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## PREREQUISITES OF THE SOCIAL MARKET ECONOMY FORMATION

### ПЕРЕДУМОВИ ФОРМУВАННЯ СОЦІАЛЬНОЇ РИНКОВОЇ ЕКОНОМІКИ

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A market economy is one of the most widespread economies in the world, has demonstrated its effectiveness in comparison with the non-market forms of the economy regulation, primarily with the command-administrative form of management. However, the market economies have periods of crisis that cover almost every country in the world. The market economies also have different levels of productivity and, accordingly, different levels of living and social protection for the population. Highly developed market economies with high levels of welfare and population equality have been called social market economies or welfare economies. In different historical periods, different countries of the world have become leaders in the level of the population's welfare in a market economy. This was facilitated by economic reforms of various directions. Therefore, the study of the prerequisites of the social market economy formation is relevant, develops economic theory and allows to find ways to improve existing models of a market economy in countries around the world that seek to improve the efficiency of the economy and improve population's living standards.

#### Analysis of recent research and publications

Various models of the social market economy were researched by many scientists, such as Miuller-Armak A. [1], Riustov O. [2], Ropke V. [3], Erkhart L. [4], Atkinson A.B., Sohaard Ya.I. [5], Anders N. [6], Mur H. [7], Stukalo N.V., Symakhova A.A. [8], Meshkun L.M. [9], Muzychuk I.V. [10], Fertnikova T.M. [11], Baldzhy M.D. [12] and others. In scientific researches the social market economy concept was gradually formed, the directions of the market economy improvement were developed. Common and different characteristics of different models of the social market economy, a welfare state were investigated. The criteria for determining a social market economy were determined.

#### Used aspects of the problem

Although scientists pay much attention to the experience of building a market economy in the most developed countries around the world, they have developed a classification of the market economy models, but there is no clear answer to which of the

*Кравченко О.А. Передумови формування соціальної ринкової економіки. Науково-методична стаття.*

Уточнено поняття соціальної ринкової економіки. Визначено взаємозв'язок понять соціальна ринкова економіка, ефективна економіка, економіка добробуту. Здійснено порівняння особливостей функціонування різних моделей соціальної ринкової економіки. Побудовано модель важелю відповідальності держави і людини за добробут населення в системі соціальної ринкової економіки. Зроблено висновки щодо критеріїв ефективності передових економік. Визначено напрямки удосконалення економіки України на шляху до побудови соціальної ринкової економіки. Сформульовано передумови формування соціальної ринкової економіки в країні. Результати дослідження теорії і практики побудови соціальної ринкової економіки можуть бути використані на макроекономічному рівні при розробці соціально-економічної політики розвитку країни.

*Ключові слова: ринкова економіка, соціальна економіка, економіка добробуту, скандинавська модель економіки, континентальна модель економіки, ліберальна модель економіки, макроекономічна політика.*

*Kravchenko O.A. Prerequisites of the Social Market Economy Formation. Scientific and methodical article.*

The concept of social market economy has been clarified. The relationship between social market economy, efficient economy, welfare economy is defined. The features of functioning of different models of social market economy are compared. The model of the lever of responsibility of the state and the person for the welfare of the population in the system of social market economy is constructed. Conclusions have been made regarding the performance criteria for advanced economies. The directions of improvement of the Ukrainian economy on the way to building a social market economy are determined. The prerequisites for the formation of social market economy in the country are formulated. The results of the study of the theory and practice of building a social market economy can be used at the macroeconomic level in the development of socio-economic policy of the country's development.

*Keywords: market economy, social economy, welfare economy, Scandinavian model of economy, continental model of economy, liberal model of economy, macroeconomic policy.*

market economy models is more successful, which should be guided in the construction of the social economy in the country. The social economy concept is constantly being improved, and the welfare economy concept has emerged, which requires an additional definition of these concepts interrelation. The social market economy functioning mechanism has not been sufficiently explored. There is no definitive answer to the question what are the prerequisites of the social market economy formation in countries where it is not yet available or fully implemented.

*The aim of the article is to clarify the social market economy characteristics, to determine the concepts relationship of "social market economy", "effective economy", "welfare economy", to determine the peculiarities of different functioning models of the social market economy, formulating the prerequisites for the social market economy formation in the country.*

### **The main part**

Fundamental bases for the study of social economy in market conditions were laid in the first half of the twentieth century, and continued after the Second World War in the Federal Republic of Germany by world-renowned scientists A.Miuller-Armak (Müller-Armack A., 1946), O.Riustov (Rüstow Alexander, 1949), L. Erhard [4]. The first steps to protect the interests of low-income individuals were made in Germany in 1883 – unemployment benefits, in 1884 – accident insurance at work, in 1910 – compulsory pension insurance [9]. The first steps to protect the interests of low-income individuals were made in Germany in 1883 – unemployment benefits, in 1884 – accident insurance at work, in 1910 – compulsory pension insurance [9]. Now these means of the population's protection and support exist in almost all market economies.

"The social market economy concept" was introduced in Germany in 1946 by the scientist A.Miuller-Armack (Müller-Armack A. 1946), who defined that social economy is based on ensuring economic freedom for all participants in market relations to guarantee the best opportunities for comprehensive economic growth. Further, O. Riustov (Rüstow Alexander 1949) described the social economy as a successfully functioning market economy with a subsidiary component and some degree of restriction of competition to ensure ethical and social ties. The German economist L. Erhard examined in detail the social economy functioning mechanism, determined that the social economy takes place only in the circumstances when it provides economic progress, increase productivity and increase output for the benefit of the consumer, the basis of which is competition. In fact, L. Erhard provided assessment criteria and conditions for "successful functioning of a market economy", and emphasized the need to support this competitive environment. In response to L. Erhard's social reforms, the Federal Republic of Germany in the 1960s after the Second

World War again became the world economy leader, that confirmed the real effectiveness of the social economy [8]. It was determined that the "social market economy" essence lies in the synthesis between free and socially compulsory social structure, that is, in combination with the market freedom principle with the social equalization principle. Social equalization means a policy of income redistribution through high taxes, social payments to the disabled and the poor, and benefits provision for accumulation. The state controls the rules observance of free competition and pricing, conducts antitrust policy, guarantees and protects private property, implements active social policy with the help of the social insurance system and the network creation of objects of social infrastructure. The ultimate goal of building a socially oriented market economy is to smooth down the market economy negative features and to ensure a high welfare level for the majority of the society members. The social market economy basic principles are free pricing, free competition, the elimination of economic monopolies. The state provides an antitrust, credit, tax policy. Under the control of the state, prices for essential goods, housing and public transport remain. The state implements programmes to promote investments in priority industries, breakdown the creation of "criminal capital" and export it abroad. For the innovative industry development, a system of tax concession is used. State subsidies for training and retraining provide an increase in skilled labour in the country. The social housing programme resolves the problem of housing provision for the population. The state policy is aimed at creating a wide middle class and encouraging intellectuals and scientists to work in the country. It is considered stimulating for the growth of labour productivity organization of employees' participation in enterprise management. The system of forming the opinion of the country's population about special qualitative characteristics of citizens (nation) gives inspiration for public enthusiasm. Social security priority areas are: compulsory health and social insurance, effective pension system, support for the unemployed and low-income individuals [9].

In the given definitions, the social economy essence is focused on the economic benefits production for consumption. As the supply of various competitive commodities with scarce resources characterizes the productivity of the economy. And the ability of all the population's segments to consume these goods characterizes the welfare level. It is clear that the economic efficiency growth creates conditions for the growth of the population's welfare, but does not solve the benefits redistribution issue, requires a subsidized component, as noted in his studies by O. Riustov (Rustow Alexander, 1949). In our opinion, a market economy can be called social if all the population's segments are guaranteed and provided with a sufficient with sufficient quality and quantity level of welfare (the opportunity to have housing, food, medical care and education). All this one attempted to provide in the USSR and in Eastern

Europe, including in the democratic republic of Germany, after the Second World War. However, the Soviet countries economy lagged behind the developed countries of the world, so the level of the population's social security was weak. Thus, the social economy is not only the availability of social benefits and social equity, but also the quantity and quality of these benefits. It can also be argued that the social economy does not necessarily have to be a market economy. However, a market economy uses market mechanisms to stimulate labor efficiency, competition, which creates more opportunities for growth in well-being while using the subsidiary component of goods redistribution (author). Increasing the level of the population's social protection by the state makes a market economy more close to the communist model of economy, the basic slogan and principle of which is the saying: "From everyone to opportunities, to everyone according to needs". This means that if a person cannot, and in some cases does not want to work and earn a living, the State assumes the responsibility to provide a person with a decent standard of living for food, housing, health care, education.

N.V. Stukalo and A.O. Simakhov confirm that: "The social economy is a market economy aimed at ensuring a high living standard of the population by providing equal opportunities for realizing the citizens' own potential with guaranteed support for the most vulnerable sections of the population" [8]. However, the focus on anything is a process with an uncertain result. Therefore, the definition of I.V. Muzychuk is more specific: "The social market economy is a highly efficient market economy of the highest order, which serves the interests of a person" [10]. The scientist believes that "a socially efficient market economy cannot be in principle".

However, we have questions, what are the criteria for evaluating the effectiveness of the economy? General economic indicators (GDP, RPE), inflation, unemployment, standard of living, average life expectancy, etc.? The choice of criteria depends on the goals of the country's society. In our opinion, if the population's welfare level is chosen as the main criterion for the economic efficiency, any economy can be considered effective when the welfare of all population's segments is relatively smooth and sufficient for a decent existence. A market economy can be called effective if it is a social economy. The European understanding of the "social economy" provides for ensuring the common European values of democracy, stability, pluralism of markets [13]. The social economy affects the interests of many participants and consumers, entrepreneurs, businesses. Stukalo N.V. and Simakhova A.O. define the term "social economy" as a market economy, aimed at ensuring a high living standard of the population by providing equal opportunities for realizing their own potential citizens with guaranteed support for the most vulnerable sections of the population [8]. If the state takes responsibility for a high living standard, including the most vulnerable, the level of state

intervention in a market economy and the redistribution of household income increases. This process is accompanied by an increase in taxes. Therefore, high taxes, in the absence of corruption and illicit enrichment at the expense of the state budget, facilitate increasing the level of social protection and provision of the country's population. At the same time, too large a protective and regulatory function of the country can lead to a decrease in the population's own responsibility for its welfare, a decrease in incentives for productive labour and self-development, a weakening of the market competition laws functioning and of the market system self-regulation. In order to build an effective social economy, it is necessary to strike a balance between state responsibility and human responsibility for the population's welfare. This process can be presented as a lever of responsibility of the state and a person in the system of a social market economy (fig. 1).

An example of the decline in the effectiveness of a social market economy as a result of the balance loss of responsibility of the state and the population was demonstrated by the Federal Republic of Germany. After a threefold increase in the effectiveness of a social market economy in 50-60 years, in 80-90 years the country has experienced a certain crisis, which was accompanied by stagnant economic phenomena, rising inflation, unemployment, low birth rate. The state did not cope with the burden of social payments. It was decided to reduce taxes and reduce social guarantees. The population's dissatisfaction, accustomed to substantial state support, forced the country's leadership to seek new balances of responsibility. Now in Germany, one is trying to preserve the essence of the "welfare state" in the light of new economic realities [9]. Therefore, it is important to find a balance between responsibility and human welfare in a social market economy, promote economic progress, increase labour efficiency, and a high living standard.

It should be noted that the attempt to raise high taxes in an inefficient corrupt, shadow economy will not create the preconditions for shaping the social economy. Income redistribution to ensure a high level of population's welfare is only rational in a functioning economy.

Social economy can be based on different socio-economic systems. Different countries of the world use different models for the population's welfare. At present, there are several models of social market economy or welfare economics, among which the Scandinavian model is considered a global prosperity model that everyone can follow.

The Aarhus Business School in Denmark (Atkinson Antony B., Sogaard Jakob Eghold, 2014) published the survey results on the development of the welfare state or social economy [5]. In the study the state's three models of general welfare were considered, which were supplemented by the author as part of the inherent models of welfare to additional countries on the basis [8, 10, 16] (tab. 1).

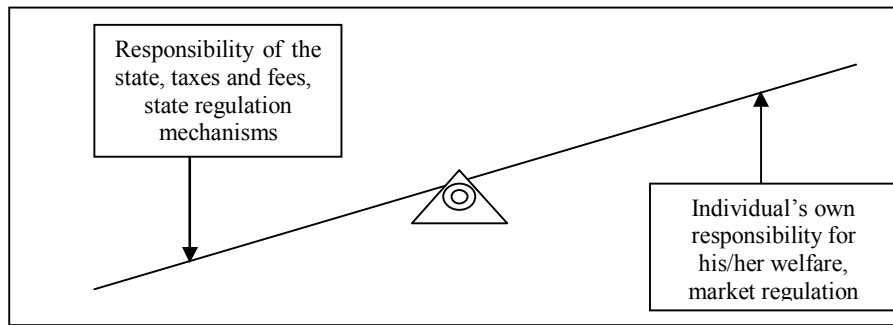


Fig. 1. The responsibility lever of the state and a person for the population’s welfare in the social market economy system  
 Source: own elaboration

Table 1. The state’s models of general welfare

Model types: Characteristic	Liberal model (the USA, Great Britain, Ireland, Canada, Australia, New Zealand)	Selective / Continental model (typical for EU countries)	Scandinavian model (Denmark, Norway, Sweden, Finland)
1. The taxes level and the government expenditure level	Low	High	High
2. The taxation structure	Low taxes on wages, low tax progression, low taxes, high real estate taxes	High taxes on wages, low tax progression, low taxes on goods, low taxes on real estate	High wage tax, high tax progression, high taxes, moderate real estate and property taxes
3. State expenditure structure	Low allocations (transfers), low maintenance costs, few government employees	Large allocations (transfers), essentially small maintenance costs, few government employees	Moderate allocations (growing), high maintenance costs, many government employees
4. Social benefits	It is financed by taxes. First of all, the population’s poorest segments receive assistance, little assistance	It is financed by mandatory social contributions. Everyone receives social benefits, however, the rich receive the highest benefits	It is financed by taxes. Everyone receives basically the same benefits (eg state pension)
5. Who has the most benefits?	Those who earn more money and work steadily	Those who earn more money and work steadily	Those who do not make a lot of money and are unstable (for example, living and families with children)
6. Benefits redistribution of between rich and disadvantaged.	Very big	Moderate	High

Source: compiled by the author on the materials [5, 8, 10, 16]

In the liberal welfare model there are low taxes, low tax rate progression and high real estate taxes. Social assistance is provided by taxpayers, and the poorest people’s segments are receiving assistance, but the benefits are low. The only ones who have advantages in the liberal welfare model are those who earn a lot of money, and work steadily. The United States of America and Great Britain are a basic example of a liberal welfare model, when everyone personally creates conditions for the well-being, a strong person manages oneself. Welfare goods are provided free of charge to the weakest in society, and one should have an opportunity to document poverty.

The selective / continental welfare model is widespread in central Europe, for example in Germany and France. The social security system is

characterized by selective employee insurance schemes through employers. Insurance is paid when an employee no longer works. The population is guaranteed pension, taxes are low, and there is no income redistribution between the rich and the poor. Social benefits are funded by mandatory social contributions.

The Scandinavian welfare model is most widespread in Nordic countries. The model is characterized by a large income redistribution and a large tax rate. The Scandinavian system is based on the so-called mixed economy between the economy of socialist planning (the state controls the supply of goods) and the liberal market economy. The model supports the values of socialism as a society, equality and solidarity with the weak population’s segments in

society, preserving the liberal market as a fundamental driving force in goods production. The public sector provides partially free education, health care. The right to benefits is the same for everyone, regardless of income or benefits.

Norway, Finland, Denmark, Sweden have relatively similar economic and tax systems [8], represent models with high equality level, low unemployment and diverse social services, the largest Legatum Prosperity Index (LDI) in the world [7]. Therefore, at present, these economic models can be basic for exploring the prerequisites for building an efficient market economy.

The idea of building a welfare state arose in the Scandinavian countries after the Second World War, influenced by the successful experience of forming a socially oriented market economy in Sweden. The Sweden's socially-oriented market economy differed from the German model in that it had a greater focus on each citizen and a desire to achieve the greatest possible social justice, combined in the country rapid economic growth and relative social absence of conflict in the country. According to the Swedish economic model, which is based on 90% of private property, socialization of the distribution sphere of national income through the use of a tax-transfer mechanism has been carried out. The state intervention mechanism in the economy is directed on support of prices in the agrarian sector, achievement of full employment and construction of a fair social system, which includes: the population's insurance in case of sickness, unemployment, accidents at work, free education, medical care in the form of compulsory medical insurance. A national pension is be paid to any Swedish citizen upon reaching his or her retirement age. The pension is indexed depending on the change in the cost of living [9].

Following Sweden's example, the Scandinavian countries tried to build a secure society of employment and growth, all citizens of society had to rise to a reasonable economic level. Some of the most important benefits that came to Denmark in the post-war period were state pension, public health insurance and care. The state pension was introduced in 1956, which allowed all citizens to receive money from the state when they were 67 years old. Later, in the 1960s, the size of national pensions and unemployment benefits was significantly increased. In 1961, the Law on Public Welfare was adopted, which finally abolished the fight against poverty. The period of significant expansion of the welfare state ended with the Assistance Act in 1976, which aimed to create the most normal life for social clients in the lower strata of society. In addition, in 1970, state health insurance was finally introduced, providing all members of the community with free health care and hospital care. Pension by age is a universal payment. Since the post-war period, every citizen receives support no matter how much money he or she has. Everyone is entitled to a free visit to a doctor and hospital. Universal payments, such as old-age pensions, are fixed, which

means that people receive the amounts they are entitled to [7].

Scientists Atkinson A.V. and Sogaard J.E. (Atkinson Antony B., Sogaard Jakob Eghold, 2016) conducted a study of the long-term history of income inequality in Denmark, which has one of the lowest inequality growth rates [5]. It was concluded that the lack of state control in the First World War prices over the rise in nominal wages under the influence of trade unions led to a decrease in real wages and income differentiation, as a consequence, an increase in inequality among different segments of the population. Further, the introduction of high progressive tax rates significantly impeded the formation of high incomes, reducing the incentive to accumulate large capital. Thus, the state created conditions for the formation of relatively homogeneous population incomes and inequality reduction.

In her study, Moore H. (Moore Henrietta, 2014) states that Norway, Denmark and Sweden are now a model of global prosperity on the basis of an economic-social system with high equality level, low unemployment, and the availability of diverse social services with the highest levels of welfare in world. These Scandinavian countries, with the possible exception of Denmark, have achieved their economic success in the extractive industries – be it Norwegian oil, Swedish iron ore or Finnish forests [7].

The population's Legatum Prosperity Index [14], which is expected for 142 countries of the world, can be used to assess the effectiveness of the countries' economies in terms of building a social market economy. The Legatum Prosperity Index includes 9 indicators that can be used as criteria for market economy performance:

- Economic Quality implies open economy, macroeconomic indicators, growth funds, economic opportunities, financial sector efficiency;
- The Business Environment is characterized by the development level of the business environment – the basics of the business environment, its business infrastructure, the presence of barriers to innovation and market flexibility;
- Governance reflects the country's activities of in three directions: effective governance, democracy and political participation, the rule of law (Legislation);
- Education – the educational level is assessed by the availability of education, the quality of education and human capital;
- Health – the health level is assessed in three areas: basic physical and mental health, health infrastructure, preventive care;
- Safety and Security – assess countries based on national security and personal security;
- Personal Freedom – defines national progress on fundamental legal rights, individual freedoms, and social tolerance;

- Social Capital – measures the strength of personal relationships, support for social networks, social norms and a person's civic participation in the country;
- Natural Environment – measures a country's indicators in three areas: environmental quality, environmental impact, conservation and environmental actions.

The Legatum Prosperity Index analysis of the population highlights the leading countries of the world with social market economy (tab. 2).

As we can see from the table 1, the Nordic countries Norway, Finland, Denmark, Sweden are ranked first, third, fifth, and sixth, respectively, in the welfare level in the country, which indicates to the effectiveness of the social market economy of these countries. However, the liberal model representatives of market economy construction: New Zealand, Great Britain, Canada, Australia occupy the second, seventh, eighth and thirteenth places in terms of welfare. The continental model representatives: Switzerland, the Netherlands, Germany are ranked fourth, ninth and fourteenth respectively in the population welfare rating. This suggests the possibility of building a social market economy in any model. The cyclical nature of economic processes demonstrates the dynamism of change. There is no absolutely correct system. All systems produce

different results as they are used. Therefore, we agree with the researchers' opinion who claim that "There is no single model of prosperity. In the future, there should be several models of prosperity based on the individual circumstances and specificity of culture, history, economy and politics; not everyone follows the same model, but they thrive in their own context. In the case of Nordic countries, it is the means of redistribution of taxes and business income that make most of their success possible. Their free market system, supported by a high level of state welfare, is one of the models for government and business cooperation" [7]. Also, world crises, population migration, global changes in the economies of countries affect the result of the of welfare economies functioning. Every developing country must find its way, based on the global experience of the world's leading countries. Thus, Ukraine ranks 111th in terms of Legatum Prosperity Index, and therefore cannot be attributed to any model of the social economy. In order to get closer to the level of the social economy, Ukraine must improve the economic quality by basic indicators, improve the business environment, move to modern methods of public administration, finance the improvement of the quality of education. In our opinion, these are the basic directions of providing the prerequisites for building a social economy in any country.

Table 2. Legatum Prosperity Indices of the World's Leading Countries compared to Ukraine, data 2018

Country – economic model, symbol: (1) – liberal; (2) continental; (3) Scandinavian	General welfare	Economic Quality	Business Environment	Governance	Education	Health	Safety and Security	Personal Freedom	Social Capital	Natural Environment
Norway – (3)	1	7	11	3	4	8	1	9	3	8
New Zealand – (1)	2	14	2	2	18	17	24	2	1	4
Finland – (3)	3	12	6	1	1	25	11	8	12	3
Switzerland – (2)	4	4	10	4	2	4	13	21	13	10
Denmark – (3)	5	8	8	9	10	18	9	16	5	11
Sweden – (3)	6	5	13	6	16	7	12	10	22	12
United Kingdom – (1)	7	7	5	10	8	19	17	18	16	9
Canada – (1)	8	15	4	11	13	24	24	2	6	18
Netherlands – (2)	9	4	14	5	5	11	7	7	9	49
Australia – (1)	13									
Germany – (2)	14	9	12	12	15	12	16	17	17	12
United States – (1)	17	13	1	20	7	30	60	28	9	34
Ukraine	111	97	106	129	43	137	128	90	119	105

Source: compiled by the author on the materials [14]

Comparison of the main economic indicators of Nordic countries with the indicators of Ukraine (tab. 3) demonstrates a significant lag in labor productivity in Ukraine in terms of GNI per capita much lower than average life expectancy, high inflation rate. Accordingly, income from per capita taxes is scanty, showing a very low social responsibility of the state for the population's welfare and social protection.

Therefore, building a social market economy in any country, first of all, it is necessary to find the

levers to improve the functioning of a market economy.

Baldzhy M.D. [12] investigated the processes, directions and mechanisms of the market economy modernization in the post-socialist space. The main modernization components at the microeconomic level are – modernization of technology, procedure, equipment, enterprises working methods, at the macro level – improvement, updating of existing institutions and norms, ensuring effective structural support of competition policy and counteracting monopoly at the

state level [12]. In order to develop modern market relations, the author proposes to introduce an innovative type of reproduction, to eradicate corruption, and to make drastic changes in personnel issues. The conclusion was drawn [12] on the need to reorient the domestic economy from resource to high-tech with active state support, which will allow to improve production and ensure quality products output. We agree with Baldzhy M.D. that in order to modernize the country's economy in industrial infrastructure key areas, it is necessary to restore state ownership, central planning and programming, targeted financing and other forms of state regulation and socio-economic policy. Foreign experience shows

that the innovation development output impulses come out of the state, on the basis of indicative planning mechanisms and program-target financing provokes the newest branches development and innovative projects realization [12]. We believe that the social market economy should be built by determining the required level of funding for social programmes and developing programmes for the development and support of industries that can provide such funding. The the country's economy development should be aimed at ensuring a given level of population's welfare. A social market economy building strategy should include stages and clear program-target actions of their achievement.

Table 3. The main economic indicators of Nordic countries in comparison with the indicators of Ukraine in 2000 and 2016

Country	Norway		Finland		Denmark		Sweden		Ukraine	
	2000	2016	2000	2016	2000	2016	2000	2016	2000	2016
Years Indicators										
Population, million people	4.49	5.23	5.18	5.50	5.34	5.73	7.18	8.37	49.18	45
Area of the country, thousand sq km	385.2	385.2	338.2	338.4	43.1	42.9	41.3	41.3	603.6	603.6
Population density, people per sq km	11.6	13.6	17	18.1	125.8	135.5	181.8	211.9	84.9	77.7
GNI, billion USD USA	163.74	322.66	137.59	240.26	149.89	242.69	273.54	539.88	181.36	349.34
GNI per capita, USD USA	36460	61640	26580	43720	28070	50270	38080	64480	3690	8190
GDP, billion USD USA	171.32	371.08	125.54	238.68	164.16	306.90	272.06	668.75	31.26	93.27
GDP growth per year, %	3.2	1.1	5.6	2.1	3.7	2.0	3.9	1.4	5.9	2.3
Inflation per year, %	15.4	-1.1	1.6	0.8	3.0	0.0	1	1	23.4	17.1
Life expectancy, years	79	83	77	82	77	81	80	83	68	71
Tax revenues, % of GDP	26.8	22.0	24.3	21.0	31.6	33.7	10.2	9.8	14.1	19.6
GDP per capita tax revenue, USD USA	10226	15609	5889	9113	9714	18050	3865	7830	90	406

Source: compiled by the author on the materials [15]

When most politicians' goal of is self-enrichment. it necessarily has a negative impact on a country's economic development. State-level corruption takes the exclusive rights form to import various goods. obtain production licenses depending on family property, and support contracts with the state [16]. That is why it is necessary to build a welfare society in parallel with the destruction of corruption at the state level. We totally take T.M. Fertnikova's stand [11] that in order to ensure the country's economic development, it is necessary to improve the state institutional environment through legal support, changes in the stereotypes of economic agents (corruption), which are incompatible with market values. The author believes that the necessary minimum reforms have been implemented in Ukraine. But the attempt to recreate the Western market model in Ukraine is undergoing a fiasco. The population's mentality and social norms influence the subjects behavior of market relations; but the existing Ukrainian capitalism model also has a great influence on the Ukrainian economy development, including the inefficient institutional structure of the Ukrainian economy market. In the research [16] it is explained that institutions are "legally enforced rules and

socially acceptable behavior norms" with the latter being able to both respond and contradict the first ones. Institutions create a system of incentives and constraints." From this statement it follows that the welfare society building in Ukraine should be accompanied not only by the necessary market laws adoption, but also by the formation through information means of influencing new socially acceptable behavior standards. When there are monopolies, they can often work inefficiently and gain large profits from the rest of society. Authoritarian regimes occasionally carry out prestigious projects, although profitability is low . or benefits are not proportional to costs [16]. The campaign against monopolies is an integral part of the fair competition laws functioning and the an effective economy building. This makes it necessary to campaign monopolies as an important condition for of a welfare society building.

### Conclusions

The essence interpretation of the social market economy changed from the full economic freedom existence of all the market economy subjects to the synthesis between the free social and compulsory

public system (market freedom) of a successfully functioning market economy with the monopoly restriction and the subsidiary component presence in the redistribution of income among different population's segments. Due to scientific understanding of the social economy, one began to understand the country's economy, which provides conditions for economic progress, increases labour productivity, increases output due to competition. The social market economy is an efficient economy. An efficient market economy cannot be social. Social economy is a welfare economy. From this it follows that the social market economy is an efficient economy and is a welfare economy. Priority directions of building a social economy are – ensuring a decent living standard, educational, cultural, healthy development of all population's segments in the country. Social equalization in the country is carried by using redistribution policies income through high taxes, social payments to disabled and poor, the benefits provision for accumulation. Therefore, in order to build the social market economy, it is

necessary to create free competition with the monopolies restriction and group control of social goods. It should be borne in mind that corruption prevents a competitive market environment formation. High taxes in the corruption absence in the country ensure the social component functioning in a market economy. The higher the taxes, the more the state assumes responsibility for social welfare. Social welfare is increasing in parallel with the increasing the economic efficiency. In order to be successful in building the social market economy, it is important to form a general social opinion on the high population's potential to achieve this goal, to develop legally binding rules and socially acceptable behavior standards that create a system of incentives and restrictions for new socially acceptable behavior standards. In further researches, it is advisable to analyze the passage peculiarities of economic reforms in Ukraine and to identify shortcomings that hinder the of the social market economy construction in the country.

### Abstract

The social market economy is an efficient market economy model, which ensures a high level of the population's welfare of in the country, and therefore became the scientific research object. The main aims of the article are to clarify the the social market economy characteristics, to determine the concepts relationship of "social market economy", "effective economy", "welfare economy", comparison of different models of social market economy, determine the prerequisites for the social market economy formation in the country.

The social market economy is an efficient economy that provides the conditions for economic progress, increased productivity, and increased output due to fair competition. An efficient market economy cannot be social. Social economy is a welfare economy. From this it follows that the social market economy is an efficient economy and a welfare economy. The functioning features of different social market economy models are analyzed and compared. The conclusion is drawn about the possibility of building a social market economy under any model. Each economic system must individually choose the best preconditions for the formation of the social economy.

The responsibility lever model of the state and the person for the population's welfare in the social market economy system is constructed. It shows schematically how tax increases can affect the extent of government's responsibility for social welfare and increase the government intervention level in a market economy. The causal relationship between the impact effectiveness of the of income redistribution system on the substantial level and the economical corruption is found.

It is proposed to use the population welfare index and its components to evaluate the efficiency of the world's economies in terms of building the social market economy. On the comparison basis of the Welfare Indices of the leading world countries and Ukraine, the conclusions about the criteria of economies' efficiency were made, the directions of Ukraine's economical improvement on the way to building the social market economy were determined. The relationship between the level of economic efficiency and the ability to build the country's social market economy is substantiated. The prerequisites for the social market economy formation in the country are formulated.

The research results of the theoretical and practical building the social market economy can be used at the macroeconomic level in the country's development of socio-economic policy. In further researches, it is advisable to analyze the passage peculiarities of economic reforms in Ukraine and to identify shortcomings that hinder the of the social market economy construction in the country.

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