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## ECONOMIC GROWTH AND DEVELOPMENT: WHO CARES?

UDC 330.8

**J. McNeill**

In this article the author, an experienced, anthropologist who worked in Central and Eastern Europe, has studied questions of greed and need as they relate to economic issues. He has used the example of a growing ethical code in anthropology to suggest the need for ongoing development of ethical standards and practices in economics.

*Key words:* anthropology, matters of economics, human fallibility, ethical standards and practices, money influence

## ЕКОНОМІЧНЕ ЗРОСТАННЯ І РОЗВИТОК: КОГО ЦЕ ХВИЛЮЄ?

УДК 330.8

**Дж. Мак Ніл**

Автор цієї статті – антрополог з багаторічним досвідом роботи в Центральній і Східній Європі, розглядає питання жадібності і потреби, тому що вони пов'язані з питаннями економіки. Він використовує приклад етичного кодексу в антропології, щоб указати на необхідність постійного розвитку етичних стандартів і практик у галузі економіки.

*Ключові слова:* антропологія, питання економіки, схильність людини до помилок, етичні норми й практики, вплив грошей.

ЭКОНОМИЧЕСКИЙ РОСТ И РАЗВИТИЕ: КОГО ЭТО ВОЛНУЕТ?

УДК 330.8

Дж. Мак Нил

Автор этой статьи – антрополог с многолетним опытом работы в Центральной и Восточной Европе, рассматривает вопросы алчности и потребности, так как они связаны с вопросами экономики. Он использует пример этического кодекса в антропологии, чтобы указать на необходимость постоянного развития этических стандартов и практик в области экономики.

*Ключевые слова:* антропология, вопросы экономики, подверженность человека ошибкам, этические нормы и практики, влияние денег.

We have all heard or read reports of economic activity that are heavy with numbers and comparisons. Some of them even provide glowing reports of typical increases in material benefits being enjoyed. But these reports tend to be faceless, in spite of the news about average citizens X, Y, and Z. They do not tell us what is happening to real people, how the economic changes that are being reported affect the lives of actual human beings in their daily lives.

For me as an anthropologist, it is the lives of real individuals that are of central importance. For this reason I appreciate the distinction sometimes made between economic growth and economic development. Growth has been described as measureable quantitatively – for example more money, more production, a larger overall economy. Development, on the other hand, is qualitative, seen in such things as a better quality of life, development of human potential, and provision or maintenance of a sustainable and enjoyable environment. (Payne and Nassar 2008, 108) [1] Although some people suggest that economic growth will automatically produce development that benefits people, my experience suggests that is not necessarily the case.

Before proceeding with the discussion I need to provide some context. First of all, I am not an economist. In fact, my highest accomplishment in economics, to live within my means and debt free, would suggest to some people that I am from the economic Stone Age. My professional experience, however, has allowed me to observe economic and developmental activity in a rich variety of contexts. It is on the basis of this experience, and the observations it made possible, that I write.

My experiences have mostly been in Central and Eastern Europe, with a large part of that being in what I sometimes call the Former Soviet Union (abbreviated FSU). Being aware of local sensibilities, I trust that the use of this abbreviation will not be offensive to anyone reading this article. In the 1980s I began working in Central Europe and the present-day FSU as an educator, providing leadership training and other classes. By 1990 it became obvious that the system in the FSU was breaking down, and that, as a consequence, the groups I worked with were often too hungry to listen well. That led me to organize

shipments of food (and also medicine through a doctor friend and the hospital she worked with) in tandem with my teaching trips. As I was living in West Germany at the time, it was relatively easy to gather donations of materials for shipment to the places where I was teaching, and to deliver them myself in a small truck. The food and medicine delivery part of my work was pure humanitarianism in both its better and worse senses, but because it was associated with leadership training and educational betterment, it did have a development dimension as well. In doing this humanitarian work I encountered many of the logistic problems associated with it, and found creative ways to solve them. That is another story.

Some of you may already be asking how this relates to economic growth and development. The definition of development as having a dimension of care for the quality of life of real people is the point of connection. Humanitarian or relief work, such as I briefly described above, has as one of its goals to decrease people's suffering and to improve their quality of life. At this point humanitarian work and development work share a very important central element, care for people. Unfortunately humanitarian work often cannot, or does not, contribute to any significant development, leading instead to a kind of dependence on, or addiction to, ongoing humanitarian help. A better approach to humanitarian work provides some input toward development and sustainability, thus increasing its overlap with economic development as a whole.

Crossing borders in Central Europe and the FSU with shipments of food and medicine exposed me to another form of economic activity: profiteering from the suffering of others. As time passed after 1990, various border officials in the region became increasingly greedy and adept at extracting bribes to allow the passage of humanitarian goods. This reached such proportions that by 1992 I had to give up transporting materials from Germany to the FSU. On my last trip I barely escaped arrest and imprisonment because I had not bribed the right people. At the time I had made a decision on principle not to use bribes. Were I to do the same work today I might reconsider the question of bribes, perhaps treating them as a necessary cost of doing business.

Experiences like the ones I described left me wondering about the role of greed in the realms of economic growth and development. Clearly fear and greed are two basic human motivations, and they do affect our economic activity as well. Just as border guards in Central Europe, motivated by greed, and perhaps also by need, found ways to profit from the humanitarian compassion that produced loaded trucks which rolled through their booths, humanitarian organizations and development projects can also be infiltrated by greed. When the chance for gain is high, greed can motivate; when the person "on the take" is likely to be caught and punished or shamed, fear may dominate. Excessive profit on the suffering of others is widespread. Cochrane describes some United Nations agency workers as "festival elephants" who supposedly serve the poor but actually live like kings. (Cochrane 2009, 16, 17) [2] Similar examples can be multiplied in a variety of contexts. Nor does religious conviction necessarily keep greed at bay. The controversy reported by Smith and Leonard includes a mix of Protestant religion, exorbitantly high salaries on the one hand, and at the other end of the social and economic scale, loss of income and livelihood. (Smith and Leonard, 2009) [3] The story they report raises the question of rapidly increasing and perhaps excessive compensation for CEOs, in this case in a humanitarian organization. But the question of executive "compensation" is not limited to a single type of organization. In fact, it has been in the news for a wide spectrum of organizations of all types.

The public perception is that executive compensation has greatly increased at a time when the pay for average workers in the same organizations has been almost stagnant or even diminished. Polly Curtis wrote an article in which she assumed the truth of a recent drastic increase in executive pay, and instead of questioning its reality moved on to ask about its cause. She described the British trend over the past 30 years that had produced an "earning gap between the very richest and the rest of society wider than at any point since Queen Victoria." (2011) Rasmus [4], writing in 2004 and from the perspective of labor union participation in the USA, described a world in which the previous 40 years had produced almost no increase in an American worker's pay but a 20-fold increase in the average pay of CEOs (2004) Gabaix and Landier [5] suggested that the increased size of the firms being managed, plus the perceived higher talent needed to work in these more complex times and companies, account for a significant part of this increase. (2008, *passim*) But this argument, in spite of the valid elements it includes, does not deal with the relative difference in pay between workers and CEOs. Rasmus [4] notes that in the USA, while workers have become significantly more efficient in their work since the 1990s, pay on the average has not reflected that improvement. In short, workers are not being adequately rewarded for real increases in efficiency, while CEOs are being hugely compensated for superior skills that may be more perceived than real.

Commentators on recent economic changes and the pay of CEOs often mention a cultural change which they say occurred in the 1980s: one that produced, for example, tax relief for top earners, and encouraged entrepreneurship. (Curtis, 2011) [6] None of these writers, however, mention a recent global development that may have significantly influenced the economic changes that followed. In the same decade of the 1980s we saw the decline and eventually the collapse of the Soviet Union, which was, in spite of its faults, the world's greatest icon. I use the word icon deliberately. The Soviet Union symbolized something that many people in other parts of the world admired and aspired to as more humane than the economic and social systems they knew in their home countries. Even in the 1980s the Soviet Union was still feared in the West, and, in spite of its inner inconsistencies, was taken seriously as an adversary of, and alternative to, Western capitalism. Representing an economic alternative to capitalism. Clearly Soviet economics were not all that their ideals suggested, but the system did represent, on the world stage, competition to capitalism. Just as business competition can contribute to price control, political competition may keep politicians from indulging their most extreme visions, and from making the most radical decisions that their ideology suggests. In the case of capitalism in the West, the presence of the Soviet alternative may have kept Western business and government leaders from indulging their most selfish dreams at the expense of workers, workers who might vote with their feet by moving toward more socialist political options along the Soviet model. The collapse of the Soviet Union removed a competitor for the capitalist system, and simultaneously publicly discredited, at least in many minds, the socialist ideas that the Soviet icon represented. As a result a serious rival to capitalism was removed.

If we accept that greed can be a significant motivation in economic matters, it follows that it could be helpful to have some counterbalancing forces to prevent greed from becoming dominant. I have written that perhaps the ideas of the Soviet system (what I have called the Soviet icon) provided one such check against unbridled greed in Western capitalism. But whether or not the reader accepts my Soviet icon notion – and I agree that it may be a bit unusual – we still, I suggest, need to have balancing forces at work to counter the powerful greed motivation that is often attached to matters involving money. In Christian teaching the statement from 1 Tim. 6:10 "the love of money is a root of all kinds of evil" is well known. Although it has been variously interpreted, it generally is not thought to mean that money and the making money is wrong. It is usually seen as a warning against excessive attachment to money and material goods, i.e. against coveting and greed. The need for such balancing forces suggests that human beings are subject to various motivating forces, and not always concerned about the good of others. This brings our discussion to the topic of anthropology proper: what is humankind?

Without getting into a technical discussion of human nature, I note that the idea of human fallibility is widespread in Western thinking. The framers of the US constitution were clearly influenced by this notion. They had lived through a period of economic exploitation at the hands of the more powerful British colonizers, and wanted to prevent something similar from happening again. Thus they devised a governmental system of checks and balances that has been described as "America's most significant contribution to government," despite the fact that it is widely recognized as not always having functioned as well as had initially been hoped. The system is designed to balance each of the three branches of government (executive, legislative, and judiciary) so that they are interdependent, and none of them is capable of dominating either of the other two. (Raphaelides 1981, 40–41) [7] This system also has the potential to provide different, non-political interest groups in society with the means to prevent their being dominated by other groups with different priorities. It is interesting to note that this same country the (USA) has provided many fewer checks and balances for its economic activity. In fact, Morone [8] gives an example of how anti-trust laws, that were initially intended to protect workers and small businesses in their encounters with larger businesses, were turned by big business against labor unions in the 1894 Pullman strike. "In a fragmented system, full of checks and balances, it is difficult to alter the bias of the political status quo." (Morone 1990, 149) [8] The status quo in the USA seems to be to put as little control as possible on business activity, while checking and balancing politics at every turn.

Perhaps it is the inefficiency attendant upon checks and balances that makes them less attractive in the context of economics. Some of the results of these political checks and balances in the USA are, according to Morone, incoherent government organization and a fragmented state characterized by the pursuit of narrow self-interests. (Morone 1990, 9, 112) [8] This does not sound like the kind of environment needed for efficient economic activity.

The fact that economic activity in the USA is in need of some kind of "gatekeeping" has become obvious through several recent waves of business scandals in that country. Writing about 10 years ago Bert Ely described the enormous and ongoing cost of the 1980s American savings and loan scandal. He saw lack of competent government oversight as a major contributing factor, with criminal activity playing a significant but relatively minor role. (Ely n.d., passim) [9] The accounting scandals of 2002 in the USA were described as an "avalanche" so large that "it's getting hard to keep track of them all." There were so many of them, that when Penelope Patsuris [10] made a list, she had to limit herself to the major ones, since "chronicling every corporate transgression would be impractical." (2002) In his 2005 analysis of corporate scandals in the USA, comparing them to similar events in Europe, Coffee

noted rapid growth of stock options in the compensation package for American business executives. Having surveyed the relevant research he concluded that "there is a 'dark side' to option-based compensation for senior executives: absent special controls are absent, more options mean more fraud." This involves a coincidence of the selfish interests of company executives, who can cash in their options when share price is maximized, and minority share holders who desire a quick return on their investment. Coffee goes on to describe the attempt, with the Sarbanes-Oxley act of 2002, to deal with this "gatekeeper failure" (Coffee 2005, 8–11) [11] But, as the subsequent 2008 financial crisis demonstrates, the act, whatever good it has done, has not provided sufficient oversight to eliminate fraud and greed from the ranks of business in the USA. As Richburg [12] reports in *The Washington Post*, Canada with its more stringent supervision of banking did not experience the same banking collapse as in the USA. (2008) In the case of European-style corporate structure, where concentrated ownership is more common, a different approach is necessary to defraud the company. "The real conclusion is that different systems of ownership encourage characteristically different styles of fraud." (Coffee, 2005, 15) [11] Europe is not more morally upright than the USA: in both regions there is need for adequate gatekeeping to limit the effects of corporate greed.

When, earlier in this article, I mentioned my experiences crossing Central European and FSU borders with humanitarian goods, I hinted at the tension between greed and need. How much did the bribe-takers in their border uniforms act out of greed, and how much out of need? It is clear that people will do desperate things to provide for themselves and those who are dependent on them. Powerful elites, aware of basic human needs, have often attempted to assure a reliable supply of basics in order to keep their subject populations peaceful. But when is enough enough? This is very hard for each of us to answer on a personal basis, and impossible to prescribe for others, unless we use some kind of force to do so. It is, however, a question that takes us, gradually but surely, from the zone of basic provision of needs to the domain of greed.

One of the ways that humans have learned to deal with this problem area is through cooperation. If I am willing to share what I have with others, there is less likelihood that we will end up fighting over what I have. In order for a society to be a sharing one we need to be attentive to and cooperate with one another. While Marxism tried to enshrine this cooperation as a fundamental ideal and practice of society, capitalism also acknowledges its importance by elevating it in the form of benevolence or charity. Both recognize its importance.

In the field of anthropology, which is my specialty, we have experienced an interesting, century-long, moral struggle. While I hope, and am reasonably sure, that similar processes have been at work among economists, I have not experienced them first-hand and am,

therefore, not competent to comment on them. What I do want to do is briefly describe the process that anthropology has gone through in the hope that it might shed some useful light on the topic of ethics as it relates to economics and development.

Anthropology and economics could be compared to toolboxes, with useful instruments and outcomes that can be broadly applied, sometimes in other disciplines and by non-professionals. Initially the fruit of anthropological research, i.e. cultural insight and detailed understanding, was often used by colonial powers to further their own agenda and exploit local populations. More recently, the fruits of anthropological study have, for example, been used by the US military to enhance their operations in such places as Iraq and Afghanistan. The anthropological profession as a whole has come to recognize, in such situations and others like them, that there is a great potential for abuse of insight and research outcomes to the detriment of relatively powerless people. For more than the past 50 years the profession has taken considerable pains to find ways to prevent abusive application of the results of its work. The fact that the abuses mentioned above are separated by more than a century makes clear that the struggle on the topic is an ongoing process, one that is far from complete, and will never see a definitive end. But it is a struggle that must never be abandoned.

In wrestling with the issue of use and misuse of its work, anthropology has continued to hone its ethical statements and sharpen its focus. In addition to obvious issues about full disclosure and confidentiality in research, American anthropologists have decided that "the primary responsibility of researchers is to the people with whom they work and whose lives and cultures they study." This is emphasized in the assertion that whatever other research responsibilities they may have are "always secondary to their responsibility to the study population." (Angrosino 2010, 71) [13] This strong stance in favor of the populations being studied represents a clear decision to try to prevent these populations from being abused as a result of research done in their midst. Knowledge is power, and professional anthropologists want to be sure that the power that is produced through their research does not come back to bite the very people in whose midst it originated.

It could be argued, with some justification, that the stakes in economic activity are higher than for anthropology and its often exotic research. After all, money makes the world go round, doesn't it? But who cares about the cultural practices of a small people group in the mountains of Afghanistan? And if they should be wiped out, because someone's army found out their secret vulnerability, well... too bad, but so what! Perhaps only the anthropologists care, and maybe not even they will mourn if they are paid well enough for their research. But if money makes the world go round, money can also derail the train of society on its tidy circuit around the world. I argue that while the immediate stakes in matters of money are probably higher than for

anthropology, so too are the potential dangers. If one were to argue that money matters are too urgent to be constrained by ethical concerns, I would counter that the dangers are too acute not to have such constraints. If enough people become upset past a certain level about their own real or perceived economic disadvantage, the potential for social upheaval is enormous, with incalculable consequences. We need gatekeepers; greed can not be allowed free rein.

All of us, in spite of our generosity and care for others, are also vulnerable to greedy impulses. We have our different ways to deal with these impulses individually, and we need to do so institutionally and socially as well. Living as we do in a tension between modernity and post-modernity, we are caught between the poles of modernity's self-alienation and the fragmentation of the self associated with post-modernity. (Jameson, 1993, 62-92) [8] Both alienation and fragmentation can weaken the personal bonds and social forces that, otherwise, might mitigate our mistreatment of others. Modern and post-modern people, faced with situations where they can be tempted to be greedy and abuse others, be that by physical force or using economics, are culturally weakened in their resistance to such a temptation. Faced with the question, how much is enough, we can easily conclude that we can never have enough. My experience suggests that the offspring of socialism are as vulnerable to this temptation as are the children of capitalism. This makes the need for ethical frameworks that guide our decision-making and limit our worst tendencies, and for gatekeepers to monitor compliance, even more urgent.

It might be easy to hide behind the argument that facts and knowledge in our scientific disciplines are objective, and neutral; in no need of the fuzzy thinking associated with ethics and morale. This is not the case. Facts can be very effective tools, like a scalpel in the hands of a skilled surgeon or the switchblade held in a cruel grip at the throat of a victim. Knowledge is power, and even if we are unaware of the fact, the powerful of the world would like to monopolize knowledge for their personal ends. Whether we like it or not, the moral and ethical implications of our professional study and research face us on all sides.

The ongoing struggle for ethical standards in anthropology illustrates the difficulty we face in elaborating and enforcing ethical standards. Problems, some of which are new every day, generally only become apparent to us through our experience. This obliges us to continually examine our experience with critical eyes and look for areas of abuse and related ethical problems. This will not always be easy, as a headlong rush toward progress and a thoughtful process of reflection are not always compatible. Those in our midst who are capable of critical reflection, rather than being shoved to the fringes, need to be given space and encouragement to work, and listening ears for their ideas and insights. To those who are interested in the epistemology behind my thoughts here I suggest further

reading in critical realism found in Hiebert and Lauden listed in the bibliography. In wrestling with moral issues relating to the disciplines of economics and anthropology we will not find quick and easy answers along clean and precise modernist lines. But the Orwellian alternative of an elitist abuse of science should motivate us to not give up the effort. Our work will always be fuzzy, messy, incomplete. But this does not need to push us to hopelessness or postmodernist despair. Although our grasp of moral issues affecting our professions may be partial, it will grow as we work at it, adapting to changing conditions. We will see, even if partially and incompletely, our science at work helping in the process of caring for people.

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## SYNTHESIZED CAPITAL AND MODERNIZATION OF SOCIETY

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**N. Gavkalova  
M. Barka Zine**

Definition of the category of "modernization" has been given, development of modernization school has been represented. It was found that in social sphere social and demographic aspects of modernization are described by the concept of "social