

**Macroeconomics**

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**MECHANISM OF FORMATION  
OF SOCIALLY ORIENTED  
NATIONAL ECONOMY<sup>1</sup>  
IN THE DEVELOPED COUNTRIES**

**Abstract**

The mechanisms of formation of socially oriented national economy as a basis for raising of living standards is considered. The analysis of the main elements of mechanisms of socially oriented national economy in the developed countries is conducted. The conclusions, concerning complementarity of the market relations mechanism as well as mechanism of state economic policy in order to solve the given problem are performed.

**Key words:**

Mechanism of socially oriented national economy, living standard, market relations.

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<sup>1</sup> Term is chosen to depict the level of national economy orientation to provide the social development.

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## **Introduction**

State regulation can't deprive society of all negative developments, not all the state line of activities courses the social welfare. In the foreign economic literature, «market failures» and «state failures» are considered in detail, in other words, the impossibility of these mechanisms to solve one or other questions. The fact of such «failures» existence tells us that not any state economic policy can course the formation of socially oriented national economy. As François Mitterrand noticed, there is a need to harmonize the interests between the market and state authorities [1: 11]. Consequently, it is necessary to investigate the propulsive forces, by means of which the order of socially oriented national economy can exist. Lots of native and foreign scholars suppose that the market performance and state economic policy are the propulsive forces of society development as a whole and economy in particular. This thesis requires confirmation through the empirical analysis of formation of mechanisms of socially oriented national economy in the foreign developed countries.

### **1. Formation of socially oriented national economy as an interaction of market relations and state economic policy in terms of developed countries**

Inasmuch as in every country the nature of two mechanisms interaction concerning formation of socially oriented national economy has its peculiarities, there are lots of variants of mechanism. Let's consider the peculiarities of socially oriented national economy formation in different countries.

Whereas the economic policy, which is carried out in economically developed countries is considered in the literature, the question about the elements of state influence on economy, which are compulsory for the formation of socially oriented national economy for the purpose of application of experience in case of Ukraine.

Inasmuch as the order of socially oriented national economy is characterized by the high level of living standards, the countries of this type of national economy include countries with market economic systems, and state influence.

European countries, Canada, USA and Japan correspond to the mentioned criterion. Statistical data of these countries is the basis of investigation.

Formation of socially oriented national economy in all investigated countries is carried out by means of two types of mechanisms – mechanism of market relations and mechanism of state economic policy realization. The influence of those mechanisms on the social welfare is considered in some scientific works [2; 3; 4].

In economic literature, which considers the problems of formation of socially oriented national economy, as exemplified by certain developed countries, it is concluded that state influence on the market relation can be carried out subject to the social and economic peculiarities of the country. Socially oriented national economy in each country has its own peculiarities, as a consequence of differences in the social and economic conditions of its formation [3; 4; 5]. As a result, it is necessary to classify the countries with socially oriented national economy according to characteristics, which depict the main differences. The conducted analysis of approaches to the classification has shown that the last ones are based on the peculiarities of the market institutional structure, in particular, social, legal and political conditions, where the market relations are functioning. On our opinion, it is connected with the fact, that the economies of the investigated countries are market-based, and the market laws are the same for all countries, whereas, the state economic policy, which influence on the creation of market institutional structure, has its own peculiarities in every country. That is why the classification of the countries with socially oriented national economy is possible according to the social standard of living or according to the main characteristics of the state economic policy.

There are lots of qualitative and quantitative indicators which characterize the state economic policy [4; 6; 7; 8; 9; 10]. In our investigation, it is appropriate to give the general characteristic of the degree of state influence on economy, in other words, to show the means of state influence on market relations and their regulation. Such characteristic is introduced in Table 1, it is based on the most well-known qualitative and quantitative indicators of the state activity. At the same time, we paid attention to the classification, offered in the scientific work [4].

Germany, Austria, Belgium, Netherlands, France, Italy, Spain, Greece and Portugal belong to the Western European model of socially oriented national economy. American model of socially oriented national economy includes Great Britain, Ireland, USA, and Canada. Scandinavian model includes Sweden, Finland, Denmark, and Japanese model includes Japan.

According to the table data, the lowest degree of state influence is observed in the countries of American model of socially oriented national economy, where the GDP ratio, which is redistributed through the state budget and extrabudgetary funds is less than 50 %, nearly 10 % of population is employed in state sector, lots of social functions are available in the business sector. It is connected with the high level of private ownership, high buying capacity of citizens and their level of income.

Table 1.

**Characteristic of the degree of state influence on the economy  
in conditions of socially oriented national economy in 2000–2008**

Characteristics	Model of socially oriented national economy			
	Western European	American	Scandinavian	Japanese
Choice between the support of full employment and stimulation of production efficiency	Orientation on full employment	Orientation of production efficiency	Orientation on full employment	Orientation of production efficiency
Peculiarities of the social safety system	Extensive network of social partnership	Most of social functions are performed by the business sector	Active state social policy	Extensive network of social partnership
GDP ratio, which is redistributed through the state budget and extrabudgetary funds, %	55–60	40–50	60–65	50–55
Ratio of the employed population in the state sector, % of able-bodied population	8–10	9–10	15–20	9–10

Source: at the basis of [4; 6; 11; 12].

A special feature of Scandinavian model is the highest level of state influence on economy, where the budget system annually redistributes 60–65 % of GDP, state sector comprehends 20 % of employed population, and social functions are exercised by the state. By means of state budget, the high level of social needs is provided. Western European and Japanese models of socially oriented national economy are in-between position according to the level of state influence on economy.

The interrelation between the qualitative and quantitative characteristics of state influence on economy is obvious. The bigger the amount of social obligations the country takes upon itself, the bigger necessity of the high level of state influence on economy occurs.

The problem of determination of the level of state influence in one or the other economic conditions is debatable and attracts attention of lots of modern scholars [5; 13; 14]. On our opinion, it is necessary to consider it from the perspective of human wellbeing (Table 2).

*Table 2.*

**Indicators of the human wellbeing in the countries  
with socially oriented national economy in 2000–2008**

Indicator	Model of socially oriented national economy			
	Western European	American	Scandinavian	Japanese
Per capita GDP, US dollars	32474,3	40286,8	40200,3	33632
Minimum wages for a year, US dollars	15170,0	10712,0	24984,0	11027
Average expected life-span, years	79,94	79,68	79,75	82,30
Human Development Index, UN methodology	0,949	0,959	0,962	0,960

Source: based on [11; 15; 16; 17].

To evaluate the level of human wellbeing, we use the most popular indicators, which are published annually by the international organizations, for example, European Bank for reconstruction and Development. As it is shown in the table 2, the most exact connection between the level of state influence and human wellbeing is observed by means of such indicators as Per capita GDP and Minimum wages for a year. For example, in the Scandinavian model, where the level of state influence on economy is the highest, the minimum wage for a year is more than 25 000 of Us dollars, that 2,5 times larger than corresponding indicator for the American model.

Such indicators as human development index and average expected life-span enables to conclude that in all developed countries, irrespective of the level of state influence on economy, the high level of human wellbeing is reached. It is noticed that there is a positive connection between the level of state influence on economy and possibilities to put aside the differences in the levels of personal income. Gini index is one of the lowest in the developed countries of Scandinavian model, and according to the data from the World Bank, equals to 25,0 in Sweden, 26,9 – in Finland, 25,8 in Norway, 24,1 in Denmark. At the same time, the explosion between the ratio of expenditures, connected with food consump-

tion in the poor and the rich incomes is less than 5 % in these countries [18, 31]. Actually, the more incomes go into budget, the bigger costs are taken by the state from one category of citizens (as a rule, the richest citizens) and given to the poor proportion of population.

High level of the state influence on economy in conditions of socially oriented national economy enables to reach the higher level of wellbeing for the disadvantaged population. This conclusion does not mean increasing the wellbeing only by virtue of redistribution process. As it is known, the GDP redistribution in the budget system depends on the existed level of human wellbeing.

Market relations enable to form the additional incomes of the state (for instance, incomes from state entrepreneurial activity), which amount nearly 10 % of GDP [11; 19]. But the increase of this indicator courses the reduction of state possibilities, concerning formation of socially oriented national economy, inasmuch as the level of state influence on economy will be excessive.

Redistribution process of the country is not the principal while formation of the socially oriented national economy, inasmuch as it depends on the overall level of human wellbeing in the country. Therefore, the state influences on the production structure and competitive environment at the market, and as a result, on the human wellbeing, because it provides the basis for the provision of private goods and incomes for the majority of employed population. Thus, the state economic policy, which forms the socially oriented national economy, has two main directions: fulfillment of state social obligations, and influence on the production structure and market competitive environment.

## **2. Influence of the state economic policy on the production structure and market competitive environment in conditions of formation of socially oriented national economy**

In developed countries the main task of state influence on production structure and market competitive environment is preservation of competitive situation at the market and orientation at the consumer goods production. Inasmuch as the productive structure is oriented at the production of consumer goods, at the same time it is oriented at the interests of population.

Up to the middle of 1950-s the biggest part of labor resources was involved to the agriculture. In 1950-s the number of people, involved in manufacturing exceeded those who worked in the agriculture. The second radical change in the structure of employment of population was in 1970-s, when the ratio of those who work in the sphere of service was the highest. The mentioned tendencies are also observed nowadays. Service sector in the structure of produc-

tion is dominant (70–80 % of GDP). The main part of products of this sector belongs to such kinds of economic activity as food services, education, health service, social work as well as financial, insurance and realtor services. The second contribution into the GDP of the countries with socially oriented national economy (20–30 %) is industrial sector, which consists of process industries (nearly 15–20 %) and mineral industry (nearly 5–10 %). Agricultural sector's contribution into the GDP is not big (2–3 %) [11; 20]. Non-material production is the main sphere of employment and investment pattern; it is the paradigm of modern and future economic development. The potential of development of post-industrial society is infrastructure, housing sector, services sector, setup for production.

In spite of differences in the level of state influence on developed countries economy, the main features of productive structures are similar. The most noticeable differences between the production structures in the countries with socially oriented national economy are observed only in sectors, which produce social goods. In the countries of Western European and Scandinavian model, the production volume in the sector of educational, health and other social services exceeds 20 % of GDP, in American model, where the level of state influence on economy is minimal, this indicator equals to 16 % of GDP [11; 17]. The absence of sharp differences in the production of private goods and means of production is connected with the influence of market relations on the production structure in conditions of socially oriented national economy.

Production base of some developed countries (USA, Japan, Great Britain, Germany, and France) is partially introduced in the developing countries. That part of basic production assets, which is in the territory of the countries with socially oriented national economy is regularly renovated, but not expanded sharply [21].

The main methods of competitive market environment regulation as well as productive structure in the developed countries together with the traditional events of antimonopoly policy are: stimulation of small business development (mainly through the benefits in the taxation system and simplification of the accounting procedure); credit accommodation on favourable terms; state investments into the infrastructure.

Lots of modern native and foreign economists studied and evaluated the development trends of small business in different countries with socially oriented national economy and in Ukraine [18; 22]. We may say that small and medium-sized enterprises exercise a number of important social economic functions such as: provision of employment, solution of problems concerning poverty, creation of middle class, innovations support, etc. It is necessary to admit that small and medium-sized enterprises are the system-formed element of the process of formation of socially oriented national economy, inasmuch as the development of non-monopoly entrepreneurship enables to increase the competitiveness of market environment and consequently, enhance the orientation of production on the consuming interests of population. The main features of small and medium-sized enterprises are given in the Table 3.

Table 3.

**Main features of small and medium-sized enterprises in the countries with socially oriented national economy in 2000–2008**

Indicator	Model of socially oriented national economy			
	Western European	American	Scandinavian	Japanese
Number of small and medium-sized enterprises per one thousand inhabitants	40	60	45	40
Ratio of employed at small and medium-sized enterprises ( % of total number of employed population)	60	50	75	65
Contribution of small and medium-sized enterprises into the GDP, %	60–65	50–55	65–70	60–65

Source: at the basis of [15; 11].

In lots of developed countries more than a half of GDP is created at small and medium-sized enterprises. Small and medium-sized enterprises offer working places for more than 50 % of people, involved into economy. It means that small business in conditions of socially oriented national economy is a sufficient part of state economic system.

Comparing the indicators of small and medium-sized enterprises in the developed countries we can observe a number of trends. In the countries with the minor level of state influence, a substantial quantity of small and medium-sized enterprises is created, by virtue of them nearly 50 % of GDP is formed. But inasmuch as the created small and medium-sized enterprises are inclined to «microenterprises» (with the number of people - less than 10 and relatively small capital costs), the activity of the majority of them belongs to such sectors of economy as trade, services and construction. Some sectors of industry such as transport and agriculture in this case are represented by big and medium-sized enterprises.

In the countries with higher level of state influence on economy there are additional ways of stimulation of small business development. They are: concessional lending, preferential tax treatment, assistance in personnel development etc. By virtue of the mentioned above, in the countries of Western European and Scandinavian and Japanese models, the small enterprises with the bigger num-



ber of employed population and higher capital costs functions in comparison with the countries of American model.

In all countries with socially oriented national economy one of the main tasks of state economic policy is support of agricultural production, namely foodstuffs for population. In the table 4, we can see data for state support of the agricultural sector of economy in the countries with socially oriented national economy.

*Table 4.*

**Public expenditures on the agricultural sector support in the countries with socially oriented national economy during 2000–2008**

Public expenditures on the agricultural sector support	Model of socially oriented national economy			
	Western European	American	Scandinavian	Japanese
% of value of production	62–67	18–20	65–70	65–68
% of GDP	1,8	0,9	1,5	1,6

Source: on the basis of [15; 11; 17].

In the countries with high level of state influence on economy, the country handles financing of production of nearly 60–70 % of agricultural products, in other words, 1, 5–1, 8 % of GDP. Those expenses enable the producers of agricultural products to speed up production more than twofold. Whereas, the production of foodstuffs is the most important component of human wellbeing, the country plays a significant part in its increase.

In the countries of American model the country performs the smaller volume of expenses, which influence on the market competitive environment and economic productive structure. The country handles financing of 18–20 % of agricultural production, which is 3 times smaller than in the countries of other models of socially oriented national economy. The country appropriates only 0.9 % of GDP towards such results. .

We can also observe the interdependence between the level of state influence on economy and the amount of public expenses on production support and consumption of some products, taking into consideration another important component of human wellbeing, namely: residential space and housing and public utility services. In all investigated countries, the state appropriates resources in the amount of 1 % of GDP for rent allowance and housing and public utility services for the needed families. In spite of the fact that these public expenditures are social transfers, in point of fact those means are directed to the pro-

ducers in the sector of housing and utilities infrastructure. Thus, the needs concerning foodstuffs and residential space are one of the main components of human wellbeing.

The developed countries paid a special attention to those goods. Stimulation of production of other private goods, necessary for consumers in conditions of socially oriented national economy is carried out by means of indirect methods, such as provision of additional benefits for those enterprises which invest into the development of productive and human capital assets (Table 5).

Table 5.

**Tax benefits for enterprises in the countries with socially oriented national economy in 2008**

Taxes		Model of socially oriented national economy			
		Western European	American	Scandinavian	Japanese
company in-come tax	Ordinary rate, %	38,2	32,1	30,1	37,5
	Average effective rate, %	32,5	–	–	33,1
GDP	Ordinary rate, %	18,3	15,3	23,8	5
	Average effective rate, %	10,5	10,1	18,7	–

Source: on the basis of [11; 15; 17].

In every country with socially oriented national economy, there is a special order, concerning tax abatements provision, or tax recoupments from business profits, concerning investment objectives. Therefore, the average effective rate of enterprises income tax in all these countries is less than the ordinary rate of this tax.

Tax benefits with GDP improve the general conditions of economic management for science-driven and highly technological branches of industry. In the Table 5 we can see that in all countries with socially oriented national economy there is a GDP differentiation, which reduces the average effective rate of this tax. The ordinary GDP rate is on the average of 19 % in Western European, American and Scandinavian models of socially oriented national economy and

the average effective GDP rate is only 13 %. It shows the spreading of tax benefits with GDP that increases the profitability and competitiveness of the corresponding sectors.

By virtue of tax rates on goods differentiation, which differ by the criterion of social significance, GDP exercises the social economic function quite successfully, providing so called «social fairness» while distributing the tax burden between the different layers of population. The usage of other tax rates, except ordinary and zero rates enable to carry out regulated tax policy and at the same time, reduce the budget losses in comparison with the situation when the product is VAT exempt or assessed by the zero rate (Table 6).

Tax benefits only a little bit correct the productive structure, inasmuch as while stimulating the structural transformation by means of taxes, the expansion of production occurs, as a consequence, the price on products reduces. To conduct the large-scale structural transformation, the successive reduction of tax costs and tax on profit is necessary. In other words, the reduction of tax rates is not urgent until today, because such policy can course the considerable budget losses in the developed countries. The reduction of tax rates in future will be coursed by the structural changes in the tax policy and tax management, directed on the expansion of the taxation base.

Table 6.

**Reduced rates on certain groups of goods and services in the countries of Western European model of socially oriented national economy<sup>1</sup>**

Countries with social oriented national economy	Groups of goods and services						
	Food-stuffs	Tickets to the cultural establishments	Hotel services	Water services	Children's wear and footwear	Electricity	Natural gas
Germany	7,0; 16,0 <sup>2</sup>	7,0	7,0	7,0	–	–	–
France	5,5; 19,6 <sup>2</sup>	5,5	5,5; 19,6 <sup>2</sup>	5,5	–	5,5; 19,6 <sup>2</sup>	5,5; 19,6 <sup>2</sup>
Italy	4,0; 10,0	10,0	10,0	10,0	–	10,0	10,0
Spain	4,0; 7,0	7,0	7,0	7,0	–	–	–
Netherlands	6,0	6,0	6,0	6,0	–	–	–
Greece	8,0	4,0	8,0	8,0	–	8,0	8,0

Notes: 1. Source: [23, 224]. 2. Ordinary rate.

It is obvious, that if the investment activity of the private investors is low, the large-scale changes in the productive structure can not be conducted only by means of granted tax benefits. Some productions can not be expanded for the private investors, whereas their development requires considerable investment expenditures, as it is occurred while railway building, hydroelectric power stations, aircraft technician etc. It is necessary to supplement the private investments into the industrial purpose projects by the state investments.

The main objects of state investment in the countries with socially oriented national economy are those basic production assets and objects of infrastructure, which are unattractive for the private capital whereas in this case, the reliability of displacement of private investment expenditures by means of state ones is reduced [24]. In developed countries there are joint investment projects between the state and private investors. At the same time, the state defines the priority orientations of economic development, after that, the state handles financing of investments together with the private investors [25].

Thus, in conditions of socially oriented national economy the main trends of state influence on the productive structure and market competitive environment are defined by the traditional measures of the state antimonopoly policy as well as stimulation of investment processes by virtue of granting the tax benefits to the investors and direct state financing of some private goods production. It is necessary to admit that the volumes of state investment are bigger, if the level of state influence on economy is higher.

### **3. State social obligations in conditions of formation of socially oriented national economy**

The obligations of the state to carry out certain social costs are the essential part of its economic policy in conditions of formation of socially oriented national economy, inasmuch as by virtue of them, the human wellbeing increases as a consequence of social goods utilizing, such as educational services, health services, etc. Also it is possible to increase the material wellbeing of incapable and disadvantaged population.

In the countries with socially oriented national economy the state social obligations include such categories of state expenditures as social transfers (retirement benefits, assistances etc), expenditures, connected with the production of social goods (education, health protection, science, culture, etc), as well as state investment expenditures, connected with the social and infrastructure purpose projects [26; 25, 17–61. 49–65].

Social transfers enable to provide the minimal assured level for unemployed population, which amount 2–10 % in the countries with socially oriented

national economy, pension payments for the retired persons, the number of which is 12–20 % of the general population, as well as maintenance allowance for children, which amount to nearly 20 % of the population. Production expenditures and distribution of social goods, which are often calculated as expenditures for state final consumption is exercised in the form of state production organization, social credits granting for social goods using, as well as granted state investments to the facilities intended for social needs [11; 25; 26; 27]. The mentioned expenditures expand the production of social goods to the corresponding level, which courses the increase of human wellbeing, and as a consequence, living standards.

Countries with socially oriented national economy make a contribution into the production development of such social goods as educational services, health services, and scientific researches. From 70 to 80 % of expenditures, connected with health protection are government funding, as well as 65–95 % of expenditures, connected with educational services and 30–60 % of expenditures, connected with scientific researches (Table 7).

Table 7.

**Source of some social goods financing in the countries  
with socially oriented national economy in 2000–2008**

Expenditures, connected with production of social goods		Model of socially oriented national economy			
		Western European	American	Scandinavian	Japanese
Total expenditures, connected with the production of social goods, % GDP	Health protection	9,8	10,5	9,0	8,1
	Education	5,4	6,1	6,3	5,0
	Scientific researches and developments (R&D)	1,7	1,9	2,8	3,4
State expenditures, connected with production of social goods, % GDP	Health protection	7,2	6,8	7,3	6,6
	Education	4,9	4,8	6,0	3,3
	Scientific researches and developments (R&D)	1,1	0,7	0,9	1,0

Source: on the basis of [11; 16; 17].

In spite of the fact, that the defined expenditures, connected with social goods production are exercised by the private entities in conditions of socially oriented national economy, it is necessary to underline that the state contribution into the improvement of human wellbeing by virtue of social goods production exceeds the analogical contribution of private economic entities. In the Table 7 we can see that for the developed countries with high level of state influence the bigger part of state expenditures in the total expenditures connected with the social goods production is specific. In the countries with socially oriented national economy and minor level of state influence on the education, health protection and scientific researches and developments the bigger their part in the total expenditures is paid by means of non-state sources (Table 8).

Table 8.

**Characteristics of the main state social obligations  
of the in the countries with socially oriented national economy  
in 2000–2008**

Indicators	Model of socially oriented national economy			
	Western European	American	Scandinavian	Japanese
Amount of paid social transfers (% of GDP)	27,4	23,5	31,7	22,4
State expenditures connected with production and distribution of social goods (% of GDP)	13,0	13,1	19,8	12,7
State expenditures connected with real investments (% of GDP)	2,6	2,5	2,9	2,5

Source: on the basis of [11; 16; 17].

The amount of social obligations in different countries with socially oriented national economy is within 35–55 % of GDP. The biggest amount of social obligations is observed in the countries with high level of state influence on economy (Scandinavian model). The minimum amount – in the countries of American model with the lowest state influence on economy. But in spite of these differences, the social obligations in any developed country are considerably high.

Provision of social obligations is occurred by virtue of system of incomes redistribution in the society, the immensity of this redistribution system is closely connected with the level of tax payers' wellbeing.

In the noted countries, there are three main forms of social expenses: storage system (the source of meeting expenses is insurance premiums of economic entities); system of social crediting and system of social guarantees (source of financing is the current state incomes) [26; 28, 7–13].

Analysis of the main features of storage systems in the investigated countries shows that the indicators of employee's contributions broken down by the countries with socially oriented national economy are essentially different (Table 9).

*Table 9.*

**Employee's contributions broken down by the countries  
 with socially oriented national economy in 2000–2008**

Indicator	Model of socially oriented national economy			
	Western European	American	Scandinavian	Japanese
Insurance aggregate contributions, % GDP	15,8	6,0	13,1	12,5
Mean level of insurance aggregate contributions sideways the worker, % of salary	12,3	6,3	7,2	7,0
Mean level of insurance aggregate contributions sideways the employer % of salary	21,4	8,3	15,3	7,0

Source: on the basis of [11; 16; 17].

In the countries with high level of state influence in economy (Western European and Scandinavian model of socially oriented national economy) the high social dues are used, especially for employers (21,4 % and 15,3 %), by means of them, the insurance funds are formed in the amount of 13–16 % of GDP. For the countries with not so high level of state influence the minimal amount of social dues, which is formed by means of workers and employers with low rates (6–8,5 % of salary). Social insurance contributions are compulsory.

Unlike the European countries, where the main part of this contribution is paid by the employer, in Japan the contribution is divided equally.

Drawing an analogy between the data of Tables 8, 9, we can observe that insurance funds, which are formed in the developed countries by means of employable population and enterprises-employers constitute the less ratio of GDP than actually paid state social transfers. The introduction of insurance system in pension and medical provision only in restricted measures promotes the formation of socially oriented national economy, inasmuch as it does not handle financing of all social obligations.

Together with the storage system of social transfers' provision, it is necessary to involve the additional costs to perform the social transfers in conditions of socially oriented national economy. Those transfers can be in the form of social credit or on the social guaranteed basis.

The source of social transfers financing, which are non-refundable in the state budgetary system is tax revenues. The conducted analysis of the developed countries budgetary systems has shown that to carry out the social obligations, it is necessary to distribute the budgetary system incomes in such a way that the biggest share of revenues falls within the central level of budgetary system (Table 10).

Table 10.

**Specific weight of tax revenues in the budgetary system of countries with socially oriented national economy in 2008**

Specific weight of tax revenues in the budgetary system	Model of socially oriented national economy			
	Western European	American	Scandinavian	Japanese
Central budget	41,3	59,4	60,4	38,4
Social insurance funds	40,2	13,7	21,3	38,0
Regional and local budgets	18,5	26,9	18,3	23,6

Source: on the basis of [11; 16; 17].

The main article of the budget revenues in the developed countries is tax revenues and social obligations and thus their distribution inside of budgetary system corresponds to the state distribution of incomes, where the most influential element is central budget, with the ratio of 40–60 % of total revenues. The central level of state management gets nearly 80 % of the total tax revenues and social dues; the regional and local budget gets only 20 % of all tax revenues.



The absence of the rational system of budget revenues equalization reduces the effectiveness of tax and budgetary systems, creates tension between the center and the regions as well as so called «rich» and «poor» regions, deepens the differentiation in the levels and rates of their development, influences on the increase of explosion between the living standards in different regions of developed countries. Quality and quantity of services offered to the inhabitants of different territories remains still differentiated and becomes a factor of social instability increase in the society. One of the methods to solve this problem is usage of the system of inter-budget transfers on the basis of improved evaluation of regional tax potential, which enables to conduct interregional «social equalization».

Thus, is the national level of management gets the biggest fraction of revenues; it has the biggest influence on the economy of the country and handles financing of the essential part of social obligations.

Immensity of tax system in conditions of socially oriented national economy directly depends on the amount of total social obligations of the country. That is why in the developed countries with not so high level of state influence on economy (American model countries) the total tax revenues are 30 % of GDP, in the countries with high level of state influence (Scandinavian model countries) – nearly 50 % of GDP.

To provide the social obligations the country needs to have stable revenue from taxes. To form the socially oriented national economy, the tax system, based on the stable tax system is needed, whereas only in this case, the government revenues will not be sensitive to the sharp changes in time. The structure of tax revenues in the developed countries is shown in the Table 11.

*Table 11.*

**Specific weight of tax revenues in GDP in the countries  
with socially oriented national economy in 2008**

Specific weight of tax revenues in GDP	Model of socially oriented national economy			
	Western European	American	Scandinavian	Japanese
Tax revenues	41,5	33,48	49,1	30,8
Tax on individual income	14,6	13,2	27,1	13,9
Corporate income tax	4,5	4,0	3,7	4,3
Property tax	4,7	4,1	2,9	4,2
Consumption tax	16,5	12,2	18,0	14,1

Source: on the basis of [11; 16; 17].

The most important sources of tax revenues in the countries with socially oriented national economy are taxes, connected with personal (nearly 60–80 % of tax revenues). Such situation is possible only in conditions of high level of human wellbeing, which is specific for the countries with socially oriented national economy. Whereas, those incomes are connected with the satisfaction of the main needs of the public, they are the most stable tax system. To provide the rational distribution of tax burden on the different products, according to the consumers' qualities, as well as relative equation of price pressure on different groups of population, depending on their level of income, the GDP ratios and personal income tax together with the tax benefits are differentiated in all developed countries. Taxes with the less stable tax system in conditions of socially oriented national economy are the complemented sources of government revenues (Table 11).

Tax systems analysis of the developed countries showed such regularity: the more differentiated the system of tax charges is, the biggest ratio of tax revenues is formed by virtue of «rich» tax payers and the more complicated the process of calculation of tax is. The less differentiation of tax system, the main advantage of which is the simplified taxation system, as a rule courses the fact, that the main part tax revenues of the country is formed by means of the taxpayers' money of the middle class of population.

## Conclusions

Analysis of the global experience concerning formation of socially oriented national economy enables to make the following conclusions:

- formation of socially oriented national economy in the developed countries is the result of interaction between the market relations and state economic policy. By virtue of peculiarities of state economic policy, which can be estimated as a level of state influence on economy, there are some differences between the countries and different models of socially oriented national economy;
- the role of the market relations mechanism while determination of socially oriented national economy is in provision of welfares production, necessary for consumers, as well as formation of employed population profits;
- the role of the state economic policy mechanism is in provision of human wellbeing increase in the cases when the market does not provide it, it is showed up in: a) influence on the productive structure and market competitive environment, b) fulfillment of social obligations of the country;

- market relations and state economic policy will supplement each other by the mechanisms of formation of socially oriented national economy only in the case, if the state influence will be directed on the regulation of such phenomena as monopolization, and negative social effects and the market basis will not be destroyed.

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