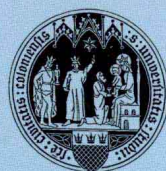


George Chobanov
Jürgen Plöhn
Horst Schellhaass
(eds.)

Policies of Economic and Social Development in Europe

SOFIA CONFERENCES
ON SOCIAL
AND ECONOMIC
DEVELOPMENT
IN EUROPE

Volume 2



PETER LANG

Internationaler Verlag der Wissenschaften

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Edited by
Prof. Dr. George Chobanov,
PD Dr. Jürgen Plöhn,
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11th Annual Conference of the Faculty of Economics
and Business Administration

Dedicated to the 120th Anniversary
of St. Kliment Ohridski University of Sofia
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INTRODUCTION

JÜRGEN PLÖHN

(MARTIN-LUTHER-UNIVERSITY HALLE-WITTENBERG, GERMANY)

1. The 11th Annual Conference of the Faculty of Economics and Business Administration at Sofia University

As a contribution to the 120th anniversary of the foundation of St. Kliment Ohridski University Sofia, the eleventh international conference of the Faculty of Economics and Business Administration enjoyed the special support of Bulgaria's oldest university. Once again held in the impressive Boyana Residence on the outskirts of Sofia, the conference induced scholars teaching in 12 different countries to hand in their suggestions for oral presentations. Thus the annual conference provided a useful platform for the exchange of ideas between East and West.

The title of the first volume in this series (*"Towards a Knowledge-Based Society in Europe"*) named a goal, indicating a challenge for the European development and demonstrating its actual variety at the same time. The volume on hand, instead, bears a title which can easily serve as a headline for all the contributions presented in the following chapters. Like the 2007 conference, the publication of these proceedings has been supported by a grant of the University of Cologne, due to the long-established partnership with Sofia University. Moreover, several scholars of the University of Cologne actively participated in the discussions.

16 papers out of 34 presentations have been handed in for publication in the proceedings of the conference. According to the results of the peer review, eleven contributions have been selected. The editors are grateful to the German and American experts for their well-reasoned opinions. Finally, the volume collects articles of 19 scientists out of six countries.

2. The contributions collected in this volume

The papers have been grouped in four chapters:

- I. Generalized Approaches,
- II. Studies on East Europe,
- III. Studies on Southeast Europe and
- IV. Studies on the European Union and Germany.

In the first part, *Jean-Pierre Gern* discusses the term "sustainable development". Following a French tradition, he presents his critical attitude

towards the existing socio-economic system and some of its adherents in a thoughtful essay, not in an annotated scientific article.

Contrasting to *Gern* in style and contents, *George Chobanov* continues his studies on the Walras equilibrium which he had already approached in the preceeding conference. Now *Chobanov* develops equations for a Walras equilibrium in an open economic system.

The second section starts with an article on Russia: *Tatiana Dolgopyatova* presents an empirical analysis on Russian joint-stock companies. She clearly pleads for professional managers.

The following text by *Cornel Oros* and *Camelia Romocea-Turcu* encompasses six Central and East European countries that have joined the EU. Studying interest rates and exchange rates, the authors identify signs of a gradual rapprochement of the new EU Member States to the Euro zone.

In section three *Nicolae Dardac* and *Iustina Alina Boitan* analyze the Romanian banking system. According to their data, the productivity within that branch still has to be improved.

Contrasting to that short-term analysis of a competitively organized private banking sector, *Kalina Dimitrova* describes the development of the monetary and fiscal policies in Bulgaria in a long-term perspective. In her research *Dimitrova* combines theoretical approaches and portrayals of different phases in history with econometric analyses.

Henrik Egbert, *Maria Ivanova* and *George Chobanov* try to assess the size and the development of the Bulgarian transaction sector during recent years. The authors recognize a substantial increase of that sector within the first decade after the consolidation of the Bulgarian currency.

Ivan Ivanov and *Julia Dobрева* study public goods. On the background of Bulgaria's accession to the EU they argue in favour of a strengthening of municipal budgets in order to finance a localization of public goods.

From a German perspective, *Thomas Lenk*, *Oliver Rottmann* and *Tatsiana Makarevich* deal with a similar topic: the delivery of services by municipalities. The authors discuss whether public-private partnerships should be recommended as instruments in order to improve the services.

Jürgen Plöhn and *Alexander Peniuk* present a study on labour market policies in Germany. The paper deals with the respective programmes of the two major political parties in Germany as well as with empirical results of approaches to turn unemployed persons into entrepreneurs.

Finally, *Frank Schulz-Nieswandt* and *Michael Sauer* turn the readers' attention to the interference of European law with national welfare systems. The authors discuss developments towards a "guarantor state".

Chapter one:

GENERALIZED APPROACHES

SUSTAINABLE DEVELOPMENT: A CHALLENGE FOR THE DECISIONAL PROCESS

JEAN-PIERRE GERN
(NEUCHÂTEL, SWITZERLAND)

1. The problem of sustainable development

The future of the economy of the world and of the world's economic systems is a dominant preoccupation. It involves many issues. Sustainable development is only one of them. Attaining a better level of sustainability does not bring a solution to the others. It may help to solve them, but it could also be hindered by them.

1.1. The historical origin

For over two centuries industrialization has been progressing around the world. Previously economic activities and innovations only raised occasional problems for the sustainability of development. But now all the evolution of economic activities through the world is unsustainable in the long term.

In primitive societies the sustainability of economic activities belonged to the social order; the relationship to the environment was part of it. With the emergence of what is called "civilisation", social inequality arose and most members of those societies lived well below what could have been achieved with existing resources and technologies. Consequently, the main factors for the lack of sustainability of development were to be found in dysfunctions of the socio-economic system, which were the source of tensions, or in tensions between socio-economic systems.

With the emergence of industrialization, a new challenge gained in importance: the relationship between human activities and the natural environment. For the first time the challenge is global. In new terms it raises the question of the human, social, organizational and cultural resources necessary to face the issue.

1.2. The present challenge

By sustainable development we understand an evolution of technoeconomic and social structures, which tends towards an equilibrium between human activities (economic and others) and natural environment, as well as towards a social equilibrium, in order to avoid increasing tensions on either front. It excludes the possibility – often advocated for – of

innovations which have no long term validity but which are expected to be replaced in time by others, which in turn will often have to be replaced (and so on) with a deeper and deeper impact on nature.

The development is sustainable, if risks of crises and decline are minimized. There are three levels of risk:

- ups and downs of the economic activity;
- structural crises, as in the late 19th Century or in the seventies;
- destruction of a social system (economic, social, political), as at the end of the Roman empire.

Sustainable development does not exclude ups and downs.

As for structural crises, the very necessity of reorientating development towards sustainability involves a structural transition, just as a structural crisis would. But a higher level of sustainability can be expected to smooth future structural crises.

As for the decline of the industrial civilization, while a more sustainable development cannot be expected to avoid it, it may postpone it or make it less dramatic. There may be various reasons for such a decline, for instance:

- the decline in population;
- the complexity and fragility of the socioeconomic system;
- increasing imbalances;
- destruction of the environment.

The critical issues of today are just apparent effects of a deeper problem. More and more critical issues will emerge in coming years. Facing them one after the other and remedying the scarcity of energy, the lack of raw materials in turn, the congestion of megapoles, the overweight of transportation, population imbalances, distortions in social relations and so on, is not only an endless job, it is also too demanding to be fulfilled: crisis after crisis, remedies to one raising another ... It is, of course, easier to mobilize social action against a single problem (such as pollution) than for the complete revaluation of the overall technological, economic, social, institutional and cultural system of an industrial society. But to avoid the endless race just mentioned nothing less than this is required.

To minimize the impact of today's productive and other human activities on the environment and to avoid building up social tensions, requires new objectives for production and a new approach to "needs". The determinant factors of the constant increase in the production of goods and services have to be analyzed, as well as their dynamics. That trend has to be reconsidered in depth, which means a serious restructur-

ing of the productive sector and a cultural change in all social actors. It requires a new relationship between economic actors, between them and the political power as well as between them and the particular society.

1.3 The scope of our reflection

We shall consider only one aspect of the problem. For that purpose we make two important assumptions:

First: Necessary technologies are potentially available and can be found and applied in a reasonable future.

Second: A social organization, able to survive without excessive tensions and able to manage its relations to the natural environment, can be found.

On the basis of such assumptions, we shall concentrate our attention on one issue: How far are today's societies able to take efficiently the decisions needed to achieve a sustainable development?

The problem is global at the world level – but can the answer be global? We will be brought to consider two levels of action and decision making:

- firstly, within a relatively homogeneous social system (institutional, techno-economic, social). Such relative homogeneity can be found, or developed, in areas like Europe, which we shall call “regions”;
- secondly, we shall consider the relations between such “regions”.

2. The inefficiency of the present approach

2.1. Similarity with the issue of development

Achieving sustainable development has much in common with the issue of development in the Third World, which has been the object of so much analysis in the last decades. Lessons from theory and practice and even more from errors may be of great value.

When the theory and policy of development were introduced after the Second World War, the attention was on *one* factor (“lack of capital” or “technical progress” and the like). Development efforts were scattered in the various fields: education, infrastructure, industry. Missing elements in comparison with industrialized countries were individually identified and acted upon. This approach has been a failure.

After decades of experiences, errors and catastrophes, the development theories that have been taught and used in practice, are now derelict; the issue has often been shifted to social scientists rather than to economists; or the proposition has been made to leave the populations concerned

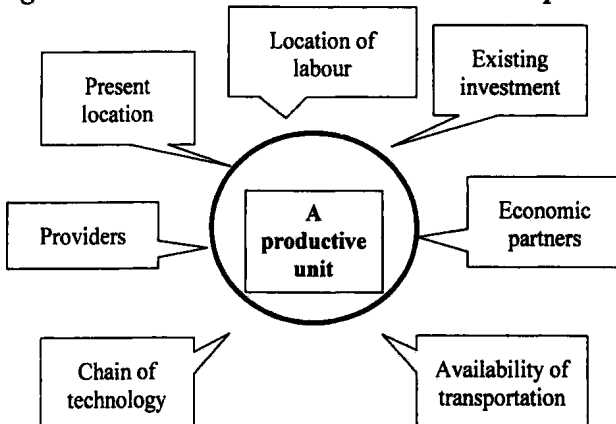
take care of themselves. Finally attention and action were just on remedying the disasters induced by erroneous development policies (poverty, mass migrations etc.). Similar mistakes should be avoided in the efforts to achieve sustainable development.

Today the concept of sustainable development is broad and all-inclusive, but concrete understanding and action are far from it. When it comes to policies, specific issues drain attention by their urgency and specific actions are launched, which will have a positive effect on some dysfunctions of the present system (abuse of some natural resource, excessive pollution and so on). But such actions will rapidly come to their limits:

- the chosen solution may solve more or less a specific problem, but may raise new ones, which have not been taken into account,
- many significant changes are ignored if they are not in themselves a direct source of concern, though they are crucial for the path to sustainable development,
- a better result may only be obtained with a more systemic approach involving correlative changes in different fields.

2.2 *Techno-economic constraints on economic units* (enterprises, individuals, communities, state etc.)

Figure 1: Techno-economic constraints on a productive unit



In the modern industrial system, the flows and networks of trade in goods and services are so dense and complex that a productive unit cannot change its technical process without correlative changes in its forward and backward linkages, in consumer practices, in government ac-

tion and other relations. The same is true for individuals, for communities and for the state itself.

2.3. *Institutional or systemic constraints on social entities* (enterprises, individuals, communities, state etc.)

We shall use the above to describe all hindrances to action coming from the operational rules, which govern the socio-economic and political system.

2.3.1. THE CONSTRAINTS ON ENTERPRISES

In a market-based economy enterprises are fighting for their survival. The overall system operates in a way that imposes on them

- to stay small and marginal,
- to be absorbed or
- to aim at imposing themselves on others and, if possible, dominating the market.

To maintain and enlarge their scope of operation they use all possible tools:

- valorisation of the product through complexity, gadgeting, packing etc. at a higher price,
- lower production costs, which implies delocalisation, cheap quality or non-durable products, lower wages and salaries,
- abusive use of patents to avoid competition,
- financial strength, which leads to the accumulation of profits to the detriment of the distribution of income,
- deceiving publicity and high marketing costs.

2.3.2. THE CONSTRAINTS ON INDIVIDUALS

The operational constraints on individuals are stronger than generally perceived: Their choices are under pressure from publicity and marketing; they are not well informed about the characteristics and qualities of a good product.

Their choice is limited by the lines of technological development in the productive sector and trade. They can choose from what is offered. Years ago the shift to non reusable bottles was not their choice; it came from a glass factory. The orientation of research in the pharmaceutical industries is governed by the possibility of profits, not by the necessities of suffering people. For instance, fighting tropical diseases is suddenly rising as a result of higher income in the South.

2.3.3. FOR THE GOVERNMENT

The present institutional system in industrialized countries is less and less favourable to efficient government strategies under the pressure of liberal and market ideals supported by economic powers dominating the markets and short sighted university teachers.

Besides, democracy – as desirable as it is – tends to enclose government activities into the application of norms established through a long and slow procedure, where categorical interests are stronger than farsighted views of the national wellbeing.

The burden on government shoulders is day by day heavier, as private activities require more and more specific action or intervention from the state to maintain the operation of the whole system. On the other side, governments are pressed to alleviate their financial weight on the economy, leaving aside activities of more strategic importance.

2.3.4. FOR ALL SOCIAL ACTORS

Each society largely derives its identity from its cultural model: ways of life, social relations, ways of consuming, system of values, relation to material and spiritual life etc. The cultural models are both very traditional and very volatile. They safeguard the identity of a society and shape its dynamism. Consumerism has imposed its impact on cultural models. After the wave of consumerism, will there be a revalorization of discredited values, or the creation of more ecological and sustainable ideals?

3. Necessary changes from the present socio-economic system

To reach sustainable development, *first* it is necessary to break the present socio-economic system. Its very coherence is an obstacle to sustainability as it makes change more difficult to achieve. It is not possible to save a particular natural resource, to avoid some pollution, to secure a minimum of social justice and coherence, without changes in all fields of social action. Each element of the system is contingent upon the others; each obstacle to sustainability is linked to a network of interdependences.

Of course, in the existing system each element is rational only relative to its context; it does not mean that the whole system is rational in itself and answers optimally the declared objectives of the economic agents. For instance, the present communication networks of industrial societies are a crying example. Their failure to meet social needs is a source of dy-