INCLUSIVE CAPITALISM: ECONOMIC DEVELOPMENT OR STAGNATION? A REGIONAL PERSPECTIVE

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“The market economy brings with it huge and rising inequalities which are destroying the social fabric of society and the sustainability of economic growth: the rich are getting richer and richer, while all the others are experiencing difficulties”

Joseph Stiglitz

Abstract
The aim of this paper is to discuss theoretical aspects of the economic changes brought on by transformation processes and the development of social market economies on the one hand and the continued creation of value with socially uneven economic growth and the growing sense of dissatisfaction, irregularities and disproportions on the other. This paper makes references to the search for the optimal model of capitalism, suggests ways of supporting the idea of inclusive capitalism and discusses a number of inequalities, including economic and social. The analyses in this paper are based on Polish and foreign literature, as well as the opinions of economists. The opinions and conclusions presented in this paper are, to a large extent, based on statistical analyses and the results of many years’ of the author’s research into economic transformation. The analysis in this paper is only an introduction to the problems of searching for the optimal model of capitalism that would take into account the inclusive nature of an economic system where a balance between economic and social goals is maintained.

KEY WORDS: inclusive capitalism, regions, economic development, modern capitalism, European Union, Poland.

Introduction
The focus of the research is to combine the theory of searching for the optimal model of capitalism and to use a selection of measures to describe the differences in social development from a regional perspective in Poland’s neighbouring countries.
The humanitarian organization Oxfam\(^1\) publishes annual reports on global economic inequalities. The findings of the 2015 report are particularly alarming. According to the report, the wealth in the hands of the richest one percent of the world is already greater than that of the rest of the world’s population. What is worse is that this has happened earlier than expected.

Oxfam reports that the wealth of the 62 richest people own as much wealth as the poorer half of the world’s population, i.e. nearly 4 billion people. The Oxfam report also shows that the rich are getting richer and richer, while the poor are getting poorer and poorer. In the last five years alone (2010–2015), the wealth of the richest 62 people increased by 44 percent to $1.76tn. In the same period, the wealth of the poorest 50 % dropped by 41 % to $1tn. These figures are even more alarming given the fact that in the same period the world’s population grew by around 400 million, meaning that the decreasing wealth is divided among an increasing number of people\(^2\).

The problems of economic change after more than twenty-five years since the onset of the main transformation processes are still relevant today and the subject of research. We know many views and perspectives that refer to economic changes. They are articulated by economics representing the Western raison d’état. Are they right in what they say? The way that people of whatever race, nationality, religious, language or social class behave irrefutably proves that they do not support polylogism or irrationalism in the fields of logic, mathematics and natural sciences. However, the case is not same with praxeology and economics. The concepts of polylogism, historicism and irrationalism developed primarily because it was necessary to provide arguments in favour of the claim that economic policymaking should not be guided by economics. Socialists, racists, nationalists and statists were not successful in their attempts to challenge economic theories, nor did they manage to prove that their false doctrines were correct. It was lack of success that encouraged them to negate the logical and epistemological foundations of human reasoning both in daily life and scientific research. As Ludwig von Mises put it\(^3\), a scientist may not assume that a critical assessment of his theory is illegitimate only

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2 In its latest report, the financial corporation Credit Swiss confirmed its earlier expectations. One percent of the population of our planet increased its wealth to such a degree that it now has more than 50 % of the world’s wealth.

3 Ludwig von Mises was the most remarkable advocate of capitalism and a critic of the 20th-century socialism. He was also the key representative of the Austrian economic school. His students included Hayek, Rothbard and many other economists and scientists.
because the critics are guided by emotions and political prejudices. He or she must respond to any allegation, whatever motives the critics had and irrespective of the context of the allegation. Also, a comment must be made about the frequently repeated claim that economic theories are valid only in hypothetical conditions and that they prove ineffective in daily life, which means they do not help people to take a rational approach to the reality in which they live.

More or less a half of the world’s population still live for less than one dollar a day. There are too many places in the world where having a job is no protection from poverty. The slow and uneven progress in employment requires consideration and such changes in economic and social policies which will eliminate poverty. No prospects of having a decent job, insufficient investment and low consumption led to a breach of the social contract as the foundation of a democratic society. In accordance with the social contract, all people have the right to enjoy the benefits of progress. Creating new high-quality jobs continues to be a serious challenge for all of the world’s economies after 2015. Sustainable economic growth requires societies to create conditions allowing people to find high-quality work that drives the economy without compromising the environment.

1. Modern capitalism?

We have seen long-term trends collapsing, the global arena changing, the significance and influence of international organisations declining, new strategic axes (China and Africa, or China and Latin America) emerging, the economic neighbours until recently (Russian and Ukraine) becoming opponents, and the activity of global corporations growing in strength. Is it then legitimate to ask the question whether what we are dealing with is a crisis of the liberal economic model and a crisis of democracy? Is the early 21st century likely to go down in history as a period of global risks and building a new, efficient global order? The answers to these questions are difficult and require in-depth research and an analysis of the work of many economists. As noted by J. Woroniecki, the following authors are concerned: John C. Bogle, Anatole Kaletsky, Antoni Kuksiński, Robert B. Reich, Zdzisław Sadowski, Joseph E. Stiglitz, Alvin and Heidi Toffler, and Bruce Scott.

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J. Woroniecki refers to B. Scott’s definition of modern capitalism: “an indirect (constituted not directly by a political authority, but rather by the rules and institutions created by the authority) three-level (markets, institutions, political authority) system of governance in economic relations”. The above quotation indicates the roles of government in defining and implementing the rules of a capitalism economy, without its (the government’s) direct involvement in that economy, except for essential interventions with its less common functions of an administrator and innovator. Is it then fair to say that governments can rely on the invisible hand of the market? Or perhaps an aid package is needed?

It seems that the present capitalism system has led to the situation that the financial world has, to a large extent, separated itself from the economic world and has come to pose a threat to it due the financial crises it is responsible for. However, even if crises never happened, it would be impossible for the world’s economies (or markets) to survive without the governments telling economic actors what their rights and obligations in business are. This, however, does not mean negating or playing down the role of the market in contemporary capitalism or the globalised economy. Is it legitimate to say that globalisation has contributed to the outbreak of the financial crisis and as a generator of inequalities and imbalance not only within societies, but between different countries as well. Is it necessary to encourage debate over the essential changes in order to make individuals and organisations aware of the existing contradictions and ways of reconcile or mitigate them at the meeting point of private and public interests?

If it is assumed that the essence of globalisation lies in the belief that many problems of the contemporary world cannot be investigated in terms of nation states and international relations, but only in terms of global processes, new approaches to managing economies are needed. Within this context, is it fair to say that the global forces of transnational corporations or other global economic institutions, or their combinations, have become so powerful that they are challenging the rationale behind the existence of nation states. Of these three elements or features of globalisation (crossing borders, opening up borders and overcoming borders), a sceptic would choose the first element, while an enthusiast would describe it as a long-term evolution towards a global society. Is it fair to say that the ongoing turmoil in the global economy, the economic crises, the existence of authoritarian regimes and international conflicts indicate that the world has temporarily moved away from the idea of liberalisation, or liberating the movement of people, goods and financial instruments?

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It is legitimate to conclude that new foundations are needed in our approach to consumption, production and exchange on the international arena. Creating new economic value continues to be a challenge of contemporary times. Is it necessary for the partners in the economic game to change their approach and motivation, as well as the rules of market and competition, while reducing the risks associated with banking systems? How far are Europe’s economies influenced by the prevailing international conditions?

The level of economic activity, readiness to invest and the growing production capacity of different economies obviously depend on the level of economic development. The more open and more liberal an economy is, the more it depends on the world around it, including the international world. Each economy is set in and influenced by certain external conditions. In this fast growing environment, the need to keep goals updated, which is what goal analysis is concerned with as its main focus. Goals should drive organisational change, not lag behind it. The existence of financial capital, and speculative capital in particular, not only helps to curtail the growth of consumption and to save the humankind. It also has negative effects: giving a helping hand – out of the public pocket – to banks when a crisis hits. In addition, financial speculations may sometimes push up the prices of the commodities traded in for speculative purposes. There are certainly also other costs of the world’s wealth being intercepted by an elite diminishing in size. However, the positive effect that production of certain goods is slowed down and these goods are subsequently thrust upon consumers (the middle class, or military goods on governments) is very important.

2. Inclusive capitalism?

The concept of capitalism is based on three fundamental principles. The first one is free market, the second one is free competition and the third one is ownership. These three principles are inherent in inclusive capitalism. The problem is, however, that he capitalism has different faces and may take various forms. As G. E. Mączyńska notes, since more or less the 1970s, capitalism has been determined largely by neoliberalism. That is why it is important to distinguish this variant of liberalism from the classic form, which was characterised by Adam Smith, the intellectual father of liberalism, and from what is known as ordoliberalism. Liberalism, like capitalism, has many faces and takes various forms. In contrast, neolib-

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eralism is based on (free) market fundamentalism, which is a belief in the ability of free market policies to solve all problems without errors. This blind belief in the unerringness of the market may, however, weaken democratic mechanisms if are market policies are made to prevail uncritically. In this way we are becoming, to some extent, slaves of the free market, and this slavery may be against the idea of liberty. Therefore, Smith’s classic liberalism should be distinguished from neoliberalism. Adam Smith pointed out the advantages of liberalism, but he also referred to ethics and the need to respect moral principles, whereas liberalism marginalises the ethical aspect and leaves it for the free market to verify ethical attitudes. The 2008 financial crisis proved this approach reliable.

Again, citing E. Mączyńska, there is one more variant of liberalism, namely ordoliberalism. Ordo means order. This idea originated before World War II from the intellectual ground of Germany. German liberals argued that the idea of liberalism must be linked with the principles of socioeconomic order. This raises the question which forms of capitalism and liberalism are the optimal forms.

The post-financial crisis experience shows that those countries whose capitalism is closer to ordoliberalism were affected less severely by the crisis. Also, problems such as extreme income differentials and the related limitations in demand, are less frequent in those countries. These facts have encouraged intense global debate over what model of capitalism is the most adequate. Many research studies will confirm that economies should opt for a more inclusive form of capitalism, which involves including the broadest possible spectrum of social and material resources to help improve the quality of life and to avoid various forms of social exclusion. Those countries which have taken care to make their systems inclusive, i.e. took steps to prevent social exclusion from the system, are the winners.

What is the meaning of inclusiveness? Inclusive means common, available to anyone, comprising all the elements or the whole area. Within the context of economic systems, the term inclusive means a constitutional model of a socioeconomic system (like the one in Poland). It is a social market economy model that can be described as a balanced system, or a system with a balance between economic and social goals. What does inclusive capitalism mean? Inclusive means common, available to anyone, without exclusion(s). Inclusiveness means includ-

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ing the excluded ones, as the more people are excluded, the greater the social disproportions are and the more capitalism acts against itself. After all, demand is fuelled by large numbers of consumers. Consequently, if there is no demand, or if demand is impeded, then the wealth already accumulated is moving toward speculation. This leads to a disproportion between the real world and the financial world, with the latter prevailing.

The world of finance is in a privileged position in terms of technology, as new technologies, or even the Internet, are more favourable to it than to the real world. Financial transactions, including speculative transactions, are processed by computers non-stop, 24 hours a day, while real-world decision-making requires more time. As a result, what we are dealing with is a form of capitalism which in many areas is a contradiction of what is understood as inclusive capitalism. The Polish Constitution and the Treaty on European Union leave no room for doubt: the preferred model is the social market economy. But a social market economy is, in fact, inclusive capitalism, which is meant to prevent social exclusion.

The Treaty establishing the European Community\(^\text{12}\) provides that the member states of the European Union have committed themselves to work towards a social market economy. This commitment to work towards a social market economy as the economic system of the European Union was reiterated in the Treaty of Lisbon, which amended the Treaty on the Treaty establishing the European Community. In accordance with the Treaty of Lisbon, “The Union shall establish an internal market. It shall work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress, and a high level of protection and improvement of the quality of the environment. It shall promote scientific and technological advance”. These provisions indicate the European Union’s aspiration towards the inclusiveness of its economic model. However, the darker side of the coin is that the provisions of the Polish Constitution, and even the European Treaty, are now interpreted slightly differently. Faced with the global financial crisis, we may have to opt for a different economic model, namely the “shared value” or “sharing” economy. This model may be an inclusive one, which means that businesses make money on the one hand and respect social interests on the other.

This corporate social responsibility would have an even greater dimension and prevent asymmetry in the distribution of profits. It is very often the case that multinational corporations take advantage of their positions and impose highly unfavourable terms on their business partners or make consumers act in a particu-

\(^{12}\) EU law database: http://europa.eu/eu-law/decision-making/treaties/pdf/treaty_establishing_a_constitution_for_europe/treaty_establishing_a_constitution_for_europe_pl.pdf (06.06.2016).
lar way. For example, they have introduced what is known as the anti-function, meaning that the lifetime of a product ends right at the end of the warranty period. As a result, the concept of promoting greater symmetry in the allocation of value and profits is becoming increasingly attractive. To put it briefly, it is inclusiveness. According to E. Mączyńska\textsuperscript{13}, an inclusive system is a system that promotes optimal use of all the resources and helps to bridge the gap between the potential, or achievable, GDP and the actual value of this measure.

In essence, an inclusive system unchains and drives creativity and enterprise by reinforcing positive bonds based on a sense of security, trust and a community of interests. An inclusive economy is a system based on a possibly large number of possibly independent and legitimate actors linked by bonds of partnership and conscious co-dependency rather than by hierarchy and subordination along the state-citizen-business-social groups lines.

The fundamental components of an inclusive socioeconomic system as seen by E. Mączyńska\textsuperscript{14} as:

a) social inclusion institutions, perceived as the achievements of the civilised world, which are institutions oriented towards developing and strengthening these achievements. Mączyńska describes them as regulations on institutions such as the general systems of social security and health care, general access to education, the minimum wage guaranteed by the government, trade union rights, shared resources;

b) inclusive businesses, which are focused on optimum knowledge absorption, innovation and effective reconciliation of the interests of employers with those of employees and the interests of society;

c) an inclusive market, which is characterised by optimal and socially accepted entry and exit rules and which is seen as a guarantor of a contractual culture, a symmetry of the rights of the contracting parties, including the protection of consumer rights;

d) an inclusive state, inclusive laws and inclusive local government institutions as a guarantee of justice and respect of law, support for creativity, innovation, the development of pro-inclusive institutions, and a system that prevents the emergence of exploitative institutions and inequalities in access to law.

There is a growing body of evidence supporting the view that the inclusive nature of a socioeconomic system is a prerequisite for harmonious development, while social exclusion (or excessive inequality\textsuperscript{10} and lack of inclusiveness impede the


development of the system and lead to crises. It is symptomatic what the results of the work of, for example, Daron Acemoglu and James A. Robinson (2014, Why nations fail)\textsuperscript{15}. Based on cross-sectional studies, they found that the success of a country is not determined by its climate, geographical location or knowledge of how to make politics. Their answer to the question about what determines the failure of some nations is: exploitative institutions.

3. Development or degradation: in search of a model of capitalism

As the liberal direction of development progresses, two ways will emerge: continued value building with an uneven pace of economic growth across societies, leading to a growing social dissatisfaction, social criticism, irregularities and disproportions. This option will be accepted for as long as the first element of building economic value prevails in the minds of society. When the irregularities and burdens brought about by the accumulation of benefits increase and reach the critical mass point of social acceptance, the neoliberal system will be rejected and have to be changed. However, when this critical mass point is reached is an open question that is difficult to answer today. Over the past 15–20 years, social dissatisfaction has been growing at a changing pace. Admittedly, we have seen critical attitudes grow, but there are no reasons for a radical rejection.

That inequalities are dangerous is something that even the richest agree with. The famous stock market investor Warren Buffet and the owner of Microsoft, Bill Gates, have been appealing to the US government to impose higher taxes on the richest people. Among economists, certain propositions by Thomas Piketty have been talked about recently.\textsuperscript{16} The French economist has proved that the distribution of wealth in capitalism is not even. Quite the contrary. When the rate of capital growth exceeds the rate of economic growth, economic stratification will only increase. As a result, the rich are getting richer and richer, while those without capital cannot find a way of getting out of poverty. Piketty claims that this situation can be helped only by imposing a global capital-gains tax on companies. This, however, is not something that any international corporation would agree to. The French economist’s propositions are confirmed in an OECD report. Today ordinary workers earn less in proportion to what they earned nearly two centuries ago. Since

\textsuperscript{15} The book entitled \textit{Why nations fail}, by Daron Acemoglu and James A. Robinson, deals with one of the most important problems in social science, which is the sources of prosperity.

\textsuperscript{16} According to a US website, the propositions described in Piketty’s \textit{Capital in the Twenty-First Century} are best supported by Bill Gates’s case. The founder of Microsoft is a fabulously rich person who has stopped working to run charitable organisations. Instead of making money, he is giving money away to people in need.
then, the GDP per country has grown tenfold on average. But pay levels have risen only eightfold. A *What Life Was Like?* report has found that income inequalities began to rise dramatically after the collapse of the USSR in West European countries and China. And these are countries where are bridging the civilisation gap at the fastest pace, at least theoretically.

After 1980, the process of globalisation helped to bridge the income gap between countries, but also increased differences internally, i.e. in individual countries. OECD experts note that even rich countries cannot guarantee security for their citizens. This is particularly true in the case of the United States\(^\text{17}\). This is confirmed by OECD figures: in terms of social stratifications, the situation today is the same as in the early 19th century. The OECD reports shows, among other things, that between 1976 and 2007, as much as 47 % of US GDP went to the pockets of the richest one percent of the country’s population. After the outbreak of the recent financial crisis, this wealth gap began to widen even faster. In early May this year, another OECD report was published, with measurements and estimates as far back as 1820. The report was based on the so-called Gini coefficient, also known as a “measure of social inequality”. The highest the coefficient, the smaller the disproportion between the richest and the poorest in terms of the standard of living. For the 25 countries included in the study, it was 45 nearly two hundred years ago. Almost throughout the 19th century, the Gini coefficient declined only to rise in 1929, when the global financial crisis broke out. In the late 1970s, it was measured at 36, which was the lowest result. It has been growing continuously for the last three decades.

Eurostat statistics show that the Gini coefficient in the so-called old EU countries has been growing since the financial crisis, although at an insignificant pace. This means that it is the poorest people who are the most badly affected. In Poland and in the majority of the other new EU member countries, a reverse trend can be seen, which is slightly inconsistent with OECD figures. Over the past decade, the Gini measure of social inequality has declined. It was measured at 33.2 points on average in 2005, falling to 30.6 points last year. For Poland alone, the Gini coefficient is higher by only one-tenth. For the sake of comparison, the 2014 Social Diagnosis (*Diagnoza społeczna*) study shows that the differences between the richest and the poorest are decreasing. Over the last two years, we have also seen a downward trend in income inequalities between households with the highest income and households with the lowest equivalent income, i.e. differences between the lowest-earning and highest-earning household categories. However, the drop has been less than one percent.

It is also worth noting the speeches given at the Inclusive Capital conference\textsuperscript{18} (27 May 2014). The views expressed at the London conference by well-educated personalities who own one-third of the world’s resources (USD 30 billion) suggest that they are becoming less and less arrogant. They cited a number of alarming reports:

- According to The Economist, one percent of the world’s population owns 43 percent of all financial assets, and the richest 10 percent own 83 percent.
- According to the International Monetary Fund, since 1980, the richest people have increased their share of the world’s income in 24 of the 26 countries included in the study.
- Since the same year, the richest one percent of the US population have doubled their share of total income, going back the level from before the Great Depression of 1929.
- In the UK, France and Germany, the share of private capital in GDP has returned to the level of over hundred years ago.
- The world’s 85 richest people will fit on a London double-decker, but they manage the same worth of assets as another 3.5 billion people.

It is enough to note M. Lagarde’s comment. Since 2011, when she took charge of the International Monetary Fund, she has been a critic of contemporary capitalism. Over the past 20–30 years, an increasingly small number of financial moguls have gained great power and accumulated huge wealth, leaving behind more and more people who are disadvantaged, poor or not getting on well in life. Lagarde says that this elite circle of fabulously rich people has got out of control and caused the great financial crisis of 2007–2008. She warns that capitalism is at risk of collapse. And she is sounding the alarm. This is what she said at the University of Montreal in 2013: “The world of finance should not live a sheltered life. The financial sector must serve the economy, not itself, and learn sensitivity and the right mission for itself”. She admonishes the world that despite the hard lessons of 2008–2009, banks have not learned their lesson well enough to be able to avoid a similar shock in the future\textsuperscript{19}.

Income inequalities are still a crucial problem too. In 2014, household members with income below the extreme poverty line (i.e. below the subsistence level) accounted for 7.4 percent of the population of Poland, which was an increase by 0.6 of a percentage point compared to the previous year. Children are even more badly affected by poverty.


At this point the question arises about the optimal model of capitalism. What economic system would be the best response of the challenges faced by the contemporary world? This is a valid question not only in relation to countries going through economic transformation processes, but also those with a long-established market economy. After all, the economic system of a country is one of the key determinants of whether the country’s society will be rich or poor. Economic history studies and the present-day situation of countries show that certain types of economic systems promote development and prosperity, while others lead to economic degradation. The economy is changing all the time, to a smaller or larger extent. In other words, the economic system or model of a country may seem the best possible response to the country’s needs in a given period of time, but may become completely inadequate a few years or a few decades later. What is more, the answer to the question what economic model is the best one will depend on the country’s level of development, and whether the country is only is beginning to build its market economy institutions, or is making the first steps towards an independent economy, or it already has a well-established economic system. At this point the question arises about what economic system can be regarded as a better one or perhaps the best one for a particular country. However, there is no straightforward answer to this question if we consider it within the context of the prevailing theory of the primacy of the capitalist system.

One model of capitalism was and still is considered as the one that offers the greatest benefits. It is referred to as development capitalism. There is also an older socioeconomic model, known as development state, which was used by the Four Asian Tigers, including Singapore and South Korea and, at a certain point in time, by Japan. It needs to be stressed that there is a large number of countries that use a combination of a few economic systems. The notion of an optimal economic system, which includes the social market economy model as the optimal model for some countries, is – firstly – a highly relative notion and – secondly – a notion that is evolving with the passage of time. It is important to note that what is today described as the social market economy was not necessary considered as such by the originators of the system.

Nowadays many countries worldwide are discussing and wondering what socioeconomic model(s) would be the optimal choice for them, and a better choice than neoliberalism. This is a fundamental question in this very turbulent and more and more complex reality. And especially because this turbulence is growing as a result of the disturbed balance between the financial sector and the real sector. The overgrown financial sector is having a negative impact on the development of manufacturing and the creation of jobs.
4. Inclusive capitalism: elements of support?

The following factors determine the income of the middle class: increased productivity, being part of the labour force, and equal conditions. Nowadays, when the US economy is leaving the stage of struggling with the consequences of the global financial crisis, the economic policies of individual countries should focus on improving each of the above factors in order to stimulate inclusive economic growth. The three factors that drive the middle class’s income are:

- increased productivity,
- equal conditions,
- participation in the labour market.

In the past many economists assumed that economic growth and inequalities correlated with each other on a ‘something for something’ basis, meaning that initiatives supporting development should not be expected to counteract inequalities. However, the results of recent research and the effects of political initiatives indicate that the correlation between economic growth and inequality is more complex. Political programmes directed to specific social groups or communities and designed to reduce inequalities of opportunities and mitigate the impact of economic rent payments may improve income distribution and, at the same time, encourage improvements in productivity, while other political initiatives may effectively reduce inequalities and increase income. Such programmes are among the key measures that some countries undertake to stimulate their economies to grow inclusively. Economists are doing more and more research into the relations between economic growth and inequalities, which helps them choose economic policies that can contribute to inclusive growth and, at the same time, reduce inequalities.

Economic programmes developed to stimulate inclusive growth can be divided into four categories:

- programmes that generally increase aggregate demand;
- programmes that improve competition by reducing inequalities of opportunities;
- programmes that reduce unproductive inequalities by reducing rent payments which are not linked with efficiency and by reducing the scale of the activities that aim to achieve such payments;
- programmes that help better protect employees and their families against the impact of inequalities, while allowing them to move up to higher income groups.

When the actual level of GDP is lower than the potential level, then growth-stimulated programmes which help bridge the GDP gap will naturally reduce ine-
qualities. After all, unemployment itself is a form of inequality that causes a certain category of the working age population to achieve no or insufficient work gains. The same macroeconomic policies that are normally used to stimulate economic growth and restore full employment may undoubtedly help reduce this cyclic form of income inequality. Market competition is the best with competition among the largest possible number of workers and with capital that can be invested.

The crucial factors include qualifications and training, as well as programmes implemented in areas or districts with large numbers of poor people and designed to provide investment in children from low-income families and to widen the scope of opportunities. The first step is to make a plan to provide working families with better access to medical services for their children, while investing large sums of money in primary education and in high-quality pre-school education programmes. Emphasis is placed on encouraging business involvement, increasing access to vocational training, as well as improving the quality of public employment agency services and the quality of educational programmes for adults. All these initiatives help to supply more qualified people to the labour market, while providing opportunities for more people to utilise the benefits of their vocational skills, while increasing relative demand for personnel with poorer qualifications, which will raise their pay levels and reduce income dispersion.

Such political initiatives as minimum wage increases or greater support for collective bargaining may help reduce the inequalities of opportunities in negotiations between employees and employers. Because such programmes lead to changes in economic rent distribution, they may help reduce inequalities without compromising efficiency. When such programmes are modified appropriately, they may deliver even more benefits of economic growth as a result of better pay offered to workers, improved access to education and a greater scale of enterprise.

Measures such as making the requirements for access to certain trades or professions more reasonable, reducing local area development plans and other restrictions on land use, and ensuring the stability of various intellectual property protection systems may, to a certain degree, reduce excessive economic rents.

Market giants use different ways to restrict competition, leading to rent payments at levels which are not linked with business efficiency. Regulation that prohibit such practices are already in place. If the regulations that prohibit or restrict efforts to secure rent payments are applied prudently, efficiency may increase and inequalities decrease.

Add to the fact that the expansion of the financial service sector may be responsible for excessive growth of economic rent payments not linked with efficiency, or a progressive tax system combined with the existing defence mechanisms (such as insurance against the risk of job loss, the law on access to health care, or new
ideas that may emerge, e.g. wage insurance) may help reduce inequalities and, at the same time, ensure protection to those faced with problems on the market, whether a period of slowdown in a given year or long-term obstacles.

5. The social market economy: economic development or stagnation?
A regional perspective

Governments, decision markets and society will never succeed in fighting poverty and social exclusion without an analysis of the inequalities - whether economic or social – prevailing within the society concerned. Economic inequality statistics are particularly important in estimating the level of extreme poverty, as the distribution of economic resources may direct affect the scale and severity of poverty. As A. Kubiczek notes, multi-aspect measures of the quality of life for people are help determine the level of development more accurately and, at the same time, allow for a more reliable of the level of development of the country concerned. As these measures are based on taxonomic methods, they are often referred to taxonomic measures. The most popular synthetic measure of socioeconomic development that is most widely used as part of the United Nations Development Programme (UNDP) is the Human Development Index, or HDI and related measures, including

a) Human Poverty Index (HPI);

b) Gender Related Development Index (GDI);

c) Gender Empowerment Measure (GEM).


The Human Development Index (HDI) was created in 1990 by Pakistani economist Mahbub ul Haq. It is a synthetic measure of the degree of socioeconomic development of different countries. If a country’s HDI is ranked higher than its place. In GDP per capita rankings (where GDP is expressed as PPP (purchasing power parity), i.e. the net ranking is positive, which means that the country is pursuing the right social policy. Conversely, if the ranking position is negative, the distribution of income is incorrect and excessive social difference emerge in the country.

GEM measures gender inequalities in three dimensions: participation in governance and political decision-making (the number of women MPSs compared to the number of men MPs), participation in the economy and economic decision-making (the number of women in managerial positions in business and education compared to he number of men in such positions, and the number of women in employment compared to the number of men), and the control of financial resources (the percentage of women’s estimated wages compared to men’s estimated wages).
Henryk Borko

It suffices to look at the HDI values for Poland’s economic neighbours. Human Development Index (HDI)\(^{23}\) – reports for 2014–2015, selected countries in the region – Table 1.

**Table 1.** Comparative analysis – Human Development Index for 2014–2015 – A regional perspective – Poland compared to its neighbours

<table>
<thead>
<tr>
<th>Ranking – 2015</th>
<th>Country</th>
<th>HDI 2014</th>
<th>HDI 2015</th>
<th>Life expectancy</th>
<th>Years of education</th>
<th>GDP per capita in 2014 (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Norway</td>
<td>0.942</td>
<td>0.944</td>
<td>81.6</td>
<td>17.5</td>
<td>64992</td>
</tr>
<tr>
<td>6.</td>
<td>Germany</td>
<td>0.915</td>
<td>0.916</td>
<td>80.9</td>
<td>16.5</td>
<td>43919</td>
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<td>8,178</td>
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The first group of Poland’s highly developed socially neighbours can include: Germany, the Czech Republic, Slovakia and Lithuania. Countries with an average level of social development include the Belarus, Russia and Ukraine.

For the last three years, GDP has had another rival, Social Progress Index, developed by Social Progress Imperative in cooperation with the advisory firm Deloitte. In the most recent version of the index, Poland was ranked 27th. Poland was included in the so-called second group of countries, i.e. socially developed countries. In the same category, Poland was accompanied by most EU countries and the United States. The Central European countries ranked better than Poland included Slovenia (19), the Czech Republic (22), Estonia (23), and Slovakia (25). However, Poland was better than Hungary (32), Latvia (33) and Lithuania (35). Poland was described as a country “having a problem with access to inexpensive housing, tolerance to immigrants and lifestyle diseases”. Germany was classified in 14th place and Ukraine in 62nd. Belarus was ranked 66th. Russia was ranked 71st.

Considering the Gender Development Index (GDI)\textsuperscript{24} (figures for 2014), the greater the inequality in social development on the grounds of gender, the lower the GDI in relation to the HDI\textsuperscript{25}.

\textit{Table 2.} Comparative analysis – Human Development Index for 2014 compared to HDI for 2014–2015 – A regional perspective – Poland compared to its neighbours

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News agency Bloomberg\textsuperscript{26} has published a survey of 63 of the world’s economies for 2016 according its misery index, which is based on forecasts of unemployment and inflation levels. This index is published at the start of each year and reviewed at the end of the year. For a second year in a row, the list is topped by Venezuela, which relies on oil exports for 95 percent of its income. According to the International Monetary Fund, the country’s inflation rate will be the highest in the world, at 720 percent (or 152 percent according to Bloomberg) and unemployment rate will reach 8 percent. The top three top countries also include Argentina, which has ceased to publish many economic indexes, and the Republic of South Africa (with its high unemployment of nearly 30 percent). These countries are followed by the ‘leaders’ of the recent economic collapse, i.e. Greece (with unem-

\textsuperscript{24} Cf. Kubiczek, A. (2014). \textit{Jak mierzyć...}, p. 48. The number of measures used to describe the quality of life for people with more and more accurately is growing. Based on the HDI, an index was developed in 1995 to measure the differences in social development related to gender (Gender Related Development Index, GDI). The structure of GDI is similar to that of HDI. GDI reflects the uneven percentages of both genders in the areas studied.


\textsuperscript{26} Powszechna Agencja Informacyjna S.A. http://www.bloomberg.com/research/stocks/private/snapshot.asp?privcapId=129688201 [30.05.2016].
ployment of 30 percent being the main factor) and Ukraine, with its 2016 inflation forecast of 15 percent. Bloomberg notes that the most successful country in 2015 was Poland, which was first ranked in 19th place (the highest the rank, the worse) and now in 42nd. However, Poland’s ranking for 2016 is 27th place. “But 2016 may be much worse for Poland due to growing uncertainty of the country’s fiscal and economic policy prospects (including public debt reduction), caused by the new ruling party’s costly election pledges ma”, Bloomberg said in its report.

Within this context, it is important to look at the key problems relating to not only Poland, but also other countries. These are demographics, unemployment and public deficit. These problems are specific to the market economy model. The aging of societies is causing public deficit to grow and countries struggling to keep a balance of public finance. With the number of working age people falling, public income is decreasing. There is hardly a country without unemployment problems, and unemployment affects nearly 1 billion people globally. Public finance deficits as a phenomenon are increasing, with destructive consequences of the affected economies. The growing income inequalities are creating a demand barrier, as the problem lies less in producing than in selling. After all, it is large numbers of ordinary people, not small wealthy populations, which are create demand on the market. Attention should, therefore, be given to inclusive capitalism, with more room for and an enhanced role of the middle class.

Conclusions

Following the 2008 financial crisis experience, the world is likely to rely on a socially inclusive ordoliberal concept of the social market economy model as a remedy. The reason? The countries that have in the past relied on ordoliberal economic system solutions have not been as badly affected by the global financial crisis as the neoliberalism-oriented countries have. The social market economy model adopted in EU treaties (and in the Polish Constitution) is a capitalist and liberal model. Does this model take into account economic and social interests? What about preventing social exclusion and unemployment? Due to its limited extent, this article is only an introduction to the problem of defining the growing income inequalities as well as the causes of the continuously high unemployment and of social exclusion. Poland and some of its economic neighbours are highly developed countries, with considerable market potential and increasing domestic demand levels. However, Poland and its economic neighbours are not protected against serious obstacles to long-term harmonious economic growth. There are challenges ahead for EU countries. The economic growth strategy for the European Union is based on 5 targets to be achieved by 20120. These are:
INCLUSIVE CAPITALISM: ECONOMIC DEVELOPMENT OR STAGNATION?

- employment: 75% of the 20–64 year-olds to be employed;
- R&D: 3% of the EU’s GDP to be invested in R&D / innovation GDP: to be used for investment in R&D;
- Climate change / energy: greenhouse gas emissions to be 20% (or even 30%, if the conditions are right) lower than 1990; 20% of energy from renewables; 20% increase in energy efficiency;
- Education: Reducing school drop-out rates below 10%; at least 40% of 30–34-year-olds completing third level education;
- Poverty / social exclusion: at least 20 million fewer people in or at risk of poverty and social exclusion.

How far these targets will reflect demographic dysfunctions as well as dysfunctions of income, social and political system inequalities will depend on the governments of individual countries. The important thing is to draw on the experience of the global financial crisis, experience shaped by a specific neoliberalism, a system of values of preferences, as well as the principles and criteria followed in economic decision-making. However, the existing form of capitalism, which is profit-oriented and ignores social aspects, must be changed. Why? The worst enemy of capitalism is capitalism itself. After all, the economic system of a country is one of the key determinants of whether the country’s society will be rich or poor. This is perhaps why capitalism, with a focus on social inclusiveness, is preferred nowadays.

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Bibliography
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