

JURIDICAL SCIENCES

THE SOCIAL STATE AND ITS ROLE IN THE FORMATION OF AN INCLUSIVE ECONOMY

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ABSTRACT

Introduction and Purpose: The ongoing socio-economic changes in society have made it inevitable to improve people's living conditions. Economic growth is a stable process during which the productive capacities of the economy increase over time, leading to the quantitative expansion of national output and income. The social state is a fundamental component of a democratic system, grounded in the principles of freedom, equality, solidarity, and social justice. It is primarily oriented toward reducing poverty and economic vulnerability, recognizing that unregulated markets may generate significant inequalities in wealth and opportunities. The concept of the social state has long held a central place in ensuring social justice and economic stability.

In this paper, the concept of inclusive economy is examined as a model of economic development that, alongside achieving economic growth, ensures that the benefits derived from such growth are distributed widely, fairly, and equitably. The study emphasizes that economic growth alone does not guarantee social well-being, and that inclusive economic development requires active state involvement in improving education, healthcare, employment, social protection, and regional development policies.

The present article analyzes the approaches of Georgia, as well as European countries and the United States, toward the social state and inclusive economy. It explores the historical formation, essence, objectives, and contemporary relevance of both concepts.

The aim of this article is to define the concept and essence of the social state; to examine the significance and outcomes of inclusive economic development; and to establish the unconditional link between the principle of the social state and the formation of an inclusive economy.

The relevance of the chosen topic lies in the fact that the social state is one of the core components of a democratic order, whose purpose is public welfare and the reduction of poverty. Inclusive economic growth is impossible without the state's social policy, as only the social state provides the foundation for economic inclusiveness.

The article also highlights viewpoints and recommendations to ensure that the social state and inclusive economic development do not lose their original purpose and are not replaced by irrelevant or distorted values.

Research Methodology: In the preparation of this research, the comparative-legal, analytical, synthetic, and contextual-legal methods were employed. The study draws upon both Georgian-language and foreign-language scholarly works. The article incorporates the results of both doctrinal and non-doctrinal research, which reveal not only the normative but also the social impact of the formation of the social state and the inclusive economy.

Results and implications: The formation of an inclusive economy is not a short-term objective. First and foremost, for an economy to develop sustainably and inclusively, there must be constitutional guarantees and a willingness on the part of the government to ensure equal conditions for all members of society. Both the social state and the model of an inclusive economy are based on identical values, where the starting point is the participation of every member of society, the creation of a minimum standard of living, and the provision of essential social conditions. However, a key consideration is that neither the state nor its social policy can transform the existing reality without the active involvement of society itself.

It has been revealed that the social state seeks, to some extent, to make the boundaries of social stratification conditional and permeable. Eliminating inequality and social injustice is the goal of every democratic, legal, and social state.

As a practical implication, strengthening the social state within a country's development strategy cannot be regarded merely as social policy; it constitutes the foundation for economic modernization, democratic stability, social equality, and overall national progress.

Conclusion: In the modern era, under conditions of globalization, industrialization, and rapid technological progress, the role of the social state has become even more significant. The expansion of economic opportunities is accompanied by new challenges - rising inequality, social polarization, poverty, and constraints stemming from individuals' socio-economic status. In such circumstances, market self-regulation alone is insufficient. A strong, targeted, and strategic state policy is essential to support vulnerable groups, develop human capital, ensure access to basic services, and promote broad participation in economic processes.

The goal of an inclusive economy lies not only in achieving economic growth but also in ensuring the fair and equitable distribution of the benefits derived from that growth. Its primary purpose is to guarantee that the outcomes of economic progress are enjoyed not just by specific groups, but by all segments of society - women, youth, ethnic minorities, residents of peripheral regions, the elderly, and migrants.

In conclusion, the social state and the inclusive economy form an interconnected chain. Without the social state, inclusive economy remains merely formal; without inclusive economy, the objectives of the social state cannot transform into tangible progress.

Keywords: Social state, Principle of the social state, Inclusive economy, Inclusive growth, Economic equality, Social justice.

• Introduction

The transformation of the global economic system at the beginning of the twenty-first century became the foundation for significant economic and legal changes. Changes in time and circumstances created the need to address problems existing in the labour market, reduce social inequality, and transform social security systems.¹⁷ The socio-economic changes taking place within society inevitably created the need to improve people's living conditions.¹⁸

The social state is, first and foremost, a political artifact. "It is the result of historical change and political compromise."¹⁹ The idea of the social state did not emerge in a vacuum. The primacy of this principle reflects the historical legacy of the state and the values prevailing within society. Accordingly, it is impossible to fully understand the concept of social justice without comprehending the foundations upon which it was established.²⁰

Since the emergence of humankind, society has, at least in a broad sense, been divided into different social strata. This division existed independently of the concept of social justice, granting privileges to certain social groups while leaving those belonging to lower strata dependent on charity.

The phenomenon of the social state and the objective of advancing an inclusive economy share common values. Both are aimed at improving the quality of life within society. Such improvement entails both reducing the conventional boundaries between social strata and enhancing the overall economic condition of society. By its very nature, economic development involves structural changes within the economy. For states, it is more advantageous to generate economic benefits not primarily through agriculture, but through the development of industrial and service-oriented economies, accompanied by improved healthcare, greater access to education, and higher standards of protection for other social rights.

"Economic growth is a sustained process through which the productive capacity of an economy increases over time, resulting in a quantitative increase in national output and income."²¹ Governments employ various mechanisms of state intervention to promote

economic growth, stimulate development, and reduce poverty. Although there is no universally accepted view regarding the optimal level of state involvement in economic development, there is broad agreement that the state should perform certain essential functions, including the provision of social protection and the promotion of public welfare. In addition, the state should establish strong regulatory and institutional frameworks to support the effective functioning of a market economy.²²

Under contemporary conditions, the development of the global economy is characterized by growing inequality. In the process of globalization, economic opportunities are accompanied by significant risks. At the same time, ongoing transformational processes are leading to changes in the principal priorities and development strategies of the global economy.

Economic growth cannot be achieved under conditions of uneven development. An inclusive economy seeks to reduce existing imbalances and ensure an equitable distribution of economic benefits among all groups of the population. The objective of an inclusive economy is to promote equal access to economic independence and unrestricted interaction among different social groups within society.²³

It is undeniable that economic growth is a necessary but insufficient condition for reducing poverty and inequality. The experience of both developed and developing countries demonstrates that the relationship between economic growth, income inequality, and poverty is highly variable.

The inclusive and sustainable development strategy developed by the United Nations Development Programme defines inclusive growth as "widely shared prosperity resulting from economic growth." Inclusive economic growth should contribute to reducing inequality within the economy.²⁴

Economic development and the reduction of social disparities within society are the result of sound public policy, which is also shaped by the recommendations established by international organizations. The development of an inclusive economy largely depends on the existence of a social state, which constitutes a fundamental source of equality. Therefore, the

¹⁷ Chaikin, O., Usiuk, T., *The Imperatives Of Inclusive Economic Growth Theory*, Scientific Horizons, 2019, № 11 (84), 4.

¹⁸ Saydullayevich, B., *The Role of The Social State Principle in Ensuring Human Interests and Enhancing Human Dignity*, American Journal Of Social Sciences And Humanity Research (ISSN: 2771-2141), 2025, 364.

¹⁹ Goodin, R., *Reasons for Welfare: The Political Theory of the Welfare State*, Princeton University Press, 1988, 3.

²⁰ Trattner, W., *From Poor Law to Welfare State: A History of Social Welfare in America*, Sixth edition, Free Press, 2007, 69.

²¹ Todaro, M., Smith, S., *Economic Development*, Ninth Edition, Pearson, 2006, 811.

²² Gigineishvili, N., Teodoru, I., Karapetyan, N., and Others, *The Role of the State in Promoting Long-Term Growth*, IMF Departmental Papers • Paving the Way to More Resilient, Inclusive, and Greener Economies in CCA, 2023, 17.

²³ Krysovaty, A., Zvarych, I., Brodovska, O., Shevchenko, I., Krasnorutskyy, O., *Development of Inclusive Economy as the Basis of Economic Growth of the Global Economy*, TEM Journal. ISSN 2217-8309, May 2023, 936.

²⁴ United Nations Development Programme, "UNDP's Strategy for Inclusive and Sustainable Growth", 2017, 4, <https://www.undp.org/sites/g/files/zskgke326/files/publications/UNDPs%20Inclusive%20and%20Sustainable%20Growth-final.pdf>

inclusive economy and the social state may be regarded as interconnected elements of a single chain, ultimately serving as a foundation for the well-being of society.

• **The Emergence and Strengthening of the Primacy of the Social State Alongside the Development of Society**

Since ancient times, the state has constituted an important part of the political system of society. Throughout history, the types and characteristics of states have continuously evolved. Society has always sought to create an ideal model of the state. As early as the Middle Ages, the works of philosophers, jurists, and economists reflected the need to identify and develop the most appropriate model of state organization.

The state, as a political and legal institution, may be examined from a variety of perspectives, one of which concerns the concept of the social state. The social state is associated with ideas of justice and with distinctions between a “proper” and an “improper” state. Its historical origins extend far into the past. However, it may be argued that broader discussion of this idea began during the seventeenth to nineteenth centuries.

The concept of the social state itself took shape in the nineteenth century, when German scholars such as L. von Stein, J. Ofner, F. Naumann, and A. Wagner began to examine the foundations of this principle more extensively. The term “social state” was introduced into academic discourse in 1850 by the German historian, philosopher, and economist Lorenz von Stein.

According to Lorenz von Stein, the state should use its authority to promote absolute equality among all social classes and to protect the rights of the self-determined individual. It should also ensure the economic and social advancement of its citizens, since progress in one sphere is fundamentally a prerequisite for progress in the other.²⁵ According to Stein, the social state is the principal embodiment of social justice within society. Only a state that satisfies the defining characteristics of this concept is capable of ensuring social justice.²⁶

In Stein’s interpretation, the state is not a powerless instrument in the hands of social classes. It not only possesses a certain capacity to resist pressures arising within society, but is also capable of “creating a social order.” In his view, this potential is inherently embedded in the very idea of the state, which possesses a dual character; consequently, “the degree of

development of every individual becomes the measure of the development of the state.”

For this reason, the state must seek to promote, from within its own institutional framework, the “development ... and well-being, power and intellectual advancement” of every individual, including economically disadvantaged groups, and must regard this objective as its own purpose. This constitutes one of the foundations of social democracy.

According to Lorenz von Stein, social reforms should be implemented exclusively through state policy and from “above,” since the state itself suffers from the dependence and deprivation of the lower social strata and the working class. At the same time, he emphasized that the greater the number of impoverished people within a country, the poorer the state itself becomes.²⁷

Franz-Xaver Kaufmann shares John Stuart Mill’s view, which gives priority to “state intervention for the protection of the weaker members of society and for the creation of the necessary conditions to ensure that everyone has the opportunity for social and economic advancement.” Mill emphasizes that not everyone begins from the same starting point and that members of the lower social strata, in particular, face additional obstacles in achieving economic success and social advancement.²⁸

The social state is more than merely a collection of diverse social programmes designed to serve particular interest groups. The social state is a “normative project.”²⁹

According to Hans F. Zacher, a scholar of the social state, the direct practical regulatory effect of the above-mentioned principle is generally neutral. Nevertheless, this does not mean that the principle is entirely ineffective. In his view, the principle of the social state has four positive dimensions: 1. it serves as a foundation for constitutionally guaranteed rights and determines the scope of state action; 2. in specific cases, it provides a basis for the interpretation of law; 3. the principle of the social state constitutes a standard against which relevant national legislation must be assessed; and 4. finally, the principle of the social state imposes a limitation upon the legislature.³⁰

Since its emergence, the idea of the social state has been under continuous pressure to adapt to social developments whose scope has expanded over time.³¹

The passage of centuries has made the adaptation of the concept to contemporary needs inevitable. In the twenty-first century, a thorough understanding of the

²⁵ Matzhanova, K., Dodaeva, K., The Concept of Social State: Historical and Political Analysis, No2 (70), 2020, 148, <https://bulletin-socpolit.kaznpu.kz/index.php/ped/article/view/160/238>

²⁶ Matzhanova, K., Dodaeva, K., The Concept of Social State: Historical and Political Analysis, No2 (70), 2020, 149, <https://bulletin-socpolit.kaznpu.kz/index.php/ped/article/view/160/238>

²⁷ Eidukienė, D., The social state doctrine by Lorenz von Stein: a return to the sources of the social state, *Zeszyty Naukowe Politechniki Białostockiej* 2008, *Ekonomia i Zarządzanie* – Zeszyt 13, 183, <https://pbc.biaman.pl/Content/9886/PDF/ZN%20EiZ%20nr%2013.pdf#page=171>

²⁸ Skamnakis, C., (2014). Franz-Xaver Kaufmann, *European Foundations of the Welfare State*, Berghahn Books, New York-Oxford 2012. *Social Cohesion and Development*, 9, 166.

²⁹ Nullmeier, F., Rezension: Die normativen Grundlagen des Sozialstaates. Zu einer neuen Aufsatzsammlung von Franz-Xaver Kaufmann. (*Ethik und Gesellschaft* 1/2016: Vermögensungleichheit), 1, <https://dx.doi.org/10.18156/eug-1-2016-rez-5>

³⁰ Zacher, H., *Sozialstaatsprinzip*, *Handwörterbuch der Wirtschaftswissenschaft*, 7. Band, 1977, 159, <https://epub.ub.uni-muenchen.de/9977/1/9977.pdf>

³¹ Riedmüller, B., *Sozialer Wandel und Sozialstaat*, *GMH* 7/93, 1993, 393, <https://library.fes.de/gmh/main/pdf-files/gmh/1993/1993-07-a-393.pdf>

principle of the social state itself is of decisive importance in the process of building a social state. Modern developed countries establish systems of values that encompass the effective implementation of the principles of the democratic, rule-of-law, and social state. The principle of the social state is often described as a permanent objective of the state, since its implementation requires considerable effort from both legislative and economic perspectives.³²

The term “social” (from the Latin *socialis*) means “public,” “common,” or “open,” and thus refers to the social life of human beings. In modern academic discourse, the “social state” is understood as a particular type of highly developed political and legal organization that ensures a high level of social security for all segments of the population through the active involvement of the state in regulating various spheres of society and in promoting justice, solidarity, and equality.

The principle of the social state is guaranteed by the Constitution and possesses binding and obligatory force. This principle is not a matter of governmental discretion or goodwill; rather, striving toward its realization constitutes one of the primary objectives of the state.³³

It may be argued that the social state does not aim to abolish the class structure of society. Instead, it seeks to narrow the gap between the rich and the poor and to reduce existing social tensions and inequalities. The establishment of the primacy of the social state has been driven by the social and economic extremes that exist in contemporary society. Highly developed and affluent states increasingly seek to address poverty on a global scale. At the same time, through the pursuit of social justice, they attempt to reduce inequality and to become guarantors of future prosperity and peace.³⁴

• **The Social State as an Integral Component of the Modern State's System of Values, and as a Permanent Objective and Obligation of the State**

The social state is an indispensable component of social democracy and ensures the practical realization of fundamental human rights. The essence of the concept of the social state is entirely grounded in the fundamental values of social democracy: freedom, justice, and solidarity. The modern social state is implemented across various fields, including healthcare, the reduction of unemployment, pension insurance, education, and tax policy.³⁵

The principle of the social state constitutes an objective of the state and is closely connected with the establishment of social justice and social security. As a state objective, the principle of the social state is also directed toward the legislature. In countries belonging to the continental European legal tradition, this principle also places social welfare and the fight against social injustice within the sphere of state responsibility.

It encompasses not only welfare, but also social security and justice as areas of state action. However, a definitive interpretation of these terms is difficult because of the abstract nature of the principle of the social state as a state objective.³⁶

Over time, this principle has been interpreted more broadly, giving rise to the understanding that the social state represents something more comprehensive. It creates conditions for the employment of citizens, the redistribution of income through the state budget, the provision of a minimum subsistence income, and access to education, culture, and healthcare. It has also become clear that, in addition to social policy, the state's economic policy should acquire a social orientation, without rejecting competition and economic freedom and while continuing to encourage individual initiative.

The social state has three principal elements: 1. social security; 2. economic equality; and 3. social justice. The cumulative existence of each of these elements constitutes the foundation of the social state. However, a distinction must be drawn between the efforts undertaken by the state and the actual results produced by those efforts. Since the formation of a social state is a lengthy and complex process, it is difficult to achieve substantive results within a short period of time. Accordingly, even guaranteeing the above-mentioned three components at a minimum level may be of decisive importance in the process of establishing a social state, provided that such a minimum level reflects the maximum effort reasonably achievable by the state.³⁷

An essential imperative of an effective social state is that all of its institutions be oriented toward goals and objectives that are not merely proclaimed in legislation, political doctrines, and programmes, but that genuinely ensure the greatest possible satisfaction of the material and spiritual needs of members of society. In performing its functions, the social state provides: 1. an optimal minimum standard of living, not through social charity, but through protection against unemployment; 2. strictly regulated social security, both in terms of quality and scope, based on age, disability, poverty, and other vital indicators; 3. free or affordable high-quality medical services; and 4. free or affordable high-quality education, taking into account the individual's actual abilities, the needs of the labour market, and the spiritual and moral development of society. Social guarantees fundamentally transform people's way of life, giving it a new dimension grounded in humanism, justice, equal opportunities, and the advancement of general welfare.

The state is the principal provider of social security. The state and its institutions should be committed to addressing the pressing challenges of social policy. At the same time, the involvement of the

³² Gonashvili, V., Eremadze, K., Tevdorashvili, G., et al., *Introduction to Constitutional Law*, Meridiani Publishing House, Tbilisi, 2016, 109.

³³ Pirtskhalashvili, A., Kardava, E., Turava, P., *Handbook of Social Law*, Friedrich Ebert Foundation, Tbilisi, 2023, 58.

³⁴ *Ibid.*, 60.

³⁵ Petring, A., et al., *The Social State and Social Democracy*, Friedrich Ebert Foundation, Tbilisi, 2014, 8–10.

³⁶ Hofmann, R., *Sozialstaat, Verfassungsrecht I*, https://www.jura.uni-frankfurt.de/50079664/_-16-Staatsorganisationsrecht.pdf

³⁷ Pirtskhalashvili, A., Kardava, E., Turava, P., *Handbook of Social Law*, Friedrich Ebert Foundation, Tbilisi, 2023, 59.

private sector and the sharing of responsibility for social security may also play an important role.

The International Covenant on Economic, Social and Cultural Rights defines the social and economic rights of individuals while also establishing the scope of state action aimed at the realization of universally recognized rights. According to Article 2 of the Covenant, "Each State Party to the present Covenant undertakes to take steps, individually and through international assistance and co-operation, especially economic and technical, to the maximum of its available resources, with a view to achieving progressively the full realization of the rights recognized in the present Covenant by all appropriate means, including particularly the adoption of legislative measures."³⁸

The Preamble to the Constitution of Georgia clearly expresses the unwavering will of the citizens of Georgia to establish a social and rule-of-law state. However, a social policy articulated solely in the Preamble cannot, by itself, constitute a sufficient basis for the constitutional guarantee of a right. Prior to the legislative amendments of 2018, the Constitution did not contain an independent provision specifically devoted to the social state. If the Constitution of Georgia is examined in its pre-amendment form, it becomes apparent that, in addition to the Preamble, Articles 31–38 of the chapter on fundamental human rights and freedoms addressed the protection of social rights. According to Article 31, "The State shall take care of the equal socio-economic development of the entire territory of the country. In order to ensure the socio-economic progress of high mountainous regions, privileges shall be established by law."³⁹ This provision established a positive obligation of the state, although it did not clearly define the foundations of economic equality and social justice.

Following the amendments, Article 5 was specifically devoted to the principle of the social state and more clearly determined the scope of the state's obligations and sphere of action. Despite the inclusion of the principal components of the social state in Article 5, the Constitution does not provide a specific list of measures that must be implemented in order to further develop the social state. "Contrary to the constitutional tradition and its strong declarations, the Constitution adopts a minimalist approach toward social rights. This approach was further reinforced following the 2018 constitutional amendments."⁴⁰ State discretion therefore remains an important point of reference, while, in the context of human rights, the normative

basis for improving social conditions is clear and unambiguous.

At present, "the social state regulates the consequences arising from the exercise of freedoms guaranteed by the rule-of-law state, particularly the right to property, and provides appropriate compensation. The principal concern of the social state is the socially vulnerable and disadvantaged strata of society and the creation of opportunities necessary for their development."⁴¹

Germany may be regarded as one of the most appropriate examples of a modern social state and, at the same time, as one of the oldest welfare states in the world. In the Federal Republic of Germany, the implementation of social policy is based on the corporatist-conservative model and on its distinctive form of dual organization, in which the participation of both state and non-state agencies is institutionally defined.⁴²

In the long term, a large part of the German population has had a positive experience with the social state. Today, however, it faces a number of new challenges. Demographic change, unemployment, increasing public debt, ongoing globalization, and the costs of reunification have created difficulties for the social state and have generated proposals for reform. These proposals primarily emphasize the reduction of social-state benefits and a greater degree of individual responsibility.

The legislature is the principal addressee of the social welfare principle. Accordingly, subjective claims against the state cannot arise directly from the principle of social welfare itself. The social welfare principle depends, first and foremost, on its implementation by the legislature.⁴³

The German Basic Law, that is, the Constitution, clearly recognizes the principle of the social state. At first glance, however, even the Basic Law appears to provide relatively little concrete guidance as to what a "social" state actually is or, more specifically, what normative consequences follow from this "constitutional principle." In response to this difficulty, the principle of the "social state" derives its "meaning beyond its doctrinal content, in its own distinct symbolic substance."⁴⁴ In Germany, legislative practice has also revealed a certain tension between the principles of subsidiarity and solidarity. The principle of solidarity primarily involves supporting the weaker members of society. By contrast, the principle of subsidiarity requires those who are capable of helping

³⁸ International Covenant on Economic, Social and Cultural Rights, United Nations, Art. 2(1), <https://matsne.gov.ge/document/view/1483577?publication=0>

³⁹ Constitution of Georgia, Art. 31, version of 4 October 2013, <https://matsne.gov.ge/document/view/30346?publication=33>

⁴⁰ Arevadze, N., "The Principle of the Social State: The Practice of the Constitutional Court on Social Issues," 2021, 185, [https://constcourt.ge/files/4/7/%20JCL%20-%201-2\(2021\)%20-%20Arevadze%20GEO.pdf](https://constcourt.ge/files/4/7/%20JCL%20-%201-2(2021)%20-%20Arevadze%20GEO.pdf)

⁴¹ Natsvlishvili, V., Gvinianidze, L., Eristavi, K., Kashakashvili, N., Draft Constitutional Amendments on Social Rights,

prepared for submission to the State Constitutional Commission of Georgia, 2017, 22.

⁴² Koffas, S., "Social Policy in Germany: The Dual Model of the Social State", *International Journal of Social Work and Human Services Practice*, Vol.4. No.5 November, 2016, 111.

⁴³ BVerfGE 1, 97, cited in: Hofmann, R, *Sozialstaat, Verfassungsrecht*, https://www.jura.uni-frankfurt.de/50079664/_16-Staatsorganisationsrecht.pdf

⁴⁴ Heinig, H., *The Political and the Basic Law's Sozialstaat Principle— Perspectives from Constitutional Law and Theory*, Special Section The Hartz IV Case and the German Sozialstaat, *German Law Journal*, [Vol. 12 No. 11], 1888.

themselves to make an initial effort to do so rather than immediately relying on state assistance.⁴⁵

In Germany, the "Social Infrastructure" working group, together with researchers from the Institute for Economics, Labour and Culture at Goethe University, conducted a project aimed at examining and analysing public attitudes toward the social state and the processes associated with it. According to the researchers, the German Basic Law obliges policymakers to preserve the social state in several respects, while leaving its concrete form of implementation open. Socio-political debates encompass a broad range of objectives, including the prevention of poverty and the preservation of social peace.

An overwhelming majority of respondents in both eastern and western Germany, ranging from 73 to 95 %, considered the declared objectives of state social policy to be important. This clearly demonstrates the high value that the population attaches to the social state and, ultimately, the high level of its public acceptance, even where it is occasionally viewed critically.⁴⁶

The social state does not exist to assist those who are capable of helping themselves. In the context of social welfare, the objective of the state is to ensure the sustainable integration of all employable individuals into the labour market. The state provides support within the limits of its available capacities. Sustainable integration into the labour market cannot be achieved without individual responsibility and active participation.⁴⁷

"The need for a well-developed social state is more relevant today than ever before." The creation and preservation of structures based on solidarity constitute one of the most important tasks of society. However, the underlying framework has changed considerably over recent decades. The regulatory foundations of the social state in many countries, including, for example, Austria, originated in the previous century, at a time when individuals were considerably less individualistic than they are today. Consequently, the benefits and mechanisms of the social state should be linked much more closely to the circumstances and needs of the individual.⁴⁸

• The Essence of an Inclusive Economy and Its Relationship with the Objectives of Globalization and Industrialization

Over the two decades since the onset of the global financial crisis, the significance of inequality has increased considerably. Inequalities in wealth, income,

and security, both within societies and among states, have moved to the centre of attention. Although trends in income inequality may have moderated to some extent in certain countries, it remains unclear whether other dimensions of inequality, or the structural factors underlying them, have declined. While the idea of inclusive growth is critically important for the restructuring of the global order, the current narrative surrounding inclusive growth risks undermining its own potential. Although globalization is, in practice, a multifaceted and multidimensional process, the prevailing international narrative of inclusive growth continues to be driven by a relatively narrow economic strategy and tends primarily to privilege national conceptions of inclusiveness.⁴⁹ In recent decades, developing countries have sought to employ inclusive economic growth as a means of alleviating poverty and inequality. Significant reductions in poverty have been closely associated with rapid economic growth and have been driven by high growth rates in countries such as China, India, and Vietnam. There is no doubt that a certain degree of economic growth is necessary for poverty reduction and economic progress; however, growth alone is insufficient to ensure societal well-being. Economic growth does not guarantee that people will benefit equally or that income will be distributed fairly among social groups. Growth by itself does not produce an immediate reduction in poverty and inequality, and persistent disparities may threaten social cohesion and undermine the foundations of economic growth itself.⁵⁰

The classical development paradigm generally treats GDP growth as the principal prerequisite for achieving the social inclusiveness of economic development. However, although economic growth is a necessary and indispensable dimension of development, its dominance within models of the state and governance cannot ensure the creation of prosperous and equitable societies. Such an approach excludes both unpaid and informal activities undertaken within society, focuses exclusively on ex post redistribution rather than active ex ante participation aimed at addressing inequality, and relies on a neoliberal and capitalist framework that promotes market competition while reducing the role of the state. Such approaches may be economically advantageous, but they can also be socially destructive. As a result, a new concept has emerged that emphasizes the development of social inclusiveness and seeks to shift the focus away from GDP toward alternative

⁴⁵ Bullerjahn, J., Kralinski, T., Platzek, M., Wagner, R., Deutschland und sein Sozialstaat, Erfolgsgeschichte mit Zukunft?, Friedrich-Ebert-Stiftung, 40, <https://library.fes.de/pdf-files/bueros/sachsen-anhalt/20920.pdf>

⁴⁶ Glatzer, W., Schmid, A., "Wie stehen die Deutschen zum Sozialstaat?", Die soziale Sicherung in der Wahrnehmung und Beurteilung der Bevölkerung, Forschung Frankfurt 2/2010, 54-57, <https://bit.ly/4hQmZKz>

⁴⁷ Baden-Württemberg Ministerium für Wirtschaft, Arbeit und Tourismus, "Positionspapier Sozialstaat reformen", Unser Sozialstaat ist zu teuer, zu unübersichtlich und setzt oft die falschen (Erwerbs-)Anreize, <https://bit.ly/4oDbGYO>

⁴⁸ Haber, G., "Sozialstaat Herausforderungen in Zeiten steigender Mobilität", Perspektiven Integration, 2017, 13.

⁴⁹ Hay, C., Hunt, T., McGregor, A., "Inclusive growth: the challenges of multidimensionality and multilateralism", CAMBRIDGE REVIEW OF INTERNATIONAL AFFAIRS, 2022, VOL. 35, NO. 6, 888-914, <https://www.tandfonline.com/doi/epub/10.1080/09557571.2020.1784849>

⁵⁰ Mkrtchyan, T., Khachatryan, A., Ratner, S., "Measuring Inclusive Growth in Developing Countries: Composite Index Approach and Sectoral Transformation Analysis" Journal of Risk and Financial Management, 18(6), 336, 2025, 1, <https://doi.org/10.3390/jrfm18060336>

dimensions such as human well-being, quality of life, and the empowerment of vulnerable people.⁵¹

In recent years, the inclusive economy and inclusive economic growth have become increasingly prominent topics. These issues are discussed by international organizations such as the United Nations, the World Bank, and the World Economic Forum. Numerous interpretations of inclusive growth exist, but no universal consensus has yet been established. Among the approaches advanced by these international actors, the United Nations interpretation appears particularly comprehensive. It emphasizes equitable development with the equal participation of all segments of the population, ensuring that groups such as young people, women, older persons, and migrants also benefit from economic progress.⁵²

Inclusive growth becomes evident when people of all races, genders, and social backgrounds not only benefit from economic growth but also actively participate in shaping it. The failure to realize this opportunity has long constrained the economic potential of regions. The United States, for example, is undergoing significant historical and demographic changes. Failure to respond effectively to these changes poses a serious threat to regional economies, the country's overall prosperity, and its long-term resilience.⁵³

Economic growth has always remained at the centre of attention for both scholars and states. Ensuring the process of economic growth is regarded as one of the principal indicators of the success and competitiveness of national and global economic systems. The consolidation and deepening of the sustainable development paradigm have created a basis for reconsidering traditional approaches to economic concepts and phenomena. The academic literature identifies several categories of economic development, including sustainable, inclusive, and smart economic growth. Each of these reflects the broader concept of sustainable development; however, because of their specific characteristics, they are subject to different interpretations and possess distinct potential fields of application.⁵⁴

The Asian Development Bank defines inclusive economic development as growth that promotes the

balanced development of all sectors of the economy, expands productive employment, reduces income inequality and poverty, and ensures environmental sustainability. At the same time, it identifies three principal policy measures that play a critical role in the process of inclusive development: 1. promoting employment and high productivity; 2. strengthening essential social services, particularly education and healthcare, through adequate investment; and 3. establishing social safety nets and providing targeted interventions directed at vulnerable and impoverished segments of society.⁵⁵

The primary objective of economic inclusiveness is to improve quality of life and expand opportunities for self-realization for members of all social groups,⁵⁶ particularly those belonging to low-income groups. According to experts from the Organisation for Economic Co-operation and Development, achieving this objective requires a range of structural transformations. The unifying element of these transformations should be the creation of conditions in which accelerated productivity growth is accompanied by reduced income inequality and by the most favourable possible environment for "unleashing human creative potential."

The state is obliged to ensure the protection of human rights. Every measure undertaken in pursuit of this objective should be directed toward improving people's living conditions, eliminating poverty, and reducing income inequality.⁵⁷ Inclusive growth emphasizes the idea that people's futures should be determined by their participation and efforts rather than by their social origin. This approach contributes to the creation of a society in which development is based on merit and individual activity.⁵⁸

There is also a view that inequality is, in itself, a consequence of weak growth and that the redistribution of income across the social ladder can contribute to economic growth.⁵⁹ The challenge of increasing inequality may be addressed through the concept of "inclusive economic development." However, the precise meaning of this term remains ambiguous and continues to generate disagreement. Some specialists regard inclusive economic development as a means of promoting inclusiveness within the economy, while

⁵¹ Zhu, C., "Conceptualising and evaluating inclusive economic development: a productivityperspective", *Development Studies Research* 2022, VOL. 9, NO. 1, 2022, 219, <https://doi.org/10.1080/21665095.2022.2112729>

⁵² Askarova, A., Saddulaev, T., Radjabov, B., "Possibilities and challenges of inclusive economic growth in countries", *E3S Web of Conferences* 244, 10039 (2021), EMMFT-2020, 2, https://www.e3s-conferences.org/articles/e3sconf/pdf/2021/20/e3sconf_emmft2020_10039.pdf

⁵³ Donahue, R., Takeuchi, M., Briggs, X., Parilla, J., "The Invisible Infrastructure of Inclusive Economic Growth: Five Civic Capabilities for Regional Transformation", 2, <https://www.brookings.edu/wp-content/uploads/2025/06/the-invisible-infrastructure-of-inclusive-economic-growth.pdf>

⁵⁴ Voichuk, M., "Conceptual Approaches to the Definition of Inclusive Growth in the Context of Economic Development",

International Journal of New Economics and Social Sciences № 1(13)2021, 113.

⁵⁵ Ali, I., Son, H., *Defining and Measuring Inclusive Growth: Application to the Philippines*, ERD Working Paper Series, No. 98, Asian Development Bank (ADB), Manila, 2007, 3, <https://www.econstor.eu/bitstream/10419/109292/1/ewp-098.pdf>

⁵⁶ Grömling, M., Klös, H., "Inclusive Growth – Institutions Matter!", *Volume 54, 2019 · Number 3 · pp. 184–192*, <https://www.intereconomics.eu/contents/year/2019/number/3/article/inclusive-growth-institutions-matter.html>

⁵⁷ Kakhniashvili, N., "Inclusive Business Models and Georgian Reality," *Business and Legislation*, 2023, 113, <https://ojs.b-k.ge/index.php/bk/article/view/793>

⁵⁸ Agarwal, R., "Back to Basics: What Is Inclusive Growth?", 2024, 9, <https://www.imf.org/-/media/files/publications/fandd/article/2024/03/b2b0324.pdf>

⁵⁹ Chikviladze, N., "Inclusive Development of the Global Economy," *Business Engineering*, Nos. 3–4, 2024, 57.

others describe it as a source or model of economic development that prioritizes national needs and factors such as healthcare, education, and job creation. Other scholars use the term to describe a form of development that leads to economic growth benefiting those segments of the population that are particularly vulnerable to the consequences of rising income inequality, including wage stagnation and limited access to employment, even when the overall economy is expanding.

More generally, one of the traditional assumptions concerning economic development is that if a region focuses solely on growth, everyone will eventually benefit - in other words, "a rising tide lifts all boats." At the same time, there is an alternative view that greater emphasis on inclusiveness and equality can generate broader and more sustainable economic benefits.⁶⁰

"Economic growth may be regarded as a critical measure of a country's economic progress, while inclusive growth can be understood as a strategy designed to ensure that the overall outcomes of economic progress are broadly and equitably distributed throughout society. In other words, it seeks to achieve what society demands: the expansion of economic opportunities and the enhancement of public welfare."⁶¹ Research has defined inclusive economic growth as a form of development based on social participation - through the provision of employment, public safety, and social infrastructure - and aimed at achieving a balance between economic growth and social development. At the same time, it has been established that inclusive economic growth depends on a wide range of factors, including income inequality, the quality of human resources, environmental degradation, social development, the level of poverty, and industrialization.⁶²

• The Social State as an Important Component of an Inclusive Economy

"In the contemporary world, the state remains the only actor capable of performing the role of organizer of the transformation process involved in replacing an old economic model with a new one." Changes in the economic role of the state are directly related to the development of society and to policies concerning economic development.⁶³ "The principal objective of social policy is to ensure that every person, regardless of social status, is able to participate fully in public life.

The greater the number of people involved in public life, the stronger the economy and the greater the wealth created for the state."⁶⁴

"The social function of the state consists in determining, from a long-term perspective, the direction of society's social development and the means of achieving it. The idea of the social state involves the political and legal organization of social life on the basis of the principles of humanism, the creation of conditions for the development of civil society, and the performance of the function of social protection." For a welfare state, active state intervention in the economic life of society is necessary.⁶⁵

According to World Bank experts, inclusive growth represents a model of economic growth that encompasses: 1. the participation of all segments of society in the growth process; and 2. the broad distribution of the benefits generated by that process. Priority is given to policies that promote the fullest possible utilization and development of human resources.⁶⁶

The development of an inclusive economy as one of the country's principal policy priorities was first referred to in the Georgia 2020 programme, developed in 2013.⁶⁷ The development vision incorporated three important principles, one of which was "the implementation of an economic policy promoting inclusive economic growth, which implies the universal participation of the population in the process of economic development, including the diaspora, migrants, ethnic minorities, and other groups, as well as ensuring that every member of society benefits from economic growth, enjoys social equality, and experiences an improvement in living conditions."⁶⁸

As noted in the preceding chapters, the state is one of the most important actors in the formation of an inclusive economy. In this context, the state encompasses both the legislative and executive branches of government. The legislature is obliged to establish a legal framework that guarantees equality within society and social security, while the executive branch is required, on the basis of legislation, to develop effective measures that ensure the practical realization of the rights granted to individuals. The sphere of governmental action is not limited solely to the formulation of social policy; it must also recognize the participation of members of society in the economic

⁶⁰ Schmitt, A, Gutierrez, A, Hooker, S, "Inclusive Economic Development: Good For Growth And Good For Communities", JFF, 1-5, <https://www.jff.org/wp-content/uploads/2023/09/CA-IED-research-overview.pdf>

⁶¹ Kravishvili, G., Gogorishvili, I., "Research and Evaluation of Perceptions of Inclusive Economic Growth in Georgia", 2022, 151.

⁶² Kwilinski, A., Lyulyov, O., Pimonenko, T., "Inclusive Economic Growth: Relationship between Energy and Governance Efficiency", *Energies* 2023, 2511, 3, <https://doi.org/10.3390/en16062511>

⁶³ Bakhtadze, L., "The Place and Role of the State in a Transitional Economy: Transformation of the Economic Role of the State," *Economic Profile*, 2006, 33, <http://www.economicprofile.org/pdf/77d314d6b743e74da2dec8b193588f9d.pdf>

⁶⁴ Gvelesiani, S., "Social Policy in Europe: A Comparative Analysis," 2021, 58, <https://lawjournal.ge/wp-content/uploads/2021/11/Artikel-03.pdf>

⁶⁵ Shelia, M., *Social Policy*, Tbilisi, 2021, 7-30, <https://digitallibrary.tsu.ge/book/2021/july/books/shelia-socialuri-politika-salekcio-kursi.pdf>

⁶⁶ Gotua, G., "Inclusive Growth and the Capabilities-Oriented Approach," 2015, <https://bit.ly/4iqP7Ea>

⁶⁷ Shainidze, M., *Inclusive Economic Growth*, Tbilisi, 2020, 30.

⁶⁸ *Socio-Economic Development Strategy of Georgia - Georgia* 2020, 2013, 2, https://www.economy.ge/uploads/ecopolitic/2020/saqartvelo_2020.pdf

system as an objective in itself. At the same time, "international experience demonstrates that inclusive economic growth depends to a considerable extent not only on national development policy, but also on the effective planning and implementation of regional development policies and on the existence of strong and competitive regions."⁶⁹

Inclusive growth extends beyond traditional models of economic growth. While traditional economic growth is primarily focused on increasing the market value of goods and services produced, inclusive growth represents a broader perspective that combines economic expansion with greater equality in living standards. It takes into account such dimensions as labour-market participation, human capital, health, environmental quality, social protection, housing, food safety, and other relevant factors. From a practical perspective, the inclusive-growth paradigm considers not only how income increases over time, but also how to ensure that the benefits of such income growth are shared by the broadest possible segment of society.⁷⁰ According to the World Economic Forum, the framework for inclusive growth and development can be structured around several principal categories: 1. education and skills development; 2. employment and labour compensation; 3. asset building and private ownership; 4. financial intermediation of investment in the real economy; 5. basic services and infrastructure; and 6. fiscal transfers.⁷¹ Each of these categories contains a number of subcategories, the effective development of which constitutes an important prerequisite for the establishment of an inclusive economy.

The social state, in a certain sense, seeks to make the boundaries of social stratification less rigid. Eliminating inequality and social injustice within society is an objective shared by democratic, rule-of-law, and social states. "European social states share common values: freedom, labour, democracy, participation, and subsidiarity. Professor Peacock argues that the purpose of the social state is to teach people how to live without depending on it. Professor Tonese maintains that the social state is a type of society in which the government assumes responsibility for the economic, social, and political well-being of its citizens." A social state based on such a conception therefore becomes a fundamental basis for the formation of an inclusive economy.⁷²

The formation of an inclusive economy is not a short-term objective. In order for an economy to develop sustainably and inclusively, the relevant principles must first be constitutionally guaranteed, and public authorities must demonstrate a willingness to provide equal conditions and opportunities for members of society. Both the social state and the model of an inclusive economy are founded upon similar

values, with the participation of every member of society, the guarantee of a minimum standard of living, and access to adequate social conditions serving as their principal points of reference. However, a crucial consideration is that neither the state nor its social policy can fundamentally transform existing socio-economic conditions without the active participation of society itself.

• Conclusion

The concept of the social state represents not only a historically developed political model, but also one of the fundamental pillars of the modern democratic system, the purpose of which is to ensure the well-being of every member of society. The historical evolution of the social state demonstrates that its strengthening has always been closely connected with different stages of societal development, economic transformation, increasing inequality, and the need to improve people's quality of life. As a result of these processes, the principle of the social state emerged as both a legal and political category that obliges the state to create an environment based on equality, solidarity, and social justice.

In the modern era, under conditions of globalization, industrialization, and rapid technological progress, the role of the social state has become even more significant. The expansion of economic opportunities is accompanied by new challenges, including growing inequality, social polarization, poverty, and limitations arising from individuals' socio-economic status. Under such circumstances, market self-regulation alone is insufficient. Strong, targeted, and strategic state policy is required in order to support vulnerable groups, develop human capital, ensure access to essential services, and promote broad participation in economic processes.

The concept of an inclusive economy connects economic development precisely with these objectives. Its essence lies not only in achieving economic growth, but also in ensuring the fair and equitable distribution of the benefits generated by that growth. The principal objective of an inclusive economy is to ensure that the results of economic progress benefit not only specific groups, but all segments of society, including women, young people, ethnic minorities, residents of regions, older persons, and migrants.

The role of the state in these processes is decisive. Only under the conditions of an active and responsible state founded on the principles of social welfare is it possible to create an ecosystem in which social security, education, healthcare, and employment are accorded equal importance. The policies implemented by the state determine the extent to which a country's economy is capable not only of growing, but also of progressing in a sustainable and equitable manner.

⁶⁹ Ibid., 4.

⁷⁰ Hasmat, R., "The Paradigms of Inclusive Growth, Development and Welfare Policy", *Inclusive Growth, Development and Welfare Policy A Critical Assessment*, 2015, 3.

⁷¹ Samans, R., Blanke, J., Corrigan, G., Drzeniek, M., "The Inclusive Growth and Development Report 2015" World

Economic Forum, 2015, 8, https://www3.weforum.org/docs/WEF_Forum_IncGrwth.pdf

⁷² Stanek, V., *Social State as a Stratification System of Sustainable and Inclusive Growth*, *Economics and Management of National Economy*, *Economic Annals XXI*, 9-10(1)*2013, 24.

The experience of different countries, and particularly the German model of the social state, demonstrates that the effectiveness of social institutions depends not only on the legislative framework, but also on social attitudes, solidarity, and the active participation of citizens. The successful functioning of the social state requires both effective public policy and recognition of individual responsibility. Social protection does not imply passive dependence on the state; rather, it creates the necessary conditions for individuals to participate actively in social and economic life.

In light of the above discussion, it is clear that the social state and the inclusive economy are closely interconnected categories. The social state creates the necessary preconditions for economic inclusiveness by ensuring access to education, the protection of labour rights, social security, and minimum guarantees of participation in the economy. The inclusive economy, in turn, contributes to the practical realization of these principles by developing human capital, reducing inequality, and creating a more equitable model for the distribution and expansion of economic opportunities.

Consequently, the social state and the inclusive economy form a unified and interdependent chain. Without the social state, an inclusive economy risks remaining merely formal, while without an inclusive economy, the objectives of the social state cannot be transformed into tangible progress.

Therefore, within a country's development strategy, the strengthening of the social state should not be regarded solely as an element of social policy. It constitutes a foundation for economic modernization, democratic stability, social equality, and overall national progress. The constitutional and practical strengthening of the social state is an essential prerequisite for the development of an inclusive economy and, ultimately, for achieving the sustainable, equitable, and humane development of society.

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