

## SOCIAL INSTITUTIONS AND ECONOMIC GROWTH

*The article highlights the issue of influence of social institutions on economic growth and development. The author investigated evolution of the concept of a social institution, considered elements and functions of social institutions. The analysis has revealed the channels of possible influences of social institutions on economic growth and development.*

**Key words:** *social institutions, economic growth, market, property, competition, entrepreneurship.*

The transition of Ukraine to innovation and investment *path of development* calls for new approaches to defining development priorities and requires modernization of sustainable development and sustainable competitiveness practices. The pace of development of transition economies is determined, first of all, by the state of their social institutions.

At present, there is considerable interest in studying the process of institutionalization among a number of foreign and domestic researchers. One of the defining features of institutionalism is the study of economic phenomena and processes in close connection with social, legal, political and other developments.

For a long time, social institutions and economic development were considered without a proper interrelation. The relevance of this study lies in the fact that the type of economy of any society is determined by the nature of social institutions, mainly by the nature of basic economic institutions. Economic foundations are decisive here since they determine the ways of interaction of economic entities with a specific material and technological environment, which would ultimately determine socio-economic results.

**The purpose of the article** is to analyze a theoretical framework for the formation of a system of social institutions, to identify and characterize the influence of social institutions on economic development.

**Structure and functions of social institutions.** Social institutions are specific entities that ensure the relative stability of social ties and relations in society. The state is the most important social institution of an organized society. Education and healthcare systems, science, economy, religion, the institution of marriage, the electoral system, political parties and movements that ensure the establishment and maintenance of political power, trade unions and associations and other types of systematic activities that serve public needs act as social institutions.

Social institutions can be characterized from the point of view of their external, formal (“material”) structure and their internal, meaningful activities. From the external point of view, a social institution looks like a set of individuals and establishments having some material means and carrying out a specific social function. From the internal point of view, a social institution is a fixed set of patterns of behavior of certain individuals in certain situations. Thus, justice (the system of law enforcement agencies) as one of the social institutions of law from the external point of view is a set of individuals, (prosecutors, judges, lawyers, etc.), in-

stitutions (prosecutor's offices, courts, places of detention, etc.), material means, while from the internal point of view it is considered as a set of standardized patterns of behavior of eligible persons, who ensure the social function of justice. These standards of behavior are embodied in social roles, specific to the system of justice (the role of a judge, prosecutor, lawyer, etc.).

The term "institution" has several meanings. From Latin language, "institutum" is translated as "device, establishment". Gradually the term has acquired two meanings: a technical meaning used as a generic term for scientific and educational institutions (in this context an institution is understood as a set of ways of relationships and forms of unity of individuals), and a social meaning, as a set of rules of law in a certain range of social relations (institution of family and marriage, institute of education, jurisprudence, etc.). An institution is one of the most important components of the structure of society and its development.

A social institution is a stable set of formal and informal rules, stereotypes, norms and attitudes that control various areas of society's activity and individual personality. It can also be considered as the organization of the system of roles and statuses of a person.

Social institutions are aimed at realizing specific and especially important needs of an individual and society as a whole. The examples of social institutions that serve people's needs are family and economic institutions.

Thus, a social institution can be characterized through:

- customs, traditions, rules of conduct;
- a set of norms and establishments regulating the sphere of concrete relations and a certain sphere of human activity;
- social actions. A person, through the norms of a social institution, organizes his activity and channels it in the right direction;
- formal and informal organizations.

Institutions represent an ongoing process that continues to evolve. Some institutions ceased to exist, others are being reconstructed. Political and economic institutions have undergone great changes.

Such an important concept as "institutions" is interpreted by many scientists in different ways.

One of the first detailed definitions of a social institution was given by famous American sociologist and economist Thorstein Veblen. Although his book "The theory of the leisure class" appeared in 1899, many of its provisions have not become obsolete so far. He considered evolution of the society as the process of natural selection of social institutions and argued that social institutions, by their nature, represent usual ways of responding to incentives triggered by external changes [1].

Another American sociologist, Charles W. Mills, defines institution as a certain range of social roles. He classified institutions according to the tasks performed by them (religious, military, educational, etc.) [2].

Peter L. Berger considers institution as an isolated complex of social actions, for instance, a legal law, a social class, marriage, an institutionalized religion. A modern German sociologist, one of the founders of philosophical anthropology, Arnold Gehlen treats institutions as regulatory establishments that steer people in a certain direction, in the same way that instincts pattern the behavior of animals. In other words, institutions provide procedures for regulating the behavior of people and encourage them to follow the well-trodden paths that society deems desirable [3].

According to Leon F. Bouvier, a social institution is a system of cultural elements oriented toward satisfying a set of specific social needs or goals. Actually, institutions are formed by interacting individuals. A social institution is in fact a culturally sanctioned way of performing a certain type of activity or a combination of a certain types of activity. An individual participates in institutions through the mechanism of social statuses [4].

Jessie Bernard and Lida F. Thompson treat institution as a set of norms and patterns of behavior. This is a complex configuration of customs, traditions, beliefs,

attitudes, rules-regulators and laws that have a specific purpose and perform certain functions. Institutions are a set of norms or rules of conduct that can be applied only to people [5].

In the modern sociological texts, the concept of a social institution is also central. Social institutions are considered to be the main component of the social structure of society, integrating and coordinating individual actions of people, streamlining social relations in certain spheres of public life.

Despite the fact that the concept “social institution” remains somewhat unclear both in ordinary language and in the philosophical literature, contemporary sociology seems to me more consistent in its use of the term. Basically, modern sociologists use the term to refer to complex social forms that reproduce themselves such as governments, the family, human languages, universities, hospitals, business corporations, and legal systems [6].

If we summarize the diversity of the above approaches, a social institution can be outlined as follows:

- a role-based system that also includes norms and statuses;
- a set of customs, traditions and rules of conduct;
- a formal and informal organization;
- a set of norms and institutions that regulate a certain sphere of social relations;
- a certain range of social actions.

Having summarizing these characteristics, we can suggest the following working definition: a social institution is a stable set of formal and informal rules, principles, norms, attitudes that regulate the interaction of people in a certain sphere of life and organize them into a system of roles and statuses. In other words, social institutions are large-scale associations of social statuses and roles. The institution, in addition, implies a relatively stable and integrated set of symbols, beliefs, values, norms, roles and statuses that govern a specific sphere of social life: family, religion, education, economics and management.

Since foreign, and after them, domestic sociologists adhere to different definitions of a social institution, it is quite natural that they have different understanding of its internal structure, that is a functionally interconnected system of supporting elements. Some scholars think that statuses and roles are of most importance in a social institution, others argue that the system of norms and prescriptions is crucial and still others emphasize the importance of models and patterns of behavior regulated by the social oversight mechanism. Although there are a variety of views on the subject, they are all essentially true, because they represent a different vision of the same thing.

J. Bernard and L. Thompson, for example, identify the following elements of a social institution:

- goals and tasks that relate to the explicit functions of the institution;
- patterns, or rules of behavior;
- symbolic features;
- utilitarian features;
- oral and written traditions.

According to S. Frolov, it is more accurate to speak not of the elements that make up the structure of an institution, but of certain institutional features, that is, features and properties common to various institutions [7]. He singles out five the most important features of all institutions:

- attitudes and patterns of behavior (for example, affection, loyalty, responsibility and respect in the family, obedience, loyalty and subordination in the state);
- symbolic cultural attributes (wedding ring, flag, coat of arms, cross, icons, etc.);
- utilitarian cultural features (a house for the family, public buildings for the state, shops and factories for production, educational classrooms and libraries for education, temples for religion);
- oral and written traditions (prohibitions, legal guarantees, laws and rules);

– ideology (romantic love in the family, democracy in the state, freedom of trade in the economy, academic freedom in education, orthodoxy or Catholicism in religion).

This list of institutional features should be supplemented by some other features that reveal not only internal, but also external trappings of institution which focus on what is going on outside the institution. In other words, features which explain how people perceive institutions. Peter and Brigitte Berger, building on Emile Durkheim's theory of social facts and assuming that social institutions are the most important social facts, derive a number of basic social characteristics, which must be intrinsic to them [8].

Briefly consider these characteristics:

1. Institutions are perceived by individuals as an external reality. In other words, any institution is taken by each individual as something external, existing apart from the reality of his thoughts, feelings or fantasies. According to this characteristic, institution resembles other entities of external reality, like trees or tables that are outside the individual (for example, we cannot expect a tree to disappear). The same applies to the institution.

2. Institutions are perceived by individuals as an objective reality. In fact, this, in some varied form, overlaps with the previous characteristic, but does not completely coincide with it. Something is objectively real, when a person agrees with the fact that it really exists, outside and independently of his consciousness and what is given to him in his sensations.

3. Institutes have coercive power. To some extent, this characteristic is implied by the two characteristics mentioned above: the fundamental power of an institution over an individual consists precisely in the fact that institution exists objectively and the individual cannot wish it would disappear at his will or whim. Whether we like it or not, willingly or unwillingly, consciously or unconsciously, but we still have to comply with the prescriptions and rules that make up the content of almost any of the social institutions within which our life is lived. Otherwise, negative sanctions may be imposed.

4. Institutions have a moral authority which is maintained not only through force. Institutions proclaim their right to legitimize, that is, they reserve the right not only to punish the offender, but also to express a moral disapproval. Institutions differ in their degree of moral strength. These variations are usually expressed in the degree of punishment imposed on the offender.

5. Institutes possess a quality of historicity. In almost all situations experienced by an individual, institutions had already existed before he was born, and will exist after he dies. The values embodied in institutions have been accumulated over time by myriad of individuals whose names and faces will never be extracted from the past.

In the subject of economic theory, institutions were introduced by representatives of the old institutionalism, whose founder is Veblen. Institutional analysis was introduced into science by the founders of sociology, Auguste Comte and Herbert Spencer. Despite the fact that in their works there is no definition of a social institution, they consider the life of the society through the prism of special forms of social organization, which were later called social institutions. Comte singles out such social institutions as family, cooperation, church and state. Spencer reduces the diversity of social institutions to six main groups: domestic, ritual, professional, industrial, political and church institutions [9].

For a long time Marxists ignored the institutional analysis, since they considered it a product of bourgeois sociology. However, they used the term "social institution" and applied institutional analysis tools to examine the main social institutions of society, such as family, state and civil society.

The first theoretical studies that determined the key role of institutions in economic development are associated with the name of Douglas North. He considered economic development in the broad context of historical, social and political conditions, which previously rarely attracted the attention of economists. In a joint work with Robert Thomas, North points out that factors normally considered as the causes of economic growth (capital accumulation, a rise in educational levels, technological innovations, etc.), "are not the causes of growth;

they are growth” [10]. According to the authors, at the fundamental basis of sustainable development are placed economic institutions: property, market, money, exchange, banks, finance, various types of economic associations. Taken together, they form a complex system of production links, connecting the economy with other spheres of social life.

Considering some channels of influence of social institutes on the process of economic development, it should be mentioned, that one of the basic and most powerful institutions that determine economic development and contributes to economic growth is the institution of the market.

The market as a social institution represents a certain organization of social activity that regulates the rules of behavior and mutual relations of people. Since the second half of the 20<sup>th</sup> century, the market has been based on a set of specific institutions. First, it is a legal system that organizes legal regulation of the market. It means that common rules of conduct are established for all market actors. Legal authorities protect those who participate in the market transactions and punish those responsible for violating legal norms. Legal regulation of the market covers the entire system of market relations. Second, the institutions of the market include state control (surveillance) bodies such as institutions for sanitary, environmental and epidemiological control, tax authorities and fiscal bodies. Thus, the modern market organically comprises qualitatively new vertical links. They go from the top down – from the state to economic entities, and within certain limits, regulate their behavior. Third, market institutions include associations, consumer unions, employees’ and employers’ unions. They increase the level of organization, civility and efficiency of behavior of sellers and buyers. Fourth, the market infrastructure can be also considered as a market institution which comprises trading enterprises, commodity and stock exchanges, banks, state budget institutions. Thus, the market appears to be a single set of market linkages. This integrity endows the market with a new quality – the ability to self-regulate on the basis of economic laws.

In any socio-economic system, the institution of property is considered to be a basic one. Property is a specific social institution that is no less important for self-organization and survival of the society than the institutions of state, law, religion (ideology), family, education and many others. The institution of property includes a system of institutions and organizations of authorities and social control, legal and moral norms, standards and behavior stereotypes associated with a variety of forms of ownership. Property is directly related to the interests and needs of people, it is a powerful tool that stimulates their activities.

Competition is another basic institution which determines economic development and contributes to economic growth. Competition is the most important condition for the effectiveness of the market as a form of organization of economic activity. The institution of competition contributes to the development of society and effective allocation of resources and embodies the organic unity of the market and the state.

It should be noted that the level of competition determines the content of other economic institutions.

Last, but no less important economic entity which serves as a social institution is entrepreneurship. Entrepreneurship is a special style of work, a way of life, a special subculture with all the characteristic features. Entrepreneurs are a social group that, according to the structural and functional approach in sociology, performs certain social functions: creates the opportunity for members of society to satisfy various kinds of needs, ensures the stability of public life, integrates the aspirations, actions and relationships of individuals and ensures internal cohesion of the community.

To sum up, a social institution is a formal or informal setting that determines attitudes in society, the way people think and behave.

Social institutions determine the competitiveness of the national economy, mutual trust between the population, business and the state. At the same time, the economy is viewed as a functional subsystem of society, and economic growth is not an end in

itself, but a means of solving social problems, developing social potential and quality of life in the country and the region.

Social institutions are elements of society that represent stable forms of organization and regulation of public life, the purpose of which is to satisfy the vital life needs of society as a whole.

A fundamental basis for economic development is economic entities which also serve as important social institutions: institutions of the market, competition, property and entrepreneurship.

Normally operating institutions ensure steady economic development, motivation and incentives for labor and entrepreneurial activities, serve as the foundation for the market relations and constitute one of the top-priority areas for the implementation of the state's economic and social functions.

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*У статті висвітлюються питання впливу соціальних інститутів на економічне зростання і розвиток. Досліджено еволюцію наукових поглядів на поняття соціального інституту, розглянуто елементи та функції соціальних інститутів. Аналіз виявив канали можливого впливу соціальних інститутів на економічне зростання та розвиток.*

**Ключові слова:** *соціальні інститути, економічне зростання, ринок, власність, конкуренція, підприємництво.*

*В статье освещаются вопросы влияния социальных институтов на экономический рост и развитие. Исследована эволюция научных взглядов на понятие социального института, рассмотрены элементы и функции социальных институтов. Анализ выявил каналы возможного влияния социальных институтов на экономический рост и развитие.*

**Ключевые слова:** *социальные институты, экономический рост, рынок, собственность, конкуренция, предпринимательство.*

*Одержано 3.07.2017.*