

Varazdin Development and Entrepreneurship Agency  
in cooperation with  
Azerbaijan State University of Economics (UNEC)  
University North  
Faculty of Management University of Warsaw  
Faculty of Law, Economics and Social Sciences Sale - Mohammed V University in Rabat



## Economic and Social Development

37<sup>th</sup> International Scientific Conference on Economic and Social Development –  
"Socio Economic Problems of Sustainable Development"

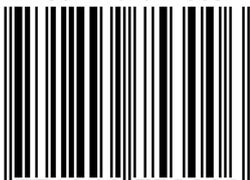
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Editors:

Muslim Ibrahimov, Ana Aleksic, Darko Dukic



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## SOCIAL BALANCE AS ONE OF THE KEY CHALLENGES ON THE WAY TO SUSTAINABLE DEVELOPMENT

**Gunay Piriyeva**

*Azerbaijan State University of Economics (UNEC), Azerbaijan  
gunay75piriyeva@gmail.com*

### **ABSTRACT**

*A whole range of socio-political conflicts and economic problems of modernity unfolds between such extremes as unequal access to resources and rewards, wealth and poverty. Excessive differences in financial means and vital opportunities have a direct negative impact on the development of human potential, initiating long-range requirements that set incentives and direction of economic development. The article discusses the role of the middle class as an active economic entity, which is an engine of economic growth, as well as a guarantee of the stability of the entire social system. The middle class acts as a motivation for the innovative development of modern society because it is the foundation and social base of civil society. The availability of a powerful middle class in the social hierarchy of modern societies is an important indicator of reducing inequality, increasing the level and quality of life, and ultimately sustainable development. The process of creation and development of the middle class is one of the basic social processes in transformational economies. That is why it is necessary to create a social structure within the limits of which people would be able to establish their abilities and develop them to the full extent in order to strengthen the position of the middle class. The basis of social policy for sustainable development implies a fundamentally new system of values. Under this policy, the state shall maintain a balance of interests between social groups, which in turn will ensure the balanced and sustainable development of the entire social system.*

**Keywords:** *development, sustainability, inequality, social structure, human capital, middle class*

### **1. INTRODUCTION**

The idea of progressive development of human society was dominant for quite a long historical period. Belief in endless social progress, as a movement towards perfection, has accompanied humanity for centuries, even when it was criticized. No doubt, that modern civilization has reached incredible heights in the development of machinery and technologies, the dreams of mankind began to be realized owing to scientific discoveries, new inventions, and organization of labor in all spheres of human activity. However, along with the benefits, this development has caused many complex and dangerous problems. Amidst all these achievements, today, diametrically opposite trends are observed in the world, such as environmental degradation, economic imbalance, increasing social polarization as well as the gap in living standards of people, poverty, racial and ethnic conflicts, political instability, etc. Under such conditions, it becomes unavoidably obvious that transition to a qualitatively new level of development, namely to sustainable development, ensuring a global balance between resolving social and economic problems and preserving the environment, is vital for modern civilization. The report of World Commission on Environment and Development "Our Common Future" (1987) defines sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (United Nations, 1987). It is a non-regressive type of evolution that reduces to an acceptable level any negative effects on an object with the purpose of preserving it, such as economic growth that does not cause environmental degradation while being accompanied by addressing the social problems, in particular, inequality and poverty.

Transition to sustainable development involves the creation of a balanced system that combines environmental safety, economic efficiency and social justice, preservation and gradual restoration of natural ecosystems up to a level that ensures environmental sustainability at which there appears to be a real possibility for the existence of future generations and for meeting their vital needs and interests.

## **2. INEQUALITY AS A THREAT TO THE SUSTAINABILITY**

At Sustainable Development Summit (New York, Sept.25,2015) United Nations, 193 member states adopted the Sustainable Development Agenda till 2030, consisting of 17 Sustainable Development Goals (SDGs), which call for eradicating poverty, combating inequality and injustice as well as addressing climate change issues. Reducing inequality is one of the most important SDGs, as the inequality existing in the modern world in all of its forms, is an indicator of social regression, has become critical in recent decades and threatens overall global stability. In its turn, achieving sustainable development both globally and locally is impossible if people are deprived of the opportunities and conditions for building a better life. All the variety of forms of inequality can be observed in almost every particular society. This is quite natural considering that people differ in their individual capabilities, interests, life preferences, value-based orientations, etc. In every society, there are the poor and the rich, the learned and the unlearned, enterprising and unenterprising, high-powered and disempowered people. In this regard, R. Dahrendorf notes that: "Even in the affluent society, it remains, a stubborn and remarkable fact that men are unequally placed....Of course, such differences are no longer directly sustained by the force of legal sanction, which upholds the system of privilege in a caste or estate society. Nevertheless, our society - quite apart from the cruder gradations of property and income, prestige and power - is characterized by a multitude of differences of rank so subtle and yet so penetrating that one cannot but be skeptical of the claim one sometimes hears that a leveling process has caused all inequalities to disappear"(Dahrendorf, 1969,p.16). In the broadest strokes, inequality means that people live in conditions in which they have unequal access to limited resources of material and spiritual consumption, are at different levels of the vertical social hierarchy, and have unequal life opportunities. The problem of social inequality is a consequence of social and economic dissimilarity of labor, which is the reason for getting the power, prestige, and property by some people and the absence of these categories among representatives of other social groups. Affecting poverty reduction and depriving people of the feeling of satisfaction and self-sufficiency, inequality is often the cause of many problems in modern society. The problem of social inequality, its origin, attitude to it and ways of its elimination rings true through the present. It causes many questions such as: "Whether the inequality is an integral part of society's life?", "What impact it has on human development?", "Are there mechanisms for its eradication or at least smoothing?", "Is it possible to achieve social balance?".

### **2.1. Social stratification: main approaches to the definition**

Crucial importance in formation of theoretical approaches to studying the essence, the form and the functions of social inequality is given to the classics of the world sociological theory K. Marx and M. Weber. Marx's concept of classes points to economic inequality, which is an objective factor of social structure. Class affiliation is defined not by people's vision of their social position, but by objective conditions allowing some groups to get preferential (compared to others) access to material benefits. According to Karl Marx, a class is a group of people with the same relation to the means of production by dint of which they ensure their existence. "Our epoch, the epoch of the bourgeoisie, possesses, however, this distinct feature: it has simplified class antagonisms.

Society as a whole is more and more splitting up into two great hostile camps, into two great classes directly facing each other — Bourgeoisie and Proletariat”( Marx, Engels, 2012, p.35). Thus in an industrial society, there are two main classes:

- Those who own the means of production - bourgeoisie
- Those earn a living by selling their own labor power - proletariat.

To Marx, the classes form and vie in virtue of different social positions and different roles of the individuals in the production structure of society. In turn, M. Weber has a bit different approach to this issue. Without denying Karl Marx’s assertions about the connection of a class with objective economic conditions, Weber believes that such factors as power and prestige also influence the formation of a class. Consequently, there are three interacting factors at the heart of the hierarchical structure of any society - power, wealth and prestige. To Weber, the possession of power, that is the possibility of influencing others, permeates all spheres of social being. The differences in wealth forms economic classes, and the economic status, in its turn, makes it possible (or not possible) to dispose of goods and qualifications with the purpose of getting income within a particular economic system. Differences in relation to the power engender large groups of people, called parties, and prestige differences form groups of people depending on status (Weber, 1968,p.169-183). The sociologist P. Sorokin pointed out that the differentiation of some given throng of people into classes in their hierarchical rank, driven by uneven distribution of rights and privileges, responsibilities and duties, the presence or absence of power and influence, social values is embodied in the social stratification, which in its turn determines the presence of the higher and lower classes in society (Sorokin,1959,p.11). According to defenders of the functional approach in sociology (C. Davis, U. Moore), the distribution of individuals by social strata depends on the importance of their professional activities and the contribution they make with their labor in achieving the goals of society. Despite the diversity of existent various models of social stratification, the typology of classes proposed by L. Warner in the 40<sup>th</sup> years of XX century can be rightfully considered as a classic one. In the course of an empirical sociological study, Warner identified social classes based on people's subjective self-assessments regarding their social position by parameters like “occupation”, “source of income”, “house type”, “dwelling area”, “amount of income” and “education” (Warner, et al., 1949, pp.163-164). Each of the three classes marked by Warner (*upper, middle, and lower*) (Warner, et al., 1949, pp.35-37) then further subdivided into an “upper” and “lower” segment as follows:

- Upper-upper class. “Old money”. People who have been born into and raised with wealth; mostly consists of old, noble, or prestigious families.
- Lower-upper class. “New money”. Individuals who have become rich within their own lifetimes (entrepreneurs, movie stars, as well as some prominent professionals).
- Upper-middle class. High-salaried professionals (doctors, lawyers, higher rung (were in the corporate market, yet left for a reason such as family time) professors, corporate executives).
- Lower-middle class. Lower-paid professionals, but not manual laborers (police officers, non-management office workers, small business owners).
- Upper-lower class. Blue-collar workers and manual laborers. Also known as the “working class”.
- Lower-lower class. The homeless and permanently unemployed, as well as the “working poor”.

As can be seen from the above, Warner puts a completely different content into the concept of social class, stating that social class enters into almost every aspect of our lives and is an

important determinant of personality, skills, abilities, and intelligence and patterns of consumption. (Warner et al. 1949: 5-6)

### 3. WHY MIDDLE CLASS?

The practice of modern developed societies shows that there is one answer to the question “which social class is the driving force of the modernization of society, the key to its stability and sustainable development” – that is the middle class. And this is quite understandable, since bridging a gap between the stinking rich and the extremely poor and reducing the limits of social inequality is possible only if a strong, numerous middle class is formed in the social structure of society. As early as in the age of antiquity, the great Aristotle directly linked the stability of the state with the presence and predominance in it of the middle strata of society. In “Politics” he noted that “the best political community is formed by citizens of the middle class, and that those states are likely to be well-administered in which the middle class is large, and stronger if possible than both the other classes, or at any rate either singly; for the addition of middle class turns the scale, and prevents either of the extremes from being dominant” (Aristotle, 1999, p.96). In each particular society the middle class has its own specificity, but in various countries, the similar stratification criteria are used to measure it. It should be noted that these criteria are most peculiar to the social structure of a developed industrial society, and new ones related to other non-material values are still being tried out by social practice. To identify the middle class, L.Grigoirev and A. Salmina highlight the followings as the main criteria, which are presented in Figure 1.

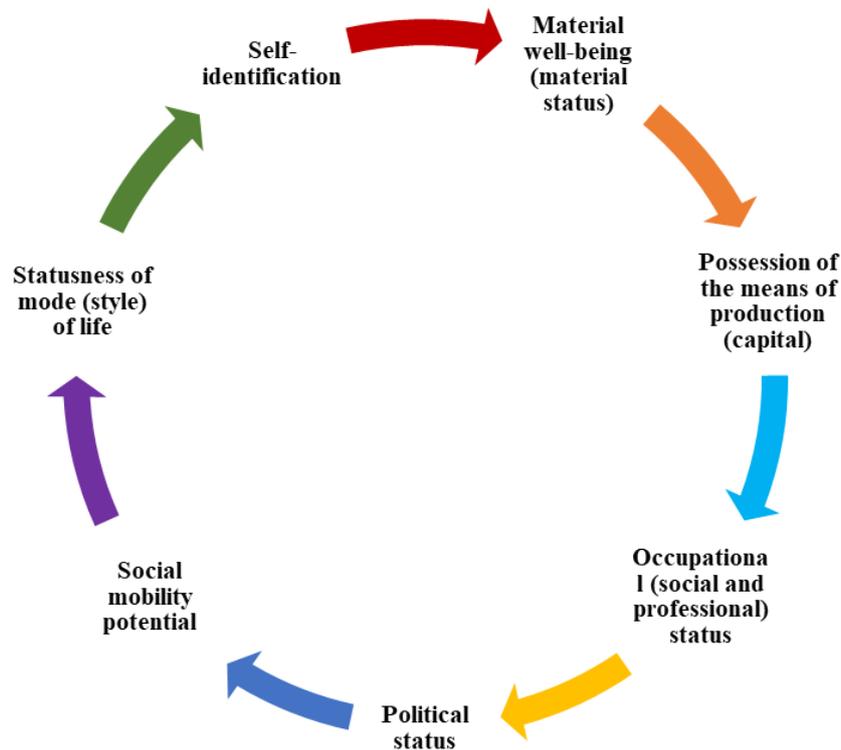


Figure 1: Criteria of identifying middle class (Grigoirev, Salmina, 2000, p.46-48)

Income is not the ultimate goal, but only a means for expanding people's opportunities in the field of economics, social activities, education, and health care, that is a means for achieving higher and more sustainable living standards. In this context, A. Marshall directly linked the accumulation of wealth with human development, synthesizing many ideas about the role of

man in the economy: "The production of wealth is but a means to the sustenance of man; to the satisfaction of his wants; and to the development of his activities, physical, mental, and moral. But the man himself is the chief means of the production of that wealth of which he is the ultimate aim"(Marshall,2009,p.144). Due to their vocational education and qualification, middle-class representatives occupy a position that provides great material and cultural advantages, allowing them to significantly improve the quality of life and provide access to a variety of benefits. It is representatives of this category of the population that form a request for modernization transformations on the one hand, and guarantee stability rejecting political violence on the other hand. It is quite obvious that the middle class, acting as an economically independent social subject is a foundation of both economic development and transition to an innovative development path.

### **3.1. Azerbaijan realities**

Guarantee of dynamic social balance focused on the development of society and strengthening its stability and cohesion is a key task of the state. An important factor in addressing social problems, including fighting poverty and social inequality in the Republic of Azerbaijan, was state activity in the field of human development. The economic development of the country is a means of ensuring security and solving existing social problems. The development concept "Azerbaijan 2020: A Look into the Future" covers the main strategic goals of development policy in all spheres of the country's life, and it is currently being implemented through targeted state programs. One of the key issues of the Development Concept "Azerbaijan 2020: look into the Future"(2012) is the provision on the necessity to steadily expand the share of the middle class in the country and strengthen its role. Reports of international organizations suggest that in a relatively short period of independent development the Republic of Azerbaijan has achieved significant progress in this direction. Thus, according to the World Bank's classification by total national income per capita, Azerbaijan has been included in the category of countries with "high average incomes" earlier than other CIS countries ( Azerbaijan 2020: look into the future,2012). Along with this, according to the report of the United Nations Development Program (UNDP) on Human Development for 2010, Azerbaijan left the group of countries with "average human development" and entered the group of countries with "high human development"( Azerbaijan 2020: look into the future,2012). The social development policy, as part of the overall development strategy of the country, has ensured a significant improvement in the social indicators of Azerbaijan over the past fifteen years. In accordance with international standards, measure levels of inequality and the success of social policy is determined by special indicators, among which the Gini Coefficient and Quintile Index are the most common and widely used ones. In terms of the Gini coefficient and the Quintile coefficient, in recent years Azerbaijan has a head start on most of the G-20 and G-7 countries (Alakbarov,2018, pp.153-155). These indicators show that in the near future, the middle class in Azerbaijan has the prospect of expansion.

*Figure following on the next page*

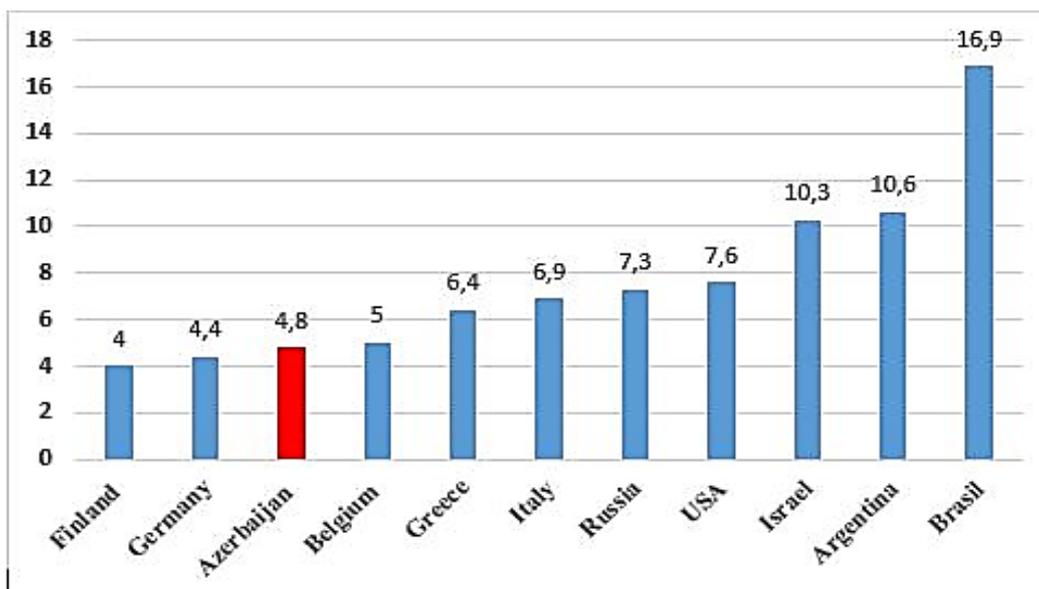


Figure 2: Analysis of social policy in the OECD countries and Azerbaijan Republic: Quintile ratio (HDR, 2016) (Alakbarov,2018,p.155).

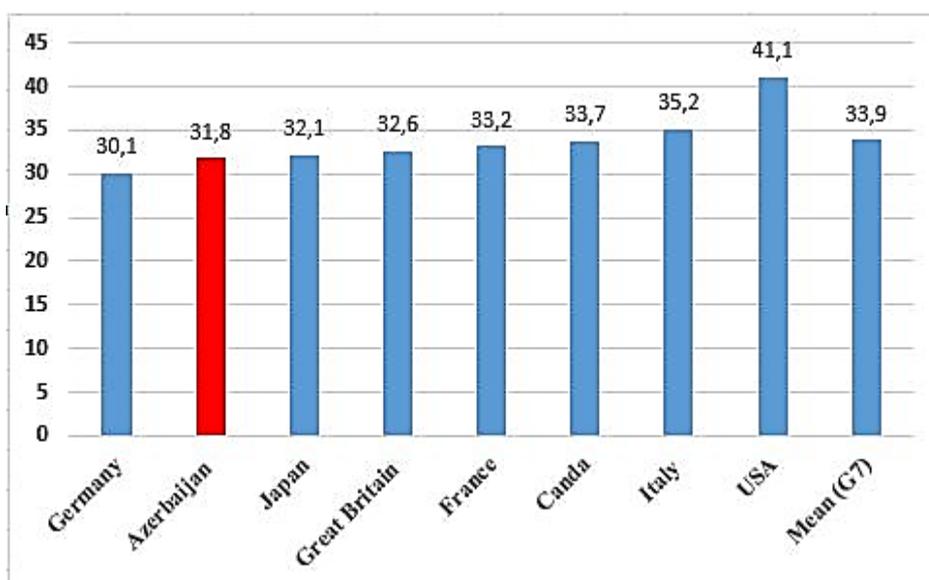


Figure 2: Analysis of social policy in the countries of G7 and Azerbaijan Republic: Gini index (HDR, 2016) (Alakbarov,2018,p.153).

#### 4. CONSLUSION

As it is known, in developed countries, the driving force of democratic change is considered to be the middle class, which must fulfil three main socio-economic functions. Namely, to stabilize the society (ensuring equal opportunities for living for all), to be a source of purchasing power of the society, as well as a resource for employment (entrepreneurship). In the advanced countries of the world, the middle class is considered as the carrier of the main social processes. The experience of America and Europe shows that the formation of the middle class is not a matter of one decade. The further growth and development of the middle class directly depend on the level of development of the country's economy and the measures taken by the state since the implementation of large state projects and the modernization of society is impossible without the participation of a highly educated, qualified middle class. The expansion of this social stratum, of course, allows ensuring the social stability and is a symbol of overcoming a

number of deep-seated economic and social problems. A significant increase in the number of the middle class, accumulated in the framework of conscious state policy, can become the basis for a new turn towards the sustainable development of the country. Proof of this is a global experience because it is countries with a strong middle class that are more sustainable in political, economic, social and other aspects and have higher development potential.

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