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ECONOMIC TRANSFORMATION THROUGH SOCIAL MARKET ECONOMY AND SOCIAL ENTERPRISE

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INTRODUCTION

The period of transformation was not only a time of political and economic changes. The social outlook, the system of values and the development strategy of particular countries were changing. Transformation was preceded by the experience of Western countries in the introduction of economic systems. The article presents economic paradigms that have been implemented over the years: Keynesian economics, social market economy, and neoliberal economics. However, economic systemic changes in Central and Eastern Europe that began in the 1990s also triggered negative consequences in the form of unemployment, inflation and economic disparities. This was linked with the difficulties in conducting transformation in the Eastern bloc countries. The important thing is that the introduction of transformation was shaped when threads related to institutional and behavioural economics, and above all the socialization of economic activity started to appear in economic sciences. As the next two decades have proven, in the economic system there are no entities that can achieve a social goal in terms of market system and

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independently of systemic economic paradigms. The authors argue that as a result of lack or incomplete or inconsistent implementation of the concept of social market economy in the process of economic transformation in the countries of Central and Eastern Europe social enterprises are gaining more and more importance in performing social functions.

1. LITERATURE REVIEW AND METHODOLOGY

Piotr Pysz (Pysz 2006; 2008; 2012) and Elżbieta Mączyńska (Pysz, and Mączyńska 2003), Michał Moszyński (2014; 2015; 2016), Anna Jurczuk (Pysz, Jurczuk, and Moszyński 2014), Martin Dahl (2013; 2015; 2017), Grzegorz Kołodko (2010), Maciej Miszewski (2012), Urszula Zagóra-Jonszta (1999; 2018) are the leading Polish researchers of the social market economy and transformation. Jacek Brdulak, Ewelina Florczak, and Tomasz Gardziński (2016; 2017; 2019), Katarzyna Duczkowska-Małysz (2012), Katarzyna Głąbicka (2011), Jan Herbst (2006) are Polish scientists who study social enterprises.

The methodology of the paper consisted in the analysis of source texts and works of leading scientific experts. The authors use deductive, comparative and historical methods of selected scientific publications to compare the dominant concepts of economic policies: Keynesian, supply-side economics and the social market economy, as well as to compare Eucken's ordoliberal principles with the principles of the Washington Consensus. The adopted methodology was chosen because of the way of forming the thesis in terms of order, which makes the authors apply the interdisciplinary approach described in literature by the above-mentioned leading researchers as a methodological holism complementing the methodological individualism that prevails in economic sciences. Theoretical considerations obtained as a result of the deduction method are compared with the observations in the field of economic practice of social enterprises, determining, in the final analysis, the statistical method of their social usefulness according to the employment rate in the EU countries. The authors are aware that the results do not exhaust the issue and signal the need for in-depth research on social enterprises in the order of the social market economy, which exists in the countries of Central and Eastern Europe.

2. ECONOMIC IMPACT THEORIES: ORDOLIBERALISM, NEOLIBERALISM, KEYNESISM

The introduction of liberal democracy in a country transforming itself as a recipe for success is too simplistic. Nowhere was economic liberalism able to solve the problem of unemployment, or find a cure for the biggest socio-economic problem of the end of the 20th and the beginning of the 21st century (...) without demanding optimal regulatory solutions from the state, apart from limiting its role. Approaching full employment, as well as greater equality and social justice in rejecting strictly socialist solutions is ensured by Social Market Economy in which the state, through the use of ordoliberal principles, takes full responsibility for shaping the socio-economic order, as shown in the Table 1.

Table 1

Ordoliberalism, neoliberalism and Keynesian – comparative analysis

Concepts of economic policy	Economic order	The course of the management process		
	shaping order	macroeconomic dimension	microeconomic dimension	human units and their emotions
Ordoliberalism	Yes	Yes	Yes	Yes
Neoliberalism	No	Yes	Yes/No	No
Keynesianism	No	Yes	No	Yes/No

Source: Pysz 2012.

Building social welfare, especially in the transition countries, requires economic governance in terms of order. Economic order is a stable form and framework conditions for the course of the management process, defining the applicable rules of the economic game within which the state, enterprises, households and individuals make decisions and implement economic activities (Pysz 2008: 37).

In the ordoliberal theory of economic order, we distinguish economic governance from the economic process, which should take place without state intervention.

Just as a judge has no right to participate in a match, the state cannot take part in the game (Erhard 2000: 135).

This order should be understood in terms of “Ordnung” order and the “ordo” (Mączyńska 2010: 179) equilibrium system from which the term ordoliberalism derives. On the other hand, ordoliberalism itself is the economic doctrine on which the West German economy was based after World War II, and generally it can be said that it is “orderly” liberalism, combining liberal views with elements of conservative thought and Catholic social teaching (Dahl 2013: 70).

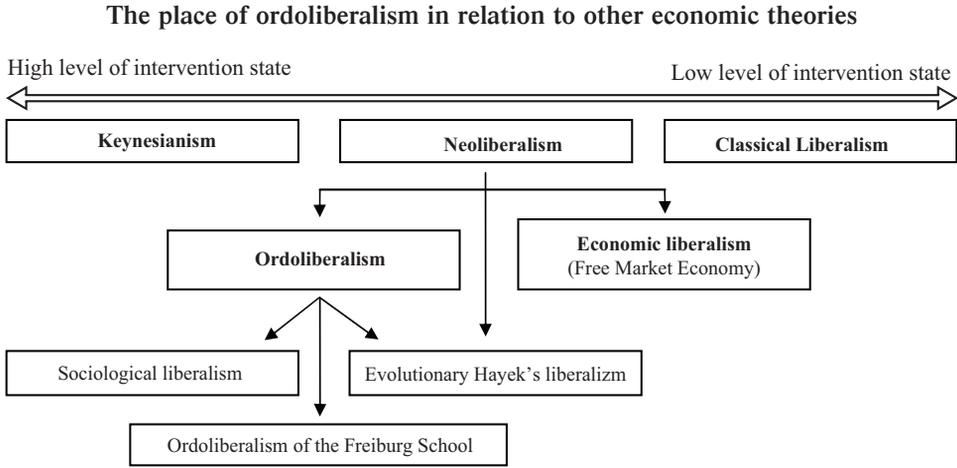
The currently dominant form of capitalism in the form of neoliberal doctrine is experiencing a deep crisis, which for a very long time not only did not alleviate economic inequalities and often did not include ethical values, but it did not include social and ecological issues. As Martin Dahl rightly points out,

the consequence of the dominance of the neoliberal approach in socio-economic policy is the violation of the global, regional and local balance of socio-economic life. It manifests itself in growing uncertainty and risk in the lives of people, but also in business entities. Rising unemployment, increased disproportion of property and income, and the vulnerability of many countries to crises contribute to the popularization of anti-systemic attitudes, including those rejecting the free market and democracy (Dahl 2015: 71).

Many economists share these views, and Grzegorz Kołodko, a well-known Polish economist, states that finally the second great utopia of the end of the twentieth and early twenty-first century – that collapsing neoliberalism, which leaves such a poor legacy – will go to the past (Kołodko 2010: 125).

Of course, given the economic transformation, one should balance views and admit that capitalism as such has contributed to economic, competitive, innovative and thus technological development, building social well-being in Western countries in particular, but also led to deep inequalities and social tensions, often dehumanizing human dignity. It does not need to be argued that current capitalism based on neoliberalism requires a thorough change; however, with great criticism in the face of its crisis, one should not condemn liberal economic and social thought as such, as well as perceive conceptual differences between liberalism, neoliberalism and ordoliberalism, pictured in Figure 1.

Figure 1



Source: Dahl 2015: 53.

As you can see above, ordoliberalism is a variation of German neoliberalism, which also derives from classical liberalism to a large extent. In addition, the concept of neoliberalism was created by the ordoliberal Alexander Rüstow at the 1983 Lipman Colloquium in Paris, which had the overtones of social liberalism. This concept has evolved through the representatives of other schools, including F. von Hayek and liberalism with the theory of the spontaneous order, and the trend of neoliberalism currently dominant, and originating mainly from the Chicago School represented by the “pope monetarist” Milton Friedman. In addition to these neoliberal versions, German neoliberalism was formed around the spiritual leader of ordoliberalism, Walter Eucken, who founded the “Freiburg School” in 1930 with Franz Böhm and Hans Grossmann-Doerth (Eucken 2005). The theory of the competitive economic order grew out of ordoliberalism and forms the basis of the Social Market Economy introduced by Ludwig Erhard together with the currency reform in 1948 in post-war Germany, whose success was defined as an “economic miracle”.

Being on the verge of the economic transformation of the country or in the course of it and taking the path of reforms, we should firstly answer the question what the most important differences in theories of economic order are. The recent crisis clearly showed that both Keynesianism and neoliberalism are focused on interventions in the course of the management process. Indeed, already one of the first loudest crises of the 1930s and

the threat of totalitarianism allowed, in opposition to ordoliberalism, the Keynesian doctrine assuming direct interference in the course of the management process to spread, because, as John Maynard Keynes urged, an imbalanced economy is not always able to recover its equilibrium. First of all, it served fiscal policy and public procurement of the state stimulating demand and consumption, even at the expense of debt and inflation, or subsequent discretionary actions in the course of the management process. Keynes's concept focused on global demand, not on economic order, was calculated and is for a short period, contrary to ordoliberalism designed for a long period. Nevertheless, Erhard accepted that the recommendations of Keynes in the area of monetary and credit policy are useful when dealing with a deep economic crisis (Wünsche 2010: 116).

However, the proof of the superiority of ordoliberal economic policy is the failed experiment of Keynes's introduction of Karl Shiller's concept to the Social Market Economy in 1967–1982 in the Federal Republic of Germany. Despite the similarities of Keynesianism to ordoliberalism in pursuit of full employment, support for those excluded as a result of the market game, or the inclusion of human spirits, and its behaviour in economic life, the basic charge of intervention in the economic process was the recognition of monopolies as natural by Keynesianism. In contradiction to Christian ordoliberal ethics, the Keynesian approach to the role of savings remained. (...) According to ordoliberals, today's savings determine tomorrow's consumption. They meant putting off demand, not reducing it (Zagóra-Jonszta 1999: 32). Excessive look at John Maynard Keynes, through the prism of mathematics, on economics made virtue recognizing consumerism and saving money.

The dissolution of Keynesianism took place during the stagflation of the 1970s through neoliberalism reflected in the application of monetarism and supply economics based on spontaneous order in the US economic policy during the regime of Roland Regan and the formula TINA (There is no alternative) in Great Britain used by the British Prime Minister Margaret Thatcher. Despite the contradictions between both economic doctrines, the common denominator, as Piotr Pysz also notes, is the direct impact on the course of the management process. According to Keynes, this means that the state controls the course of the economic process using fiscal and monetary policy in a discreet way on the global demand side. In turn, the neoliberal concept of supply and monetarism affects the state through fiscal and tax policy and the rules defined by Milton Friedman specifying the increase in the amount of money in circulation depending on GDP growth or production potential of the economy, the size of aggregate supply and price stability

(Pysz 2012: 9). To sum up, the eyes of economists were always turned to demand or supply economics instead of the economic order and the course of the management process. Nevertheless, despite a number of similarities of Keynesianism to ordoliberalism, neoliberalism is nearer to him. The ordoliberalism's proximity to the Anglo-Saxon version of neoliberalism stems from the fact that ordoliberals tend to accept the validity of Say's law. In their interpretation, this means that in the conditions of properly constructed competitive economic order, supply, and not global demand, exerts a decisive influence on the course of the management process (Mączyńska, and Pysz 2015: 11). At the same time, there is a fundamental difference between neoliberalism and ordoliberalism. According to Elżbieta Mączyńska and Piotr Pysz, in the greatest simplification, neoliberalism characterizes market fundamentalism and marginalizing the role of the state in shaping the socio-economic order, whereas in the ordoliberal concept, issues of order are of the foreground nature. Neoliberalism, unlike ordoliberalism, is characterized by the assumption that the free market will spontaneously form socio-economic order so efficiently that the role of the state can be minimized, reduced to the role of a "night watchman". Also characterized by neoliberalism "washing away" from ethical-moral and social considerations is the consequence of the assumption that the free market perfectly solves these issues (Mączyńska, and Pysz 2013: 13).

The first Prime Minister in Poland after 1989, Tadeusz Mazowiecki, was looking for Ludwig Erhard's counterpart to introduce a Social Market Economy. Unfortunately, as Tadeusz Kowalik writes, he "committed a" Columbus' error"— he was looking for a pattern in Bonn, and he was given designs from Chicago and Washington (Kowalik 2009: 273). Thus, economic reforms in Poland were closer to the "Washington Consensus" pattern than to the Social Market Economy, although a significant part of ordoliberal principles coincided with the Consensus prescriptions in the common denominator, in the free market economy for both approaches.

3. ORDOLIBERAL PRINCIPLES OF THE SOCIAL MARKET ECONOMY AND THE WASHINGTON CONSENSUS RULES

The Social Market Economy, which was founded on ordoliberalism, combines the effectiveness of management with the noble idea of social justice (Gardziński 2015: 6) and, as Alfred Müller-Armack put it, is a synthesis of freedom on the market with the implementation of social

security goals (Mączyńska and Pysz 2003: 311), which the implementer of the “economic miracle” in Germany – Ludwig Erhard supplements with the moral responsibility of every human being in relation to society as a whole (Erhard 1998: 515). The concept of the Social Market Economy, in the first place to the main principles, included in the axiological sphere freedom and responsibility, followed by the principle of social justice, human dignity, the principle of competition and a strong rule of law.

The main assumptions boil down to: resolute rejection of central planning, recognition of the market as the most important element of the economic system, the fight against monopolies, legal determination of the scope of state intervention and competition, securing private property, individual freedom and economy (Zagóra-Jonszta 1999: 17). A characteristic feature of the Social Market Economy that distinguishes it from other concepts is that the economic sphere is closely related to the social sphere. This is confirmed by Piotr Pysz, who states that:

the coexistence of a competitive market economy and a relatively wide range of state intervention, aimed at correcting the market distribution of income in the name of the value of equality and social peace (Pysz 2006: 5).

is the essence of this economic policy.

Particularly, in a transforming country, the implementation of economic reforms should take place along with equalizing social issues to prevent social tensions and the reversal of society from the free market or democracy. As indicated by Urszula Zagóra-Jonszta, freedom should be an expression of social equality, understood not only as the equality of the individual towards the law (as interpreted by the neoclassical economists), but as material equality that limits excessive property disparities (Zagóra-Jonszta 2018). In order not to limit freedom as in the political socialist system, it is necessary to design a socio-economic policy that reforms and equalizes disproportions in society while maintaining the legal and institutional order so that freedom of liberal democracy will not be violated in the name of equality or security.

Human subjectivity first of all determines man’s freedom regardless of the economic and political system in the state, which is the first and most important value in itself. This is emphasized by Friedrich August von Hayek that we must show that freedom is not only one of values, but remains the source and condition of most moral values (von Hayek 2012: 20). The

guarantor of liberal freedom understood in this way is a strong democratic state not only with shaped and constantly improved economic and political order in the era of technological development, but also with legal and social order that have a direct impact on the final shape of the economic condition of the conscious society in its parts and entirety. This is confirmed by the words of Franz Böhm, who stated that:

The most important requirement of any economic order that deserves to be called is that the political leadership would control the economy in its entirety as well as parts (...) However, this will only be possible if when the economy is transparent and strictly orderly, and when this order is a legal and political order, it will be nurtured by the state with knowledge of things, understood and internally accepted by the citizens, and respected with devotion and discipline (Böhm 1937: 10).

Formal institutions introduced by the state set rules that must be accepted by society in order to be respected. For this, you need confidence in state institutions and public legal awareness. We assume that institutions consist of a set of restrictions imposed on behaviour in the form of rules and regulations; from a set of procedures for detecting deviations from rules and regulations; from a set of moral, ethical behavioural norms that define the scope within which the way in which rules and regulations are created and secured is limited (North 2009: 204).

It should be remembered that while formal institutions can be quickly changed, informal ones, which include traditions, customs or religion, require a lengthy process. Outlining broadly the scope of behaviour of business entities, we come to the conclusion that they stem from a culture defined as:

a relatively integrated whole covering people's behaviour according to patterns common to social community, developed and absorbed in the course of interaction and containing products of such behaviours (Brdulak 2012).

To sum up, the ordoliberal Social Market Economy refers to the institutional economy and sociological approach to market functioning in its full awareness that the behaviour of economic entities have an impact on economic order, and are stimulated by the constituent principles (Eucken's Principles in Table 2) and regulation, which distinguishes this concept from all others through their interdisciplinary approach.

Table 2

**Comparison of the principles of economic order according to Eucken
and the Washington Consensus**

Eucken's rules	The Washington Consensus rules
Functional price system	Introduction of market interest rates
The primacy of monetary policy	Maintaining a single exchange rate
Open markets / Freedom to enter into contracts	Liberalisation of the exchange / attracting investment / deregulation
Private property	Privatization / Warranty of property rights
Stability of economic policy	Budget discipline / Priorities in public spending
Responsibility	-
-	Tax reform

Source: developed based on: (Moszyński 2015: 195).

The ordoliberal order thus constructed bases the economy not only on knowledge and human capital, but also on values such as freedom, responsibility, justice and equality through equal material and formal chances of competing for all economic entities in society. As emphasized by Grzegorz Kołodko, an economy without values is like life without sense (Kołodko 2013: 164).

When discussing the subject of order, one should distinguish between the order made by the state and the spontaneous order as a grassroots initiative of economic entities among which there are social enterprises. As noted by Michał Moszyński:

Differences in views on the economic order in the understanding of Eucken and Hayek, and mainly concerning its genesis, were reflected in the adopted division of institutions into formal institutions (representing the organised order), originating from the state and its organs, and on informal rules related to the behaviour and attitudes of market game participants representing the spontaneous order (Pysz, Grabska, and Moszyński 2014: 164–165).

Modern capitalism should therefore be supplemented with values and take into account human, social and moral capital apart from knowledge. In such a system economic order fulfils its material task, i.e. prosperity for everyone (Erhard 2011) which “a priori” does not include the principle of the “Washington Consensus”.

The set of seven principles presented in Table 1, which should be implemented in a complete way at an appropriate historical moment, creates a system based on competition supplemented with regulatory principles. The regulatory principles allowing for state intervention include the issue of market distraction in the case of a monopoly, progressive tax in the situation of drastic income differences, the issues of non-inclusion of external effects in the economic calculation of enterprises, and the occurrence of abnormal reactions on the supply side, especially the labour market. Other assumptions included minimum co-determination in enterprises, collective agreements and statutory minimum wage guarantees, support for small and medium enterprises and social functions within the framework of income compensation such as family benefits, high unemployment benefits, housing concessions, or supporting low-cost housing.

The Washington Consensus which did not correspond to social security, was proposed by the economist J. Williamson in the form of ten points (Williamson 1990):

- 1) maintaining financial discipline
- 2) targeting public spending in areas that guarantee high efficiency of expenditure incurred and contribute to improving the structure of income distribution;
- 3) tax reforms aimed at reducing marginal tax rates and extending the tax base;
- 4) liberalization of financial markets in order to harmonise interest rates;
- 5) maintaining a single exchange rate at a level guaranteeing competitiveness;
- 6) trade liberalization;
- 7) elimination of barriers to foreign direct investment;
- 8) privatisation of state enterprises;
- 9) deregulation of markets in terms of market entry and fostering competition;
- 10) guarantee of property rights.

The author proposed a set of reforms as he was convinced of the universal agreement of economists representing the most important institutions in Washington, i.e. the International Monetary Fund, the World Bank and the US Department of the Treasury, on their use for reforming the economies of Latin American countries. The announcement of 10 principles coincided with the disintegration of the centrally planned system in the post-communist economies of Central and Eastern Europe, in which the transformation under this prescription began. Joseph Stiglitz, who was an outspoken critic of John Williamson, makes the following comparison:

shock therapy in the approach to reforms proved to be as unreliable as the Cultural Revolution and the Bolshevik Revolution (Stiglitz 2004).

In turn, Grzegorz Kołodko, described the Leszek Balcerowicz Plan in Poland, which included consensus prescriptions as “shock therapy without therapy” and Poland’s achievements mainly from the relatively rapid transition from shock policy to treatment policy after shock, and success beliefs that it was achieved not thanks to but despite the shock therapy (Kołodko 2015: 302).

This criticism was justified because the prepared set of reforms for Latin America was repeated sequentially in post-socialist countries in Europe without adapting to local conditions and adjusting the pace of change, and even ignoring local experts. Reforming has come down to the following:

Liberalise as much as you can, privatise as quickly as you can and be hard on fiscal and monetary matters! (Kołodko 1998: 1).

Due to excessive liberalisation that did not translate into economic growth as well as the impression of implementing the interests of the institutions in Washington, not a transforming country, the principles of consensus were modified after several years in relation to the exchange rate policy, liberalisation of the capital market, a strong tax office, an independent central bank and the judiciary, and supplemented in the following areas: strengthening the financial system by increasing the country’s resilience in the face of currency crises, care for the social security system, strengthening the institutional framework of the functioning of the economy, increasing expenditures on education.

Summing up the convergence between the ordoliberal principles of the Social Market Economy with the principles of the Washington Consensus presented in Table 1, the result is that this first concept is based on liberalism and overlaps where there is convergence in the universal and constitutive liberal principles of the market economy (there is a partial convergence of monetarism with ordoliberalism in terms of the universal principles of a market economy). It should be remembered that the principles of consensus were not designed in terms of order, and only the post-Washington consensus has only been approached a bit by reaching the institutional framework and social security as important - to be treated as part of the economic order. Bearing in mind the above, one cannot definitively question the Washington Consensus. As Martin Dahl points out, external interference often determines the success of reforms, especially in the initial phase at the stage of establishing

new institutions and emerging difficulties in the social and economic sphere that discourages society from following the path of reforms consistently. This happened in West Germany, where the changes were supported by the United States. In Central Europe, international organizations such as the International Monetary Fund, the World Bank and the European Union have played this role (Dahl 2017).

The state as an institution in a transforming country should not, however, release from the responsibility of shaping the economic order and if there is a contradiction between the recommendations of external institutions and the formation of ordoliberal order, the state should show assertiveness in conducting its economic policy, even at the expense of lower funding or reduction debt reduction through diplomatic negotiations.

4. FORMS OF THE SOCIAL ECONOMY AS TOOLS TO PERFORM PROSOCIAL ACTIONS IN ECONOMY

The period of transformation, both in Poland and in other parts of Europe, caused many disproportions in shaping the socio-economic space. In circumstances when the benchmark is the quality of citizens' life, reference should be made to prosocial categories in economic development. The necessity for the development of the social economy is most often indicated in literature in the context of various models of the presence of state institutions in ensuring prosperity for the citizens and, above all, in the crisis of a welfare state.

Social economics and social economy usually appear as a normative term that is always placed in the context of external social, economic and political conditions in a given country or a community of states – especially the European Union.

As Katarzyna Duczkowska-Małysz (Duczkowska-Małysz 2012: 492) rightly notes, the development of social economy projects was observed in the 1970s and in the 1990s – every time the world economy records economic and social signals of a crisis. In such situations there is a need to search for the forms of entrepreneurship that can be adapted for a specific group of beneficiaries and can affect the corrective effects of the supply deficit (e.g. for specific services) and problems of the labour market. Despite the fact that social entrepreneurship is already known globally, it is an attribute of local areas, and its effectiveness and impact on the local environment should be considered in these categories. On the other hand, such understanding of

social entrepreneurship may lead to equating it with problem areas. Such a stance is represented by a group of scientists who identify social enterprises with a specific type of area referred to as holistically peripheral and economically developmentally delayed. This is of course a justified concept of using the attributes of a social enterprise to generate development impulses. As it is described in literature, social enterprises are created in areas where (Ibid 2012: 3):

- Unemployment rate is much higher than the average, and the permanently unemployed have no chance of finding a job. This points at directing social enterprises to socially excluded environments.
- Defective economic structures are unable to modernise themselves and produce innovative products. The shortcomings of the technical and infrastructure facilities in the local economy are complemented by social capital, local solidarity and cooperation.
- Defective demographic structures indicate difficulties in the labour market, which will require special solutions that also indicate a specific type of service demand reported by the local community.
- There is registered degradation of the natural and cultural functions of the region's resources.
- Poorly developed technical and social infrastructure blocks the processes of economic development.

Social enterprises are an important sign of the social economy. Various forms of social enterprises can be identified within the framework of economic systems. However, it is important to indicate what common goals they want to achieve while functioning in the economy. These common goals can be determined by what distinguishes them from typically commercial entities. The main 5 differences regarding commercial and social enterprises are:

1. Reasons for being founded. A social enterprise is characterised by the fact that it is established for the reasons and social purposes of implementing changes in the socio-economic environment. In the case of commercial enterprises, they are founded for the purpose of maximizing profit and market expansion (Florczak 2017: 93–108).
2. Mission. For social enterprises, pursuing social goals is clearly connected with the mission of the enterprise, and profit is a tool to achieve these goals. Corporate social responsibility of commercial enterprises is often an additional activity that also has marketing reasons that lead to maximisation of the company's financial profits.

3. Double economic and social value. Social enterprises strive to achieve profits that are socially useful as well as have indirect and direct social impact.
4. The final goal. Goals in the case of social enterprises and commercial enterprises differ over what the accent is on. For social enterprises, the social goal is a priority with an auxiliary process of showing profits. Commercial enterprises strive to achieve financial goals and social considerations complement them.
5. Social innovations. Social enterprises in the context of economic activity seek solutions to social problems that are neither solved by public nor by non-governmental sector (Florczak, and Gardziński 2018: 101–116).

A social enterprise was not defined in literature for a long time. The evolution in defining a social enterprise is evident in the proposals of the Social Enterprise Alliance. Its original version was: a social enterprise is any business activity or strategy for generating its own revenues, undertaken by a non-profit organisation to raise funds to support its charity mission. In 2006, a new version of the definition was introduced, which was no longer limited to a “non-profit organisation” but the enterprise was considered to be a separate entity; in addition, “the charity mission” was replaced by a “social mission”. That is why

a social enterprise is an organisation or other undertaking that strives to implement a social mission through entrepreneurial action oriented towards developing its own income (Herbst 2006: 9–10).

It is worth including the point of view of Muhammad Yunus, who seems most accurate. Yunus proposes two types of social enterprises (Yunus 2011: 225). One of them is a popular definition of entities not focused on maximising profits and those that provide socially useful products or services. The second type, in turn, means enterprises focused on financial profit, with a remark that their owners are poor people, and social benefits result from the ownership. In this case, thanks to the surpluses, they gain the same opportunity to exit from the socio-economic exclusion.

The presented approaches and ways of defining a social enterprise prove the ambiguity in the interpretation of this concept. Analysing the above, it can be stated that the authors agree on making reference to the desired goals and functions in the process of constructing the definition of a social enterprise. Finally, after adopting the definition of a social enterprise for the purpose of this topic, the criterion of concentrating profit on social goals

and at the same time any institutional and legal form of such an enterprise was taken into consideration. Therefore, **a social enterprise is defined as a company that pursues social goals within the relevant part of the profit – significant due to the pursued goal.** Social goals are reduced to 5 groups: Economic (enabling functioning in market conditions); Human (quantitative, qualitative); Environmental; Scientific and technological progress; Legal, structural, international (Brdulak, and Florczak 2016). Within these issues, one should refer to the broad aspect of not only the socialisation of economic activity, but also the socialisation of capital (Brdulak et al., 2019: 74–95).

In the context of social economy, the role of social enterprises is important because of their local rooting (Brdulak, et al. 2017).

It is the local nature of social enterprises that allows for the involvement of local residents' own labour resources – members of the local community, which demonstrates that, as part of local development strategies, social enterprises will become a means of achieving common goals and common needs (Prokopowicz 2015; 2016).

In addition to the issues presented, attention should be paid to the additional considerations of the emergence of social enterprises that are not related to extreme socio-economic exclusion and underdeveloped areas. A new enterprise segment appears, whose motives are related to:

- Social self-fulfilment of the entrepreneur. It is connected, above all, with an individually defined business mission;
- Social family life. Economic activity does not maximise direct profits for the entrepreneur, but it is conducted due to the weaknesses of social security of state institutions;
- Social innovations. The economic activity of a social enterprise is a tool to introduce a qualitative and alternative change to socio-economic life.

Considering the concept of a social enterprise in the context of endogenous development, one should refer to particular **factors that influence local development** (Parysek 2001) and determine a place, and share of a social enterprise in individual development determinants.

1. The needs of local communities – local economic development is directly related to meeting the growing social needs. It is also the basic sphere of activity of a socially sensitised enterprise, which is one of the assumptions of offering services to the local community and satisfying needs that are not implemented by the state and the market – that is why a social enterprise has a significant potential for improving the local development factor. Increasing

the quality of life of residents, combined with innovation is an activity consistent with the criteria and statutory purposes of a social enterprise, and the creation of convenient living conditions is the starting point for the implementation of further, more sophisticated activities.

The observation of the functioning of social enterprises demonstrates that most of them implement these types of activity in the form of social services. Katarzyna Głąbicka (Głąbicka 2011) classifies them as the following categories of services: employment, therapeutic, educational, preventing social exclusion, assistance for those who are exposed to violence or discrimination. This perspective is also accepted in the Act on social enterprise and social entrepreneurship, which is being developed. Article 5 of the Act defines the scope of services that a social enterprise can provide:

Article 5.1. Economic activity of a social enterprise

- 1) *is aimed at professional reintegration (...) or*
- 2) *is conducted only in the scope of:*
 - a) *social welfare (...);*
 - b) *childcare (...);*
 - c) *running non-public kindergartens or other forms of pre-school education (...);*
 - d) *mental health protection (...);*
 - e) *supporting people with disabilities (...);*

2. Natural resources constitute another factor. The qualities characterising social enterprises include flexibility and innovation as well as actions for the promotion of the region. In the context of an enterprise, natural assets and significance of the place are important. Social enterprises may offer tourist and recreational services and at the same time build an external and internal image of the area; a social enterprise in Bałtów which is a significant tourist complex in Poland is an example.

The undertaking was based on the initiative of the Association for the Development of the Commune of Bałtów "BAŁT". Currently, the complex is a leading institution in the development of tourism and promotion of the entire Świętokrzyskie Province. 120 people were involved in the founding of the association and it was the beginning of changes in the commune. Taking advantage of the environmental potential of the existing Jura Park Bałtów and other tourist attractions: rafting, Zaginiony Świat Dinozaurów (the Lost World of Dinosaurs), Kraina Koni (the Land of Horses), Zwierzyniec Bałtowski (Bałtowski Wild-life Sanctuary), Ski Slope, Stary Młyn (the Old

Mill) attract great interest of tourists. The official opening of the Jura Park Bałtów took place in 2004. In 2007 as many as 200,000 tourists visited the complex, unemployment in the municipality fell from 30% to 7–8%, and the municipal budget revenue increased from PLN 4.5 to 9 million (Bałtów info).

3. The next factor is labour force. In the local development, the human factor (level of education, occupation, professional experience, additional qualifications as well as professional traditions in the family and place of residence and personal characteristics) is of key importance. The problem arises in the case of structural unemployment and unemployment resulting from specific situations of individual people (difficult life experiences, dysfunctional family, illnesses). A social enterprise is a kind of remedy for deepening unemployment. The activity of Muhammad Yunus (Nobel Peace Prize laureate in 2007) is an example on a global scale. In 1976 founded Grameen Bank in Bangladesh – a financial institution that introduced a microcredit tool to combat unemployment and poverty of Bengalis. Since the very beginning, the bank has been directing the offers to poor women by granting them loans even to start a gainful activity. The characteristic feature of the bank is that borrowers have 93% of shares; the rest belongs to the government. By 2011, the bank granted loans to 8.3 million people (96% to women) with a total value of USD 11 billion (Yunus 2011: 193). Professional activation and vocational reintegration is based on stimulating the development of professional skills that will allow an unemployed or unskilled person to find a place in the labour market. Social cooperatives, social integration centres and social integration clubs have included such statutory activities in the Act. These projects are a way to counteract local problems, i.e., above all, unemployment that significantly inhibits local development through not using human potential, and is a chance to fight against vicious circles of poverty.

4. Infrastructural investments – in addition to the technical infrastructure commonly mentioned in the local development, institutional infrastructure plays an important role in social enterprises. We are talking about centres stimulating the development of the social economy, entities offering training, courses and educational programmes in the field of entrepreneurship and economic activation.

5. Economic potential is a factor that consists in a socio-economic, financial, political and educational structure. In the context of local development and the development of small and medium-sized enterprises, we should pay attention to local communities and regions that have achieved self-made significant economic progress. The best example is the so-called

“The Third Italy”, which has been involved in the development of light and agri-food industry. The variety of products, specialisation of work, innovation and cooperative relations determined rapid development of the region with a clear tendency to increase employment in the services sector. Moreover, it should be added that the developed cooperative activity and prosocial activity of many enterprises have made social enterprises an important element of the development of this region. “The Third Italy” is the area of Northeast and Central Italy, next to “The First Italy” and “The Second Italy”. A serious development of this region (based on an endogenous model) began in the late 1970s. Small enterprises acted mainly as sub-suppliers for large companies, then they undertook independent market expansion and started to operate on the basis of a variety of cooperative relations. In the years 1981–1991 employment in services in this region increased by 39.8% and the share of “The Third Italy” in total employment was 34.8%. Józef Chmiel indicates that the third Italian model was an effective alternative to the so-called traditional model of regional development (Chmiel 1997: 108–109).

6. Local and external market. The impact of the market is related to the demand for particular goods and services. The factor of local development oriented towards external markets is, as Jerzy Parysek (Parysek 2001: 110) writes, the use of uncommon local resources, unique productive skills of the local population, professional traditions, and the heritage of local culture. A social enterprise also fulfils its role here as an entity oriented on the propagation of cultural values. What is characteristic of the enterprise in the local environment is that it develops a brand to increase market recognition as well as competitiveness. It turns out that the advantages, such as the “social brand” or the “ability to carry out unusual orders”, are more beneficial than winning by lowering the price. As Ryszard Skrzypiec notes, in the context of local demand, the advantage of the social enterprise mission over maximisation of profit also manifests itself in the price aspects, although for economic reasons it does not seem to be a particularly developmental factor. In the context of local market development, the issue of the so-called “local product”, representing the type of craft characteristic of the area (Skrzypiec 2008: 46). This is particularly important for combining economic activity with the preservation of cultural heritage.

7. Investment capital and financial resources – When reflecting on local development, we should mention investment capital. It means that it will directly or indirectly contribute to the creation of new jobs (Parysek 2001: 110). Considering endogenous development in the context of social enterprises, financial resources should also be kept in mind, as Beata Bieńkowska writes,

focusing on acquiring external capital (e.g. foreign investors) with more and more attractive conditions, and disregarding the importance of capital in the nearest surrounding might lead to internal and external destruction (Bieńkowska 2004: 154). A social enterprise, because of its mission, may be a way to avoid financial barriers, as entities of the social economy may receive subsidies to start up in accordance with the Act. A social enterprise that focuses its activity on professional and social reintegration is privileged to enjoy tax reliefs (e.g. in the case of a social cooperative – according to the Act, at least 40% of the financial surplus for reintegration purposes, in part not included in the tax deductible expenses, is exempted from tax income). In addition, social economy entities have the right to obtain support from local governments and other partners creating instruments for financing social enterprises. As the specialists from the system point out, only a local government or other local structures linked with a local government are able, due to their competences, to focus the development on solving basic socio-economic problems of the given territorial unit and promote the supremacy of the general social interest over the individual (Parysek 2001: 213).

CONCLUSIONS

Over the years economic paradigms have been shaped in the context of historical events, changes in the political arena as well as economic transformations. In Poland at present, the provisions of the Constitution define the economic system as the social market economy. It should be noted that in the ordoliberal system of the social market economy, there is a natural place for a social enterprise based on cooperation, which, as part of self-help based on trust and a sense of common issue, is handed over by the state (Brdulak, et al. 2017: 107). In addition, the ordoliberal system of the social market model supplemented with a social enterprise is an optimal, natural and complementary social and economic solution to the problems of modern economy (Gardziński 2016: 75).

However, according to the economic practice, the greatest ability to perform social functions is played by social enterprises operating in various legal forms and various industry sectors. This is due to their direct involvement in a social goal, the way of running the business, the management model as well as the impact on the socio-economic environment. Thus, a social enterprise is a tool that can perform social functions in various systems involving the market, economic exchange, and above all, human, social

and relational capital. In addition, we usually talk about a social enterprise in terms of local development and shaping local communities, which also increases its rank in the field of endogenous local and regional development.

As Carlo Borzaga and Alceste Santuarii (2005) quotes, in 1994, in France employment in social entrepreneurship was 4.2%, while in 2002 it increased to 8.7%. Based on the Report prepared at the European Social and Economic Committee's request by CIRIEC (Centre International de Recherches et d'Information sur l'Economie Publique, Sociale et Coopérative – International Centre for Research and Information on Public, Social and Cooperative Economy), the text available on www.ngo.pl. In the UK, in the mid-1990s, social economy entities employed 4% of citizens and in 2002 about 7%. The employment dynamics in Italy are surprising: in 1994 social economy entities employed 1.8% of the population and generated 1.9% of the GDP, while in 2002 the rates were 7.5% of the employed and over 7% of the GDP. In Europe, the highest employment rate in the non-profit sector was in the Netherlands – 10,7% and Ireland – 10.6%. The ranking also includes Finland – 8.5%, Belgium – 8%, and Austria – 7.9%. (Brdulak et al., 2017: 87). Based on the above data, we can conclude that the development of social entrepreneurship in Central and Eastern Europe, i.e. in the countries that have recently joined the EU, including Romania, will not only reduce unemployment while fulfilling social functions but will also implement the Regulation of the European Parliament and of the Council on the European Union Programme for social change and innovation, which sets space and a greater role for social enterprises in the modern development process, recognizing that

The social economy and social entrepreneurship constitute an integral part of Europe's pluralist social market economy, and play an important role in ensuring greater social convergence in Europe (Regulation of the European Parliament and Council (European Parliament 2013).

There are indicators that are worth mentioning and according to which employment in social economy evolved in the years 2003–2010 and increased in most EU countries, e.g. in Belgium, Estonia, Greece, Spain, Slovenia by approx. 62%, in Luxembourg by 122%, in Sweden and Hungary by 140%, in Malta over 600% (The Social Economy in the European Union 2013). According to current estimates resulting from research in Central and Eastern Europe, the share of social enterprises in the economy in the region is currently (2018) approx. 4%, and in Western Europe up to 11% (Brdulak, and Florczak 2016; Brdulak, et al. 2017: 74–95, 2019).

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ECONOMIC TRANSFORMATION THROUGH SOCIAL MARKET ECONOMY AND SOCIAL ENTERPRISE

Abstract

The article refers to the issue of transformation of the 1990s in Central and Eastern Europe in the face of the problem of implication of the assumptions of the social market economy. The first part of the article compares the paradigms of Keynesian economics, neoliberal economics and social market economy. This part discusses the main assumptions of these trends, their differences and similarities as well as the consequences they have brought to economic systems. In the next part the authors present the problem of the Washington Consensus and the changes introduced to the Polish economy. The discussed content aims to indicate the difficulty of implementing classic principles of the social market economy in Poland. The aim of the article is to verify the thesis that social enterprises can be an alternative to the systemic market economy. In the article, social enterprises were defined as entities that are locally rooted, and are part of the process of endogenous local development.

Keywords: social market economy, ordoliberalism, Washington Consensus, economic transformation, social enterprise

TRANSFORMACJA GOSPODARCZA POPRZEZ SPOŁECZNĄ GOSPODARKE RYNKOWĄ I PRZEDSIĘBIORSTWO SPOŁECZNE

Streszczenie

Artykuł odnosi się do zagadnienia transformacji lat 90. w Europie Środkowo-Wschodniej w zestawieniu z problemem implikacji założeń społecznej gospodarki rynkowej. Pierwsza część artykułu porównuje ze sobą paradygmaty ekonomii keynesowskiej, ekonomii neoliberalnej oraz społecznej gospodarki rynkowej. W artykule zostały omówione główne założenia tych nurtów, ich różnice i podobieństwa, oraz konsekwencje, jakie wniosły do systemów gospodarczych. W kolejnej części autorzy przedstawiają problem konsensusu waszyngtońskiego i zmian, jakie wprowadził do polskiej gospodarki. Omawiane treści zmierzają do wskazania na trudności wdrożenia klasycznych

zasad społecznej gospodarki rynkowej na gruncie polskim. Celem artykułu jest weryfikacja tezy, że przedsiębiorstwa społeczne mogą być alternatywą dla systemowej gospodarki rynkowej. Przedsiębiorstwa społeczne w artykule zostały określone jako podmioty lokalnie zakorzenione i wpisujące się w proces endogenicznego rozwoju lokalnego.

Słowa kluczowe: transformacja ekonomiczna, Konsensus Waszyngtoński, społeczna gospodarka rynkowa, ordoliberalizm, przedsiębiorstwo społeczne

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