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SOCIAL SCIENCES AND ECONOMIC GROWTH

The growth[1] of an economy, as a continuing increase of capacity to produce more goods and services, is one of the most exciting objects of social sciences and public policies. It is the most powerful engine of social change in all sectors of social life, supplying means for satisfying ever rising aspirations of people to higher and more diversified material and cultural needs and desires. As it is not realistic to hope that mankind will reach the upper limit of its aspirations and reconcile with a stable and stagnant level of well-being, Keynes was too optimistic when in 1930 he wrote in *Economic Possibilities of our Grandchildren,* that "economic problem would be solved within a hundred years". Almost a century is elapsed since, and we are not any closer to the solution of "the economic problem", despite the fact that the rate of economic growth was higher than in any period of the previous history. Economic science is still in great demand coping with the problem, and other sciences are more and more getting involved in that matter. Our academies should equally join.

The economic problem in the history usually was considered in connection with the existence and development of nations, or similar communities of life. The organization of production, distribution and consumption always was socially shaped and uphold, and a modern state is primarily devoted to the regulation and direction of economic life of a nation. The national framework of economic life is not any more so rigid as it used to be, because of massive and increasing flows of goods, services and informations over national borders, as well as of joint activities of actors from different nations. Still the bulk of daily economic transactions

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is taking place within national environment and under control of the national state. Every modern economy of some size applies certain policies, controls the use of policy instruments and arranges its external relations. As many public policies are still in competence of national governments (monetary and fiscal policies, employment, education and science policies, material and social infrastructure, expenditures, etc.), the govornment is necessarily responsible for the pace and structure of economic growth. Even in the conditions of an advanced economic integration in a larger union, the national government cannot ignore concerns for how different policies affect the economic growth and well-being of its country.

The modern history has shown that economic growth has been the prevailing goal of public policies of national govemments. For more than four centuries national states had responsibility for number, employment and welfare of their population. It was obvious in mercantilist policies, but not less in the liberal attitudes and actions. Adam Smith, the most known representative of the liberal economic conception, spoke in the first place, about economic growth as the source of national wealth. He also defined Political Economy, as a science of statesman or legislator of how to increase wealth and power of the country. The difference between him and his mercantilist or interventionist opponents was not in the goal, but in the way as how to achieve it.

The history also showed that economic growth is not a smooth, stable process, that it undergoes large fluctuations in speed and efficiency, experiencing crises and prolonged depressions, changes in causes and directions. Such disturbing developments raised many questions about how to overcome and regulate them. The stability, beside the growth, has become an objective of national policy. The governments could not ignore such disturbances, unless if convinced that they were temporary and weak, supposed to be solved by private actions. The obvious deeper disruptions urged states to intervene to push economy towards a new path of a higher growth. There were no long periods of high economic growth without an active and well measured role of the state. Available knowledge and experience always helped to make appropriate assessment of circumstances and possible actions. Economic science was of a great service to economic policy and administration of public affairs. The belief that all state interventions in economic affairs are necessarily wrong and harmful is just a part of popular folklore.

The economic growth has been measured by the growth rate, which usually means the proportionate rate of increase per year of *net national product* or *national income*. It is an aggregate measure of the newly created value by the national economy in one year, expressed in market prices, available for private and public consumption and new investment. More precisely, economists by growth rate mean the increase of *real* net national product, i. e. the money value of net national product, adjusted for inflation rate of that year. For purpose of economic analysis, still another concept has been introduced, that of the rate of increase of *potential* real net national product, value that would have been produced in a given year had the economy in that year been using fully its productive resources. Fluctuations of real net national product, which are caused by variations in the degree to which resources are actually utilized, usually are not analysed, except for some particular purposes.

The analytical complications arise when growth is considered in relation to size and structure of the population. As population increases, a larger supply of goods and services is needed to maintain a constant level of well-being. Only when net national product increases faster than population the improvement of average individual welfare is possible. This made necessary to introduce the concept of *per capita* income which is derived by dividing total value of net national product by total population. The evolution in the composition and distribution of national product among people is as much a part of economic growth as is expansion of the product. Larger population needs not only larger consumption, but also faster growth to open new jobs and provide additional productive services.

Perhaps the most convincing argument for national policy of economic growth is increasing social pressure for employment. Employment is an integral part of growth process, but it is much more, it is the basic human condition, which determines not only income for living , but the position and status in society, the posibilities to develop creative capacities or at least to be a useful and accepted member of community, the safeguard of his human dignity. As in the modern society majority of people cannot solve the employment problem by themselves, and as that cannot be mandated to other private persons, the responsibility for full employment must stay with community which is mandated to protect life, security and dignity of all. The theory that employment is a private concern of individual persons and that it can be solved through market transactions, forgets that market is not a solidary community and that it freely includes and excludes people. The full employment objective is one of the most compelling task of the state economic and social policy.

The goal of accelerating economic growth often raises questions and controversies. In the last fourty years a mood of an anti-growth has been manifested in some quarters of the richest nations of the world. Does growth bring true progress? What benefits could faster growth confer that cannot be achieved through better use and fair distribution of existing resources and goods? What is the price of growth? Should government avoid accelerating economic growth in order to promote other social values? These questions are often legitimized by wasteful use of natural and produced wealth for futile consumption, pernicious projects, social and political rivalries. It is also true that growth causes private and social costs by degradation of natural environment, destruction of traditional relations among people, weakening social cohesion, limiting current consumption, etc. Those concerns are behind the conception of a sustainable growth. Would it be wrong to conclude that aspirations toward economic progress and higher well-being really oppose and limit our aspirations in other fields? The answer is decidedly, no. The economic growth is precisely the way of overcoming shortages of resources for satisfying all our needs and desires in other fields.

The economic growth itself is not costless. In fact, it is very expensive process, which requires large part of existing resources to be spent in order to enlarge the future size of production of goods and services. We are compeled to decide what proportion of available resources could be spent in order to increase the future output, having in mind that we must for this amount reduce the present consumption. This decision is crucial for future economic growth, and is very delicate politically and socially, even when the largest part of investment is being done by private persons. The state cannot be neutral about the size and structure of investment, and must have a coherent investment policy, adjusted to other long-term objectives.

The next question is how to use efficiently available investment resources at minimum cost. Given the total amount that is to be spent on investment, the choice should be made between technological combinations of tangible capital, labour training and education, scientific and technological research, with the view to obtain optimal results. It is usual to suppose that it is a matter for particular investor to decide. As the state is the institution responsible for general state of the economy of a country, it cannot avoid conceiving a coherent strategy of technological development.

In recent time there was a major shift in monetary theory and policy. The theory goes that central bank should take care only of monetary flows and price stability and stay aloof from problems of economic growth. But managing credit and foreign exchange policies, how central bank could possibly avoid getting involved in growth policy, if the interest rate and exchange rate in the modem market economy are the most powerful instruments of investment and control of finance and trade? By monetary policy central bank strongly influences relative prices of foreign and domestic goods and services and through them prospects of domestic producers to be competitive on domestic and foreign markets. Thus, it is absurd to deny the responsibility of the central bank for growth and employment.

The connection between economic growth and satisfying consumption needs is not one way street. Achieved improvements in other fields offer better social environment and improved services to the economic sector, what raises its efficiency and capacity for growth. Better education, scientific research, improved health, housing, efficient public administration, as domains of consumption, are in the same time important sources of economic growth. The studies of human capital, of social capital, of R&D, show how important is their contribution to economic growth.

My intention here was to nominate the topic of economic growth for larger consideration and deeper inquiry to all social sciences, to emphasize that it is now more urgent than ever. Older economic writers used to be concious of fundamental importance and intricacy of this field of social studies. The recent uncritical renewal of *lassez-faire* doctrines of an automatic free market mechanism of adjustment misled many scientists and politicians to believe that everything in economic life can be left to free play of market forces between private agents, and that the governments are obsolete and harmful institutions. The complexity of economic growth, increasing competition, the rising concentration of private economic power, uncontrolled financial and commercial flows, migration movements, looser social legislation shoud warn us against accepting uncritically the easy promisses of benefits of an uncontrolled liberalization. Economics is not yet able to foresee with confidence all the consequences of our growth choices. Peoples in Europe are facing unprecedented situation of dismantling national state structures, without knowing exact1y what institutions and structures they will be replaced with and what functions will be transfered to new institutions, and how they will be executed. Thus, it would be advisable to reafirm state authority in some sensitive matters of economic growth. We cannot possibly hope that the same principIes and standards will be equally beneficial to all countries, not to speak about different consequences for dominating core countries and poor peripheral countries. There are so many questions left open, which are closely connected with economic growth and affect its speed and structures. Generally, the poor members countries are being divested of instruments of faster growth, proper to their specific position and development needs.

Our presentation of the problems of economic growth is only tentative. Further considerations would require much more research and reflection. I highly appreciate achievements in the modern processes of globalization and European integration. But they are mainly of political and institutional nature, the economic growth results are still meagre. The sweeping processes of modernization and mu1tiple adjustment, which are presently shaping a new Europe should be vindicated in the long-run only by equally impressive achievements in general growth of wealth and welfare throughout Europe. We can be confident that it will happen if we have wisdom and courage to preserve and strengthen the forces of creativity, progress and social justice. Our academies should take a prominent place as an affluent source of this wisdom and courage.