

# Social Sphere from Social and Economic Perspective

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**Abstract**—The paper analyzes the main theoretical approaches to the study of economy social sphere. It is emphasized that there are two main approaches to its consideration. In the framework of the first approach economy social sphere is explored more as an aggregate of cultural, historical, etc. elements, so it can serve an essential part of economic and political development. The second approach considers it as a set of industries aimed at meeting some socially significant needs of people. In both cases the flaw is absence of some single classification feature, according to which certain element or concrete type of activities could be attributed to the social sphere. However, the social sphere services generate significant positive externalities. In this regard, economy social sphere can be regarded in the context of merit goods concept developed by Richard Musgrave. These types of goods are also called socially significant as they are characterized by significant positive externalities, that makes them mandatory for all society members consumption. The paper develops approach that allows considering the social sphere as a sector of socially significant benefits production, which to varying degrees generate positive externalities. This approach makes possible to define the boundaries of the social sphere, the actors of production, which can include both public and private commercial producers, as well as non-profit organizations.

**Keywords**—social sphere, merit goods, externalities.

## I. INTRODUCTION

The problems of economy social sphere are analyzed in scientific literature in sufficient detail. However, the question of this concept content, and especially its boundaries in real economic systems, remains controversial. The reason for this is the social sphere structure complexity, and the diversity of its subjects, which often creates certain difficulties in determining its boundaries. All this points to need of determining specific criteria for referring certain types of activities to economy social sphere. On this basis it is possible to define a single economic and theoretical approach for this problem's researching. The purpose of this paper is searching for such approach and rationale for possibility of using it in relation to the economy social sphere. For achieving this goal, in the beginning it is necessary to analyze existing in the scientific literature approaches and to distinguish their dignities and restrictions

## II. SOCIAL SPHERE RESEARCHING METHODOLOGICAL PROBLEMS

Scientific literature analysis makes it possible to single out the following methodological features of considering the social sphere content.

In a number of studies sufficiently thorough analysis of its phenomenon is carried out [1, 2, 3, 4, 5, 6, 7, 8, 9, 10]. Also there is a very clear division of social sphere and public sector;

often consideration of the latter one becomes clearly politicized. For example, according to J. Habermas, the public sphere represents an operationalization of civil society's ability for self-organization to change its own conditions of existence through rational-critical discourse [6]; it's possible to suppose that here we are talking about the processes of forming public associations, non-profit organizations and other institutions of civil society. In the framework of this approach social sphere is understood more as a cultural phenomenon, as well as an ethical basis for other social relations [11, p. 116]; moreover, the sources mentioned above emphasize the relationship of social sphere with social communications [11, p. 117]. Also many elements of traditional cultures in different countries can be considered as elements of social sphere. Experience shows that they can serve as the kinds of leverage for economic growth [12]

In domestic studies, there are situations not only of social sphere content arguable understanding, but sometimes of its actual mixing with public and mixed economy sectors, and sometimes even more widely - with economy non-profit sector. This is largely due to the fact that such related goods have been provided almost exclusively by the state for a long time. The approach most frequently used can be described as sectoral. The social sphere problems are considered mainly within the framework of economic analysis applied directions. Within its framework, the social sphere (understood in this way) is characterized as a set of industries united by the principle of possibility for satisfying certain significant needs of society; discrepancies in definitions take place, first of all, because of notions of which branches are attributed to social sphere. For example, A. Rubinshtein divides it into two main segments - the sphere of knowledge (science, culture and education, where different kind of knowledge are produced, disseminated, mastered and preserved) and the sphere of human life support (health and social security) [13]. Many sources of educational literature on social sphere economics include there such branch systems as health care, physical culture and sports, education, culture, social services and social security, social insurance and pensions, as well as housing communal services [14]. Thus, this reasoning underlines definite social importance of these branches, however, it becomes unclear whether this value is evaluated by the consumer himself or by society (obviously, in some cases the estimates may not coincide).

Often it is stressed that social sphere can include both state producers and private and non-profit organizations [15, 16, 17, 18, 19]. Lately their participation in socially significant benefits production has been expanding, also because of the increasingly complex structure of society and emergence of new social problems. Significant contribution to this phenomenon is

made by migration flows. As a result, the demand for particular goods and services has been becoming more differentiated, while the state stays standardly oriented to average requests from the population [15].

In the author's opinion, the limited nature of these approaches consists in the absence of a single classification feature, according to which one could unambiguously answer the question whether a particular industry or a certain subject would be assigned to the social sphere or not; the first approach often has a pronounced sociological character, which leads to certain difficulties in real applied researching. In its turn, the use of the sectoral approach leads to the fact that some authors interpret social sphere extremely broadly, including even housing and communal services and other material and personal services. As a result, the social sphere interpretation can acquire a rather arbitrary character. In this regard, the task of developing a single methodological approach to studying social sphere and determining its boundaries acquires very special theoretical and practical relevance. For this purpose it seems reasonable to turn to this problem researches in economic and theoretical studies framework.

### III. THE MERIT GOODS CONCEPT AND ITS USE OF POSSIBILITIES IN SOCIAL SPHERE STUDYING

R. Musgrave, the founder of this theory, gave a rather complex description of merit goods. Emphasizing that this term has no universally accepted application, he talks about situations where restriction of individual choice possibilities by the values of society takes place [20] and about existence of society interest as such [21, c. 57]. According to this interest (irreducible to the sum of individual interests), some goods and services can be recognized by society as "worthy" and "unworthy" from the point of view if they carry positive or negative social influence (from the same point of view, the needs of some individuals, satisfied with these benefits, can also be described as "worthy" and "unworthy"). In other words, these benefits have significant external effects (positive or negative) and that makes them an object of public attention. Obviously, "worthy" goods represent a certain value in society's eyes (even if some individual estimates them much lower), and in order for these "worthy" goods to be produced and consumed at a certain level that society deems acceptable, it is ready to go for individual behavior adjustment (including compulsion to consumption). The object of state influence would be individual preferences of people and the impact on them. At the same time, these goods, as well as requests for them, are considered as so significant and so meritorious that their satisfaction is ensured through the state budget and payment for private consumers. More often meritorious goods include health care, education, cultural services, social assistance and subsidies for low-income citizens and other services that can be provided individually. And on such concrete examples it is possible to trace quite clearly, as a result of which the situations described by Musgrave and mentioned above can take place. If we take educational services for consideration, perhaps, there would be a little doubt about this good social utility and its all-encompassing positive impact on social and economic development. However, for some people, the benefits of education obtaining may not always be so obvious. An individual may not be aware of the benefits that education provides, or be tri-

vial irrational, because of which his personal estimates are undervalued (on his own view, education may have no particular value and his own low educational level is perceived as quite acceptable).

Also there can take place irrational behavior of the poor meaning that low income and low social level (as well as a certain social circle of communication) can additionally form specific mental attitudes about the education importance in the future; in this case there is a risk that such beliefs can be "passed on" from generation to generation: for children who grew up in environment risky from a social point of view and who received from it an appropriate notion of education's nature and significance, it will be more difficult to overcome such ideas later.

Practical application of meritorious goods theory is expressed in the fact that the state actually compels a certain level of benefits to be consumed; these benefits are recognized as useful from the point of society's view (they have very significant positive externalities). Compulsory schooling, mandatory medical examinations with the certain periodicity in a number of countries etc. can set examples. In these cases, any person can not always fully realize the utilities this good brings directly to him and to the society as a whole, therefore the state directs him in this way, otherwise the rejection of consumption can lead to significant externalities emergence, now negative (growth of morbidity, social pathologies, especially in the youth environment, etc.). In other words, "true preferences" of consumers (that in a long term may be useful for them) at each specific point in time are distorted.

The situation is also similar for benefits possessing significant negative externalities (for example, drugs), when the state in accessible ways prevents individuals from irrational and simply dangerous decisions in terms of using these goods. The intervention by the state in this case has a large number of measures, ranging from educating people about the risks of taking drugs to prohibition of dangerous addictive substances production and distribution, including prosecution for perpetrators. Such actions are due to the fact that drugs (or any other similar products) have an extremely negative assessment in the eyes of society and therefore it becomes necessary to protect individuals from their use by forced reduction of demand they make.

A merit goods distinctive feature consists of high externalities, but this doesn't mean an obligation of their production in public sector. Nevertheless, high social significance presupposes a certain degree of state regulation and at least these benefits partial production in public sector (alternatively, with state subsidies). As a result, consumers have no need to bear their own costs for these goods acquisition. Availability of such externalities appear reasonable to define itself as classifying specific industries as social spheres criterion.

Another problem in this issue is always the following problem solution: what scale should be the social sphere "core" including goods and services that are mandatory for everyone to use. In practice, this problem solution is based on a set of resources the state owns, policy objectives, as well as the features of constitutional treaty, national traditions and any other factors. For example, in most countries only schooling of vary-

ing degrees of length is mandatory (depending on specific national education system characteristics); all other types of educational services are produced using different market and quasi-market mechanisms. Actually it is expressed in coexistence of the state sector as well as mixed and private sectors equally in producing merit goods possessing high social significance. All this allows to conclude that economy social sector boundaries are flexible, due to their production possible actors diversity and the variety of benefits themselves.

#### IV. CONCLUSIONS

Thus, economy social sphere is a large-scale systemic formation which includes various forms of human activity aimed at satisfying significant social needs and multiplying social welfare, which is achieved due to significant positive externalities that such goods possess. Social sphere boundaries outlined theoretically allow to make effective recommendations for the state social policy implementation, determine the state regulation scale and opportunities for attracting business and non-profit organizations.

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