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## The Place and Importance of Households in Economic and Social Systems

### Hane Halkının Ekonomik ve Sosyal Sistemlerdeki Yeri ve Önemi

#### ABSTRACT

The economy is a basic building block for both the individual and the society. Civilization has made progress thanks to economic power. Both Mesopotamian, Egyptian and Greek cultures owe their existence to their economic power as the basis of civilization. On the other hand a every age, in order to become an economic power, the household must first reach a certain level of development in terms of rights and freedoms. As a matter of fact, in Mesopotamia this situation was framed by the laws of Hammurabi. Like every civilization, the Egyptian civilization adopted a management approach and created its administrative mechanism accordingly. In Greek culture, this was discussed within the framework of democracy. The common feature of these three civilizations was that they guaranteed the interests of individuals and society with laws and a certain system. On the other hand, the essence of any system is to guarantee prosperity and security in society, on the one hand, and to protect the freedom of the economy and individuals, on the other hand. The welfare state is dependent on the market economy, as economic value creation forms the financing basis of the welfare state in the form of tax revenues and social security contributions. Today, the market economy depends on individuals' willingness to take risks because it increases society's ability to innovate. The welfare state also has the task of mitigating certain life risks and thus encouraging market economy behavior of society. In this study, what the state should do to maintain the level of welfare and development while controlling the interaction and exchange between companies and households is examined.

**Keywords:** Social Capital, Brain Drain, Democratic Impact, Household, Growth, Poverty

#### ÖZET

Ekonomi gerek birey gerekse toplum için temel bir yapı taşı özelliğine sahiptir. Medeniyet ekonomik güç sayesinde ilerleme kaydetmiştir. Gerek Mezopotamya gerekse Mısır ve Yunan kültürlerinin varlıklarını medeniyetin temeli olmasını ekonomik güçlerine borçludur. Diğer yandan ekonomik güç olabilmek için her çağda öncelikle hane halkının hak ve özgürlükler açısından belirli bir gelişmişlik seviyesine ulaşması gerektirir. Nitekim Mezopotamya'da bu durum Hammurabi kanunlarıyla çerçevelenmiştir. Her medeniyet gibi Mısır'da ise medeniyeti de bir yönetim anlayışı benimsemiş ve bu doğrultuda idari mekanizmasını oluşturmuştur. Yunan kültüründe bu demokrasi çerçevesinde ele alınmıştır. Bu üç medeniyetin ortak özelliği bireylerin ve toplumun çıkarlarını kanunlarla ve belirli bir sistemle garanti altına almış olmalarıdır. Öte yandan herhangi bir sistemin özü, bir yandan toplumda refah ve güvenliği garanti altına almak, diğer yandan ekonominin ve bireylerin özgürlüğünü korumaktır. Ekonomik değer yaratımı, vergi gelirleri ve sosyal güvenlik katkıları şeklinde refah devletinin finansman temelini oluşturduğundan, refah devleti piyasa ekonomisine bağımlıdır. Günümüzde ise piyasa ekonomisi, toplumun yenilik yapma yeteneğini arttırdığı için bireylerin risk alma istekliliğine bağlıdır. Refah devletinin de belirli yaşam risklerini hafifletme ve böylece toplumun piyasa ekonomisi davranışını teşvik etme görevi vardır. İşte bu çalışmada devletin firma ve hane halkı arasındaki karşılıklı etkileşimi ve alışverişini kontrol ederken refah ve gelişme seviyesinin korunması hususunda ne yapması gerektiği mercek altına alınmıştır.

**Anahtar Kelimeler:** Sosyal Sermaye, Beyin Göçü, Demokratik Etki, Hane Halkı, Büyüme, Yoksulluk

## 1. INTRODUCTION

In the twenty-first century, planet Earth faces the danger of a new war (World War III). The war to share scarce resources is on the verge of bringing about a destructive war never seen in history.

In previous world wars (World Wars I and World Wars II), central Europe was the main conductor and initiator of the war. However, today, a new world war, which gives signs in the form of sparks from time to time, has a feature that is more widespread and will cover all countries of the world. As a matter of fact, the Russian Federation on the one hand, and the People's Republic of China, Arab Countries, the USA, the EU, African countries, Iran, the Caucasus countries and the Middle Eastern countries, on the other hand, are all making war preparations with different methods and purposes. The countries of the world are busy sharpening their axes and teeth for a new war.

The main reason for these war cries is the question of sharing scarce resources. Therefore, the most realistic and rational way to prevent war depends on sharing these resources fairly and minimizing development differences as much as possible. In other words, the classification of developed, developing and underdeveloped countries or societies should be ended as soon as possible. Instead, a global economic and political understanding based on freedom, equality and fraternity for all needs to be supported and disseminated.

Otherwise, World Wars I and II. As in the World Wars, world states, especially the superpowers, have the power and potential to destroy everything. However, this was not profitable both economically and politically in the past and will now lead to catastrophic destruction. With this understanding, the main thesis of this article advocates that each country should focus on its own economic development and achieve this in the form of a peaceful and fair flow of resources, both nationally and globally, in the interaction between households and firms.

## 2. THEORETICAL AND CONCEPTUAL FRAMEWORK

Macroeconomic transformation in an economy consists of the circulation between households and firms. In this context, the better the situation of the household, the stronger this circulation or flow will be.

Inspired by the human blood circulation, in 1758, François Quesnay developed the first model of the macroeconomic economic cycle with his "Tableau Economique" and formulated the principle of economic laissez-faire, which stipulates that the economy should be subject only to the free play of forces. François Quesnay explained this as "Tableau de économique" and explained it by comparing it to the blood circulatory system. Accordingly, the strengthening of this circulation is defined as economic development.

Adam Smith followed in 1776. In his work "The Wealth of Nations", Smith based Quesnay's ideas on more solid economic foundations and enabled him to accept economics as a branch of science.

On the other hand, in the globalizing world economic and political system, countries are classified according to three main categories. These are respectively:

- Industrialized or developed countries
- Developing or threshold countries
- Underdeveloped or underdeveloped countries
- Why are there extremely high economic and social differences between countries?
- What could be the reasons for the vicious circle of underdeveloped countries caught in the underdeveloped countries and how can this situation be reversed?
- Why are concepts such as democracy, fraternity, equality and freedom perceived differently in every society?

## 3. RESEARCH QUESTION

The research questions of this study are formulated as follows:

## 4. RELATIONSHIP BETWEEN ECONOMIC DEVELOPMENT, EDUCATION AND HUMAN CAPITAL

Households are consumers of the economy. They offer their labor, land and capital to companies. In return, companies pay them in the form of revenue. Businesses use household labor to produce and sell consumer

goods to households. The freedom and prosperity of the household constitute the main source of the development of that country (Zeit, 2024).

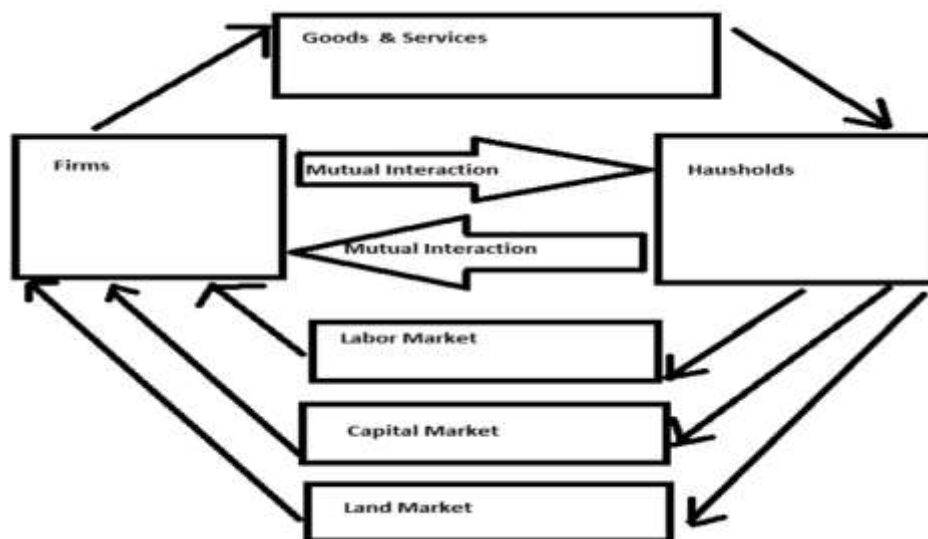


Image 1. Mutual Interaction Between Households and Firms

The position, wealth and investments of businesspeople in a country are indicators that that country has long-term trust and a stable economy.

Table 1. Countries, Businesspeople and Wealth Accumulation

Country	Businessperson	Company	Fortune
France	Bernard Arnault & family	LVMH Moët Hennessy – Louis Vuitton SE	\$226.6 Billion
USA	Jeff Bezos	Google	\$198.4 Billion
USA	Elon Musk	SpaceX	\$195.3 Billion
USA	Mark Zuckerberg	Meta	\$170 Billion
USA	Larry Ellison	Oracle	\$145 Billion
USA	Larry Page	Google	\$136 Billion
USA	Waren Buffet	Berkshire Hathaway	\$120 Billion
USA	Bill Gates	Microsoft	\$119 Billion
Afghanistan	Haji Ghulam Ali Wahdat	Wahdat Group, mining, construction, and transportation	\$1.1 Billion

Source: (Eurostat, 2024).

Education is the raw material of the knowledge society on which the innovative capacity of national economies depends. Because the development and production of complex, technologically advanced goods and services with high efficiency is unthinkable without an adequate level of general education (Kılınç & Alpago, 2021).

Table 2. Rating as Quality of Education Level

Country	University	Ranking
UK	University of Oxford	1
USA	Stanford University	2
USA	Massachusetts Institute of Technology	3
USA	Harvard University	4
	Princeton University	5
USA	California Institute of Technology	6
USA	University of California, Berkeley	9
USA	Yale University	10
Afghanistan		7001

Education has always been considered an important factor in the economic development of a country. Kuznets underlines the connection between education and economic growth. Kuznets emphasizes the important role that education plays in shaping the economic development of nations. Kuznets views education as an investment in human capital that expands an individual's knowledge, skills, and abilities. By obtaining education, individuals increase their productivity, which leads to an increase in overall economic output (Forbes, 2024). Education equips individuals with the necessary skills to adapt to technological developments and encourages innovation and entrepreneurship (ORF, 2024).

**Table 3.** GDP, Population and Unemployment

Country	GDP	Population	Unemployment (%)
USA	\$26 Trillion	339,996,563	4
China	\$18 Trillion	1,409,700,000,000	5
Japan	\$5 Trillion	123,294,513	2
Germany	\$4 Trillion	83,294,633	5
Afghanistan	\$120 Billion	43,073,147	14

**Source:** (OXFAM, 2024).

As seen in the table above, the unemployment rate in Afghanistan is 14%. This rate only includes men. 53% of Afghanistan's population is women. Since women in the country are not included in the labor market, they have a passive role in the economic circulation. If women were also counted as unemployed in the country, real unemployment in the country would be over 50 percent. As a result, when at least 50% of the country's population is inactive, the country is in a constant vortex of poverty and economic underdevelopment (Eurostat, 2024).

Afghanistan's population is roughly 34 million. 15 million of them are men; 14.2 million of them are women. Approximately 22% of Afghan people are urban and the remaining 78% live in rural areas. As part of local tradition, most women marry as soon as they finish high school. Many live as housewives for the rest of their lives (Alpago, 2022).

Essentially, in countries with little history, the main problem is not a shortage of capital or raw materials. The main problem is that households are restricted nationally and internationally in exercising their democratic rights. Since the household is thus deprived of the rights that have a great impact on the economic and social development process, it cannot demonstrate its full performance, and thus its contribution to the labor, capital and land markets remains lower than others. To continue with the Afghanistan example, women are almost absent or ineffective in the labor, capital and land markets, primarily because their participation in economic and social life is extremely restricted. Considering that women throughout the world have generally been restricted throughout history due to prejudice and widespread social norms and that they do not have de facto equal rights, it can be seen how extreme this situation has reached for women in countries such as Afghanistan (The World Factbook, 2024).

This situation is valid for all underdeveloped countries and regions. In other words, their education levels are low and their universities have the lowest ratings internationally. In this case, manpower is not well trained here. In this respect, it becomes irrelevant which administration it is governed by. What is important is the extent to which the welfare and future of the household is evaluated. As a matter of fact, Afghanistan was ruled by the Taliban regime, supported by Russia (USSR), the USA and Arab countries. Since the main goal of all of these forces was their own ideological and political priorities rather than the welfare of the household, the country could not overcome its bad luck and become prosperous (Alpago & Oduncu Alpago, 2021).

## 5. CONCLUSION

The ultimate goal of positive science, art, politics and economy is to increase the welfare and quality of life of people and societies. However, as a result of the approach of people based on a system that sees each other as prey, just like in the animal kingdom, provoked by individualism and extreme competition from sharing scarce resources, constant war and domination based on power prevails locally, nationally and globally.

The first thing that needs to be done for this is to conduct studies that call people to happiness and mercy, instead of scientific articles and perspectives based on profit maximization and cost minimization. We hope that this study will be a starting point and motivation for its readers.

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