changes of social structure – these changes regard, among others, social integrity and social trust) (Fritz, 2004, p. 2);
- socio-economic development (definition is presented below).

On the basis of literature research (see Stemplowski, 1987, p. 5; Chojnicki, 2010, pp. 7-9; UNDP, 2012; Bellu, 2011, pp. 5-6) there was adopted a following definition of socio-economic development: it is a process of quantitative, qualitative and structural changes that are a result of actions of subjects taken within social (economic) practice. These changes influence life conditions in the following fields: *material conditions* (possibility to satisfy needs associated with consumption of goods and services; it is related with the phenomena of economic growth), *economic structure and entrepreneurship*, *access to public goods and services* (that results in changes of education level, a way of taking care of someone's health etc.), *relations within social system* (integration between individuals, trust, security, social conflicts), *environment condition*, and *life satisfaction*.

Appearance of development concept in economics

Rostow (1975, pp. 1-30) indicates that the concept of development appeared in Western Europe in the 18th century, after transition of the society to modern one. The way of understanding of that concept was taken from biology that defines development as the process of maturation.

However, before development got a chance to become a significant concept, it had been necessary reorientation of habits, ideas and objectives that led to transition to modern society – intellectual sources of this change should be sought few centuries earlier in promotion of ideas of modern society that were present in protestant ethics and considerations of empiricists and rationalists (Arndt, 1987, p. 9). Protestant reformation sanctioned new rules, according to which it was necessary to concentrate on temporal world and development in present life. Bacon (1863, p. 416) claimed that the genuine sense of science is to enrich human life with achievements and inventions – thereby he related science and idea of material progress.

It should be realised that in traditional societies there were also good and bad periods (as regards material welfare), like in the modern ones. However, traditional societies did not believe that surplus should be invested in order to yield steady increase of income *per capita*. Therefore, con-

cepts concerning the sum of wealth of the whole society were not necessary (Rostow, 1975, pp. 1-30).

In the second half of the 18th century material progress of the whole country became possible and desirable. That period is associated in economics with A. Smith (1776) who articulated popular, at that time, belief that universal and steady effort of citizens, that aim to improve their living conditions, will be favourable for the whole England to ensure opulence in the future.

Nevertheless, it should be realised that before 1945 mainstream economics was not concentrated on the problem of material underdevelopment of non-Western countries. Classical and neoclassical economists were interested in economic progress only in capitalistic Western countries (Arndt, 1987, p. 29). Such approach was a result of belief that national accounts of non-Western countries are not credible enough.

Moreover, in mainstream economics the term “development” was not used deliberately. Marks (1887, p. 250-251) was the first to use the term of economic development in the meaning similar to contemporary one. The author claimed that it is necessary to increase productivity of a man (of labour).

Development identified with economic growth

Lummis (1996) indicates that until the end of the first half of the 20th century development was not believed to be successfully created by a man. It was rather spontaneous than target-oriented process. It was not until the second half of the 20th century that development became a subject of deliberate action. Such change was caused by noticing (after the Second World War) that there are in the world underdeveloped areas. The aim was to transform societies of these countries in a way that allows to accelerate their maturing.

It is worth realising that after The Second World War the United States, that were not so seriously wounded during the War as the European countries, began to support actively decolonisation process, trying to get through their own pattern of governing (liberalisation, free market, democracy, international cooperation, individualism etc.). A basis for getting independence became development understood as material progress (Sachs, 2000, p. 7).

It should be underlined that in that time the level of development has been measured mainly by economic performance. The first who compiled national accounts (from different countries) was C. Clark (1940). Proposition of such analysis influenced significantly Western way of thinking – serious differences between rich and poor countries were finally noticed.

National income *per capita* became a convenient instrument of creating rankings of countries regarding their level of development and living standards. Lewis (1955, p. 29) claimed that economic development means rise of real national income per person. Even if national income *per capita* was not ideal measure of living standard, it was still a main element in the process of development evaluation.

Prevalence of material values in understanding and quantified categories in measuring of development should not be surprising. It is a result of growing meaning of scientism in economics that began to dominate this discipline since the end of the 19th century. During the first half of the 20th century knowledge that is accumulated through empirical research (including statistical data) yielded greater value for economists. Moreover, quantitative analyses came out more popular. Glapiński (2006) realises that in that time formalism became crucial too as economists would have liked to ensure scientific standard of their research, along with the pattern of natural sciences.

Distinction of economic development and economic growth

It should be noted then that still two decades after the Second World War development was identified with economic growth (Sachs, 2000, p. 9). Physical capital accumulation was believed to be the core of the former (what could be realised in considerations of Singer and Lewis, among others). However, at the very beginning of 1960s Singer (1961) underlined importance of human capital, indicating that wealth creation is significant, but capability of doing it is an essential issue. This capability is placed in individual agents (power of brains).

It was realised that a share of national income that is created due to contribution of (physical) capital and labour in production process is very low. It was indicated then that a residual factor should exist. Technical progress or, more widely, application of knowledge (from education) to manufacturing process was believed to be the latter (Arndt, 1987, p. 61). Schultz (1963, p. 45) was the one who made the concept of human capital essential for economic analyses. The author, doing research in the United States, noticed that productivity of labour and capital is rising steadily as people invest in themselves, using education opportunities.

The idea of identification of development with economic growth was challenged also because of concentration on the situation of poor people. It was realised then that unequal distribution of economic growth effects leads to increase of the level of poverty (Sachs, 2000, p. 9). Therefore the concept of social development was taken into consideration (mainly thanks to activity of the United Nations that promoted social welfare). This pro-

cess was supposed to relate economic growth with support for families and children.

Importance of social dimension of economic development rose. Singer (1965) underlined aspects like education, health and nutrition, indicating that the problem of underdeveloped countries is not only to stimulate growth but also – development. It was a significant point in the history of economic thought as two mentioned concepts were divided. Since that moment economists began to understand development as combination of two elements: economic growth and a change (social and cultural, quantitative and qualitative) of the system and participation of every agent in considered process. The aim of the latter was to improve quality of life for the whole society.

A reason for a change that was described above were sociological and philosophical ideas that appeared at the beginning of 1950s. It was believed that ensuring equality of opportunities to satisfy everyone's needs is essential. Furthermore, welfare of an individual became to be considered as an objective, rather than as a mean to achieve other aims (Stewart, 2013, p. 16; Arndt, 1987, p. 89).

It is worth observing that until the second half of the 20th century development was treated as homogenous, technical and linear process. As it was mentioned, it was associated only with quantitative changes. However, the end of the previous century was associated with shift of the way of thinking – development began to be treated as non-linear process. While economic growth is considered in terms of less or more intensified quantitative changes around a certain trend, development could be characterised as multiple shifts to new paths of changes – it is identified with series of permanent changes of trend. Development results then in transformation of structure (Hausner, 2012, p. 38).

Socio-economic development – contemporary concept in economics

Nowadays an expression of preferred definition of development and a factor that influences a way of understanding of considered phenomenon are mainly documents of international institutions (e.g. development agencies, UNDP, FAO, International Monetary Fund, World Bank) and declarations of countries that cooperate in order to achieve development goals (Bellu, 2011, p. 7). For instance, Millennium Development Goals, proposed by UNDP (2000), encompass reduction of poverty, health, sustainable use of resources, education, food security and good governance. Considerations on development are no longer taken mainly in the context of poverty allevi-

ation in lagging regions (Massey, 1988, pp. 383-413). Widely understood socio-economic development plays a major role.

This turn is associated with growing meaning of humanitarianism but also philosophical and sociological ideas concerning equality of possibilities. Obviously, popularity of taking care of environment and realising of the role of social capital are significant factors too (Fritz, 2004, p. 2).

Conclusions

To summarise, it should be realised that economists noticed the existence of development at the very beginning of economic research (probably K. Marks was the first to use this term deliberately). However, until the second half of the 20th century this process was identified only with material progress. Moreover, the phenomenon was believed to be linear. Nevertheless, in 1960s economics development was divided from economic growth and later got a wider definition as its social dimension was strongly emphasised – definition of development evolved to the concept of socio-economic development. Furthermore, this phenomenon began to be treated as a non-linear and asymmetric process.

Reasons (cultural context) of change of understanding of development concept are as follows:

- appearance of new sociological and philosophical ideas that led to realising of development existence (among others considerations of F. Bacon) and noticing that development is something more than material progress (humanitarianism, a shift from treating people as means to give them the status of ends),
- historical events – mainly the Second World War that led to a change in balance of power and decolonisation process which, in turn, was a cause of realising the necessity to stimulate development in poor countries,
- growing meaning of formalism and scientism in economic considerations that resulted in publishing of national accounts data and noticing of income differences between countries,
- international cooperation for development that allows to formulate preferred development goals and define the considered phenomenon more widely.

References

Arndt, H. W. (1987). *Economic Development: The History of an Idea*. Chicago: University of Chicago Press.

- Bacon, F. (1863). *The New Organon Or True Directions Concerning The Interpretation Of Nature*, Boston: Taggard and Thompson.
- Bellu, L. (2011). Development and Development Paradigms. A (Reasoned) Review of Prevailing Visions. *ISSUE PAPERS*, Module 102. Rome: EASYPol (FAO).
- Chojnicki, Z. (2010). Socio-Economic Development And Its Axiological Aspects. *Quaestiones Geographicae*, 29(2). DOI: <http://dx.doi.org/10.2478/v10117-010-0010-9>.
- Clark, C. (1940). *Conditions of Economic Progress*. London: Macmillan.
- Fritz, J. (2004). Socioeconomic developmental social work. In *UNESCO Encyclopedia of Life Support Systems, A project on sustainable world development*. Oxford: UNESCO-EOLSS.
- Glapiński, A. (2006). *Meandry historii ekonomii. Między matematyką a poezją*. Warszawa: Oficyna Wydawnicza SGH w Warszawie.
- Hausner, J. (2012). Koncepcja modelu polityki rozwoju społeczno-gospodarczego. In J. Górniak & S. Mazur (Eds.). *Zarządzanie strategiczne rozwojem*. Warszawa: Ministerstwo Rozwoju Regionalnego.
- Lewis, W. A. (1955). *The theory of economic growth*. Chicago: Homewood Publishing Company.
- Lummis, C. D. (1996). *Radical Democracy*. New York: Cornell University Press. DOI: <http://dx.doi.org/10.7591/9781501712999-004>.
- Marks, K. (1887). *Capital. A Critique of Political Economy. Volume 1*. Moscow: Progress Publishers. DOI: <http://dx.doi.org/10.1215/9780822390169-005>.
- Massey, D. S. (1988). Economic development and international migration in comparative perspective. *The Population and Development Review*, 14(3). DOI: <http://dx.doi.org/10.2307/1972195>.
- Rostow, W. W. (1975). *How It All Began. Origins of the Modern Economy*. London: Methuen.
- Sachs, W. (2000). Development. The Rise and Decline of an Ideal. *Wuppertal Papers*, No. 108. Wuppertal: Wuppertal Institut für Klima, Umwelt, Energie.
- Schultz, W. (1963). *The Economic Value of Education*, New York: Columbia University Press.
- Schumpeter, J. (1934). *The Theory of Economic Development: An Inquiry into Profits, Capital, Credit, Interest and the Business Cycle*. New Brunswick, New Jersey: Transaction Books. DOI: http://dx.doi.org/10.1007/0-306-48082-4_3.
- Singer, H. W. (1961). *Education and economic development. Final Report on the Conference of African States on the Development of Education in Africa, Addis Ababa, 12–15 May 1961*. Addis Ababa: United Nations Economic Commission for Africa and United Nations Educational, Scientific and Cultural Organization.
- Singer, H. W. (1965). Social Development. Key Growth Sector. *International Development Review*, 7(1).
- Smith, A. (1776). *An Inquiry into the Nature and Causes of the Wealth of Nations*. London: Strahan and Cadell. DOI: <http://dx.doi.org/10.1093/oseo/instance.00043218>.

- Stemplowski, R. (1987). Rozwój jako przedmiot dyskusji. In: R. Stemplowski (Ed.). *Ameryka Łacińska. Dyskusja o rozwoju*. Warszawa: Czytelnik.
- Stewart, F. (2013). *Approaches towards Inequality and Inequity: Concepts, measures and policies*. Florence: The UNICEF Office of Research.
- UNDP (2000). *United Nations Millennium Declaration. Resolution adopted by the General Assembly*. 8th plenary meeting, 8 September 2000. New York: United Nations.
- UNDP (2012). *Krajowy Raport o Rozwoju Społecznym. Polska 2012. Rozwój regionalny i lokalny*. Warszawa: Biuro Projektowe UNDP w Polsce.
- Zboroń, H. (2009). *Teorie ekonomiczne w perspektywie poznawczej konstruktywizmu społecznego*. Poznań: Wydawnictwo Uniwersytetu Ekonomicznego w Poznaniu.