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Peculiarities of Economic Models in Countries with Different Economic Performance

The article is devoted to economic diagnostics of economic models in countries with different economic performance. While economic growth, macroeconomic equilibrium and balanced social policy are priorities at country level, gaps in the economic performance of countries still exist and widen. This calls for further theoretical search for effective tools for economic diagnosis of economic models, to bridge performance gaps, which determines the relevance of the research topic. Retrospective analysis of economic performance and transformations in some regions of the world leads to the conclusion that distribution of economic resources is largely conditional on the institutes. The analysis shows that economic models are path dependent, being integrally linked with the specifics of political systems and goals set at a given historical era; strong and weak sides can be found in each economic model irrespective of the significance of administrative and market mechanisms in it; an essential tendency of global economic development is its cyclic nature, entailing growths and recessions in the global economy.

Keywords: economic performance, economic model, economic growth, economic system, transformations, fluctuations.

Problem setting. Sustaining of economic growth, macroeconomic equilibrium and balanced social policy are priorities at country level. Given the existence of theories and methodological developments in this field, the economic performance in many countries is still low. A theoretical model cannot be strictly identified at country level because of sector specifics of national economies, overlooked in the theory. Gaps in the economic performance of countries require further theoretical search for effective tools for economic diagnostics of processes at country level, raising the importance of studies in the field.

Review of latest studies and publications. Uneven economic development of countries is a central problem addressed by studies on economics and statistics. Of the authors analyzing economic models at country level through the prism of comparative economics, S. Djankov, E. Glaeser, R. LaPorta, F. Lopez-de-Silanes, A. Shleifer should be mentioned.

The article's **objective** is to diagnose the peculiarities of economic models in countries with different economic performance, in the globalization context.

Results. Macroeconomic statistical analysis dates back from W. Petty, an English economist, scientist and philosopher. In his treatise "*Verbum Sapienti*" (1664), he published aggregated national accounts (indicators) for real estate and labor income, population and labor contribution, stocks of capital (fixed assets).

Scientific works of Petty used the inductive approach, which explains global processes by means of quantitative methods. Representatives of the political arithmetic school made emphasis on solutions for political problems, assessment of economic performance and statehood processes in England and Wales.

The role of W. Petty as the pioneer of macroeconomic assessment is in the constructed system of national accounts and demography. Petty's statistical estimates were believed to be applicable for effective control over tax policies and mobilization of resources in times of war between England and Holland (1664–1667). Petty proposed the method for aggregating material and human capital, and used technical tools for analysis of economic growth [1].

A central thesis of Petty is that a small country with small population can be equal, in terms of welfare and power, to a one with much higher population residing on a large territory.

The population of France was 13 million, whereas in the two Dutch provinces, Holland and Zealand, there were 1 million people. However, the Dutch merchant navy was nine fold

larger than the French one. Dutch exports were four fold higher than the French ones. Interest rate in Holland was half of the one in France. The same case was with foreign assets, which Holland possessed, contrary to France [1].

The Dutch economy was highly specialized, and a major share of foods was imported. The Dutch army consisted of mercenaries in times of war, with the workforce concentrated in most productive sectors. High density of the population in cities, good ports and internal river ways reduced transport and infrastructure costs, thus decreasing prices for government services and the required stocks.

Advocates of the political arithmetic in 17 century were well aware of the importance of the institutes, which could be clearly seen in the Netherlands. Religious tolerance pushed the inflow of skilled workers in the country. Proprietor rights were clear and transparent, being transferred by registers. The effective legal system and the reliable bank services supported the business enterprise sector. Although the taxes were high, spending was taxed in the first place, which inclined population to saving rather than spending; consumption was, therefore, reasonable, and labor was intensive.

It was statistical assessment that allowed W. Petty to demonstrate to English authorities that the Netherlands can be considered as a model of economic performance.

In the contemporary rapidly changing and globalizing world, analysis of peculiarities of national economic models and economic growth has developed into a separate field of economic studies, the comparative economics. Once the socialist system collapsed, the traditional comparative economy came to the end, to be replaced by the new comparative economy focused on comparisons of the performance of formal and informal institutes in various countries.

The need for transformations in the socialist economic systems occurred because the accumulated incomes had been used to equalize economic indicators, thus making impossible to invest in production assets due to the lack of investment resources.

The failing effort to increase productivity of the socialist economy caused economic decline compared with stable economic models in the West. Given the existence of some collective property (housing or infrastructure), the property status of the population was poor due to the equalizing system. Efforts to employ market mechanisms to increase the welfare were an essential reason behind transformations in socialist countries, with the consequent collapse of the publicly significant social protection system.

As a consequence of neoliberal reforms launched by post-socialist countries, their economies stuck in the transitional zone of economic development. The early phase of market-based transformations performed too badly: the declining GDP, the shrinking share in global trade, loss of traditional markets due to poor competitiveness, transnationalization of national economies. These trends overlapped with the formation of mixed economy, the increasing openness of economic system and democratization of political offices. Yet, as J. Tobin (Nobel Laureate in Economics in 1981) argues, the market capitalism generates inequality overshadowing its democratic values; the basis for inequality cannot be eliminated without flexibility and effectiveness of capitalist economies, which calls for redistribution through the fiscal system [2]. The subsequent crisis of 2008–2009 revealed the exposure of opened post-transformational economies to global imbalances and asymmetries.

The next phase of global transformations began at early 21 century, with informational and political crisis of 2001–2002; the events of 11 September 2001 laid the new fundament for the global political and economic model, which was accompanied by technological crisis, ecological catastrophes and food problem.

In spite of the supposed stability, this phase finished in 2008–2012 with the grave financial and economic crisis of the global scale; it marked the end of the industrial model of the global economic system.

Economic diagnostics of national economic models implies that a national economic system can be presented as a vector changing in n-dimensional economic space (the time), which allows for determining various dimensions in the compared systems, to find the coordinates for each system. These coordinates can be set in quantitative form, with economic growth or decline measured by GDP over time. Also, the coordinates can be set in qualitative form in case of proprietor rights, business climate, perception of happiness etc. Each economic system is, therefore, represented by the set of parameters by which it can be compared with any other system, once the dimensions of space and time are fixed.

When an economic system is seen as the vector, it will enable for indentifying its dynamics and probable trajectories of its future development. It should be noted that from broader perspective of economics space and time is n -dimensional and unlimited, but from narrower perspective, at each phase of economic development and in economics assessments, it will have limitations. The limitations for n are as follows: scales and complexity of an economic system; the knowledge about an economic system; the causality of the system's parameters.

The system of coordinates, covering the whole economic system, can be applied to subsystems and meta-systems (attitudes to personal incomes, corruption, proprietor rights, religion etc. will be similar in groups of countries and in their regions). Therefore, the totality of economic systems located in a given space and time makes up the single organism with the single system of coordinates and the single (but not identical) tendencies in the economic life (see Figure below).

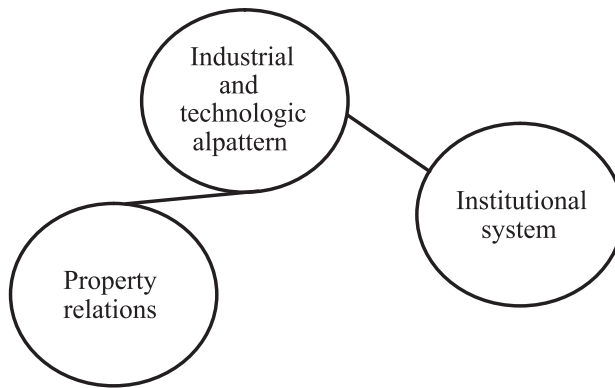


Figure. The operative mechanism of economic system

As fluctuations in a system, including the economic one, act as driving forces for development, their analysis is a necessary phase in studying the development of a national economy. Fluctuations can be divided into external and internal ones. Classical scientists, when analyzing the national economy, used to abstract from either external (K. Marx or J. Schumpeter) or internal (L. Walras or A. Marshall) influences.

It could be explained by the peculiar subject of their studies: thus, the study of economic equilibrium implies lack of internal stimuli to change, while the study of trends in the society involves analysis of its internal forces. Nowadays, with the awareness that the equilibrium is an instant in the economic process, it has become clear that external and internal factors have implications for a national economy [3].

The less diversified is the economy, the higher is its sensitivity to fluctuations, and the lower is its stability. All other things being equal, the similar correlation occurs for the country's territory: the larger is the territory, the lesser is the country's sensitivity to fluctuations. However, the dependence between the economic diversification in a country and its territory is nonlinear. The highly diversified economy and the large territory of a country are capable to increase its economic stability to a limited extent. Once it is reached, another process occurs: a national economy seeking to produce the increasingly larger scopes and assortments of goods gradually turns into the closed one, with its subsequent collapse from within, because the stability per se gradually develops into stagnation. The same applies to the territory: too large territory makes a country less controlled and more exposed to fluctuations.

The internal fluctuations refer to fluctuations in output (including the output of innovation products), incomes, demand, supply, prices, interest rate, cereal yields, investment, rate and mass of profit, lending terms, share prices, numbers of enterprises (including large ones), competition, speed of information and monetary flows.

Large numbers of economic fluctuations imply that there cannot be one source or driving force for development. It follows that one factor cannot explain the development trend. Each process is driven by the specific set of great numbers of causally linked fluctuations.

Conclusion. Economic models are path dependent, being integrally linked with the specifics of political system and the goals set at a given historical era. Strong and weak sides can be found in each economic model, whatever the significance of administrative and market mechanisms in it, and each has been implemented in practice in its due time, because there are no models with the stable balance of market and administrative mechanisms. An essential tendency of global economic development is its cyclic nature, entailing growths and recessions in various sectors of global economy.

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Особенности экономических моделей в странах с разным уровнем экономического развития

Стаття присвячена проблемі економічної діагностики особливостей розвитку моделей національних економік країн, відмінних за рівнем економічного розвитку. На основі аналізу етапів становлення окремих регіонів світу зроблено висновок про суттєву роль інститутів у розподілі економічних ресурсів. Водночас важливою закономірністю світового економічного розвитку є його циклічний характер, що неминує спричиняє відповідні підйоми і спади у різних секторах світової економіки.

Ключові слова: економічний розвиток, економічна модель, економічне зростання, економічна система, трансформації, коливання.

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Статья посвящена проблеме экономической диагностики особенностей развития экономических моделей стран с разным уровнем экономического развития. На основе анализа этапов становления отдельных регионов мира сделан вывод о существенной роли институтов в распределении экономических ресурсов. Вместе с тем, важной закономерностью мирового экономического развития является его циклический характер, что неизбежно влечет подъемы и спады в различных секторах мировой экономики.

Ключевые слова: экономическое развитие, экономическая модель, экономический рост, экономическая система, трансформации, колебания.

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