

Justice vs. efficiency: which is more competitive in the socio-economic model of the digital society?

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Abstract. The paper analyses the impact of the emerging digital society on the evolution of the role played by efficiency and fairness in the competitiveness of contemporary socio-economic models and highlights the reasons provide this evolution. The author dwells on developing of economical society, the confrontation of efficiency and justice. This confrontation is traditional one and recently is replaced by their equal coexistence, growing into the priority of justice as a major condition for modern progress in the future. It allows us to consider incomplete socio-economic reforms in modern Russia. It is generally associating with the disregard of society's usual understanding of justice, which automatically failed any social reforms.

Keywords: competitiveness, justice, efficiency, socio-economic model, digital society, social innovation, worldview matrix, socio-cultural foundations of society.

JEL codes: A13; F01; O35; P50

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Introduction

We are living at the moment of the failure of economic science: it has not warned the world about the impending financial catastrophe spreading to the real sector; it cannot follow to the concepts of K. Marx or J.M. Keynes and propose effective competitive measures to adjust economic behaviour; it cannot provide necessary changes in the socioeconomic model as a whole neither in terms of the globalization path nor in accordance with the globalization track. Science is stagnant and is in the need of the new ideologues, such as Keynes, who will force the development of effective concepts appropriate to an emerging digital society in an age of instability.

The current global crisis can be defined as a symptom of the exhaustion of the existing world economic model based on a liberal conception (Subbeto, 2017; Tolkachev & Teplyakov, 2019). The world economy is entering a kind of «transition period» (Khubiev, 2022). Science is facing a difficult task. It needs to find a new, competitive, model of the world economic order and determine the main directions of its further development (Belyaev & Koshkin, 2020; Bodrunov, 2018; Kretov, 2019). At such turning points, it is fundamentally impossible to predict the direction of further development, whether the system will become chaotic or move to a higher level of order (Korolev, 2003).

Every new regime, especially one claiming to establish a new world order, begins its own historical time with some radical and sometimes strange innovations. For example, the laws of Bolshevik Russia in 1918 on nationalization of women (authors were Krupskaya & Kollontay), the 36-hour day and 10-day week, or the change of names of months during the Great French Revolution, or the change of furniture in the White House when the US administration changed.

The concept of «innovation» (from Latin *novatio* – renewal, change) is an example of homonymy, where one single word has several different meanings. The concept of ‘innovation’ is often confused with ‘invention’, referring to the creation of a new technical development or the improvement of an old one. Many improvements to goods and services would be more appropriately described simply by the word «improvement». Sometimes the term ‘innovation’ is associated with ‘change’ and ‘creativity’.

Today the most common meaning is to identify innovation with an innovation in production,

management, organization of work, based on the application of science and technology. Linguists consider innovation to be equal to «a new creation». The lawyers make their own sense, defining it as an agreement between the parties to replace one obligation with another. However, innovation is an economic product providing a prosperous future. The term «innovation», meanwhile, was introduced by culturologists to denote the process of penetration of elements of one culture into another in the nineteenth century.

We believe the term «innovation» is more appropriate than the term «a new creation».

We concern the «innovation» is the investment brings it to fruition, i.e. to a new or improved product being marketed, or to a new or improved technological process being used in practice (in a market economy, to commercial success). I. Schumpeter introduced the concept of innovator as an inventor who has gained economic recognition; he associated innovation with a new combination of factors of production, i.e. innovation is associated with a marketable creative product (Schumpeter, 2008). In the context of globalization, it means:

1. at the microeconomic level, the production of goods and services matching, or better, surpassing the quality of similar world-class products;
2. at the macroeconomic level – the implementation of economic policies adequate to the challenges of the current moment, determined by internal as by external circumstances of the country;
3. at the global level – expansion of the national economy's share in the world economy;
4. at the socio-economic context, reforms/revolutions at bifurcation points set the trajectory of societal development until the next bifurcation point matures. These reforms may be of a purely technical nature – a kind of imitation of a socio-economic breakthrough. But there is a different level of novelty – when these techniques establish the new values, lead the society to new levels of development.

While the first three items strongly associated with the positive concept of innovation, with a certain progress, the fourth item allows the implementation of different signs to be applied to the result obtained. This particular item is the subject of our analysis.

This analysis is conducted in the system of coordinates «efficiency – justice», although only efficiency is considered as economic phenomenon. However, the economic justice depends on the type of economic system. Social efficiency depends on the scale of its failure, determining by the size and forms of outside influence.

Thus, our aim is to rank the two fundamental principles of any socio-economic model – efficiency and justice – in an emerging digital society, entering the age of instability and to determine their distribution/reallocation in terms of different social models.

Main part

'Efficiency' refers to the rational use of scarce resources. A simple and understandable criterion for the efficiency of market-oriented economies was described more than a century ago by A. Marshall and is defined by a market balance point. In this respect, social innovation has a very clear reference point: the more it make society closer to the market optimum, the more effective are these efforts (Marshall, 1993). By Marshall A., efficiency, at the enterprise and industry level, and social efficiency are not equal due to the presence of externalities.

The second concept – «justice» – is not unambiguous one. Liberal economic theory recognises any distribution of income as a result of the economic activity of market players. In turn, this result is determined by the contribution of production factors gaining market recognition. As a result, the market automatically considers efficient as justice one. However, the reality of the modern economy shows, on the one hand, distribution in proportion to the factors of production does not correspond to notions of justice, and on the other hand, «input indicators have no longer been seen as objective measures of real processes» (Volkonski & Kuzovkin, 2008) due to the impact of non-economic factors and manipulation on the market. Therefore, monetary estimates of performance cannot be used as criteria for equitable distribution. Notions of justice have been shaped over the centuries in other spheres of life: culture, religion, historical traditions – and form the core of the civilizational matrix.

At the beginning of the 21 century the world realized that humanity, regardless of the results of his

economic activity – simply by his birth as a human being – deserves human existence, which in the case of his market fiasco must be provided by society at the expense of market-successful citizens. We do not believe this interpretation of justice as objective reality. It is not subject of economic analysis. Later we will consider justice as sustainable effective development of the modern economy. Also, in addition to the positive approach, there is a normative one to economic research which creates subjective judgements about economic realities in a positive-negative frame of reference.

In this respect, social innovation also has a clear reference point, which can be reduced to the possibility of avoiding degradation of population in case of unemployment or other usual source of income, against the background of an improvement in the quality of human capital of society as a whole.

The problem is that both criteria rarely similar; more often their vectors are multi-directional, although each has a defined area of implementation. The current world economic model is built on liberalised efficiency, i.e. in accordance with Ricardo's theory of relative advantages in international exchange.

Efficiency and justice are commonly contrasted because investment in improving the welfare of the people, leading to a decline of the difference between the rich and poor people. It traditionally perceived as justice enhancing. This spending, on the other hand, did not increase the efficiency of production because it did not directly affect unit costs or the volume of output, which determined the scale of economical production. The growth of economic efficiency is usually associated with equipment modernization and technical innovation.

In the one hand, there is a simple solution: to create conditions for competition in order to distribute the national income and increase the budget payments. In the other hand other, it would not be a burden on the rich part of the population. It is a social market economy model. It could more properly be called a market-based social economy model, given the sequence of actions: first produce, then distribute (we do not take into account issue of the primacy of production in a post-industrial society). L. Erhard defined quite adequately the evolutionary path of European countries in the post-war period (Erhard, 2001); and at the beginning of the 21st century, the all countries post-industrial development led to enter into «golden billion» – wealthy part of world's population.

However, the success of this model is quite questionable one. Poor countries cannot achieve the required quantity of qualified, educated and creative workers, even if they are educated at the expense of international institutions and grants. Globalization provides the long-standing theory of the vicious circle of poverty (Nureyev, 2008).

Efficiency and justice: how compatible are they in contemporary social innovation, in the transition to a digital society? Or is movement only possible in a one-sided way, at the expense of sacrificing either one or the other?

Case study on global experience, the modern well-being of many countries required in the past a kind of ascetic period involving either a country's customary standard of living as was typical in the Eastern Hemisphere; or a nationwide acceptance of lowering traditional living standards due to force-majeure circumstances, as in post-war Germany.

The exhaustion of extensive development resources raises questions about the validity of the contrast between economic efficiency and social justice. Indeed, if land was the main factor of production in an agrarian society and capital in an industrial one, the efficiency of these economies was determined by the introduction of the material components of their respective resources. The transfer of funds from, for example, building a new factory to reducing the Gini coefficient in society could be seen as an increase in justice at the expense of efficiency; conversely, tax breaks for business could be seen as an increase in economic efficiency against a widening gap between the rich and the poor.

The transition to a predominantly intensive development path in a post-industrial digital economy has moved investments in education, health and cultural enhancement from being a «cost» that reduces development opportunities to being an «investment in human capital». The latter has become (for emerging economies, which include Russia, it is becoming) the determining factor in the development of modern society. It is therefore strategically the most effective investment.

Moreover, for developed society social world becomes one of the most important factors of economic efficiency, because the price of social instability is the disruption of complex economic organization.

Nowadays there is social new ideal of justice matures, the realization of which simultaneously ensures the formation of conditions for maintaining a highly efficient complex organized economy, the type of society itself changes: awareness and willingness to bear responsibility for this realization increases. The establishment and development of a civil society concerned with the redistribution of economic benefits. In parallel, there is a process of redistribution of authority by delegating their part to the public structures, allowing part of the responsibility for management decisions to be shifted from the official authorities to institutions of citizens self-governance.

The axiom of the mutually exclusive nature of efficiency and justice, which originated in the ancient world, is becoming increasingly controversial. Business aims for big profits (at least in the long term), but not by any means. There has been highlighted role of moral values, appealing to the idea of justice, in building a successful business. According to Weber M., since the formation of the second type of capitalist, the productive capitalist, as opposed to the first type of capitalist, the commercial capitalist, who is guided by the principle «no cheat, no sell» (Weber, 2017). Today, a good reputation, the brand of a trusted partner is an intangible asset which is not legislative one but it is an informal institution serves to saving the transactional costs.

Transactional costs include the costs associated with finding partners, making business contacts, preparing the deal, and establishing a dialogue with the local government. Moral factors can either increase or decrease these costs. If, for example, you have to do business in a country with a high level of corruption and a non-transparent economy, the amount of transaction costs may even absorb the economic benefits of the proposed transaction. A company that has not yet established an impeccable reputation will have to spend a lot of money on image enhancement, i.e. PR, advertising and marketing, if it wants to enter a new market. Therefore, mechanisms are needed that can form the image of the enterprise. Successful businesses will soon be as much in need of business reputation as they are of credit, which is already starting to work in developed countries.

Morality is becoming a kind of supplementary resource on both micro and macro levels. At the micro level, academics and practical experience research show the moral values work effectively for Western economies by making their enterprises more competitive in a globalised world (provided that moral values have not been levelled down to the point where they are no longer perceived by society).

For example, in the area of human resource management, the use of economic, financial incentives alone is no longer sufficient in a globally competitive environment. To keep the enterprise up to date with modern information and communication technologies, the company needs to learn how to influence its staff through cultural and moral values. These values also play an increasingly important role in relationships with partners, customers, intermediaries, and finally society itself.

For those who still believe that «the main factor in a company's success is money» rather than the human factor and its associated morals, underestimating business ethics in the 21-st century could be fatal.

Unfortunately, the quality of national business ethics is far from ideal. Russia has not yet become a market economy in the classical sense, because not all the relevant processes have been completed and brought to their logical conclusion. This also affects ethics, including the running a business. In Russia, for example, business practices such as the well-established links between entrepreneurs and officials are traditionally strong. Undoubtedly, corruption is an important, but not unique, feature of Russia – it is also found in other countries. Much more worrying is the low level of contractual culture that is so typical of the Russian business community. In other words, the rule of civilized business – contract the first – still does not work in Russia. The reason should be sought at the state level. If the criterion of a civilised country is the separation of authority, where the judiciary stands apart, then in the Russian Federation the judiciary has not yet emerged as a system that makes objective decisions. Since it is very much tied to finances, «might is right». As a result, the treaty system is not fully protected.

Looking at morality from a macro perspective, as a resource for contemporary social innovation, historical experience shows that strategic developments are not within the power of bare power, no matter

how much political will it possesses – they need to germinate in society, giving rise to a complex feedback system. Otherwise, all good intentions will degenerate into an inversion, a reaction, or even a restoration.

But still there is an issue in practical implementation of serious reform in transitional Russia. The reason is only theoretical work on them while present regime provides the blocking of special interest groups. These special interest groups have a very simple redistributive motivation. Therefore, only tactical decisions are made. However, how can these decisions be implemented in practice? For example, there could be the money division between these groups. But it is impossible to create new institutions, to carry out reforms. This kind of social innovation without societal feedback is poor attempt to implement. This limits the introducing of the reforms and instead of strategic solutions there has present only some kind of their imitation. Strategic decisions cannot be introduced by the government. They can only be made by mature society.

The numerous sociological surveys indicate that Russians, even in the prosperous, 2000 years of this century, have one desire – the renaissance or restoration of The Great Empire. This is the most unfortunate result of social innovation, because restoration is the recovery of forms and institutions that have already been rejected by the historical process. Unfortunately, this scenario will not materialize. And if it is not to be implemented, it should be replaced by another, which would solve a rather large set of problems in reforming our society. This scenario is called ‘justice’ (Auzan et al., 2017; Auzan, 2006).

By the sociological surveys, it should be made clear that the Empire as a territorial understanding, republics, fraternal nations, etc. is not present at the responses; a very small amount of respondents believe it this way. The most respondents wants to back for the Brezhnev era, the Stalinist period or anything that means a stability of life, the imperialism in general, because the Empire has a kind of internal order appealing to justice itself.

The concept of justice, on the one hand, is not present in every society part of the worldview matrix (for example, the people of India live out of this concept). On the other hand, different societies interpret justice differently. In other words, the criteria for justice are variable. We guess it necessary to focus on the justice in its historical development.

«Throughout the twentieth century, Russia lived in a force field of a large worldview construct called Russian communism as a synthesis of two large blocks,» – believes S. G. Kara-Murza, – The first block named «peasant communal communism» by Weber. M. According to Kara-Murza, «the second one is Russian socialist thought, which by the beginning of the twentieth century had taken Marxism as its ideology, but with it the legacy of all Russian modernisation projects, starting with Ivan the Fourth» (Kara-Murza, 2013; Kara-Murza, 2020). The ideal utopian model of community was the city of Kitezh. A unique synthesis of both ideals was introduced into Bolshevism in the form of Russian Communism. On its basis a project for the modernisation of Russia was developed and successfully implemented, without the confrontation with traditional Russian concepts and traditions, but on the basis of them.

These traditions were developed in the context of the «borderland» between Europe and Asia (West and East), between sedentarisation and nomadism. Western-style ideals of justice date back to the polis (city) organization of authority in ancient Greece, which mandated citizen participation in common affairs, and to Roman law, which affirmed individual civil sovereignty. The religious values of Christianity, above all the Protestant and Catholic branches of Christianity, also had a huge influence on their content. The specificity of oriental norms of justice is rooted in the peculiarities of life in the communal structures of agrarian Asian society, which were formed under the influence of the values of Arab-Muslim, Confucian and Indo-Buddhist cultures.

The «boundary» architectonics of Russian civilisation has resulted in binarity: a system of checks and balances, giving rise to a construction of «mutual support». The latter, by combining opposites into an «impossible unity», constantly keeps society on the edge of social catastrophe. Each intention in binary-type cultures is balanced by its opposite, without which it has no meaning, as Yu. Lotman has shown (Lotman, 2002).

Russia’s socio-cultural foundations are communitarian (the values concern with communal collectivism and condition the priority of group justice over the principles of freedom of the individual and, ultimately, the

domination of the state in regulating social life over the mechanisms of self-organisation of society). A more detailed description we presented earlier (Rodina, 2021).

But ignoring of society's customary understanding of justice declines any social reforms, reducing it. At the best scenario, society starts to stagnate; at worst, it degenerates.

If «efficiency» defines the level and result of a society's progressive development, «justice» expresses the mechanisms of mastering this level and the result achieved. Justice can be defined as the maturity of the spirit, and efficiency is the civilized managing of our lives. Efficiency is material issue but justice is moral one. Efficiency makes our life comfortable and enjoyable. Justice is a constant dissatisfaction with the achieved results, a search for catharsis for the soul, not the body satisfaction (Grechko, 2015). The man of justice is a soul-spiritual matter, the man of efficiency is a purposive-rational matter.

Conclusions

We can conclude that the algorithm of modern economic development changes the relationship between the two majors of economic analysis – efficiency and justice: instead of opposition (vs), there is coexistence (and). Moreover, while the traditional tandem (efficiency – justice) prioritises efficiency, satisfying the need for justice on the residual principle, the post-industrial digital society is more adequate to the primacy of justice as an indispensable condition of efficiency. However, whereas in the past the sacrifice of justice for efficiency was made within a single country, today it has been transferred to the global economy, as evidenced by the widening of the gap between developed and underdeveloped countries. As a result, the relationship between efficiency and justice in today's world order seems too ambiguous. Firstly, for a smaller part of the countries classified by the UN in the first group, its essence is reduced to conjunction «and». The business strategy of «profit by no means necessary» germinates. Secondly, for tomorrow's leaders of social innovation, this conjunction «and» is complemented by the primacy of justice. Thirdly, for the vast majority of countries, the «vs» remains relevant, taking on additional stresses as a result of globalization pressures in its current form.

Of course, it is not the strong recommendation by ignoring of humans' alter ego, for efficiency without justice leads to degradation of the society. The same with justice.

Thus, we can point that the new model of the world order should use a social-democratic model not the liberal one being implemented in practice.

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