

Yuriy Perskiy¹, Julia Dubrovskaya²

CIVIL SOCIETY INSTITUTIONALIZATION AS A FACTOR OF ECONOMIC DEVELOPMENT

In this article the empirical confirmation of the hypothesis on the possibility of national systems' economic development level rise in terms of civil society institutionalization has been carried out on the basis of econometric modelling of interstate indicators. Using the theoretical basis of institutional economic theory and applied instruments of econometrics the authors proved the essential influence of civil society institutional structure on the main indicator of economy's development – the Human development index. On the basis of the constructed matrix model of civil society institutes and multiple factor econometric model of civil society the authors came to the conclusions about the character of institutes' influence on comprehensive development of economy. This fact makes it possible to provide recommendations on the formation of civil society institutes for national economic systems with the aim of their economic development level rise.

Keywords: civil society; institutes; economic development; national economic systems.

Юрій Перський, Юлія Дубровська

ІНСТИТУЦІОНАЛІЗАЦІЯ ГРОМАДЯНСЬКОГО СУСПІЛЬСТВА ЯК ЧИННИК РОЗВИТКУ ЕКОНОМІКИ

У статті на основі економетричного моделювання міжкраїнових показників емпірично доведено гіпотезу про можливість підвищення рівня економічного розвитку національних систем на основі інституціоналізації громадянського суспільства. Використовуючи теоретичні основи інституціональної економічної теорії та прикладний інструментарій економетрики, доведено суттєвість впливу інституціональної структури громадянського суспільства на основний показник розвитку економіки – індекс людського розвитку. На основі побудованої матричної моделі інститутів громадянського суспільства та багатofакторної економетричної моделі громадянського суспільства зроблено висновки щодо впливу інститутів на розвиток економіки. Це дозволило сформулювати рекомендації щодо формування інститутів громадянського суспільства для окремих національних економічних систем з метою підвищення рівня їх економічного розвитку.

Ключові слова: громадянське суспільство; інститути; розвиток економіки; національні економічні системи.

Рис. 1. Табл. 1. Форм. 2. Літ. 19.

Юрий Перский, Юлия Дубровская

ИНСТИТУЦИОНАЛИЗАЦИЯ ГРАЖДАНСКОГО ОБЩЕСТВА КАК ФАКТОР РАЗВИТИЯ ЭКОНОМИКИ

В статье на основе економетрического моделирования межстрановых показателей эмпирически подтверждена гипотеза о возможности повышения уровня экономического развития национальных систем на основе институционализации гражданского общества. Используя теоретические основы институциональной экономической теории и прикладной инструментальной эконометрики, доказана существенность влияния институциональной структуры гражданского общества на основной показатель развития экономики – индекс человеческого развития. На основе построенной матричной модели институтов гражданского общества и многофакторной економетрической модели гражданского общества сделаны выводы о влиянии институтов на развитие экономики. Это позволило сформулировать рекомендации по формированию институтов

¹ Doctor of Sciences, Professor, Department of Economics of Perm National Research Polytechnic University, Russia.

² PhD, Department of Financial Management of Perm National Research Polytechnic University, Russia.

гражданского общества для отдельных национальных экономических систем с целью повышения уровня их экономического развития.

Ключевые слова: гражданское общество; институты; развитие экономики; национальные экономические системы.

Problem statement

It is well known that the level of individual development in certain socioeconomic system as well as socioeconomic development of the national system in the whole is defined not only by the indicator of "well-being" and GDP level. Independent international experts proved that the most important indicators of state development are the rights and freedom of people, which demonstrate the presence of social justice, the possibility of public pressure and influence on management processes, as well as the equality of individual opportunities. These factors are the indicators of the presence or absence of civil society in a state. True democracy is a multilevel and ramified system of institutionalized norms, traditions and assessments, involving all levels of socioeconomic area. So, understanding of institutional problems of a contemporary phase of civil society is an exceptional value for economic development.

Recent research and publications analysis

Theoretical and practical problems of institutional social structures influence on economic development have been presented in T. Veblen (1919), Sh. Chakraborty (2004), F. Fucuyama (1995), G.B. Kleiner (2004), R.M. Nureev (2009), V.L. Tambovtsev (2006), E.V. Popov (2011), V.S. Bochko (2010) and other. Moreover, the problems of formation and development of democratic foundations are presented in the studies of such leading international organizations as The Heritage Foundation, United Nations, Freedom House, World Values Survey, Edelman Trust Barometer.

The research objective is to develop theoretical propositions and practical recommendations concerning the formation of civil society institutes as the meaningful conditions for effective functioning and development of economic systems.

Key research findings

In 1990 the United Nations Organization published the first report with the assessment of economic and social progress of states, where the necessity for improving the life quality for people as well as widening their opportunities in all spheres was emphasized. The key idea of the report was that economic growth itself cannot automatically result in human development. Thus, the concept of human development changed the so-called "classical" theories of economic development, which declared economic growth as the main goal of social progress. They were based on the rate of gross product, considering the Man to be the motive power of economic development. The change of the human role in economic, social and cultural life as a result of the transformation from an economic resource to the imperative of the economy (Bochko, 2010) predetermines the general usage of the anthropocentric approach to the elaboration of programs for national socioeconomic systems' strategic development.

Today the world academia has universally recognized that the development of a national system presupposes formation and support of favourable economic, social and ecological conditions with the aim to improve the level and quality of life. The

leading national research institutes and international organizations study such indicators of economic development as the indicator of happiness, political participation of citizens, life expectancy, access to education, social justice, press freedom, interpersonal and institutional confidence, gender equality etc. All the listed indicators are the derivative factors of the socioeconomic behavior model, formed under the influence and in accordance with the vision system of their interaction. And with it, the procedures of interaction of economic subjects are defined by institutional organization of economy to a large extent.

Neoinstitutionalists clearly showed the role of institutional factor in economic life as well as the importance of its consideration in any economic research (Nureev, 2009; Alchian, 1950; Hodgson, 2006; Simon, 1991). In spite of this there is the methodological problem which restrains the all-round use of institutional paradigm in the economic theory. This is the difficulty with formalization of institutes' influence on the functioning and development of national socioeconomic systems. Solving this problem is appeared to be the determination of system-defined characteristic of the formed environment's influence on the development processes. Only due to this the identification of institutes' groups crucially affecting the processes of socioeconomic development of national systems is possible.

To solve this problem we have carried out empirical study based on the mechanism of econometric modelling of interstate indicators. It is necessary to mention that modelling of economic development processes is a well-established methodology for the description of functioning and evolution of socioeconomic systems (Tambovtsev, 2006; Chakraborty, 2004; Popov, 2011).

The Index of Economic freedom (further – IEF) was used in the capacity of the indicator of institutional environment efficiency. This indicator and its components are annually published by The Heritage Foundation, the research institute of international policy (The Heritage Foundation, 2013).

The index is estimated on the basis of a number of indicators of countries' development, aggregated in 10 components: 1) property rights; 2) freedom from corruption; 3) fiscal freedom; 4) government spending; 5) business freedom; 6) labor freedom; 7) monetary freedom; 8) trade freedom; 9) investment freedom; 10) financial freedom.

Human Development Index (further – HDI) was chosen as the explained variable (function) characterizing the level of national economic systems' development. HDI corresponds to the simple average of average life, education and gross domestic product (further – GDP) indices per capita (United Nations Organization, 2013).

To estimate the role of institutional inefficiency in the process of interests' harmonization we have analyzed the dependence of HDI from 10 components, aggregated as the composite indicator of institutional environment quality. The selection included the monitoring of 172 states during 2013. As a result in the multifactor econometric model we obtain the meaningful functional relation:

$$\begin{aligned} HDI = & 0,0014*x1 - 0,0014*x2 + 0,0013*x3 - 0,0001*x4 - \\ & - 0,0005*x5 + 0,0033*x6 - 0,0012*x7 + 0,0012*x8 + \\ & + 0,0002*x9 + 0,0009*x10 + 0,0062 \end{aligned} \quad (1)$$

Model quality (R^2) – 67%.

$X1$ – property rights; $X2$ – freedom from corruption; $X3$ – fiscal freedom; $X4$ – government spending; $X5$ – business freedom; $X6$ – labor freedom; $X7$ – monetary freedom; $X8$ – trade freedom; $X9$ – investment freedom; $X10$ – financial freedom.

The built model demonstrates the direct relationship between the level of national economic systems' development, denominated by the Human Development Index, and institutional environment quality – the coefficient of multiple correlation $r = 0,82$. So the poor quality of institutional environment impedes the economic development in whole.

The representation of statistical dependence of HDI from the composite IEF is given in the field of correlation (Figure 1).

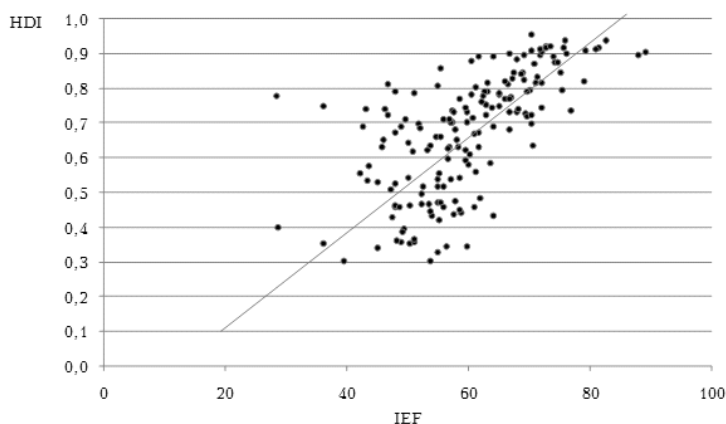


Figure 1. The correlation between HDI statistical dependence and composite IEF (The Heritage Foundation, 2013; United Nations, 2013)

According to the equation obtained, the greatest direct influence on the function (Human Development Index) is made by the explanatory $X1$ and $X6$ parameters, characterizing the legal rights of citizens. Relying on the stated above we could arrive at the conclusion that the level of democratic institutes development and legal rights influences the Human Development Index more than the level of development of the institutes of investment freedom, money market, public sector etc. The need for institutional change based on the necessity of civil society formation acquires the most pronounced character in those countries where the indicator of legal freedom has the limiting low value. This summary concerns, for example, the economies of such states as Russia (PR – 25; LF – 53), Tajikistan (PR – 20; LF – 55), Niger (PR – 30; LF – 40) and some other countries.

Thus, sustainable economic development can't be expected and, correspondingly, transition to the economy oriented on anthropocentric development and legal stability, labour freedom and equality of opportunities can not be guaranteed. Really, the qualitative development of any economy can take place only under the conditions of civil society of intellectuals. As it is mentioned in the "Report on Human development 2013" of the UNO Program for Development, if people can't influence the elaboration and the results of policy, consciously participate in events and processes forming their life, national models of social and economic development won't be stable (United Nations, 2013).

Then we have constructed the matrix model reproducing the institutional structure of civil society within any national system (Table 1). This model is based on the distribution of institutes on formal (laws, codes and other legal acts, existing in the form of official texts and obliging all persons, with whom they concern, to observe the rules) and informal (on the level of consciousness and presented by social norms and elements of culture) (Veblen, 1919).

Table 1. Matrix model of civil society institutes*

Directivity of institutes' formation with respect to democratic system	Institutes defining the level of civil society development	
	Formal	Informal
Endogenous	Civil initiatives	Mental institutes
Exogenous	Base economic institutes	Institutes of interaction

* Authors' version.

This matrix illustrates the total of formal institutes established by government bodies in order to organize social functioning as well as the sum of informal institutes which make definite amendments in the process of democracy's formation and country development.

It is necessary to mention that the institutes presented in the matrix have endogenous/exogenous character in relation to democratic system. Thus, base economic institutes, i.e. legal norms, defined by government bodies to provide effective functioning of social associations we have applied to exogenous formal institutes. Different civil initiatives, namely elections, meetings, demonstrations, processions, picketing, as well as lawmaking initiatives have been applied to endogenous formal institutes. In the process of realization of democratic mechanisms mentioned above citizens' will is manifested directly.

With that, the formation of qualitative social institutes playing the role of independent representatives of social interests can't be provided only by the determination of legal basis for their activity. Surely, steady family relationship and social institutes can't be established by government in the same way as, for example, central bank or army (Fukuyama, 1995). To form full-grown civil society the presence of definite stereotypes and values, the so-called mental models of visual environment perception is necessary. These models enable the connection of democratic institutes' quality and everyday life quality.

The group of mental institutes we have applied to endogenous informal institutes. Cognitive mechanisms defining inner stimuli for participation in management and solving local problems are understood by them. They include the level of institutional confidence, legal culture and social capital. These institutes are formed on the basis of cultural traditions and values in society. Culture in its turn is neither more, nor less than inherited ethic habit, and values are the highest standards of behavior in a community. Economic mentality characterizes the specific character of population's consciousness, emerging during history and becoming apparent in the unity of conscious and instinctive values, norms and aims, reflected in population behavior (Nureev, 2009).

Informal exogenous institutes named in the matrix as "institutes of interaction" are formed in the process of communication between government bodies, business and social organizations. These relations are aimed at providing the possibility for

qualitative solution of local problems, realization of society interests and civil initiatives.

To determine the connection and the character of influence of the institutes mentioned above on the civil society formation as well as on economic development in whole we have constructed the multifactor econometric model. The Index of Civil Liberties (further – CL) has been chosen as the explanatory variable (function) characterizing the level of civil society (Freedom House, 2013). Corresponding statistical indicators have been chosen as the explanatory parameters on every group of institutes. Thus, the electoral democracy indicator (Freedom House, 2013) was chosen as the indicator characterizing formal endogenous institutes, correspondingly, informal endogenous institutes – the indicator of confidence (Edelman Analytical Company, 2013), formal exogenous institutes – the level of cumulative social expenditures of consolidated budget, stated as % of GDP of a country (Federal Service of State Statistics, 2012), informal exogenous institutes – the global press freedom rankings (Freedom House, 2013).

The sampling included the monitoring of 25 states during 2013. The construction of multifactor econometric model resulted in significant functional relation:

$$CL = 0,06 \cdot X1 - 0,01 \cdot X2 + 0,05 \cdot X3 + 0,01 \cdot X4 + 1,32 \quad (2)$$

Model quality (R^2) – 95%.

$X1$ – electoral democracy; $X2$ – index of confidence; $X3$ – social expenditures; $X4$ – global press freedom rankings.

The constructed model confirms the influence of the selected groups of institutes on the formation and development of civil society.

According to the obtained data $X1$, $X3$ and $X4$ indicators directly influence the level of civil society development in the country. It means that the higher is the level of electoral process transparency, social expenditures and the independence of mass media, the more democratic and active is the society.

With that it is noteworthy that in accordance with the relation the indicator of confidence ($X4$) and the level of civil society are in the inverse negative relationship. It is necessary to mention here that the study on the relationship of similar parameters, made by us on the 2007 data, i.e. before the crisis, didn't detect their inverse relationship. That is why we have come to the conclusion that civil society becomes more active today in those countries where government bodies, business leaders and mass media lose their confidence.

Conclusions

The most important indicator characterizing the level of state's development is the level of democracy and civil freedom, and the universally recognized goal of socioeconomic development is the improvement of citizens' life. Using the theory of institutional economics and the instruments of econometrics we prove empirically the significance of the influence of civil society institutional structure on the main indicator of economic development – Human Development Index. The matrix model of civil society institutes and multifactor econometric model of civil society constructed by the authors allows providing recommendations on the development of civil society institutes for particular national economic systems.

References:

- Бочко В. С.* Теоретико-методологические основы интегративного стратегического развития территорий: автореф. дисс. ... докт. экон. наук: 08.00.01 /УРО РАН. – Екатеринбург, 2010. – 39 с.
- Клейнер Г. Б.* Эволюция институциональных систем. – М.: Наука, 2004. – 240 с.
- Нуреев Р. М.* Россия: особенности институционального развития. – М.: Норма, 2009. – 448 с.
- Статистические данные об уровне социальных расходов за 2012 год // Федеральная служба государственной статистики // www.gks.ru.
- Тамбовцев В. Л., Валитова Л. А.* Анализ влияния качества институциональной среды на параметры кредитного рынка: опыт межстранового сопоставления. – М.: "Экономическая школа", Аналитическое приложение 3, 2006. – С. 9–50.
- Alchian, A.A.* (1950). Uncertainty, Evolution and Economic Theory. *Journal of Political Economy*, 58: 211–222.
- Chakraborty, Sh.* (2004) Endogenous Lifetime and Economic Growth. *Journal of Economic Theory*, 116(1): 119–137.
- Fukuyama, F.* (1995). *Trust: The Social Virtues and the Creation of Prosperity*. Free Press.
- Hodgson, G.M.* (2006). What are institutions? *Journal of Economic Issues*, 40(1): 1–26.
- Popov, E.V.* (2011). Diffusion Model of Transaction Cost Dynamics. *Journal of Business and Economics*, 2(3): 222–229.
- Simon, H.* (1991). Organization and Markets. *Journal of Economic Perspectives*, 2(2): 25–44.
- Statistical data of Civil liberties level for 2013. International non-governmental organization "Freedom House". www.freedomhouse.org.
- Statistical data of economic freedom index for 2013. Research institute of international policy "The Heritage Foundation". www.heritage.org/index.
- Statistical data of Electoral democracy level for 2013. International non-governmental organization "Freedom House". www.freedomhouse.org.
- Statistical data of Global press freedom rankings level for 2013. International non-governmental organization "Freedom House". www.freedomhouse.org.
- Statistical data of human (social) development index for 2013. International organization United Nations Development Programme. www.undp.org.
- Statistical data of the level of population's confidence to the key social institutes for 2013. Edelman analytical company. www.slideshare.net/EdelmanInsights/global-deck-2013-edelman-trust-barometer-16086761.
- The World Values Survey Association. www.worldvaluessurvey.org.
- Veblen, T.* (1919). *The Place of Science in Modern Civilization and Other Essays*. N.Y.: Huebsch, P. 239.

Стаття надійшла до редакції 19.09.2013.