Qualitative Changes in the System of management over Social and Economic Processes in the Transformational Society

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ABSTRACT

Specific features, positive and negative consequences of contradictory interaction of the market and powerful mechanisms in the modern transformational society are considered. Fundamental principles for creation of the system of governing the social and economic processes, corresponding with the essence criteria of positive development of the modern society are formulated.

INTRODUCTION

In the postindustrial, mixed economy there interact two differently oriented, mutually penetrating processes, forming in their contradicting integrity its establishing specific features. The insufficient theoretical consciousness of these specific features reasons not the most positive results. Moreover, it establishes also wandering in the endless labyrinths of approaches to resolution of practical tasks of the economy, unexpected turns and negative effects of the adopted decisions, making wondered those authors who wanted it better. (Avdasheva, S.B., A.Ye. Shastitko, 2010).

On the one hand, in the modern economics there is reduction of the sphere of market relation at the cost of it corporatization, monopolization, increase of the share of public goods, growth of volumes of the distributed social privileges. These changes objectively reason the growth of the governing role of the state in economic processes. (Commons, G.R., 2011)

On the other hand, the market relations more and more cover the expanding spheres of public life: education, health care, science, art, powerful structures, bodies of social transactions. Penetrating into traditionally non-goods interactions, they obtain specific, weakly identified, often implicit, modified mechanisms of regulation, left for monopoly dictate and informal establishments.

Up to the present moment just the first side of economic processes, accompanied with the increasing role of the state is under the strict attention of various trends of economic philosophy, being the subject of continuous theoretic discussions. The other side – expansion of the market into traditionally non-goods spheres of public life remains at the periphery of scientific thinking. In practice these processes are realized proceeding from some formal establishments, informal establishments, being the subject of continuous theoretic discussions. Moreover, it establishes also wandering in the endless labyrinths of approaches to resolution of practical tasks of the economy, unexpected turns and negative effects of the adopted decisions, making wondered those authors who wanted it better. (Avdasheva, S.B., A.Ye. Shastitko, 2010).

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Main part:

Information procurement of the economics, introduction of the momentous, online communication means, doubtlessly, expanding the opportunities of the consumer, at the same time weakens his positions in the market process, bringing speculative manipulations, various pyramids, network monopolism to the sphere of gaming relations. Doubtlessly, at the modern market the consumer, confused by the all-covering advertising, make his choice from the endless goods mass, being led by the «invisible hand of monopolies». (Avdasheva, S.B., A.Ye. Shastitko, 2010; Lipov, V., 2012).

In the post socialist, adapting economic the end demand is still more reliably regulated, put into the framework of quasi rich offer. Today all will purchase «Bush’s legs», tomorrow they will «suddenly» disclose their harmful nature and start selling «ecologically safe» beef, which shall turn out to be bred in green fields of almost half a century limitation. The same may occur with the medicine and any other goods. The consumer becomes manipulated, subordinated market entity, via which the local interests of monopoly structures and their market and powerful satellites are realized.

Outside the contradicting interaction of the parties the market reduces or loses its governing functions. This arises the necessity of arising the compensating mechanisms, which in the modern postindustrial society are formed by way of mutual penetration, symbiosis of the so-called technological structure and state and powerful mechanism (Gelbreight, G., 2008).

Losses, occurring also from losses of the market guidelines, and from the fact that the symbiosis of corporate structures and the state mechanism is «worth something», are naturally included into the prices of goods, shall be paid by the consumers. But the largest damage is caused in case when the power mechanisms, appearing therewith and based on the so-called «common sense» or political passion lose the connection with the incentives and the realities of innovative development of the economics. (Lane, D., 2008)

The world experience finds extreme variety of the power and corporate symbiosis from the liberal and socialistic Scandinavian type to flexible Chinese radical-etatism. Namely the quality of the formed economic new formation establishes the positive civilized perspectives by the development of the modern society. This is illustrated by the indexes of growth of the welfare of the countries, having formed the relevant mechanisms of governing economic processes. (Index of Economic Freedom, 2012)

Addressing the experience of the modern Russia, we have to state the absence of such level of governing mechanisms, which is reasoned, first of all, by the underdevelopment, imperfection of the entities forming them.

Separated elements of the technological structure are suppressed, subordinated, survive adapting to servicing the requirements of the monopolistic separated, genesis remote from the socially responsible aims, narrow group of vampire business-owners. But the problem if not in this group, but in the speculating fruitless system, which functionally proceeds from its domination. In conditions, when a business-owner extract the major part of his revenues from the monopolistic redistributing sources, he simply does not need the developed technological structure. The coming forward statements about the deficiency of highly qualified, educated personnel, more often are declarations, as the business in its predominating part is absolutely not ready to use such specialists at the valid, effective level, adapting them to the position the rightless, poorly paid, and consequently weakly motivated «office employees». (Nelson, R.R., S.G. Winter, 2002)

The position may be changed only on condition of transformation of the mode of functioning of the economic system, when the income becomes owing by its origin to the quality of business. In the redistributive economy business is not inclined to spend on attracting and high payment of engineers, technologists, scientists of the same technological structure, absence of which establishes its formed level.

The other side of the over-economic mechanism is that the state-powerful structures, with all their orientation to «ochric horizons», shall proceed from the existing absence of the effective technological structure, necessary for provision of successful innovation development of the economics, create conditions for its formation and functioning. Without resolving this task, measures on innovation development of economics will flow into imitation of positive development, payoffs, inappropriate expenditures, and functioning of the powerful economic mechanism will resemble endless trampling of the entity at the same place, stepping on its own feet. (Kirdina, S., 2011)

The basic fundamental restriction from the side of powerful structures is their system exposure to processes of formalization, bureaucratization and informal economization of management decision connected with it, to institutional revenue assumption.

Let us stress that these deformations bear systematic nature and are connected not with some failure in the work of management structures, subjective mistakes and abuses. Their basis is formed by the objective regularities of development of transformation processes in the systems of social management. Failure to realize these regularities, not adjusting of special mechanisms neutralizing the negative transformations into the social and powerful systems, leaves the society in the situation of endless and ineffective struggle with the ill bureaucracy (Gubar, A.I., 2012; Kirdina, S., 2011).

More evidently these negative processes are expressed in the formally non-market segment of economic activity. This segment is rather multiform, includes many industries, the essence of which in the modern
economy significantly grows. As to the nature of the goods produced and their economic form, the specific features and the place in the system of social and economic relations – three groups of industries may be distinguished in its structure. (Gubar, A.I., 2012)

The first one includes the powerful and management bodies from the presidential structures to authorities of state defense, army, bodies of public order protection.

The second group is formed by the industries of production and sales of social advantages: health care, education, culture, art, information and communication systems.

To the structure of the third group there belong bodies of social transactions, representing both – free and paid-up non-market services: registration, notary, land surveying, licensing, control and supervisory, consulting etc.

The generality of the stated spheres of living activity in the context under research shall be determined by the two aspects.

Firstly, limitation or formal absence of market relations.

Secondly, «non-property», weakly identified subjectivity of the services.

These circumstances in our national economy are the source of formation of extraordinary situation. On the one hand, the results of activity of these industries, producing the growing share of the public products (in the economically developed countries – up ¾) in accordance with the methods, approved by the UNO, GDP shall be included into the calculations, on the other hand – namely these industries turn out to be deprived of some certain, adequate economic mechanisms. Absence of the latter is replenished and replaced by the administrative and instructive regulation, exposed objectively, with the most rigid control, subordination to interests of localized social groups and certain entities. (Commons, G.R., 2011)

Products of functioning of these industries receive the economic expression only at the macroeconomic level. In its certain movement, without obtaining the commodities and the market form they lose the valuable, economic definiteness.

Services, produced by this sphere, have the value not only and to the extent of themselves, but for the reason that they provide redistribution and use, in accordance with the norm established, economic advantages accumulated by the state and its structures to resolve the certain social and economic tasks.

For a consumer, a customer, the value of the service is indispensably connected with the received advantages, distributed in the favor. Significant difference between the measure of the really received value and the economic evaluation of the service itself, paid by the state, forma the potential of the illegitimate revenue assumption.

For the private structure there appears the possibility to increase prices of the services produced. These rather market structures fall out of the circle of influence of the bodies of antimonopoly regulation, extracting the income incomparable with the costs on realizing the own functions.

Regulation of prices on transaction services shall avoid the two wide-spread extremes: on the one hand – vulgar interest from the amount of transaction extraction of revenue and on the other hand – predominantly accounting establishing the costs, without taking into account the alternative value of the services provided, to which, depending on the certain situation, there influence the following factors like increasing responsibility depending on the amount of the transaction, loss from the failure to enter into transaction, protection of the customer from additional costs, risks, the initiative and creative nature of labor, special qualification etc.

Irrespective from the fact, whether the market form of providing transaction services takes place when receiving the advantages, distributed in the non-market form, in conditions of private firms operation, the process is carried out through the bodies of state mechanism and non-market relations are formally used, in any case, this process is not free also for the society, and, finally, for the consumer. (I.R. Kurnysheva, 2012)

Incomparable, essential exceeding the value of distributable and received advantages over the transaction costs makes the first and the most important specific feature of functioning of these spheres.

The second important specific feature is connected with the reality of position of the entities in the sphere of providing transactional services. The factors, determining the position of the entity providing transactional services, irrespective from their nature and (from simple registration to adopting management decisions) are the following:

- limitation of opportunities (budget costs, land lots, apartments, quotas, orders, vacancies, diplomas etc.);
- diversity, imperfection, contradiction or absence of governing norms;
- ambiguity, indefiniteness of the choice (dacha site – near the water, forest, high voltage power line, chemical plant etc.);
- alternative nature of decisions (in case of formal equality of choice – differentiation in social costs – age, marital status, health, material procurement etc.);
- monopoly position, providing the opportunity of interpretation, famous parameters of free choice;
- special qualification, knowledge of all variety of valid mechanisms for making decisions in the situation existing;
- realizing the complicated nature of the situation of the customer, his possible losses and benefits.
The position of the consumer of services is determined by other conditions. Let us distinguish the most characteristic of them:
- the state of indefiniteness, requests even in case of its complete formal substantiation;
- competitive relations of the consumers (resource, timing, social);
- threats of non-correspondence (on the timing, formal and other requirements);
- hazards of search for «just resolutions», which may turn out to be higher as compared to the value of the advantage searched;
- factor of absence of knowledge, position of a non-specialist, in which the customer finds himself as distinguished from clerks of any level. The customer, for example, often is not familiar with the fact that «they are busy», or «they are on meeting», or is not able to realize the plate «gone to the base» which deserves to be made in iron.

Taking into account the stated circumstances it is clear, which of the parties is in the predominant position in the course of creating these services. Therewith in accordance with the traditions the executor in the course of time assumes the strict right of using the time of the consumer without any control and transfer to him of the part of his own functions. (Lipov, V., 2012)

The non-market mechanism of moving economic advantages in these conditions not only forms the potential of informal transaction, but also creates advantageous condition for their performance. We can demonstrably show it on the following graphic model (see figure 1).

\[ \text{Fig. 1: Model of non-market distribution of economic advantages} \]

where \( P_0 \) – the initial, legitimate, transaction costs;
\( Q_0 \) – the volume of distributed advantages at the initial price of transactions;
\( Q_m \) – maximum volume of distributed advantages;
\( TCO \) – the curve of formal transaction costs;
\( TC_i \) – the curve of informal transaction costs;
\( TP \) – the market volume of distributed economic advantages.

In the example given the distributed volume of economic advantages (\( Q_0ADQ_m \)) reasons the legitimate transaction costs (\( Q_0ABQ_m \)). The difference between the total value of the distributed advantages and the legitimate transaction costs makes the net volume of non-market distribution of economic advantages (ADB). Namely this one forms the potential of informal transactions, which is the incentive and the source for covering additional illegitimate costs, creates the area of shadow economic relations (ACB). Less these costs the end volume of the target legitimate assuming the advantages makes the area ADC.

The correlation between the volumes of the end, the target assuming the non-market advantages and the informal transaction costs may very different. In the general case, under our evaluations, it fluctuates between the rates of 3 : 1 and 1 : 2.

The potential of the informal transactions arises also in case when the market relations are added or substituted with administrative methods of regulation and, when penetrating by the market into the spheres of traditionally non-goods links. Reduction of the role, diminishing the essence of the consumer of goods and
services inevitably contains not only the opportunities, but also the incentives to create mechanisms of informal illegitimate redistribution of economic advantages. In this direction the significant negative influence is given by formalization, bureaucratization of management over social and economic processes.

The paradox of the situation is in the fact that bureaucracy assumes the struggle with the informal transactions, forming their powerful, well-paid support, or the «corruption in law». Interviewing the managers of 1037 companies, held by fund INDEM showed that the most success is related by the respondents with the two approaches of the activity: the first – corruption; the second – transfer of business to the representatives of the power, releasing from the need of bribes.

The opportunism of behavior of the representatives of powerful structures and the transactional sphere are reasoned not by their personal, subjective traits, but have deeply objective, systematic substantiations. From these positions the measures, bringing the improvement of the system of social management to the two, in fact technical aspects seem insufficient and almost harmful. The first one is exhaustive controllability of processes for making decisions. The second is making more rigid the sanctions for violation of the detailed established norms, provisions, instructions, determining the certain actions of the entities in the system of management. (Hirooka, M., 2006).

Full controllability of the process of making decisions, in fact, leads to substitution of the management entity by some technical device, represents the duplication of the latter at the cost of implementation of the human resource. But, if introduction of technical means is the factor of improving the management system, then replacement of a computer by a human for performance of completely regulated functions, means movement towards regress, social ineffectiveness. But from the management side the technical formality is a pure bureaucrat – instead of a computer, it is not a leveled answer, as the probability of technical errors, inaccuracies and unfaithfulness increases.

Making punishment more rigid in their pure form may bring some temporary effect, but, in fact it is not productive, as it is connected with the need of expanding the areas of control, which in its turn require controllability. This multiexpanding of bureaucratic structures, as the practice shows, is the most probable consequence effectiveness of this factor.

There is no need to substantiate the provision about the total bureaucratization of the total system of management over social and economic processes in modern Russia. This generally recognized factor, like the approving one, proceeding from the experience of dull, unsuccessful struggle with such phenomenon within the soviet period as well as in the new history of Russia, some reconciliation with the situation existing, with the all-might of a bureaucrat and its unsearchable mechanism.

Bureaucracy is not just definitely arranged management system, but, first of all the through principle, under which all its constituent parts are functioning. The deep contents of this principle are in the disinterest and irresponsibility, hidden by the externally strict formal performance of the decisions and norms, having come «from the above». But no matter how thoroughly and in-and-out the laws, norms, instructions, formal criteria of activity of the links of the management system are developed, they may neither hide, nor exhaust all the variety of situations, arising in the course of applying the established provisions. Leaving aside the issue about the quality of developed and applied norms, it is worth taking into account that even when making ideal state they objectively will come into contradiction with the requirements of the dynamically developing social and economic interactions and the respective adequate resolutions. (Gubar, A.I., 2012; Hirooka, M., 2006)

This provision bears the fundamental nature. The ideal correspondence of the applied norms with all arising situations will rather testify to stagnation state of the social and economic system, as in the course of development it objectively comes into contradictions with the adopted, fixed establishments. This defines specific functions in the system of management over social and economic processes, connected with the necessity to make and substantiate decisions, being outside the boundaries of the valid norms, reasons specific requirements for professionalism, qualification, responsibility and faithfulness. (Gustafson, T., 2012)

Namely this sphere of decisions makes the innovation area of the management system, determining its effectiveness. Just a thin, hardly determinable border separates the innovation approaches in this area the substantiated, responsible risks from the non-qualified and unfaithful decisions.

In the existing practice the problem, as the rule, consists not in realization of the necessity to adopt and substantiate the innovation, responsible decision, as the interpreting the norms and implementing the norms. The most important, distinctive feature of the system of social management is the necessity to adopt decisions in conditions of extraordinary situations, plurality, non-development, but sometimes contradiction of the regulation norms. This provision, typical of any system of social management, reasons the availability of certain parameters of freedom to make decisions. Within the framework of these parameters the management entity gets the opportunity to flexibly, taking into account the plurality of changeable conditions, adopt decisions, corresponding with the requirements of social and economic effectiveness and innovativeness of the approach. Absence or narrowness of parameters of freedom deprives the management system of its innovation potential, undermines the incentives of creative decisions.
Let us stress that the management system, if in it the principle of freedom parameters is enacted, if there is not special protection, will develop along the way of their regular reduction, diminishing. In the existing situation such parameters take place, but do not lose their essence upon the initiative from the above and from the below. In this case the possibility to refer to the current norms is widely used, which lead to adopting socially inadequate decisions. In practice such decisions are the bureaucratic hiding of escaping from responsibility, initiatives, often reasoned by the low qualification, unfaithfulness and abuses.

In the sphere of the powerful mechanism and in the system of social and economic transactions (orders, auctions, land surveying, licensing, registration, controlling functions etc.) the adopted decisions have significant economic consequence, and this means that they receive respective economic evaluations. From the position of the institutional theory of property the managing subjects of these structures, defining the nature of movement of enormous economic valuables, they do not possess the right to possess these advantages. They are delegated with differentiated under the fractioned constituent parts the right to dispose of movement of non-market advantages, naturally, on conditions of the regulated, responding with the requirements of effective, socially responsible use. The position, conditions of functioning, quality of the entities of disposal of the non-market advantages form the opportunities and the incentives of their opportunistic conduct.

The right of disposal, de facto, is substituted by the right of possession. The quasi owner in accordance with his position, starts selling advantages, not belonging to him, performing risky, but very beneficial transactions. From the position of the seller these transactions by their economic contents do not differ from the sales of the Moon, the space environment, the «bright future» etc.

The wide area of informal transactions fills with the illegitimate transactions, forming the enormous corruption potential, in the course of realization of which one party takes the bribe as the form of assumption of the administrative rent. The other party is either forced to assign the part of legitimately distributed in its favor advantages, or share the income, received as the result of implicit conspiracy. But the main losses of the society are connected not with inadequate, socially and economically unsubstantiated redistribution of the economic advantages, but with disorientation of the entities, loss of incentives for search of effective innovation solutions. (Gubar, A.I., 2013)

Results:
In the fragmentary postindustrial society the processes of mutually substantiated expansion of the market and the state not only open new opportunities, but also significantly change the conditions for regulating social and economic processes. Together with this, they bear the potential of systematic negative transformations. In these conditions there is no alternative to the forced, socially procurement requirements of development of the modern flexible mechanisms for regulating the social and economic processes, absence of which has its consequence the reciprocal movement of degradation real sector of the economics and social negatives – on the one hand, and growth of the virtual results and nominal monetary bubbles – on the other hand. (Kirdina, S., 2011)

Conclusions:
Resuming the performed analysis, we shall formulate some conclusions:
1. The distinguished specific feature for entering the post socialistic society into the stage of postindustrial development, reasoned by the globalization and integration processes, is its fragmentary and differentiated nature in the spheres and industries of living activity.
2. The qualitative non-homogeneity of the levels of development of the defining spheres of the living activity of the society creates the objective obstructions for the formation and functioning of the modern mechanisms, regulating their mutually reasoned development.
3. Emphatic necessity of special measures from the side of the state on providing development of the technological structure of the postindustrial society. This reasons not only principal reorientation of expenses of the state in direction of improvement of the human capital, but also reestablishment of monopolized mechanisms in the relations: capital-labor.
4. Mutual penetration of the market relations and powerful regulating mechanisms forms qualitatively new systems of social and economic interactions, the forms and certain tools of which require special studies and introduction.
5. Penetration of the market relations into the spheres of traditionally non-goods links, accompanied in the existing situation with the growth of institutional and transactional monopolism of revenue assumption and corruption, when delegation detailed differentiated right of disposal is substituted with the right of quasi possession.
6. Creation of the system of regulation of social and economic processes in the postindustrial society is connected with introduction of the principle of essential criteria of functioning, determined by the level of satisfaction of certain requests of consumers and reduction of the formal parameters of quality of operation of management structures to the level of analytic instruments.
7. The innovation type of functioning of the social and economic system objectively reasons the necessity to present at all levels of management of the certain freedom parameters, allowing making the initiative, responsible decisions.

8. Strict observation, correspondence with the fundamental constituting imperatives. Any management decision, contradicting with these requirements shall automatically lose its force.

9. Through responsibility, its non-spending and growth, up to the level of management, where an error decision shall be cancelled or corrected.

REFERENCE


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