

“Progressive Capitalism” by J. Stiglitz: Rethinking the Priorities of Its Formation

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Abstract: The article analyzes the priorities of “progressive capitalism” by Joseph E. Stiglitz and investigates the main conditions of its formation in Ukraine. The following problems are discussed: the strong influence of narratives of the eastern institutional matrix on the development of national economy and political system; unjustified differentiation of the interests of power, business, science and civil society; neglect of the scientific research and the need for institutional change by public authorities and local self-government bodies; high level of national markets monopolization; a strong link between economic power and political influence; legal nihilism and political apathy of the population. Expediency of implementing additional fifth priority, which foresees the use of innovative models, technologies and instruments for managing the intellect using and intellectualization of the national elite and human resources in general, is justified on the basis of the theoretical frameworks and practical recommendations, which were developed by Ukrainian scientists. Taking into account the results of the formation and development of the Presidential Personnel Reserve “New Elite of the Nation”, the authors have initiated the creation of the Laboratory of Intellectual Development for Empowering Regions (LIDER), which will implement a pilot project for the intellectual resources development in the Western region within the framework of the realization of the Ukrainian-Lithuanian program “Competence Development of Lithuanian and Ukrainian Public Sector Employees Using Design-Thinking Methodology”.

Keywords: Progressive Capitalism, Intellect, Intellectualization, Elite, Human Resources, Management, Pilot Project

1. Introduction

In a recently published article by Joseph E. Stiglitz, a Nobel Prize winner in Economics, on the Project Syndicate website (its mission is to ensure worldwide access to “the greatest minds”) it is stated that “... after 40 years of neoliberalism in the United States and other advanced economies, we know what doesn’t work”, therefore “... neoliberalism must be pronounced dead and buried [1].” According to the scholar, neoliberalism should be replaced by a fundamentally different economic plan, called “progressive capitalism”. Its priorities are the following: (1) restoring the balance among the market, the state and civil society; (2) scientific inquiry and social organization for the common good; (3) fighting monopolies, when market giants

buy up competitors and create barriers to entry; (4) severing the link between economic power and political influence. Herewith, he believes that success of transition to “progressive capitalism” will largely depend on how strongly decisive reformers will be in tackling the problems of realizing these priorities. However, if we return to the Project Syndicate’s mission mentioned above, we should consider that implementation of all J. Stiglitz’s priorities is impossible without access to them of the ordinary minds of civil society. The reason is a constantly increasing role of intellectual capital in the growth of national wealth of developed countries. Thus, a prerequisite is a large-scale penetration into the intellect of the vast majority of human resources of all countries of modern civilization and, most importantly, the intellectual readiness of political, administrative and

economic elites to properly form and use the intellectual resources of the socio-economic systems entrusted to them.

Therefore, the purpose of the article is to investigate the conditions for introduction of changes in order to form “progressive capitalism” in the context of J. Stiglitz’s priorities implementation, using the theoretical frameworks and practical recommendations on management of intellect using and intellectualization, which were developed by Ukrainian scientists [2-10].

2. Discussion of Results

2.1. *Rebalancing the Market, the State and Civil Society*

Theoretical scientific research and practical recommendations on the problem of harmonization of relations between these components of “neoliberal capitalism” (in the future it will transit to “progressive capitalism”) already exist. As an example, it is enough to cite Michael E. Porter’s recommendations for organizing the economic development as a process of “...joint participation by all levels of government, companies, educational and scientific institutions, and private sector organizations”, or the concept of the triple helix of “university – industry – government” relationships by Etzkowitz Henry – Leydesdorff Loet known since 1995, which is an innovative model of the evolutionary development of society and the economy, based on the justification of the feasibility of their cooperation, as well as a modified model of “quadrispiral” with civil society participation [11-15]. Ukrainian scientists also offered a model and theoretical conditions to determine the balance of interests in the triad “state – business – consumers” by finding a “pareto-efficient point” for sharing available resources. These scientific techniques were developed by a group of researchers in applied sphere for finding the balance of interests “power – science – business – civil society” in practical management of the regional economic development, formulation of recommendations on rational management of financial resources and hydrocarbons of the state, substantiation of the feasibility of public-private partnerships using transnational pipeline systems and others [16-20]. Thus, both theoretical models and practical recommendations for balancing interests of the state, the market and civil society by global and national science have already been proposed. The question is only to ensure their proper use by political, administrative and economic elite in the processes of the development of socio-economic systems of various sizes and spheres.

2.2. *Scientific Inquiry and Social Organization for the Common Good*

The presence of “science” in the previous priority with the simultaneous condition of its mandatory involvement in the life-support of any socio-economic system in order to achieve market success and ensure the well-being of human resources attests the need and importance of intellectual support for sustainable development of the system (first and

foremost by managerial intellectual resources). Governance systems, which neither develop nor use their own science and education, are forced to use the results of intellectual work of human resources of other countries, whose elite are well aware of the value of intellect and its products. According to Niall Ferguson, it is precisely because of the system of governance inherent in liberal capitalism of “...Western Civilization became a kind of template for the way the rest of the world aspired to organize itself [21].”

Nowadays Ukraine is in the process of self-organizing after gaining independence and starting the transformation of social organization on the basis of the western institutional matrix (market economy, individualistic ideology, federal political system) [22]. Therefore, the research and recommendations on the reorganizational models, processes and instruments should play a crucial role for its development. However, the transformation processes in Ukraine are hampered by the influence of narratives of the eastern institutional matrix on population (redistributive economy, communitarian ideology, unitary-centralized political system), which lead to such problems as ineffectiveness of representative bodies, managerial unprofessionalism, legal nihilism of the population and its political apathy and inertia, as well as unsatisfactory interaction of the state with business, civil society, science and education. At the same time, native scientists generate the intellectual products for the introduction of necessary changes in the form of models, technologies and recommendations for managing the proper use of resources of socio-economic systems and, first of all, the intellectual potential of human resources. In addition to the above mentioned works on intellect usage, the fundamental research on intellectualization of enterprise management, national economy management and the global economic development has been carried out in recent years [2-10]. The problems and specificity of the institutional changes, which are significant for the Ukrainian society, as well as the expediency of modifying its institutional matrix and the necessity of changes in human resources mentality (including the administrative component) related to the transition to new conditions of the social life, are justified by S. Kirdina, O. Molodtsov, Ye. Bolotina, O. Alymov, R. Panasiuk, V. Petrenko and other scientists [22-26]. Herewith, based on the specific needs of the managerial component of human resources in mastering and efficient use of new technologies, the science highlights the need to intellectualize staffing in the public administration system and the national elite (political, administrative, scientific, economic etc.) [27, 28]. The reason was formulated by professor R. Voitovich before J. Stiglitz’s priorities: “Political, business and humanitarian elites, in order to become the main way of social changes, should possess powerful intellectual potential, which is a strategic factor in the state’s innovation and technological breakthrough as well as its institutional leadership [27].” She argued that “...unfortunately, there are no elites in Ukraine in such semantic and functional variant, because they have a totally primitive self-identification. They have lost

themselves as a bearer of historical responsibility, and they are not even a formal subject for realization of the ideas of integration and modernization of society [27].” We should emphasize that it is about such kind of integration and modernization of society, which will contribute to fulfillment of the first two priorities of J. Stiglitz. Due to their lack, the priorities of “fighting monopolies” and “severing the link between economic power and political influence” lose the necessary social basis, despite the recommendations formulated by the native science.

2.3. Fighting Monopolies

To our mind, in this context the national economy and public administration science has owed Ukrainian society the most. Despite the existence of thorough studies of the problems of monopoly [e. g. 29, 30, 31], the level of monopolization in such important national sectors as energetics (generation, transportation and distribution of electricity; production, processing, transportation and trade of petroleum products and natural gas), industry (mining, chemical, metallurgy), utilities, air transportation, mobile communications, etc. is increasing with the corresponding loss of global competitiveness. Science-generated recommendations for curbing monopoly power and overcoming preference practices, and related corruption [32] are ignored by public authorities and local self-government bodies, and the existing experience of the global community of civilized states doesn't work in Ukraine either.

Nowadays, science explores possible ways of overcoming the negative economic consequences of monopolization, manifestations of which were conceived, planned and implemented by political, administrative and economic elites, already described above. It was through their efforts that Ukraine was transformed into a “paradise for oligarchs” [33] and not into a society of balanced interests, which works for the common good.

2.4. Severing the Link Between Economic Power and Political Influence

This priority should be considered as extremely relevant for contemporary socio-economic realities of Ukraine, because merging of power and business in Ukraine, as well as in many other post-Soviet countries results in the lengthy character and incompleteness of the national economy transformation, lack of necessary institutions and weaknesses of existing ones, failure of government agencies to create a competitive and efficient market (as a catalyst for systemic changes) for all kinds of business. All these problems are caused “...by selfish mercantile motives of the authorities for constant self-enrichment and neglect of interests of the society [34].”

Famous Ukrainian L. Lukyanenko emphasized that “When business and government merge, it is the greatest disaster that can be in the country [35].” The reason is that “the main problem of Ukraine is not corruption, but organized crime in power. Corruption is a consequence. The consequence is the

merger of business and power and the use of power as a means of enrichment. The result is a monopolism and oligarchy [36].”

Ten years ago a group of leading Ukrainian scientists in a collective analytical report “Socio-Economic Situation of Ukraine: Implications for People and the State”, argued that the Ukrainian authorities need “... to become a coordinator of actions of various subjects of society, to form a legal and regulatory framework that is favorable for the development of society, to work out integrative mechanisms, social standards and patterns of behavior, values of tolerance and social consolidation, on the basis of which national identity will be transformed in the context of European integration [37].” However, this recommendation, which generally meets the criteria of J. Stiglitz, has been ignored by authorities. At present, just like in the past, the government gives preference to business, and business – to the government [38], ignoring the recommendations of national science, blocking the process of modernization and leading to the state capture by an oligarchic capital.

Staffing in the public administration system during the long transformation process has not enhanced the professionalism of personnel due to the uncontrolled action and influence of the Dunning-Kruger effect [39]. Dozens of scientific monographs and dissertations, hundreds of articles and speeches of native scientists at conferences, dedicated to the problems of organizing the proper interaction of power, business and society, have been unable to persuade the holders of power because of their blatant disregard for any civilized experience of modern business socialization. We mean the experience which shows that “the modern society and the business world are inseparable”, “... the role of personal responsibility and accountability is growing, and the main characteristic of the post new economy involves “... a returning not only to the fundamentals of business, but also to the basics of humanity” [40, 41].

Thus, in our opinion, the demonstrated above facts make it possible to state that most of human resources, in particular the elite of Ukraine, are not ready for dynamic and effective transformation of society, even in the direction of neoliberal capitalism, to say nothing of progressive one. Ensuring the socio-economic development of Ukraine in accordance with the priorities of “progressive capitalism” for its accession to the world community of civilized states requires at least a change in the “primitive self-identification” and “intellectual potential” of the existing and future elites. This is still relevant, despite the fact that the innovative directions of improving the society management on the basis of intellect using and intellectualization were initiated by native science in the mid-1990s with the works of professor S. Vovkanych on intellectual support of the Ukrainian national idea [42, 43], who concentrated on the requirements for intellect, creativity and spirituality of the national elite, which “... is not a closed social clan but an open system with permanent processes. Everybody who is able to enrich the national treasury of knowledge, experience, values and achievements can contribute their intellect, spirit, talent, creativity and

other merits and personal qualities toward it [44].”

In this regard it is appropriate to cite the opinion of professor E. Mikhailova, who on the basis of a thorough analysis of the elite phenomenon claims that “the use of value interpretations of the elite and its role in society is very productive in conditions of social transformations of Ukrainian society and its movement through the formation of the society of intellect [45].” Along with highly developed intellectual abilities, these interpretations include: “high level of education, critical thinking, creative potential, strong motivation and availability of significant for society results, achieved through a high level of professional competence [45].”

2.5. Discussion

It is an indisputable fact ascertained by many studies and evaluations, that in Ukrainian society a powerful strata of pseudo-elites has been formed for decades in all possible constituents: oligarchs and their professional environment; politicians and parties, which are dependent on oligarchic structures; corrupted senior executives and personnel of public authorities and local self-government bodies; heads of public and private enterprises, institutions and organizations of all spheres, even public associations and non-governmental organizations. They possess powerful intellectual potential, focused exclusively on satisfaction of clan-based and their own interests, and act often under the guise of pseudo-patriotic and pseudo-social declarations and slogans.

In this regard, the integration and radical modernization of society and economy in accordance with the list of priorities of J. Stiglitz require a radical change in the structure and intellect of the national elite with the obligatory observance of conditions, proposed by professor S. Vovkanych [44] and those mentioned above (because changes can only be achieved through the awareness of their expediency and rationality). At the same time, we should take into account the recommendations of Thomas L. Friedman and “... try to tap the energy, entrepreneurship, creativity, and intelligence of our people – men and women [46]”.

The national science has considerable achievements in the field of theoretical, organizational and practical support for the processes of selection, training and development of personnel of public administration system, local self-government system, the senior corps of national economy branches, public enterprises and corporate business structures. Original or adapted models, technologies and instruments of intellect using, management intellectualization, systemic leadership, harmonized management, post-industrial and mental re-engineering, necessary institutional transformations etc. are offered in professional literature. However, the implementation of most of these developments in management of the state and the economy with the corresponding results has still a long time to go, since the intellectual state and mentality of staffing practice don't meet the requirements of progressive capitalism. This is confirmed by the results of the formation

and development of the Presidential Personnel Reserve “New Elite of the Nation” in 2012-2014. The techniques, developed with our participation, have been implemented and have proven their validity [47]. However, the lack of political will of central government to appoint a new cohort of leaders (prepared for work in the priority spheres of public administration) to senior positions of public authorities neutralized the effectiveness of tools of their selection and further professional development. [48]. Therefore, in the context of public administration reform and decentralization of the power in Ukraine we are creating the Laboratory of Intellectual Development for Empowering Regions (LIDER), which will implement a pilot project for the intellectual resources development in the Western region through the use of innovative models, technologies and instruments. The uniqueness and high quality of educational services of the LIDER will be ensured by the European certification of trainers, formation of training content based on the results of scientific research (in particular, on using transformative learning theory and design-thinking methodology), provision of consulting services to customer organizations regarding the design of professional development strategies, introduction of organizational learning systems, and other development issues. The project will be realized within the framework of the implementation of the Ukrainian-Lithuanian program “Competence Development of Lithuanian and Ukrainian Public Sector Employees Using Design-Thinking Methodology” in 2020-2021.

3. Conclusion

Using the example of Ukraine, we justified that for societies with transit economy, which are catching up with the world-leading states, it is necessary to supplement J. Stiglitz's four priorities with the following one: (5) inclusion of the intellectual resources of elite and population into the economy through the use of innovative models, technologies and instruments for managing the intellect using and intellectualization of human resources in order to effectively realize four previous priorities. The implementation of the proposed priority will help to solve the problems analyzed in the article and accelerate the introduction of “neoliberal economy” with the subsequent transition to an economy of “progressive capitalism”. As the central government of Ukraine is still just declaring the political will to accomplish this task, the authors of the article initiate the realization of a pilot project in the Western region in the context of public administration reform and decentralization of the power in Ukraine. Its implementation involves creation of the Laboratory of Intellectual Development for Empowering Regions (LIDER) on the basis of the Institute of Humanities and Public Administration, which will carry out transformative training for regional elite and population of amalgamated hromadas using the design-thinking methodology. Identifying the educational needs and ways to achieve the desired future based on this methodology will

help to solve the complex problems of the professionalization of regional public authorities and local self-government bodies on an innovative basis and introduce strategic approaches to the competence development of their employees.

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