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INFLUENCE OF CIVIL SOCIETY ON DEVELOPMENT OF THE
ECONOMY OF THE REGION

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Abstract

The article presents the connection between development of civil society and economy, and the role of culture as a basis of civil society. It is analyzed how the economic welfare of the state and its strength depends on the form of political order and a level of freedom of citizens, as exemplified historically by the Novgorod Republic and the Principality of Kiev representing two models of statehood development. Factors of establishment and further development of civil society (priority of private ownership, competition, legal support of citizens and liberty of conscience) are regarded in the framework of genesis of two abovementioned models. The research is based on statistics of international organizations, including Brot für die Welt. Authors pursue answers concerning the influence of civil society on the economic development of the country, and what kind of society it should be – ‘open’ or ‘narrowed’ (‘obstructed’/‘repressed’) to provide outstripping economic development, and whether these processes are influenced by culture of society and its values. Globalization, resource and product reallocation will reduce the influence of genetic spirituality and genetic mentality on forming civil society in due course. Civil society will be getting more open, where it is now ‘closed’; otherwise communicative processes will be obscured. There will be greater freedom for citizens who demand equality, rule of law and social justice. Therefore, local authorities will have to change their attitude to civil society in general paying more attention to introduction of democratic values that are understood and accepted by all citizens of the country.

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1. Introduction

Civil society and economy are categories that largely depend on development of each other. According to the facts, countries with a high income level of population have a multi-way independent civil society. The history of the Russian statehood proves the same. It is sufficient to turn to the comparative analysis of two models of statehood development represented by Novgorod and Kyiv. Establishment and further development of civil society were enabled by such factors as private ownership, competition, significant share of middle class in the society, legal support of citizens in full equality, liberty of conscience, transparency and a high level of education. Criteria distinguishing those factors shall be regarded in the framework of genesis of two abovementioned models, one of which turned into the main Moscow statehood model with the course of time. One more interesting thing about these models is that they were quite compact and autonomous for that epoch resembling Ancient Greece and Ancient Egypt. They can be used to trace changes in the economy of the region influenced by civil society, as well as the way civil society of the time was changing under the influence of economy. It is the authors' opinion that over the course of history culture has always had the upper hand. It's culture that allows or doesn't allow a human being to do something. Culture depends on values of the system people live and work in. It is so-called *culturalist institutionalism*, as Peter A. Hall and Michèle Lamont put it in their work *Successful Societies: How Institutions and Culture Affect Health*. They consider culture an essential criterion defining such a "successful society" – one that enhances the capabilities of people to pursue the goals important to their own lives, whether through individual or collective action (Hall & Lamont, 2009). In this light it is values that set a benchmark for civil society, opportunities for realization of human potential and economy by defining the cultural level. That said, the correlation between values typical for a certain nation and the policy pursued by the state. As Marek (2010), an academic researcher from Czech Republic observes, "the United States is the wealthiest world economy, but it ranks only 41st in the global rankings in life expectancy. The US-style emphasis on individual responsibility and private provision is exposed, alongside the wide social inequalities and economic insecurities..." (, p. 1048). No need to say, that such an approach is not recommended for Russia due to its historical background (also see "Findings"). All these connections are particularly obvious at the local level, where everything is open and clear for everyone.

2. Problem Statement

As the report made by the German organization Brot für die Welt show (Brot für die Welt Official Site), civil society can be considered 'open' in 22 countries of the world (Germany, Latvia, Norway, Finland, Sweden, Estonia), 'narrowed' – in 64 countries (UK, Italy, USA, France, Japan), 'obstructed' – in 53 countries and 'repressed' – in 34 countries (Belarus, Russia, Turkey). Twenty-one states belong to those with 'closed' civil societies (Vietnam, China, Sudan, Turkmenistan, Uzbekistan). Besides, following the results of 2017, Germany ranks 4th in the rating of countries by their gross domestic product, Latvia – 98th, Sudan – 60th, Russia – 13th, and the USA tops. The issue of mutual relations between civil society and economic actors, interconnection of the level of openness of civil society and the level of economic development is always relevant for any country of the world.

3. Research Questions

Effective regional development is impossible without close collaboration of civil society and local authorities. Current technology shifts and increasing multiculturalism require new approaches to this process. In this regard it is sensible to pursue answers to the following questions:

- Does civil society influence economic development of the country?
- Should civil society of the country be ‘open’ or ‘narrowed’ (‘obstructed’/‘repressed’) for purposes of economic development?
- How are establishment and activity of civil society connected with culture and values of the society?

4. Purpose of the Study

Two most powerful forces interact in the market space – state and business. State doesn’t only establish conditions for the market space, but also acts as its participant. Business doesn’t establish conditions for the market space – taxes, tariffs, duties, charges and other means of influence – but applies them (or they are applied in respect of it), and business is practically never satisfied with its regulator. However activity or inactivity of businesses interfere the market space. Some employees of state organizations and business structures are citizens want to make changes in the existing market space. It should be noted that some unemployed citizens want the same thing. That’s why our goal is to formulate approaches for the local authorities to use in order to build relationships with civil society for purposes of effective economic development of the region.

5. Research Methods

In the course of research aristotelian and general scientific methods have been used:

- 5.1. To identify, whether information that characterizes development of civil society and economy is important and useful, we will apply interpretation, focusing on reflection and ‘information filtration’.
- 5.2. To explore reality we will apply a method of dialogic understanding which allows reconstructing semantic content of phenomena and processes that are interesting for our research.
- 5.3. To build judgements inductive-deductive approaches are applied that allow formulating necessary conclusions in the course of research.

6. Findings

In the most ancient period of the future Russian state (9-13th centuries) there were two forms of political order. One of them was hereditary monarchy in Kyiv based on strong princely power. The other

– typical for Veliky Novgorod only – was republic with goods/money relationship as the economic basement. The ruling system was much more complicated in Novgorod. It included the prince (called ‘Knyaz’) along with court nobility (called ‘boyards’) elected for certain public positions. It should be noted that craftsmen and traders of the city took over significant political rights from their Knyaz and boyards. Moreover, Knyaz’s power was restricted in the main area – financial one. The people of Novgorod collected taxes themselves. As history claims, Novgorod boasted the best-developed institute of private property in land on the territory of future Russia. At the time land was the main subject of civil law relations, such as purchase and sale, provisional sale, barter, donation, division, loan). Land transactions, as well as tax collection, were documented in accordance with signed contracts. Here are some facts to illustrate a high level of credit development in Veliky Novgorod: birchbark manuscript No. 526 – the oldest credit document discovered at the moment and dated by approx. 1080 – contains a list of obligators of an individual banker and sums of their debts. Existence of Kirik Novgorodets – a monk and mathematician who was familiar with Roman interest-only percentage was proved. Ivan’s Hundred – a famous association of merchants – provided credits and tackled issues of standardization and metrology in 12th – 15th centuries already. Wise economic policy gave Veliky Novgorod what Kyiv had to conquer with continuous military campaigns, including those aimed at Constantinople (by Knyaz Oleg in 907 and by Knyaz Igor in 941–944). Development of the Novgorod model is closer to the Western-type state and has some similarities with Ancient Greece, while the Kyiv model smoothly transformed into the Moscow one resembles Ptolemaic Egypt (Table 01). The Moscow model of state development complied with the aim of collecting lands together, thus the executive branch was a strict vertical structure, i.e. it was centralized, while policy had priorities over economy, autocratic power – over contractual relationship. The dominance of manorial system required prevailing administrative and distributive tools of management, no flexible communications, state regulations of every life sphere of citizens, since all those features formed respective mentality, a certain scale of values and human potential turning a citizen into a dependent unit of population (a slave/ a praedial serf). Moreover, such a ‘unit’ became genetically dependent, used to paternalism, which enabled strengthening etatism even further. Etatism in its turn oppresses intellectual and creative potential of people and doesn’t let them fulfil themselves to the full extent. Historical need for market relations deepened human dependency even more, since such market relations were not full, there was no place for competition, which also strengthened the centralized control system.

Table 01. Characteristics of Statehood Development Models in Moscow and Veliky Novgorod

Characteristics	Moscow	Novgorod
Establishment of rule	By conquest	By contract
Practicability	Political	Economic
Labor	Forced	Freely-hired
Order	Manorial	Polis
State for a Knyaz	Manor	Subject to control
Priority	State regulation	Market relations
Status of the basic mass of population	Slaves belonging to boyards (Knuaz)	Free peasants, craftsmen and traders of a democratic city
Tools of management	Administrative and distributive	Competitive

Communications	Strict	Flexible
Trade relations with other countries	Passive	Active
Land	Donation from the Knyaz	Subject of civil law relations
Proprietary rights	Guaranteed by grace of the Knyaz	Guaranteed by a contract
Main values	Assentation and servility	Pride and dignity

Thus more democratic values and high culture of the Novgorod Republic enabled forming civil society in Novgorod the great (agreement-based rule, abovementioned Ivan's Hundred) and made Novgorod the richest city of the European continent. It is a long held perception that discovery of America by Columbus was related to the fall of Novgorod's greatness – the city which was deeply involved into the trade of European and Asian states.

If we move 700-800 years forward to look at the map of the world made by the German organization Brot für die Welt, we can conclude that most countries with high income levels have 'open' or 'narrowed' civil societies.

Both history and modern state of the human civilization proves the positive influence of civil society on the economic development. The same positive connection could be noted the other way around: the stronger economy the country has, the more 'open' civil society it possesses, since material freedom gives rise to the freedom of expression, minimizes fear, which enhances artwork and creativity. There are some exceptions, but so few and they are often affected by religion and a strict dependency of citizens from the will of their authorities. Such an example is China, where a list of values for the state, the society and people was introduced at the National Congress of the Communist Party in 2012. Unlike Western values, that list was created from the top downward. Such a construction is typical for China, since it correlates to Confucianism and Buddhism, as well as with centuries-old system of government. Asceticism of Buddhism and paternalism of Confucianism make civil society 'closed', but boost economic growth genetically and mentally.

Therefore, there's the second conclusion: to develop economy the state doesn't have to possess 'open' or 'narrowed' civil society. However diversity to consider religious factor and the century-old order of relations between government and citizens is a must, i.e. genetic spirituality and genetic mentality are priorities.

Such processes as globalization, resource and product reallocation will inevitably lead to reducing the influence of genetic spirituality and genetic mentality on forming civil society (these ideas were also expressed by Thomas Davies) (Davies, 2013). It will be getting more open, where it is still 'closed' today; otherwise communicative processes will be obscured. Today even China tends to move away from entirely 'closed' civil society. "The development of unauthorized civil organizations in spite of tight control and strict suppression by the Party is striking evidence of the gradual maturation of Chinese society," Liu Xiaobo observes (Xiaobo, 2003). In due course there will be greater freedom for citizens who demand equality, rule of law and social justice. Let's take Russia as an example. If we turn to abovementioned models – ones of Novgorod and Kyiv (Moscow), the difference of their values and cultures, the presence and the absence of civil society are clear, as well as a level of economic development. The Russian Empire had a repressed civil society; its gross domestic product per capita was

4 times less than in the USA and 3 times less than in England in 1913. Economic wealth of the Russian Empire was not as impressive as economic wealth of the Novgorod Republic, where ‘open’ civil society used to adopt absolutely different values. The culture changed as well: women could marry on their own volition in Veliky Novgorod, while later they were given in marriage against their will. The law of serfdom emerged, and despite its cancellation in 1861 that practice remained. Thus, we make the third conclusion: democratic values of the society increases the cultural level of certain citizens and the society in general, enables forming ‘open’ civil society and boosts economic welfare of the state. Therefore, the authorities of the country, local authorities in particular, face a challenge of introducing democratic values to the society aimed at open interaction when discussing matters and solving problems of a territory. It is particularly important for cosmopolitan territories and territories that accept migrants. Local authority should consider the country a certain migrant comes from, or, more specifically, what civil society. Is this migrant able to express his/her opinion, form a request, formulate an idea? To address these issues globally, the Migration and Development civil society network (MADE) was established in 2014. Its mission is connecting civil society worldwide to promote policies for the well-being and protection of all migrants and communities (Migration and Development civil society network (MADE) Official Site).

Another vivid example of a country driven by a desire to introduce common values, erase exclusiveness and reach economic growth is Brazil. Today it can demonstrate how the expansion of civil society led to creation of participatory, deliberative policymaking institutions. Participatory publics comprise organized citizens who seek to overcome social and political exclusion through public deliberation, accountability, and implementation of their policy preferences (Wampler & Avritzer, 2004).

As for Russia, it is an example of the country, where an authoritarian trend and tycoonization of power live along the opposite tendency of establishing all-democratic values in public conscience. According to the Institute for Analytical Sociology, 67-98% of population share values that are not typical for the Russian statist political culture; Russian citizens need freedom no less than Western people; human life also has supreme value; laws are mandatory for everyone – from the President to a common citizen; private property is sacrosanct; and the wealthier the population, the stronger is the state. At the same time, Russian society doesn’t generally tend to come apart for each ‘piece’ to start building institutes and values of its own – so-called ‘pillarization’, as Paul Dekker and Peter Ester once put it. This phenomenon (typical for today’s Europe, though not strictly a European one) is often a matter of ideological fading. As authors of *Depillarization, Deconfessionalization, and De-Ideologization: Empirical Trends in Dutch Society 1958-1992* claims, self-perception of people belonging to different ‘pillars’ is more or less stable, but their church membership and voting preferences may vary greatly which always affects the state of civic society and stability of the country’s economy (Dekker & Ester, 1996).

As for practical examples to focus on, Russia may successfully use the Canadian approach accurately described by Catherine A. Murray in her work *The Third Sector: Cultural Diversity and Civil Society*. According to her “the term ‘civil society’ refers to the space for human association which forms in response to the pursuit of culture”, which is just the thing Russia needs. Moreover, she recognizes that the realm of civil society is often influenced and penetrated by the forces of both state and market (Murray, 2002). So even the smaller associational networks of civil society – such as unions, parties,

movements, interest groups, and policy networks – shape the larger state and economy's actions in the cultural sphere. The cultural citizenship of these socially engaged actors can be seen as continuous or intermittent, local or global, independent or dependent on the state and market.

Also special place in development of civil society belongs to the community members' voluntary cooperative interactions. Their readiness to volunteer feeds back with self-communication, and self-communication in its turn facilitates to recognize mutual benefits which collaboration provides. It generates awareness of an associational – rather than competitive – advantage. The awareness enhances motivation to volunteer. Growing motivation catalyzing more intense contributions to voluntary activities enables to increase the rate of cooperative interactions creating life quality improvements (Veress, 2017).

7. Conclusion

To ensure economic growth in the country, it is necessary to have 'open' civil society based on democratic values that provide a high cultural level. At the same time, it's necessary to take genetic spirituality and genetic mentality of citizens into account, because it's easier to make a plant switch to a new technology than to make a certain person adopt another way of thinking. Establishment of 'open' civil society must happen from the bottom upwards, since genetic spirituality and genetic mentality are transformed in a non-forced way only. It's mentality that changes most, while spirituality becomes an identifier to differentiate a large variety of 'open' civil societies. To that end local authorities can use digital technologies widely. A vivid example is London with Talk London – an interesting project including discussions, Q&A sessions, and focus groups in the course of which authorities are consulted by citizens in order to obtain assessment of efficiency of their activities.

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