

# open eyes book 4

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# Foreword

Open Eyes Economy (OEE), an intellectual and implementation movement initiated by the Cracow University of Economics, is thriving thanks to the growing interest in the value economy and the shaping of a relational market economy. More and more circles want to organise OEE-related events – workshops, seminars, domestic and international conferences. We call them collectively Open Eyes Economy on Tour. This year, they will be attended by about four thousand people. This means that the Open Eyes Economy Summit (OEEs) 2019 has been preceded by intensive intellectual and organisational effort. One of its upshots is a series of Open-Eyes publications. In 2019, the following were published:

- *Solidarity in development: Gdańsk – Poland – Europe – World,*
- *Water City Index 2019 – The Ranking of the effectiveness of the largest Polish cities in terms of water resources use,*

- *City – Water – Quality of life*, Open Eyes Economy Discussion Papers 3,
- *A World (Devoid) of work. II Świeradów Seminar*, Open Eyes Economy Discussion Papers 4.

The list of permanent OEE partners is also growing. Currently, apart from the Cracow University of Economics, it includes the City of Cracow, Małopolska Voivodeship's Local Government, Employers.pl, City of Wrocław, the City of Gdańsk, AGH University of Science and Technology in Krakow, and ZAIKS Authors' Association. Thanks to them, in preparation for the next OEEs 2020, two international congresses will be held. The first one, on 29-30 May 2020 in Gdańsk will be devoted to *Solidarity in Development: Gdańsk – Poland – Europe – World*, and the other, on 14-15 October 2020 in Wrocław will be dealing with *City – Water – Quality of Life* (it will be the third edition of this congress).

In conjunction with our partners, we gradually introduce new topics into our debates and implementation efforts. For example, together with the Wielkopolskie Voivodship Local Government we are organising a congress devoted to environmentally friendly energy titled *HydroGen. Clean Energy Technologies*; we are also negotiating with the Mayor of Łódź the organisation of the congress titled *Regeneration of Industrial Cities*. New themes also emerge as a result of reflections ensuing from our debates. As a result, we are currently working on issues such as the right to quality of life and development, the commoning of goods and common goods. It results from the growing belief that the diffusion of a value economy requires the development of concepts and ready-to-implement solutions which will demonstrate how the productivity of proprietary resources can be linked at the micro, meso and macro levels with a view to improving the quality of life of individuals, social groups, and societies. This will provide a strong boost to developmental circularity and actually help the market economy out of the dominant zone of overexploitation and stagnant linearity.

The originators of and participants in the Open Eyes Economy movement by no means intend to impose their own beliefs and views on others; instead, they continue to create favourable conditions and initiate a discourse to guide social interest and imagination towards the most urgent

problems of the modern world and contribute to solving them on any scale possible. This is what the above-mentioned events and publications are intended to encourage and this is what the social and intellectual energies that we generate are expected to achieve.

*Jerzy Hausner*

*Chairman of the Programme Board  
Open Eyes Economy Summit*

## **PART I – FIRM-IDEA**

# Andrzej Sławiński, Jerzy Hausner

## Firm-Idea: A concept worth considering

*Jim Hacker: "I see, it's just profits, isn't it, Sir Desmond?"*

*Sir Desmond Glazebrook: "Not just profits, it's profits."*

*Jim Hacker: "Don't you think of anything but money?"*

*Sir Desmond: "No, why?"*

Jonathan Lynn, Antony Jay 1981<sup>1</sup>

*People do talk about the stock market, which has gone a lot. But the stock market is in part a symptom of what I worry about: That if you redistribute income from workers to capital, the stock market is going to go up. So, to some it's measure of great economic success; but for some of us, it's a measure of just opposite.*

Angus Deaton 2018<sup>2</sup>

## Introduction

Our short essay promotes the concept of Firms-Ideas (FIS), which would be fully capable of functioning in a competitive market economy, but

1 Quote from the episode "The Devil You Know" of the BBC sitcom *Yes Minister* by Jonathan Lynn and Anthony Jay (first aired 23 March 1981).

2 *Project Syndicate* (2018) *Trumponomics and the US Midterm Elections*, 12 November, [www.project-syndicate.org](http://www.project-syndicate.org)



would not see profit as an end in itself. Instead, they would try to facilitate achieving specific macroeconomic or social goals. We believe that FIS could become an element of an overall economic reform, which should be implemented when the social and environmental challenges are so obviously mounting.

With the increasing uberisation of labour markets and the general erosion of social capital (Temin 2018), what people really need is less uncertainty and more self-respect in their lives rather than more addictive computer games. Especially the younger generation should have the opportunity to live purposeful lives and see that the degradation of the natural environment has been stopped.

By now, it has become clear that economic policy responses to the global financial crisis of 2007–2008 and the Great Recession it caused have not succeeded in recreating properly regulated free market economies e.g. through reemploying effective anti-trust policies. The creation of economies which uphold *inclusive prosperity* is only being discussed (Naidu, Rodrik, Zucman 2019; Stiglitz 2016).

Our short essay is a modest tribute to J. Bogle, who so sadly passed away last year. During all his professional life he adhered to the idea that an entrepreneur should be a steward of society, not a zealous follower of the bonus culture based on fee extraction and disregard of long-term economic and social risks. For us, Vanguard, the firm created by John Bogle, is a model socially-oriented Firm-Idea, which has been promoted during the successive Open Eyes Economy summits (Hausner, Zmysłony 2015).

J. Bogle achieved a lot. He gave millions of Americans an opportunity to invest their savings in low cost index funds as advised by a host of Nobel Prize winners – H. Markowitz, P. Samuelson, E. Fama, and W. Sharpe. Likewise, W. Buffet – a living legend among investors – has confirmed time and again that this is the best way of investing for a vast majority of people.<sup>3</sup> J. Bogle's success is perhaps best illustrated by the fact that

now three largest investment funds – Black Rock, Vanguard and State Street – offer mainly passively managed index funds (Credit Suisse 2017), which saves millions of Americans from paying excessive fees demanded by actively managed funds.

The message of our paper is that income redistribution (e.g. through progressive taxation and raising minimum wages) would not suffice to narrow the political space now exploited by populist, undemocratic parties. The goal should be to re-establish an economic system where corporate profits would again measure actual economic success rather than constitute a symptom of excellence in extracting massive rents and fees. Economic systems should be replenished with values instead of idolising successful value extraction.

The two quotes above summarise the evolution in thinking about corporate incentive systems. The first one comes from the famous BBC sitcom *Yes Minister*, specifically, from a conversation between the Minister of the Crown (Jim Hacker) and a banker (Sir Desmond Glazebrook). The dialogue illustrates in an amusing way the message encapsulated in the title of M. Friedman's famous article "The Social Responsibility of Business Is to Increase Its Profits" (1970). The other one offers A. Deaton's view that the outcome of having corporate CEOs hardwired to think mainly about earnings per share (EPS) is actually not as amusing as in the BBC sitcom.

Our essay is organised as follows. We begin with a brief overview of the changes in overall economic policy, which have taken place since the 1980s and show how the IT revolution and the doctrine of maximising shareholder value reshaped corporate governance. We conclude with highlighting that the emergence of the platform capitalism has created an environment potentially conducive to the emergence of firms-ideas.

<sup>3</sup> Last year, only one hedge fund manager had the courage to bet half a million dollars against Warren Buffet that his fund would achieve a higher rate of return than an index fund. Needless to say, the hedge fund manager lost the bet (CNN 2018).

## The introduction of neoliberal reforms

*If a small class of owners of wealth comes to collect a growing share of the national income, it is likely to dominate the society in other ways as well.*

Robert M. Solow 2014

*The low growth performance of the Eurozone countries cannot be easily explained by the existence of product market and labour market rigidities.*

Paul De Grauwe 2006

In the 1950s and the 1960s, Keynesian economic policy ushered a high and stable economic growth without creating income inequalities. This was the period when developed economies were still dominated by traditional manufacturing companies offering an abundance of well paid jobs and career prospects (Lazonick 2017) with trade unions enjoying a strong bargaining power. In this situation, wages increased along with the rate of productivity growth. Under the circumstances, workers (both white and blue collars) constituted a homogenous middle class.

The factor which contributed to the neoliberal supply-side revolution was the stagflation of the 1970s, which undermined the Keynesian effective demand management approach. An important cause of the neoliberal revolution was the increasing scope of government intervention, which might have threatened the functioning of market economies. Examples included the British Labour Party and French Socialist Party plans to nationalise large parts of manufacturing sectors in both countries (Glyn 2006).

The neoliberal supply-side revolution refocused economic policy from demand management approach towards structural reforms aiming at tax cuts and a general liberalisation of economies. The aim was to unleash the dynamics of the market mechanism. Initially, the quest for deregulation did bring spectacular positive effects as was the case e.g. with air transport.

Yet despite the high expectations, the actual outcomes of the neoliberal revolution were much more modest.<sup>4</sup>

One of the reasons was that deregulation went hand in hand with abandoning antitrust policies. The outcome was an oligopolisation of Western economies, which paved the way for the emergence of crony capitalism with large companies gaining excessive influence on the regulations that affected them (Tepper 2019). The Internet emerged due to the break-ups of the IBM and IT&T (Zysman et al. 2013), but now the tech giants themselves represent an oligopolised structure.

The abandonment of anti-trust policy was especially unfortunate in the banking system. Large financial conglomerates turned out to be not only too-big-to-fail but also too-influential-to-be-properly-regulated, i.e. in ways that would prevent them from excessive risk taking. The outcome was the global financial crisis of 2007–2008, which adversely affected growth potential in numerous countries.

The global banking crisis also resulted from the domination of the maximising shareholders value (MSV) doctrine. Bankers were tempted to take very risky decisions. For example, they were buying illiquid CDO bonds, the prices of which precipitously fell and triggered the crisis. In the case of non-financial corporations, the dominance of the MSV doctrine led to lower investment growth, wages and expenditures on R&D (Temin 2018; Gutiérrez, Phillipon 2017). In fact, oligopolisation facilitated the dominance of the MSV doctrine. Managers did not have to invest in order to stand competition, so they could focus on returning as much as possible capital to shareholders in the form of dividends and stock buybacks (Santos 2015).

The most cherished neoliberal supply-side reform was the liberalisation of labour markets, which was expected to deliver flexibility and high employment. This strong belief had relatively poor empirical support (De Grauwe 2005). In Japan, where the downward flexibility of even nominal wages actually occurred, it was not the decisive factor behind

4 One of the places where neoliberal supply-side reforms did stimulate the potential of a number of many economies was Central and Eastern Europe, where liberalization and stabilisation programmes facilitated successful real convergence.

the low unemployment rate (Kuroda, Yamamoto 2013).<sup>5</sup> In general, the liberalisation of labour markets exposed workers to increasing employment uncertainty, which ultimately brought about social discontent and the recent wave of populism (Katz, Krueger 2018).

The way labour markets were liberalised left workers with the sense of being abandoned by the political class. Better education alone is not sufficient to cure the situation where uberisation and other forms of employment ominously resemble the preindustrial putting-out system (Acquier 2018).

The liberalisation of labour markets dramatically altered the balance of power between capital and labour, which led to a persistent excess of savings in the corporate sector of many economies. This continued to affect economic growth in ways encapsulated by J. M. Keynes' term *paradox of thrift* (Keynes 1936). One of its results is a situation in which the excess savings are invested in financial markets, where they provide funding e.g. for shadow banks.<sup>6</sup> The problem of excess savings will be very difficult to solve since it also results from several structural factors, such as the aging of societies and the nature of the recent technological progress being far less capital-intensive than in the past (Gruber, Kamin 2015; Chen et al. 2017).

The concept which started to haunt the discussions on the neoliberal revolution was financialisation. In social and macroeconomic terms, it meant implanting market mechanisms in those spheres of social life in which it had not been extensively used beforehand, such as health care, education, and the pension system (Storm 2018; Davis et al. 1994).

The general philosophy of financialisation can be aptly exemplified by securitisation with a view to converting future income flows into securities

in order to earn fees on every stage of the process and then on trading these securities on secondary markets (Stiglitz 2003). Unfettered securitisation in the housing markets led to a serious misallocation of resources. For example, in the Eurozone, capital flowing from the creditor to the debtor countries was invested mainly in property markets instead of funding the development of high-technology industries (Storm, Naastepad 2016).

In microeconomic terms, financialisation meant that CEO's in certain financial markets, just as traders in financial institutions, searched for opportunities to maximise current EPS in order to increase their stock-based compensation. What turned CEOs in the United States and other developed countries into ardent stock buyers was a steep reduction in marginal income taxes (Wren-Lewis 2019; Piketty, Saez, Stantcheva 2011).

## The perils of stock-based compensation

*Compensation systems create a climate of low integrity and value destruction.*

Michael C. Jensen 2005

*Until there is a change in the way managements are paid, those companies which operate under the current bonus system will continue to prefer long-term risk and buy shares in preference to spending money on new equipment.*

Andrew Smithers 2013

*On February 19, 2015, Walmart announced plan to increase the minimum wage. By the end of the day Walmart share price had dropped over 3%, shaving \$8 billion from its market capitalization. Evidently the capital markets do not recognize any value in paying a living wage.*

Gerald Davis 2016

In the 1970s, CEOs of American corporations came under increased criticism for 'empire building' and wasting capital due to 'excessive' investment and overstaffing, which allegedly occurred at the shareholders' cost. The 1980s saw changes aimed at aligning the interests

5 A charming summary of the neoliberal revolution outcomes was provided by the Citicorp analysis "Plutonomy: Buying Luxury, Explaining Global Imbalances." In fact, it was a humorous piece cunningly dressed up as research for customers (Kapur et al. 2005).

6 Shadow banks (i.e. those operating beyond the reach of supervisors) are using the magic wand of leverage for increasing the rates of return they offer their customers, but at the cost of increasing the systemic risk.

of shareholders and corporate CEOs. Their main tools were leveraged buyouts, which became possible due to the rapid development of financial markets and their capacity to mobilise funding for that purpose.

The main tool aligning the interests of the shareholders with those of corporate CEOs was the MSV doctrine. Since then, the managerial options and other stock-related income have become the main source of CEOs' incomes in large public companies. Between the late 1970s and 1990s, the US CEO-to-worker compensation ratio grew from 30 to over 200, which motivated CEOs to return to shareholders as much as possible capital through dividend payments and stock buybacks (Lazonick 2016).

An excuse for promoting the MSV doctrine and the EPS as the best measure of CEOs' performance was the textbook version of the market efficiency hypothesis (MEH) according to which stock prices accurately reflect the future flows of dividends. Despite the fact that in the long run share prices do not reflect the future streams of dividends (Shiller 1981) and markets are in fact efficient in only in setting the relative prices of stocks (Jung, Shiller 2005), the MSV became the basis for the corporate incentive system.

Among the leading proponents of the MSV doctrine were M.C. Jensen and W.H. Meckling (1987).<sup>7</sup> Initially, Jensen praised the new corporate governance system for bringing to an end the alleged chronic overinvestment and overstaffing in large companies (Jensen, Chew 1995), but it did not take long before he became concerned that the stock-based incentive system was pushing managers toward taking wrong decisions, especially when their companies' stocks became overpriced (Fuller Jensen 2002; Jensen 2005). Even in such circumstances the logic of the new incentive system made CEOs to continue taking every effort to push up their company share prices. Jensen compared the initial success of a company whose stocks became overpriced, to heroine, which tempted CEOs to take measures ultimately leading to their company's value destruction.

A spectacular case in point was Enron, which went bankrupt after its initial stratospheric success. The practices adopted by the company in

order to further inflate its already overpriced shares included misleading book-keeping (such as using MTM accounting for recording transactions made in illiquid markets), hiding debts by entering prepaid swaps with off-balance units (Special Purpose Entities), and embarking on overhyped ventures like expanding into areas where Enron had no sufficient prior expertise or track record (Wilmarth 2007; Admati 2017).

After the bust of the dotcom bubble, the Sarbanes-Oxley Act narrowed the space for corporate misbehaviour, but the MSV doctrine still dominates corporate governance not only in the Anglo-Saxon countries but also in continental Europe. For instance, in France e.g. the share of stock-based compensation CEOs' in large companies is now around 65%, i.e. almost as high as in the UK (Kotnik et al. 2018).

For a fairly long time excess savings and low corporate investment were perceived as a cyclical occurrence after the painful 2007–2008 financial crisis and the Great Recession in its wake. Over time, economists began to realise that it is a systemic phenomenon resulting from the dominance of the MSV doctrine (Smithers 2013; Lazonick 2017).

## Potential opportunities of the platform economy

*It is possible to incorporate online, raise funds, hire programmers and other professionals, locate manufacturers and distributors, and almost any other task.*

Gerald F. Davis 2015

*Despite its fast computers and credit derivatives, the current financial system does not seem better at transferring fund from savers to borrowers than the financial system of 1910. The unit cost of intermediation has increased from 1.3% to 2.3% over past 130 years.*

Thomas Philippon 2016

It is generally assumed that it was the IT revolution that facilitated today's fragmentation of production (through outsourcing and off-shoring) as it made possible to coordinate production across numerous

<sup>7</sup> The term *maximising shareholders value* was coined by A. Rappaport (1986).



different locations. However, this process was also encouraged by the financialisation of corporate governance, since shedding the non-core production stages helped to maximise EPS.

The fragmentation of production and the emergence of GVCs had considerable positive consequences for the developing countries due to enabling their rapid industrialisation and the spectacular rise of their middle class, as depicted by B. Milanovic's well-known elephant graph (Milanovic 2012). However, the emergence of GVCs accelerated the process of diminishing job creation in manufacturing in the developed economies caused by the automation of production (Levinson 2016).

The fragmentation and automation of production brought about the demise of large public corporations in traditional industries which provided good jobs and vertical careers (Baily, Bosworth 2014). The social costs of this process were especially high in the US, where large public corporations offered their employees welfare services (health care, pensions) provided in Europe by the state (Davis 2016).

Platform capitalism facilitated the nightmarish uberisation of labour markets, but it also brought about a new situation in which firms do not have to be created from scratch. All the necessary building blocks can be bought, hired or leased from numerous different platforms to be assembled like Lego blocks into a necessary enterprise. Moreover, these new technologies, based on intangibles, are not capital intensive, which substantially reduces funding as a barrier to establishing a firm (Davies 2016). This offers the potential for establishing swiftly (in technical terms) FIS, which could serve beneficial macroeconomic and social goals.

Where can we see the niches for such firms? What might be the source of their edge which would allow them to operate successfully in a competitive market economy?

Let us take Vanguard as an example. The source of its competitive edge was that it was owned by its customers (not shareholders). This eliminated the usual conflict of interest between maximising payments to shareholders and cutting costs (fees) for customers. Thus, the very size of Vanguard (the second largest investment fund worldwide) shows that FIS could potentially find their niches wherever intermediaries impose excessive fees.

The mutual funds industry is a telling example of an industry where the managers' conflict of interest was so strong that it dwarfed the influence of competition. From the mid-1970s until the early 2000s, the average fees collected by US actively managed mutual funds increased, despite the sharp rise in the number of these institutions (Malkiel 2013). Only in the mid-2000s did the fees collected by the actively managed funds start to slowly decrease as a result of competitive pressure on the part of index funds (Asness 2016).

The Vanguard example also shows that FIS may succeed in areas where neither private nor public sector gate-keepers provide people with impartial advice. In this case, the advice refers to honest information on the range of choices available to those wishing to invest their retirement savings.<sup>8</sup>

Another example of a sphere where FIS could operate is improving the economy's innovative capacity. The Nordic countries achieved spectacular success in this sphere; however, the crucial source of this success was something unique, i.e. their tradition of institutionalised cooperation between the government, business, and trade unions (Ornston 2013). There are numerous countries which do not have such a tradition or abandoned it during the neoliberal revolution. FIS could serve as a substitute for the deficient institutionalised cooperation. An example could be the Danish GTS institutes which provide the results of academic research to small and medium-sized firms in order to enhance their productivity.

FIS could cooperate more or less closely with the public sector, but should be on its periphery. The reason is that – as shown by D. Breznitz and D. Ornston – innovation agencies may become less effective if their initial success creates makes subject to excessive influence on the part of the government and special interest groups (Breznitz, Ornston 2013). The private or private-public status of the FIS supporting technological innovation might shield them from too much political interference.

8 Since 2008, the British NEST (National Employment Savings Trust) started to provide such impartial guidance to prospective pensioners. Regrettably, Poland still has no index fund industry and the new pension reform will allow financial institutions to charge hefty fees for the useless (in the long term) active management of peoples' retirement savings.

The experience of the Israeli Chief Scientist Office shows how much can be achieved in the field of promoting innovation with relatively small funds, however, these experiences (but not only) have shown that growing political interference may be a factor reducing the effectiveness of such activities (Breznitz, Ornston 2013). The potential demand for FIS also stems from the recent transformation from the manufacturing economy into the service one. The previous transition, from agriculture to manufacturing, was very long and painful (Stiglitz 2016), thus, there is room for FIS which may help reduce the burden of the recent transformation towards the service economy.

G. Davis suggests that platform capitalism offers an opportunity to create local and community-based firms oriented towards social and environmental goals (Davis 2016). Yet Vanguard's success in becoming the second largest institutional investor in the world, with USD 6 trillion in assets under its management, shows that FIS can operate on a large scale as long as the regulatory and tax systems start to prefer social goals to e.g. trading on financial markets.

The factor which may potentially facilitate the emergence of FIS is the growing awareness that economic life should be replenished with values. The majority of millennials believe that the purpose of business should be to improve society (Deloitte 2018). Nowadays, not only Vanguard but also the largest institutional investor, Black Rock, promotes the view that firms should also pursue social and environmental goals (Fink 2019). Recently, an increasing number of politicians call for limiting the negative consequences of the MSV doctrine (Warren 2018).

The growing awareness of corporate social responsibilities is also illustrated by the emergence of *benefit corporations* in the United States and *community interest companies* in the United Kingdom (Cho 2017). While both kinds of companies pursue certain specific social or environmental goals only on top of their profit motives, their increasing number adds to the wind of change.

## Concluding remarks

*The mutual fund industry sits at the centre of a massive market failure. The asymmetry between sophisticated institutional providers of investment management services and unsophisticated individual consumers results in monumental transfer of wealth from individual to institution.*

David Swensen 2005

*It is now crystal clear the failure of our gate-keepers – those auditors, regulators legislators, and board of directors who forgot to whom they owed their loyalty.*

John Bogle 2010

*To manage its opponent Behemoth (the market) called on Leviathan (the state) for protection, not understanding, that a right-wing populist Leviathan eats Behemoth in the end.*

Angus Deaton 2019

The quote from D. Swensen's book is fifteen years old, but it highlights one of the main reasons why nowadays we witness such a strong wave of populism. Among the important reasons is the *monumental*, using Swensen's term, transfer of wealth from the *unsophisticated* to the *sophisticated*.<sup>9</sup> Nevertheless, the economy does not have to be designed along business schools' philosophy, where the smart prey on the unsophisticated. This is not the kind of meritocracy admired by people.

The concept of FIS promoted during the Open Eyes Economy Summit is only one element of the institutional changes that would be needed to ensure more socially sustainable economic growth than before, one that would not lead to the erosion of social capital (Akerlof, Shiller 2015). We believe that FIS are needed, but someone may ask who would be willing to manage them. Contrary to appearances, the answer to such a question

9 According to John Bogle's estimation, if someone saves for retirement for 40 years, an average actively managed fund will appropriate over 60% of his/her investment earnings (Bogle 2014).

is not difficult. The textbook Homo oeconomicus as a caricature of human nature has little to do with reality. People are not egotistic creatures fixated on maximising the utility of narrowly-defined consumption. Not all talented individuals dream only of becoming rich themselves. There are highly qualified and motivated people for whom such a career is not an irresistible temptation, which Michael Lewis fittingly described in his hilarious book *Liars' Poker*.

Such people could potentially manage FIS. Nonetheless, it is necessary to create a friendly tax and regulatory environment in order not to condemn them to decades of solitary struggle with big business lobbying augmented by the inaction of public gate-keepers, as was the case with J. Bogle.

The cost of such tax and regulatory incentives for FIS would be much smaller than the usual corporate welfare, and it would create the space for those who want to do something for the common good. Initially, the Silicon Valley wanted to provide people with free access to information and entertainment. This materialised, but the existing set of dominant values and incentives created a situation in which oligopolistic social-media giants build surveillance capitalism, which may lead to an erosion of democracy (Lanier 2018; Zuboff 2015).

The concept of FI is just one component in the overall regulatory change toward building shared prosperity economies. One may worry that undue changes to the existing economic system may usher excessive government intervention. Well, so did F. Hayek in the 1930s. He was concerned that programmes such as the New Deal would ultimately lead to authoritarian regimes. J.M. Keynes, Hayek's friend, argued that precisely such initiatives were necessary to shield Western democracies from sliding into the dreaded regimes. History was to prove Keynes right.

By analogy, a set of changes in the economic systems is necessary today in order to reduce the uncertainty of employment, income inequality, and general erosion of social capital, since all these phenomena have contributed to the recent demand for populist politicians who peddle ersatz security and community in exchange for turning a blind eye to increasing disregard for democratic values. If A. Deaton's warning cited

above is ignored and Behemoth again starts to flirt with the populist Leviathan, the stage will be set for a journey along a slippery slope.

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# Dagmara Maj-Świstak, Michał Rutkowski

## On the changing world of work and social protection

### Will machines take our jobs?

The fear that ‘machines will take our jobs’ has haunted us for more than two hundred years and to some extent continues to do so. However, as history teaches us, it is exaggerated or unjustified because, thanks to technological progress, more jobs have been created than have disappeared in all the episodes of industrialisation and accelerated mechanisation and automation (World Development Report 2019). Although in many countries robots perform routine tasks and may eliminate millions of low-skilled jobs, new technologies bring about new opportunities, laying the ground for new or transformed jobs. As a result, markets are growing, and societies are evolving.

The pace of technological progress may vary both from country to country and within the same country (with some regions being invariably more developed than others). The experience of developed countries points to job polarisation, i.e. expansion of jobs requiring high and low skills coupled with the decline of middle-skill jobs. Employees perform-

ing routine tasks that can be ‘programmed’ are undoubtedly the most vulnerable to change resulting from progress. This applies not only to simple, repetitive physical activities (such as operating welding machines, assembling goods or driving forklifts), which can be easily automated, but also to some office tasks (e.g. payroll processing or selected accounting tasks), which can be algorithmised.

The number of robots operating worldwide has been rapidly growing. By the end of 2019, 1.4 million new industrial robots will have been introduced, bringing the total to 2.6 million. Data shows that the number of robots per employee in 2018 was highest in Germany, South Korea and Singapore. However, it is worth noting that in all these countries, despite the large number of robots, the employment rate has remained high. Robots indeed replace workers, but only to a certain extent. It is estimated that the technological changes which replaced routine work created more than 23 million jobs in Europe between 1999 and 2016, or almost half of the total increase in employment over the same period. The data for European countries suggest that although technology may replace workers in certain occupations, it generally increases demand for labour.

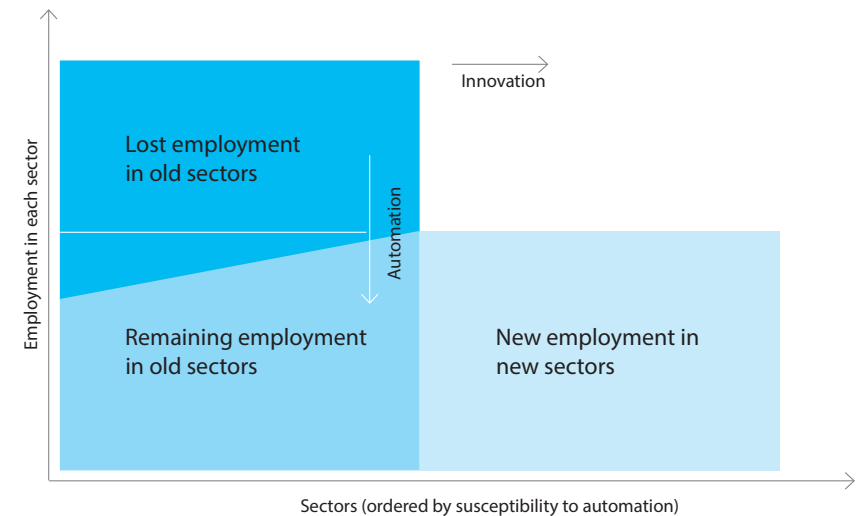
Meanwhile, there is an increasing demand for workers who can perform non-programmable, highly skilled tasks, as does the demand for people capable of performing simple, but non-routine tasks that cannot be easily automated, such as preparing meals or providing long-term care to the elderly. We should also bear in mind demographic changes, which may also affect the nature and dynamics of changes, including, in particular, the ageing populations in East Asia and Eastern Europe, as well as the growing number of young people in sub-Saharan Africa and South Asia.

Globalisation has contributed to the relocation of jobs to developing countries, thereby reducing the overall cost of labours. Automation is more popular where labour costs are high and leads to a reduction in demand for production workers. It is the high labour cost in relation to capital that have forced companies either to automate production or to relocate it to other countries where the costs are lower. As a result, cost reduction is achieved either directly on site (through automation) or indirectly through market competition (relocation of production).

As was noted in the *World Development Report 2019*, the future of labour will be determined by the battle between automation and innovation (see Figure 1). Automation leads to a decline in employment in traditional industries, whereas thanks to innovation, new sectors or tasks keep emerging. The overall future of employment undoubtedly depends on both aspects. It also depends on the labour intensity, qualifications, and skills required by these new sectors. These relationships will, in turn, determine the level of wages.

The question we can ask ourselves at this stage is whether workers who have lost their jobs as a result of automation will have the right qualifications to fill the new jobs created thanks to innovation and how long or how difficult the adjustment process will be. In order to appreciate this, we need to look closer at the processes of structural change in the global economy and the development of Internet platforms.

**Figure 1.** Automation vs. innovation



**Source:** Glaeser 2018.

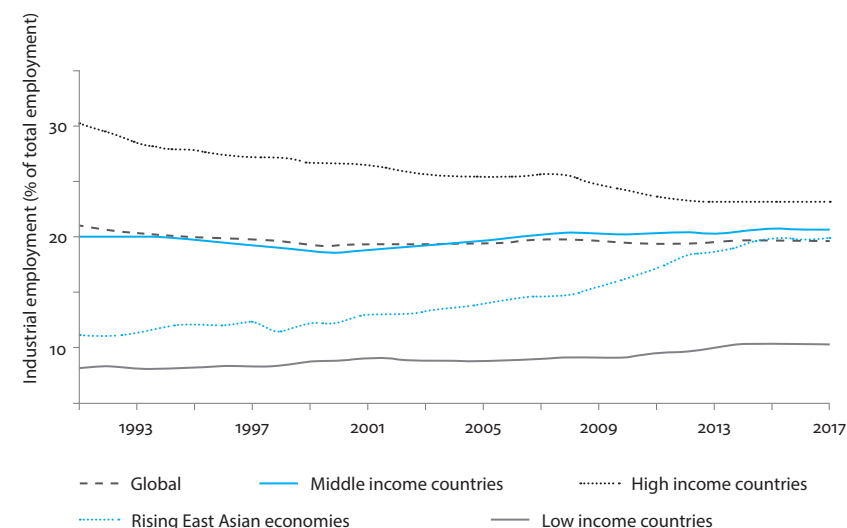
## Structural changes and growth of Internet platforms

Over the past two decades, many high-income economies have seen a considerable decline in industrial employment. Since 1991, the share of employment in this sector, in countries such as Portugal, Singapore and Spain, has fallen by at least 10%. The share of employment in industry, mainly in manufacturing, remained stable in the rest of the world. In low-income countries, the percentage of employment in industry in 1991–2017 remained stable at around 10%. The situation was stable also in middle-income countries and amounted to around 23%. In low-income countries, employment in the industrial sector increased from 16% in 1991 to 19% in 2017, which may have stemmed from the interplay of open trade and rising incomes, which generates more demand for goods, services and technology. Certain developing countries (e.g. Vietnam or Laos) have modernised their human capital by bringing highly qualified young workers into the labour market who, together with new technology, upgrade manufacturing production. As a result, industrial employment in East Asia continues to rise, while in other developing economies it remains stable (see Figure 2).

Thanks to technology, Internet platforms are on the rise, which means that more people can be reached faster than ever before. Individuals and businesses need only a broadband connection to trade goods and services over Internet platforms. This ‘scale without mass’ undoubtedly brings economic opportunity to millions of people. Internet platforms are springing up like mushrooms.

Compared with traditional companies, digital platforms scale up faster and at lower cost. IKEA, the Swedish company founded in 1943, waited almost 30 years before it began expanding within Europe. After more than seven decades, it achieved global annual sales revenue of US\$42 billion. Using digital technology, the Chinese conglomerate Alibaba was

Figure 2. Industrial employment



Source: World Development Report 2019 based on World Development Indicators of the World Bank.

able to reach 1 million users in two years and accumulate more than 9 million online merchants and build up annual sales of \$700 billion in 15 years. Meanwhile, platform-based businesses are on the rise in every country, such as Flipkart in India and Jumia in Nigeria. These trends are illustrated in Figure 3.

Globally, the digital platforms, apart from their obvious benefits for market development, including the labour market, also begin to pose new challenges for governments, especially in the areas of privacy, competition, and taxation.

**Figure 3.** Comparison of growth rates formerly (Ikea, Walmart) and now (Taobao)



**Source:** World Development Report 2019 based on Walmart, Statista.com, Ikea.com, and NetEase.com annual reports.

In today's economy, market opportunities are improving for all participants. Platform firms are creating new opportunities, new sectors of activity and new markets, hence even small businesses may quickly become global. New technologies not only streamline production processes but also change traditional business areas, bring markets closer together and expand global value chains. As a result of these changes, individual components may be manufactured in a variety of places. Industrial revolution, which mechanised agriculture, automated production and increased exports, also led to a massive migration of labour from rural to urban areas. In fact, agricultural mechanisation is the main global change in the labour market in emerging economies. Cities need to create a huge number of new jobs to employ farmers who relocate as a result of the industrialisation of agriculture.

Improvements in communications technology, especially transcontinental communications and lower transportation costs have opened up Western markets towards East Asia. It is worth noting that other

factors have also played a role in the development of these markets, such as tax incentives offered by some countries (e.g., in 2017, the Philippines overtook India in attracting call centre operations mainly due to lower taxes).

Currently, technology enables the creation of business clusters in underdeveloped rural areas. For example, in China, Taobao.com, which is now one of the largest online retail platforms in China, has facilitated the emergence of micro e-tailors operating mainly in rural areas. The number of 'Taobao Villages' increased from just three in 2009 to 2118 in 2017 in 28 provinces. It is worth noting that the huge economic growth recorded in countries such as China, Japan, South Korea and Vietnam is largely the fruit of globalisation enabling export production, which – thanks to low labour cost – has been able to compete with other markets.

Historically, companies used to operate within rather narrow boundaries, whereas today, they operate across very wide areas. Thanks to free trade rules and improved infrastructure, they have been able to reduce the cross-border trade costs, allowing transactions to be made where costs are lower. New technologies have reduced communication and transport costs, making vertical integration largely unnecessary and rendering outsourcing more attractive and popular. As the boundaries of companies expand, corporate employment decreases; this applies to 75% of highly developed countries and 59% of developing countries (1975-2012). Individual countries are trying to remedy this by creating jobs through financing programmes for the development of small and medium-sized enterprises. However, as practice shows, these programmes are rarely effective, as the SME sector does not create stable jobs at a level comparable to large enterprises. A better solution seems to be to reduce the barriers for new enterprises in order to support market competitiveness and entrepreneurship.

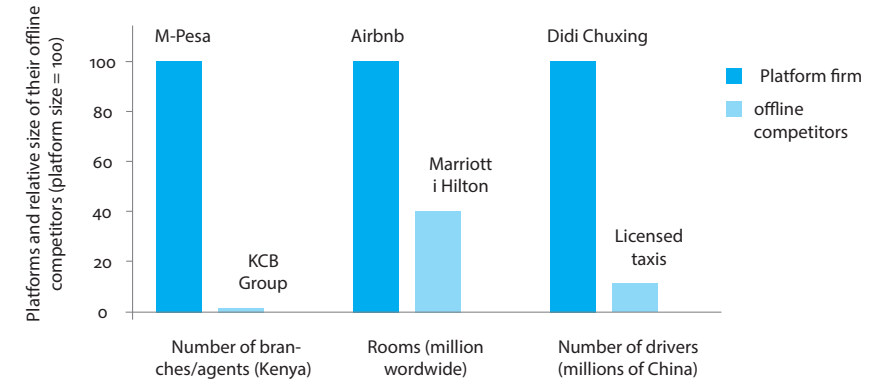
Technological change favours the most productive firms in each sectors, incentivizing the reallocation of resources towards them. Rapid development brings in both benefits and risks, which governments should monitor and, where necessary, intervene. First, digital markets

give companies an opportunity to stifle their competition. As a result, some companies are growing rapidly, while others find it almost impossible to grow. Secondly, multinational enterprises pose a challenge when it comes to taxation issues. Companies deliberately divide the value chain by dispersing the production, distribution and sales of their goods and services in order to redirect profits to countries with lower taxation. More traditional methods of tax evasion through transfer pricing are also easier in the digital economy. Solving this problem requires cooperation at international level. However, there is no doubt that countries can and should also take unilateral steps to protect and broaden their tax bases by pursuing a responsible treaty policy (double taxation agreements), broadening the scope of VAT or creating new taxes dedicated to digital businesses (e.g. the Digital Services Tax), although it is undoubtedly difficult to collect taxes on intangible assets such as user data.

Digital platforms are replacing traditional shopping malls by connecting buyers with multi-brand sellers, increasing their productivity and generating revenue for platform owners. Consumers are increasingly willing to use these services, mainly because of the speed, ease and convenience of transactions.

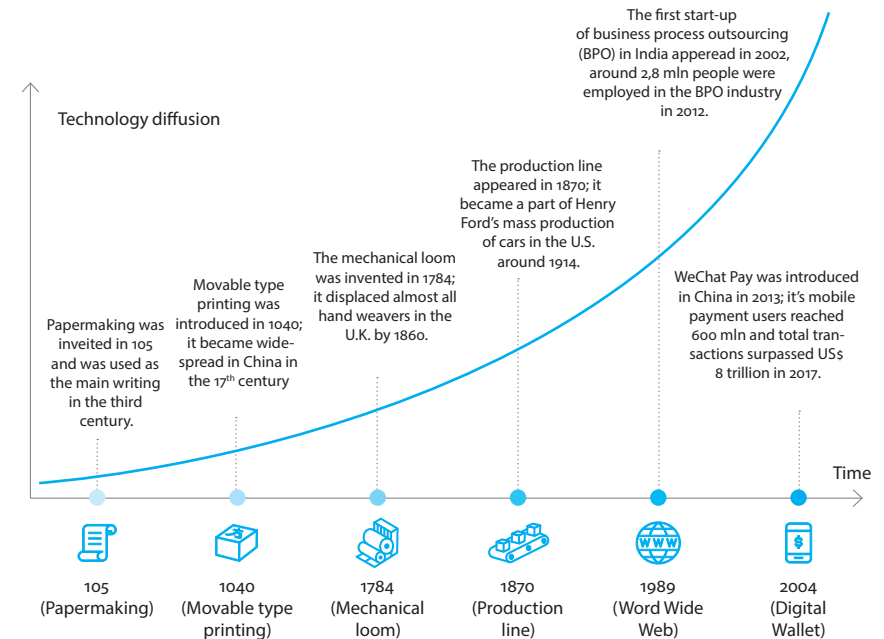
Platform-based business growth is evident in almost every country, with start-ups worth more than a billion dollars being set up in some countries. Digital platforms in some areas have a much larger range of activity than traditional companies (see Figure 4) and the rate of growth of new technologies is clearly increasing (see Figure 5).

**Figure 4.** Traditional companies and their Internet platform competitors



**Source:** *World Development Report 2019* based on Safarico; KCB Bank Group; Airbnb; Marriott International Inc; Financial Times.

**Figure 5.** Rate of diffusion of new technologies



**Source:** *World Development Report 2019*.



## New technologies are changing the nature of work

Technological progress, economic integration, social, demographic and climate change have changed the way people work and their working conditions. This phenomenon can be analysed on two levels. The first one concerns the elimination, conversion or creation of new jobs in the traditional sense. The second one is associated with the development of the so-called atypical forms of employment, including the creation of platforms and a new way of arranging work (mainly of a casual nature), commonly known as the gig economy.

“Atypical” employment is an increasingly common phenomenon of the labour market, which is slowly becoming the norm. It concerns mainly the replacement of standard long-term contracts with short-term ones, including the ‘on-call’ or ‘zero-hour’ ones (popular in the USA or Great Britain). Part-time work is also becoming popular as are flexible employment forms and, mainly for people with high skills (e.g. senior managers or experts in a chosen field), so called portfolio careers involving working for several companies at the same time. Not without significance is also the frequent use of civil law contracts (in Poland, contracts of mandate and contract for specific work, often in this context referred to as ‘junk contracts’), or increasing self-employment.

Experience has shown that many employers offer part-time jobs (while in fact expecting a full-time commitment) in order to pay lower social security contributions and taxes. Employers also often contract freelancers to perform the same tasks as regular staff (i.e. in person, at fixed hours, at a specific workplace and under direct supervision). An obvious consequence is the fact that these persons do not enjoy the rights inherent to a standard employment relationship. As a result, they are not covered by the provisions concerning the minimum wages, working time, annual leave, sick leave, or protection granted to certain groups of employees (e.g. the disabled, minors, pregnant or breastfeeding women).

Platform work is still a relatively new phenomenon. Over the last 10 years, it has, however, gained in importance. Not only is the number of platforms increasing but also the number of people using them, the range

of offer and the variety of business models. According to data from 14 EU countries, the share of people working via platforms varies from 0.3 to 20%, whereas for about 2% of people of working age it is the main source of income. We can therefore say that platform work is a new and dynamic part of the economy and labour market, which in all likelihood will only grow further. The platform acts as an intermediary between clients and people willing to provide specific services in return for remuneration. The range of services offered by platforms is huge – from tasks that do not require special skills and can be performed in a few minutes sitting at home, on the bus or at the hairdresser’s, to complex tasks that require professional qualifications, skills and expert knowledge in specific fields. Examples abound, but it is worth mentioning Uber, Airbnb, TaskRabbit, Amazon Mechanical Turk (MTurk), or in Poland Freelanceria, Oferia, NapiszePrace, JadeZabiore, etc. The number of people involved varies dramatically depending on the type of platform – those which have existed on the market for a longer time and have an international reach have many more employees.

Platforms open up new opportunities. First of all, people can work as they want, as much as they want, and where they want. This gives them great flexibility, which is particularly important for people who cannot or do not want to work in the traditionally accepted pattern (i.e. contract of employment, full-time, performed in specific hours and places, often under the close supervision of the employer). Thanks to the platforms, people can work and reconcile family responsibilities (e.g. take care of a child or a sick parent), attend full-time university courses, or perform jobs which for logistical reasons (e.g. distance from the workplace) or personal limitations (physical disability or social maladjustment) were previously unavailable to them.

Some kinds of work are more popular due to the widespread access to digital infrastructure via laptops, tablets and smartphones. The Internet creates a favourable environment for people to actively engage in income-generating activities. Most platform users in Europe use them occasionally in order to secure extra income, while remaining in standard employment, which provides their main source of income.

Naturally, there is also a dark side to this digital boom. One of the problems is uncertainty, which concerns both wages and social security. A person engaging in a profit-making activity on a platform does not usually have a fixed salary; how much he or she depends a number of factors, e.g. the number of tasks performed, their complexity, etc. Due to the fact that many contract types do not entail social security contributions (due to the lack of such a requirement, difficulties to establish the legal title, failure to reach the required income ceiling or simply its concealment), the access of platform workers to social benefits is doubtful.

It is hard to gauge how this tripartite arrangement (platform, employer, and employee) fits into the current legal framework. Although this is not a completely new issue (employment agencies have introduced a third party to the traditional employer-employee agreement), its legal qualification poses certain difficulties. The growing use of digital technology and the progressive transformation of the nature of work have undoubtedly made us look at the employment relationship and its implications in a different way. It is therefore an important challenge for countries (as well as international organisations such as the World Bank and the International Labour Organisation) to adapt their rules and regulations to the new reality. As such, it should not be underestimated, as the platforms contribute to the emergence of new activities by creating new jobs. Traditionally, therefore, the aim has been to support the changes and development of the labour market while ensuring protection for working people.

So far, no country has introduced provisions specifically addressing platform work. In this respect, the general provisions of labour law are usually considered to apply. As it is not always clear which rules should be applied and enforced for this category of workers, it raises a number of questions and most relevant ones remain unanswered. Moreover, the diversity of employment patterns and the differences in national legislation mean that there is no clear answer to the question of who the employer is in the case of platform work, and without a clear identification of the latter liability cannot be effectively attributed.

As experience has shown so far, the biggest problem is the identification of the working person, which implies not only the rights and obliga-

tions of the parties but also determines the obligations towards the state. Platform-based work blurs the boundary between traditional types of employment, particularly between the employee and the self-employed. In most cases (including Poland), platform workers are self-employed individuals, for whom platform work is an extra, often irregular income-generating activity. Specific situations concerning the actual state of affairs (self-employment or work under an employment contract) are often decided by courts of law. The criterion usually taken into account is the degree of subordination (i.e. to what extent the employer is able to direct and supervise the work of a given employee). International examples (e.g. Uber in the UK, Deliveroo in Spain) may be cited in this respect, where courts have ruled that persons working through platforms have employee status (and are not self-employed), and thus have employee rights, including the right to a minimum wage.

### **The need to adapt on the demand side: technological change and demand for new skills**

In the past, changes in the required skills due to technological progress took centuries. Today, in the era of digital technological progress, the requirements for new skills are changing almost on a daily basis. When we think about preparing for the changes that await us in terms of future work, we must bear in mind that many children who currently attend primary school, as adults will likely be working in professions that do yet not exist today. This is undoubtedly a major challenge.

With the development of technology, there are many changes in the market, including the labour market. First of all, the demand for new skills is changing, especially those that are hard to replace by robots, namely cognitive (highly specialised) and social skills.

Developing social-behavioural skills such as teamwork, empathy, conflict resolution and relationship management increases human capital. In today's globalised world and automated economies, human skills that are particularly valued are those that cannot be fully replicated by machines.



“Adaptive skills”, which are a combination of specific cognitive skills (such as critical thinking and problem solving) and social-behavioural skills (such as creativity and curiosity), are increasingly sought after.

How and to what extent countries cope with the need for transitions in occupational skills depends on how rapidly the supply of skills changes. It is worth noting that education systems tend to resist change. Skills adjustment often takes place outside compulsory education and formal work. Early learning, higher education and adult learning are increasingly important for the acquisition of skills that will be sought in the labour market.

Technological change makes it increasingly difficult to predict which occupational skills will develop and which will become obsolete in the near future. However, developing skills to facilitate transitions between jobs is a matter of lifelong learning. Today, the latter is no longer a matter of choice but a necessity. A change forces people to be open, ready to switch jobs or retrain; times when people have worked in a single occupation (often in one workplace) throughout their lives are slowly becoming a thing of the past. Skills acquisition should continue and never end.

The most effective way of acquiring the right skills is to start learning as soon as possible. Early investment in nutrition, health, welfare and education is a strong foundation for the future acquisition of cognitive and behavioural skills. Investments made in early childhood contribute to equal opportunities later in life.

The changing nature of work makes higher education attractive for three reasons. First, technology and integration have increased demand for higher-level general cognitive skills, such as comprehensive problem-solving, critical thinking, and advanced communication, which can be ‘transferred’ between jobs. Second, higher education increases the demand for lifelong learning. Working people are expected to have many careers, not just many jobs throughout their lives. Higher education, through a wide range of courses and flexible teaching models such as interdisciplinarity and online learning, seeks to meet the growing demand for new skills. Thirdly, higher education – especially universities – serves as a platform for innovation. The importance of the higher education system for the

future of the labour market will therefore depend on how effectively it addresses these challenges and objectives. Integrating general education into higher education curricula can help acquire higher-level cognitive skills. Higher education also develops socio-behavioural skills such as teamwork, resilience, self-confidence, negotiation and self-expression.

As the nature of work changes, some working people are particularly disadvantaged, especially those whose jobs are exposed to a high risk of automation. One way of dealing with frustration and anxiety about losing (or potentially losing) one’s job is adult learning aimed to update skills or acquire new ones. Nevertheless, experience shows that this is simpler in theory than in practice. Three aspects need to be taken into account when designing good study programmes. First of all, the specific constraints faced by adults need to be well diagnosed, then the programme needs to be tailored to their adaptability and finally passed on in the form that best fits their lives. It is worth noting that the costs of such programmes are very high.

Worldwide, around 260 million of 15-24 year olds do not attend school or work. The unemployed are a problem for those in power, not least in economic terms. Unemployment often leads to waves of emigration, social unrest or political upheavals. It is worth mentioning the events of the Arab Spring (spring 2010-2011), where economic problems had become a catalyst for protests, riots and even civil war for an increasingly better educated society. Demographic changes are undoubtedly putting pressure on the labour market. In many rich countries, old workers are trying to learn new skills to adapt to changing working conditions. Other countries face a different problem: millions of low-skilled young people trapped in low-productivity jobs.

Programmes geared to adapting adults to the changing reality often fail. While literacy programmes often improve the recognition of words they do not improve actual reading comprehension. Similarly, entrepreneurship programmes often raise the level of knowledge, but do not enhance actual entrepreneurship nor create jobs.

Adult education programmes are more successful when they are clearly linked to employability. Hence the popularity of apprenticeships and

internships that combine training with everyday experience and provide motivation to work. It is good for the success of such programmes if the private sector is actively involved in the development of curricula and training methods, and organises appropriate traineeships.

### The need for new social security systems independent of standard employment contracts

The changing nature of work puts the traditional approach to employment and the benefits associated with it in question. In developed countries, the main drivers of disruption – technological progress, economic integration, demographic change, and social and climate change – are undermining the current approach to *social security based on stable employment*, which dates back to the industrial revolution. On the one hand, this approach has brought enormous progress, but on the other, it increasingly distorts the labour market and adversely affects formal employment.

These systems developed in rich countries in the times when jobs for life abounded and social security was based on compulsory contributions and payroll taxes. This traditional payroll-based social security system is no longer working, due to the increasingly widespread employment outside standard employment contracts (Packard et al. 2019; Rutkowski 2018).

In developing countries, the labour market is highly diversified and liquid. As a result, the uniformity and stability of work, which underlie the traditional social security systems, is becoming less and less important. In fact, the share of people participating in the social security system and the scope of insurance are very low. In Bangladesh, India, Indonesia, Nigeria and Pakistan, which account for about one third of the world's population, the number of people covered by social security systems oscillates around single digits and has not significantly changed over decades.

As we emphasised before, it is hard to estimate the size of the gig economy, but the existing data show that it is not large. It is estimated that there are about 84 million freelancers worldwide, i.e. less than 3% of the global labour force, which currently amounts to 3.5 billion people.

Despite technological progress, the informal economy is thriving in emerging market economies. In some low- and middle-income countries it constitutes as much as 90%. As technological change blurs the boundaries between formal and informal work, one can notice a degree of convergence in the nature of work between developed and emerging market economies. While labour markets in advanced economies are becoming more fluid, in emerging markets they remain informal. Most problems faced by temporary or short-term workers even in developed countries are the same as those faced by those working in the informal sector. Self-employment, informal employment with no written contracts or protection of workers' rights and, more generally, low productivity jobs are the norm in most of the developing world. In these countries, workers operate in a regulatory grey area, with most labour laws unclear about the role and responsibilities of the employer versus those of the employee. These workers often lack access to benefits, including pensions, health insurance or unemployment benefits, or any other privileges that formal employees enjoy.

This is not what was expected in the 21<sup>st</sup> century. Traditionally, economic development has been synonymous with formalisation, which is reflected in the current shape of social protection systems and labour market regulations. A formal employment contract is still the most common basis for protection under social insurance programs and labour law, such as minimum wages or severance pay. Changes in the nature of work caused by technological progress also drive a change in the existing pattern – from expecting worker benefits from the employer towards demanding welfare benefits directly from the state.

The original objective of social protection systems remains the same, i.e. combating poverty, covering catastrophic losses, helping households and markets manage uncertainty and, ultimately, laying a foundation for more efficient and equitable economic development. The same objectives once motivated the architects of the welfare state and should continue to motivate and guide efforts to make social protection systems relevant and responsive.

What is needed in today's world is to build new systems that meet the needs of all people, no matter what they do to earn their living. New

systems need to be adaptable and more resilient to economic, social and demographic dynamics. In other words, a new social contract is needed.

When analysing the changing nature of work, we should also look more closely at the question of how to better protect people and workers in the new economy. It is worth highlighting a few key issues in this respect:

1. Informality, i.e. the percentage of the population that does not participate in traditional social insurance and other forms of protection, currently accounts for around 80% of the labour force in developing countries. This undoubtedly constitutes a major constraint on expanding the scope of protection. Most workers, especially the poor ones, who are engaged in informal sector activities, have little or no access to social protection. Given the endemic nature of this challenge and, at the same time, minimal progress in overcoming it, most people would be better off with a social protection system that does not depend on their work situation.
2. Social assistance, which contributes to equity in society, could be enhanced and several options could be considered in this respect. At one end of the spectrum, there is a guaranteed minimum income program, under which households receive cash funds, the amount of which depends on their means and decreases while the income (assets) rises. At the other end of the spectrum, there is a universal basic income that guarantees unconditional money transfers for all, regardless of income or employment. Money under both programmes is distributed on a monthly basis.

An option in between is a negative income tax – a kind of financial assistance for low-income earners – with a relatively high tax threshold and a gradual reduction in benefits as income increases. Since such a tax is woven into the tax declaration cycle, the benefit is usually paid once a year (as an income tax refund). Another option could be a smaller guaranteed minimum income supplemented by other programs, such as universal child benefits and social pensions. The cost of this option depends on the level of benefits, the number of people covered and the shape of income distribution curve in society. It is worth noting, however, that increasing robotisation may reduce fiscal constraints of the state, with such benefits becoming crucial for social and economic stability.

In countries where the informal economy predominates, a greater capacity to identify individuals and households and monitor their consumption – if not incomes – opens new opportunities in terms of universal basic income, negative income tax and guaranteed minimum income, or even a negative consumption tax. The identification of entitled individuals would be based on proxies of their (hard to observe) income, based on specific surveys and using a number of interlinked databases held by different public administration units.

3. The notion of “progressive universalism” (Gentilini 2018) can help guide expansion so that the poor and vulnerable would be the first to benefit from it. This principle recognizes that universality in itself does not make the poorest better-off more effectively than the already existing solutions. More importantly, therefore, as countries expand social protection towards universality, the most vulnerable should be given priority, due attention and adequate support

Furthermore, it is worth noting that the global architecture of social protection, as specified in Goal 1.3 of the UN Agenda for Sustainable Development, implies “Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable.” In the same spirit, strategic partnerships such as the World Bank and International Labour Organisation Universal Social Protection Initiative seek to recognise universality as a strategic objective for countries and organisations supporting them.

The crucial issue for governments is to develop a more neutral approach with regard to the factors of production as well as where and how people work. Once basic protections are guaranteed, people will be able to strengthen their security via a variety of progressively subsidised programs – mandatory contributory insurance and savings plans where feasible, and a range of voluntary options offered by the state and the market (Packard et al. 2018).

Until now, the politically correct mix of social objectives – risk diversification, combatting poverty and the pursuit of equality through wealth redistribution – now requires a clearer distinction and a different com-

combination of risk sharing and financing methods. For example, in order to prevent people from falling into poverty, the state budget offers the greatest and most effective diversification of risk. Decisions concerning the funding of individual solutions should be made after prior consideration of which instrument is appropriate for implementation (risk pooling, savings or prevention) and which constitutes the right response, given the availability of similar instruments in the private market. A stylized policy package of protection is presented in Figure 6.

The innermost core represents the guaranteed minimum support to prevent impoverishment and mitigate the most catastrophic losses for which there are no effective market-insurance instruments. Although such events are relatively rare, they cannot be ruled out. Solutions that aim to cover much more frequent, but less costly events for example, structural labour market turmoil or retirement but also provide obvious and significant external social benefits, could be included in a minimum guaranteed support programme.

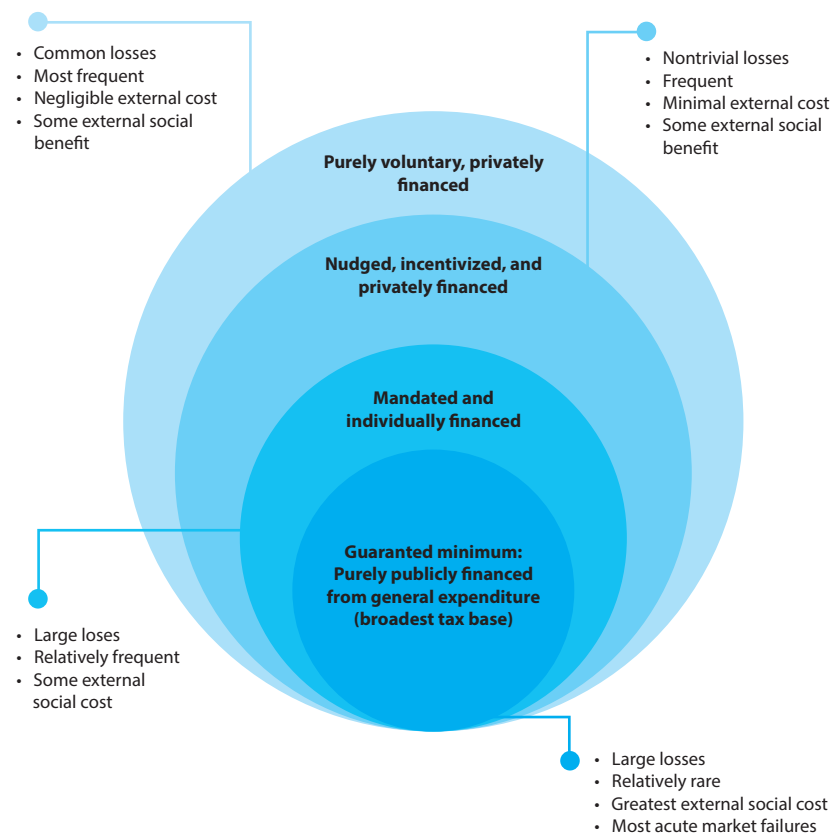
In the other three rings, the responsibility for financing is gradually shifting away from purely public resources towards household or individual ones. At the same time, responsibility for providing social protection is shifting from being directly provided by the state to being provided by the private market.

At the same time, technological change, which is undoubtedly one of the factors causing labour market disruption, offers governments the opportunity to deviate from or even skip the still dominant industrial solutions and offer citizens and residents a more effective risk-sharing model.

The Direct Benefit Transfer programme in India – an example of innovative use of digital technology to transfer aid directly to the bank accounts of the poorest people – shows what is now possible thanks to technological progress. In Ghana, the Labour Intensive Public Works programme has rolled out digitisation and large-scale use of biometric machines, reducing payment times from four months to a week.

The World Bank is currently investing \$15.1 billion in delivery systems and related technologies. Platforms such as social registries, ID cards and payment systems can reach out to previously excluded people. For exam-

**Figure 6.** Policy package of protection



**Source:** Packard et al. (2019).

ple, around 75,000 Zambian girls and women living in rural areas can now choose the form in which they want to receive electronic payments: through a bank, a mobile wallet account or a prepaid debit card. By 2028, in West Africa, a foundational ID platform will have covered 100 million people. In Indonesia, the cash transfer programme reached 10 million

poor households, extending its reach to the remote eastern corners of the archipelago, thereby achieving the laudable human development goals.

Faced with the need to adopt a new policy model, low-income countries are in a sense in an advantageous position – the relatively small use of industrial era risk-sharing solutions offers a better chance of a ‘leap-frog’ into a more modern social protection system. As was the case with telephony and financial services, the limited coverage or penetration of legacy models makes it easier to adopt innovative solutions.

Investment made by many countries in capacity-building and systems to improve household identification, vulnerability and poverty assessment, as well as more efficient cash transfers, is a key element in enhancing the viability of the solutions proposed above.

Together, we can shape the future of social protection in ways that benefit all, and the poorest in particular.

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# Sławomir Adamczyk, Barbara Surdykowska

## The Deconstruction of the world of work or on the unclear future of trade unions<sup>1</sup>

Our world of work is organised and predictable. We have a job or we employ others, whereas the socially oriented state helps us when we lose our jobs. Our world of work is designed in such a way that our gainful employment does not pose a threat to us. We take it for granted that our employers must not put us at risk, that they should provide us with decent working conditions and that it is their duty to compensate us for our efforts. Our world of work is protected by laws, codes, collective agreements and employment contracts. Seventy-five years ago, it became widely recognised that work is not a commodity, and its dignity should be defended jointly by states, employers and trade unions.<sup>2</sup> It should be noted, however, that this was by no means a natural evolution – a reference to the humanistic theory of work, St Augustine, or the ‘self-civilising’ efforts of the 19<sup>th</sup> capitalism... None of this. There would be no structure of the

- <sup>1</sup> The paper is a shortened and modified version of the chapter “Prawdziwy koniec świata fordyzmu. Jak reprezentować zbiorowe interesy pracownicze w gąszczu robotów i mikrozatrudnionych” (The True End of the World of Fordism. How to Represent Collective Labour Interests in the Thicket of Robots and Micro-employment), part of a publication edited by J. Czarzasty and Cz. Kliszko *Świat (bez) pracy. Od fordyzmu do czwartej rewolucji przemysłowej (A World (Devoid) of Work. From Fordism to the Fourth Industrial Revolution*, Czarzasty, Kliszko 2018, pp. 459–494).
- <sup>2</sup> Naturally we have in mind the 1944 Philadelphia Declaration of the ILO.



contemporary world of work without the trade unions responsible for its creation and maintenance. Today, this structure is losing its stability – it is being undermined by globalisation and ever faster technological change, the position of trade unions is getting progressively weaker, and the projections for the future are vague, phantasmagoric and often conflicting.

For example, let us briefly mention the scenarios presented in the *Work 2050* report (Daheim, Wintermann 2019). According to the first one (A Mixed Bag), there will be no mass unemployment by 2050, first of all on account of huge infrastructural works (smart cities). The developments in biology and medicine will allow for man and artificial intelligence to cooperate. There will be about 4 billion employees and self-employed people worldwide, but the number of the latter will rapidly increase. Almost a billion people will be ‘out of the game’ due to technological change. Limited basic income schemes will be introduced. The idea of retirement will be considered passé, which will be made possible by part-time work, remote work supported by artificial intelligence, and progress in medicine. Income and wealth disparities will be decreasing, but the power of large corporations using the technologies of the future, which escape state control, will continue to grow. The second vision (Political/Economic Turmoil – A Future of Despair) is much less optimistic. The scale of technological unemployment will get out of hand as early as ca. by 2030. Worse still, due to various forms of polarisation (income, education, and worldview) whole parts of societies will ‘encapsulate’ themselves in their own identity groups, which will contribute to the governments’ inability to take strategic decisions. Employment will be about one billion less than at present, 2/3 of the workforce will be unemployed or confined to the informal economy. Climate change will cause extremely serious migratory flows due to hunger and drought. We will lose our capacity to influence the environment. We will have to deal with an increasing number of failed states. Undoubtedly, the third vision is the most attractive: If People Were Free – the Self-Actualisation Economy. According to this vision, the process of self-improvement of the economy has begun. A universal minimum income will be introduced. Its combination with various forms of activity means that, in fact, there will be more people in

employment than at present, including many more self-employed than hired workers. For the new generation, the concept of unemployment will lose its import. By 2050, the world’s economy will have become global, apparently environmentally sustainable, while at the same time providing almost all people with the means to meet their basic needs in life, and comfortable living conditions to the majority.

The mutually exclusive futuristic considerations outlined above should naturally be approached with due scepticism, not to say with a pinch of salt. However, there is a common feature that makes it necessary to take these projections seriously: all the visions anticipate the disappearance of the traditional stable form of employment, which underlay the success of trade unions and was the source of their strength.

Over thirty years ago, B. Dylan, a well-known singer, who went on to win the Nobel Prize for Literature, wrote a song in which he predicted that trade unions would die out like dinosaurs (Dylan 1983). At the time, it was interpreted as artistic licence, a bitter response to the transfer of jobs from the USA to low-cost countries, which chose to build their competitive advantage on the unmitigated exploitation of cheap labour. The current developments, however, which affect the world of work in the developed capitalist countries, allow us to take this message seriously.

The position of trade unions for most of the 20<sup>th</sup> century was closely associated with the rise of Fordism. It was not just a way of organising production in assembly lines, based on specialisation and Taylor’s division of labour. Post-war Fordism, formed by the experiences of the Great Depression of the 1930s, became an economic model based on mass production and negotiated wage agreements, which ensured stability to the labour-capital relationship (Peciak 2014). In a broader sense, it was a form of social and political system in which the extensive functions of the welfare state helped to achieve a balance between ever-increasing production and consumption. The world of work and trade unions were included in this system (Gardawski 2009). The key economic and social doctrine was Keynesian economics, which emphasised the macroeconomic policy of the demand side of development. An important role in maintaining this consensus was played by the desire to neutralise the

ideological influences of the Soviet Union, which constituted an obvious 'bogeyman' for capital.<sup>3</sup>

However, at the turn of the 1960s and 1970s a sequence of events within a short span of time pushed the development of the developed capitalist economies in a completely new direction, and were symbolised by the collapse of the Bretton Woods monetary system and the oil crisis. One of the driving forces was the progress in the globalisation of the world economy. As a result, Keynesianism was abandoned in favour of monetarism. In the sphere of relations between labour and capital, there was a shift away from Fordism towards Post-Fordism – a labile quasi-system difficult to define and described primarily in terms of considerable flexibility. New forms of human resources management and new forms of work organisation altered the nature of the working environment and the type of representation of employee interests (Gardawski 2009, p. 55). Thus difficult times began for trade unions in developed capitalist countries: political elites have begun to perceive trade union movement as an obstacle to the market economy and its new paradigm of building competitive advantages at the expense of social issues (Adamczyk, Czarzasty 2014). The unionisation level was decreasing (partly also due to the dearth of ideas for organising an increasingly diverse workforce, including women and migrants), while traditional forms of collective bargaining were subjected to far-reaching pressures. The trade union movement suffered comparatively smallest losses in Western Europe, where assaults on trade unions were hindered by the protection mechanisms offered by the European social model and the close relationship between some unions and left-wing parties. It was much worse in non-European countries, where the Anglo-Saxon model of economic relations prevailed, e.g. at one point

Australia was threatened with a complete dismantling of its collective bargaining system.<sup>4</sup>

In general, it must be said that in the so-called post-Fordist era, the trade union movement in the developed capitalist states clearly went on a defensive mode against the commonly implemented neoliberal economic policies, but still maintained its position as the undisputed representative of the interests of the world of work. This is even the case in the USA, where a campaign controlled by the conservative right has been going on for years to undermine the unions' capacity to conduct collective bargaining (Surdykowska 2017).

In the coming years, a digital tsunami will sweep through the labour markets of developed countries. New technologies – both those that we know and are mastering now and those that are yet to be invented – will revolutionise the economy, change the way businesses and public institutions operate and, above all, have a significant impact on the nature of work. Progressive technological change will knock workers off the middle rungs of the income ladder. It is likely that they will mostly join the ranks of those with extremely low wages or will move towards micro-employment (see e.g. Degryse 2016).

In our view, the traditional trade union model, still firmly rooted in the disintegrating Fordism, will be unable to meet this challenge. First, globalisation processes have severely impaired the ability of trade unions to have an impact beyond individual workplace level. These processes have also reduced their mobilisation potential, as shown by the small strength of national protests against austerity measures enacted in Portugal and Spain. Second, the dynamics of technological change contribute to increasing uncertainty about the stability and quality of employment, which forces people to constantly update their qualifications throughout their working lives. This means, however, that trade unions need to enter into negotiation areas far removed from the classic topics, such as support for lifelong learning or ensuring balance between work and private life.

3 It is worth recalling that employers' organisations only began to question whether the right to strike was rooted in ILO conventions after 2000, when they no longer saw even a potential need to use it as a weapon to combat communism. Some researchers describe this as the symbolic end of the Cold War (cf. Kang 2012).

4 Currently it is undergoing erosion, which is illustrated by the decline in the importance of the traditional left in the last 30 years (cf. Allern, Bale 2017).

Third, fast-paced automation and robotisation will deprive trade unions of their traditional membership base. Fourth, the growth of platform-based employment will result in the spread of dispersed jobs performed by people whose employment status will be at best unclear (remote worker or micro-entrepreneur?). Fifth, the focus in the development of capitalism and in the activities of public authorities associated with ensuring social peace in Western societies is palpably shifting from production (employee) to consumption (consumer). It is in this context that the idea of the so-called basic income emerged (Standing 2017).

Another issue that needs to be addressed is 'geographical' change. Between 2000 and 2013, world industrial production (excluding energy production) grew by 37%, but almost all of this growth was confined to the emerging economies, where it was more than double (+112%). Developed countries recorded a stagnation in this area (+1.5%). Emerging economies now account for half of the world's economic output. One of the consequences is the development of the working class population, mainly in emerging countries. Thus, a potential revival of the trade union movement can only take place in these countries (van der Linden 2016). But can it provide a catalyst for the revival of the trade union movement where it originated?

All these circumstances suggest that the trade union movement, in order to survive as an actor of socio-economic processes in the newly emerging reality, should fundamentally redefine its own strategies and reorganise the forms of employee interest representation. All these issues will be discussed further in this paper.

### **Defensive trade union strategies in developed capitalism**

Indirectly, the stable operation of the trade unions was ensured by the Bretton Woods order. The development of globalisation contributed to its decline in the 1970s. In 1989, it was superseded by the Washington Consensus, in which the existence and activity of trade unions did not

constitute any added value for the economy. On the contrary, trade unions were seen as a dangerous burden for neoliberal development visions. Paradoxically, the bargaining position of the trade unions in the democratic world worsened further after the collapse of the Soviet Union in 1991. At that time, the main ideological threat to capital disappeared. Up to this moment the representation of employers in the ILO did not mind treating the right to strike as one of trade unions' freedoms. This was to change.

For several decades, the membership base of trade unions in most developed capitalist countries has been decreasing. Between 2000 and 2016, unionisation in Germany decreased from 24.6% to 17%. In the comparable period in the USA, unionisation fell from 12.9% to 10.3%, whereas in Japan from 21.5% to 17.1% (OECD 2018). With all the methodological and statistical problems associated with obtaining and comparing data which reflect employee organisation, this trend cannot be ignored, although it derives directly from globalisation. The reasons for this phenomenon vary. It is enough to mention the ageing of Western societies, the manifest individualisation of behaviours of subsequent generations entering the labour market or the promotion of a consumption-based model of life (to be discussed later in this text). Globalisation favours de-unionisation, inter alia, owing to the pressure to marginalise the main instrument of trade unions' influence, namely collective bargaining.

The strong position of trade unions was built primarily on bargaining across industries. In the non-European Anglo-Saxon countries, it has been essentially dismantled in recent years, which was accompanied by a decline in the general coverage of collective bargaining (Adamczyk, Czarzasty 2014). In most Western European countries, bargaining coverage remains relatively high, but the importance of the industrial level has been undermined by the anti-crisis measures taken by the EU institutions and the International Monetary Fund in 2009–2012. In the vast majority of developed capitalist countries, the dominant collective bargaining index has been gradually decreasing for years (Adamczyk, Surdykowska 2014). This means that the trade union movement is losing its instrument of non-confrontational influence on the developments in the world of work in a broader perspective.



But what about the trade union strike power? It is worth looking at the European continent, where trade unions were woven into the existing social and economic fabric during the Keynesian heyday. The attachment to the social dialogue discourse was beneficial in the good times, but it turned into a trap when the bad times for the trade union movement came. This caused problems with the effective use of one of the most important trade union weapons against the drastic measures taken by European Union states and institutions to combat the effects of the fiscal crisis. At this point, we can recall the examples of the general strikes which took place in Portugal and Spain between 2010 and 2014 as well as the attempts to declare a European solidarity strike. In the first case, there were five general strikes in response to the austerity measures enacted in the wake of the fiscal crisis; each of them lasted one day. It was demanded that the austerity measures imposed on Portugal by the Troika (the European Commission, the European Central Bank and the International Monetary Fund) be stopped. Although they were only defensive in nature, it is estimated that the demands of the trade union were only minimally taken into account.<sup>5</sup> Three general strikes were organised in Spain. The first two were aimed at blocking tax reforms introduced by the conservative government, while the third was a protest against austerity measures in education and health care. This was accompanied by social movements.<sup>6</sup> However, they achieved no significant results.

During one of these strikes (called in 2012 by the Portuguese union CGTP), the European Trade Union Confederation (ETUC) decided to give the event a transnational dimension by calling for a day of action and solidarity.<sup>7</sup> In response to this call, strike action was taken by the Spanish organisations UGT and CCOO, and support action was taken by 23 (out of 89 affiliated) ETUC member organisations outside the Iberian Peninsula.

5 It is estimated that 4.6% of the demands were met, 8.6% only to some extent, and the overwhelming majority not at all (cf. Costa, Dias 2016, p. 154).

6 Such as the movement of people threatened with eviction due to their inability to repay mortgages (Platform por la Hipoteca).

7 ETUC day of action and solidarity for Social Compact for Europe (17 October 2012).

The 'European strike' thus revealed a serious problem with the possibility of coordinating protest actions on a transnational scale (Helle 2015). It follows that European trade unions are able to take strike action mainly of a defensive and only symbolic nature (with the exception of Greece, which fell victim to shock therapy). Apart from the countries mentioned above, such strikes took place during the crisis in Belgium, Italy, Iceland and other countries.

The number of general strikes is decreasing in all the developed capitalist countries. In Europe, it has never been too high owing to the aforementioned attachment to the social dialogue idea. Only in 2010–2012 did Greece contribute to a surge in this index. According to the European Trade Union Institute (ETUI), the average number of working days lost due to strike action is systematically falling in Europe. In 2015, it was 33 days per thousand workers (ETUI 2018).

When looking at the examples mentioned above, it is difficult to be optimistic about the readiness of trade unions in highly developed countries to face the challenge posed to the world of work by accelerating technological change. Using military terms, it can be said that the army disintegrates, the mechanisms of influence beyond the workplace are becoming weaker, and the strike capacity is not looking impressive either.

## The effects of accelerating technological change

At this point, we will make synthetic comments on technological change in the context of the labour market. We should start from the fact that technological change is by no means a recent phenomenon. One may rather talk about a whole series of successive transformations of the working world environment since the 1980s. Already at its early stage, researchers discussed the role of trade unions in the process (Kennedy, Craypo, Lehman 1982; Peitchinis 1983).

In our considerations, we will focus on the conditions of the current stage, referred to as Revolution 4.0, which is very often associated with the consequences of the capacity to process big data sets, which makes

it easier for computers to displace jobs. This is nothing new, but most importantly the process does not affect only those jobs that demand routine and repetitive activities. Moreover, high-speed Internet access is becoming increasingly common as are the mobile devices providing such access, which stimulates the development of the gig economy. Another characteristic feature of the modern economy is the zero marginal cost of production of digital goods. The analysis of the unit production costs of the next item of e-book, for example, shows this very well. Although the digital economy is very capital intensive, individual 'products' can be manufactured at zero or almost zero unit costs.<sup>8</sup> The zero marginal cost of production will have a multifaceted impact on employment. At this point, it is most natural to recall J. Rifkin's vision of a zero marginal cost society (2016).

The discussions are dominated by the forecast high likelihood of a fundamental transformation of the model of work.<sup>9</sup> The most important element to be captured is the fact that the development of computer science (big data processing) will allow the elimination of jobs, including those held by highly qualified workers (Sachs, Kotlikoff 2012). The question arises about the capacity of any economy to provide jobs sufficient to ensure full productive employment (Huntington 2012; Lanier 2013). As F. Levy and R. Murnanne (2013) emphasise, computers will be able to perform any tasks based on a logical or statistical behaviour algorithm. In the foreseeable future, it will not be possible to automate work that requires creative behaviour involving the analysis of a large amount of new information. In our opinion, however, the hypothesis that jobs directly involved in customer service (Author, Dorn 2013) will be somehow exempted from automation is much more controversial. The number of jobs that will disappear in the foreseeable future is so large that it is a fac-

tor that cannot be ignored in thinking about the labour market. It can be assumed that changes will involve the following four aspects:

- the creation of new jobs in the new manufacturing and services sectors,
- a change in the way work is done in terms of digitisation, robotisation, new forms of management and remote work,
- job losses due to robotisation and automation,
- changes in the structure of employment due to the area of gig economy and the area of economy of cooperation.

It is clear that the world of work will also be affected by factors directly unrelated to technological change, such as climate change, among other things. If its destructive dynamics were to cause considerable population movements, it may turn out to be a factor significantly affecting the overall functioning of societies in highly developed countries, including the condition of the world of work.

When writing about the impact of technological change, we primarily focus on its current circumstances: the development of information technologies, biotechnology, genetics, and nanotechnology. It should be noted that our reflections do not refer to a long-term perspective – for example, how the world of work will change under the influence of linking the human body with the machine, what will be the consequences of ensuring a long healthy life or the possibility of creative activity of groups of people with the highest income subjected to genetic manipulation (cf. Harari 2018). Given the current dynamics of transformations associated with robotisation and the development of biotechnology, trying to predict what the world of work will be like over more the next fifty years is completely pointless. However, it can be noted that all three visions of the world in 2050, from which we began our considerations, reveal progress in medicine and genetics to be a priority factor.

As regards the current situation of the world of work, technological change implies the need for continual adaptation in order to remain in the dynamically changing labour market. This entails not only an emphasis on lifelong learning but also rethinking the entire education system. In the times of Google and Wikipedia, it is unnecessary to acquire factual data. A universal education system should develop the ability to learn,

8 Incidentally, however, the assumption of zero unit costs does not take into account external costs such as those related to environmental protection, energy consumption and use of very rare minerals or metals (used to manufacture electronic components of e-books).

9 However, e.g. Gordon (2014) argues that other factors (e.g. demographics or the issue of public debt) will definitely have a dominant impact on the changes in the labour market.

to access data quickly, to be creative, and to acquire a variety of soft skills such as cooperation, teamwork, and creativity.

At the same time, technological change makes profit less dependent on human labour. This raises questions about the need to tax the work of robots or robot owners so as to maintain current revenues to state budgets resulting from public levies. The future economy will be much more capital-intensive and, by definition, will not create abundant jobs. Let us cite some familiar examples: YouTube was bought by Google for \$1.65 billion when it employed 65 people, Instagram was bought by Facebook for over \$1 billion when it employed 13 people, WhatsApp was purchased by Facebook for \$19 billion when it employed 55 people. True, these are extreme examples, but they illustrate that today the success of any enterprise no longer has to be associated with a greater scale of employment (Ford 2015, pp. 175, 176).

### Automation and robotisation. What about jobs?

The fear of losing existing jobs due to robotisation and automation is particularly widespread in the common perception of impending changes. This concern may be fuelled by regular media coverage such as: “A quarter of jobs to be replaced by robots by 2035”, “702 types of jobs at risk of being replaced by robots” (Bankier.pl 2014). Certainly, robots are unlikely to replace human work any time soon, especially non-routine cognitive activities. They require reflection, expert knowledge and the ability to solve problems, which for some time will remain the domain of people, even though learning machines using large data sets will assist in improving the quality of human work and reduce the human error margin. Likewise, non-routine manual activities, which require sophisticated movement skills, are based on practical intuition or aesthetic sense (e.g. gardener’s work). It is also likely that in the future, the human being and the learning machine will complement each other.

However, human work will be eliminated quite quickly in the case of routine, repetitive manual activities and routine cognitive activities, i.e.

those that are repetitive and can be converted into procedures, rules, and algorithms. As a result, the classic professions of industrial workers will be threatened, a prospect with which we have been accustomed for years.<sup>10</sup> Human work will also be replaced in many non-manufacturing professions, including those related to trade, logistics, finance, and accounting. In this context, it is uncertain, for example, what kind of future awaits shared services centres, a number of which has been located in Poland. They are still based on the work of qualified employees, but it is widely known that billions of dollars are invested in the development of Robotic Process Automation (RPA) systems, which are expected first to support and later replace people as widely as possible (ACCA 2015).

In the opinion of some researchers, all these concerns are well-founded. C.B. Frey and M.A. Osborne (2013) pointed out that over the next two decades, 47% of current jobs in the US will be threatened by the progress in automation.

Automation and robotisation primarily affect traditional trade union strongholds, such as large industrial plants. This can be deduced from the dynamic growth in the number of industrial robots, which in recent years has reached a rate of 12% per annum (IFR 2017). In 2017, Europe already had an average of 9.9 per 1000 workers in manufacturing industry in 2017, an increase of more than 23% compared to 2015 (IFR 2018). Germany is the EU leader with an index of 30.9. It is estimated that in OECD countries around 57% of jobs are at risk of becoming automated. Although according to a McKinsey Global Institute report (2017), only 1% of current jobs will be fully automated, more than 30% of activities in 60% of occupations may be affected by this process. In the five largest EU economies (France, Spain, Germany, Italy and the UK), tasks which can be automated quite quickly are equivalent to around 62 million full-time jobs. It is important to note that even partial automation of suitable tasks will result in a fundamental change in the nature of work (OECD 2016).

<sup>10</sup> According to a well-known joke by W. Bennis, an American psychologist, the factory of the future will have only two employees, a man and a dog: the man will be there to feed the dog, while the dog will be there to keep the man from touching the equipment.

The common narrative accompanying Industrial Revolution 4.0 often insists that previous industrial revolutions led to increased prosperity and more jobs, although it took some time before it was achieved. The International Federation of Robotics (IFR) reassures us that in industry, robotisation only complements the human work that will still be required in the production process (IFR 2018). It also claims that e.g. the 5% job loss in Germany in the last 5 years due to the introduction of robots has been easily compensated for.<sup>11</sup> But will this really be the case in the long run and will these new jobs be accessible to everyone? This is not at all certain and nobody can predict it. According to some researchers, every high-tech job created is expected to create an additional five high quality jobs across the economy (Moretti 2010; Goos et al. 2015). However, the observed long-term trends point to the opposite. In the USA in the 1980s, 8.2% of the workforce moved to equivalent new jobs associated with new technologies (Lin 2011), but in 2000 it was only 0.5% (Berger, Frey 2016). This is due to the fact that almost half of all the jobs created thanks to new technologies require, first of all, high qualifications (Frey, Osborne 2016). It seems that the future polarisation of the labour market is unavoidable, moreover, it can be feared that most medium-income employees will slide down to the low-wage segment. In the optimistic view of the IFR, the introduction of robots will increase the demand for highly qualified employees, which will have a positive impact on the dynamics of wages (IFR 2017). However, it is difficult to expect that all employees, even those who improve their qualifications, will benefit from this trend, as robotisation and automation of workplaces will rather weaken the collective bargaining position, especially in many traditional sectors. Let us remember that traditionally successful collective bargaining (including wage bargaining) is conducted by trade unions representing a large number of workers, performing relatively repetitive work and forming teams of people with strong social ties resulting from a common sense of identity and common work experience. This will definitely not be the

case with a small number of highly qualified workers who ‘supervise’ and ‘cooperate’ with robots.

### Platform-based employment – individualisation, micro-tasks and programmed uncertainty of the workplace

In 2010, T. Biewald, President of the Management Board of Crowdflower,<sup>12</sup> said: “Before the Internet, it would be really difficult to find someone, sit them down for ten minutes, and get them to work for you, and then fire them after those ten minutes. But with technology you can actually find them, pay them the tiny amount of money, and then get rid of them after you don’t need them anymore” (Marwit 2014). It seems that this quote serves as a good introduction to the phenomenon of employment via Internet platforms, which are extremely diverse entities. Some platforms organise work which needs to be performed in the real world (Uber, TaskRabbit), whereas others deal with fully virtual jobs (Mechanical Turk, Crowdflower). Some of them largely serve the function performed by the employer (Uber), others are more reminiscent of an employment agency, whereas still others constitute networks of people performing various forms of activity which is difficult to identify and undergo dynamic changes (Prassl, Risak 2015). Platforms which associate service providers with service recipients are developing ever more dynamically.<sup>13</sup> Some see them as a tool that offers great possibilities – by matching supply and demand, they provide an opportunity to enter the market to individual service providers who do not have to bear the costs of advertising or marketing their services. It is often emphasised that the latter may combine platform work with another occupation or studying.

<sup>12</sup> The platform offers data processing and development services for businesses.

<sup>13</sup> It is worth noting that the American literature often uses the notion of the gig economy, and thus gig workers. So a gig worker is an Uber driver or a person who digs over someone’s garden found via the TaskRabbit platform.

<sup>11</sup> However, the quality (or nature) of such compensatory jobs remained unspecified.



Other opinions, however, underscore the threats that platforms pose to classic employment (Maselli et al. 2016).

Probably the first association that comes to mind on hearing the word 'platform' is Uber, closely followed by Airbnb. Let us remember, however, that the scale of this phenomenon is much greater. The global platform Care.com has about 20,000 registered users. There are about 6.6 million service providers, 8 million freelancers on Crowdsource, and 5 million on Crowdfunder. One should also be aware that platforms operate in many areas – they offer not only simple services such as cleaning or housekeeping but also transport services (Instacart, Postmates) or medical ones (Heal, Pager). Most of them are locally based, as a relatively small number of platforms has a global reach (Uber, Upwork). These are more or less universal services, some of which specifically target affluent people (e.g. Hello Alfred, a home-operating system). These platforms operate on the simple assumption that employing someone for three hours of work would make no economic sense due to transaction costs, but thanks to platforms, these costs actually come down to zero.

In terms of data processing, three platforms are considered to be the most important: Mechanical Turk, Clickworker, and Upwork. These platforms, by offering the opportunity to get “a tiny piece of cognitive work” (Schmidt 2013), cause far-reaching changes in the perceptions of what work or employment actually is. These platforms offer small jobs, such as, for example, digital data processing, small graphic work, text editing – tasks which machines are unable to perform for the time being. At this point it is worth noting the value of these ‘mini-jobs.’ On Mechanical Turk, the value of 90% of single jobs outsourced is USD 0.10 or less, 70% – USD 0.05 or less, and 25% – 0.01% and less, which yields, once the time needed to complete them has been calculated, about USD 2 per hour (Eurofound 2015, p. 115). This is well below the US minimum wage in any US state and heralds a more general problem. Only one Upwork platform has 10 million registered ‘employees’ from all over the world, who are waiting ‘in the starting blocks,’ and 73% of them are ready to work for less than USD 10 per hour, which is still below the level close to the minimum wage in some US states. The tasks are mostly simple and do

not require high qualifications. Browsing through thousands of profiles of people registered in this platform inevitably brings to mind Eli Kazan’s *On the Waterfront*, only that now the dockworkers awaiting a temporary job offer come from all over the world (Scotland 2015).

What is the importance of developing employment through platforms from the point of view of trade unions? Undoubtedly, at first it can arouse a sense of threat to existing jobs. The development of platforms affects the working conditions and employment structure of ‘classic’ workers by the business opportunity to adopt a structure in which part of the tasks previously performed by employees (or identifiable, stable co-workers) will be carried out via a platform. Is it possible to organise micro-workers? For a large number of people, platform-based work is their basic source of income (Iperotis 2010; Ross et al. 2010). This means that certain employees work in completely isolated spaces without any social contact with their supervisors or co-workers. Building a sense of community of interest among the millions of people logged on to Mechanical Turk – taking into account their spatial dispersion and the fact that for some of them it is a small extra job and for others the main source of income – is practically impossible. While it is possible to attempt to organise the people employed by the platforms when the tasks are performed in the real world (drivers, restaurant providers, etc.), it is extremely difficult to organise those who perform small cognitive tasks.

It should also be noted that in contrast to traditional trade union customers with similar cultural roots and interests in labour supply control in a specific market segment (Streeck 2005), the micro-worker environment is often shaped in an ad hoc manner, determined by the reach of social networks and search engine algorithms (Lehdonvirta 2016). It is difficult to find a common determinant of their interests with respect to their customers.

The biggest challenge for the future of employee representation is that the development of platforms mediating in offering micro-jobs leads to the dispersion of employment. Many micro-tasks are outsourced by small companies or individuals who may be acting as micro-workers

themselves the next moment. The binary model of the relationship between work and capital is disappearing before our very eyes and is being replaced by a variable-geometry system predicted long time ago by Castells (1996), in which individuals constantly transform their functions in the labour market.

### The interests of the consumer will be at stake

From the fall of the Berlin Wall to the beginning of the financial crisis in September 2008, capitalism experienced a period of unequivocal ideological victory. However, it is worth remembering that the roots of this crisis lie precisely in what ensured social acceptance to capitalism – in its focus on consumption and in stimulating it by all means possible.<sup>14</sup> Undeniably, it is true that capitalism has always been present in different varieties and types (Hall, Soskice 2001; Baumol et al. 2007), but with all this diversity there is one common denominator: an insatiable and never-ending need to increase consumption is taken for granted. In essence, modern capitalism has become a search for ever new consumers and new products to offer. This makes it necessary for the market to invade even the spheres that were previously subject to personal after-market exchange (Perez 2003).

It is hard not to notice that private consumption has become a key driver of economic growth. In 2015–2016, it contributed to GDP growth in the main developed countries by an extra 1% (Kharroubi, Kohlscheen 2017). In some of these countries, the real growth of consumption in recent years exceeded their real GDP growth. In many cases, though, this growth is financed by credit. It may be suspected that this phenomenon is associated with the long-term declining trend in the share of labour income in GDP (see e.g. European Commission 2011, p. 127). R. Rajan, describing the backstage of the US subprime crisis, pointed out that the

wide availability of mortgage loans came as a response to the growing dissatisfaction of the middle class with the restrictions on building their own welfare (Rajan 2010, p. 30 et seq.). Thus, emphasising the growth of private consumption probably has political goals resulting from the need to mitigate the negative consequences for the societies of developed countries of breaking the clear relationships between work and capital. The turmoil in the wake of the global crisis confirmed that money has become a commodity in itself, that it has little to do with the equivalent of remuneration for work and in many cases is used only for speculation (Surdykowska 2014, p. 37).

Consumption-based development must lead to a clash between worker and consumer interests. Consumers' expectations are simple: they want to receive a given good or service for as little money as possible, which stands in obvious conflict with the needs of employees who expect decent remuneration for the goods or services they produce. To a large extent, the satisfaction and 'social peace' in the last 30 years in highly developed countries resulted from the opportunity to consume cheaply, which resulted from the production of goods and services in countries characterised by low labour costs and the lack of stable social security mechanisms for the world of work. We are not embarking on an analysis of the ethical problems of Western consumers arising from the awareness that the goods were produced using child labour or what is considered forced labour. We are more concerned with the macro perspective, in which the declining wage growth, which affects the workers in highly developed countries, has not been felt so severely due to the parallel process of improving access to ever cheaper goods. The simplest example is electronics. Regardless of whether we consume by spending our resources on it or use credit, we are expected to consume more. A prerequisite for growth of the whole economy is based on the principle that we "spend money we don't have, on things we don't need, to create impressions that won't last, on people we don't care about" (Jackson 2016). As a result, we are using up our future resources, whether individual or social, to consume now (Streeck 2014).

When we look at the statistics cited above, it appears that maintaining an adequate level of private consumption seems essential for the

<sup>14</sup> We will not be developing this point any further. Its convincing justification can be found e.g. in Rajan (2010).

stability of the current development model in the developed capitalist countries, and thus for social peace. How to achieve it in a context in which the side effects of technological change include a decrease in the purchasing power of salaries, growth of flexible employment leading to precarity (e.g. zero hour contracts) and micro-entrepreneurs who are, in fact, micro-employees, i.e. when the income from work does not permit one to attain a sufficient level of consumption? At the same time, the threat of technological unemployment is looming, and its magnitude is difficult to anticipate in full. This is where the concept of universal primary income (UDI) as a mechanism of income support, promoted by G. Standing for a long time, comes into play.

Considerations of space prevent us from a broader discussion of the turbulent debate on this controversial concept (cf. Zwolinski 2013; Story 2015; Hassel 2017; Meyer 2017; Standing 2017). This is certainly hindered by the fact that the supporters of the UDI, which is worth emphasising, often come from completely opposite political camps – from the neo-liberals to the left. The basic questions regarding the UDI are whether it is supposed to be implemented instead of or on top of the existing social transfers (associated with child support, housing allowances, etc.), whether it is to be neutral for the state budget. In other words, what is the amount and, importantly, to whom it is addressed: all the adult citizens of a given country? Migrants? From the perspective of the future of the world of work, it is important to ask whether one of the eligibility conditions would be an active job search.

In the foreseeable future, the automation of a considerable proportion of work is likely to cause a further decline in wages as a percentage of GDP. Consumption by the most affluent people is limited by nature (after all, how many cars can Bill Gates buy or how many meals can he eat in restaurants?), so for further development based on the currently dominant paradigm, the situation of a human being as a consumer will be more important – how to provide him/her with means for consumption (perhaps through basic income) than that as an employee – how to provide him/her with a mechanism of maintaining the value of remuneration. Work will primarily serve as a social cohesion factor

which gives meaning to life. This means, however, that we will also have to consider as work all forms of unpaid activity for the benefit of society. It will emerge with a varying intensity in all the stages of human life, but as a complement to consumption. One may disagree with this vision, but we should note that H. Marcuse, when analysing the development of contemporary capitalism, openly wrote about the “one-dimensional man” who works for eight hours only to start consuming immediately afterwards (Marcuse 1991). It is very likely that in the foreseeable future people will not even need to ‘work’ in order to continue consuming. So who are the trade unions supposed to represent?

### Lack of response on the part of trade unions

Trade unions are becoming increasingly aware of the challenges to the world of work posed by accelerating technological change, which are discussed e.g. in the International Trade Union Confederation (ITUC) report on the future of work (ITUC 2017). It emphasises that all workers must have fundamental rights to freedom of association and collective bargaining, protection against discrimination, exploitation and unsafe work, minimum wages for subsistence and social protection in the new world of work. In particular, Internet platforms should be obliged to provide social protection for their contractors and to respect their rights. The authors of the report stress that although platforms currently make only a small contribution to GDP and employment, they are becoming increasingly important in services such as care. This means that trade unions must watch over how these business models work. The ITUC fears that digitalisation will contribute to the fragmentation of work, the breakdown of labour relations and social dumping, as those who organise work through platforms effectively lobby for deregulation. Governments should therefore ensure that such activities are regulated, pay a fair share of the taxes due, and that those who perform jobs for them have the same rights as other workers. The report also points out that there are considerable skills gaps which generally limit the possi-

bility of replacing jobs lost as a result of technological development with new jobs requiring higher qualifications. These gaps should be filled by education and training systems adapted to the evolution of work in the digital world.

However, the fact that the problem of the negative side effects of technological change has been acknowledged does not mean that trade unions have started to seek ways of tackling it effectively. The clearly weaker strike power of these organisations in the developed capitalist countries, as was said above, focused their efforts primarily on defending what has been achieved so far in the world of work as it has developed over the past decades. In the global South, it is essential to organise informal workers and develop strategies to 'civilise' their employment. Another important task is to improve working conditions: it must not be forgotten that many jobs, particularly in the global South, despite robotisation, remain dirty, and often pose a direct hazard to the health and lives of workers. Finally, we must not forget the proportions – millions of 'classic' workers are still employed in the 'classic' way, working at a definite place and time, and the representation of their 'classic' interests remains the core business of the trade unions.

If we look at the trade union movement in the developed capitalist countries, it seems that it is above all committed to defending the idea of a stable and sustainable workplace as a reference point for its actions. This translates into the expectation that policy-makers will enact regulatory measures with regard to technological change, as illustrated by the approach of the European unions. The message is very simple. If digitalisation is well regulated, it can create new jobs, more flexible working conditions, and new forms of cooperation between managers and workers. It can also free people from dangerous, dirty, and monotonous tasks. Conversely, the lack of appropriate regulations will result in the loss of a significant number of jobs requiring medium skills. Employees on precarious contracts will remain, which will contribute to increasing social and income inequality, and in the long run undermine trade union solidarity (Scherrer 2016). It is very symptomatic that the European Trade Union Confederation, formulating its expectations

towards the activities of EU institutions in this area, partly very rational postulates (ETUC 2016), is yet to address the topic of possible adjustment of trade union structures and forms of action to future challenges and reorient the priorities of collective agreements.

The ability to introduce new topics for negotiation may justify the need for trade unions in the world of work in the future. Let us recall here the important issue of the distribution of work over the whole life cycle. In view of the current demographic change (increasing life expectancy) and technological change, it appears that ultimately it will be necessary to abandon the dichotomous division into one's working life and retirement (i.e. the period in which we live mainly on insurance benefits). Trade unions are strongly attached to this clear division and do not feel comfortable negotiating flexible forms of part-time employment. However, such periods of casual work will be necessary if we are to adjust our qualifications after entering the labour market and spend less total time in traditionally understood retirement. Technological change also significantly contributes to work intensity – we are available 24 hours a day due to the development of information technologies and mobile devices, which imposes distinctive psychosocial burdens. It should be noted, however, that negotiating in the new soft areas (such as qualifications, mentoring, flexible transition to retirement, reducing psychosocial risks, reconciling work with personal life, and others) is difficult for unions, since these issues cannot be easily translated into such unambiguous provisions as the principles of remuneration or classic standards of working time.

The discussions we have witnessed in the broadly understood trade union family suggest that trade unions – focused on defending their current position in traditional industrial relations systems, on the impact expressed in negotiating 'classic' collective agreements for 'classic' workers, and on the intensity of tripartite dialogue (in Europe) – still do not fully recognise that the stakes of on-going technological change are their future fate as representatives of the collective interests of the world of work.



## Several unanswered questions instead of a conclusion

In our closing remarks, we would like to put some simple questions that arise when we think about representing the interests of the working world of the future, even if it still remains a remote prospect.

If technological change does generate a significant number of new high-quality jobs, they will likely require a level of qualification which will give the persons who have them a strong bargaining position in their own right. Will such people need trade unions?

Employees who will be unable to perceptibly change or improve their qualifications will inevitably end up at the bottom of the income ladder, in jobs so poorly paid that automating them will remain unprofitable for a very long time. On the other hand, micro-workers performing jobs via platforms will come from so distinct socio-economic and cultural contexts that their interests will inevitably diverge (Lehdonvirta 2016). How to organise such environments and how to represent them effectively? To whom?

Certainly, one can imagine a scenario in which the creation of new, relatively un-precarious and completely neutral jobs is artificially stimulated. Some suggest that this is already happening in the broadly understood services segment (Graeber 2013). Will this constitute the future stable trade union membership base?

Will the prospect of universal basic income (which cannot be ruled out if the paradigm of consumption-based growth is to be maintained) increase the autonomy of individuals and thus the potential willingness to organise, or on the contrary, will trade unions be perceived as unnecessary, given the presence of an external source of security?

One thing seems certain to us: the deconstruction of the familiar world of work is beginning before our very eyes. Regardless of whether any of the futuristic scenarios we outlined at the beginning are fulfilled, the present orderly and predictable world of work will gradually disappear. It will be replaced by a new one, which in our opinion will – at least in the initial stage – be fragmented and dispersed. Will the trade

unions be able to meet this challenge and take on the special mission of ‘guardians of the world of work in the transition stage’? This will require a lot of effort on their part, including rebuilding their structures, often abandoning opportunistic relations with the government apparatus but also looking beyond national and environmental barriers. In our opinion, this may be their key mission, because, while we acknowledge the objective process of work transformation, we do not believe that it will occur without sacrifices. Therefore, the question of how many people will ‘fall overboard’ from social life is a question of whether it will be possible to preserve elementary social cohesion and a sense of common ‘human identity’ in the world of the future.

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# Sławomira Kamińska-Berezowska

## Work, age and gender in the era of liquid modernity

### Introduction

Which areas and periods of human life can be made marketable and what does it mean in general (in terms of pragmatism, measurability, effectiveness)? Is it possible to market sex, love, scientific reflection, and every job? Maybe it is, but is it worth it? These are some examples of perhaps provocative questions that can be asked by sociologists and philosophers when they consider the relationship between the world of management and the economy, the ways of functioning and the condition of contemporary man. I think that these questions also belong to the modern, broadly understood economics as a social science. As J. Hausner (2018) notes, the economy is founded not only on economic profit, but also on values and norms, which generally prompt social actors as to what aims are worth achieving and how they should be achieved. In these considerations, I have set myself two goals: firstly, to draw attention to the issue of work in the era of liquid modernity from the perspective of gender and age, and secondly, to the hopes raised in this context by the concept of diversity management.



## A host of problems with defining work

*Work* belongs to a group of widely known concepts, commonly used in everyday life, intuitively understood and unproblematic. However, after a short but deep reflection, one cannot but notice its substantial ambiguity, its diverse expressions, and social perception. Its definitions differ in the languages of science, law, and social research. In sociological terms, as W. Kozek writes (2000, p. 174), “The constitutive feature of human work is that its direct or indirect goal is to obtain means to support the human species and the world that it has created and assimilated, to increase the chances of survival in a given environment through mastering and transforming it.” At the same time, the author emphasises the long-standing discussion about the kinds of activities that serve these purposes. I think that we can immediately point out that it is precisely the reflection on the nature and division of labour that drove A. Oakley to introduce the term and concept of culturally determined gender into sociology (1972, 1974). Subsequently, the concept gave rise to an autonomous current of reflection, which significantly enriched our views on the subject. The *Oxford Dictionary of Sociology and Social Sciences* edited by G. Marshall (2004) contains a telling distinction between work as an activity (*work*) and hired work (*labour*). It was the latter category that dominated sociological analyses for a long time (where its individual and collective natures were investigated), and yet in everyday lives of people, viewed also in the historical perspective, it is difficult to downplay the significance of work as an activity. Actually, the long-lasting underestimation of the latter, or the lack of researchers’ attention to housework, domestic labour, as well as parental or guardian work, can be considered as a reflection of judgment which gives priority to what takes place in the public rather than in the private sphere. It can also be associated with a kind of androcentrism, because men tended to be most active in the public sphere, whereas women were more active at home.

M. Marody and A. Giza-Poleszczuk (2004) evocatively described the dynamics of work transformations when they identified work as an “element of being-in-the-world” in the hunter-gatherer society, they pointed

to the perception of work as a task to be performed in the traditional society, they noticed the denaturalisation of work in the modern society, and its dematerialisation in the contemporary society (also known as postmodern society). While in the first two societies work was very strongly associated with the life cycle of nature and with providing the means of biological survival, in modern society it was, according to the authors, redefined as tantamount to employment (which also contributed to the fact that women doing housework were not perceived as actually working). Denaturalised work was also characterised by far-reaching specialisation, priority given to industrial production (rather than food production), its location in the city and integration into the network of complex relationships within social groups, which ceased to be self-sufficient. Moreover, the denaturalisation of work is associated with monotony, machine-induced repetitiveness, regular practices aimed at disciplining the body, as well as with harnessing mass education to socialisation for work. Z. Bauman (2006a, pp. 224–225) treats work in modern society in a similar vein and analyses it in the context of Ford’s factories viewed as a symbol. He author writes: “Solid modernity was, indeed, also the time of heavy capitalism – of the engagement between capital and labour fortified by the *mutuality of their dependency*” (Bauman’s emphasis). Workers had to work in factories to earn a living, whereas capital had to employ workers in order to reproduce and multiply. This was a period of “relative stability,” the “long term” mentality that fostered workers’ ties and trade union development, and the functional nature of conflicts between the interdependent worlds of capital and workers. Nowadays, according to Marody and Giza-Poleszczuk, work has become dematerialised due to its focus on managing ‘human resources’ in the sense of emphasising the relentless reduction of labour costs and the omnipresence of marketing understood as constant stimulation of consumer needs. In fact, the researchers emphasise the phenomenon typical of the dematerialisation of labour, namely the relentless pursuit of ever-increasing productivity and profit on capital through references to the flexible nature of hired work, as well as the increasing disparity between the working conditions and wages of the workers’ in the core



and periphery economies. Bauman (2006a, p. 232) describes even more persuasively the inequality of relations in the era of postmodernity, also referred to as liquid modernity, stating that the bonds between the world of capital and the world of work have been unilaterally broken to the extent that the former “has become exterritorial, light, unencumbered and disembedded to an unprecedented extent, and its already achieved level of spatial mobility is in most cases quite sufficient to blackmail territory-bound political agencies into submission to its demand.” The shape of liquid modernity, according to the author, is indeed determined by the nature of work, which also has a reciprocal effect on interpersonal bonds, their fragmentation, impermanence, demand for immediate gratification and systemic or self-reinforcing lack of trust. As R. Sennett’s (2006) observed, the present-day problem is the erosion of work-related, local and even marital ties, while the values of the community and systemic principles of protection of the poor, which were previously ensured by the welfare state, are being undermined. Neoliberal economic solutions promote an orientation towards individualism, flexibility and personal responsibility of employees for their standard of living or market success, but this narrative may also be interpreted as systemically disinformative in an attempt to eliminate the pronoun ‘we.’

It is worth noting that the clichéd fact of human corporeality, which is usually overlooked in analyses of market operation, tends to go unnoticed despite its obviousness. The point is not just to see people, but also to notice them. In this sense, one may distinguish between models of functioning of human individuals and genuinely active people. I want to underscore that real life is lived by flesh-and-blood men and women rather than by the universally adopted models of economic man (*Homo oeconomicus*) or sociological man (*Homo sociologicus*), and it is precisely gender that significantly affects their respective market situations, including the prospects of finding an attractive job, the amount of earned income, the likelihood of promotion, and professional career. There is, therefore, a perceptible gap between models and reality. K. Kielos (2014) describes this issue suggestively in feminist literature, and notes quite spitefully that A. Smith never married and for most of his life lived with

his mother who ran his household. In other words, the ‘father of economy’ on the one hand ignored women in his model of economic man, and on the other, himself lived thanks to their arduous and unpaid work at home. I therefore believe that it makes sense to supplement the study of work/labour in the era of liquid modernity with a reflection from the perspective of gender and criticism of feminist researchers, all the more so because their voices still remain marginalised.

As M. Humm (1993) says, feminist-oriented researchers emphasise the fact that in numerous studies unpaid work takes place in the home and tends to be associated with housework. Thus on the one hand it becomes invisible and on the other, significantly contributes to the oppression of women. This gender division also contributes to the consolidation of the dominant position of men due to the less advantageous balance of time available to women, as well as due to the issues of segmentation in the paid labour market, and the phenomenon of gender pay gap (Kozek 2013). Women’s lower earnings are due to the fact that their professional activity is treated as a less important contributor to the wellbeing of their families, which also partly explains their weaker position in the family and additionally distract them from professional self-fulfilment in favour of domestic work, which includes cleaning and carework. Moreover, the female role in biological reproduction at least periodically disrupts their activity in the labour market, as well as underlies a different rhythm of public functioning of genders. The perception of individual identity is also confirmed in everyday interactions and is not devoid of impact on plans for the future and life aspirations. Consequently, the daily mother-offspring interactions also contribute to the creation of her cultural gender, or at least affect the formation of female experiences. The generation of individual experiences and life skills is influenced by their respective roles in the process of reproduction, which is different for women and men. In this sense, I believe, the cultural differences between the genders are recreated here, and additionally reinforced by cultural expectations and social influence (Budrowska 2000; Rich 2000; Bourdieu 2004). In any case, the process of upbringing is associated with maternal and paternal roles, but the former are much more

strongly (even bodily) linked with individual experience. Motherhood is therefore a much more corporeal experience than fatherhood and at least periodically influences the limitation of female subjectivity or mobility. As A. Rich (2000) notes, motherhood can be analysed in terms of institutions and women's experience. Motherhood as an institution where almost all the duties and responsibilities rest with the mother, may, however, according to the researcher, be treated as an oppressive exponent of a patriarchal dictatorship, whereas what gives women satisfaction and strength is motherhood treated as experience. In Polish research, B. Budrowska (2000) points out that motherhood is usually understood as a breakthrough moment in women's lives.

It is also worth noting that unpaid work has only recently become a subject of sociologists' research interest, as have the analyses of relationships between it and paid work. The activities that make up domestic work have also fairly recently been linked with professions such as the cook, confectioner, butcher, cleaner, washerwoman, dressmaker, nursery day carer, carer of elderly and/or dependent persons, nurse, kindergarten teacher, teacher or waitress. In general, this association clearly illustrates that work at home can be appreciated, that it carries a real value, although in everyday parlance, their importance is often dismissed or plainly refuted. As the Warsaw women sociologists A. Titkow, D. Duch-Krzystoszek, and B. Budrowska (2004, p. 33), who study unpaid work, note, in fact it is a cultural norm **“with a universal, deeply internalised way of functioning, which affects both men and women.”** In this sense, and not only in our cultural circles, this kind of work has long been both commonplace and invisible or marginalised, as well as contributed to the application of double gender standards treated as a matter of course, since society continues to expect women to do two jobs – one at home and the other in the labour market. However, following the author of *Masculine dominance* (Bourdieu 2004), it is worth noting that women, through their genre habitus, have appreciably 'colluded' in this culturally recognised (though unequal in objective terms) division of household duties. Nevertheless, since entering the labour market in modern times, women have actually benefited from

having two jobs (i.e. professional and domestic, formal and informal, paid and unpaid), because thanks to their professional activity they were able to enhance their financial autonomy, which boosted their position and bargaining power in married and family life. Such a state of affairs may explain the “satisfied slave paradox” written about in Poland by H. Domański (1999).

As far as carework is concerned, which is also strongly influenced by the above-mentioned expectations, the demand for it will increase due to the ageing of the Polish population. According to the official social policy rules towards seniors in Poland, carework should be associated with the principles of subsidiarity, comprehensive needs assessment, as well as attempts to meet them in the local community (Mossakowska 2012). According to R. Iwański's research findings (2016), the provision of long-term care to dependent elderly people, at least in the Zachodniopomorskie Voivodeship, in the vast majority of cases rests on family members, who are mostly women. As a result, old age and carework are becoming feminised. Under such circumstances, if a male gives up his job and professional career in order to care for the sick, he is still greeted with incredulity and universal admiration (as is the case with M.A. Velez, the Deputy Director of the Museum of Modern Art in Warsaw).<sup>1</sup> More importantly, however, carework is exhausting both physically (for example washing a bedridden person who is unable to move unassisted) and mentally (if only because of the irreversible nature of the passage of time and finally the death of the person entrusted to one's care).

I would like to specifically mention one more category of work which was identified, named and introduced into sociology by A. Hochschild (2009), i.e. emotional work. It has become particularly significant today, in the times when, as D. Bell (1994) writes, “man, thanks to the achievements of civilisation, has subordinated his environment to himself,

1 See M. Redzisz's interview with M.A. Velez, *Deputy Director of the Museum of Modern Art in Warsaw: I quit my job because I love my parents*, <http://wyborcza.pl/duzyformat/7,127290,24847895,wicedyrektor-muzeum-sztuki-nowoczesnej-w-warszawie-rzucam.html> (accessed 14 July 2019).

and the game with processed nature has started to give way to the game between people.” In her research Hochschild (2009) noticed the increasing number of professions that require managing one’s own feelings and dealing with the feelings of others, but she focused on the differences in the way female flight attendants and debt collectors behave at work. As she noted, the former is perceived as a female occupation, whereas the latter as a typically male one. Accordingly, the gender segmentation of the professions translates into the kinds of feelings promoted, because flight attendants are supposed to emanate kindness and, above all, calm down their clients, whereas debt collectors should behave in exactly the opposite way. Since the publication of *The Managed Heart. Commercialization of Human Feeling* (Hochschild 1983), the author’s concept was also used to reflect on the character of numerous other professions as well as unpaid work, as J.H. Turner and J.E. Stets emphasise (2009), or even to reflect on the emotional work of trade union leaders of either gender (Kamińska-Berezowska 2015).

Furthermore, in my opinion, it is worth taking into account such categories of work as individual work on oneself (also referred to as managing oneself or one’s own career), precarious work, and social work. The last two categories evoke associations with the welfare state and the evolution of social policy.

For me, the term *social work* primarily evokes associations with sensitivity to social, class and gender inequalities, and also brings to mind the image of J. Addams, a social activist and sociologist from Chicago, written suggestively about by M. Jo Deegan (1988, cited after Ritzer 2004) and K. Wait (2013). In Poland, the path to the professionalisation of social work in particular was paved by Z. Daszyńska-Golinska and H. Radlińska’s efforts, as emphasised by K. Frysztański (2000). In general, social work is the kind of work whose emergence and professionalisation coincided with the period of modernity and the welfare state. Today, however, as Bauman (2006b) warns, the idea of the welfare state seems to be undergoing a genuine crisis, because the rules of the economic game are changing and the ethic of solidarity with the poor is corroding in favour of the victory of neoliberalist arguments.

An important voice in the discussion on the transformation of work and ways of adequately capturing it in the era of modernity in the context of the dictates of neoliberalism belongs to Standing (2014, 2015). In his view (Standing 2014), precarious work means uncertainty understood in terms of full employment, about the income obtained (which would guarantee economic security to satisfy one’s basic needs), as well as the experience of the lack of identity based on being a member of a professional community. The author attributes such a state of affairs to the erosion of employment security in the industrial era, including labour market security, sufficient income from work, employment guarantees, health and safety at work (protection against accidents and coverage of treatment costs), representation of interests by the employer, stability of income and status, and stability in acquiring and using individual competences. The author identifies two basic kinds of work – work and labour – and writes (Standing 2015, p. 157) that “work should be saved from hired labour. We must stop fetishising conventionally measured jobs and economic growth. This is crucial for the development of a progressive strategy.” According to the researcher, the categories of people at risk of performing precarious work include those identified on the basis of gender and age (e.g. “the queens of life on benefits,” people who pretend to be disabled, and the elderly), as well as offers somewhat pessimistic visions of an increase of the precariat.

## Managing age and gender diversity

Age management can be linked to the concept of self-management, i.e. the obligation to take responsibility for one’s own fate and success in life. According to the concept of self-management, discussed, among others, by P. Drucker (1994), first of all it is necessary to acquire the ability to plan in time, to separate important things from unimportant ones, as well as the ability to motivate oneself. According to H. Bieniok (2010), the main principles which have an impact on individual time management skills include the following:

1. The forward thinking rule, which is associated with considering the benefits of actions taken in the perspective of five, ten or twenty years.
2. The principle of strategic planning of one's own life in the sense of analysing one's own values and defining long-term life goals.
3. The principle of positive motivation in terms of the capacity to motivate oneself and believing in one's own abilities.
4. The principle of resuming projects considered important, though unsuccessful at a given time, but doing so more effectively.
5. The principle of treating time as an exceptional and unique value.

It seems that researchers, philosophers, and poets alike are concerned with the phenomenon of time, its uniqueness and pricelessness. From the sociological perspective, as H. Worach-Kardas (2002) argues, an individual's time is measured in terms of age, although by no means exclusively in calendar terms (the number of years passed), but also in functional (mental and physical status) and social terms as associated with the roles played in the labour market (in this sense, a person who becomes a pensioner is 'old'). As the author writes (Worach-Kardas, 2002, p. 318), age "in sociological terms, is therefore not only the length of life from birth, but also the vehicle for experiences, roles of social aspirations, etc." It can be said, therefore, that the social age of an individual is also influenced by the way he or she is perceived in society, which is determined by broadly understood cultural differences or theoretical approaches to the ageing process – all of them being subject to interdisciplinary analyses and continual change. The most spectacular expression of changes in approaches to old age (and its study conducted in order to ensure its proper quality) is the dispute between supporters of disengagement theory and the proponents of activity theory, which is now being superseded by gerotranscendence theory, according to which ageing is a physical and mental process in which "materialistic and rational aspects give way to the transcendental dimension" (Brudek 2016, p. 12). For these reasons, the individual ageing process still remains incompletely understood. However, based on hard statistical data, it can be observed that human life expectancy is increasing (GUS 2018), and therefore the potential of older people also poses a challenge to be addressed.

Diversity management is one of the concepts developed in response to demographic changes, the growing number of economically active women, and intensifying migration. As M. Armstrong (2000) emphasises, it is a much broader approach than simply observing the prohibition of discrimination based on age, gender or race (commonly accepted in the USA or the EU). The essence of diversity management developed in the last decade of the 20<sup>th</sup> century is to recognise and utilise the potential inherent in the differences between employees to achieve success in an organisation as a whole. The features which make individuals distinct from one another can be, as R. Lawthom (2003) noted, divided into visible (e.g. gender, age, race) and invisible ones (e.g. religious beliefs, political sympathies, sexual orientation). In diversity management (DM), these individual characteristics are not considered as deficits, but as challenges that may augment organisational potential. The expected benefits of DM include: improving company performance in terms of innovation, helping it to better respond to environment expectations, reduce susceptibility to herd thinking, reducing the stress of employees and human resource turnover, improving internal communication and company image. DM must be present in all the aspects of the HR process, i.e. it must start with the recruitment and selection of employees and then continue through periodic appraisals, salaries, and training. Especially the training process is worth emphasising, otherwise it is difficult to expect all the groups of employees to improve or even maintain a satisfactory level of performance. The context of DM, or more broadly human resources management (HRM), also includes age management. According to J. Liwiński and U. Sztanderska (2010, p. 3), it is "an element of human resources management, and more precisely an element of diversity management. It consists in the implementation of various activities that allow for more rational and effective use of human resources in enterprises by taking into account the needs and capabilities of employees of different ages." The authors also emphasise the importance of this concept of management in companies of different sizes, with different ownership types, representing various industries and geographical areas of operation, even though in the ageing European society this concept seems



to pose a particular challenge. In age management, after analysing the approaches to the issue in other countries, researchers have proposed identifying the following stages: recruitment and selection, lifelong learning, career development, flexible forms of employment, health protection and promotion, job transfers, termination of employment, and retirement. As can be seen from the above, special emphasis is placed on strengthening and developing professional competences. Unsurprisingly, the health care and health promotion provide an 'invisible' basis for individual well-being. The specific aspects of age management are also linked to the problem of cessation of professional activity, a discussion on when and how it should take place, with recommendations in this area promoting prolonging activity. As regards the latter aspect, it is worth noting a separate category of employees in the so-called pre-old age, defined by B. Szatur-Jaworska (2012, p. 419) as the 55–59 age band, since it is their professional activity that tends to be negatively affected due to the obligation to care for the elderly (defined as 65+ olds) or an even older category of seniors (80+ years old),<sup>2</sup> often chronically ill or even dependent, who require ongoing support in their activities of daily life. As such, it is often more burdensome, physically and mentally more exhausting than caring for minors. The care of dependent seniors by employees from the pre-old age band is again associated with the issue of gender in two ways. On the one hand, it reflects the longer life expectancy of women and on the other, social expectations that these care jobs will also be performed by women. In Poland, carework at home for the oldest and often dependent family members is provided by women representing the pre-old age band, usually daughters (who give up or reduce their own professional commitments) and/or paid carers from outside the family (who are often migrants from poorer countries).

<sup>2</sup> It is precisely this age band that has been adopted as cut-off for estimating the need for assistance to the elderly, which in geriatric literature is assessed using ADL (Activities of Daily Living) scales and includes the evaluation of individual ability to maintain personal hygiene, get dressed, eat, ambulate, manage continence, and use the bathroom independently (see Mossakowska, Więcek, Błędowski 2012).

Thus, the emergence of the silver economy described by J. Wawrzyniak (2015) as being geared towards tapping the potential of older people, may also be attributed to the feminist perspective of the care economy (Charkiewicz, Zachorowska-Mazurkiewicz 2009).

The challenges posed by the silver economy at company level are actually very much in line with the concept of age diversity management, as they are related to all the aspects of the HR process, as well as to the drive to adapt the workplace to the needs and expectations of older people, create a friendly organisational climate for older people, and combat ageism. In my view, the latter issue can be regarded as almost absent from national public discourse or if it is recognised, it tends to be treated as embarrassing both for those who are subject to this kind of hostility and for their immediate environment. Hostility or even violence against the old, the weak and the sick is present in Poland (Halicka, Halicki, Ślusarczyk 2012) and manifests itself in a variety of ways. In extreme cases it takes the form of physical violence, but usually it occurs through economic, psychological, and symbolic violence. This problem is vividly illustrated by the following excerpt from an article by J. Stypińska (2010, p. 162): “You tick all the boxes, except the date of birth,” which unfortunately is also part of the problem of marginalisation of the role and function of people over 67 in Polish higher education in the light of the Higher Education and Science Act of 20 July 2018 (Journal of Laws 2018, item 1668). It also contributes to the difficulties of transforming university into an organisation friendly to all age groups. It is worth noting, however, that the initiatives of the University of the Third Age (UTA), which are generally positively received and successfully operate in Poland and abroad and fit into the broadly understood silver economy and its forms of facilitating the functioning of the elderly. UTAs prove to be effective as forms of lifelong learning, transfer of values and support of good quality old age. As M. Adamczyk (2016) notes, they are not only an undeniable asset, but also a necessity associated with the functioning of society in the 21<sup>st</sup> century.

It is also worth emphasising the fact that while gender diversity management has found its vociferous proponents, especially E. Lisowska (ed.



2007, 2012)<sup>3</sup> and the Lewiatan Confederation (Lisowska, Sznajder 2013), age diversity management does not seem to have attracted a comparably widespread publicity or promotion, even though it was also supported by a number of training courses, including the EU-funded “Z wiekiem na plus. Szkolenia dla przedsiębiorstw” (Age as an advantage. Training for enterprises).<sup>4</sup> This specificity of implementing the DM concept in Poland may reflect its original nationwide implementation by the “Gender Index” project, which was executed under the framework of the EQUAL Community Initiative in 2004–2008 (Gryszko 2009). I think, however, that the DM concept may or even should evolve to include other dimensions of diversity, principally age.

Nowadays, old age is regarded as unattractive, in the context of the culturally promoted cult of youth and beauty especially addressed to women (Kałuża, Szukalski 2010). In this sense, it seems important to emphasise the multiplicity of common areas of age and gender diversity management as well as the overlapping negative stereotypes associated with both. It is worth not only noting the links between ageism and sexism, but also reflecting on coherent strategies for combating both phenomena. Such activities in their entirety are becoming more and more important in the context of the lifestyle preferred in postmodern society, including the increasing impact of aesthetic medicine and its links with marketing promises of continuous improvement not only in the general health status, but also in almost every part of the body (especially the female one). As N. Wolf (2014) writes, once the “terror” of youth and beauty is unleashed, naming it can be very helpful in resisting it. M. Mead (2000), however, perceives the differences between generations not as a threat, but rather as a kind of new reality, where the prefigurative culture transforms the relationships among generations, in which older people learn from their “mysterious children.” As the researcher notes (Mead 2000, pp. 94–95): “Not so long ago, older

people could have said, ‘listen, I was young too, but you were never old.’ Today the young person may reply, ‘You have never been young in a world where I am young, and you will never be young again’ ... Today, children live in a world about which the elderly have no idea and few adults could have imagined that something like this could ever happen. Those who took this opportunity into consideration heralded the prefigurative cultures, in which what belongs to the future is unimaginable.”

## The future as diversity – concluding remarks

Age and gender as categories superficially pigeonhole people, but they do not necessarily entail dividing them into hostile camps; instead, those people may still form single, yet internally diverse communities. History and individual experience shows us how we can approach people of different gender and age. Our ideals tell us how we would like to acknowledge differences. One of the concepts that meets these expectations is diversity management inspired by the ideas of tolerance, equal opportunities, and the creation of conditions conducive to a good quality of life. In my view, in today’s Poland, managing age and gender diversity can be considered particularly important in that it may shift the emphasis of social policy on the living conditions and individual development of both women and older age categories, including those who are gainfully employed and those who have ceased to be professionally active as a result of age. For, according to the Latin phrase, “finis coronat opus” (the end crowns the work).

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3 Cf. <http://www.equal.org.pl/baza.php?M=10&PID=86&lang=pl> (accessed 17 July 2019).

4 Cf. <https://www.parp.gov.pl/files/74/75/76/487/494/9416.pdf> (accessed 17 July 2019); [https://www.parp.gov.pl/storage/publications/pdf/2010\\_analiza\\_dobrych\\_praktyk\\_zaradzania\\_wiekistudium.pdf](https://www.parp.gov.pl/storage/publications/pdf/2010_analiza_dobrych_praktyk_zaradzania_wiekistudium.pdf) (accessed 17 July 2019).

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## **PART II – CITY-IDEA**

# Jerzy Wilkin

## **Villages vs. cities: What are they? What makes them unique? What makes them change?**

### **Introduction**

Villages are peculiar and hard to define entities, both as real and theoretical objects. But how intriguing they can be for the researcher! Villages have existed for almost as long as agriculture, i.e. at least a dozen or so thousand years. Towns and cities evolved later than rural settlements. The village is the original cradle of organised community and exists to this day. What, then, is the village as an important settlement unit for people in the 21<sup>st</sup> century and in highly developed countries? Why is this entity quite often extremely vibrant, capable of competing with cities, which have come to symbolise modernity and dynamic development, even though in many respects it requires support and protection? Villages are linked with cities by various relationships, which evolve as a result of economic development, spatial location, state policies, and a host of other factors.

Villages and cities need each other, but the relationships between them have rarely been based on partnership, on the contrary, they mostly involved subordination and exploitation. With this in mind, I noted with pleasure and interest the leading theme of one of the sessions at the Open Eyes Economy Summit 2019 devoted to territorial justice in the relationship between rural and urban areas.



The question itself – what is territorial justice and to what extent is it implemented in Poland? – is difficult, fascinating and very important both in theoretical and practical terms.

J. Hausner in his lecture delivered at the seminar of the Polish Economic Society in Warsaw on 15 May 2019 titled “The social space-time continuum of economic activity,” noted that “Space has a social nature and, at the same time, whatever is social is spatial. Social space-time is an ontological, epistemological and methodological category.” He pointed out that it can be considered as a physical space, a space of exchange and a space of discourse. These spaces, in my opinion, are bound together by the cultural space. These observations are very useful for discussing both the relationships between villages and cities and the processes which occur in the multidimensional spaces of villages (rural areas) and cities.<sup>1</sup> At present, spatial development is one of the most important criteria for discriminating between villages and cities as well as identifying their respective characteristics. At the same time, pathologies affecting the development of rural areas result in numerous development-related problems, including wastage of resources, especially agricultural land.

My primary focus in this study is on a range of phenomena which affect rural areas, the evolution of their economic and social structure, and the transformations of village – city relationships as a result of processes that occur on a national, EU and global scale. I will also try to answer the question of what territorial justice is in the village–city relationship.

I advance the thesis that the relationships between rural areas and cities are becoming tighter, as both entities transform and differentiate. This is accompanied by overcoming the isolation of rural communities, which used to be the hallmark of rural communities for centuries. Vil-

lages become emancipated, appreciated and integrated with the rest of the economy and society. These processes clearly intensified after 1989 with the beginning of the systemic transformation, and gained even more momentum after Poland’s accession to the European Union in 2004.

Until recently, numerous researchers described rural areas as “a different world,” usually in the sense of inferiority to urban ones. This was associated with considerable disparities in income, education levels, social and technical infrastructure, access to public services and a number of others, yet all unfavourable for rural areas. However, these differences have been decreasing in most Poland’s regions, to a considerable extent thanks to the EU funds.<sup>2</sup> As we metaphorically phrased it in the FDPA reports on the state of rural areas, “rural areas are becoming integrated with Poland.”

Changes in the village – city relationships is one of the principal social, economic and cultural processes taking place both in the European civilisation and in most other countries. While on a global scale populations are moving quite quickly from rural areas to urban ones, in many developed countries, including Poland, migration has taken the opposite direction: more people (on a national scale) move from urban to rural areas than vice versa.

## What are rural areas and villages today?

The village is a specific kind of settlement unit, having its administrative status, geodetically measured area, type of development, population, location in space, and its own name (e.g. Zalipie). In Poland, there are over 40 thousand such settlement units.

In administrative and statistical terms, rural areas are those parts of the country that do not belong to urban areas. When we pass a city nameplate crossed with a diagonal line, we enter a rural area, unless it is followed by

1 B. Jałowiecki wrote interestingly and comprehensively about the social creation of space. His book devoted to this issue begins with a statement: “The space in which we live is not a creation of nature, but a thoroughly human work, created by people in a way that is determined by natural, social, and cultural factors. Villages, cities, fields, factories, canals, bridges, roads, airports, etc. are all created.... Since the space in which we live is a human creation, the question of how it is created becomes legitimate” (Jałowiecki 2010, p. 11).

2 We discuss the issue in the cyclical FDPA reports on the state of the Polish rural areas. The latest report in this series was published in 2018 (Wilkin, Nurzyńska 2018).

another city, as is often the case in Silesia. Rural areas are comprised not only of agricultural land (currently under 50% of Poland's area) but also of forests, water reservoirs, rivers, residential and farm buildings, national and landscape parks, and many others. It is not surprising, therefore, that according to the Central Statistical Office (GUS), rural areas constitute 93% of the area of Poland.

Every researcher of villages and rural areas knows, however, that both concepts are a matter of definition, depending on the adopted criteria, conventions, legal regulations and theoretical proposals. There are settlement units with a city status with fewer than 2,000 inhabitants and villages whose population exceeds 5,000. There are villages in which almost everyone works in agriculture and those in which there are no commercial farms at all. Researchers of rural areas would probably agree that rurality is a gradable concept. Social and geographical sciences have developed numerous ways of identifying and classifying rural areas. A very good and transparent overview of these criteria and typologies was provided by J. Bański (2017) and the authors of Rural Development Monitoring (MROW 2018).

M. Halamska aptly describes this fluidity of the notion of rurality: "The notion of village and rurality, being a synonym for rural features, has evolved and continues to evolve over time, which results not only from objective changes that occur in the rural space but also from changes in the whole society, its system of values and functions that it attributes to its rural areas" (Halamska 2009, p. 125)

Primarily sociologists and some geographers are inclined to attribute to rural areas specific characteristics justifying their distinctness as a subject of research and scientific theory. For geographers, this feature primarily comprises the space, its structure, shape, and development. For sociologists, rural areas are social, symbolic and cultural spaces as well as arenas of relationships between man and the economy, between man and nature, between man and other men, and between man and his external, non-rural environment. As K. Gorlach notes, "The concept of 'rural area' (not 'village') imposes a different perspective on us; it creates a different image of social reality. Without developing the concept of rural diversity more broadly at

this point, one particular aspect should be taken into account, namely differentiating it from the kind of social reality which we simply call village. The concept of rural area ceases to operate as a holistic, some might even say as a systemic vision of social reality. Instead, it focuses on a certain selected element of the whole rich and comprehensive characteristics of rural areas presented above. This element is a certain area, a certain space, which is singled out owing to its particular features" (Gorlach 2004, p. 16).

J. Bański considers the following features to be the basis for identifying rural areas:

- "specific open landscape,
- relatively low population density,
- predominance of population associated with agriculture and forestry,
- traditional lifestyle (close to nature) and customs,
- extensive land use (mainly agricultural land and forests),
- low-density housing and dispersed settlement,
- the opinion of the majority of local populace that they live in a village" (Bański 2017, p. 14)

It does not mean, however, that all the above-mentioned features must be present in order to consider a given settlement unit as a village.

Research on village – city relationships and ways of classifying rural and urban areas often makes use of the category of continuum of rural and urban characteristics, as well as the distinction between centre and periphery. Monika Stanny thus describes these methodological approaches: "The concept of the rural-urban continuum treats rural and urban areas as de facto polar opposites, between which the analysed features are gradable. However, besides this research perspective, it is also possible to take the opposite approach, where the relationship between the two categories is much closer. This is the case with the 'centre-periphery' concept, where research focuses on the relationships between the centre (city as a centre) and the periphery; and the two cannot exist without each other. Apart from the social characteristics, symbols and cultural patterns (which predominated in the rural-urban continuum), this concept also takes into account economic relationships and the issue of administrative (or political) supremacy" (Stanny 2013, p. 32).

The popularity of sustainable development theory in economics and other social sciences (but not only) proved to be of great importance to the theory of rural development and enhanced the role of rural areas. This is probably the most promising and fruitful research direction in the field of theory and development policy at present, using the achievements of social and natural sciences as well as the humanities. At its core, this theoretical concept combines three spheres of analysis and forms of balance: economic, social, and environmental (ecological) ones analysed from a multi-year or even multi-generational perspective. Research on rural development fits perfectly into this theoretical concept. It also allowed us to understand, describe and appreciate the multifunctionality of rural areas and agriculture, including their importance in providing public and social goods. The principles of sustainable and self-sustaining development have been incorporated into many high-profile regulatory and programming documents (including national constitutions, EU and UN programmes).

### How to interpret territorial justice in terms of relationships between rural and urban areas?

Territorial justice is a new category in the debate on justice. I consider it to be a very important and innovative space for reflection on the idea of justice, which has not only a theoretical dimension but also very important practical implications. It falls within the part of a very rich theoretical and axiological category which is called social justice. I strongly believe it to be the most important component of the theory of justice, since it concerns the very institutional foundations of the political order of society.<sup>3</sup>

<sup>3</sup> The issue of justice, including general justice, social justice and its other forms, has been widely discussed, analysed and addressed in scientific literature for many centuries. A very comprehensive and useful compendium of contemporary theories of justice is the work of Serge-Christophe Kolm (1996).

Institutional issues link many spheres of analysis concerning social and economic development, the functioning of the state, social justice, economic efficiency, human freedom, territorial cohesion, etc.

Modern economics increasingly appreciates the importance of space and territorial relationships in the processes of management and development. New economic geography has become an important and appreciated branch of economic sciences. The career of institutionalism in economics (in its various currents) was also reflected in the theory of territorial development. This process is discussed by M. E. Sokołowicz, who states that “A key starting point for the search for convergence between institutional economics and local and regional development issues is the concept of ‘territorial nature of development,’ strongly popularised both among scientists and practitioners in the field of spatial management. Contemporary spatial analyses are increasingly focused on the concept of ‘territory,’ which essentially comes down to combining the dimension of physical space with the cognitive and social dimensions” (Sokołowicz 2015, p. 59).

Territorial justice depends to a large extent on spatial accessibility (roads, public transport, telecommunications, the internet, etc.), which determines the availability of numerous goods and services, including public goods and participation in development. Limited spatial accessibility can be a major barrier to development, especially in peripheral rural areas.

In order to understand and appreciate territorial justice more fully, a reference should first be made to general considerations on justice.

In one of the most important scientific works devoted to justice in world literature, J. Rawls wrote: “Justice is the first virtue of social institutions, as truth is of systems of thought. A theory however elegant and economical must be rejected or revised if it is untrue; likewise laws and institutions no matter how efficient and well-arranged must be reformed or abolished if they are unjust” (Rawls 1994, p. 13).

Economists rarely and rather reluctantly address the issue of justice. The most important area of economic analysis associated with the issue of equality and justice is the relationship between distributive justice and economic efficiency. The metaphor of the leaky bucket used to transfer

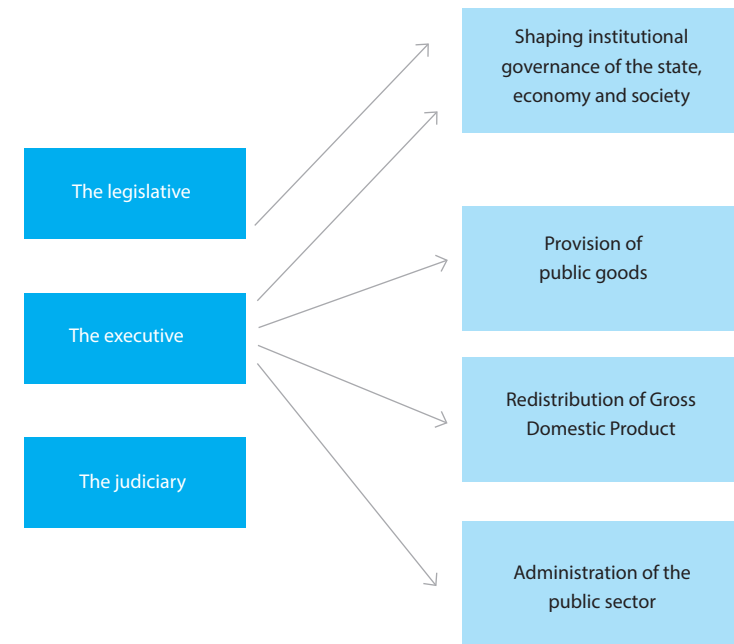
(redistribute) certain values (e.g. income) from one social group to another, applied by A. Okun and P. Samuelson, among others, is a good example of approach to this issue, although it presents a rather narrow field of analysis and intellectual reflection by economists. It is heartening, however, that this field is expanding and becoming more and more popular.<sup>4</sup>

Social justice is included in the axiological canons of numerous countries and international institutions. Article 2 of the Constitution of the Republic of Poland of 1997 reads: “The Republic of Poland shall be a democratic state ruled by law and implementing the principles of social justice.” The idea of justice was at the heart of the European Union’s cohesion policy, including territorial cohesion. The same idea pervades the social teachings of the Catholic Church, specifically, the numerous papal encyclicals dealing with this topical area.

Social justice is founded upon political justice, i.e. such institutional foundations as ensure both equal civil and political rights of citizens as well as their access to primary goods in accordance with the maximin principle proposed by J. Rawls. In this approach to justice, the state, as the designer and guardian of the political order, has a particularly important role to play.

Rawls’ theory of “just inequality” is sometimes called “practical justice.”<sup>5</sup> The postulate of equality concerns only civil rights; inequality is permissible with respect to the distribution of goods, provided that as certain groups of the population become richer, the needs of the poorest are met. In order to prevent excessive, socially unacceptable wealth and income disparities, J. Rawls proposes to promote a property-owning democracy, in which the standards and quality of life of most citizens improves regardless of the welfare state and economic paternalism, and

**Figure 1.** The role of the state in providing the foundations for governance and distributive justice



**Source:** Author’s own research.

depends on the resources and commitment of the citizens themselves. He wrote: “in a property-owning democracy the aim is to carry out the idea of society as a fair system of cooperation over time among citizens as free and equal persons. Thus, basic institutions must from the outset put in the hands of citizens generally, and not only of a few, the productive means to be fully cooperating members of a society” (Rawls 1994, p. xv). This proposal concerning the organisation of society seems rather unrealistic in contemporary economic systems, where capital is concentrated and income disparities are increasing. However, we often forget that ownership and capital, which are increasingly important as

4 The relationships between justice and economic efficiency were discussed at a seminar I organised at the Faculty of Economic Sciences of the University of Warsaw in the mid-1990s and in the ensuing book (Wilkin 1997).

5 Justice is quite often identified with equality. While equality in relation to the most important powers, including civil and political rights, is an essential component of justice, equality in the distribution of wealth and income can be a manifestation of injustice. We can therefore have both fair inequality and unfair equality.

sources of income and independence, comprise not only material capital but also human, intellectual and social capital. Dissemination of education means increasing capital. Possessing knowledge and qualifications is usually a source of satisfactory and quite stable income, and in the era of computerisation and telecommunications, this capital can be utilised almost anywhere, including peripheral rural areas. Higher education is usually a more reliable and effective source of income than owning a few hectares of land or a small production or service workshop. The idea of property-owning democracy promoted by J. Rawls should therefore be understood quite broadly, including the concept of ownership, and account for changes in ownership as a source of income and political power. The growing importance of human and social capital in the development of modern economies fundamentally transforms the relationship between work and capital. This is not always duly recognised and appreciated, including researchers of social relations.

For centuries, especially during capitalism and previously, under feudalism, agriculture was subordinated to the needs of the ruling classes, it was an object of exploitation and sometimes a sphere of quite ruthless enslavement. Marxism formulated the theory of subsumption as a concept explaining the village – city relationships. The essence of the subsumption was the subordination of agriculture, especially of the peasant class, to the dominant capital, or formerly, to feudal authorities.

In Poland, the liberation of peasants, the beginnings of their emancipation and empowerment took place in the Russian partition only after the abolition of serfdom in 1864. This process intensified after Poland regained independence in 1918. The interwar period marked a turbulent history of the peasants' struggle for agrarian reforms, especially land parcelling, increasing their participation in political life and ensuring institutional conditions for the development of agriculture then dominated by smallholders.<sup>6</sup> Peasants also demanded to change the relationships between urban and rural areas, to overcome the domination of the for-

mer in setting the prices of agricultural products and farmers' incomes, which led to the economic exploitation of the latter. During the Great Depression of 1929–1933, the income of the agricultural population fell almost threefold, although by about 36% on a domestic scale. The situation was similar during the other – previous and subsequent economic crises, including the transformation crisis (1989–1991).

Consequently, I understand territorial justice primarily as a shape of the institutional system of the state that ensures compliance with the principles of social justice in its territorial system. Almost everywhere the place of residence is an important discriminating factor in access to goods and services, employment, culture, the exercise of civil rights and a number of others. The responsibility of the state as the creator of institutional order is to ensure equal opportunities for all citizens to exercise these rights and access to basic goods, in accordance with Rawlsian maximin rule.<sup>7</sup> This can provide the foundation for policies and mechanisms aimed at limiting exclusion and marginalisation in territorial terms. Cohesion policy implemented by the European Union strongly emphasises the importance of territorial cohesion both within its individual member states and across the Community. The common agricultural policy, regional and social policy, as well as other Community policies, serve to improve economic, social and territorial cohesion on the EU territory, and thus contribute to the implementation of the principles of social justice on a regional, national and EU scale.

## The importance of agriculture and its structural evolution

The unique importance of agriculture is due mainly to the fact that it is the source of mankind's most important product, namely food.

7 I am not addressing here the controversies associated with the definitions of primary goods or their changing scopes. In opposition to J. Rawls' theory and the importance of primary goods, Amartya Sen formulated the concept of capabilities approach.

6 These processes are described comprehensively in a two-volume monograph on the century of rural development in 1918–2018 by Halamska, Stanny and Wilkin (2019).



Regardless of how long and complicated the so-called 'food chain' is, how industrialised food production is, and how small a proportion of the value of the final product is due to the farmer, it should not be forgotten that this chain there begins with a farmer who combines solar energy, soil and other natural resources, human labour and other means of production in the process of producing primary agricultural products. Without these results of farmers' work, the entire food chain cannot exist.

In the Second Republic of Poland, farmers constituted 60–70% of the workforce; in the Third Republic of Poland their share in total employment fell to 11–15%, whereas in the most developed countries it was only 2–3%. These data, as well as the share of agriculture in GDP, which amounts in Poland to ca. 3%, whereas in Western Europe it is 1–2%, do not explain, however, the importance of agriculture in the economy and society. In research, agricultural policy and in the awareness of a large part of the society, especially in the EU, there has been quite a profound change in the perception of agriculture as a source of numerous values of considerable importance for society. These changes have been most fully reflected in the concept of multifunctionality of agriculture, which is quite often considered together with the multifunctionality of rural areas.

The modern approach to agricultural multifunctionality underscores those spheres and results of farmers' activity which are not directly priced or paid for by the market. Farmers' work results both in products which are sold on the market and their value is reflected in their price, as well as in products (or services) which are not marketable in nature and hence there is no appropriate mechanism for their pricing or remunerating their producers. The latter are sometimes compared to public goods or what is called positive externalities in economics. The complexity of the problem of multifunctionality of agriculture lies, among others, in the fact that in most cases it is impossible to separate the spheres of market and non-market production and to apply completely independent systems of remuneration for functions performed in either sphere. In the literature, this phenomenon is re-

ferred to as jointness.<sup>8</sup> If the Biebrza river meadows are not mown, after some time the population of birds (known as meadow birds) drastically decreases; if cows and sheep do not graze in the mountain pastures, the natural diversity of species becomes depleted. Examples of similar phenomena abound.

In the economic system of the most developed countries, agriculture is gradually becoming a more sensitive or even vulnerable economic activity. Why is this? Agriculture is based on a relatively fragile fabric of natural and social factors, adapted to local conditions and characterised by limited mobility. Agriculture has always been spatially, naturally, and culturally embedded. The process of agriculture's adaptation to changing environmental – natural and economic – conditions differs from the majority of other parts of the economy. This specificity and adaptation difficulties were usually the source of the so-called agrarian question (Wilkin 1986).

When describing agriculture as a system of farming and social life dominated by the peasant class over the centuries, researchers usually apply such terms as isolation, self-sufficiency and severe, widespread poverty. Contacts between rural and urban communities were usually very limited. The world of most villagers was limited to a single village and its immediate vicinity, possibly extending to a small neighbouring market town. This isolation meant not only a limited perception of the world but also limited peasants' freedom.<sup>9</sup> The latter's attachment to land took different forms, depending on the country, region and historical period. The dominant social status of this group was that of both legal and economic enslavement. Any possibility of relocating to the city offered

- 8 The multifunctionality of agriculture and the correlation between agricultural production and the production of public goods is an important basis for appreciating agriculture and legitimising public support for agriculture, especially in highly developed countries (Wilkin 2010).
- 9 The cultural anthropologist Ludwik Stomma wrote about isolationism and limitations of the peasant world in Poland: "We are locals. We are peasant farmers. These key criteria of peasant self-definition, which narrowed down the spatial and class circle of the familiar ecumenical system, plainly reveal the basic determinant of folk culture of the turn of the 19<sup>th</sup> and the 20<sup>th</sup> centuries, namely multilateral isolation" (Stomma 1986, p. 65).

not only the opportunity for material advancement but also of gaining or extending one's freedom. This was illustrated by the German-language slogans "Stadt macht frei" and "Stadtluft macht frei" (City (air) makes you free), which were widely known, especially in medieval Europe.

Until recently, the opportunity to move to the city and thereby liberate oneself from agricultural toil, rural isolation and strict social control, was an attractive alternative, especially for young people. Under the Polish People's Republic, the overcoming of rural isolationism and the prospects of finding employment in cities was facilitated by the so-called socialist industrialisation. The process led to the emergence of a very large group of peasant workers, who lived in rural areas, but worked in cities. Some of them lived in workers' hostels, while others were allotted flats, such as the builders of Nowa Huta (originally, a separate industrial city near Krakow, now one of its districts). Peasant workers represented non-definitive or circular migration. In the late 1980s, this group comprised ca. 1.5 million people. After the beginning of the post-socialist system transformation in the early 1990s, over 600,000 peasant workers lost their jobs, which placed a heavy burden on rural families, especially the peasant ones.<sup>10</sup> The high cost of the Polish transformation borne by the rural population, especially by the farmers, is yet to be properly recognised and appreciated both by social researchers and the majority of Polish society.

The economic conditions and social relations in the last three decades, especially after Poland's EU accession in 2004, made staying in one's village or moving to a city a matter of free choice. Currently, more than 80% of rural residents in Poland are satisfied with their place of residence and even if they can relocate to urban areas, they prefer to stay in the

countryside. More and more young people contemplate living in rural areas, although few of them actually plan to perform agricultural jobs.<sup>11</sup>

## Changes in the social and economic structure of Polish rural areas

Sociologists now consider deagrarianisation and gentrification to be the most powerful drivers of social and economic change which affects Polish rural areas.

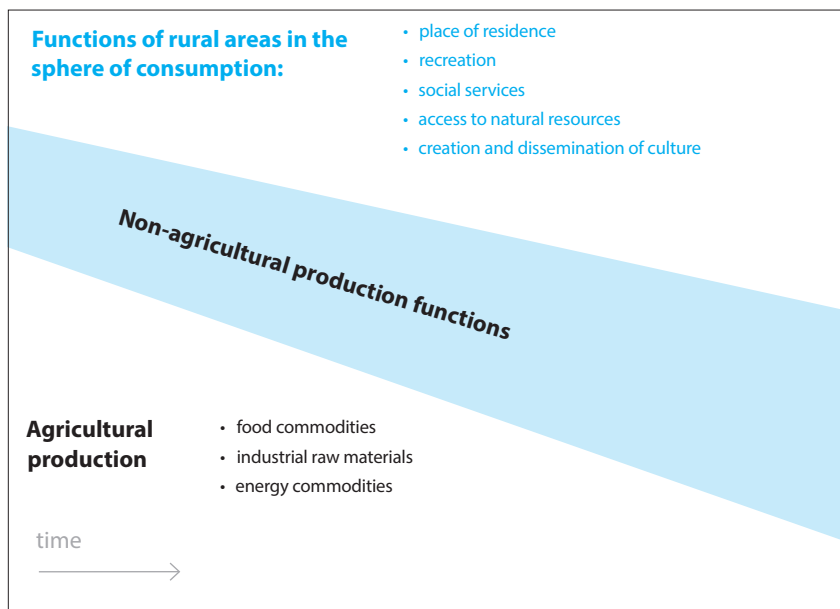
Currently, about 25% inhabitants of rural areas live in households which engage in agriculture, but in most of them working the land and income derived from it only support and complement incomes from other sources. Fewer than 10% of inhabitants of rural areas earn their living exclusively or mainly from work in agriculture.

The figure below illustrates long-term trends of change between production and consumption functions of rural areas. Until a few decades ago, the main function of rural areas was to produce food and agricultural raw materials. A complementary function involved the production of goods and services necessary in agriculture (rural crafts) and for the use of rural households. The share of agricultural production in the array of functions performed by rural areas is dwindling in favour of consumer-oriented ones, including residential and non-agricultural production functions. People moving from urban to rural areas increase the range of consumption functions of these areas. Few of them join the agricultural production sector; they usually engage in non-agricultural income-generating activities.

10 M. Błąd estimates that losses in the income of agricultural households in 1990–1995 due to layoffs from non-agricultural jobs of these households members amounted to between PLN 4.6 and 12.5 billion, depending on the adopted remuneration calculation method (Błąd 2011, p. 76).

11 I. Matysiak, a sociologist who studies the transformations of rural communities, states: "It is a fact that today, one third of university students who grew up in rural areas return there and they do it by choice" (Matysiak 2019, p. 26).

**Figure 2.** Rural areas as places of production and consumption: long-term trends of change



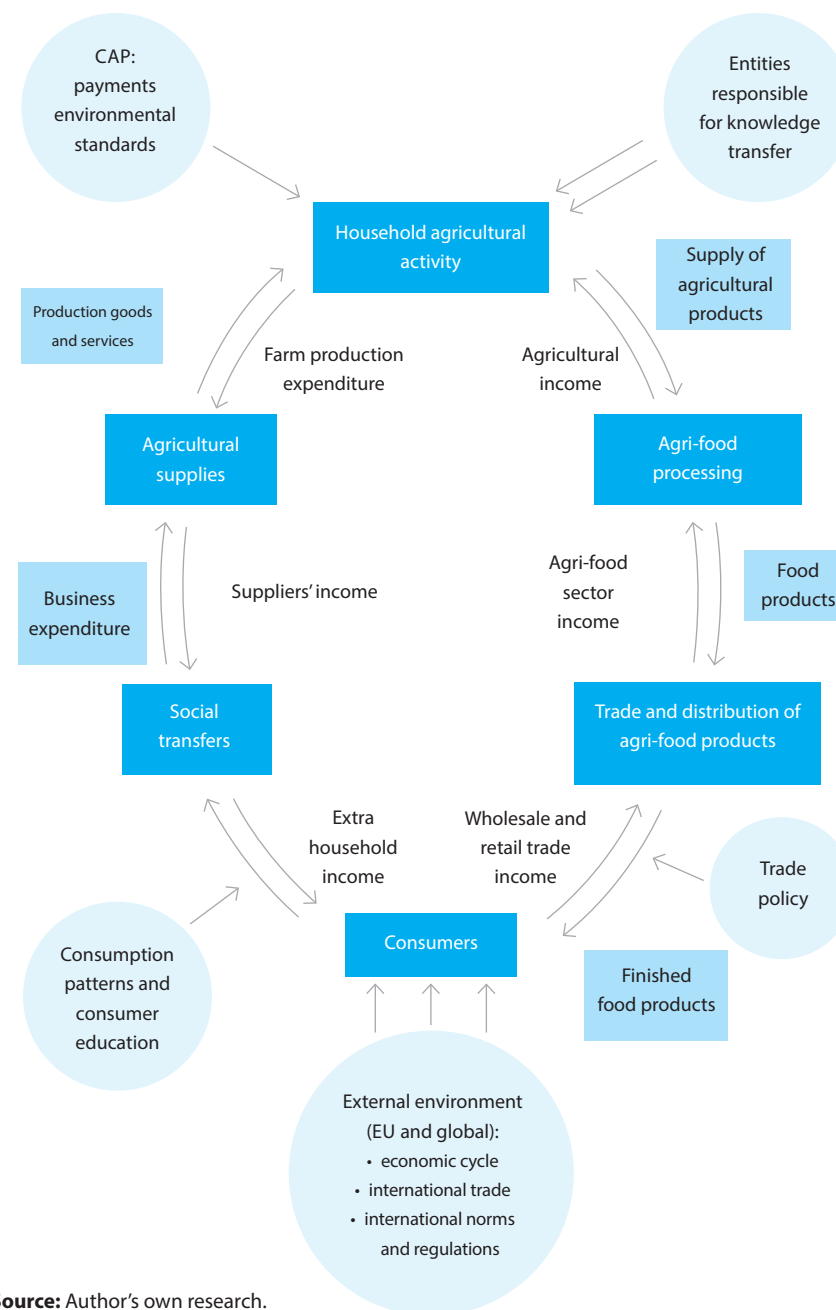
Source: Author's own research.

Currently, in Polish agriculture it is possible to identify two main groups of farmers who not only have very different links with the food market and the rural economy, different sources of income and development aspirations but also their relationships with the external environment are dissimilar.

The two figures below illustrate the circular features of two subsectors of Polish agriculture. The first one, called the commodity sector, is oriented towards market production and increasing the potential of the food economy, whereas in the other one agricultural commodity production is of marginal importance and the status of a farmer is associated with certain social and tax benefits.

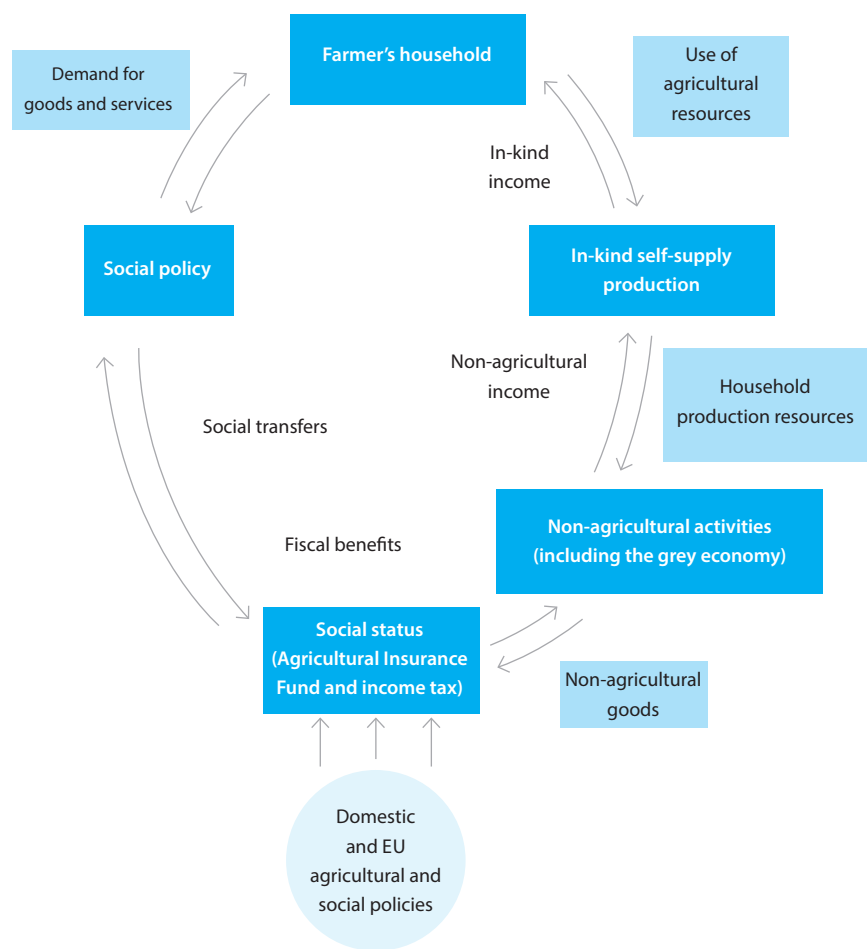
In these figures, external circulation usually refers to the flow of products and services, whereas internal circulation represents the flow of financial resources.

**Figure 3.** Developmental circularity in the rural economy – Type 1: The agricultural commodities sector



Source: Author's own research.

**Figure 4.** Developmental circularity in the rural economy – Type 2:  
The social and self-supply sector in agriculture



Source: Author's own research.

This sector comprises about 150–200 thousand farms, which account for over 80% of commodity production in Polish agriculture. The remaining over one million farms, of which about 400,000 do not produce anything for the market, use the few agricultural products for self-supply or sell locally, use the farm status, collect direct payments, pay relatively low social security contributions (Farmers' Social Security Fund – KRUS) and do not pay personal income tax (PIT). This group is also the most active in the so-called grey economy.

Rural areas are very diverse, among others, in terms of the importance of large-scale and traditional agriculture, and the degree of urbanisation. The persistence of economic structures and the level of development of agriculture in rural areas fashioned during the partitions of Poland is evident, as shown by the findings of Rural Development Monitoring (MROW 2018). Traditional semi-subsistence agriculture predominates in the eastern, southern, and central voivodships, whereas large-scale agriculture prevails in northern and western voivodships, as well as in Wielkopolska.

Agriculture, its level of development and dynamism are no longer the most important factors of prosperity in rural communities. Currently, rural areas derive their income from various sources, mainly non-agricultural ones. Rural Development Monitoring shows the territorial distribution of changes in the position of municipalities in social and economic development rankings (in 2014–2018). Improvements in their status were the most prominent in regions previously characterised by fragmented, low-income agriculture, but which showed very dynamic non-agricultural activity and favourable demographic indicators (MROW 2018).

The income levels and living conditions of local communities in rural areas improve mainly in fairly large, socially dynamic localities, with a diversified, multifunctional and vibrant economy, easily accessible for transportation. An example of such area is Małopolska, where 51.6% of the population lives in rural areas (the average for Poland is 39.8%), but farms are the smallest in the country (the average farm area is 3.5 ha), with labour productivity in agriculture being very low and still falling (Wilkin, Nurzyńska 2018). On the other hand, in Zachodniopomorskie

Voivodeship, where large (average farm area exceeds 30 ha) and highly productive land holdings predominate, the development dynamics in almost half of its municipalities ranks below Poland's average.

Currently, approximately 45% of the income of rural households comes from hired labour, and almost 1/3 from social benefits (pensions, disability benefits, and others). Access to non-farm jobs has become the main reason for improving the financial situation of rural population. This correlation is especially prominent in rural areas located near medium-sized and large cities, industrial centres and important transportation routes. A clear improvement in the labour market situation in Poland and the fall of the unemployment rate to below 6% has also had a very positive impact on rural areas, although as usual, the details vary by region.

## Summary

In the relationships between villages and cities, the characteristics of rural and urban areas interpenetrate, but the situation in the period of mass migrations from rural to urban areas and nowadays is different, since the standard of living in the former does not significantly differ from that observed in a large proportion of cities, especially in smaller ones (up to 20,000 inhabitants).

In Poland, the growing attractiveness of rural areas as places of residence and the popularity of cars as individual means of transportation resulted in more people moving from urban to rural areas than vice-versa. The satisfaction of rural inhabitants with their places of residence – not necessarily in the vicinity of large cities – increased.

Thanks to Poland's membership in the EU and the mobilisation of internal funds (co-financing principle), it was possible to significantly reduce the development disparities between rural and urban areas in terms of income, home equipment and education, as well as the technical and social infrastructure.

The rural economy is diversifying, although still insufficiently. Hired labour outside agriculture has become the main source of income for

rural populations. For one third of them, the main sources of income are social benefits (pensions and disability benefits paid both by the Agricultural Social Insurance Fund and the Social Insurance Funds). Most owners and users of agricultural land appreciate their status as farmers mainly for social and tax reasons.

One of the key phenomena which change rural areas is deagrarianisation, which manifests itself in the decreasing importance of agriculture in the income of rural population, in rural economy, social structure and the culture of rural areas. Less than 10% of the rural population depends mainly or exclusively on agricultural production.

Polish agriculture has a dual structure, similar to that in the interwar period (the Second Republic). Out of over 1400 thousand farms (with an area of at least 1 ha), only 150–200 thousand are commodity farms with development prospects, well integrated into the competitive market economy system. It is mainly these farms that supply high quality agricultural raw materials, on which Poland's food economy is based, including the robust agri-food exports. Approximately 400 thousand farms do not produce any commodities, whereas access to EU direct payments enables most small farms to survive. Over 1,300,000 of Polish farms benefit from these payments.

Poland and other countries see a growing demand for the so-called ecological food products, new types of fruit and vegetables, 'boutique foods,' short food chains etc. This offers opportunities for small farms to improve their incomes, but marketing, logistics and knowledge transfer constitute barriers to development of this part of the food sector. As a result, a proportion of the development potential of Polish agriculture and rural areas remains untapped.

Another phenomenon which strongly influences the appearance, structure, social and cultural life of rural areas is their gentrification, which consists in the inflow of fairly affluent and well-educated city dwellers. This phenomenon most strongly affects rural areas located near large cities.

At present, one of the most important areas of conflict between urban and rural areas is spatial development policy and land management. Urban sprawl and unchecked, chaotic construction encroaches on the land



available for agriculture, spoils the architectural and cultural landscape of rural areas and raises the costs of building and operating technical infrastructure, both in urban and rural areas. In the post-war period (since 1946), over 6 million ha of agricultural land was abandoned in Poland, and the proportion of agricultural land in the total area of the country has already fallen below 50%.

The reforms of Poland's administrative structure and other institutional changes implemented after 1989 empowered rural communities. The local government reform (the role of municipalities) has had a particularly positive impact in this respect.<sup>12</sup>

The most acute development problems affect mainly those rural areas where depopulation processes are already well underway, namely about 1/3 of the area of Poland. The outflow of population, especially young people, from these areas, the depopulation of villages, the shortage of non-agricultural jobs and difficult access predominantly affect the eastern voivodships (Lubelskie and Podlaskie) and the outskirts of Mazowieckie, Łódzkie and Świętokrzyskie voivodships as well as parts of Warmińsko-mazurskie and Zachodniopomorskie. Problem areas also include a significant proportion of municipalities which were predominantly comprised of state-owned farms under the previous system. It is these parts of Poland that most need measures to strengthen 'territorial justice' as well as the rationalisation of cohesion policy, currently the main Community policy.

For a large proportion of Poland's population, the perception of rural and urban areas, the image of contemporary villages as well as an awareness their problems are predominantly based on media coverage and the internet. There is a great deal to do in this respect and a great deal

to rectify. Not only journalists but also researchers of social phenomena have an important role to play here.

What unites rural and urban areas and in a way makes them similar is disco polo music (a genre of popular music); virtually no wedding reception in the countryside or in the city can do without it.

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12 E. Bendyk and A. Smolar summarise these reforms as follows: "Local self-government constitutes a great achievement of Poland's democratic transformation. Within three decades, local governments have gained the recognition and trust of Polish citizens. For a number of years, local authorities have become the most highly appreciated public institutions. The strength of Polish local government and its statutory guarantees are noted in international research and compared to Scandinavian solutions perceived by many as model in this respect" (Bendyk, Smolar 2019, p. 7).

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# Michał Kudłacz

## The Concept of City-Idea in the context of overtourism

Since the very beginning of their existence cities have been the centres of humanity's evolution. The multitude of institutions fundamental for the development of our civilisation, the concentration of phenomena and processes, and the presence of developmental resources make cities the most important and the most complex anthropogenic systems. The city is the subject of numerous scientific analyses carried out by interdisciplinary expert bodies. The city fascinates and stimulates people to conduct in-depth research, which yields a multitude of city development concepts.

The British BBC journalist A. Marr in his coverage of the development models of modern metropolises found city-directed migration to be the most important social and economic processes since the spread of agriculture. Due to the above and the fact that metropolises constitute a kind of mosaic of cultures, competences and social expectations, the following questions arise: What is the right to the city? Who may claim such a right? Who does the city belong to? Four basic social groups can be identified – the so-called city users, i.e. residents of the city core, entrepreneurs, tourists and inhabitants of urban functional area. Everyone contributes different kinds of resources which, among others, improve their city's competitiveness (in the case of local government units, known as locational attractiveness). At the same time, these social groups have specific expectations towards the city authorities in the context of their needs and the use of the city's resources to achieve their own goals and benefits. It is also worth noting that within a single social group, expecta-

tions may differ and often contradict one another. For example, some may want to reduce passenger car traffic in the city centre and the number of parking spaces while promoting the development of cycling infrastructure, while others hold the opposite view.

For these reasons, one must adopt several initial assumptions associated with the environment of contemporary cities, understood as the context in which they operate and transform independently of their economic and cultural development model.

### Assumption 1: The city functions and transforms simultaneously

One should remember two views on city resources, which also implies two different perspectives on the regulatory side: first, the city functions, i.e. meets the residents' cyclical needs, and second, the city transforms, which sometimes signifies development. The first perspective focuses on the phenomena that move, or have a cyclical nature, like day and night. For example, people go to work in the morning, so they need efficient public transport, but afterwards they tend to focus on the available leisure industry infrastructure in the broad sense of the term. We call these synchronic phenomena. In these repetitive cycles, the city is responsible for providing high quality administrative, social, and municipal public services. This is important, but it should also be borne in mind that the city transforms at the same time – it changes its position on the development spiral, even if it appears invisible on the surface. Therefore, the city also functions in diachrony, which involves a major part of economic phenomena (transformation in time). This means that some of these processes are irreversible. They represent a different type of circularity, i.e. things in a sense return to the same sphere, but in a different (higher or lower) position. This is how the spiral movement works, which may also mean regression, degradation, a spiral similar to the debt spiral, which may begin with the lack of jobs and end with mass migration and irreversible loss of resources (Hausner, Kudłacz 2017, pp. 201-202).

Returning to the synchronic dimension of city operation, it should be remembered that an important aspect of building its competitive advantage involves the efforts of city authorities (local government) to ensure a high quality of life for its residents. These activities cannot be limited to the fulfilment of statutory provisions concerning a given city's own tasks. The principle of local government autonomy in Poland, including city counties,<sup>1</sup> boils down to the fact that respective municipal and county self-government acts require local governments to perform tasks in specific areas, without, however, indicating the manner in which they are to be discharged. This offers room for interpretation, enables cities to choose methods of task execution, including conducting their own analyses of the effectiveness of public services.

As regards ensuring the desirable quality of public services, it is worth noting that residents function in three areas: 1. for their families, 2. for their employers, and 3. for themselves. These spheres follow one another other chronologically every day: we live in estates whose quality depends on the local housing policy and the municipal services provided. In the morning, we commute using the transport infrastructure, we spend time at the workplace (one of the key determinants of the quality of life associated with income levels and employment security resulting from the size and flexibility of the labour market<sup>2</sup>) or in educational institutions at different levels. After work or during the time spent on education we theoretically have time for ourselves. Depending on our needs, we can spend it in a commercial, entertainment or recreational spaces, using specialised services, including public ones (e.g. health care). Each of these components affects the quality of life of city residents – from the quality of housing infrastructure, through security, wages and job security, education infrastructure, transport infrastructure, specialised services,

1 In Poland, cities with county status (also translated as cities with poviats rights).

2 Employment security is understood as the availability of work opportunities which are not inferior to the current one if one loses their job. For this reason, the emphasis is placed on the size of the labour market rather than on employee skills or factors independent of a city's competitiveness (e.g. economic crises associated with the business cycle).

leisure industry infrastructure to the environment and air quality (blue, green, and white infrastructure<sup>3</sup>).

The city functions because it changes and it changes because it functions. We need diachrony in order to be able to ensure synchrony, for without it cities or other organisations may grow, but invariably fail to develop. Growth alone always leads to catastrophic imbalances and ultimately to collapse.

### **Assumption 2: Socio-economic development results from free market processes and development policy**

Social and economic development is determined by a number of phenomena, some of which arise from self-creating economic and social processes. Some of them are brought about by development policy (public administration activities). The former kind of processes (the self-creating ones) are called free market processes, or uncontrolled, independent of public administration activities, and dynamic. In this case, self-creation consists in making a given economic phenomenon autonomous from public administration activities. Regional development can be described as an aggregate of processes, some of which are market-oriented, dynamic, uncontrolled (self-creating irrespective of public administration activities, although the latter may influence the former), as well as development policy understood as conscious, rational and effective actions of public administration to promote social and economic development.

With respect to free market processes, public administration performs certain functions, which include the following: regulation (mitigating social and economic polarisation), complementarity (maintaining order and security) and strengthening (impact through the prism of a unique set of development determinants).

<sup>3</sup> Blue stands for water, green represents vegetation and green areas, whereas white signifies air, its quality and tools to aid in its parameterisation and purification.

Interventions undertaken by municipal public authorities indirectly stimulate city development. Such interventions must be sporadic, not total, but they must also be focused to make sure that by acting purposefully they address specific points and factors, but at the same time produce wider spatial and processual impacts. And if so, the interventions undertaken by a city's public authorities must reflect their lateral thinking instead of the linear one, an, in particular, must address the issue of supply of certain resources from outside the city. The problem is that such a supply should complement the city's own resources, strengthen and mobilise them instead of replacing or displacing them. Otherwise the city's development becomes dependent on the inflow of external resources, which must eventually be depleted, leading to stagnation. The city cannot develop without such a supply, but the point is that it must be selective in order to assist its capacity to use and develop its own, internal resources. The development of the city will then be interdependent with respect to other territories (Bendyk et al. 2016, p. 134).

### **Assumption 3: We operate under economic megatrends**

Globalisation and digitalisation of the economy have led to the emergence of a new kind of competition based on technologies and on stimulating consumer demand. Market saturation with a variety of goods and services has, in turn, forced entrepreneurs to be creative, which consists in relentlessly improving their competitiveness using a range of innovative solutions. This approach is characteristic of all sectors of the market, but most of all of entrepreneurship. Entrepreneurship has always been one of the key driving forces of modern civilisation, but in combination with economic progress accompanying economic megatrends, it turned the modern world into a place full of contrasts, divisions, and phenomena that reflect the progressing social and economic polarisation and domination of global giants, both in the context of territorial systems (e.g. New York, Tokyo, Beijing, London, etc.) and corporations (Amazon, Facebook,

Google, Microsoft). The business world has become dominated by process optimisation, continuous modernisation, and innovation craze driven by free market competition.

Metropolisation has transferred a vital proportion of socio-economic, spatial, and cultural processes to economically robust cities, which led to the strengthening of urbanised systems at the expense of rural areas. Globalisation prompted, among other things, resource mobility. This is important news for mayors, who have been battling for these resources for decades. The quality of public services must be sufficiently high, since the quality of life as characterised by multiple criteria – from wage levels and job security to overall sense of security and access to quality public services – is important in choosing where to live. Nowadays, relocating is no longer a problem either for companies or for people. This means that human resources (taxpayers, workforce) can be gained or lost fairly easily, and one of the factors influencing the decisions of potential residents is the relationship between the quality and costs of public services offered to them as clients.

How do the above-discussed assumptions affect the functioning and development of modern cities? Naturally, in a variety of ways, because each city has its own ‘DNA code,’ i.e. an individual set of features constituting its resources and development barriers. However, there are certain common features rooted in their functioning in a specific economic, social, and cultural development model. Even so, the existing urban development paradigms are losing their relevance. This is the case with the model known as an opportunistic, linear economy, oriented towards taking advantage of current opportunities and achieving short-term goals, without reflecting upon the side effects, including the social costs, of such activity. According to the proponents of this economy, whatever improves the financial performance and facilitates achieving the set economic goal is permitted, which means that we do not even bother to develop long-term relations with our clients, consumers or business partners. We only think in terms of profit and, even more disturbingly, about short-term profit. The horizon of thinking about business is becoming ever shorter. The consequence of the above mentioned phenomena is the deepening

process of social capital depletion, which, like human capital, is important for economic development.

We live and work in times characterised by dynamic technological development that pervades all the aspects of life. Contemporary economic megatrends (globalisation, metropolisation, digitalisation of the economy) provide the foundations and consolidate behaviours which may be called linear ones. But the fundamental weakness of a linear economy in the context of city functioning and development is the fact that it fails to take into account the side effects accompanying the achievement of development goals. An opportunistic economy focuses on the exploitation of opportunities as they arise, without reflection on the social costs of the activity, including non-renewable resources involved in the process. This also applies to the social costs of its activity, which are often overlooked in the analyses. Usually, every intervention in the spatial, economic, or social structure of the city is considered only from the point of view of the expected benefits.

Planning documents which specify the directions of the city’s social and economic development (development strategy and related documents) or spatial development (documents concerning conditions and directions of the city’s spatial development) generally contain certain target indicators (in terms of products, results, and impacts), the achievement of which is considered a success. Expenditures are analysed exclusively in terms of costs – their amount and sources of funding. Yet the cost analysis should also include a detailed and comprehensive reflection on the tangible and intangible resources of the city, the social costs understood as irreversible changes in the spatial, social and economic structure. For example, the construction of the Supernova housing estate in Krakow in part contributes to solving problems associated with housing management and certainly benefits the private entrepreneur – the developer who has built and sells the flats. On the one hand, Krakow’s liberal spatial planning policy (e.g. the construction of housing estates or residential buildings in Stradom, Konopnickiej, Wielicka near Cichy Kącik) is probably due to the mistaken assumption that resources should be retained and new ones should be attracted thanks to easily granted



building permits. On the other hand, these activities result in high social costs, such as 'landscape shredding,' loss of important functions, commuting problems, and crucially, the capture of important spaces in the city centre, which, in principle, should remain common property. From the point of view of public interest, the benefits of such investments are negligible. Arena Krakow – the largest locally and one of the largest in Poland indoor sports and entertainment facilities – was originally supposed to be located among greenery. Things have turned out differently. Now the Arena adjoins the Aviators' Park and is partly surrounded by blocks of flats. There is no rational explanation as to why this was done (except for blaming it all on the too liberal provisions of the Planning and Spatial Development Act).

In the context of the circular economy and value economy, the question is whether the development process does not entail the use of exhaustible resources even though they can be multiplied and not exploited. For example, what social costs are associated with the arrival of huge numbers of tourists in Krakow? These costs are both tangible and intangible; they are associated with lesser security, loss of living comfort of the residents, etc. Tourism is an important branch of Krakow's economy, yet it also generates social costs, which should be acknowledged in order to make the right decisions on the directions of the city's future development. Profit may never be an excuse; otherwise we will follow in the footsteps of Venice, which is synonymous with the commercialisation of functions and urban space. According to the estimates compiled by the Małopolska Chamber of Tourism, tourists spent over PLN 6 billion in Krakow in 2018. Every tenth resident of Krakow has some professional links with the tourism industry. However, the revenues from tourism in the broad sense of the term constitute only about 5% of Krakow's budget despite the fact that in 2018 it attracted 13 million tourists (Małopolski Ośrodek Badań Regionalnych, Statistical Office in Krakow 2018-2019).

Overtourism can be translated as "too many tourists" or "excessive attractiveness for tourists" of a given destination. Could any destination be too attractive? If we look at this issue from the point of view of a linear and opportunistic economy, the entrepreneurs representing

a wide range of industries will reply: "No, it's impossible; we need as many tourists as possible."

The book *Coping with Tourists: European Reactions to Mass Tourism* was published over 20 years ago. Its author begins by describing his impressions of mass tourism in Malta. In the middle of the 20<sup>th</sup> century, the island was still full of virgin areas that offered the possibility to commune with nature, but by the end of the century, pubs, discos, restaurants, fast food stalls and cheap Chinese souvenirs shattered the peaceful image of Malta. Since the early 1980s, major European cities have been experiencing rapid growth in the number of tourists (Goodwin 2017).

Overtourism is the antithesis of responsible tourism, which focuses on creating better places to live and better places to visit. The term describes places where hosts or guests, residents or visitors feel that there are too many tourists and that the quality of life in the area has unacceptably deteriorated. In short, overtourism occurs when there are too many visitors to a particular destination. 'Too many' is a subjective perception, of course, but it is defined in each destination by local residents, hosts, business owners and tourists. "When rent prices push out local tenants to make way for holiday rentals, that is overtourism. When narrow roads become jammed with tourist vehicles, that is overtourism. When tourists cannot view landmarks because of the crowds, when fragile environments become degraded – these are all signs of overtourism. Overtourism means a worsening of the living conditions for the residents. It is also the ubiquitous commercialisation of urban functions and space" (Francis 2018).

The number of tourists worldwide is relentlessly growing. Many of them plan to visit places which have already been successfully promoted and considered attractive by newspapers, rankings, and guides. In Barcelona, Venice, and Dubrovnik, local residents began to protest against the growing numbers of visitors. They wrote hundreds of letters of complaint to officials, staged street protests, whereas graffiti revealed their frustration at the 'invasion' of tourists. In some cases, local authorities responded by raising fees and refusing to issue permits for new tourist companies, and others even declared a freeze on new hotel and catering investment licenses, as is the case in Barcelona.

Photo 1. Graffiti in the centre of Barcelona



Source: <https://www.gettyimages.com/detail/news-photo/tourist-takes-a-picture-of-a-graffito-reading-tourist-your-news-photo/829240172>

Mass tourism has also led to growing tensions between ‘locals’ and ‘visitors’ due to different customs and behavioural norms. In Venice, Barcelona, Paris, London, New York, Prague, Amsterdam, Krakow, Berlin, and Rome, tourism began to be seen as a problem. We have thus reached a point where both hosts and guests are discontented. The challenge is to prevent the problem from spreading and to ensure that cities can develop in a sustainable way.

In Barcelona, tens of thousands of people are trying to walk along the most famous promenade, the noisy and extremely crowded La Rambla. The river of tourists in the nearby Square of Catalonia is endless. Thousands of people are storming the park designed by Antoni Gaudí, his famous tenement houses and the city’s symbol, the Basilica of the Sagrada Familia. The metro is crowded to capacity, as is the airport shuttle. People queue for hours in front of many bars and restaurants. Negotiating most

of the broad alleys of the metropolis is an arduous struggle through an unending multilingual procession. In green areas with swings for children, their parents or guardians have nowhere to sit, since all the benches are occupied by tourists. The residents Catalonia’s capital have had enough of thousands of tourists virtually taking over their city. They complain that there are so many guests in their city that it has become uninhabitable (Goodwin 2017).

The problem is that the profits from tourism are reinvested in the development of this very sector. Over the years, the bubble has grown to such an extent that if it is inflated any more, it is bound to explode. Numerous similar examples of infrastructure maladjustment to the intentions of entrepreneurs in the tourism industry exist in Poland. Due to overcrowding, at Christmas 2018, numerous guesthouses in Zakopane lacked running water, whereas the return trip from the mountains to Rabka-Zdrój, barely 45 km away, took about 7 hours.

In Krakow, the market for short-term flat rentals is dynamically growing, which is a nuisance for the neighbours. These flats are located in regular housing estates, are rented unofficially or run by professional companies providing services to tourists. Every two to three days, the permanent tenants have new neighbours. The visitors usually want to have fun, which is extremely onerous for the regular residents. The already low quality of life is made even worse by omnipresent, almost round-the-clock noise. Most Krakow residents have moved out of the city centre. Nobody wants their apartment to overlook the Main Market Square in Krakow or the New Square in the Kazimierz district. The existing flats are being transformed into service or commercial premises.

Krakow is on the brink of upsetting the balance between the number of residents and the number of tourists. No one doubts that only a part of the functions and infrastructure serves both social groups. Overtourism has several causes: the extremely free market model of the world economy, the passive approach of local authorities, and their ineffectiveness resulting from liberal regulatory regimes. Naturally, the authorities of some cities affected by overtourism are trying to counteract its negative consequences. The representatives of Krakow regularly discuss the mat-

ter with officials from Amsterdam, Berlin, Paris, and Bordeaux and have started working to change EU regulations towards limiting the rights of booking platforms, which are the drivers of short-term rental. The aim is to change the form of their activity – from sales platforms to information and promotion platforms. Cities are increasingly in favour of more stringent checks on the legality of tourist operators and the possibility to impose restrictions on short-term rentals. Some European metropolises have already decided to enact similar measures. In Paris, Madrid, and Amsterdam, there are upper limits on the number of days a year when an apartment can be rented to tourists. In Paris, it is 120 days a year, while in Berlin it is possible to rent a room in the apartment to tourists as long as the owner lives there at the same time. Rome launched a programme of “zero tolerance for badly behaved tourists.” In this way, it is not only possible to curb behaviours which were previously beyond the control of the city (i.e. the scale of tourism) but also to counteract the most onerous aspects of tourism (e.g. associated with stag parties organised in Krakow by tourists from the UK).

In Poland, no such restrictions apply. It is definitely necessary to hold a public debate on legislative changes that would protect cities from uncontrolled mass tourism; a debate with the active participation and initiative of the most attractive tourist destinations in Poland. The problem is that the authorities of some of these metropolises still see more benefits than costs of growing numbers of tourists (or perhaps they refuse to acknowledge the costs?).

Thanks to tourism, Poland's cities are getting moderately richer. Buying flats for short-term rental is a well-planned booming business, from which the profits are derived primarily by foreign-owned capital. Moreover, in most cases they do not pay local taxes in cities where they own property, which partly explains the latter's low budget revenues from tourism. International corporations and investment funds treat cities as spaces to be exploited. Corporations buy out the housing stock on the market and reap particularistic benefits. That is why Berlin and Amsterdam limit the number of days a year on which such apartments can be rented out. This is the only way to deal with companies which, while benefiting financially

from the host city's attractiveness, offer nothing in return. The same is true of the electric scooter rental market, which is especially thriving in Polish cities. It would seem to be an interesting project intended to fill a transportation niche, mainly associated with short trips from one's place of residence to a bus stop, tram stop or metro station. It turned out, however, that Poland, in the legal sense, was unprepared for such a great success of this means of transportation, as the scale of this phenomenon exceeded the infrastructural capacities of Polish cities. The question arose: should these vehicles be allowed on streets, footpaths, or bicycle paths? Previous users believe that scooters should travel elsewhere. Another problem is posed by where to leave unused vehicles – the media eagerly publish pictures of abandoned scooters in central areas of the city. In this context, however, we are missing another important problem: none of the companies that own scooters in Krakow or Warsaw (in the capital of Poland, there are three competing ones) contributes to increasing revenues to the budgets of Polish cities, because all of them are registered in California (USA). It also shows that global corporations treat Polish cities as spaces to make money, as a kind of farm. Somewhat overstating the case, Krakow's Old Town is a space attracting crowds of tourists who pay global corporations for their accommodation, shopping, and food. A characteristic feature of farms is that if there are too many animals and too little grass, shortly new farms to exploit must be sought. This has happened to Venice, and many cities are following in its footsteps.

In no way can the tourism industry be considered innovative or a pillar of economic development. It is enough to look at the average wage of the sector's employees in Poland, which in 2017 was over 1000 PLN gross less than the national average. This can be partly explained by the imperfect method of calculating the national average, but it is still symptomatic, because the tourism industry in Krakow is mainly associated with students who drive tourists around attractive parts of the city in electric cars or work as waiters/bartenders. Employee turnover runs high, since employers are primarily concerned with low labour costs. The precarisation of society and high susceptibility of the tourism industry to economic cycle fluctuations and political events (e.g. the recent terrorist attacks in Paris

temporarily limited the number of tourists) mean that tourism should not be the leading sector of any urban economy.

Residents and tourists use a range of common spaces, which may give rise to conflicts. In popular places, lawns are often trampled down to bare dirt, beaches are full of rubbish, and small shops that used to meet the needs of residents are being replaced by shops selling expensive goods to tourists. The development of tourism in accordance with the linear economy model constitutes a threat to cities, which may lose their identity, cultural heritage, have their symbolic and historical spaces debased and the quality of its social capital diminished. The 'Bilbao effect' is likely to be superseded by the 'Venice effect.' Krakow is sometimes called a 'feast city,' which has become even more prominent in the minds of the city's residents especially once budget airlines offering dozens of direct flights gained popularity. Poland lacks concerted efforts to attract tourists in a controlled manner (both in terms of quantity and quality, e.g. by defining the desired tourist profile), or to combine innovative industries, e.g. tourism with the creative industries; it does not counteract ubiquitous commercialisation or implement a restrictive spatial policy.

I do not wish to say that tourism is unnecessary or that the profit-loss balance is always negative. A positive consequence of increased tourist traffic is the development of urban functions, transportation infrastructure, improving the city's aesthetics, and its internationalisation. The last aspect also has an impact on the city's cultural development. Tourist cities are becoming more open and tolerant, while young people have an opportunity to broaden their horizons. For example, when I was in Vietnam's capital with my wife, we were approached by local students who offered us free help in seeing the city's sights and their company in exchange for the opportunity to converse in English. Such situations and behaviours influence development, thus creating social bonds. The problem is that cities have become completely engrossed in creating favourable conditions for tourism without reflecting on the long-term social costs of their decisions. The authorities of the largest Polish cities should urgently take the following actions to ensure that the development of tourism does not adversely affect local resources:

1. The culture of greed should be opposed to and replaced with the culture of values, in which symbolic spaces are artefacts especially protected from debasement. Artefacts must always be protected.
2. The economic and social cost-benefit balance of an expansionary tourism policy must be duly calculated. It has long been accepted as dogma that tourism is an economic development lever, but this view is grossly oversimplified. The cost side comprises, among others, expenditure from the city budget on infrastructure, safety, transportation policy, information policy, and waste management (infrastructure), as well as the reduced quality of life of the residents, debased value of symbolic spaces, degradation of space, damage to the other sectors of the economy, tax-base erosion resulting from the increasing spill-over effect, degradation of the city status, and consequently, decreased attractiveness for tourists resulting from excessive massification of tourism. Without a good awareness of both the profits and the losses for the city, it is difficult to find optimal solutions in the field of tourism policy.
3. It is often thought that overtourism is a phenomenon that develops autonomously (owing to market conditions, in isolation from public administration activities) and uncontrollably (since local governments rarely collect or aggregate data on tourism overgrowth). As a result, city authorities usually only have a superficial knowledge of the consequences of their tourism policy. Certainly, the point is not to make life difficult for prosperous companies catering for tourists, but to learn to bear mutual responsibility and realise that the city belongs to its users.
4. Efforts to build social capital should be stepped up. Only a conscious, responsible and sensitive society may prevent self-serving particularism and the temptation to treat the city as spoils.
5. Both excessive and uncontrolled growth of companies offering short-term rental accommodation and troublesome tourists (e.g. by imposing penalties and restrictions) should be opposed, as this promotes chaos and contributes to the city's negative image.
6. Space-shredding, especially in the city centres, must be effectively counteracted. Common spaces should indeed be common, accessible, harmonious, and functional, which may entail restricting the presence of



certain kinds of establishments (e.g. go-go clubs in the historical part of the city), as part of responsible resource management.

7. Care should be taken to develop green infrastructure, especially in city centres, which is not only aesthetically pleasing and protects against heat islands but also supports recreational functions and makes residents jointly responsible for maintaining green areas.
8. Opportunism is short-sighted. The short-term profit perspective, lack of trust and relationships predominate, which renders policy not only unreflective but also unstable. The collapse of local economies is not a problem for global corporations, it only forces them modify their approach and adapt to new conditions without compromising their profits. A platform for public-private dialogue should be created with a view to making entrepreneurs aware that the city is not just a money-making farm.

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# Magdalena Jelonek

## Competencies, skills needs, and joint responsibility for competence resources in regions

### Introduction

One of the key challenges facing most companies in Poland today is how to attract and retain talent. The importance of this challenge is expected to grow by the year as human resources, talent, and competence issues will become the focus of discussions on the future of Polish companies. High employee turnover is no longer characteristic of low-skilled professions, but it is also more and more frequent in specialist positions, particularly in the BPO/SSC/ITO sectors (ABSL reports over 20% human resources turnover in about 20% of companies located in shared services centres) (ABSL 2018). The challenges outlined above, present in most studies on the future of enterprises, must also include one more element. At the moment, the real test for companies (and for the education sector) is not so much how to attract talented people (who would happen to share the company's values) and how to retain them, but how to ensure that there is no shortage of talent in the future.

An excess of demand over supply in the case of human resources generates yet another effect. Employees are increasingly more optimistic about their opportunities in the labour market, and as a result, their expectations regarding employment change. The Confidence Index



research conducted by M. Page in 2018 reveals that as many as 63% of job applicants anticipate an advantageous change in the labour market. The same data show that it is not just the mere fact of having a job and a high salary or benefits that motivate employees. In this case, the key factors comprise the working environment, good atmosphere, appropriate management style, rapport with co-workers and superiors, opportunities for personal development and work-life balance. According to the same survey, the sense of meaningful work or the perception of the potential employer as a socially conscious entity which does the right things is becoming more and more important for employees (Confidence Index 2018). To sum up, salaries are still important for us, but how we earn our living, where and with whom are becoming increasingly significant.

The data mentioned above also point to the fact that in the coming years, one of the most important problems of Polish enterprises, and certainly for companies operating in the shared services sector, is likely to be access to talent, i.e. people with high competences and the capacity to multiply them. Undoubtedly, this is not only a problem for companies, because the way we identify, recruit and multiply talents will determine the future of entire regions or countries. For example, whether the competitive advantage will still be low-cost labour or highly qualified, but not necessarily inexpensive specialists will decide which of the business processes will be implemented in a given centre/region. Considering the forecasts concerning the automation of simple tasks, the low-cost strategy as the main competitive advantage may prove to be inappropriate.

At the same time, a certain dichotomy of employer strategies can be observed with respect to investing in human resources. In order to improve the effectiveness of human resources use, these strategies are directed (to a greater or lesser extent) either towards the reduction of human capital costs (e.g. cuts in training budgets) or to increasing the productivity of human resources (which usually has the opposite effect). Which of the strategies is preferred depends to a large extent on the adopted orientation of the company: short-term (intended to rapidly generate a financial surplus by cutting costs) or long-term (associated

with planning developing company strategy for the next several years or more). It is worth noting that the level of investment in human resources usually strongly correlates with the innovation level of a given enterprise (Worek et al. 2019). Being innovative is simply tantamount to investing in staff, just as proper investment in staff is conducive to company innovativeness. More importantly, the former strategy usually results in short-term financial profit, but at the same time poses threats (both financial and organisational) in the long run. The latter is not so attractive for those who focus on immediate results, but it determines the development of the company in the long term. At the same time, the former usually generates losses whereas the latter social profits, which favour the multiplication of the resources known as competences.

Unfortunately, it seems that the former strategy has so far dominated in enterprises in which human capital and competences, despite their intangible form, have been treated in the same way as material assets. It was assumed, quite naively, that these resources were quantifiable, cumulative, relatively simple to generate (owing to meticulously described recruitment strategies or training investment), and hence 'manageable,' 'manipulable,' and 'reproducible' within a fairly short timeframe. Apparently, some companies are beginning to acknowledge that the moment (viewed in economic and social terms) in which we are now generates the need to reorient the perception of company competence resources. The term *competence resources* is used deliberately in this case, because we are not referring to human resources defined in the standard way, which are usually expressed as the sum total of employees who have specific skills. Competence resources are the knowledge, skills and attitudes of company employees, as well as the mutual relations that occur among them. Therefore, these resources are not a simple sum, but also include value added created as a result of accumulation, clashes and creation of a new value which exceeds individually considered resources. Company resources understood in this way constitute value and a characteristic of an enterprise whose role is to provide organisational (cultural) conditions for the proper identification, use, and multiplication of employees' competences. In this way, the enterprise not only improves its develop-

ment opportunities but also makes a contribution to society by further increasing the individual and regional/national potential.

In the literature and in everyday language, the term *competence* is often replaced by a number of synonyms, such as: ability, skill, aptitude, or talent. Although this practice is not entirely legitimate (the shades of meaning of all these terms slightly vary), for the purpose of this text we will adopt a very broad definition of competence, which covers all of the above-mentioned categories, i.e. Green's concept, according to which competence comprises the following aspects: 1. productivity (can be used for a specific purpose to generate added value); 2. multiplication (can be increased); and 3. community (in that they are socially determined) (Green 2011).<sup>1</sup>

This definition of competence is so broad that it includes not only classic competences but also attitudes, dispositions, personal features that meet the three assumptions mentioned above, which opens up the possibilities for defining competences not only in a purely job-related system. Productivity designates the usefulness of a given competence for the employer (it makes the employee more efficient), multiplication paves the way for investment and development of a given resource, while its social character is reflected not so much in the fact that it is being created in interactions as with its tendency to be socially determined (and depend on upbringing, family functioning or school education).

Competence is basically a multidimensional system, which consists of knowledge, skills and attitudes/dispositions. Each of these components is shaped under slightly different conditions: knowledge – through transmission or collecting information independently, skills – through training/instruction or practice, whereas attitudes/dispositions and individual characteristics tend to be acquired through experience and interaction.

<sup>1</sup> This division is often used in public policies and equally often criticised for employing the too broad category of 'soft competencies,' which tends to include not only competences, but also attitudes and dispositions.

**Table 1.** Basic dimensions of competences

	Knowledge	Skills	Attitudes / dispositions / characteristics
Area	Cognitive	Physical	Psycho-social
Resource	Information	Tools	Aptitudes
Acquisition	Transmission / acquisition of information	Training / instruction / practice	Experiencing / interactions

Source: Hausner, Jelonek (2019).

## Competence needs, deficits, technological change and its consequences

The presence and place of competences in public discourse have changed significantly over the last few decades. This process was strongly associated with the transformation of the industry-based economy towards the service economy. J. Payne (2017) aptly describes this process using the key British public policy documents. Until several decades ago, competences were commonly identified with qualifications, or possibly manual or technical skills, since those were needed primarily from the point of view of the labour market. Along with the transformation of the economy and the growing importance of services, public discourse saw references to more general competences: generic, soft, and social ones (Payne 2017). The increasing importance of these competences, as it was mentioned above, is associated with the development of the service sphere of the economy, in which key importance is attached – apart from purely professional competences – to skills related to establishing proper rapport with others (e.g. clients or co-workers) as part of the so-called

emotion jobs, i.e. professions in which shaping the attitudes and emotions of co-workers or clients is paramount (Hochschild 1983; Noon, Blyton 2002). The growth of the service economy is definitely associated with yet another process which increases the importance of soft competences, namely the reorganisation of the model of performing professional tasks towards team and project work.

Today, it has become clear that the process of evolution of competence needs is continuous in nature and depends on the developments that affect the economy and society. Examples include technological change, social and economic megatrends, such as globalisation and demographic changes, which shape different working conditions and generate previously unknown competence needs. In the digital economy, three classes of competences are particularly significant: 1. advanced cognitive competences; 2. social competences; and 3. competences which facilitate adapting to new situations (World Development Report 2019). Therefore, the following kinds of competences are expected to gain in prominence: 1. skills transferable to other professional contexts, e.g. digital, transdisciplinary ones; 2. learning skills, 3. human-machine/computer cooperation skills; 4. competences complementary to those represented by machines, e.g. interpersonal, intercultural, social intelligence, cognitive intelligence, which enable one to cope with non-codified tasks (complex problem solving, critical thinking, deductive thinking, cognitive load management), creativity (generating and understanding new ideas and concepts), unconventional and adaptive thinking, competences related to written expression; 5. ability to use technology (in professions traditionally unrelated to this area); 6. using data (in design, decision-making); 7. highly specialised competences in medium- and high-level professions; 8. highly specialised competences from several fields (interdisciplinarity) (CEAPP, IDEA Instytut 2019). The implementation of new technologies implies the necessity to make numerous choices and to assess their potential consequences beforehand. This further enhances the importance of attitudes and ethics in the decision-making process.

The above-mentioned changes in competence needs will be driven by new phenomena directly linked to technological development and

globalisation, with a host of important implications for the ways and the trajectory of acquiring new skills. The hitherto clear division into periods of education and professional activity will become blurred, since, in principle, qualifications acquired in the course of formal education will not constitute the end, but rather the beginning of the educational path. Interwoven educational and professional activities will determine the uniqueness of learning and career paths, as well as the competences unique to individuals. Both professional and educational standardisation will become not so much impossible as unprofitable, and the awareness of one's own competences, gaps, and deficits will be one of the most important advantages. The upcoming times will also be characterised by pressure associated with the continuous acquisition and updating of competences. In the face of rapid change, continuous learning will not only be necessary but will become completely natural.

The above-mentioned groups of competences are just an example of needs, which are likely to arise within several or a dozen years. We can assume, however, that the coming years will bring about changes in the demand for specific skills (especially those strictly vocational in nature), which at the moment we cannot even recognise. These needs will be appearing in individual companies and will be impossible to meet using the now predominant supply-and-demand paradigm (the education market will likely be unable to keep pace with the changing needs). This is why it seems so important to change the way we look at the learning process from 'need-to-offer' to 'ecosystems,' where needs are identified on an ongoing basis, while responses to them are jointly developed.

Can such a system be designed in a top-down manner in the form of a reform or a formal overhaul of the education system? This is rather unlikely at this stage. The change should be worked out from the bottom up as an experimental, hands-on solution. We see the opportunities for the initiative's success not so much in formal frameworks as in practice and in action, from which principles and rules will eventually emerge. These bottom-up efforts will likely spread and become established in selected groups of institutions, thus slowly changing the entire education system. For this to occur, however, it is necessary to create local 'systemic

coalitions' with a view to maintaining and multiplying the competence potential on a regional basis.

Taking quick action to build such coalitions seems indispensable in that it is bound to determine the future of individual regions, especially those cities where Global Business Services (GBS) predominate. They are the most likely to be affected by the expected revolutionary changes, among other things due to the implementation of new technologies. This is shown, among others, by McKinsey & Company's report *Realigning global support-function footprints in a digital world*, which shows how digital transformation modifies the competence needs of companies in this sector (in favour of advanced competences) and how the competition for talents (not only local and domestic ones) is intensifying. Analysts mention an observable talent crunch in the industry and the ensuing forecasts about the resignation from locating shared services centres in places with a large cost-competitive and medium-skilled workforce (Chheda et al. 2018), which unfortunately prevail in Poland. Forecasts favour further development of branches located in regions where access to highly qualified staff is fairly easy. These are mainly cities with very good academic centres and – probably the other reason is more important – those which, thanks to well-paid jobs but also due to a high quality of life, attract talents from other countries (such as London, Boston, or Singapore).

### **Joint responsibility for the development, proper use and multiplication of individual competences and the competence ecosystems**

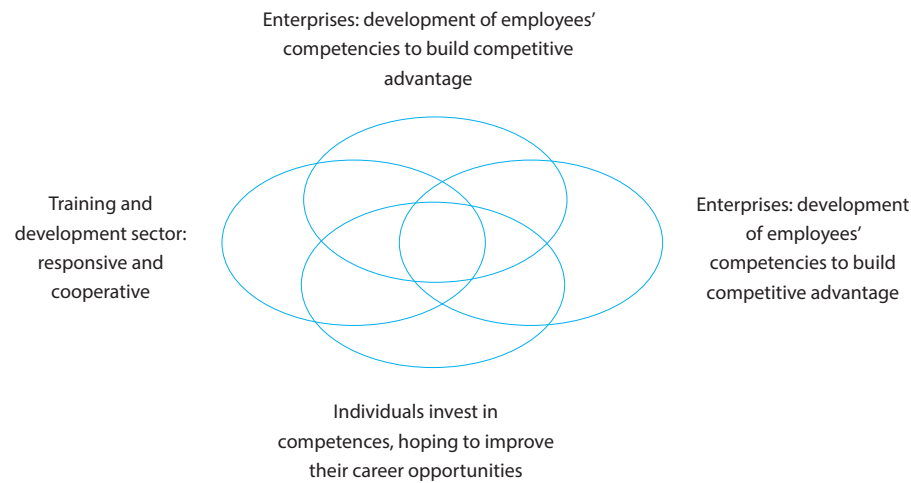
For cities such as Krakow, this is essentially the last moment to take action aimed at improving conditions for the development of their own competence potential, especially as the city has substantial resources at its disposal, including a convenient network of links among entities, such as the Małopolska Partnership for Lifelong Learning. It is in the best interest of the city authorities, enterprises, and educational institutions at all levels.

An environment conducive to the multiplication of competence potential is perhaps best described using the ecosystem metaphor, which illustrates the impact of relationships and interactions amongst actors – such as employees, employers, trade unions, representatives of the training and development sector (including schools and universities), and decision-makers – on the situation in the region and each of the actors individually. By definition, the ecosystem is a dynamic system of interconnected elements. The same is true of the competence ecosystem – the links between its components and the impact of modification of one of them on the other structural elements are evident (Hall, Lansbury 2006). The competence ecosystem model rejects the free market paradigm predominant in the neoclassical concepts of human capital, in which rational actors make calculated decisions about investing in their skills, anticipating a certain rate of return on thus accumulated capital (just as rational employers recruit those applicants who offer the most advantageous proportion of competences to expected remuneration), and as a result of rationality of educational and professional decisions, their competences are utilised to the maximum possible extent, benefiting both individual employees and their employers. The competence ecosystem is created within the social consensus worked out by networks of key actors. The consensus is achieved in relation to the activities planned in the area of building the competence potential of a given region, not only in relation to the training needs of specific employers. The actors co-operatively formulate scenarios for regional development and propose comprehensive, joint actions that will increase the chances for the implementation of the optimal scenario, while taking joint responsibility for their success. Accordingly, that such an ecosystem is expected to promote the creation of jobs which require advanced technical and cognitive competences, where these competences will be further developed (e.g. learning in the workplace) and transferred (e.g. mutual learning of employees in one company or through employee transfer to other companies), and where the competences of long-term importance for the economy, society or region will be developed, not only those which are important for specific companies (Buchanan, Hall 2003, p. 43). Case studies of well-functioning competence ecosystems, such as

the Silicon Valley, suggest that several elements conducive to the emergence of a learning culture must be present simultaneously. For example, according to D. Finegold, they include the following:

- an external catalyst for the development of a given region in the form of e.g. government investment,
- adequate financial and human resources/capital (e.g. university facilities, venture capital),
- appropriate infrastructure for the development of companies, regulations mitigating the risks associated with the activities undertaken, and high-quality living conditions,
- interdependencies and links among actors who belong to a given ecosystem, which facilitates mutual learning, adaptation, and development (Finegold 1999).

**Figure 1.** Competence ecosystem model



Source: Dalziel (2017).

**Table 2.** Fundamental assumptions of the supply-demand and competence ecosystem concepts

Supply-and-demand competence development	Competence ecosystem
A paradigm consistent with mainstream economics and human capital theory	Paradigm derived from sociology and heterodox economics (outside classical economics)
Demand for competences depends on enterprises; the education system is responsible for supplying competences; clearly defined functions of individual institutions and their position in the system	Joint responsibility for needs assessment; needs to be defined as “for” but also “in order to”; the supply of competences generated in the ecosystem and constitutes the responsibility of actors present in the ecosystem (both educational institutions and enterprises); interchangeable functions, parallel position in the ecosystem
The process of learning and research are separated from each other as two independent functions; knowledge acquired in research used to inform education; static learning process (knowledge transfer)	Learning through problem-solving (using appropriate research tools); dynamic learning (using knowledge)
Time to finding the first job as a key indicator of the graduate’s market success and the effectiveness of a given educational institution	Quality of employment, job satisfaction, and career trajectory as determinants of the effectiveness of the learning ecosystem

Source: Author’s own research.

Agreements between universities and business play a special role in the competence ecosystem. This understanding of cooperation is far removed from the synchronic interdependence which has prevailed so far in university–business relations and is characterised by a simple exchange between the university and the company and the use of resources (human capital and financial resources). It operates more like a diachronic system focused on joint activities and development or circularity and the multiplication of potential through the synergy of resources (Hausner 2018). In the first system, the cooperation between entities is typically one-sided and the advantages are partial. For example, universities match students



and companies for thesis project collaborations, companies commission universities to solve specific business problems or to train a given number of staff members. Although such activities create new competences, they are mainly one-dimensional, thanks to the greater involvement of schools that provide services to business. Unfortunately, this kind of cooperation does not sufficiently multiply competences, since there is no room for cooperation or a ‘clash’ of experiences of people representing different perspectives. It seems that the time has come to reformulate the relationships between universities and business and to take a fresh look at the role of individual entities in the learning system. We are no longer concerned with the education system, but with a continuous process of acquiring new skills, developing talent and shaping one’s own attitudes, in which there is no clear division of functions and tasks, but there is a joint responsibility for the pool of present and multiplied talent. However, in order for this cooperation to generate synergy effects and for business-education alliances to bring individual and systemic advantages, it is necessary to recognise the contribution to be made by each of the actors.

Business entities customarily regard universities as providers of human resources. This limited perception of the role of higher education institutions results in incomplete utilisation of the potential of academic institutions and fails to respond to the changing needs of enterprises and learners. The core of business-university cooperation from the level of product in the form of a ready-made and standardised graduate should be shifted towards a process in which both parties participate and support the student during learning, simultaneously gaining knowledge and experience (learning). In such a system, the roles of teachers and learners become blurred, and the system consists only of learners who gain experience in an ongoing manner: people cease to learn FOR SOMETHING (the needs of specific companies), and study IN ORDER TO DO SOMETHING (e.g. to change the way these companies or universities will be operating in the future). In this understanding, joint learning is a process characterised by discord and a variety of conflicting perspectives, habits, and customs, but it also provides ample space for innovative non-standard solutions, joint projects, and initiatives going beyond the established frameworks.

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# Mateusz Zmyślony

## Open Eyes: Neighbours

Today we are living in a completely new social, cultural and economic reality, which, in fact, has no borders. And I do not mean only the Schengen countries.

I remember my first experience of an IMAX 3D cinema, when I saw a documentary *Space Station 3D*. As the title implies, it was about a space station in 3D. It was a good film, scenes of life in zero gravity were brilliant, and the images of our planet from space were magnificent.

I remember one incredible scene from that film. Looking at the Earth as if it were a living globe, astronauts are astonished to discover that... no borders can actually be seen from above. Borders were invented by people.

And today, they do not really exist anymore. Maybe except those between the two Koreas. Or in Israel. From a European perspective, however, borders are a symbol, a relic, an image, a social contract, and a handful of legal regulations. We live in a world without borders. What are the implications of this? What does it mean? What should we open our eyes to, which we have so far failed to notice?

There is a book titled *Prisoners of Geography: Ten Maps That Tell You Everything You Need to Know About Global Politics*, written by the journalist T. Marshall. The book is phenomenal: using clear images, it makes us aware of the fact that geography has written the history of mankind to date. Natural barriers such as mountains, rivers, deserts and oceans have drawn the actual boundaries of civilisation. It is no coincidence that China is hiding from the rest of the world not only behind its Great Wall, but above all behind a series of natural geographical obstacles, first and

foremost the eight-kilometre-high wall of the Himalayas. It is not without reason that the civilisation of India flourished on a peninsula cut off from the rest of the world. It is not surprising that North Africa is so different from the rest of the continent, because it is separated from it by Sahara, which is extremely difficult to cross. Moreover, Africa is a spectacular example of the conventionality of borders: the white man came, drew a line on the map, and departed, leaving you, the locals, to worry about what to do about it now... North America is, in fact, a continent with a single American-Canadian civilisation, protected from the rest of the world by oceans and the desert isthmus called Mexico. In fact, South America is also one of the great centres of Latin-Christian civilisation, cut up by conventional borders which date back to colonial times. Europe – for us, who do not approach it from the same distant perspective every day – seems to be unique, diverse, and divided into many DIFFERENT civilisations.

That is why travel broadens the mind, and those who have not seen the world, will never understand it. Europe as seen from outside, from afar, in fact, is a single cohesive civilisation. A visitor from Zambia or Ethiopia will not notice any remarkable differences between the inhabitants of Spain, the Czech Republic, Estonia or Ireland. Europe is home to a post-Roman-Christian civilisation which, for centuries, has been quite feebly protected by small seas and a few mountain ranges from the rest of the world. From this viewpoint, we can see that there are really few real borders in the world.

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Inside these large, often continental houses, the geographical walls of the rooms in which the various nations live, can be discerned. This is perhaps best illustrated by the natural boundaries of historic Hungary, originally tracing the mountains which surround the Hungarian Plain on all sides. Or Switzerland, hidden in the Alps and therefore perfectly safe.

These natural 'spaces' were filled with individual tribes-nations. Natural geographical barriers quite effectively isolated our human communities

from one another for a long time. But over the last hundred years they have evaporated rapidly. This was due to inventions such as television, internet, airplane and other means of communication and transport.

Suddenly we all... noticed one another. An exotic, distant world, so far known only from books written by incredibly brave travellers, landed right in front of us. We know what is going on in Yemen, Darfur, Congo and Taiwan; we are online for 24 hours a day. We all watch one another all the time – on our smartphone screens we peek at the lives of others, which are made available almost in their entirety on Facebook, Instagram and other social media. If we are sometimes shocked to see people on other continents going about their business, what do these people at the other end feel?

If I watch the lives of my friends from Tanzania, I have a strange impression that it is absolutely amazing... If I feel shivers down my spine when I see on my own hand (thanks to the smartphone that easily fits into it) the interior of an exotic clay cottage, where my friend Joseph Esma lives at the northern end of the Kenyan savannah... If I am shocked when I peek THERE, what do they feel when they peek HERE? What are the feelings of a person who has nothing, no electricity or running water at home, nothing but a shirt on his back (of course, a second-hand one from Europe), but has a smartphone and can see our homes, cars, cities, planes, ships... There are no borders indeed. Thanks to technology, we can move quickly and in large numbers, and the GPS signal reaches almost everywhere.

What do these observations imply? Firstly, we have access to an unimaginably huge cultural offer. Every society produces its own culture, customs, and specialisations. We can draw on them now! Secondly, we can all learn from one another. We are discussing the implementation of the open eyes economy in Poland, whereas the Swedes already put it into effect a long time ago and can now focus on improving a range of its solutions. At a time when over half of the world is planning to introduce contactless payment, in Poland we have all used it for a long time. So we also have our own know-how that we can share with others. Thirdly, it is high time to understand that borders – once perhaps needed – today

constitute a rather dangerous anachronism, but one that still wields enormous power.

That is why we have come up with the NEIGHBOURS series as part of the Open Eyes Economy movement. We talked to the Czechs about why they dislike the Poles, even despise them a bit. “When a Polack meets a Bohunk” – in 2019, we held a fantastic debate between the Polish and Czech journalists, writers, artists. Even a priest joined in.

During the discussion, I realised that I did not have a single Czech friend. Even on Facebook. And I felt... embarrassed. I felt so stupid that I cared so little about the nation and its culture (which I love anyway), so little, in fact, that I did not know anyone...

I decided to fix this error immediately. Today, I already have Czech friends and I try to stimulate a genuine cultural exchange between our countries. This is an enormous potential, which gives us an opportunity to understand the common reality around us. Thanks to it, it is not only the Polish smog that is crossing the border these days. We will try to export our resourcefulness, hard work and creativity, in return importing from the Czech Republic the sense of humour, distance to oneself and self-irony by the truckload. We embrace real, mutual investment in culture and art.

Borders have divided us for thousands of years and created many customs that are worth noticing, thinking about and doing something about. In the reality of modern Europe, borders were not unambiguously positive; rather the opposite. Border regions are, by nature, peripheral areas, distant from both their capitals and big cities. Sometimes they are less developed, sometimes less populated, which contributes to our negative image of the ‘borderland reality.’

The purpose of borders was to divide, not to unite. They were difficult to cross. The barrier began as a fence, barbed wire and gates, and ended in people’s minds. And it is still doing very well in our minds. Even though the borders have disappeared, they keep dividing people.

Inter-neighbourly relations are not characterised at all by sympathy or mutual interest and understanding. That is why I omitted the adjective ‘good’ from the collocation. Instead, we tend to growl at each other – by way of a quiet, gentle warning, much like frightened dogs. Can you recall

this hilarious situation when two dogs madly bark at each other from across a fence? Suddenly the fence ends and the surprised dogs do not attack each other, but withdraw embarrassed. Precisely. People and whole nations insist on doing the same across their borders.

What nations know about one another is dominated by usually negative stereotypes and prejudices. The Czechs are “bohunks,” who talk funny, whereas “polacks” are potato-fed boors who – o Lord! – go to church. The Ukrainian is a wild guy from the east, looked down on by the ‘Polish lord,’ who is, in turn looked down on by the Germans. I mean, the Germans do it, but only when others cannot see it, because in the wake of World War II it is no longer appropriate. The Swedes, on the other hand, are all tall blondes from the north, probably haughty and certainly politically correct to the extent that boggles the mind. Their unarmed police are routinely beaten up by hordes of migrants. And, as we have recently been told, it is not Poles who are now migrating to Sweden, but the other way around. We also have a bone to pick with the Slovaks (slight contempt, a shrug; after all, they are irrelevant, but at least one can race one’s car on the way from the ski slope to the thermal baths). The Belarusians? We know nothing about them, but are they not the docile subjects of batushka Lukashenko? The Russians? The enemy, the polar bear, drunken binges in the taiga, a wild tribe from the East. We do not think too much about Lithuanians, even though we used to be one country, two nations, and had a common culture for several hundred years. Those were the years of the greatest bloom of the civilisation we jointly created. There is another neighbour, however. The most forgotten, even repressed from memory. And yet Jews co-created our entire culture, living not just across the border, but with us.

I do not know about you, readers, but I miss them. I miss their otherness, their clear-cut identity, their culture. I stroll around Krakow’s districts of Kazimierz and Podgórze, and I miss them. I do not appreciate the contemporary Polish mono-popculture at all. It is disco-polish and tacky, especially its version now officially supported by the state. I prefer the culture that I sense when strolling around the Armenian, Russian, Jewish and Polish districts in Kamieniec Podolski or Lviv. Coexistence,

living together, tolerance, exchange, specialisation, diversity. I like such a world better and I would prefer it to continue. Regrettably, it was not to be.

Where do the negative stereotypes and prejudices in our inter-neighbourly relations come from? Where are these emotions rooted in? Is Poland unique in delivering such unpleasant, cross-border growls? What is wrong with us?

(Un)fortunately, such a situation is the norm. All over the world, so far organised by borders drawn by people, neighbouring countries are on the whole inhabited by societies that do not like each other by nature.

Do you really think that the average Frenchman loves and respects German culture? That the English have forgotten that the French are the Frogs? That the Swedes and the Danes like each other? That Italians love Austrians? Well, no. Well, in the 'Neighbours' industry – as is the case on the road – the principle of limited trust applies. Wars have always been fought between neighbours.

We, Poles, used to fight with them for centuries practically all the time – with the Czechs for Zaolzie, with the Swedes for the Deluge, with the Russians for everything, with the Germans we do not even know what for. We were regularly invaded by someone, even those strangely insignificant Slovaks dared attack us. Hardly anyone remembers today that they did it hand in hand with the Germans in 1939. Well, such things were invariably done by the neighbours to one another.

So Poland is no exception. But what makes us distinct? As T. Marshall noted in his *Prisoners of geography*, the Carpathian wall stretches across Europe, quite effectively protecting against unwanted visitors from 'the other side.' The Ukrainian, Slovak, Hungarian, and Romanian borders are based on it. Our misfortune is that along the East-West direction – traditionally used for waging great wars and moving troops – there is no Carpathian safety barrier. For this reason, Poland turned out to be an ideal 'host' for subsequent armies intent on destroying each other. Flatlands with easy to cross rivers, difficult to defend, easy to conquer. For this reason, Poland, squeezed between Russia and Germany, in its own mind became a whipping boy (or rather a girl), which lies at the root our penchant for martyrdom.

## We like one another from afar

What statistics and the opinion polling industry tell us, one can see an interesting and logical regularity: just as close neighbours generally (and instinctively) tend to DISLIKE each other, the further away from our borders, the... the more people tend to like us. Sympathy seems to be born and intensify in proportion to distance.

It is partly for this reason that "Pole and Hungarian brothers be, ready to fight and ready to party." Research shows that the further away from Poland, the more Poles are liked, for example by Greeks, Italians, and Spaniards. Similar processes occur all over the world. The dislike of the Vietnamese towards the Chinese or strained relations between the Japanese and the Koreans are the Asian versions of the same story, only much more spiced up. We appear like each other from afar. And the feelings are reciprocated. Poles declare their sympathies according to the same principles – the farther away someone lives from us, the more we like them.

But let us return to our closest neighbours – after all, we have the most in common with them. We have already mentioned our mutual prejudices. We know their origins in manipulated history textbooks as well as subjectively chosen and transmitted knowledge. Border wars, ethnic conflicts, religious divisions – all these sad stories easily turn into negative stereotypes, which, in turn, lead to xenophobia, nationalism, and fascism. It would take a long time to enumerate the historical grudges borne by Poles against their neighbours. And so it works the other way around. Sometimes these are terrible events, such as the Volhynia massacre or the Holocaust, sometimes more disguised events, often concealed in the national subconscious. I can see such examples in Polish-Lithuanian relations. How is it possible that today we almost do not communicate, even though we were one family for so long, even though we have a common culture and history, including but not limited to the poet Adam Mickiewicz? One may guess that in the former system, the Lithuanians might have felt a little overwhelmed by the larger proportion of Poles in all the statistics. As we can see today, effective integration never took place, which can be explained, among other things, by the Lithuanian defence



reflex to protect national identity. That is why today, when we visit the Trakai Island Castle museum, we can see an exhibition which clearly shows that the battle of Grunwald was won... by Lithuanians, with insignificant participation and some symbolic help of Poles... Every nation writes a different, individual version of history.

Let us ask ourselves whether in the 21<sup>st</sup> century we still have valid reasons to dislike the Germans, the Lithuanians or the Ukrainians. In my opinion, we do not. We do business together, we are together in Europe, in fact, we share a common culture. Our languages and sometimes customs differ, but deep down we are similar. The language barrier is easy to overcome, moreover, the barrier of the border has disappeared. Will we now behave like dogs at a fence full of holes and disperse confused – each going their own way? Because I do not think that we are going to bite each other anymore. I bet that the times of wars in Europe are really over and they will not come back (hopefully).

Today, I am writing about neighbours in good faith. I think that we should all get to know each other, like each other, and accept each other in order to benefit from our proximity. To understand our unique, beautifully different cultures, to get to know different versions of our stories and finally start to consciously and actively co-create mutual relations. We are already doing it bit by bit: we get to know each other while traveling (city breaks). Weekend tourism is followed by inter-city migration in search of work. Today, it has developed into cross-border migration.

Neighbourhood potentials in the 21<sup>st</sup> century acquire new significance. Ukraine and Belarus are saving the Polish economy even as we speak – without over a million of people coming from the East, our economy would have started to collapse long ago.

Cheap flights to Sweden offer an opportunity to take advantage of Swedish know-how in the area of organising civil society, which is fair, ecological, sustainable, and, at the same time, represents high quality and creativity. Let us learn from the Swedes, let us take advantage of the world's largest experience in building a country that is friendly to nature and socially sensitive. In return, let us give the Swedes not only cheap dentists and cheap alcohol; let us try to do more. The Swedes may come

to like our Slavic temperament and Polish aspirations. It is finally time to make friends with the Czechs, after all, we have a lot in common. In Poland, Czechophilia is quite a popular hobby, with Czech films and books finding numerous admirers. The Czech culture is so strong and attractive that it easily crosses our border. Unfortunately, it does not work like that the other way around. We have even more in common with Slovaks, we speak almost the same language, and I think it is time we started talking. Instead of fighting with Lithuania for the rights of the Polish minority, let us restart the whole system – let us celebrate together our common and wonderful past. We must begin to learn about the Belarusians, for in this case the border is extremely tight and effective. The Schengen area will not help us to break the ice here.

Many Poles respond with revulsion to calls for improving relations with Russia. For equally many, it is something entirely abstract. However, I can assure you that in bilateral relations, our nations – and virtually all other nations too – demonstrate behaviours contrary to what we see in research or in the perpetuated prejudices. Russia means Putin, Stalin and an eternal threat from the East... but once we start talking face to face, the situation changes dramatically. The Slav brothers get along very well person to person. The problem is that today few people travel from Poland to Russia. Although there are quite a few Russians in Poland, especially in Krakow, Zakopane, Gdansk and Elblag, the situations in which direct contacts may flourish are probably even fewer and further between than before. Russians are isolated from the rest of the world in a peculiar manner. They seem to keep in touch with it, but not quite. Locked in a bizarre bubble of their own Facebook, limited by embargoes and visas, raised on eternal propaganda and in the spirit of post-imperial power, they inhabit a different world than we do. However, despite our widespread aversion to Vladimir Putin and our disapproval of Russian politics, a moment of sincere conversation is enough and it turns out that we have a lot in common and we easily get onto first-name terms with them.

The Germans. The seemingly and surely most difficult relationship. A different, non-Slavic cultural circle. The ominous shadow of

World War II still does not let light in. We are stuck in an official truce, but unofficially we cannot break the walls of prejudice. The border between Poland and Germany still remains the border between the West and the East. The Poles bear their own historical grudges against the Germans and suffer from a host of complexes; the Germans, on their part, although few in Germany would admit it, still look down on Poles and ignore the fact that this part of their East has changed. Cultural differences are so great that mutual cultural flows are minimal. Despite millions of Polish migrants, despite Lewandowski playing for Bayern Munich. It is telling that a Pole in the Ruhr conveniently forgets about being Polish. Meanwhile, Berlin is no longer superior to Warsaw. We do not know when exactly it happened, but in times of great change, Poland shook off the chaos and dirt of the poor post-communist and 'rose from its knees.' Social memory is short, but it is worth realising today that instead of the worst, most potholed roads in Europe, we now have the most modern ones. That once the ugliest cities and towns are clean and tidy today. That Polish metropolises of today are vibrant, modern and develop at a breakneck pace and favourably compare with their counterparts abroad. Today, a visitor from Berlin to Warsaw leaves the latter city shocked by the fact that... it is actually more fun in Poland. After his visit to Gdansk, a Swede feels that he has returned from the wide world to his pocket reality. After a weekend in Krakow, a visitor from the Czech Republic realises that Prague is no longer the hub of the universe. And a Pole who travels to Stockholm, Berlin, and Prague today no longer feels like a poor relative from the East. Our world has changed indeed.

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To be honest, I am simply annoyed with all of us. Somehow we have let ourselves be locked up within these borders. Talked into stereotypes. Yielded to prejudices. Accepted narrow-minded attitudes fed to us by conservative politicians, profiled media, and the Internet, which has become almost completely subjective.

We are living in wonderful times when everything is really possible. We can travel about and communicate freely. The language barrier is slowly disintegrating – more and more of us speak English and other languages, as is the case on the other side of the border, especially the Swedish one. Let us talk, let us visit one another, and let us make contact. We all have a lot to offer, a lot to say and a lot to realise.

Mutual Slavic fascinations still await rediscovery. Slavic brothers and sisters are really one big family. It is enough to spend a moment in the company of Serbs, Czechs or Ukrainians. It is so natural that I am embarrassed to have to write about it. It would be good if we all started planning our holidays to break out of the all-inclusive Polish zones in Turkey, Greece, and Spain. It is better to travel around Slavic Europe in order to realise that national shackles are holding us in a tight, small trap, that we have an intriguing cultural community, fascinating neighbours – relatives – close at hand.

This kind of Europe has been described for years by such people as Andrzej Stasiuk or Ziemowit Szczerek. The latter's *Intermarium* is an exciting read about what unites us and what divides us, with an admixture of Pan-Slavic ideas. The question is: how much more time do we need to really become aware of this community? Will the archaic nation states isolate us effectively for a long time to come by dwelling on past wars and animosities? What must happen for us to rediscover one another and use our common potential? There are well over 200 million Slavs; it is a huge ethnic group with many common features and values. It offers a great untapped potential.

Our relations with our non-Slavic neighbours are of a different nature. In this context, the dominant positive role should be played by consciously discerned intercultural differences. Differences make it possible to learn the most. Germans and Swedes are organised effectively and consistently around social values. Let us learn from them respect for aesthetics and common spaces, the momentum in implementing pro-ecological changes. And let us try to inspire them with our enthusiasm, creativity, diligence and resourcefulness – that is, values.

The time of Polish complexes, which may have been behind most our prejudices, is over, as is the time of looking down on our neighbours. I like the feeling when I show my friends from Germany, the Czech Republic or Sweden around the centre of Warsaw or Krakow. They are always respectful and surprised. There is no need to say anything. We must act. Together. Exchange what we have best in our countries. I am very happy that today the best neighbours of my parents in the countryside are Ukrainians. They are wonderful people. Nothing divides us.

It is 2019. Now we can finally look them all straight in the eye and greet them affectionately. Naturally, there is plenty of room for discussion about assimilation methods. In Sweden, with some surprise, a new kind of apartheid has just been discovered. Locked up in their no-go neighbourhoods, migrants from Africa too easily turn into criminals. An error has been made – ghettos must not be created. Inter-neighbourhood migration has better outcomes – small differences between neighbours make it easier for both sides to adapt to each other. Everything works better when migrants disperse in a new country, mix in with the local crowd.

Even though I readily use the term ‘archaic’ to describe the nation-state model, it does not mean that I consider it to be a complete relic of a bygone age – states can be of use to us for a long time to come. What is archaic are the borders and the stereotypes associated with them. Certainly, there are also positives: without borders, we would not have been able to develop as nations by creating independent, different cultures. Consequently, thanks to them, we are so beautifully different.

We are actually dealing with two models that coexist in time and space. The society of the future has already emerged, without waiting for someone to invent it. It is comprised of people who live in the largest metropolises. They create a model archipelago of urban civilisations as an alternative to nation-states. The metropolitan society is already multicultural, colourful and self-governing. Metropolises are linked by a dense network of cross-border connections enabling business and leisure travel. Half of my Polish friends today live in cities such as Berlin, Stockholm, and Vancouver. And half of my neighbours in Krakow are visitors from abroad – Frenchmen, Italians, and Spaniards.

Somewhere outside of this world, there is a parallel one – an extra-urban one, more traditional and more conservative. That is where the nation-state can be found now.

Neighbours in these big cities already meet and talk to one another. This is not yet the case in the world of nation-states, but new times are coming. My daughter has a lot of friends from all over the world, it is enough that she speaks fluent English. She meets them online without any effort. There are no prejudices. She finds stereotypes difficult to understand. She feels at ease in Krakow as well as in London. Her generation may no longer understand the idea of borders or nation states. Young people can learn and work wherever they choose, travel from city to city. Humankind is moving to metropolises and the process will continue. Rural regions and smaller urban centres will gradually become deserted. In my opinion, this is a good thing, provided that we decide to give back the space thus recovered to nature. If the City Archipelago idea succeeds and the borders continue to disappear, we will face yet another process, namely the disappearance of national identities in favour of a new common identity. I do not know if such a global multiculturalism proves to be better than the present state of affairs. I love to find out about ‘otherness’, I enjoy the Czech sense of humour, Swedish ecology, Ukrainian swashbuckling, and Polish bravado. If they are bound to be consigned to a museum in the future, I can console myself that this is a relatively distant future.

While we can, let us discover our neighbours and let them discover ourselves. As long as we speak different languages, we will continue to create different cultures, giving the world what is important not only in genetics, which is VARIETY.

## PS

*Meetings held as part of the NEIGHBOURS series are held in Krakow's club Hevre. Readers are welcome to participate in live discussion. We are also looking for people willing to co-create the programme and develop valuable contacts with Poland's neighbours – Sweden, Russia, Lithuania, Belarus, Ukraine, Slovakia, Czech Republic and Germany. See you at Hevre!*

**PART III – PRIVATE AND COMMON GOODS  
IN THE MODERN ECONOMY**

# Joshua Aizenman

## Cryptocurrencies, price instability, and the tragedy of the commons<sup>1</sup>

This note overviews the recent evolution of anonymized financial intermediation promised by cryptocurrencies through the lens of public finance. The short yet remarkable history of cryptocurrencies testifies to the large private demand for scalable anonymized financial intermediation. The trigger of this trend goes back to the mission statement of Bitcoin, Nakamoto (2008), stating “A purely peer-to-peer version of electronic cash would allow online payments to be sent directly from one party to another without going through a financial institution. We propose a solution to the double-spending problem using a peer-to-peer network. The network timestamps transactions by hashing them into an ongoing chain of hash-based proof-of-work, forming a record that cannot be changed without redoing the proof-of-work...”. With a short lag, this manifesto sparked growing trade in the ‘electronic cash’ Bitcoin, followed by growing diffusion of other cryptocurrencies. The price, volume, and market capitalization history of Bitcoin is plotted in Figure 1a and 1b. Notable is the high volatility of Bitcoin prices, and the tight co-movements of Bitcoin volume, market capitalization, transaction fees, and prices. Similar features are shared by other cryptocurrencies.

This price volatility has intensified debates on the stability problems of decentralized currencies. Believers argue that future design improvements will stabilize Bitcoin prices, and that it is only a matter of time until

<sup>1</sup> This paper extends the VoxEu (2019) column *On the built-in instability of cryptocurrencies*.



a stable, decentralized (crypto)currency emerges. Accordingly, it took the long experimentation with monetary regimes to converge to inflation targeting (IT) as a mechanism to stabilize inflation. Yet, an extrapolation from inflation targeting to the feasibility of a stable cryptocurrency is exposed to the fallacy of composition. Specifically, a coordination failure akin to *the tragedy of the commons* suggests that there is no feasible path towards a global central bank that would ensure the stability of a decentralized currency. The successful diffusion of inflation targeting has shown that a nation state has the ability to stabilize the purchasing power of its currency in terms of the country's price level. To recall, IT goes back to New Zealand (NZ) in the early 1990s. New Zealand's IT regime has been based on 4 pillars: the inflation rate is the medium term objective for monetary policy; the medium-term objective is implemented using a tightly specified inflation target; a clear institutional structure, typically independent CB; and heavy reliance on transparency to support the arrangement (see Archer (2000)). Remarkably, in 2019 more than half of global GDP is produced in countries that follow versions of inflation targeting, implemented mostly by independent central banks (Rose (2009)).<sup>2</sup> Under inflation targeting, the national central bank has a clear mandate and duty to stabilize the national currency, using the tools under its control. It can adjust the policy interest rate to keep inflation low, manage key monetary aggregates, and communicate the central bank's policies.<sup>3</sup>

- 2 This includes the US, the ECB, most non-ECB EU countries, India and several other developed and developing countries. Ahmed, Aizenman and Jinjark (2019) pointed out a longer list of countries once *de-facto* IT is considered.
- 3 In contrast, countries that have limited the independence of their central banks have found, with a lag, that their currencies lost value. This increases the likelihood of capital flight, financial fragility and banking crises (e.g. Venezuela, Argentina, and Turkey). These examples illustrate the need to committee policy resources to secure the stability of inflation. While Turkey and Argentina are *de-jure* inflation targeters, they failed to secure central bank independence and sustainable patterns of current account and external borrowing. These factors led to spells of sharp currency depreciations, inducing inflationary spikes

In contrast, there is no clear central ownership and management of a decentralized cryptocurrency with the duty and responsibility of keeping it stable. Consequently, cryptocurrency's valuation is exposed to gaming among various stakeholders, leading to possible bubbles and crashes. This instability reflects the tragedy of the commons associated with cryptocurrencies – the public good of stable valuation conflicts with the interests of anonymous large holders of the currency (aka 'whales') who can influence its value. Whales may benefit from the endogenous instability associated with exploiting their market power (Gandal et al. 2017). Instability may also reflect the multiple equilibria associated with gaming decentralized cryptocurrencies (Biais et al. 2018). Their valuations are exposed to the excessive optimism or pessimism of traders, and possible market manipulation. While agency concerns apply to all financial intermediation, the anonymized nature of cryptocurrencies magnifies these problems.

National currencies are, of course, exposed to similar speculative attacks. Yet, the clear allocation of duties to the central bank, and the bank's willingness to adopt policies for financial stability and stable currency valuation provide the public good services associated with scalable safe currency. This safety is frequently anchored by deposit insurance schemes (akin to the FDIC), backstopped by the nation's taxpayers. In contrast, there is no comparable allocation of duties and 'property rights' in a decentralized currency. Therefore, one can expect relative instability to be the rule of cryptocurrencies, not the exception.

The combination of a decentralized currency and anonymity associated with cryptocurrencies negates the application of stabilizing forces that were exhibited by large players in the U.S. prior to the establishment of the Federal Reserve, FDIC, and other federal instructions. To recall, during the financial panic of 1907, J.P. Morgan pledged large sums of his own money, and convinced other New York bankers to do the same, to shore up the banking system. The New York bankers, co-

and rising sovereign spreads, de-anchoring expected inflation, approaching the range of 'collapsing regimes'.

ordinated by Morgan, operated as *de facto* lenders of last resort. The whales of that time clearly owned the rents associated with stable financial intermediation, and so they opted to provide stabilization services. Though the stabilization of the 1907 financial panic required the coordination of Morgan, it was in line with big bankers' goal of minimizing their expected losses. The crisis of 1907 also illustrated the risks of private bailouts – their credibility was constrained by the balance sheets of private financial institutions, and required a leader who could overcome the free rider problem associated with private bailouts, coercing other financial whales to join the bailout. Notably, private bailouts may reflect more the wish of whales to maximize their rents than their concerns about impact of bailouts on households, small banks and firms, and national welfare at large. Indeed, the dynamics of the 1907 crisis led to the formation of the Federal Reserve System, created by the Federal Reserve Act of 1913. In contrast to the bailout coordinated by Morgan, the anonymity of cryptocurrency holders means there is a lack of agency, and there are no stabilizing forces of the type exhibited in the 1907 private bailout.

Taking a global perspective, it is not a surprise that there is no clear path towards a global central bank with responsibility for the price stability of a decentralized currency. Among national central banks there is a reluctance to cooperate in normal times, as the mandate of each central bank prioritizes domestic goals dealing with domestic price and output stability, not on the global value of its currency, or any global decentralized currency. This coordination failure is compounded by the observation that in normal times, deeper macro cooperation among countries is associated with welfare gains akin to Harberger's second-order magnitude triangle, thus making the odds of cooperation low. When bad tail events induce imminent threats of financial collapse, the perceived losses have a first-order magnitude of terminating the total Marshallian surpluses. The apprehension of these losses in perilous times may elicit rare and beneficial macro cooperation (Aizenman 2016; Rodrik 2019). In contrast, the anonymity of cryptocurrency owners may magnify the volatility, as there is no reason to expect the cryptocurrency's whales

to provide stabilization in bad times.<sup>4</sup> Indeed, the market clout of the Bitcoin whales provides ample opportunities to induce bubbly dynamics that may be exploited by the insiders to their own benefits (Feng, Wang, Zhang 2018). This observation is consistent with the curious correlation patterns of bitcoin valuation reported by Baur et al. (2018), noting that Bitcoin “is uncorrelated with traditional asset classes such as stocks, bonds and commodities both in normal times and in periods of financial turmoil. The analysis of transaction data of Bitcoin accounts shows that Bitcoins are mainly used as a speculative investment and not as an alternative currency and medium of exchange.”<sup>5</sup>

Taking the public finance perspective, we conjecture that successful scalability of decentralized cryptocurrencies would breed its private failure – the nation state may ignore niche financial innovations but would regulate or even nationalize them if their size and instability became a systemic threat. Efficient scalability of a successful decentralized currency is possible as long as the private sector coordinates its policies with the nation state. Scalable financial innovations that challenge the nation state's ability to enforce law and order would trigger an ‘arms race’ between users and the nation state's law enforcement. A well-functioning nation state has access to deep, scalable resources. OECD countries, China and other efficient centralized regimes find ways to control scalable financial innovations. If the decentralized currency is scalable, nation states and central banks will face growing competition. They will react by either imposing regulations or reducing scalability and encryption. Either course of action crushes the emerging competition. Alternatively, they may compete directly with cryptocurrencies by offering their own e-money, as articulated by Lagarde (2018).<sup>6</sup> To put this in a historical perspective, the supplier of fiat currencies

- 4 An example is the recent ‘Fork Fights’, see “Bitcoin Cash Hard Fork Battle: Who Is Winning the Hash War”.
- 5 The close to zero correlation with other assets induced some to conclude that cryptocurrencies may provide diversification opportunities. Without controlling for the cost of these ‘opportunities,’ this argument is akin to claiming that casino gambling is another source of portfolio diversification.
- 6 See also Eichengreen (2018), Roubini (2018) and Aizenman (2019).

benefits from the significant resources associated with ‘printing money,’ i.e. seigniorage. History provides examples of regimes that oversupplied their currency, gaining seigniorage revenue today, at the cost of future financial instability (Cukierman, Edwards, Tabela 1992).

Similar dynamics may occur in weak federal systems, where provincial states compete for greater share of seigniorage (Aizenman 1992). By now, most nations converged to a social contract where the nation state has a monopoly over the country’s supply of currency, controlling the banking system and the seigniorage, while responsible for the provision of financial stability. This includes managing deposit insurance and a battery of regulations aimed at reducing the odds of costly financial crises.<sup>7</sup> The wave of Fintech since 2010 imposes clear risks on the monopoly of the state, shifting financial intermediation to ‘virtual shadow banks’ associated with anonymized intermediation. The theoretical literature provides fundamental reasons to doubt the stability of these arrangements even in the absence of anonymized intermediation. Moreover, such anonymity of exchange may amplify these concerns.<sup>8</sup>

China provides a clear case study on the feasibility and ability of the state to follow its dual goal of: Encouraging the diffusion of efficient fintech exchange in ways that both benefit consumers and augment the government’s control, while restricting anonymized exchange in ways that minimize the threat of a shrinking the tax base; and augmenting the state’s ability to control financial intermediation.<sup>9</sup> Chances are that other states will choose their own menu of policies aimed at achieving these dual goals.

Similar agency concerns apply to the Libra cryptocurrency, introduced by Facebook in 2019. Libra’s white paper outlines its mission, with preliminary details of its design:

“Libra is a simple global currency and financial infrastructure that empowers billions of people. Libra is made up of three parts that will work together to create a more inclusive financial system:

1. It is built on a secure, scalable, and reliable blockchain;
2. It is backed by a reserve of assets designed to give it intrinsic value;
3. It is governed by the independent Libra Association tasked with evolving the ecosystem...”<sup>10</sup>

Libra’s promised design shares with Bitcoin the reliance on “scalable, and reliable blockchain.” Yet, only time will tell whether convergence of blockchain into this “Promised Land” succeeds. In contrast to Bitcoin, Libra’s valuation will be backed by reserve accounts composed of “a basket invested in debt from stable governments with low default probability that are unlikely to experience high inflation.” While this design may provide stability in good times, it is exposed to currency valuation and inflationary risks in bad times, as well as agency issues related to the need for real time monitoring and regulation by an independent auditor verifying adequate

10 The promised stability of the future Libra is buffered by international reserves: “What are the actual assets that will be backing each Libra coin? The actual assets will be a collection of low-volatility assets, including bank deposits and government securities in currencies from stable and reputable central banks. As the value of Libra will be effectively linked to a basket of fiat currencies, from the point of view of any specific currency, there will be fluctuations in the value of Libra. The makeup of the reserve is designed to mitigate the likelihood and severity of these fluctuations, particularly in the negative direction (i.e., even in economic crises). To that end, the above basket has been structured with capital preservation and liquidity in mind. On the capital preservation point, the association will only invest in debt from stable governments with low default probability that are unlikely to experience high inflation. In addition, the reserve has been diversified by selecting multiple governments, rather than just one, to further reduce the potential impact of such events. In terms of liquidity, the association plans to rely on short-dated securities issued by these governments, that are all traded in liquid markets that regularly accommodate daily trading volume in the tens or even hundreds of billions.” Source: <https://libra.org/en-us/white-paper/>, accessed 3 September 2019.

7 Exceptions to these are states that chose to adopt a foreign currency as their legal tender, frequently as a mechanism to reduce past instability associated with their currency. Or alternatively joined a monetary union like the Eurozone, delegating the supplying of local currency to the central bank of the currency area.

8 See Allen and Gale (2004), Sanches (2016) and the references therein.

9 See page 106-7, “Regulation of Cryptocurrency Around the World” (PDF). Library of Congress. *The Law Library of Congress, Global Legal Research Center. June 2018. Retrieved 2 Sep. 2019*],

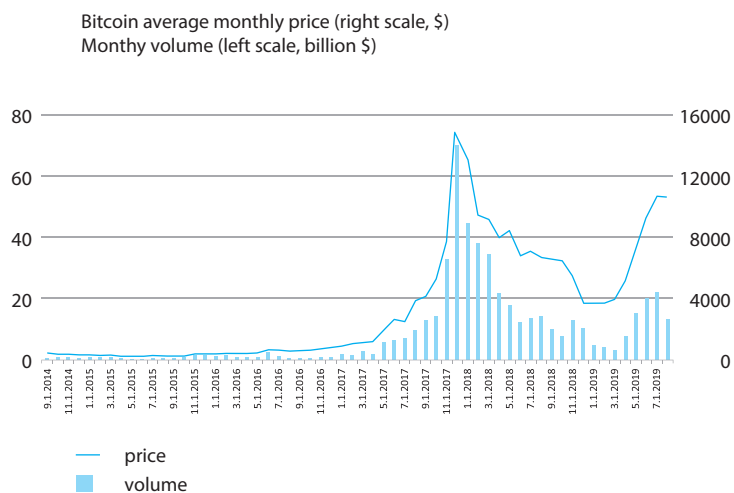
coverage. To illustrate, Dollar/Euro exchange rate swings in the past 20 years include several spells of 25-30% changes over two-year intervals. This suggests that Libra's basket valuation will be far from stable. History illustrates that even "stable governments" occasionally impose capital controls at times of peril and crisis, and renege on past promises (see Edwards (2019)). Furthermore, the ability of private suppliers of money to back their commitments and liability is constrained by their balance sheet, as well as their shareholders will to do what it takes to provide the promised services. In contrast, a sovereign state's commitments are backed by the state's ability to monetize liabilities (i.e., to print money), and to tax its citizens. In the U.S., FDIC insurance covers the U.S. banking system, but one doubts the willingness of the U.S. and its tax base to support Libra in times of peril.

Libra's white paper suggests accountability to its shareholders, with limited regards to the citizens of the countries exposed to its ultimate effects. Like Bitcoin, successful Libra may weaken the potency of monetary policy, reduce the depth of domestic financial intermediation, and shrink the state's tax base. It will also dilute the state's seigniorage and may increase the country's exposure to financial instability triggered by foreign sources (e.g., instability of the global web and of the underlying algorithms, foreign capital controls, and the like). Thereby, there is no clear reason why sovereign central banks and treasuries will support outsourcing financial intermediation and the payment system to a globalized private platform. The public finance logic is clear: A scalable and globally successful Libra's profits are privatized, but future losses associated with greater financial instability and crisis would be socialized. Consequently, nation states may impose stringent regulations on Libra, probably more stringent than those invoked presently on globalized financial institutions.

To conclude, scalable anonymized financial intermediation will be challenged by two constraints. *First*, agency problems limit the prospect of cryptocurrencies' valuation stability. This reflects the public good nature of financial stability, and the possible conflict between valuation stability and rent maximization of large anonymized insiders. *Second*, successful overcoming of these concerns by the suppliers of future scalable anonymized financial intermediation will challenge the nation state's tax

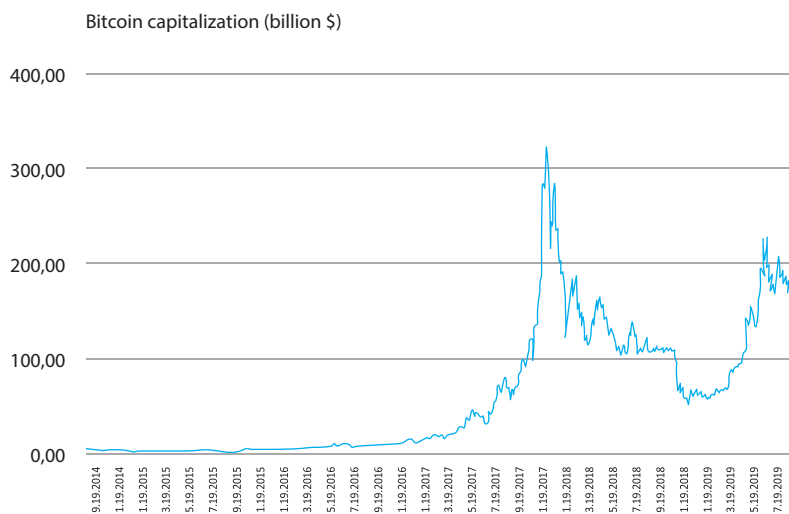
base, the potency of monetary policy, and financial stability. Thereby, the successful scalability of decentralized cryptocurrencies would breed its private failure – the nation state may ignore niche financial innovations but would regulate or even nationalize them if their size and instability become a systemic threat. Efficient scalability of a successful decentralized currency will pass the test of time as long as the private sector coordinates its policies with the nation state.

**Figure 1a.** Bitcoin average monthly price and volume



Source: data.bitcoinity.org

**Figure 1b.** Bitcoin Market Capitalization



Source: data.bitcoinity.org

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# Wojciech Paprocki

## Human mobility in real and virtual space

### Introduction

In the run-up to the third decade of the 21<sup>st</sup> century, social science research can focus on the interpenetration of real and virtual spaces, taking into account the increasing impact of the development and diffusion of digital technologies. Generation Z<sup>1</sup> is entering adult life, and thus the period of intense social and economic activity. The cohort comprises numerous digital nerds – individuals attributed both positive traits, such as in-depth expert knowledge of digital technologies and the ability to use them to achieve commercial results,<sup>2</sup> as well as negative ones, such as the lack of ability to co-exist in a group and a general ineptitude for life ("nerds are freaks" which brings to mind the 1984 feature film directed by J. Kanew *Revenge of the Nerds*). Digital nerds are open to otherness. They can describe and shape the world around them, using their extensive knowledge, which includes an awareness of various aspects of history, culture, art, and anthropology. Y.N. Harari can be considered a pioneer who, thanks to his extensive life experience, may serve as a model for the contemporary generation of digital nerds.

1 The generation of so-called post-Millennials, i.e. people born after 1998.

2 For example the Creative Nerd Agency, <https://creativenerdagency.com/> (accessed 26 July 2019).

Due to his date of birth, he belongs in Generation X (which preceded the Millennials), but he deserves recognition on account of his interdisciplinary research and ability to formulate a vision of our civilisation's future. According to Harari, the human species is becoming a "hackable animal" (Mäder 2019), which results from the fact that human beings are subject to the integration of the real world with the virtual one, one of the practical examples of which will be linking the human brain with digital systems operating in both worlds simultaneously.

The integration of two worlds – the real and the virtual ones both in space and in time – is a constitutive feature of the era of the digital world created by the processes taking place as part of Industrial Revolution 4.0. The reference to the essence of the virtual world helps in the incipient discussion on human mobility in virtual space, which more and more often complements the multithreaded discussion on human mobility in real space, which has been held for at least two hundred years.

In this text, human mobility in real space is the main subject of analysis, to which the discussion on human mobility in virtual space is only a modest addition. Deeper reflection on this topic is only the subject of planned scientific projects. The research was carried out thanks to the studies of domestic and international scientific literature in various fields while taking into account the conclusions of the author's analysis of the development of new technologies. The main method is deduction supplemented by case studies. References are made to events or processes occurring in different epochs that complement one another. Some of the case studies are only mentioned in passing owing to the lack of in-depth reports on the latest events, and there is just a handful of monographs available that comprise the first attempts at a synthetic evaluation of the process of digital transformation and its outcomes associated with human mobility in virtual space.

## Different motives and forms of mobility in real and virtual space

Three-dimensional real space is an entity that characterises the universe and surrounds man, whereas virtual space is a human product. After about forty thousand years of shaping civilisation by *Homo sapiens*, mobility in the real world began to be achieved outside the Earth, and so far all space expeditions have been planned as return trips. Perhaps the coming decades will see one-way journeys, from which no return trip to the Earth is planned?

Virtual space is multidimensional, which is due to the fact that humans are not limited in their imagination, and any future General Artificial Intelligence (GAI) system will likely be unconstrained when it comes to building its own multidimensional virtual space.

For the purpose of the analysis of contemporary processes of human presence in real space, it is possible to identify three basic segments of mobility. The first one is one-way mobility. At a certain point in time, individuals or their groups, or even entire communities, decide to change their place of residence. Social sciences periodically analyse this segment, and the events of the first two decades of the 21<sup>st</sup> century have definitely contributed to intensified research in this area. The second segment is represented by back-and-forth journeys or a closed loop, which means that man always returns to the point of origin. This segment is a traditional area of interest for research and analysis as it covers the basic groups of services called transportation or the movement of persons. The scale of these mobility processes and their various direct and indirect effects justify further research. The third segment concerns multidirectional mobility, which is characterised by both the lack of a single starting point and the lack of rules governing the direction or directions of such mobility. This segment has long been the subject of interest of natural sciences and health sciences, but nowadays it has become the focal research area in all fields of science. With the development of knowledge that is useful for the development of the concept of GAI, there is now a growing body of research on human movement in microlocal space and even on in-

tra-organic mobility or at the interface between human organs and the environment.

Table 1 shows a classification of mobility, including the three segments and sub-segments as well as the basic motives or areas of mobility in each sub-segment.

**Table 1.** Classification of mobility

One-way mobility	Two way (back and forth) mobility or mobility in a loop		Multidirectional mobility	
Migration	Inter-regional mobility	Regional and local mobility	Micro-local mobility	Intra-system mobility
Movement of whole societies or social groups: - in search of better living conditions - escape in order to save one's life - subordination to public authorities	Moving for business and other professional or social purposes	Moving between home and place of work or education	Movement of the body within the place of residence or place of education / workplace / workstation and other places of residence or visit (at a table, in bed, etc.)	Brain wave motion
Movement of persons or microgroups (families): - in search of better living conditions - to strengthen emotional and social ties	Movement for tourism purposes	Moving between place of residence and place of performance of activities associated with functioning in an ecosystem (health care centres, retail outlets, cultural institutions, etc.)	Movement of individual body parts (hand, eye, nose)	
	Movement in order to maintain emotional or social ties	Movement for tourism and sports purposes (physical activity)	Voice message	
			Facial expression, look character, skin condition, etc.	

Source: Author's own research.

## One-way mobility: migrations

In the first stage of development of human civilisation, tribes had to move to forage for food. When more permanent settlements were established, the social division into 'locals' and 'newcomers' emerged for the first time. On a number of occasions the former defended themselves against the invasion of newcomers, but in many cases they even encouraged people to arrive from other regions. The problem of relations between residents and newcomers became particularly important in the 21<sup>st</sup> century owing to the concurrent present of opposing social processes, some of which promote hostile attitudes towards the immigrants, whereas others strengthen the need to emigrate or create the demand for the influx of new population groups.

Religious wars, e.g. in South Asia, Africa, or Ireland, constituted one of the main reasons for the mobility of some nations or social groups. With the escalating climate change, growing problems with access to drinking water and the increased risk of coastal flooding, ever new large and small groups will be motivated to move from one territory to another. In Poland, the lack or deficit of water starts to force people to migrate from several centrally located counties, whereas owing to coastline erosion, the Hel Peninsula is expected to lose a significant proportion of its population.

Since the second half of the 20<sup>th</sup> century, two phenomena have occurred in Europe for the first time in the continent's history: 1. the ageing of the population, which causes the share of the working population among city residents to decline, and 2. an absolute decline in the population, despite the absence of wars and widespread natural disasters. The question arises whether the structural changes in the economy which take place as part of the digital transformation may lead to a significant decrease in demand in the labour market within the next two to three decades. Otherwise Europe will face a general shortage of working-age population. According to some experts, the gap in the European labour market may reach several dozen million people in 30 years, while in Poland it may reach 1.5 million people in 2025 (PwC Report 2018).

The motivation to improve one's living conditions both in material and psychological terms is an important reason for economic mobility. Prompted by the phenomenon of the so-called new wave of emigration from Poland, which totals about 2.5 million people, many areas of scientific research both in Poland and abroad have started to address the outcomes of leaving one's homeland. One of them, which certainly deserves extensive and in-depth research in various disciplines, is the emigration of well-educated specialists, including physicians and other health professionals, as well as specialists in new technologies. In many regions and sub-regions worldwide, there is a danger of what can be described as 'demographic denudation,' which involves the escape of creative and educated people from places where the prospects of personal development are palpably less attractive than elsewhere. This phenomenon is dangerous not only to poorer countries and those which do not function properly, such as Ukraine, but also to the richest ones. Young people leave the northern region of Finmark in Norway (with an area of 48,000 km<sup>2</sup> inhabited by fewer than 75,000) and settle in other regions of the country, because various government incentives are insufficient to persuade them to continue their adult lives in their local homeland (In Norwegens 2019).

It is also important how immigrants are received in the host countries and how to effectively manage the immigration of foreign nationals with certain desirable abilities and education. It appears that the biggest beneficiary of economic mobility is Silicon Valley with tens of thousands of specialists from all over the world, including the highly educated graduates of English, French, German, and Swiss universities, as well as Polish universities (Schmidt 2019).

The change in local sentiments towards newcomers is well illustrated by the different attitudes of the German community towards economic immigrants from the post-war years and those who arrived in the 21<sup>st</sup> century. In 1955–1973, the German government actively sought to attract immigrants in order to boost the labour market in the period of dynamic economic growth. At the main railway station in Munich, a dedicated service centre was set up for immigrants who, after being approached and recruited locally, arrived from Greece and Italy, and then from the

countries of the former Yugoslavia, and from Turkey. Weekly, up to 4.5 thousand people arrived, who once their documents and health status were checked, were assigned in an organised way to future employers. The deliberately wide dispersion of newcomers, combined with their placement among the local population rather than in isolated institutions, resulted in the fact that the then wave of immigration was not strongly resisted by the German community (Lahrtz 2019). The process of receiving immigrants from the Middle East and Africa, who arrived in Germany in the second decade of the 21<sup>st</sup> century, took a completely different turn. In 2015, after Chancellor Merkel announced her intention to accept the peak wave of immigrants of more than 1 million people, including numerous women with children, revealed Germany's opposition to newcomers. Among the many drastic opinions was the statement of the former Berlin Senator for Security: the practical implementation of the catchphrase 'We can do it' (Wir schaffen das) caused Germany, which is a well-organised and properly functioning country, to be devastated in the name of false humanitarianism (Körting 2015). The change of immigration policy in subsequent years led to a reduction in the number of people headed for Southern and Western Europe. Even so, the relations between local communities and immigrants are becoming strained with the resultant tensions being exploited by some politicians. By creating, fuelling and describing genuine and imaginary problems, they seek to strengthen their political position in Austria, France, Germany, Great Britain, and Italy, as well as in Poland (Monath 2019). Paradoxically, the supporters of opening Europe to immigrants are contributing more to the intensification of tensions in the local communities than their opponents. This is due to the conflict between the attitudes of 'morally correct' and 'morally condemned' people. In Germany, the existence of this discord overlapped with the historical division into citizens from the West (the so-called Wessies) and the East (the so-called Ossies) (Gujer 2019). In Poland, a similar social dissonance between the group of beneficiaries and victims of the political transformation process after 1989 can be perceived, strengthened by the right-wing media, which in 2015 also raised the issue of the threat to Poles by Muslim immigrants.

One of the contemporary problems is the lack of global or even regional coordination of migration. The mass influx of immigrants into Europe by sea occurs via Greece, Italy and Spain, with a maximum of 5,000 arrivals per week. The process is controlled by criminal groups, not public authorities of the countries on the Mediterranean Sea. The idea of weakening the motivation to emigrate at the source is rational, but only in a manner of speaking. In Africa and the Middle East, the interest in emigrating to Europe will continue to increase as the relative value of social assistance or a guaranteed minimum wage in relation to the average income from labour in developing countries increases in some countries of Western and Northern Europe.

### Two-way mobility: interregional, regional and local

Mobility in the context of long distances from several dozen to several thousand kilometres, regional mobility within a radius of up to several dozen kilometres, and local mobility (within a locality) are associated with the drive to satisfy the needs listed in Table 1. In the process of digital transformation, the focus of interest is on searching for a new model of handling each of the sub-segments of mobility mentioned above. In the two-way mobility segment, the fact that every person who chooses to travel, sets off and ends his or her journey in the same place is of fundamental importance. There are two possible options for the route. In the first one, the 'outward' route fully overlaps with the 'return' one. In most cases, the movement processes both in geographical and temporal terms occurs on a cyclical basis, for example the daily journeys of a schoolchild from home to school and back. In the other one, the travelling person moves about in a loop. The route and the time it takes to cover it may be repetitive, but situations where individual journeys take place on different routes, with no regularity, tend to predominate.

In the analogue economy, which shaped the transportation systems for thousands of years, linear infrastructure (waterways, roads, railways, air corridors, etc.) and point infrastructure (water- and airports, trans-

port nodes, metro stations, etc.) have been built. In the early railway era (the second half of the 19<sup>th</sup> century), the tracks followed the already existing destinations and relationships between people's travels and the transportation of goods. A spectacular example of expansion of Poland's railway network was the fact that the Warsaw–Poznań line was built only after 1918 as during the partitions, there was simply not enough passenger traffic between the two large cities to justify such an investment. The construction of line infrastructure supplemented with point infrastructure is also a decisive factor in the location of new housing estates and factories. Another example is the development of a corridor along the Warsaw Commuter Railway (formerly EKD, now WKD), initiated in the interwar period leading from the centre of Warsaw to Grodzisk Mazowiecki.

A characteristic feature of rail transport and organised bus transport is the presence of designated routes and rigid timetables, in which the time of departure and arrival at individual passenger service points is specified. In air transport, air traffic depends on rigid time windows (the so-called airport slots), which means that the network of connections can only be adjusted to a limited extent to the changing demand. For a traveller, the existence of a timetable for the chosen mode of transportation is no longer of any concern if the frequency of departures is very high and connections run regularly. The least attention is paid to metro timetables if they run every few dozen seconds, such as Line 13 of the Paris metro, known as the Devil's Line (Ligne d'enfer). Notoriously overcrowded trains on this line serve a stream of up to 650,000 passengers per day (Belz 2019). The timetable of city and suburban buses and local trains is of a relatively low importance if their departures are not that frequent (e.g. every 15 minutes), but are regularly spaced out throughout the day, including mornings and late evenings, and always depart from a given stop at the same time, e.g. 7:02, 7:17, 7:32 and 7:47. Ensuring the regularity of departures of long-distance trains and buses every 60 minutes is also a factor that makes passenger transport services significantly more attractive.

In back-and-forth or loop-shaped traffic, in a given period of time (e.g. days, weeks, months, depending on the destination) the number of people who have left a certain place equals the number of people who



have returned. However, the problem is how to break down these journeys into individual time windows, which correspond to the technological process of the movement of means of transport. In regional and local public transport, it is impossible to ensure adequate capacity in the morning in the districts where residents sleep the night other than by returning vehicles to these districts after the previous journey. Due to the fact that the streams of travellers on the 'back' route will only occur in the afternoon or evening, the vehicles are markedly underutilised on their return trips, which means that the profitability of the entire round trip is low. If the entire stream of passengers is small in both directions within any 24 hour period, which is particularly true of regional lines serving less urbanised areas, the profitability of individual transport cycles is very low. This phenomenon explains why in Poland, during the period of political transformation, regional public transport served by Polish Bus Service (PKS) was practically closed down. Public authorities (local governments, deprived of government support) decided that social needs cannot be met to the same extent as under the People's Republic of Poland. The public carrier made huge losses which could not be compensated by local government subsidies. The lack of subsidies, in turn, has led to the closure of a number of socially needed bus services.

The uniqueness of individual motoring results from the basic feature of this method of meeting one's mobility needs, namely that every individual user of a vehicle has it at his or her disposal where they want it and at the time when they want to start their journey. This feature also applies to bicycle transport, and in the past, it used to apply to horse transport (when riding on horseback). However, the development of this feature is associated with a huge economic effort. It becomes necessary to produce a sufficient number of vehicles and to provide parking spaces both in residential areas and in the centres of agglomerations. In today's economy, especially in Europe, where the automotive industry is highly developed and one of the industrial pillars, the demand for passenger cars (if it drops) is a problem. Consequently, there is no reason to reduce individual motoring under the present industrial policy. However, the drive to eliminate passenger cars or at least limit their presence is supported by

the overload of urban infrastructure. Therefore, for many decades, city congestion charges have been applied. One of the first to do so were the Norwegian cities of Bergen (1985) and Oslo (1990). Restrictions are also increasingly dependent on the current air pollution levels. In Bergen, the city toll varies from NOK 45 (approx. EUR 4.90) on days with little air pollution to NOK 225 (approx. EUR 25) on smoggy days (Die City Maut 2016).

In the digital economy, in which the use of navigation and various apps installed on smartphones or in telematics and computer equipment, such as trains, cars and electric bicycles is widespread, large sets of both structured and unstructured data have begun to be created in order to track the movement of every individual and every mode of transport. Thanks to the big data analytics technology, global and local virtual platform operators aim to create a two-way mobility system service where each journey section and corresponding time window is identified and compared with the service provider's offer. The aim is to introduce the sharing economy model into two-way mobility. These models have different names depending on marketing objectives, such as car-sharing ride-sharing or scooter-sharing. Originally, it was supposed to be based on collaborative consumption, in which a consumer-owner makes a good available to another person when he or she is not using it himself or herself, for normative, instrumental and social-hedonistic reasons (Śledziowska, Włoch 2019). Thanks to the existence of social networks and technologies with easy to use mobile apps, the phenomenon was expected to become so widespread that some consumers, mainly the millennium generation, would give up purchasing certain kinds of goods, including cars. The collaborative economy was supposed to be based on cooperation, without the participants' drive to achieve commercial goals. The review of offers placed on the mobility services market in 2017-2019 reveals, however, that the sharing economy has not become widespread. Instead the platform economy is dynamically developing, with operators determined to achieve commercial success on the supply side (Lehdonvirta et al. 2019, p. 569). Start-ups with huge development funds entered the market, with the basic objective of gaining a competitive advantage thanks to a fairly large share in the emerging market for new services (Cusumano, Gawer, Yoffie 2019, p. 17). As soon

as this goal has been attained, their revenues would exceed the operating costs, followed by stabilisation ensuring balance sheet profit. 2019 brought in the first analyses of the results of the activity of platform operators in the mobility services market. The findings of studies on the popularity of e-scooter rental services in various metropolitan areas worldwide show that several competing operators have put into operation several hundred or even thousand vehicles each in a single city (e.g. Lime in Berlin). Among the residents and newcomers there emerged a group of customers who use e-scooters quite often, however, the registered effective demand so far is too weak to use the potential of the entire fleet. During the day, scooters are used on average from 2.3 to 3.3 rides, and the average distance covered is 1.8–2.8 km. This means that the electric engines run for no more than 30 minutes per day (at an average speed close to 20 km/h) and the power supply is maintained for up to 5 hours or about 60 km between battery charges (Kugoth 2019). For these reasons, nobody can tell for sure when such operators will start to achieve the desired economic effects. Without being sure that the renting-by-the-minute formula will have the desired commercial effect, it cannot be developed further as the basic recipe for meeting two-way mobility needs. It should be borne in mind, however, that in selected metropolitan areas the use of cars made available by Internet platforms will become increasingly popular. This is expected to happen in Shanghai, where by 2030 the use of vehicles supplied by the Chinese virtual operator Didi will constitute 40% of all car traffic and only a third of the city's 23 million residents will own their cars and use them on an individual basis (Hubik 2019).

With increasing social pressure to reduce both pollution and greenhouse gases in transport, concepts for matching the place of residence with other activities, in particular professional activities, are increasingly being considered. One of the options is to return to tried and tested urban solutions. Attempts to that effect are being made, among others, in Vienna. According to the Smart City concept, new housing estates are to comprise side by side residential areas and economic and social infrastructure (e.g. schools) (Seenstadt Aspern 2014). The resulting two-way mobility needs are to be reduced so much that the residents will be able to meet them

by covering the distances on foot or using modern, battery-powered autonomous vehicles (Neuwinger 2019). A probably illusory vision is being developed that in the coming years it will be possible to eliminate passenger cars from entire swaths of agglomerations. Yet in the perspective of several decades rather than several years, the implementation of the Smart City concept may lead to a significant alteration in the behaviours of residents and a reduction in the time and distance travelled by their cars, both those with combustion engines and alternative (electric or hydrogen) propulsion systems.

All over the world, however, the basic problem of meeting human mobility needs concerns the agglomerations as they already exist, inhabited by a significant, and in some countries even the dominant part of society. If commuters to distant workplaces are more unhappy than those who do not have to waste time in this way, it seems that everyone should seek to change their place of residence or place of work. If they freely choose not to do so, their discomfort cannot be considered as rationally justified (Leggewie, Welzer 2012, p. 161). The most important issue in this respect is freedom of choice. Many people believe that they have no such freedom, and in many cases people cannot choose between different workplaces in a different location. What remains to be done, therefore, is to look for other methods of improving regional and local two-way mobility. Probably the most effective of the available options is the development of public transport systems based on traditional transport technologies, but supported by new digital technologies.

Table 2 shows the existing Paris Metro system and plans for its expansion by 2030 (thanks to EUR 35 billion of investment).

**Table 2.** Existing Paris metro system and plans for its expansion by 2030

	New Metro	Existing network (without RER)
Length of line	200 km	219.9 km
Percentage of stations catering for the needs of disabled persons	100%	30%
Deepest station	52 m (Creteil-St. Maur)	36 m (Abesses)
Maximum train speed	100 km/h	80 km/h
Number of lines with fully automated train traffic	4 of 4	2 of 16

Source: Belz 2019.

The Parisian example can be adapted in Poland. The transfer of the basic (i.e. largest) streams of travellers underground using standard metro or the so-called light metro technology, i.e. tram lines in an underground network, would immediately make public transport more attractive. The alternative is the so-called premetro, whose lines would run only partially underground, an option which is considered in Krakow (Metro in Kraków 2014). As a result of the development of rail transport, electricity driven in its classic version, which is much less harmful to the environment than diesel engines, a significant proportion of residents and regular visitors may give up travelling by passenger cars. Referring to the Polish economy development forecast, which anticipates stable GDP growth in the third decade of the 21<sup>st</sup> century (Frączyk 2019), it may be said that the conditions for undertaking large infrastructural investments to develop public transport are improving. The investment multiplier, whose value in the analogue economy is much higher than in the digital economy, favours the implementation of such projects. This is due to the much longer supply chain length for projects that underlie the development of tangible assets than those associated with intangible asset development projects. In connection with the winding down of investments shaping the national road network in the next decade, redirecting the available

investment funds to agglomeration public transport systems would benefit the users of two-way mobility services, and indirectly the entire economy, including manufacturers of rail transport equipment involved in this investment.

Two development directions of two-way mobility service systems in agglomerations can be compared. The first one is an innovation, which can be treated as the basic direction of development in the era of the digital economy, namely uberisation. This innovation is based on the assumption that collecting Big Data about residents and visitors, e.g. tourists, participants in cultural and sports events, and then the use of narrow artificial intelligence solutions, will enable a perfect match between the services provided by commercial carriers and the dynamically changing mobility needs. The rationale is provided by the projection that the supply side will comprise autonomous vehicles (aka self-driving cars) adapted to traffic on public roads, available 24 hours a day, whose operation will be much cheaper owing to the lack of staff costs (the drivers). However, the enthusiasm of supporters of this development direction was significantly reduced following an accident caused by a malfunction of the Uber test vehicle in Arizona in March 2018, when it struck and killed a woman crossing the street after dark. In August 2019, Waymo, a subsidiary of Alphabet and a sister company of Google, announced its intention to cooperate with various partners, including the existing competitors, to accelerate the development of UAV technology (McGee 2019). This decision of a global leader in digital technologies, including artificial intelligence, is a signal that it was overly optimistic about its ability to achieve this goal. Considering the scale of the problems identified in the preparation of appropriate technical solutions, Silicon Valley's circles are inclined to re-examine the already formulated visions. Taking into account the two crashes of B737 MAX aircraft equipped with an autopilot supported by artificial intelligence, the key question is whether in the next two to three decades the goal of creating reliable unmanned means of land, water and air transport will be achieved. This is an important signal especially for the young generation, i.e. Generation Y (Millennials) already active in the labour market, as well as Generation Z (i.e. people born after 1998),

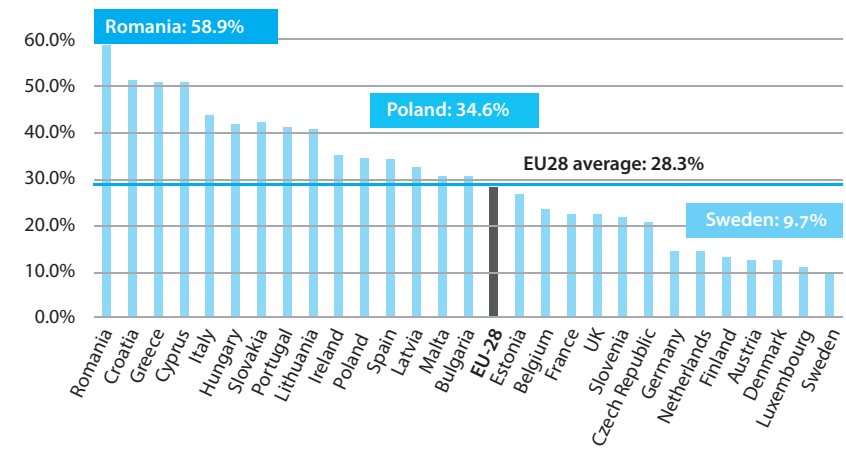
which still continues education at various levels. The point is that digital technologies have a great potential, but their full utilisation may be postponed for a longer period of time. The second direction of development of mobility systems can be described as hybrid. As is shown by the example of the Paris metro mentioned above, the infrastructure typical of the analogue economy will be developed to augment the existing material assets, but its operation will be improved thanks to the implementation of digital technologies allowing, among others, the use of autonomous vehicles operating in closed systems (in this case, in underground corridors closed to the public).

An important sub-segment of two-way mobility is tourism, including participation in various forms of recreation outside the place of permanent residence. The challenge for Europe is to ensure that its population is capable to adequately finance their leisure activities. The data presented in Figure 1 show that in 2018, more than one third of Poland's population declared that they could not afford even a one-week holiday. The situation in Poland unfavourably differs from the EU28 average, but it is not as bad as in Romania, where it affects more than half of the inhabitants, but it is much worse than in Sweden, where fewer than 10% are involved.

The observed increase in the wealth of the world's population is the reason for a steady increase in the number of tourists worldwide, including intercontinental destinations. As a result, air traffic is growing, which according to ICAO in 2018 transported 4.3 billion passengers, i.e. 6.1% more than in the previous year (Kubicki 2019). A further increase is forecast, taking into account, among other things, a steady increase in the wealth of the Asian population, including China, whose citizens spent USD 258 billion on foreign tourist trips in 2017 (Überlaufene 2018). In the face of challenges in the field of climate change in some mainly European countries, self-restriction of air travel is promoted, especially in inter regional destinations with a range of up to 300-400 km, for which the railways offer convenient connections. The initiator of 'flight shaming' is the Swedish teenager G. Thunberg, who leads the youth movement against climate change known as Friday for Future. In summer 2019, however, no consequences of this approach were observed, as Europe is expected

to see a further increase in air traffic, estimated at 4% for the whole year as compared to 2018 (Von Flugscham 2019).

**Figure 1.** Percentage of population of the EU Member States unable to afford a one-week annual holiday away from home in 2018



**Source:** Author's own research based on Nier 2019.

## Distorting mobility

Mobility is deliberately or impulsively distorted. In the pursuit of commercial benefits, business operators are capable of creating needs that lead to excessive mobility, causing more harm to society than benefits to consumers. Restricting mobility is a tool in the hands of public authorities that can be used to ensure sustainable development, regrettably also as a form of repression against social groups and individuals.

Excessive mobility may result from the selfish attitude of individuals who, driven by particularistic criteria, seek the most advantageous solu-

tions for two-way mobility. One of the manifestations of such behaviour is the attitude of a group of employees who want to work (and earn good money) in the Swiss Basel, live (comfortably) in the vicinity of the French city of Mulhouse and shop (for fairly modestly priced high-quality goods) in German towns around Freiburg (Thier 2019). Such attitudes arise when a single region, in this case the so-called Euroregion, is characterised by a very strong diversity of local conditions assessed using a wide range of criteria.

Another example of excessive mobility in tourism is the increasingly widespread share of large hotel ships in navigation traffic. The largest vessels can accommodate more than 5.5 thousand passenger seats (Die größten 2019). When such a ship arrives at a port in a small and attractive place, such as Kotor in Montenegro with a population of 5.3 thousand, tourists who go ashore make normal life in the city impossible. This case is one of many described using the notion of overtourism (Grabowska et al. 2019, p. 35).

There are various reasons for and forms of restricting mobility. In post-war Europe, the Berlin Wall, which divided the city into West Berlin and East Berlin from 13 August 1961 to 9 November 1989, was a symbol of restrictions on the citizens' freedom of movement. The erection of the wall, which physically divided the city, and symbolically the whole country, and even the whole world, will be remembered even by those people who never saw the wall and personally were unaffected by its existence (Ide 2019). Making travel to Western Europe impossible for almost all the citizens of the German Democratic Republic, as well as for most citizens of other Soviet bloc countries, was part of the policy of the communist authorities involved in the Cold War confrontation. The effects of the division of Germany into Germany and East Germany are still very strongly felt, because the reunification of Germany did not automatically result in nationwide social integration. The demolition of the wall revealed the deep-seated divisions between the populations of the two parts of Germany. The process of integration is tainted by the attitude of the Germans from the former Western Germany, who despite the passage of thirty years still emphasise that their countrymen from

the East fail to demonstrate the behaviours desirable in a democratic state with a social market economy (Gujer 2019). Similar social tensions as in Germany can be perceived in Hong Kong, where the citizens of the People's Republic of China have limited access. The existing barrier to two-way mobility, which includes not only physical mobility but also all forms of communication, including the use of social media, serves to isolate PRC's citizens from the information about the operation of the so-called Western world, which still includes Hong Kong.

Restricting mobility may reflect not only a deliberate effort on the part of public authorities but also an undesirable consequence of various processes and events. Social sensitivity even to temporary restrictions on mobility is supported by the events which occurred in Portugal in the first half of August 2019. The fuel tanker drivers' strike caused widespread shortages at petrol stations. Authorities responded by introducing temporary petrol rationing of up to 15 litres per purchase. The situation was similar to that experienced by Poles in the 1980s when, in the face of a permanent shortage of petrol, both money and drastically rationed coupons were needed to purchase. In Portugal, it was realised that users of passenger cars, including numerous international tourists, may have problems with meeting their mobility needs. The situation was considered a violation of citizens' freedoms to the extent that the government to decide to engage the army in the distribution of petrol (Strajk kierowców 2019). The prospect of being able to buy only 15 litres of petrol can be compared to the vision of Battery Electric Vehicles (BEV) promoted in many countries worldwide. Most of these new vehicles are equipped with batteries that nominally enable the drivers to travel distances of up to 300-400 km, but in reality must be recharged every few dozen or no more than every 200 km. The lack of popularity of BEVs in the automotive market proves that a potential rather than an actual risk of limited mobility is sufficient. These circumstances must be taken into account by public authorities in many countries, including Poland, if they want to promote e-mobility.

Battery-powered electric engines are already in use in rail transport. Their effective range before recharging does not exceed 100 km (Müller



2019). Public transport systems in certain cities, e.g. in Gdynia, make use of trolleybuses, which are equipped with extra batteries allowing them to cover sections up to 30 km long where there is no system of overhead electric wires (Gdynia and Solaris 2019). All the technical innovations, which lead to unintended limitation on mobility, are a testimony to the fact that in the era of Industrial Revolution 4.0 there are problems which had already been solved the introduction of steam traction more than two hundred years ago at the turn of industrial revolutions 1.0 and 2.0.

Enforced mobility is a special case of distortion of the rules of social coexistence. Appropriate tools are being used to significantly restrict the freedom of life of individuals or their groups. In commercial enterprises, there are situations in which managers want to get rid of specific employees. Within the framework of the existing laws regulating employer–employee relations, a given person may be reassigned to work in a different place than previously. In extreme cases, the new workplace may be located in another country, as illustrated by the case of the secondment of part of the management at the German company Tennet to a distant workplace in the Netherlands. Using this method, the Dutch owner of the acquired German company attempted to force managers to give up their jobs by drastically reducing the comfort of their private lives due to the necessity to regularly engage in long-distance two-way mobility (Flauger, Stratmann 2019). A similar tactic towards employees is used in Poland in the public sector. Some prosecutors are subject to a policy of secondment to organisational units located even several hundred kilometres away, even though excessive two-way mobility constitute an instance of personal harassment and a clear violation of the principles of social coexistence, even if it does not contravene the existing regulations (Prokuratorzy 2019).

### Multidirectional mobility in real space

Medicine was among the five scientific disciplines taught at medieval universities (Pedersen 2000, p. 133). The research objective was to study the human body and to search for methods of making diagnoses, work-

ing out therapies, and applying treatment methods. At that time, no one dared to formulate a question whether man was not too simple a being to know the cosmos (Eagleman 2015). Nobody contemplated whether the senses developed in man are capable of fully registering the surrounding world and understand how it functions, although it was obvious that man, in contrast to many animals, could not use his organ of vision after dark. The identified weaknesses of human nature contributed to the development of the belief that outside the surrounding real world there is an extra-terrestrial one, inaccessible to man during his life. Scientific research in medicine continued over the centuries proved to be insufficient to understand the working of the brain and many other organs. For example, orthopaedics studied how the skeletal system behaved during sleep, but this research was not associated with the search for mutual relations between the state of the skeletal system, the viscera, and brain function. In order to fill the existing gaps, interdisciplinary research was needed, in which, apart from medical and health sciences, humanities, social sciences, science and natural sciences, and engineering and technical sciences are playing an increasingly important role. The challenge issued by scientists participating in the 1956 Darmouth Workshop to create a system capable of solving unknown problems in a manner similar to that of the human intellect has not been addressed for more than seven decades. Scientific knowledge and professional competences are still too modest, even though they may already be sufficiently advanced to describe in detail the multidirectional mobility that occurs during a person's stay in a designated place, e.g. at work, during sleep, as well as the multidirectional mobility within the human body. According to M. ten Hompel, who represents the field of engineering and technical sciences, human intelligence and motor skills, including manual skills, are very difficult to copy and use in the world of robots. According to a principle known as Moravec's paradox, a child several years old, in contrast to the most modern robot, is capable of opening a very complicated mechanical lock, although even after reaching maturity the child will be unable to carry out quite simple calculations dealt with by an IT system in a split second. Work on the recognition of human behaviour

in the physical and intellectual sphere is continuing and its intensity is increasing. The 'digital suit' (overalls, waistcoat, etc.) covering all or part of the human body and equipped with numerous sensors may record and transmit movement or (usually apparent) motionlessness of the worker's figure. Sensors can even be put inside the human body in order to accurately record its intrinsic, organic activity, including the brain. The aim is to record data that will be used in designing robots which will replace man's multidirectional mobility, e.g. during work in a warehouse (ten Hompel 2019). Undoubtedly, science as yet has an insufficient data set to develop a complete description of the entire human body, including the activity of the human brain. A particular challenge is how to determine the extent to which brain activity during physical activity is determined by brain activity at other times and what this activity or passivity of the brain and its individual parts is all about. Gaps in our knowledge about man's multidirectional mobility, e.g. about the processes occurring in the body manifested by sweating when it experiences fear, constitute a barrier to 'copying' human beings, especially their nervous system.

However, there is no reason to doubt that people will eventually attain almost complete knowledge of themselves and their surrounding real world. According to neurologist L. Jäncke, the development of science is a self-perpetuating process, the source of which is the curiosity and vanity of the human being as a researcher. In his opinion, shared by many other specialists working on the phenomenon of human and artificial intelligence, the strength of the human intellect is sufficient to create an entity capable of performing the same tasks as humans, and perhaps even endowed with even greater capacity. However, from the perspective of a scientist who is over sixty, and about to conclude his long university career, such an achievement will take place in the distant future – so distant, in fact, that the modern generation of distinguished scholars does not have to worry about the fact that the multidirectional mobility of a man-made robot will exceed that of humans (Pfändler, Sedlmeier 2019). In considering the development of artificial intelligence, attention is drawn to the challenges faced by robots capable to act autonomously. First of all, they must have appropriate characteristics to enable them to

direct their activity and self-development, but they must also achieve perfectionism at the operational level. It seems that some representatives of the new (inter-)disciplinary cognitive science, do not sufficiently take into account the barriers that still exist on the way to the construction of robots, which will efficiently and reliably in the long run demonstrate their capacity for multidirectional mobility in the real world, comparable to man's proficiency in this field.

In the digital economy, there are robots which multidirectionally cooperate with mobile human beings. Whenever man works together with a robot, the latter assists the former. This means that the machine does not replace man, but complements his capabilities by taking on the onerous aspects of work, such as tasks performed with hands raised above one's head or lifting heavy objects (Współpraca 2019). From the point of view of the health and safety regulations in the analogue economy, people are not protected in such processes, even though they must be protected from the actions of mechanical devices. This situation is different and consists in the fact that it is the device that protects people so that they do not harm themselves. In industrial plants, where the Industry 4.0 concept is being implemented, robots are not separated from the space where people work, but are located in their immediate vicinity. This change leads to a situation in which a robot can react more quickly to undesirable phenomena than a human being. One example of cooperation between a human being and a robot outside the industrial manufacturing processes is the support of a passenger car driver by an installed robot known as the driver's assistant. The assistant is a system that integrates electronic devices, software and mechanical equipment in a car. Sensors and systems acquire data from the environment, e.g. in vehicle-infrastructure data exchange technology (V2X), track the environment around the vehicle and its behaviour in motion. By acquiring data, processing it more quickly and to a greater extent than can be done by a human being, the driver's assistant can, for example, stop the car before the driver using his senses and following the responses of his brain, realizes that there is a threat down the road. The driver's assistant's job is not only to protect the driver but also other people who travel or

have stopped in a given lane. This is made possible by supporting the human being in his or her multidirectional mobility, which is part of meeting the need for two-way mobility during each journey.

### Multidirectional mobility in virtual space

In most people's view, virtual space is provided by the Internet. Experience shows that the world of the Internet facilitates the creation of illusions. Users of navigation systems, e.g. the popular Google Maps, interpret their commands as more reliable than their own experience and the observation of their environment while driving. In May 2019, US Army's heavy vehicles driving in the vicinity of Chabówka in Małopolska got stuck on a narrow dirt road, where they were directed by their on-board navigation systems. Real space turned out to be different from virtual space (Amerykańskie 2019). Scientists affiliated with the University of Turin, who analysed the quality of public transport on the basis of data on the timetables available on the Internet without verifying them in practice, came under a barrage of criticism. They failed to take into account the cancellations of train, metro, and bus services as well as delays, and went on to compare unreal situations in various agglomerations, which resulted in an absolute lack of reliability of their findings (Soltau 2019).

The network of Internet connections and the data available there should therefore not be considered as a virtual space. Nor does it create an image that is accessible by means of appropriate software and special glasses using virtual reality and augmented reality technologies. It appears that the features of virtual space, in which multidirectional mobility needs can be revealed and met, are possessed by immersion caves (CAVE – Computer-Aided Virtual Environment) (Januszkiewicz 2014, pp. 51-52). Nowadays, they operate as separate buildings or separate zones in universally accessible buildings having been equipped with a complex system of electronic and optical devices run by specially compiled software. Inside them, in three-dimensional real space an individual can be multidirectionally mobile, having the feeling that he or she is in the virtual

space. Immersion technologies have been developed for several decades, but the possibilities of their use have significantly increased since very fast processors and increasingly faster wireless data transmission techniques became available. Under these conditions, people can evaluate their own behaviour in the new virtual space, moreover, other people can also watch and analyse their behaviours with great accuracy. In Europe, including Poland, there are already numerous research units equipped with immersion caves, in which the search for new solutions and attempts to improve the existing ones require channelling human fantasy.

The basic challenge is the prospect of man's meeting a technological singularity, i.e. a robot (a device present in real space, equipped with mechanisms) or a bot (an installation which constitutes an immaterial entity in the IT and telecommunication infrastructure), which is capable of imitating the behaviour of a human being, including his mind, or – which smacks of a dystopian world – has gained an intellectual advantage and creative capacity which exceeds the potential of a human being considered to be a genius.

### Summary

The process of meeting one-way and two-way human mobility needs occurs in real space. So far, the achievements of numerous scientific specialties concerning the recognition of multidirectional mobility have been quite modest. There is no extensive understanding of factors that create the needs for this kind of mobility, or how the processes of satisfying these needs unfold. The research challenge is how to better identify the phenomena that occur in real space and to build upon the first analyses of the processes of multidirectional mobility in virtual space. Digital transformation has become the subject of various theoretical studies and expert analyses, hence today, it is reasonable to consider how it affects changes in human mobility. Particularly important is the question to what extent the presence of robots (autonomous vehicles)

and bots (present only in virtual space) affects the processes of meeting human mobility needs.

When analysing economic activity in the sphere of mobility, traditional economic analyses – both macroeconomic and microeconomic ones – should be supplemented by a new element, namely meeting multidirectional mobility needs in virtual space. This is a completely new field for theoretical considerations as well as for the development of tools that serve to investigate specific economic processes.

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## Shalini Randeria

### The Commons, intellectual property rights and food sovereignty

The commons has become a new trope for our times. The idea of urban commons is being used today to claim rights to the city; those wanting to prevent the privatization of water frame the right to water as a public good and as commons; activists campaigning against the commercial use of our data envisage big data as a global commons; and farmers' movements seeking to prevent the commodification of seeds advocate open source seeds as the new commons. In the face of ever more and expansive new enclosures claims in the name of commons are not surprising. There is a reinvention of the commons both in critical social theory and in the imagination of social activists the world over as they seek to broaden our vision of political possibilities beyond the binary choice between the state and the market. Even the Nobel Prize committee for economics seems to share this concern. Breaking with the conventional bounds of the discipline, its unexpected decision in 2009 to confer the world's most prestigious award to E. Ostrom also reflects the growing interest in thinking about creative institutional arrangements for managing the commons.

At the opposite end of the ideological spectrum, the literary critic and Marxist political philosopher M. Hardt has argued that a "central task for reimagining society today is to develop an "alternative management of the common wealth we share" (Hardt 2009). In his stimulating essay, which foreshadows the sequel to *Empire* and *Multitude* entitled *Commonwealth* (again co-written with Italian philosopher A. Negri) (Hardt/Negri 2000;



2004; 2009), Hardt draws our attention to two very different notions of the commons that are currently witness to two parallel but paradoxical trends. One refers to the ecological systems that constitute our natural environment. The commons in this sense primarily include the atmosphere, the oceans, rivers, mountains, and forests as well as the forms of human and animal life that continuously interact with these natural systems. But as Hardt points out, a second notion of the commons refers to the shared products of human labor such as ideas, images, codes, and social relations. Interestingly, both conceptions of the commons, which have little in common, have increasingly become central to capitalist systems of production at the very same time as property relations under capitalism have led to the massive exploitation and degeneration of the commons (Hardt 2009). Hardt and Negri argue that a central task for critical theory today is to broaden our vision of political possibilities (Hardt/Negri 2009). According to these authors, the search for radical new alternatives must transcend the existing option between private or public (i.e. state) ownership in the governance of the commons.

My own work as a legal and political anthropologist has focused on how the lines between public and private property are being redrawn today (Randeria 2007a; 2007b) and how they are being contested in ways that increasingly blur the distinction between nature and culture, between organic things and human artifacts or inventions. In my research on the new regimes of intellectual property rights, I have argued for the need to develop a mode of governance of the commons beyond the binary categories of the private and the public, which has been narrowly understood as, and reduced to, the state. This would among other things also mean transcending the opposition between nature and culture, which is pivotal to so much of modern Western thought. The universality of this distinction has been questioned in my discipline, social anthropology, by scholars like P. Descola and E. Viveiros de Castro based on their ethnographic research among Amazonian Indian groups. Rather than positing a single mode of relationship between humans and non-humans, which could serve as the background against which cultural variations across societies can be discerned, Descola has argued that there are not

only differences of culture between societies but also, more importantly, there are differences in nature, or rather, in the way that various societies conceive of the relationships between the human and non-human world (Descola 2005). Viveiros de Castro proposed the term “perspectivism” for a mode of relationship that transcends the nature versus culture distinction (Viveiros de Castro 1992; 2004). Perspectivism rests on the radical claim that pivotal to the highly sophisticated philosophical thought of Amazonian Indian groups is the idea of “multi-naturalism,” the recognition of different natures rather than differences of culture. The work of these anthropologists alerts us to the necessity to not only rethink the Eurocentric assumptions underlying the nature-culture distinction. But more importantly it underscores the need to, and the possibility of, relativizing our view of nature, or rather to explore ways to think natures in plural. I will return to the implications of this radical claim below.

In this context I would like to draw your attention to a vexed new legal object, “intellectual property,” which straddles the divide between nature and culture that we usually take for granted and blurs the conventional boundaries between these two spheres. The development of specific biotechnologies coupled together with a new global legal regime of patents on living organisms has rendered what was once common-wealth amenable to private ownership. Commodification of plants and seeds is the product of a coming together of scientific breakthroughs that enable the genetic engineering of living organisms and organic substances and the extension of a new legal regime of intellectual property rights to such biogenetic material. Together these developments entail the dispossession of peasant communities, who have hitherto saved and collectively conserved and further developed seeds across generations. When seeds are declared by a stroke of the pen to be the (intellectual) property of corporations, what is being expropriated is not merely a plant or a seed but also the collective knowledge of their conservation among peasant communities, knowledge that these groups since centuries have preserved, refined, developed and handed over. Resistance to the new global intellectual property regime enshrined in the World Trade Organization’s TRIPS (Trade Related Intellectual Property Rights) framework cannot use the language of morality

alone. It must perforce also use the language of law and contest the claims of corporations in the legal arena.

My research on the contestations around the Basmati rice or the oil made from the seeds of the Neem tree analyses some of the ambiguities and contradictions of using the judicial arena to assert traditional collective rights to nature (Randeria 2007a; 2007b). It shows how Euro-American constructs of nature and culture, as ontologically opposed to one another, play a constitutive role in global designs of intellectual property rights. The very idea of “invention” at the heart of the newly crafted legal object called “intellectual property” is predicated on the contrast between these metaphysical constructs, whose opposition needs to be rethought.

The legal and political struggle around patents on the oil derived from the Neem seeds bears retelling as it provides an illuminating example of corporate efforts at modern enclosures that transform common-wealth into private property. The fate of the Neem tree, a versatile evergreen found all over south Asia and Africa, was decided by the European Patent Office in Munich in 2000. The American transnational corporation W.R. Grace & Co. and the US Department of Agriculture jointly owned six of the fourteen patents including one for a pesticide based on oil from the seeds of the Neem tree. A transnational civil society coalition challenged the patent on the grounds that it constituted “bio-piracy,” an unlawful snatching away of generations of south Asian farmers’ collective traditional knowledge of the beneficial properties of the products of the tree.

The petitioners demanded that the patent for a method of manufacturing a natural pesticide from the seeds of the Neem tree should be revoked since it disregarded centuries of traditional local knowledge in South Asia. The Indian activists advocated that the European Patent Office strike down the US company’s patent as it lacked novelty and recognize instead the sovereign rights of a country of origin over biological diversity in its territory. These rights they argued should be treated as conjoint with farmers’ rights as it is the care, knowledge, and innovations of generations of peasants that have conserved this heritage linked to their own subsistence needs. Their claim of joint rights in biodiversity owned by the state as well as local peasant communities thus broadened

the notion of “public” ownership beyond the state to include the relevant communities too.

The European Patent Office was not persuaded by the eloquent plea against the »biopiracy« and »intellectual colonialism« of transnational corporations. Nor was it moved by the detailed account given by Sri Lankan farmer, R. de Silva, of texts containing traditional knowledge on the healing effects of the Neem tree’s bark, leaves, roots, seeds, and fruit, which have been used by rural communities in South Asia for generations. His argument that these texts and traditional usage demonstrated the absurdity and illegitimacy of a patent that was simply based on the American ignorance of traditional south Asian pesticides also failed to persuade the Munich Patent Office. Instead what counted with the Patent Office, were measurements of centrifugation, filtration, and evaporation presented by an Indian factory owner, who proved that his firm had since 1985 used a process very similar to the one patented later by the American corporation to manufacture the same product. At the end of a five-year legal battle, which crisscrossed the national and transnational legal arenas, the European Patent Office, revoked the US patent on the grounds that the process patented by the corporation lacked novelty. The transnational coalition in defense of the local knowledge and rights of farmers in the global South won a significant victory against the attempted dispossession of bio-genetic material and of collective knowledge. But ironically the ruling granted legal recognition not to the claims of south Asian farmers but instead recognized the claims of an Indian entrepreneur over those of his American rivals. As J. Rifkin, president of the US Foundation on Economic Trends, underscored, the “real battle is whether the genetic resources of the planet will be maintained as a shared commons or whether this common inheritance will be commercially enclosed and become the intellectual property of a few big corporations” (Burns 1995).

We see here a conflict between two competing visions of globalization: between proponents of a neoliberal privatization of the commons for profit and their globally networked civil-society opponents. Farmers’ movements and environmental NGOs in India have been among the most ardent opponents of the new international legal regime concerning

Trade-Related Aspects of Intellectual Property Rights (TRIPS), which enables powerful transnational corporations in Euro-America to claim ownership over natural resources of the global South. Protest against the TRIPS has largely focused on the jeopardizing of biodiversity due to common heritage being turned into commodities for industrial production and commercial profit. But it has also pointed to the threat to food sovereignty in developing countries as poor primary producers and consumers of seeds are forced into dependency on multinational companies, which has led to occasional crop failure, mounting rural debt and growing numbers of suicides by farmers. Against the backdrop of more than 300,000 farmers' suicides over the last two decades and the emergence of a new kind of "corporate feudalism", environmental activist V. Shiva named the patented genetically engineered seeds "seeds of slavery" and "seeds of suicide" (Shiva and Jalees 2006; Shiva 2013; 2014).

Activists in the North and South, who critique the global regime of intellectual property, have raised in this context the fundamental question of who sets the new rules and according to which norms. They point out that Europe, the US, and Japan industrialized without the constraints of a patent regime, which they now impose on the developing world. Thus, the new regime of intellectual property enshrines rules that allowed the North to now kick away the ladder it climbed to economic prosperity. Moreover, activists have also argued that the TRIPS regime produces skewed distributional and welfare consequences, as these rules increase the price of patentable knowledge to consumers and so raise the flow of rents from the global South to the global North. Asymmetries built into the very structure of the TRIPS agreement thus tip the balance even further against developing countries. J. Stiglitz has argued against the current intellectual property regime pointing out that in the area of pharmaceutical patents it not only deepens inequalities but actually even hems innovation (Stiglitz 2006).

The new neoliberal framework of intellectual property rules involves a re-configuration of the boundary between the public and the private as well as a re-definition of property itself. Critics have raised the issue of the conversion of public, collective knowledge into private property

besides focusing on the necessity to set limits to the commercialization of the commons. They have pointed out that the TRIPS framework endangers food security, food sovereignty and in the area of medicine patents the health sovereignty of nations as the highly successful Treatment Action Campaign for fair prices and access to HIV/AIDS drugs in South Africa pointed out (Heywood 2015). Patents on seeds and on medicines thus curtail the right to livelihood of local communities and their access to essential medicines in developing countries. But activists have also protested against the opaque processes of trade negotiations and dispute resolution at the WTO, where a body of unaccountable experts limits the power of democratically elected national governments to frame domestic policies. Moreover, critics have questioned the efficacy of a "one-size-fits-all approach", which aims at homogenization of trade rules all over the world. Instead they argue for the need to allow differences in national policy-making on health and environment, which would allow developing countries to maintain their food sovereignty and health sovereignty. Finally, activists have also stressed the need to reconnect law to issues of justice and morality. In their view this vital link is severed when law is merely seen as part of the technical infrastructure of good governance and its role is seen as limited to merely facilitating the efficient functioning of markets.

With the full political support of their national government in all international arenas, US corporations have been following a strategy of patenting a plethora of rights over genetic resources of food crops and seeds, which they modify, irrespective of how trivial or superficial these modifications may be. For example, in 1997 the US Patent and Trademark Office granted to RiceTec, a Texas-based corporation, far-reaching claims over traits found in the Basmati rice grown in India and Pakistan, which the company claimed to have "invented". When the government of India failed to challenge these claims, V. Shiva filed a public interest litigation case in the Indian Supreme Court to goad the state into action. This chose to contest in the US forum only three of the claims that were of relevance for Indian exporters of Basmati rice, but did not even attempt to protect the rights of Indian farmers and breeders, whose interests were equally

at stake. Left in the lurch by the state, Shiva's NGO in India led a highly successful national and international media campaign against the appropriation of the rights and knowledge of Indian farmers. The transnational public outcry surrounding the case forced RiceTec to withdraw four claims before the US Trademark and Patent Office. In 2001, just a year after the Neem patent was revoked in Europe, the US authority struck down 15 of the 20 claims by RiceTec as a result of a massive campaign by Indian NGOs and their US counterparts.

Stiglitz has advocated revising the architecture of the TRIPS agreement, which in his view reflects the interests of powerful US agro-business, and the pharmaceutical and software industries that were championed by the US government in the GATT negotiations (Stiglitz 2017). Under these highly asymmetric conditions, the policy options of developing countries have been systematically curtailed in a way that is bound to adversely affect their prospects for economic development. The policy space for autonomous decision-making by subordinate states in the international system has certainly shrunk considerably over the last few decades. I have demonstrated elsewhere, however, that the political will of nation-states in the global South to explore the policy options, which are still open to them, has dwindled too (Randeria 2007a). The new Indian patent laws, for example, fail to utilize even the limited freedom and flexibilities provided by the Doha Declaration. D. Rangnekar (2006) makes a convincing case for regarding the provisions of the new Indian new patent law to be a result of domestic pressures rather than of external constraints. India could have enacted somewhat different laws within the framework of the World Trade Organization by making use of the TRIPS flexibilities in order to better protect the interests of small farmers as well as consumers of medicines. Instead it chose to protect the interests of Indian rice traders and pharmaceutical companies. A possible explanation for the ambivalence of the Indian state towards issues of intellectual property could lie in the changing interests of powerful Indian pharmaceutical companies that are keen to benefit from patent protection. These envisage their own future partly in the manufacture of generics for exports. But they are also eager to share the results of outsourced clinical research with Western

counterparts and utilize the opportunities for global marketing of cheap drug produced in India.

The growing obsession of private corporations and public universities with the patenting of living organisms is frequently traced to a landmark decision of the US Supreme Court. On June 16, 1980, the US Supreme Court notoriously ruled that genetically engineered organisms invariably fall under the jurisdiction of US patent law. It thus ruled that a living, human-made microbial organism is in principle patentable subject matter. Dr. A.M. Chakrabarty, and Indian-American microbiologist working for the Research and Development Center of General Electric, developed in the early 1970s a new bacterial strain, which was capable of consuming oil. Crafted in the test tube by means of genetic engineering, Chakrabarty's microbial organism was able to digest thick oil slicks at an unprecedented speed. Interestingly enough, Chakrabarty's patent application was initially denied by the US Patent Office. A few years later, however, the US Supreme Court ruled in Chakrabarty's favour, arguing that the fact that an organism is alive is without any legal significance for purposes of patent law. According to the decision of the court, a living, human-made microbial organism is in principle patentable subject matter.

The controversial decision of the US Supreme Court immediately generated an acrimonious national and international debate. As anthropologist P. Rabinow pointed out, the court's decision, "coming as it did in the same year as the election of Ronald Reagan as President of the United States, and as the massive influx of venture capital into the biotechnology world, can be appropriately picked as a signpost date for a new emergent constellation of knowledge and power" (Rabinow 1996: p. 132). Interestingly enough, the US Congress passed in the same year the Patent and Trademark Amendment Act "to prompt efforts to develop a uniform patent policy that would encourage cooperative relationships between universities and industry, and ultimately take government-sponsored inventions off the shelf and into the marketplace" (ibid.). During the following years patent applications from academic and non-academic research institutions in emerging biotechnical fields grew at an exponential rate.



A 1987 report of the US Office of Technology Assessment underlined the significance of the Supreme Court's controversial decision, maintaining that the "question of whether or not an invention embraces living matter is irrelevant to the issue of patentability, as long as the invention is the result of human intervention" (ibid.). Living organisms, which can be shown to be the product of an "inventive" effort, are thus declared to be patentable, while "naturally occurring organisms" are not.

What makes the patenting of living organism conceivable in the first place, as for example in the case of the Neem tree or in the case of the oil digesting microbe developed by Chakrabarty, is its apparent *novelty*, which is seen as the result of a "human intervention in the production of a life form", as anthropologist M. Strathern once phrased it (Strathern 1999). Living organisms have become patentable subject matter insofar as they can be shown to be the result of an *invention*. And the process of invention, "consists in the way in which *culture* has been added to *nature*" as Strathern argues. The microbial organism capable of digesting oil slicks became patentable subject matter because it was rendered visible before the Supreme Court as both a natural and a cultural object. What is of interest here is the way in which a particular relationship between what is considered to be the "natural" and the "cultural" is invoked in order to convert what was hitherto common wealth into private property, an enclosure that not only restricts access and control but also expropriates local communities and commodifies the commons for private gain.

But by conflating the legal distinction between natural organisms and manmade artefacts, biotechnologies also pose new challenges for law just as they generate new objects for regulation. Moreover, they also raise complex legal, ethical and philosophical questions that touch on the very nature of life itself. Various actors involved in rule making and interpretation have provided different answers to these questions in Europe as opposed to the United States, though it is US law that has proved hegemonic in its global diffusion. Law's regulatory role in relation to intellectual property, genetically modified seeds and bio-prospecting has become the subject of intense public controversy, media attention, and judicial scrutiny in the global South. Western understandings of the contrast between nature

and culture have thus cast their long shadow on contemporary legal and political struggles around intellectual property. In fact, it is this contrast that constitutes a crucial condition of possibility, which allows common-wealth to be transformed into private property in the first place. It might well be that radical interventions against new enclosures of the commons such as patents on living organisms, which not only result in large-scale dispossession but also pose a grave threat to food sovereignty, will require an effective revision of the Western distinction between nature and culture that undergirds the idea of invention pivotal to patents.

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# Jerzy Hausner

## The Commoning of goods and the production of common goods in the modern economy

### Introduction

S. Randeria (2019) emphasises that in the modern economy we are dealing with new kinds of enclosures. However, they do not affect material resources and goods (land, water, forests), as they did in the past, but increasingly intangible resources and goods (knowledge, information, codes). As a result, the issue of property and the right to resources and goods cannot be approached in either/or terms as private vs. social (public, communitarian). With regard to intangible resources and goods, we need a different approach that underscores the process rather than only the state. If we set out to discuss something that is to be common (commons), we need to start from talking about how to make common (commoning) something that is supposed to become common to a certain extent. A good example is the knowledge that must be jointly generated, or subject to commoning in order to become common. What it means in practice is that the problem is not how to make common what is private, but to prevent what is inherently common from being privatised (captured or appropriated). It should be remembered that the appropriation of knowledge, which is a non-material resource, leads directly to the appropriation of material resources. Randeria's essay perfectly sums up this process in relation to natural goods. She writes: "When seeds are

declared by a stroke of the pen to be the (intellectual) property of corporations, what is being expropriated is not merely a plant or a seed but also the collective knowledge of their conservation among peasant communities, knowledge that these groups since centuries have preserved, refined, developed and handed” (ibid.).

Randeria calls this conduct of global corporations “biopiracy,” joining those who demand a ban on patenting living organisms.<sup>1</sup>

In her opinion, the Euro-American legal basis for the regulation of intellectual property rights, based on the opposition of nature and culture, or more accurately, the naturogenic and the anthropogenic, is fundamentally flawed.

## Intellectual property protection

The protection of intellectual property, particularly patenting, continues to be the subject of heated disputes. Growing circles support relaxing its restrictive nature. B. Biga (Biga 2018a, p. 168) argues that the legal regimes in many countries permit third parties to use patented inventions despite the lack of consent of the original patent holders. This may be the case where the public interest could be seriously prejudiced and the harm would be incomparably greater than the benefits that accrue to the patent holder. The aim to mitigate the obvious and direct negative social consequences of patent monopoly is achieved by means of a compulsory licence which the Patent Office may choose to grant in certain cases. Biga describes this solution as an intrusive entry into the sphere of property rights. However, he considers it legitimate (ibid., p. 169) to demand “a change in the conditions for granting a compulsory licence in the context of patent abuse towards solutions more consistent with the market economy, where the priority is not a statist struggle against shortage, but support for development and innovation.” Although Biga’s argument addresses intellectual

property, his conclusions clearly veer towards material property, since it refers to the “statist struggle against shortage.” Shortage is an economic category applicable to industrial economy and manufacture of material goods, i.e. it refers to the material sphere of production. In the case of intangible assets, especially information, however, shortage ceases to be the problem. Instead, we must cope with their overabundance.

Biga’s argument pertains to the use of intellectual property, specifically the knowledge necessary to manufacture material goods primarily in the pharmaceutical industry. The underlying assumption is that in this sector, the motivation to conduct research and seek innovative solutions will disappear if companies are unable to obtain patent protection for substances and medicinal products invented by them. Patent protection is intended to provide them with long-term monopoly rents and high profits, which encourages them to innovate.

It must be borne in mind, however, that this approach on the one hand restricts the access of considerable social groups to modern medicines and therapies, whereas on the other, it is one of the drivers of increasing consumption of medicines, which threatens both people and the natural environment. The emergence of drug-resistant bacteria, for example, is a dramatic manifestation of this phenomenon.

The growing awareness of the negative consequences of competition and the patent race leads to a gradual easing of the current restrictive intellectual property protection regimes. The FRAND formula (fair, reasonable, and non-discriminatory terms) should serve this purpose. Biga emphasises (ibid., p. 171) that, among other things, it is used more widely at the behest of standardisation organisations whose aim is to ensure the compatibility of devices manufactured by various companies. They strive not only to counteract the negative social and economic consequences of market competition but also to ensure a more balanced distribution of benefits and thereby to prevent market cannibalism, which is aptly reflected by the winner-takes-all formula. From a macro-market and pro-growth point of view this constitutes rational behaviour.

The FRAND formula, which is used to determine whether a given case represents abuse of patent protection rights and therefore justifies the gran-

<sup>1</sup> In her text Randeria discusses in detail the case of neem, an evergreen tree native to South Asia and South Africa.

ting of a compulsory licence, gives additional privileges to those entities whose patents are based on standards, but prevents them from obtaining a monopolistic positions on the market (ibid., p. 172). It therefore protects competition. However, the fundamental question remains whether this particular formula and other forms of mitigating intellectual property protection aimed at supporting competition also stimulate development. In my opinion, this is not the case. For these reasons, I believe that the necessary reasoning and action should also be pursued in another direction, namely the commoning of knowledge.

Moreover, the problem itself must be reformulated and analysed not only from the vantage point of mitigating the obvious and extreme negative consequences of market competition, both for society and for the economy, mostly as a result of monopolisation. Indeed, by acting in this way, we are, in fact, doing little to defuse the triggers of these adverse consequences and instead concentrate on mitigating them.

A good example of such an approach, which prevails today, is the international regulation of generic medicines. Biga (2018b, p. 104) describes it as follows: “In the end, a compromise solution was adopted. The law grants to an entity that has obtained a marketing authorisation for an original drug a fixed period of time during which the manufacturer of a generic product may decide: 1. to undertake its own non-clinical and clinical studies (and to apply for marketing authorisation on their basis), or 2. to wait for a period specified by law and obtain the same authorisation after patent expiry without having to perform own research.” Thus, in the case of medicines which are supposed to save lives and restore health, we are usually forced to pay a premium price for their original versions, because their manufacturers’ monopoly is protected for a number of years. The protection period can be shortened by incurring high costs of unnecessary (research and registration) procedures, which are no longer necessary in the economic sense. This means that the price of generic drugs will be correspondingly higher, which seems absurd. It is not without reason that J. Stiglitz (2006, cited after Randeria) criticises the regulations concerning intellectual property adopted by highly developed countries, emphasising the fact

that pharmaceutical patents intensify social inequality and adversely affect innovation.

Biga (ibid., pp. 106-107) notes that this approach is inefficient from the economic point of view, however, he sees a solution in the involvement of states and international organisations in clinical trials as well as in the manufacturing and distribution of medicines. In his opinion, this would make it possible to relax the current intellectual property protection regime without depriving pharmaceutical companies of revenues they need to operate successfully.

In my opinion, the solution should be sought elsewhere, namely in the functioning of the market mechanism, by striving to make the market game less transactional and more relational. In this case, we must not only protect and promote competition, but change its nature by making it more accountable and less opportunistic. On the one hand, it depends on the dominant economic (or more broadly, social) imaginary, and on the other, on the regulatory solutions adopted, including those in the area of property rights. And it is in this spectrum that I place the issue of the commoning of resources and the production of common goods.

It is impossible to dissociate this issue from the understanding and regulation of property ownership. The intellectual basis of mainstream economics is the contrast between private and public property. In my view, this opposition must be overcome and the starting point is the recognition that ownership is comprised of two inalienable attributes, namely rights (such as property rights) and duties (responsibilities). I believe it is important to recognise that every kind of property gives rise not only to certain rights but also to certain obligations. Thus, every property, including private one, has its own societal reference. It seems to me that such an interpretation of property can be reconciled with the current concepts of law, including the concept of natural law. S. Sterckx (2006) pertinently reminds us that it was J. Locke who pointed out that “two conditions must be met for a right to property to be considered fair, i.e. a sufficient amount of good must be left for the other members of the community and the individual must not possess more than he is able to use.”

Locke's remarks refer to land ownership, which does not mean that his thoughts cannot apply to intellectual property. Sterckx (2006, cited after Biga, *ibid.*), emphasises that patents on pharmaceuticals in their present strong form cannot be defended on the basis of the concept of natural laws, or the principle of equity, or even the concept of utilitarianism.

E. Ostrom's works have convincingly demonstrated that the economic behaviour of individuals depends on the nature of the market game in which they participate – transactional and opportunistic, or relational and cooperative – which delineates the social space-time continuum in which the game takes place. In a closed and homogeneous space-time ruled by *chronos*, where the here-and-now orientation predominates, the opportunistic game acquires hegemony. Conversely, in an open and diverse space-time, the cooperative game germinates and spreads. In my opinion, the phenomenon described by G. Hardin as the tragedy of the commons can be interpreted as a consequence of a closed social space-time continuum, which means that its specific features associated with the scarcity of a given material resource (e.g. grass on a commons) are important, yet by no means decisive. It was Ostrom who pointed out that if a social space-time continuum is opened and players effectively communicate with one another, their common knowledge and long-term orientation – pooling (commoning) of resources and cooperation – brings economic benefits and prevents resources from being over-exploited.

The issue investigated by Hardin and Ostrom now refers not only to the shortage of material goods but also to the excess of non-material goods, which characterises the digital world. In the digital economy, the problem of property cannot be reduced to the private–public opposition. It is necessary to adopt the assumption that property ownership generates not only rights but also obligations. What is obvious in the case of real property and land-use planning is even more necessary in the case of intellectual property, all the databases, and information kept about individuals. In this case, the balancing component must be provided by the public domain and the digital commons, in other words, the recognition that a significant portion of intellectual resources constitutes a common good. Tight restrictions on private appropriation of

knowledge must be introduced, including enforced commoning. In this respect, I would like to particularly emphasise the role of universities, which are expected to generate commonised knowledge. Universities may carry out commercial activities, but only as an add-on to those in the open access system, in other words, on no condition must they be transformed into commercial enterprises.

## The commoning of goods and resources

In the case of intangible goods and, in general, in the entire contemporary economy, the shift of emphasis from commons to the commoning of goods is particularly justified. We then underscore the subject-oriented, not the object-oriented aspect of the issue, which was aptly captured by B. Jessop (Bollier 2016, p. 6). If the common good is understood both from the object-oriented and from the subject-oriented and developmental point of view, it is no longer perceived as a closed entity, but becomes a component of an open social space-time continuum.

Jessop argues that one of the constitutive factors of the state is its idea (the idea of the state, *ibid.*, p. 10). This provides an important clue. In this context, the idea can be understood in at least two ways. Firstly, as a component of the social imaginary, the social image of what the state is, how it should work, and what its citizens are entitled to expect from it. The social imaginary thus conceived organises the state from the outside and endows it with social legitimacy, expressed both in the form of pressure of various group interests and claims, as well as in an individual and collective readiness to become subordinated to the state. It can therefore be acknowledged that the social imaginary determines how citizens and social groups act through the state and towards it. Secondly, the idea of the state can be seen as an ideological exponent of its internal constitution, as a formula of constitutional order embodied in the solemn declarations made by ideological leaders and present in the most important state documents, including constitutions.

These two ways of expressing the idea of the state may converge and diverge. They both oppose and complement each other. They are never identical or ossified, but incessantly evolve and coevolve. They are 'powerful' as long as they remain in a dialectic relationship.

Accordingly, if we think that the state is supposed to stimulate the process of commoning goods and the production of common goods, then such an expectation remains merely wishful thinking as long as such a thrust of state action does not become an essential component of its idea. This will not happen unless the grassroots practice of commoning goods finds its robust expression in the social imaginary. The commoning of goods requires both practical and conceptual resources in order to spread (ibid., p. 11).

It is therefore a serious mistake to believe that the question of commoning goods and the production of common goods should be assigned to the domain and exclusive responsibility of the state. In my opinion, this view is as false as the dogmatic claim that it is a function of the form of ownership, or more specifically, that the production of common goods requires public ownership and the removal of private ownership. The latter does not mean that I underestimate the importance of the question of property in these considerations. In my opinion, however, it must be understood and interpreted differently from the Communist and neoliberal doctrines. It seems to me that the concept of the right to quality of life and development can become such a conceptual resource in this case, as an expression of the idea of solidarity in development.

If an idea is born in the sphere of the social imaginary, and if we want to stimulate the process of commoning goods, we must shape (develop through discourse) a new imaginary that embraces the state, the market, social solidarity and development as well as the relationships amongst these categories (ibid., p. 11). Without such a new social imaginary, the neoliberal imaginary cannot be overcome. At this juncture a clash is inevitable. This is manifested by the massive destruction of rainforests, especially in the Amazon. The unlimited commercialisation of goods and marketisation of all spheres of collective life globalises the economy, whereas the commoning of goods makes it more local. Glo-

balisation can only be blocked by aggressive, militant statism, whereas a much safer and more humane (in an ethical sense) way of providing a counterbalance to extreme marketisation is the locally embedded commoning of a certain proportion of resources and goods. This may happen if, on the one hand, different practical ways of commoning are developed and, on the other, a new social imaginary will emerge and spread. One will strengthen the other. Both sides will feel the pressure for a fundamental change in policy and regulation in order to significantly expand the space for commoning, both locally and on a global scale. The latter is indispensable in order to really begin to halt the impending climate catastrophe.

I believe that the right to quality of life and development should become a key component of the new social (including economic) imaginary and subsequent constitutional orders. Its basic principles are as follows:

1. Access by individuals and social groups to resources that are important to their development constitutes the foundation not only of development but also of the democratic order.
2. Access by individuals and social groups to key resources should be considered tantamount to the right to development.
3. In this context, the right to the city should be placed, interpreted as the right to access relevant resources and the right to tap the creative potential of residents for the purposes of city development.
4. A wider, developmental economic cycle is driven not only by transactions, but above all by lasting relationships among the participants in the economy. As a result, they become co-creators of economic values.
5. Productivity on a macro-social scale results, among other things, from the collective realisation of the existence of developmental circularity and the construction of mechanisms and tools to sustain it. The lack of such awareness makes us unable to recognise and prevent the negative consequences of economic circulation. As a result, appropriate forces cannot be activated in order to neutralise these consequences.
6. The quality of life is an essential and indispensable reference category for thinking about developmental circularity as a category intended to embrace a given community, not just individuals.



7. Attempts to improve the quality of life of residents must take into account both their genuine needs and the changing conditions in which they are being met, since they cause people's needs to evolve and their structure to gradually change. Focusing on selected needs leads to deprivation in other areas, which becomes a source of stress and discomfort.
8. For alternative rules of the economic game and the forces stimulating it to emerge at all, the space for economic activity must be free to a certain extent, i.e. common in the sense of accessibility to every actor's endeavours, which means that it cannot be fully privatised or appropriated.
9. The more important given goods are for individual and community development, the more their private, isolated use must be accompanied by their common pool. Without it, sooner or later a significant proportion of individuals will be denied access to these goods, which will hinder their individual development and the development of the community as a whole.
10. New competences, which are necessary to master rapidly changing technologies, must result from the combination of different kinds of knowledge: that which concerns our capacity to affect objects (technical knowledge), social systems (social knowledge), and which arises from axiomatic discourse (modal knowledge).
11. An indispensable component of the educational process is freeing up the imagination of all its participants and their developmental aspirations. Cultural education, which serves to awaken the need for one's own creative expression, is particularly helpful in this respect.
12. A certain level of public investment is necessary in every society, for without it, it is impossible to sustain and improve the quality of life of citizens. But if such investment fails to reach a certain minimum threshold value, a significant part of development potential becomes annihilated.
13. Economic growth, which increases social inequalities, is unacceptable.
14. From the point of view of productivity, the contemporary economy is increasingly a sterile or idle circulation economy. It is a proliferation economy, not a development-oriented one, which wastes and destroys more resources than it produces.

I am strongly encouraged by the recommendation made by the Commons Strategies Group Report (Bollier 2016, p. 28) that the idea of the

common good must be linked to human rights. My proposal, outlined in this text, is an effort to that end.

## Operationalisation of the right to quality of life and development

The fundamental issue in the operationalisation of the right to quality of life and development is whether it is possible to achieve it without a commoning of resources and without producing common resources (commons).

In neoclassical economics (which studies the for-profit economy), we fundamentally contrast common (public) and private property as well as and public and private goods. In value economics, this approach is unjustified. Instead of insisting on opposition, complementarity is sought. In this context, public investment is not an alternative to private investment, but a necessary condition and complement, it is needed (as in the case of culture, science, education, health or municipal infrastructure) in order to maintain general availability of resources necessary for the operation and development of individuals and their organisations.

Each shared development resource is a kind of reserve in the event of a crisis or disaster; as such, it provides the basis for a subsequent revival. Instead of separating and appropriating resources, they must be pooled. It does not matter so much who holds them as whether they can be incorporated in a joint production process. They do not necessarily have to be communitarianised, but it is important that they are commoned.

Without denying the importance of the question of property structure in the modern economy, we see a positive solution not in the legal form of property itself, but in the attribution of contents to each form of property ownership – property is not only a right but also a duty. In practice, it means giving each form of ownership a social dimension. The social function of property is increasingly often expressed in modern constitutions, especially in the European ones (Hausner, Izdebski 2019). For example, Article 14(2) of the Basic Law for the Federal Republic of

Germany reads: “Property entails obligations. Its use shall also serve the public good.”

The need to restrict the privatisation of economic space, including certain resources, is fairly easy to understand in relation to public space, which should not be taken to imply that this issue can be ignored in other areas. One may imagine a private water supply company, but not the privatisation of water resources. Water is not just for personal use and it must not be restricted exclusively to such use. Otherwise, how to provide water to public green areas or extinguish large fires? If water remains a common resource and is partly used in the community, as a result its value (not price) as an individual good increases. What would be the point of personal hygiene if it cannot be universally maintained? Excluding anyone from access to water poses a threat to everyone. By the same token, the more we commercialise water management, the more necessary it becomes to maintain the public (communitarian) nature of part of this activity. In order to monetise such activities effectively, their substantial scope must be excluded from full monetisation. Consequently, different water management schemes are needed: from the purely commercial, through mixed, to non-commercial ones, moreover, such schemes cannot be established once and for all. They must be adapted to the changing conditions, including climate change, on an ongoing basis. Without such an approach to the problem, it is difficult to recognise and shape the relationship between the economy and the quality of life of city residents. Civilisation cannot be measured by the amount of resources used per capita, including water and electricity, but by the relationship between their consumption and the quality of life.

## Summary

One of the problems faced by contemporary economics is the absence of a satisfactory theory of value that would allow us to perceive and respect the distinct natures of civilisation and culture, which is compounded by the inadequacy of the economic theory of goods. The modern economy

is more of a service economy than a manufacturing one. Importantly, these are increasingly intellectual services rather than material ones. In consequence, more and more goods needed for development will be mixed in nature – they will be neither purely private goods nor purely public ones. They will be created privately in order to be monetised, but those who are unable to pay the market price for them for various reasons cannot and should not be excluded from their consumption. This issue is particularly relevant to the problem of intellectual property rights. The latter cannot be protected in the same way as material property. Making it exclusive would lead to the privatisation of culture and knowledge, which would hamper development, block human creativity and innovation.

From this perspective, the quality of life appears not only as a target category but also as an intermediate one, which drives the development cycle. In this context, the question of profitability (we can or cannot afford something) must be considered in relation to the broadly understood developmental circularity. “We cannot afford something” means that in the future, we will be able to afford even less. ‘Worth’ and ‘profitable’ are not the same. What is worthwhile and what is profitable may equally well complement as contradict and exclude each other, which does not undermine the requirement that every public investment should be economically implemented and effectively contribute to the creation of an appropriate pool of resources and goods.

The access of individuals and social groups to resources needed for their development underlies not only progress but also the democratic order. In his extremely important works, Sen time and again reiterated that famine does not occur in democratic countries, but it invariably plagues authoritarian regimes. The same can be said of other resources crucial for life and development (e.g. water; it is reasonable to say that rivers can undercut or strengthen political systems), since political competition also occurs in the area of seeking access to resources. Access by individuals and groups to key resources should be considered as a right to development. In this context, the right to the city should be interpreted as the right to access resources and to tap the creative potential of residents in

developing their city. Failure to respect the rights of residents constrains their ability to meet their needs.

The quality of life is an important and necessary reference category in reflecting upon developmental circularity, which should embrace the community, not just individuals. Commenting on the quality of life, Sen (2009) argues that it can be shaped in a specific social space, where not only access to basic goods is ensured but also certain abilities of individuals are developed. In M. Nussbaum's view (2000), these abilities include, among others, thinking, argumentation, and imagination.

In this respect, the key question is whether such a desirable social space is given and external to individuals or whether it is socially produced and thus internal to them. I strongly favour the latter option. If we acknowledge that the abilities under discussion are socially determined and generated, we can also acknowledge that they belong to the individual (who makes use of them) but, at the same time, they remain a common resource (commons), a good that individuals can use and benefit from as long as it is constantly produced and reproduced. As such, it is partly synchronic, and partly diachronic in nature.

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**Prof. Jerzy Hausner, PhD** – Full Professor of Economic Sciences, currently affiliated with the Faculty of Public Policies (Collegium of Public Economy and Administration, Institute of Public Policy and Administration), Rector’s Plenipotentiary for Culture and Sports. Holder of Honorary Doctorate of the Warsaw School of Economics. Member of the Polish Economic Society. Member of the Monetary Policy Council (2010–2016). Member of the Committee on Economic Sciences of the Polish Academy of Sciences. Member of the Polish Committee for UNESCO since 2015. Chairman of the Programme Board of the Open Eyes Economy Summit. Since 2018, member of the High Level Industrial Roundtable “Industry 2030.” Member of the Council of the National Centre for Research and Development (2018–2022). Author of over 400 scientific publications.



**Magdalena Jelonek, PhD** – Assistant Professor at the Department of Sociology of the Cracow University of Economics and Jagiellonian University’s Centre for Evaluation and Analysis of Public Policies. Her research interests focus on the evaluation of public policies, the higher education sector, competences, human capital, the quality of education and methodology of social research (e.g. opinion surveys, counterfactual research). She took part in several dozen research projects (as a team leader or expert), including research into the demand and supply of competences in Poland.



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**Michał Kudłacz, PhD** – Economist, Assistant Professor at the Faculty of Public Policies, Cracow University of Economics, consultant to the Małopolska Regional Research Centre of Statistics Poland in Cracow, expert at the Małopolska School of Public Administration, Cracow University of Economics, former President of the Foundation for the Economy and Public Administration. He cooperates with local government units. Author and co-author of several dozen publications related mainly to the development of big cities as well as local and regional development policies. Completed postgraduate courses in Management in Public Administration, was awarded international scholarships (USA, Italy, France, Portugal, Great Britain, Vietnam), member of the European Regional Science Association and the Working Team for Urban and Metropolitan Areas, National Spatial Planning Committee of the Polish Academy of Sciences.



**Dagmara Maj-Świstak** – Graduated from the Faculty of Law and Administration, Nicolaus Copernicus University in Toruń. Consultant to the World Bank in Washington. She is currently working on labour relations issues and atypical forms of employment. In 2006–2010, she worked for the Ministry of Labour and Social Policy in Warsaw. She also has extensive experience in the private sector, where she dealt with employment and labour relations issues.



**Prof. Wojciech Paprocki, PhD** – Director of the Institute of Infrastructure, Transport and Mobility at the SGH Warsaw School of Economics. Author of numerous publications on the economics of transport and mobility, development of new technologies and digital transformation, theory of value economy in relation to the motives of enterprise management. Member of the Programme Board of the European Financial Congress.



**Prof. Shalini Randeria** – Rector of the Institute for Human Sciences in Vienna, Professor of Social Anthropology and Sociology at the Graduate Institute of International and Development Studies in Geneva, as well as the Director of the Albert Hirschman Centre on Democracy. She was a member of the Senate of the German Research Council (DFG) and was President of the European Association of Social Anthropologists (EASA) and Vice-President of the World Council of Anthropology Associations. She is currently a member of the Editorial Boards of Public Anthropologist and of The Oxford Research Encyclopaedia of Anthropology. She serves on the Board of European Forum Alpbach, the Board of Trustees of the Central European University (CEU), the Academic Advisory Board of the Wien Museum as well as the Advisory Board of the Higher Education Support Program of the Open

Society Foundations. Furthermore, she holds an Excellence Chair at the University of Bremen (2019-2023) and is Distinguished Fellow at the Munk School of Global Affairs, University of Toronto (2019-2021). She has published widely on the anthropology of globalization, law, the state and social movements. Her empirical research on India addresses issues of post-coloniality and multiple modernities.



**Michał Rutkowski, PhD** – Graduated from the Warsaw School of Economics, where he obtained a PhD in Economics. He completed postgraduate studies at the London School of Economics and Harvard Business School. As Chief Executive Officer of Global Social Security and Labour Practice at the World Bank in Washington, DC, was responsible for social security, social assistance, and job creation policies. In his career, he has worked on social security reform in several dozen countries. In 1996-1998, he worked for the Polish government as Director of the Office of Government Plenipotentiary for Social Security Reform and co-ordinator of the concept of the new multi-pillar pension system. His published papers focus mainly on the labour market, social security, and the future of the labour market.



**Prof. dr hab. Andrzej Sławiński, PhD** – Economist, affiliated with the Department of Quantitative Economics at the Warsaw School of Economics (Collegium of Economic Analysis). Member of the Monetary Policy Council (2004-2010). Director of the National Bank of Poland's Economic Institute (2011-2017). Member of the Committee on Economic Sciences of the Polish Academy of Sciences, honorary member of ACI Poland.



**Barbara Surdykowska** – Legal advisor in the Expert Office of the National Commission NSZZ Solidarność Trade Union, correspondent of the European Foundation for the Improvement of Living and Working Conditions in Dublin. She deals with issues such as the transnational dimension of industrial relations. Representative of Polish trade unions in negotiations of the European social partners concerning the digitalisation of the working environment.



**Prof. dr hab. Jerzy Wilkin** – Graduate of the Faculty of Political Economy at the University of Warsaw. Associated with the University of Warsaw for 45 years, where he served as Dean of the Faculty of Economic Sciences and Head of the Department of Political Economy. His research interests include economic development, institutional economics, theory of public choice, economics of agriculture and rural development, as well as theory and policy of European integration. Holder of Honorary Doctorate of the University of Białystok (2011) and the Warsaw University of Life Sciences (2015). Regular member of the Polish Academy of Sciences. Currently, he serves as Head of the Department of European Integration at the Institute of Rural Development and Agriculture of the Polish Academy of Sciences. He authored over 300 scientific publications.

## Krakow as the CITY-IDEA



### **Krakow – we can actually see it changing!**

Krakow draws on on tradition, but its other strength lies in innovation. For many years, the city has consistently implemented changes that translate into an improved quality of life and business. This includes development, which can be perceived, sensed, and used.

The city is a leader in the struggle against pollution. Since 1995, it has managed to eliminate at least 45,600 coal-fired boilers and boiler houses. In 2012–2019, under the Low Emissions Limitation Programme, over 25,600 ‘smoking furnaces’ were eliminated, with the act banning solid fuels, including coal and wood, coming into effect on 1 September 2019. If we walk around Krakow, immediately notice abundant, perfectly designed pocket parks. They were created within the framework of the Cracovian Gardens project implemented by the Municipal Greens Authority. The initiative has been appreciated at the EUGIC London 2019 Conference, where Krakow received the award in the “Implemented green infrastructure projects” category. What about Krakow’s tap water? According to EBC (The European Benchmarking Co-operation), it is the second best in the world as regards quality!

Changes occur not only in the area of ecology and urban greenery. The city reaches out to its citizens with the Krakow Family Card 3+ programme. It entitles holders, among others, to a 50% discount for tickets to the city’s cultural institutions, and gives priority when enrolling to nurseries or kindergartens. Krakow also focuses on culture: tourists and citizens

can participate in as many as 52 large prestigious festivals organised by the city's cultural institutions and financed from the city budget. These include Sacrum Profanum, Misteria Paschalia, Boska Komedia, Unsound, Opera Rara, and Conrad Festival. The latter was also the forum for celebrating the award of the Nobel Prize in Literature to Olga Tokarczuk. This great success of the Polish writer will also be honoured with the "Primeval Forest" planted now in Krakow.

Krakow is also a major Polish business centre. Tholonos, evaluating shared services centres on the IT and finance market, ranks our city as No. 1 in continental Europe in 2019.

The Polish Start-Ups 2018 Report ranks Krakow as the third city in Poland as regards the number of start-ups (10% respondents), following Warsaw (29%) and Wrocław (12%). As regards fundraising, we are the best in Poland, with 40% of fundraisers gathering over PLN 10 million throughout the Małopolska Region.

We ride into the future... on a blue tram. MPK Kraków boasts as many as 110 state-of-the-art low-floor trams, and all the buses meet European standards for exhaust emissions (at least EURO 5). There are 26 electric buses and 34 hybrid ones in service. Cyclists, in turn, can benefit from 156.2 km cycling infrastructure (as of 2018) and 1,500 Wavelo bikes to hire.

These a few examples clearly reflect a general trend: consistent, concerted efforts aimed at creating a state-of-the-art, resident-friendly city – one that comes closer and closer to the CITY-IDEA model.

# This is a region for investors!



## Małopolska – programmed to succeed!

Looking for a place to invest and a for business-friendly space? You are in the right place. Małopolska tops the global rankings of regions considered the most attractive to investors. This is not due to chance, but it results from a thoroughly planned long-term strategy. How do we do it?

We have reasons to be proud! In recent years, we have managed to build a powerful brand with an international appeal. This can be evidenced by Krakow scoring No. 1 among regional cities in fDi's TOP10 Polish Cities of the Future 2019/2020. The key factors contributing to our success certainly include the Business in Małopolska Centre (CeBiM) – an initiative supporting entrepreneurs in our region since 2009, responsible for investment promotion. CeBiM employees tailor complex offers to investor needs and help navigate the procedures and regulations. CeBiM offers consulting services in the area of business terms, potential investment location, and the opportunities for EU co-financing and tax breaks. The Centre not only attracts domestic and foreign investment, but also promotes exports, as perfectly exemplified by the "Power up your Business in Małopolska 2" project aimed at supporting the existing and future exporters.

Such a robust development of the region would not have been possible without European funds. Under Regional Operational Programme implemented since 2014, a total of PLN 1 billion has been allocated to

R&D and infrastructure projects in the Małopolska Region, Małopolska innovation centres, with businesses receiving ‘innovation vouchers’. As much as PLN 232 million has been allocated to major tasks, such as supporting international activities of Małopolska’s businesses, promotion of entrepreneurship, and the potential of business support institutions. We focus on innovation; therefore a further PLN 388 million has been granted to entrepreneurs to promote the results of their R&D projects. Małopolska is a member of the Vanguard Initiative committed to supporting innovative EU regions in their development of state-of-the-art industrial sectors.

Małopolska’s advantage lies in its excellent infrastructure, access to qualified staff, and favourable demographic projections. We have the second largest airport in Poland, conveniently located with extensive road connections, and 1.36 million square meters of state-of-the-art office space (second only to Warsaw). We also rank second in Poland as regards the number of innovation and business support centres: there are as many as 59 of them. Małopolska also provides excellent academic and HR resources thanks to its well known and prestigious universities. Moreover, we are one of the three Polish regions with a projected population increase by 2035: while Poland’s population will likely decrease by 6.3%, the number of Małopolska’s inhabitants is expected to grow by 0.6%.

These are just examples, but they show why our region generates 8% of Poland’s GDP. Here, entrepreneurs can find everything they need to develop their businesses smoothly and dynamically. However, we never rest on our laurels. We keep our minds, doors, and opportunities open. Are you looking for a good space for your business? It is closer than you may think.



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Open Eyes Economy Series publications in 2019  
(in Polish):

- *Selected organisation and cooperation issues in enterprises*, Open Eyes Economy Discussion Papers 2
- *City – Water – Quality of life*, Open Eyes Economy Discussion Papers 3
- *A World (Devoid) of Work. II Świeradów Seminar*, Open Eyes Economy Discussion Papers 4
- *Solidarity in development: Gdańsk – Poland – Europe – World*
- *Water City Index 2019 – The Ranking of the effectiveness of the largest Polish cities in terms of their use of water resources*
- *Open Eyes Magazine 4*

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The diffusion of a value economy requires the development of concepts and ready-to-implement solutions which will demonstrate how the productivity of proprietary resources can be linked at the micro, meso and macro levels with a view to improving the quality of life of individuals, social groups, and societies

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