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## **Endogenous Social Progress as a Source of Economic Growth**

The Age of Enlightenment came up with the idea of social progress as having a social dimension. Theoretically, the interpretation of social progress is associated with the abbot S. Pierre (1737, France), whose contribution was covered in detail by A. Feth (Feth 2008). At the same time, social progress has not only a social dimension. Social progress has also a personal dimension and represents the progress of the individual's self-development (Savostyanova 2016). While social progress is associated with such well-known social values as freedom, equality, security, etc., then the progress of the individual is associated with his or her social component that reflects the person's basic needs, basic well-being, and opportunities that, after structuring, allow to produce the well-known index of social progress. According to the definition by the authors of the Social Progress Index, the latter is the society's ability to meet the urgent humanitarian needs of the population, to build a base for individual citizens and communities for supporting and improving the quality of life, and to create the conditions under which all can satisfy their urgent needs (Romer 1990).

The mechanism that shapes both the rise and fall of social progress acts primarily through social interactions whose density and intensity determine the level and dynamics of knowledge accumulation as a productive power of labor. The reason is that, in the behavior of economic agents, information asymmetry is overcome, which enhances the opportunities for interaction in the economy.

Accordingly, aggregated social interactions represent processes resulting in personal socialization, while socialization in turn is a means and an accessible and continuous source of knowledge, skills, and ability to interact in society. That allows to meet basic human needs, to support and develop basic well-being and, for that purpose, to have opportunities to raise the productive power of labor and accumulate resources for economic growth.

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All that is essentially based on the principles of public access and lifelong creative self-realization. As a result, behavioral archetypes not only are preserved but also evolve at the expense of the universalization possibilities of socialization as such that also realizes the opportunities for societal development embedded in social innovations. Socialization as a process and as a means is realized in the depth of society, thus shaping the subjectivity of both development and economic growth based on social justice and social responsibility, and with the use of social innovations.

Social innovation and relevant social technologies that determine social progress are a kind of public good, as are innovations in technology that determine technological progress and are a resource for economic growth. At the same time, it is proved that due to technological progress, which is the result of decisions and corresponding actions by business and the state, the endogenous model of economic growth is realized (Romer 1987).

We assume that social innovations and social technologies, along with being a social good, have, like technological innovations, the property of exclusivity, which is an indisputable condition for the endogenous model of economic growth. The fact that social innovations and, accordingly, social technologies of innovative nature have the property of exclusivity, is proven by the fact that users of these technologies cannot be deprived of the opportunity and right to consume the good in the form of social innovation, which is developed and offered or is being mastered. For example, it could be an innovation embodied in a social state that provides a full public good through social innovation that is mastered or is being mastered by an individual via one or another access to the good that generates the innovation. And only with time it becomes available to most members of the society.

Public benefits realized through social innovations in a welfare state can be both public and private if they can be used, for example, via payment for the education in a school or any other educational institution, where tuition and non-tuition students may study together. During the study, in addition to gaining professional skills, students also undergo certain socialization processes. Thanks to the latter, the individual has the opportunity to occupy a higher place in the social hierarchy and act within a social group, where he or she can realize own abilities, which in turn are a result of socialization. In this case, the social good obtained via a socialization-driven social innovation is also partly exceptional for technological innovations, which, in Romer's theoretical model (Romer 1987), provide endogeneity in the model of economic growth.

Social innovations, for example, those generated by a social state or society in the process of socialization, not only raise the individuals' social capacity, but also their ability to act more productively, which actually provides endogenous economic growth. At the same time, a person, having mastered or making use, for one reason or another, of a social innovation, by her or his own decisions makes a choice in favor of one or another social or industrial environment, in which she or he can realize new opportunities.

Socialization that occurs throughout life at every stage of society's development is, as noted above, similar to technological development, which is exclusive for some time to the majority and gives them a monopolistic right for its use and only over time becomes available for common use, and at the same time is realized according to the individual's own choice. In the same way, social innovations only become available over time as a result of socialization, which makes it possible for people to advance in social development via complex socially organized structures in society. In particular, it is either a welfare state, or social organizations, or social institutions resulted from structural reforms of a social nature, funded by the welfare state, or socially responsible business, or volunteer organizations, or individual volunteers. Their combined effect is uninterrupted over time and, as a result, is an effect aimed at ensuring continued economic growth.

Socialization of an individual is endogenous because it is a consequence of his or her choice under the influence of circumstances and conditions that vary depending on the societal or official hierarchy, change of residence, etc., resulting in a change in the social environment, and the person invests resources in his knowledge and takes advantage of the new living space which he or she enters. Due to this change, it becomes possible for people to generate ideas and actions, as well as both. And if people even change their place of residence to another country where they can earn more, then by working in that country, while at the same time assimilating and socializing, they contribute to the economic recovery of the recipient country. However, their home countries too benefit from increased money transfers from labor migrants, which are used, in particular, to improve their children's education enabling them, over time, to generate new ideas, thus speeding up both technical and social progress. That is, although with certain lags, expansion takes place both in individual economies and globally. The above means that growth with the use of social innovation is endogenous, even when domestic conditions cause migration to higher income countries with limited labor resources where, due to the increase in the number of workers, economic growth takes place, which is illustrated by a model dominated not by exogenous, but by endogenous growth. The reason is that there is a "learning by doing" when migrant workers, in the production process of a more capital-intensive and highly developed country with a higher standard of living, acquire productive experience and socialize in the surrounding environment. Thus, socialization occurs similarly to learning by doing, which can, in this case, be defined as learning by living in society. Thus, endogenously dependent economic growth is generated, since in this way the declining returns trend is reversed (decline only takes place if socialization does not happen). There are other forms of such training, which will be discussed later.

Social capital is a public good that is used as it accumulates and expands in society, as it is mastered by wider and wider segments of society, primarily through socialization. It is used as a public good not only for actions that lead to the improvement of the state's functioning, but also for those that improve the participation in social life. Thereby it increases the productive activity of a person who holds a certain position, performs, among other things, some creative activity

and drives economic growth, pursuing certain interests, including his or her own interests, because a person has an opportunity to raise his personal access to capital, and to a higher level in the social hierarchy. In this case, is social capital such that overcomes the problem of marginal product decline and does not diminish but persist or even increase? (And this is known to be one of the conditions of endogenous models of economic growth.) The fact that it does not decrease is the result of the fact that more and more parts of society receive a “dose” at the expense of public socialization, which is continuous in nature because it is lifelong, which makes it possible for people to get involved in the learning process both in production and in life. The reason is that the shared standards and values make it impossible for the product to degrade if they are observed in the production or other activity. The result is an interaction effect in synergistic interpretation and synergistic manifestation, since, as E. Glaeser argues (Glaeser 2000), team members maximize individual income in the process of interaction or collaboration, or rather ensure the benefit of such interaction. In this case, each of them, in the theory of games, optimizes the interaction, maximizing the effect, if the interaction occurs, in our opinion, with inclusivity and the corresponding institutions, and if not, then the extractive power allows an individual group to receive a profit, while creative activity goes to the shadow, fails to produce new technologies, and therefore does not generate any economic growth. The content and role of institutional changes or reforms, in particular in a natural state with limited access, have been addressed by us in previously published works, since they play an important role in economic growth and deserve special consideration (Heyets 2018a, 2018b).

The foregoing allows us to argue that the socialization process is an important complement to K. Arrow’s theoretical concept of “learning by doing” (Arrow 1962), which is known to overcome the declining returns, thus giving economic growth the character of endogeneity, which is required for an endogenous growth theory. Increasing skills in the process of socialization expand human capital not only as a set of knowledge and skills that allow to meet the person’s needs (which is fundamental and generally recognized), but also allow people to realize their possibility of expanding the ability to act, which, if does not speed up economic growth, does not at least lead to its recession, as the new generations may be more productive when they come to active life. This is a result obtained not due to the exogenously given factors, but due to the decisions of people who, in the course of socialization, were able to make better and cheaper goods and services (Bourdieu 2005, p. 137) and, therefore, to shape a new resource for economic growth. In this case, the decisions made go beyond the commonly known rate of savings, and this allowed to simulate the dynamics of investments in the endogenous model of economic growth, which in particular was implemented in the Ramsay–Cass–Koopman’s model. It is well known that an individual maximizes his or her consumption throughout lifetime, in the interests of future generations, overcoming, in so doing, the declining returns of marginal product. In our opinion, this is partly due to the socialization process that appears as a result of changes in social space under the influence of, among other things, technological

changes that appear in the physical space. In the theories of economic growth as such and in their corresponding growth models, innovation is seen as a factor of increasing production and consumption on a stable basis, i.e. one that is constant in the long run as a result of the fact that innovations' effectiveness never declines because they are born and spread in the physical space in each activity. Here it should be added that such a character of their distribution exists not only in the technological, that is, physical space, but also in the social space, which is "... a set of invisible relations, those very same relations that constitute a space of positions exterior to each other and defined by their proximity to neighbourhood with or distance from each other, and also by their relative position – above or below, or even in between, in the middle" (Bourdieu 1993, p. 126).

The dissemination of technological innovation not only in physical space but also in social space whose definition is given above, according to P. Bourdieu, occurs because "social space (...) is inscribed at the same time in objective spatial structures and in objective structures, which are partly the product of the incorporation of objective structures" (Bourdieu 2005, p. 38). Therefore "... realized physical social space is the distribution in the physical space of various types of goods and services, as well as individual agents and groups localized physically (as bodies attached to a permanent place, fixed place of residence, or main residence) and has the capacity to assign these more or more significant goods and services (depending on available capital as well as physical distance, and remoteness from these benefits, which in turn depends on their capital). Such a double spatial distribution of agents as biological individuals and goods is a differentiated definition of the value of various areas of the realized social space" (Bourdieu 2005, p. 40).

As to the agents' activity and choice as biological individuals, it should be borne in mind that "... fundamental economic dispositions, needs, preferences, propensity to work, to accumulate, to invest – are not exogenous, that is, dependent on the universal human nature, but endogenous ones, and depend on history, just the same history of the economic universe in which these dispositions are demanded and supported. Hence, instead of the canonical distinction of goals and means of the economic field, they impose on everyone (to varying degrees and depending on individual economic ability) their own goals (individual enrichment) and the 'reasonable' means of achieving them" (Bourdieu 2005, p. 137).

Decisions in economic interaction, which is aimed at finding and using innovative products, are made by the participants of the process, not despite of but rather thanks to the socially motivated coercion, which results from the socialization processes embedded in society both as a whole, and in those of its structures that shape the individual (family, school, etc.). As a result, there is a so-called effect of conscious action consisting in the ability to anticipate and calculate the consequences of one's own actions, which represents the understanding of the knowledge obtained in the social field of the interaction of one individual with another (others). At the same time, the behavior of each individual as to his or her conscious relationships and interactions in the process of socialization, in the end, creates an effect that is understood "... as 'influence', as in a social network,

when all other agents or social norms affect each agent” (Bourdieu 2005, p. 145). Social standards are not static, but on the contrary are variable, which, as a result of changes, creates the potential for development of the social field, where culture plays an important role. To this end, it is necessary to reorganize the activities of a liberal arts education that is consistent with the ideology of a civil society based on the principles of high morality and professionalism. These components were formulated by Ch. Montesquieu as the crucial conditions for the formation of a civil society, which in turn creates an environment for constant progress in producing an initiative for innovative development using social innovation.

I first wrote about the real state of affairs in the formation of civil society and the possibility of using its resources for the purposes of economic development back in 1995 (Heyets 1995). That work considers the formation of a statehood model and prospects of civil society development with due regard to domestic and external economic and political factors.

Public policy is mainly influenced by groups that care about social interests so that consumers’ interests only prevail in verbal discussions, but the real policy is controlled by the interests of the manufacturer (Kheyne 1992, p. 704). Thus, public policy is determined not so much by the public interest as by the endless multitude of purely private interests. At the same time, due to the existence of selfish interests of civil servants, it becomes clear why the formation of private property constantly entails violation of public interests and in the first place favors the official establishment.

Thus, the systemic factor that represents a basis of the democratic coexistence of the state and civil society falls under the powerful influence of interests that at this stage conflict with the public interest. This means that under such conditions, civil society development and state development are affected by a negative strategy when the latter becomes dominant, and economic growth fails to receive such a stable resource as social progress and corresponding social innovations realized through socialization.

It is usually considered that to create conditions that would ensure the development of certain trends (especially those which under certain conditions may develop in the opposite or the above mentioned direction), it would be necessary to legally arrange most transitional processes, which is often attempted in practice. But, as our experience shows, the power of interests defined by property relations is much greater. At the same time, that power is equally characteristic in this case for both the state and the representatives of business. In addition, the generalized relevant experience (that also acts as a theoretical postulate, since it takes the root in the practices of countries that have achieved prosperity, rights and freedoms of their citizens and successful statehood), shows that attempts to regulate all the processes are basically futile. On this occasion, A. de Tocqueville writes: “There is no country in the world in which everything can be provided for by the laws, or in which political institutions can prove a substitute for common sense and public morality” (Tocqueville 1984). That is why socialization is a powerful source, which can overcome the uncertainty in public life that cannot be regulated by law.

Actually, these words confirm the opinion about the possibilities and necessity of building a civil society, which in turn is one of the processes of socialization of human activity. If the latter does not have a sufficient level of development, then the prevailing forces are personal interests, which are realized through property relations and lead to the domination of corruption and theft.

China was particularly inventive in this regard, introducing, as is well known, the first stage of the private property development model, not through privatization, where the interests of public servants and businessmen are confronted (there was no massive privatization in China during the first stage of reforms), but through the creation of proper conditions for the development of an alternative economy based on private property whose basis was formed by citizens' initiative. And this citizens' initiative was ultimately a result of certain historical processes that had the effect of socialization, which had been established by more than fifteen hundred years of Chinese experience in using market-based mechanisms (Arrigi 2009).

In turn, due to historical experience and conscious study of world experience, which was implemented via inclusive mechanisms of socialization of people's activities in their own market environment, mechanisms of the conditions of its realization were developed. In this way, the components of the new economic model, namely labor relations, professionalism, morality, trust, which are the elements of social space and the results of socialization, all were changed. At the same time, state property, to which civil servants are related, was cleverly removed from the process. It is clear that once the private sector reached the required critical mass, it became possible to proceed with the denationalization. Under such conditions, the representatives of state institutions have no advantage, and therefore the transformation process becomes well balanced and successful in terms of public interests. It is well known that China did not experience any output decline during the entire reform period. China set an example of the implementation of a gradual strategy for radical change and necessary social development, involving historically conditioned socialization.

Often, the only alternative to all possible development and statehood scenarios is a liberal idea that leads to autonomy of individual behavior corresponding to a market environment dominated by the ideology of easy enrichment based, among other things, on the appropriation of state property. This led to the emergence of shadow economy, people's massive fear for themselves and their children facing future uncertainty and incomprehensibility, which is a result of the above phenomena and can be called desocialization. Thus, the seemingly good idea of liberalization provokes risks of complete pauperization, loss of livelihoods, lack of initiative, and apathy, which make up the antithesis to civil society, which, instead of social innovation, is characterized by social degradation representing, in our opinion, an effect of desocialization.

As a result, people are facing the need to shape their own behavior according to their own choice, which requires skills that are not available in most citizens. In such circumstances, the large number of people no longer need and no longer accept the previously obtained (rather formal) rights and freedoms. The usual stabili-

ty is lost. In addition, these rights and freedoms are often impossible to exercise because of their declarative nature or the inability of the relevant public institutions to ensure legal and economic stability in society. Under these conditions, citizens fall into a vicious circle of uncertainty and unresolved issues. The expectation of stability is in many ways in conflict with the state, contributes to the development of nostalgia for the past, when there is an impression that the old institutions and the content of social life were more understandable and more effective. It is clear that such an expectation is irrational today. At the same time, one must be aware that a change (in the course of state-building) of a totalitarian state to one in which the cult of enrichment actually becomes the basis, under present conditions, is possible only for limited sections of the population. This results in the opposite to what is desired. A probable scenario here is when capital itself tries to revive totalitarian methods of governance and their characteristic social life. That is why the processes of socialization, which create conditions for self-organization and self-realization according to the potential of individual economic entities and the population in general, are fundamental in the formation of civil society and the use of its potential opportunities for positive impact on economic development.

Civil society cannot be founded on corporate principles expressed by the collective desire for the accumulation of private property, since in this case, the society is dominated by the struggle for the appropriation of profits and accumulated property, not for their expansion. The essence of the latter represents a unity in the struggle against the isolationist aspirations of distribution and redistribution. Redistribution actually remains the basis of corporate activity with the tendency to monopolistic ownership and monopolistic redistribution, which is the main function of individualized entities rather than institutionalized entities that act based on the correlation of concerted relationships. It is exactly the correlation of concerted relationships that underlies the internal unity and its inclusive influence on the economic growth of social innovations, which underpin the socialization.

The behavior of the world-system is a result of actions, first of all, in the social space, since "... physical space is the social construction and projection of social space, the social structure in the objective state (...), the objectification and naturalization of past and present social relations. Physically implemented social space is a distribution in the physical space of different types of goods and services, as well as agents and groups localized physically (...) and having the ability to appropriate these more or less significant goods and services depending on their available capital, and on the physical distance from these benefits, which in turn depend on their capital" (Bourdieu 1993, p. 40). This means that along with human and physical capital, social capital (S) is an equal component of the well-known production function. "The fundamental economic dispositions, needs, preferences, and inclinations (to work, to accumulation, to investment) themselves are not exogenous, that is, dependent on the universal human nature, but endogenous, dependent on history, on the very history of economic universalism, where these dispositions are in demand and are reinforced. Hence the canonical differences of goals and means of the economic field impose on each (to varying

degrees and depending on their economic abilities) their goals (individual enrichment) and reasonable means of their achievement” (Bourdieu 2005, p. 137).

Can a technological gain positively affect economic growth in the absence of adequate support from social capital that emerged as a result of socialization? The answer is found in Y.N. Kharari’s works. He wrote: “The Chinese and the Persians did not lack technical inventions, such as steam engines (which could be freely copied or bought). They lacked values, myths, the judiciary and sociopolitical structures that took centuries to form and mature in the West and could not be copied and internalized rapidly. France and the United States quickly followed in Britain’s footsteps because the French and Americans already shared the most important British myths and social structures. The Chinese and Persians could not catch up as quickly because they thought and organized their societies differently” (Kharari 2014, p. 199–200).

Much of the same is happening in many modern economies, which are undergoing the stage of transformational change on the path to a market economy and social transformation of society. The latter is much slower than changes in property relations and can slow down economic development even despite the presence of advanced industries.

Y. Kharari further writes that “most of us think of the social order as something flexible, which we can engineer and improve at will. (...) The new elastic order seems to be able to contain and even initiate radical structural changes without collapsing into violent conflicts” (Kharari 2014, p. 457–458), though “... the real root of suffering is this never-ending and pointless pursuit of ephemeral feelings, which causes us to be in a constant state of tension, restlessness and dissatisfaction. Due to this pursuit, the mind is never satisfied. Even when experiencing pleasure, it is not content, and it fears that this feeling might soon disappear, and craves that this feeling should stay and intensify” (Kharari 2014, p. 494).

At the same time, a person who lives and functions in society cannot remain in tension all the time, so he or she enjoys choices that are available in modern society in terms of new opportunities, occupation, and social satisfaction. People can avoid tension and discontent and relax and improve their condition in the current social environment. And this is partly due to socialization resulting from the human propensity to master its different forms, for example, as regards the propensity for savings that improves the structure of the manufactured product  $Y_t$ , which plays a key role in the endogenous models of economic growth. Savings and the propensity to save in the endogenous theory of economic growth mean the decision of each individual at any given point in time about the share of his or her income to be used on consumption or on savings. It is known that the individual’s decisions about the accumulation rate in the model of Ramsay and others (Cass and Koopmans) are made in accordance with the maximization of lifetime utility. And individual’s assessments of the utility of consumption are not exclusively an economic category, as they are simultaneously a result of the sense of change in one’s status and social satisfaction, which in turn is defined through socialization.

A similar process takes place in every individual throughout his or her life with a purpose to reduce tension through a constant desire to be involved in the continuous process of socialization, in particular as a result of his or her activity in the course of learning by doing. It is through socialization that the tension is reduced and the individual's status is improved. This is evidenced by the conducted research and the corresponding analysis of the results of the assessment of social progress with the use of the appropriate index.

In particular, the results obtained show that the index of social progress, which characterizes the satisfaction of basic needs, basic well-being, as well as human development opportunities, does not correlate with the indicators of the countries that have high indicators of economic development, but still lag behind in social development (HDR 2014). According to Arrow's concept, in the model of endogenous growth, the incentives for savings outweigh the declining returns. In our case, training in production not only provides the above-mentioned effect of the outweigh over the declining returns on the factors of production, but also allows the individuals, in parallel to learning by doing, to socialize their behavior, in doing so reducing anxiety, dissatisfaction and tension. It is attained via replacing those feelings with the people's satisfaction with their status, and at the same time via creating in them a desire to move further in the social hierarchy and to increase their ability to outweigh the declining productivity of social capital in the case of lowering rate of socialization or even desocialization.

The latter has the property of temporary exclusion, as well as the new technological development in Romer's endogenous growth model, which allows an individual who, through a particular method or technology of socialization, obtains the ability to use the effect of socialization, to be involved in a new hierarchy or network, which prevents the regressive trend of the marginal product. In order to give practical relevance to the above theoretical evidence, we need to find a way to measure the value of the impact of socialization on economic growth, which, as shown above, is endogenous. However, this is an independent task that cannot be completed in this article and requires separate publication.

The process of socialization of the individual can and should be considered as a way of accumulation of the so-called social capital. In turn, the social capital, with reaching one or another level may, on the one hand, be manifested in the price of the results of its activity, and on the other be an investment that allows the individual to obtain the effect of producer measured by the added value of a product, service or even a work of art, which, being on the market, produce the effect of economic growth. Since the processes of socialization are continuous, when socialization is institutionalized or is being institutionalized in a social dimension, the above impact on economic growth is permanent. In this case, the individual, in the process of socialization gains access to the realization of his or her abilities in the market, which is expanded due to the emergence of a new item that can bring success and thereby provide income opportunities. They grow and satisfy his or her personal interest and lead to economic growth on an endogenous basis using socialization methods. Thus, socialization is a set of tech-

niques to perform the transfer, assimilation and accumulation of opportunities of both conscious and unconscious life, relationships and interactions of people, which include the formation and development of creative abilities whose totality is produced and employed in addition to the resources of labor physical capital. In turn, according to the concept of M. Paldam, social capital is a social “glue”, which allows to mobilize additional resources of relations based on people’s trust (Paldam 2000). At the same time, socialization is a means of expanding business and ensuring success in the market, in particular through:

- reduced search for suppliers and clients;
- replacement, in case of poverty, of market relations in obtaining a loan, insurance of contract realization;
- reduction of imperfect information about market conditions, suppliers and customers, product quality (Paldam 2000, p. 632–637).

As stated above, the process of socialization in the development of success of an individual business in the market has its own specific features. However, socialization, as a means of developing human capacities for performing economic activities, has its components in the middle of a particular organization. These may be a number of well-known methods, including:

- increasing confidence;
- changing the relationship between subordinates and management;
- concern for members of the team;
- change of moral and ethical relations;
- change of interaction, mutual assistance, interchange;
- supporting proper psycho-emotional climate;
- orientation to increasing professionalism, communication, openness, interaction, and cohesion;
- awareness of the goals of the organization;
- encouragement of manifestations of individuality in creativity;
- mastering team members and conflict management;
- finding ways to overcome the communicative barriers<sup>1</sup>.

Socialization as a set of appropriate ways of accumulating the ability to live on the basis of relationships and interactions, on whose foundation social capital is created and accumulated has, in addition to individual, also group (labor) character, which has both national and civilizational significance. The nature of this significance is revealed via biological, economic and social rootedness and aspiration to create expanded reproduction of the life-support system, making economic growth one of the key factors.

Socialization as a process of mastering knowledge and skills influences the formation of market price that affects the choice of the consumer who is ready to pay, for the product the price that corresponds to his effective demand, which interprets the rational approach to the equilibrium price established in the market.

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<sup>1</sup> Defined based on the reconsidered hypothesis of the status of social capital in a productive organization, since we regard that social capital as developing as a result of the socialization itself.

But the individual can change decisions based on the experience gained in social community by himself and by other members of the community, that is, based on their life experience. This means that the shared life experience as a result of people's interaction, in turn, can change the initial decisions and thereby improve them, which is a result of socialization. Thus, socialization shapes the individual's behavior, changing the market price and demand and affecting output, and ultimately, economic growth. And since such actions are the result of behavioral choice, the latter is endogenous in its impact on the economy.

But there is also an inverse relationship. Price changes occur for a variety of reasons, but the results of the socialization, which determined earlier choice when buying a product, change the set of goods and the number of purchases under new price relationships. This change in market behavior depends not only on the above components. It is well known that “transaction cost economics characterizes human nature as we know it by reference to bounded rationality and opportunism (...) opportunism refers to the incomplete or distorted disclosure of information, especially to calculated efforts to mislead, distort, disguise, obfuscate, or otherwise confuse. It is responsible for real or contrived conditions of information asymmetry, which vastly complicate problems of economic organization” (Williamson 1999).

In order to avoid/minimize losses or gain profits, in the activities of economic organizations in the presence of opportunism in the partners' behavior, in O. Williamson's opinion, it is necessary to work out precautionary measures that are in their context related to the use of incentives and/or the creation of higher power structures (Williamson 1999, p. 99). This path can produce results, but at the same time, no one can reject the thesis of pursuit of own interests and, in the classical variant, conciliation of interests occurs thanks to honest and confidential relations, while the influence of “black swans” is minimized due to anti-fragility. However, social innovation and social technology as a public good, as shown earlier, represent an exception, which makes them a condition of the effect of the endogenous economic growth model, and thus means the availability of opportunities and the right to consume goods for the purposes of certain economic activity. That is a natural condition of a temporary right to a monopoly in the interests of the relevant economic organization.

Therefore, within such activity, another activity takes place, which is similar in nature to opportunistic activity, since it complicates the task of economic activity for one of the market actors until the development of asocial innovation or social technology, whose content was described above in sufficient detail on the basis of the analysis of the interaction between market actors. This creates for one of the market actors a preference, which grants him a temporary right to monopolistic additional income, while opportunistic behavior of the market actors who have not fully mastered it, overcomes the barrier of ignorance at the expense of socialization, which allows to promote endogenous economic growth. Therefore, socialization creates an unbiased attitude that allows making decisions and choices that change the selection of goods and the number of purchases. The impartiality of choice and complexity in approaching decision-making in educated people

who make purchases based on rational expectations were thoroughly studied by R. Thaler in the 1970s (Thaler 2017).

If we rely on the well-known interpretation of socialization as a process of assimilation of accumulated knowledge and experience as a result of the person's own activity with due regard to the experience of communication and relationships developed around the social community, where the relevant psycho-emotional, cultural, and moral codes are present, then, during decision-making, there is an active reproduction of the accumulated experience and knowledge not only for their perception but also for active use. Socialization, as we know, is first of all of personal importance and, based on personal perception, it shapes social perception, preserving and developing social development and its economic components. We can argue that socialization in the process of life in different social communities, groups, societies, families, schools, places of residence, historical traditions (once developed and passed down from generation to generation), and types of economic and industrial activities, is taken into account in the so-called theories of behavioral economics (Ariyeli 2008). According to these theories, decisions are made that go beyond price and supply-based or demand-driven or herd behavior, which is also a result of socialization that shaped internal “endogenous” skills that go far beyond the rational choice. The reason is that much of the endogenized character is embedded and determined in the human genetic code, where it determines and shapes individual behavioral modes that develop and affect decision-making in the course of economic activities.

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## ENDOGENOUS SOCIAL PROGRESS AS A SOURCE OF ECONOMIC GROWTH

### Summary

In this essay, the author argues that social capital and social progress should be treated as a separate endogenous source of economic growth and, consequently, it should be included in endogenous growth models, along with physical and human capital and technological progress. Social capital is a public good, which not only raises the individuals' intellectual capacity but also increases labor productivity, thus driving economic growth. The socialization process, along with learning by doing, helps to overcome the declining returns, which helps to maintain continuous and sustainable growth. Socialization, meant as a process of mastering knowledge and skills, shapes people's perception and affects their attitudes, as it is explained in the behavioral economics. However, we need to find

a way to measure the value of social capital and its impact on economic growth. The author illustrates its reasoning by the example of Chinese society and the transformation of China's economic system, resulting in the rapid economic growth.

**Keywords:** social capital, endogenous growth models

**JEL:** O10, O15, O40

## ENDOGENICZNY POSTĘP SPOŁECZNY JAKO ŹRÓDŁO WZROSTU GOSPODARCZEGO

### Streszczenie

W eseju tym autor stwierdza, że kapitał społeczny i postęp społeczny powinien być traktowany jako odrębne, endogeniczne źródło wzrostu gospodarczego i w związku z tym powinien być włączony do endogenicznych modeli wzrostu obok kapitału fizycznego i ludzkiego oraz postępu technicznego. Kapitał społeczny jest dobrem publicznym, które nie tylko powiększa zdolności intelektualne ludzi, lecz także zwiększa wydajność pracy, co napędza wzrost gospodarczy. Proces uspołecznienia, na równi z uczeniem się przez pracę, pomaga przezwyciężyć zjawisko malejących przychodów, co pozwala utrzymać ciągły i trwały wzrost. Uspołecznienie, pojmowane jako proces doskonalenia wiedzy i umiejętności ludzkich, kształtuje percepcję ludzi oraz ich postawy, jak to wyjaśnia ekonomia behawioralna. Musimy jednak znaleźć sposób mierzenia wartości kapitału społecznego oraz jego wpływu na wzrost gospodarczy. Autor ilustruje swoje rozważania przykładem społeczeństwa chińskiego i transformacji systemu ekonomicznego Chin, czego efektem jest szybki wzrost gospodarczy.

**Słowa kluczowe:** kapitał społeczny, endogeniczne modele wzrostu

**JEL:** O10, O15, O40

## ЭНДОГЕННЫЙ ОБЩЕСТВЕННЫЙ ПРОГРЕСС КАК ИСТОЧНИК ЭКОНОМИЧЕСКОГО РОСТА

### Резюме

В данном эссе автор утверждает, что общественный капитал должен рассматриваться в качестве отдельного эндогенного источника и, в связи с этим, должен включаться в эндогенные модели роста наряду с физическим и человеческим капиталом, а также техническим прогрессом. Общественный капитал является публичным достоянием, которое не только увеличивает интеллектуальные способности людей, но и увеличивает производительность труда, что стимулирует экономический рост. Процесс социализации наряду с обучением через труд помогает побороть явление снижающихся доходов, что позволяет поддерживать непрерывный и устойчивый рост. Социализация, понимаемая как процесс совершенствования человеческих знаний и умений, согласно поведенческой экономике, формирует восприятие людей и их установки. Мы должны найти способ измерения величины общественного капитала и его влияния на экономический рост. Автор иллюстрирует свои рассуждения примером китайского общества и трансформации экономической системы Китая, которая в результате привела к быстрому экономическому росту.

**Ключевые слова:** общественный капитал, эндогенные модели роста

**JEL:** O10, O15, O40