

# **Demand as an instrument of the economic and social management**

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**Abstract.** The key for entering and staying in the new ways of development are not only innovation and investment, but this is primarily a demand. Capital is dead without a demand. We can clearly say that we give our demand to others (both the national and local). Investments without demand will be the loss and does not create the development. And that - and all of our choices - they depend on the awareness or lack of it. Often today we use the slogans, our "key words" which are modern. Keywords: civil society, a small country, the information society, all these categories exist in the public reality and the question is: What they show? How to understand them and in what relation they are to each other? When these categories aren't based on of economic independence all these are dead.

## **1. Introduction**

Today's economic reality is dominated by the integration processes that are widely desired and accepted. The integration processes taking place both globally as well as European or national level and at the company level. The question is: whether we need a discussion of independence, in such conditions. Evaluation of the effectiveness of economic integration processes should be connected with the scale of the entity to which it relates. The toxic structures of integration processes bring social exclusion of all social groups.

In the case of enterprise integration efficiency is measured in profit, while in the case of a Nation, a union of nations, communes, efficiency should be measured in social efficiency. We should use the multi-variant evaluation.

Please be aware that integration processes bring benefits, but always mean: less independence. The balance of losses and benefits must be positive. The question is whether economic integration is effective and, if so, whether its benefits translate into improved quality of life of every human being, or only a few.

If a few people have access to benefits - we have a deviation. This is the pathology of the socio-economic process.

## **2. Demand drawn - as the basic category of economics**

Economists - regardless of the theory, which proclaimed, they always saw the importance of the demand for the realization of growth and development. In classical terms, the demand is the amount of goods that buyers are willing to buy at a given time, at a fixed price. Next analysis of the demand, saying about the law of demand, types of demand: a global, market and individual determinants influence the evolution of demand, flexibility of demand. All these analyses treat the demand in terms of quantity and changes in quantity, ie the increase and decrease and possible the variable structure.

The demand is important for activation of economic flows, moves entrepreneurship, create working places (employment), it influences on the condition of society - as opposed to financial capital - is always present in the real economy.

The higher the flow dynamics of the condition of the economy is better. The subject of macro and micro economics, however, was and is primarily a quantitative indication of demand. We must ask: is quantification of demand enough to build the country's economic independence? Why only the quantitative demand was the key to growth and development?

The industrial economy had the natural barriers which often limited the quality of demand, so flows were located in the local system. The industrial economy was limited in space. Then there were the natural barriers that limit the flow of demand. As a result, demand was located in the local level. (for example, those barriers were: barriers of the natural environment, natural resources, mobility, communication, flows of capital). With the departure of the industrial economy to a post-industrial economy, these barriers became less important and no longer have meaning. Technological advances and global market closed down the barriers in the sphere of production, technology transfer, or capital. The demand has become free. The effects of looking for a cheap production (related mainly to the decrease in environmental and social costs) are generically and qualitative changes in demand. The benefits of quantitative demand started to run through the channels designated by the production. Before the area of categories: produce and demand were HERE and HERE. So we created working places - here, we did supply - here, here we produced, consumed, here arose revenues, profits arose here (of course this is not a closed model, but here was important).

Today, that here and here is degraded to here and there, so we create working places THERE, we do supply THERE, we produce THERE, but we consume – HERE (we also produce waste), but we create revenues THERE and we create profits THERE. Where is that THERE????? That there is somewhere in the world (for us important is that THERE isn't HERE). So the demand is growing, but the effects of consumption channels flee, leaving scraps of benefits, and even often a waste. And this raises certain consequences - even if the impact on competition (including technology).

So the demand is growing, but the effects of consumption are disappearing..... we don't have benefits of consumption (only little taxes).

And it creates a bad impact - impact on the competition (including technological innovation). Therefore, to talk about demand as a instrument of economic independence we have to talk about drawn demand.

$$\text{demand drawn} = \frac{\text{quantity} + \text{quality} + \text{functionality} + \text{relational}}{\text{Priority (development, independence, employment)}}$$

These measurements are assigned to individual components. Accepted priorities flow from the accepted concept of development. These components are determined by the variables: global institutional solutions, strategic choices of the government, local institutional solutions, classical determinants of demand and consumer choices.

### 3. The model of niche shows flows of drawn demand

Development model realized the drawn demand is called as the “niche”. It should consider the following principles:

- recognition that human capital is the most valuable one;

- ☐ readiness to work for local community;
- ☐ creating conditions for application and usage of non-standardized technologies beside standardized ones (open to labour intensity);
- ☐ manufacturing processes are directed at ensuring order while profits are some of many priorities;
- ☐ defence and utilisation of internal (local) demand;
- ☐ defence of the deposit of non-relativized values and local identity;
- ☐ ensuring and utilization of a defined level of domestic (local) savings;
- ☐ involving local capital in the process of development and ensuring stability of the process;
- ☐ giving priority to local businesses before external businesses;
- ☐ being guided by a long-term concept of development, based for instance on family capital<sup>1</sup>;
- ☐ the commune and (and country) are guided by social effectiveness, and producers and investors are guided by integrated economic, ecological and social effectiveness;
- ☐ network activity is locally based and locally oriented, but it is open to external cooperation (associations of communes);
- ☐ shaping of integrated awareness;
- ☐ selection criteria are articulated by axioms and values based on natural law.

This model is based on economic relationships. The idea of this model focused on local relationships and local networks. These relationships are shown in Figure 1.

The relationship between the employer (N) and employee (J) in the niche model is as follows: the employee receives fair salary for the performed work. However, some additional issues are connected with this relationship: what conditions must be met in order for the employee to earn more? For example look at the minimum salary in Slovakia or Poland. It is also a condition.

It is a paradox that everybody tells us that we are all equal to each other. And we believe in it, but when we do the same job in the same Europe, in the same EU some people for the same work earn less money.

An increase in expenditure of an entity marked as (J) generates an increase in economic flow both in the relationship of consumer - producer (contractor) and in the relationship of producer - producers. The larger the number of economic flows the stronger the economy. High earnings of the employee (J) entail their expenses... Initially, while spending their resources for consumption, the employee (J) enters into economic relationships with other economic entities  $N_1, N_2, N_3, \dots, N_{10}, N_{20}, \dots, N_N$ . Then, entity (J), after satisfying their basic needs, starts to satisfy the needs of higher rank (food, clothes, shoes, charges, services, hobby, travel, savings and more and more) In such a way, entity (J), while consuming goods and services, starts the mechanism of economic flows. We have to pay our attention for what we consume. Long time ago when we wanted to taste another food, when we wanted to buy different clothing we had to travel. Now we do not need.

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<sup>1</sup> H. James, *Rodziny kapitalizmu [Family Capital]* (in:) „Rzeczpospolita”, 2004, No. 136: *Family property helps to build trust and creates a promise of attachment to such qualities as long-term approach to profits and employment in business. Such a model of development is certainly beneficial in Europe and Asia. And elsewhere, too.*

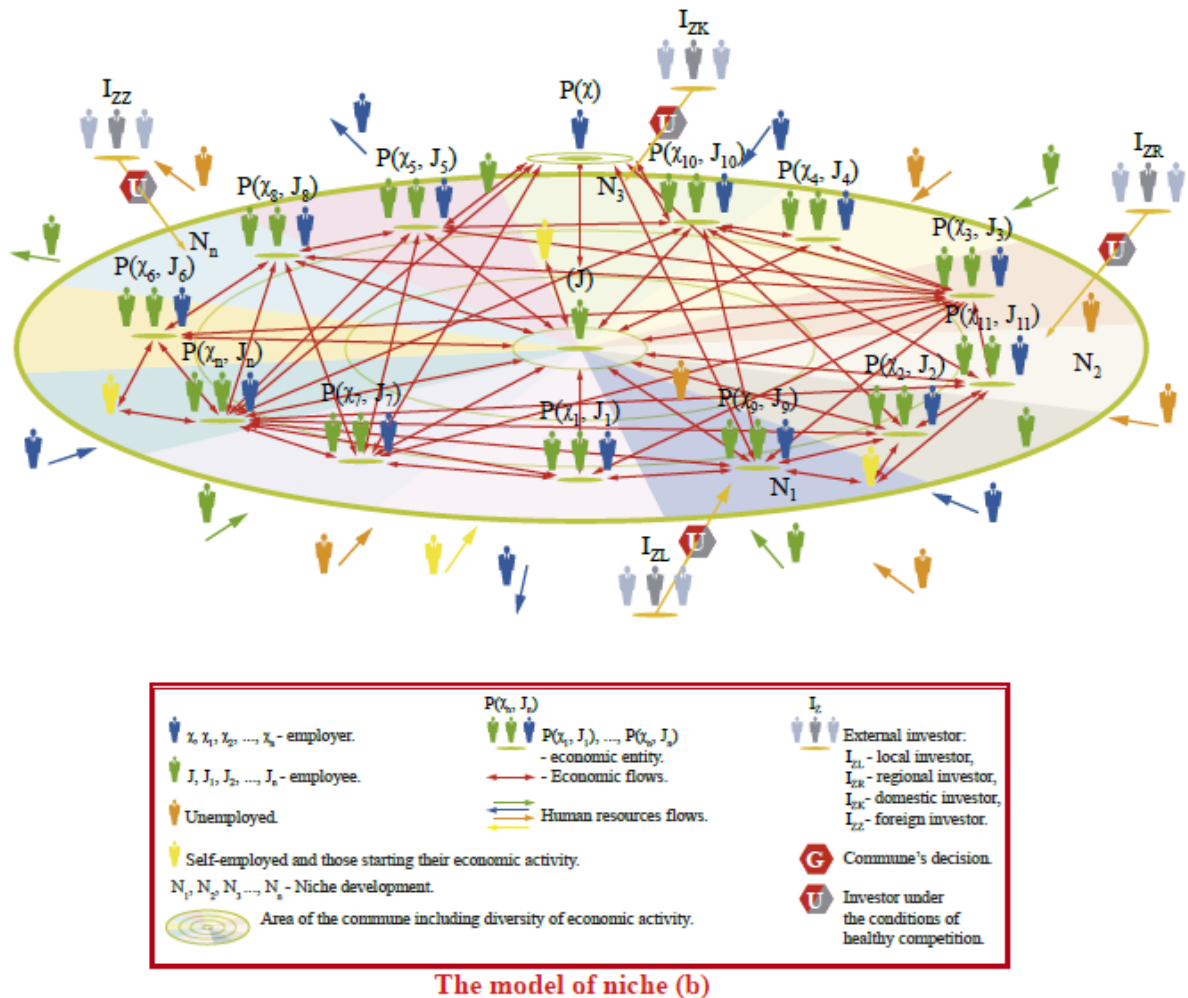


Figure 1. Model of Niche

Source: [1]

Increase in flows should also translate into incomes in the local area both directly and indirectly. Directly through tax incomes and indirectly - through the limitation of expenditures of the commune. As a support for the above, the following account can be quoted: the richer society is the less public aid it uses and the more willing it is more active participate in the economic and social life. The phenomenon of exclusion of people may be sporadic and cannot be a basis for setting a rule.

The economy of a given local arrangement is certainly not a closed system. Therefore, some external investors also appear. We must remember that the investor does not invest to support local systems, but to do business, to gain profits. And it is his right and duty.

We wish to demonstrate that the secret of ensuring effective solutions lies in the applied procedures. The introduction of local systems into their own new ways of development is not unrealistic nor is it utopian.

In this aspect, the niche model is based on a natural concept and this is the basis on which the way of shaping socio-economic development and development policy, including local development should be built.

## 4. Demand Drawn Challenge for Public Authorities and Government

Also, government does not put enough attention to the demand as a strategic category. We can conclude that the socio-economic policy, as well as sector policies - not directly assigned demand as the priority.

Although issues related to the demand there, but the demand is not treated as a category of strategic importance. This is shown both in policy documents (EU and national-level state and local government), and the lack of appropriate attention to assign to the category of demand in practice.

An example might be a systematic increase in the EU trade deficit. The growing trade deficit shows that the EU gives itself demand to others. China exports to the EU is bigger than the U.S. (respectively 234.954 and 213.984 billion in 2010). The real, and so the sphere in which it provides, produces and manufactures, which gives working places - is outside the European Union. Only real consumption and the consequences of lack of employment. For example the Christmas season has ended in China. 70 percent of all Christmas products, which will go into all the world comes from China. That 70% means: employment, production, purchasing, profits). We ought to stop and think about it and try to answer for a question in whose interest??

Support for local development is done by the power the right decisions, both state and local government, consumer choices and the choices made by the company. Their aim is to create demand for products and local services.

Provide of the drawn demand requires:

- ☐ the correct setting priorities in the strategic documents
- ☐ take account of environmental costs in transport,
- ☐ to ensure stability and security in the strategic industries,
- ☐ comprehensive assessment of effectiveness,
- ☐ creating conditions for the profitability of production,
- ☐ assess the impact of investment on demand;
- ☐ demand management focus in local systems
- ☐ development of a responsible society that is able to make the right choices, which is important especially when the limitations of income,

If demand shall assign to the individual consumer choices (business and people), the most important factor in the choice becomes a price, demand begins to determine the vectors of cheapness. However, remember that cheapness is not a choice, but it's JUDGEMENT.

### Summary

The key for entering and staying in the new ways of development are not only innovation and investment, but this is primarily a demand. Capital is dead without a demand. We can clearly say that we give our demand to others (both the national and local). Investments without demand will be the loss and does not create the development. And that - and all of our choices - they depend on the awareness or lack of it. Often today we use the slogans, our "key words" which are modern. Keywords: civil society, a small country, the information society, all these categories exist in the public reality and the question is: What they show? How to understand

them and in what relation they are to each other? When these categories aren't based on of economic independence all these are dead.

Literature:

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