

## Some aspects of comparison of efficiency of the socio-economic market systems (on the example of Sweden and Germany)

The comparison of socio-economic systems according to the economic effectiveness and their economic capability in the global environment were disclosed. The main issues of the development of a socially oriented economy on the example of Sweden and Germany were analysed. Restructuring process which is being determined by the globalisation laws is disclosed in the article.

**Socio-economic system, socially-oriented economy, global environment, market economy, transformation process, endogenous or exogenous factors**

Doing research on modern trends of the development of the world economy it is possible to come to the conclusion that the world economy tends towards restructuring process which is being determined by the globalisation laws. In other words it tends to the unique neo-liberal model of transformation of national economies. In the interpretation of leading specialists in globalization process, such model acquires the more simplified type. It is based on the advantages of market economy being free of regulation, on individualism and self-regulation. They are sure that exactly in such a form market economy can become the basis for the most effective system of management.

The experience of transformation of national economies shows that in this process there are two crucial constituents: an exactly outlined social model of development and strengthening of the mobilizing influencing of the state which acquires the function of adaptation of society to the model. Although Ukraine has declared the course on developing a socially oriented market economy, unfortunately, adheres to other standards. For more than a decade of independence the process of forming the socio-economic system of market type in our country remains spontaneous, rather uncontrollable and conceptually indefinite.

Regardless, social bipolarity of the world is no longer the basis to classify countries (particularly their division into communist and capitalist), there is a necessity in subsequent research of the structure of socio-economic systems for the revelation of most effective. In this context the task of modern science is to formulate principles of such national model of development, introduction of which would provide high economic efficiency, social stability and decisiveness of the system in relation to a global environment. The generally proven index of the economic effectiveness is expressed in the growth of Gross Domestic Product (GDP). The data analysis of economic growth shows that the socially oriented economies ingrain those tendencies as for other developed countries (in particular the USA). The tendencies are: recurrence of development, caused by endogenous or exogenous factors. Growth rates of GDP in the USA, Germany and Sweden in the period from 1950s to 1980s were approximately in one phase of cycle. In the mid 70th all economies were staggered by the crisis which caused falling of growth rates of GDP and unemployment.

Relative falling of GDP rates at the beginning of 70th in Sweden and Germany could be explained by the changes of the state of affairs of the world market. The changes were predefined by the monetary policy of the American government: the war in Vietnam was

financed by the government of this country by additional emission and, as a result the dollar quickly devalued itself. In export-oriented countries such as Sweden and Germany, the currency revenue grew but their purchasing power in the world market had grown short almost three times. Except for it, the noted countries in a large measure depended on the import of oil.

The measures which were undertaken by socially oriented countries of Western Europe had an immediate effect. They were not always justified from the point of view financial viability because of orientation on the temporal stabilizing of economic development. Particularly, in Sweden the volumes of debt obligations were intentionally (with the purpose of forming of resources for structural alteration of economy) grown in the first years of the crisis, also due to the external loans. That afterwards resulted in the negative consequences in reduction of scales of investment, growth of budgetary deficit and decline of competitiveness. However, due to the introduction of new currency policy, currency limitations on the basis of law on floating rates and the planned devaluation of national currency, and also realization of structural alteration of economy led the economic development of country on a new level saving its social orientation. The government was able to provide the macroeconomic stabilizing, using immediate regulative measures.

Germany succeeds also, not yielding principle of social guarantees, due to purposeful actions in the field of currency relation changes in export-import policy and effective control after inflation and budgetary deficit, to pick up thread the rates of development at the level of beginning of 60th. In 1990 they already were 4,5%, while in the USA - 1% against 4,6% in 1960s.

Consequently, during the years of the world crisis of 1970th the countries with socially oriented principles benefited because of the value of development motivation, and the state interference was an essential (and effective) constituent of functioning of the society.

The opposite side of the active social policy is constantly growing expenses of the state which according to the supporters of the restrictive regulation worsen the bases of economic efficiency. However the data analysis of economic development shows that a direct dependence does not exist between the expenses of the state, volumes of state deficit and rates of the economic growing. The fluctuation of macroeconomic indexes is not directly connected with the budget expenses in the social sphere. Vice versa, transition of Sweden from the phase of economic recession and to further stagnation, from the end of 1970<sup>th</sup> – to growth, by the Swedish economists [3, pp. 284-285] was explained by the increase of volumes of state investments into the structural modification of the economy and support of enterprise. Payments were multiplied from a budget on retraining of labour force and introduction of the programs of social work.

In this period the policy of Germany was similar, except for that circumstance, that the economic model did not need transformations. That is why additional expenses from the budget were directed to the support of the subjects of foreign economic activity.

On the other hand development of social sphere creates possibilities for the receiving of education that, in its turn, is upgrading labour force and improves the structure of social production. In 1960<sup>th</sup> German researchers paid attention to the failings in organization and financing of social infrastructure which negatively influenced the economic development of Germany. And the decrease in the economic growth appeared due to undeveloped system of education. As a result the government worked out the program of reformation of education which foresaw the increase of the state financing in this sphere [2].

Analysing the policies of Germany and Sweden, it is possible to come to conclusion that the governments of these countries were not concentrated on the support of proportions between growth of GDP, budgetary deficit and expenses and this, on the whole, had no negative consequences for development of economy.

In Germany volumes of GDP, beginning from 1980<sup>th</sup> grew, and in Sweden remained stable even during the process of structural changes in the economy. Expansion of the state functions under the condition of keeping up the market freedom is absolutely necessary in any society. This is due to the complicated socio-economic process i.e. a great number of essential problems which appeared in a society, can not be effectively solved on the basis of purely market mechanisms. Particularly, in any country the state has the function of defence (and guardianship) of national interests in the global environment, providing of internal social stability as major pre-condition of development.

State interference can be carried out with the help of three methods: regulatory, as in the USA, where the state regulates economic activity by macroeconomic levers or legislative acts; redistributive, as in Sweden, where the state carries out the redistribution of national product for the sake of support of production and society and at the same time creating the specific stimulant environment for development; *direct authority*, as in Japan, where the state administration of economy is the leading factor of the development. Together with that, the modern model of the state foresees the defence of competitive relations because the market mechanisms of self-regulation provide the achievement of high level of efficiency of social reproductive process, and the state is provided with the resources of greater volumes.

Taking into account two similar types of social market economy like Sweden and Germany, which demonstrate advantages of economic efficiency, flexibility and steadfastness in relation to the global environment, we will make attempt to specify the reasons of their classification accordingly: as a country of "democratic socialism" and a country with the "social market economy". Alongside with the already acknowledged and generally accepted determination of parameters of two models; social market economy of Germany and Swedish model of democratic socialism, it is worthwhile concentrating on the approach of their classification. The approach is applied in characterizing differences between these models. In particular, the German model can be called as the model of economic growth, the Swedish model stands closer to the model of social development. Consequently we may conclude that according to their objectives the two models are different in their social policy.

The model of social market economy pays an enormous attention to the support of competition environment as the basis of economic power of the state. It is proved by the law on prohibition on limitation of competition, accepted by Bundestag of Federal Republic of Germany in 1957, unofficially named as "basic law for the social market economy" [1]. In order to support competition environment the German government developed numerous and complex laws. Together with that the German model is based on that ambush, that the market system can easily lose competition character, if it is not supported by exogenous nonmarket force. The internal competitiveness of the German economy is considered to be the main condition of competitiveness on the world market.

The viability of the Swedish economy depends foremost on the activity of the state, which has the function of forming the rational economic policy, development of enterprise, financing of structural alteration that foresees the support of export-oriented productions in order to strengthen their competitiveness in the external environment. The aim of state institution in Sweden is to provide a high level of welfare of citizens. In Germany social policy has a derivative character and financing of social sphere depends upon the successes of the economy. At the same time the social guarantees in this country are considered as a basic principle of the organization of society. In Sweden problem of development of social sphere is solved at the constitutive level and the range of social guarantees are considerably wider than in Germany. Similarly the level of welfare is higher.

The main characteristic of the development of socially oriented societies is that the social functions of the societies are differently distributed among the state, civil society and enterprise sector. For example, in Germany social funds which give funding are related to

functioning of labour market. They are formed due to the payments of workers and entrepreneurs who manage them jointly. But the principles of their formation and usage take the legal shape and consequently the state carries out the total control. But the state has no right to use the facilities of these funds. Thus, public welfare in the field of employment is carried out due to the subjects of this sphere. It foresees their partnership and responsibility. The peculiarities of the system include pension payments which are in direct dependence on the level of profits and level of employment [5] (the amount of social payments is in straight proportional to the amount and number of the social payments taken from these funds). And the guarantees of social protection are given mainly at the expense of the funds of insurance of workers.

The state budget finances the social needs (about 25%) which do not influence the success in economic development but are considered to be socially important. The social needs include the sphere of education, culture, science and the like. And only in the case when social institutions are formed on the basis of labour-market and fail in executing their functions the state temporally takes over this function.

Basic sources for a budget are taxes and incomes from the functioning of the state sector of economy. The state sector in Germany has no privileges in comparison with the sectors based on other ownerships: competition is basic principle of the functioning. The German model of active social policy is different from the Swedish in which the state acts basic part in financing of social expenditures using for this purpose the facilities of the budget of central government as well as subnational budgets.

The Swedish model of social guarantees is the element of policy of welfare and provides equal access to the social welfare to all members of the society. Payments from the state funds of social protection are complemented by payments from the private funds formed due to voluntarily payments. Considerable part of the finance which is at the state's disposal is formed due to taxes that in Sweden are 60% (40% are for the entrepreneurs). Redistributive character of financing of social sphere is based on the principle of social solidarity, according to which levelling of profits is in the society by the redistribution of economic resources from most well-to-do to the least well-to-do groups.

The common consequences of the use of the two different models of social guarantees actually have identical parameters: both forms of socio-economic system are effective and provide the high level of the economy growing and welfare of citizens. But their positive influence on the social representation in its economic part is carried out by different means. Foremost the method of organization of social sphere is reflected on the functions of the state. In particular, in the German model the state comes as an inspector and arbiter in relation to an economic sphere. It constantly observes the set rules. And the main rules are the support of competition and forbiddance of monopolization.

The Swedish model fully deprives the state these anxieties as any consequences of monopolization are levelled by the redistributive policy. That is why in Sweden there are many unions of monopolists. They have a considerable part of social production are able to compete with world producers.

The sufficient level of social guarantees in both countries brings down the problem of unemployment and the demand on labour force more grounded. That is positively reflected on the labour productivity. In his time the chancellor of Federal Republic of Germany H. Schmidt underlined that the German economic model was successful due to an important factor – "social peace" [5, p. 214]. Not taking into consideration such index as economy of working hours due to absence of strikes it is important to notice that the German form of social protection stimulated the processes of economy of labour (both by introduction of technical innovations and in-plant training of workers) and co-operation in the sphere of management to maximize profits. "Due to the economic advantages got from it "the social

institution" converts the German economy into a machine which generates the economy growth and consequently employment itself." [5, p. 214].

In Sweden a social policy of forestalling is used in this industry. It is directed to forming of rational structure of employment. With this aim there are special programs being developed to train people in accordance with the forecast changes in the structure of production. It should be noted that these changes as well as the changes in the structure of labour-market are initiated and controlled by the state. That is why the results of functioning of the Swedish and German models are similar.

Making the conclusion we can see that the comparison of socio-economic systems according to the economic effectiveness gives the possibility to analyse their economic capability. The number of the most successful countries includes the countries that correspond to certain criteria of social orientation and state regulation.

And that is why the most important issues that arise for the modern science is the formation of the basis of national economic model of development which will guarantee social stability and welfare of a society.

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В статті розкриваються деякі аспекти порівняння ефективності соціально-економічних систем відносно економічній ефективності та їхній економічній спроможності в рамках законів глобалізації. Аналізуються основні питання розвитку соціально-орієнтованої економіки на прикладі Швеції та Німеччини. Також розглядаються питання процесу реструктуризації економічної системи, яка визначається глобалізаційними процесами.

В статье раскрываются некоторые сравнительные аспекты эффективности социально-экономических систем относительно экономической эффективности и их экономического потенциала в рамках законов глобализации. Анализируются основные вопросы развития социально-ориентированной экономики на примере Швеции и Германии. Также рассматриваются вопросы процесса реструктуризации экономической системы, которая определяется процессами глобализации.