

## **CONSIDERATIONS ON THE MODELS OF ECONOMIC DEVELOPMENT**

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**ABSTRACT:** *This paper displays in detail the three large categories of successful economic development models worldwide: the Anglo-American model, the European model and the Asian model. As part of these main categories, we are going to analyze all the subcategories of the models or their component parts and to comparatively study the strengths, weaknesses, opportunities and threats of each economic development system (SWOT analysis). In the context of the world economic globalization, the conclusions of the paper are going to set forth the author's own conception that regards the future of these models.*

**KEY-WORDS:** *models of economic development, general aggregative models' strengths, weaknesses, macroeconomics, capital, development, industrialization, SWOT analysis, political freedom, economic growth, social cohesion, productivity, GDP.*

**JEL CLASSIFICATION:** *E10, E17, E12, E21, E22, E27, O14, O410 O47.*

### **1. INTRODUCTION**

In geopolitical terms, we should definitely assert that there are a certain number of states in the world. As there is no unique and universal truth, accepted by everybody and by all the world states, we may also definitely assert that only 195 states are unanimously acknowledged.

The features of the economies of these states range within the classifications displayed in the paper previously published, namely in the analysis and interpretation of the global status of the GDP and HDI.

We should stress the fact that the classification of the world states depending on the indicator and index previously mentioned results in five geographic regions. In the case when we mix the two aggregates, we notice that there are three nuclei of regional economies, namely: North America, Asia-Pacific and Western Europe.

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These nuclei match with three large categories of economic development models/systems (Bal, 2006), with the mention that the states in South America, Asia Minor and North Africa did not develop their own models/systems acknowledged by specialized works. In the case of these areas, the economic and social development is largely the result of oil industry, which is a dominant factor of the state economy, and not the result of several factors, which is the main characteristic of a model of economic development.

Each successful state economy that also has an important role in the world economy absorbed a series of features from the market economy, adapted them to the national particularities, while intervening whenever necessary and customizing its own economy and turning it into an original and successful market economy, with specific and novelty elements that ultimately resulted in its own development model. If successful, the model becomes a point of reference for other state or regional economies (micro or macro) as well as a subject for analysis and debate in specialized works.

As a consequence, we are going to present, classify and analyze, from the numberless specialized works, the categories of the successful economic models previously mentioned with a view to finding a mixed model capable to match the need for development of the area of the Jiu Valley.

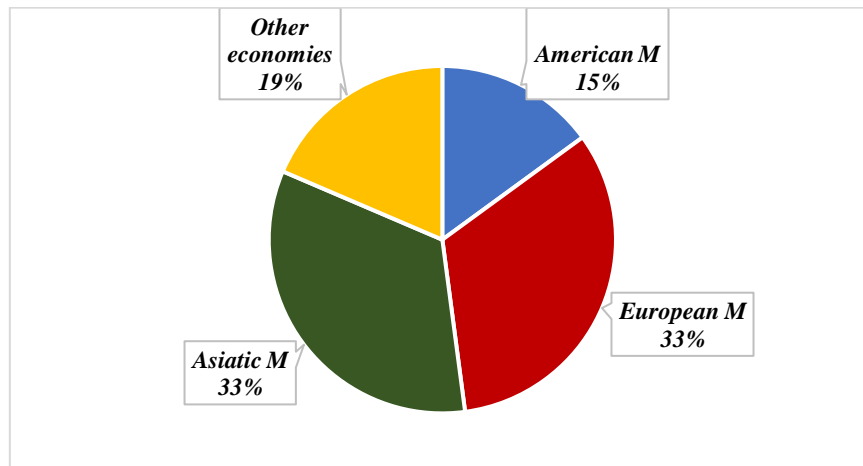
## **2. TYPOLOGY OF THE MODELS OF ECONOMIC DEVELOPMENT, CLASSIFICATIONS, CHARACTERISTICS**

In accordance with the previous considerations and worldwide practice, the analysis of the models of economic development is going to be carried out after having grouped them into three large categories (Gregory & Stuart, 2013):

- a) The Anglo-American model (England, Australia, Canada and the United States of America);
- b) The European model (Austria, Belgium, Denmark, Switzerland, Finland, France, Germany, Ireland, Island, Italy, Luxembourg, Great Britain, Norway, Sweden);
- c) The Asian model (China, South Korea, Japan, Malaysia, New Zealand, Singapore, Thailand, Taiwan).

In order to emphasize the impact of national economies that are influenced by the three main models of economic development we are going to display their share in the world GDP. The data provided by the World Bank for 2021 are presented in figure 1.

Of the world GDP of 168 trillion dollars, the economies influenced by the American model represent 15% (25 trillion dollars); those influenced by the European model represent 33 % (55 trillion dollars), while the economies that are representative for the Asian model represent 33% (56 trillion dollars). Pareto's principle is fully applicable in this case, too, as 20% of world economies ranging in the three main categories of economic development models detain 80% of the world GDP.



Source: <https://data.worldbank.org/indicator/>

**Figure 1. Share of the economies, grouped according to the economic models, in the world GDP**

***a) The Anglo-American model***

This model is specific for England, Australia, Canada and the United States of America. Specialized works highlight two states with dominant economies within the typology having become models of economic development, namely: the United States of America and England, which also gave the name of the model.

***a1) The American model***

From the perspective of historic retrospective, American economy lacks feudal period; it started from the status of imperial colony, a period during which it had learnt to organize its economy so that to be able to provide its own products and services required by consumption, while mainly using the natural resources within its own territory. Economy, politics and society mingle, complement each other and extract their own advantages from these common interests.

Placed at the confluence of two large economic theories (models), the neoclassic and the Keynesian models, American economy is characterized by the low share of the state in the economy, the decisional role being taken by the business entities. The economy of the USA is supported by several international economic organisms exerting an important financial influence on world economy: the International Monetary Fund (IMF), the World Bank, the World Trade Organization and the International Bank for Reconstruction and Development (IBRD). The headquarters of the North Atlantic Treaty Organization (NATO), the main international military organization, are also located on the American territory.

As a conclusion, the American model is characterized by political liberty and economic growth, social cohesion excluded.

The constituent elements of the American model are as follows:

- Absence of massive infrastructure, industry, industrial and civil buildings destructions on its own territory determined by world wars; although the USA took

- part in both world wars, the American continent was not the place where the world conflagrations occurred;
- Tremendous capital accumulation in a relatively short period, between 1945 up to the present;
  - The American multinationals control, outside the American borders, huge assets, which are highly underestimated and represent an important source for the development and support of American economy;
  - Primary resources own a special importance and share within global resources, with massive natural gas and coal reserves, almost all metals, with the exception of certain strategic ores;
  - The American population is the fourth largest population in the world and the first one among democratic countries, with a tremendous potential, developed according to a well-thought-out national strategy;
  - The obvious technological advantage, relying on the proper administering of the intellectual capital; the most famous researchers, the best engineers, the most gifted students work or are going to work for the USA, based on the highly efficient recruitment policy;
  - Monetary privilege, as a main strategic element, owing to the fact that, beginning with 1945, the dollar is one of the fewest reference currencies used in international transactions;
  - The high level of social difference determined by the huge differences among salaries and other financial benefits has had as effect a tremendous difference in wealth;
  - Low degree of taxing;
  - A mainly private educational system and social security being a personal liability and not an obligation of the state.

**a2) *The Anglo-Saxon model*** is geographically specific both for the Anglo-American model and the European model; it will be displayed as part of the analysis of the European models.

**b) *The European model***. This model is specific for most European countries and also includes states on other continents, of which a series of former colonies. It is characterized by economic growth, social cohesion and political freedom (Burgherea, et al., 2013). The model incorporates all the states in the European Union (EU), their classification in certain typologies/models depending on the types of economic systems specific for each European state: social-democrat, conservatory, liberal, Mediterranean or “catching-up”.

**b1) *The Northern model***. Also called the Scandinavian model, of a social-democrat type, it is considered the most efficient and competitive European model, displaying a high performance in terms of carrying out the objectives assumed according to Lisbon (<https://www.consilium.europa.eu/ueDocs/>)<sup>8</sup> strategy. The model is characterized both by macro-economic efficiency and social equity and can be found in Denmark, Finland, The Netherlands and Sweden (Burgherea, 2013).

The constituent elements of the Northern model are as follows:

- An important share of the state in the economy enables its intervention with a view to regulated possible slippages;

- The system of social protection is considered to be the most efficient one as it provides social assistance services to all citizens, irrespective of the social category they belong to;
- The high percentage of national GDP redistribution that determines social equity and the decrease of wealth disparities;
- The high rate of taxation (60-65 % of GDP) enables the states belonging to this model to easily cover social expenditures;
- Existence of a social dialogue, real cooperation between the government and the social partners;
- Capacity to maintain a balance between the improvement of economic performance and social cohesion, while not neglecting the last one;
- Health services as well as education are free of charge.

**b2) The Anglo-Saxon model.** Ireland (also called the Celtic tiger), England, as well as some of the former British colonies form the group of the states that successfully implemented this model. The model is characterized by a liberal approach of social welfare, with a limited involvement in social assistance. Owing to the fact that it is a liberal model, it also displays a minimal intervention in the economy, success being mostly provided by tax and monetary policies.

The constituent elements of the Anglo-Saxon model are the following ones:

- Liberal approach of the system of social assistance with the state transferring the responsibility to the individual. Nonetheless, the system of private social assistance is highly complex and efficient;
- Decreased intervention of the state in regulating labor market, where individuals freely choose their jobs;
- Decreased intervention of the state in all the branches of national economy;
- Relatively high degree of employment, a consequence of applying a small amount of unemployment aid as compared to the amount of the salaries and also a consequence of decreased tax policy;
- In terms of the dynamics of economic development, Ireland ranks second among the European economies due to the intervention of the state;
- There are important differences in terms of the distribution of the incomes in the society.

**b3) The continental model.** This model, a conservatory one, is specific for Austria, Belgium, France, Germany and Luxembourg, and partly for Italy, namely for its Northern part, which is highly industrialized. It is characterized by a system of financial and social security, a progressive rates tax system, while emphasizing the programs for professional training, especially in the industrial fields, and settling as objective the balanced development of the industrial domains. The model displays a lower performance than the Northern and the Anglo-Saxon models.

The constituent elements of the continental model are as follows:

- The high degree of employment as well as the matching of the salary with the level of the incomes obtained at present and in the past; among the factors that influence the level of the salary let's mention: professional training, length of service, length of service within the organization, elements that provide loyalty and attachment to the organization;

- The state intervenes in regulating labor market so that the individual has a limited number of options for choosing a job;
- The level of unemployment aid is high as compared with salaries, which encourages a labor force that might be active to remain unemployed;
- High taxes directly impact the creation of new jobs especially in the private field and is one of the reasons determining a high unemployment rate;
- Health assistance as well as primary, secondary and higher education are free;
- In the case of Germany, the Central Bank has full autonomy and is the decisive mechanism that intervenes in the name of the state in regulating economic activities; the state influences the process of price settling, while supporting the development of the small and medium-size organizations and of farmers' associations;
- In the case of France, market mechanisms are combined with an indicative planning as the main form of involving the state in the economy; the merging of the public field with the private one, after several nationalization stages of private businesses, occurred in the strategic fields; the public domain is strong and generates one third of the volume of industrial production;
- The states belonging to this model display a nuanced income inequality as compared with the incomes in the Anglo-Saxon model.

**b4) The Southern model.** This model is specific for Cyprus, central and southern Italy, Greece, Malta, Portugal and Spain, countries where state authorities have not yet crystallized the economic and social policies that enable a higher efficiency, comparable with the Anglo-Saxon or Northern models. This situation is also determined by the important development differences of a series of regions of these states, which does not facilitate a unitary and long-term economic and social approach of their own economic model, displaying significant national welfare differences.

The constituent elements of the Southern model are the following ones:

- Minimal role of the state in social protection, social aids being given only to certain categories of persons;
- Labor market is strongly controlled by the state, is rigid and fragmented;
- The level of salaries is determined at a central level;
- The important role played by families at social and economic levels; families taking over, to a certain extent, state's responsibilities;
- Long-term high rate of unemployment among young people, in the context of a small budget for social expenditures;
- The economic system is not able to generate a significant number of jobs;
- There is an important income difference in Italy, Portugal and Spain due especially to the development differences among certain regions of these countries.

**b5) The European "catching-up" model.** This model includes the economies of Bulgaria, Czech Republic, Estonia (also called the Baltic tiger), Latvia, Lithuania, Poland, Slovenia, Slovakia, Romania and Hungary. The common feature of these states is their centralized economic past, followed by the shorter or lengthier transition process towards the mixed market economy, with significant differences in the organizing of the national welfare systems. As a consequence, such differences also

appear in the displaying of the model's characteristics as breaks of the model, which loses its homogenous character.

As a whole, the model is characterized by low social security, under-developed social dialogue, and existence of labor markets that are not yet regulated and are under a perpetual transition.

The constituent elements of the European "catching-up" model are as follows:

- High expenditures with social protection (Slovenia and Hungary) or their maintaining at a low level (Estonia, Latvia and Lithuania);
- Decreased taxation as a determining factor of stimulating the economy in the process of enabling the bridging of the development gaps;
- Labor market is regulated; social dialogue is incipient, while social security is minimal;
- High rate of unemployment (Czech Republic and Slovenia), the other states coming closer to the employment rate of the Southern European model;
- Single taxation quota is implemented in Bulgaria, Estonia, Latvia, Lithuania and Romania, the other states opting for progressive taxation;
- Significant differences in national welfare; income discrepancy due also to increased corruption as a factor of illicit enrichment.

**c) *The Asian model.*** This model is specific for the economies of China, South Korea, Japan, Malaysia, Singapore, Thailand and Taiwan. Referring to these economies, specialized works set forth two categories as models: the Japanese model and the "catching-up" development model, characteristic for the rest of the previously mentioned states. The Asian model, of a neo-mercantilist type, includes social cohesion and economic growth, while excluding political liberty. The pivot role of the Asian economy is taken at present by China as, even in the case of the specific variants of the model (Japan and "catching-up"), one may partly notice the features of the Chinese economic model.

**c1) *The Japanese model.*** The Japanese model, also called the paternalist model, relies on the Confucian economic theory asserting a strong subordination to the decisional factor. Japan overturned geopolitical theory according to which in order to be a world power one should own a vast territory, a large population and a lot of resources; instead, Japan developed a specific economic model based especially on the creativity and inventiveness of its own population. A paradox for the rest of the world, although Japan could become a world economic superpower, it only strengthened its regional power (<http://geopolitics.ro/japonia-un-pitic-geopolitic-sau-un-gigant-international>).

The modernizing of the economy occurred during three historic stages.

Between 1870 and 1905, they laid the foundations of Japanese industry relying on the tradition crafts in the archipelago and the modern technology import. During this period, Japan became the first Asian state that, owing to its general and compulsory educational system, alphabetized its population. Owing to its developed industry, to its bank and financial system and to the military force having waged the war with tsarist Russia, Japan was included in the global economic system by capitalist world.

During the period 1905-1940, the economy of the country grew 12 times, its growth rate being three times higher than in the case of other world economies. The population endured all this striving as its incomes were extremely small as compared with labor productivity. The period after World War II is considered the third stage of the development of Japanese national economy. Having benefited from the Marshall Plan, Japan rebuilt its infrastructure and industry, while its legendary labor culture enabled the rapid recovery of the gaps from the developed economies of the world.

The constituent elements of the Japanese model are the following ones:

- Family is the model of economy and the constituent foundation of all activities;
- Loyalty to the organization and seniority represent the constituent elements of all promotion within organizations;
- The specificity of Japanese worker, the mentality of Japanese people and the dynamism of self-improvement that is unique in the world;
- The decisive role played by the large corporations in Japanese economy, which are heavily supported by the state and are competing;
- Economic programming is the main instrument through which the state involves in national economy;
- Wages do not reflect productivity and, as a consequence, enable the permanent decrease of the costs that results in an increased competitiveness of Japanese goods and services on the various international markets; the acceptance of inferior wages as compared to those in other states with a developed economy, relies on a strong feeling of patriotism and national pride;
- Middle class represents about 90% of the country's population.

**c2) The Asian "catching-up" model.** The model includes the economies of the "Asian tigers" states (South Korea, Hong Kong, Singapore and Taiwan) as well as the economies of the "new Asian tigers" states (Indonesia, Philippines, Malaysia, Thailand and Vietnam). These economies include, to a smaller or to a larger extent, the features of Chinese economy and Japanese and American capital as economic recovery engines. Such economies focused on raw materials exports, and subsequently on products exports and high-quality touristic services.

In accordance with the model, the term "tiger" stands for resistance, dominance, and robustness, while being a symbol of the accelerated development strategy.

The constituent elements of the Asian "catching-up" model are as follows:

- They have a common historic, geographic and cultural past that enabled their consecutive, stage upon stage, common economic development;
- Accelerated economic expansion in a very short period of only 30 years, helping them to attain the level of the economies in Western Europe;
- Focus on economic accumulations, while decreasing consumption;
- Support of exports in the economic fields displaying a productivity that is higher than world productivity; in the first stage, they rely on raw materials exports; afterwards, with economic development, on finite products exports;
- Strengthening of competitive companies, at an international level, in industrial groups, large groups with direct international relations with business banks;



- Distributing important amounts from the GDP to education, professional training, research and development;
- Subsidizing acquisitions of cutting-edge technology;
- State intervention in deciding upon and developing the industrial branches displaying an increased potential;
- Multiple tax breaks with a view to increasing state's involvement in economy;
- Efficient mediation among trade unions, companies and government;
- High degree of alphabetization, representing 90%.

In consideration of the various aspects displayed as part of the economic development models/systems, a synthesis of these issues is going to be presented with a view to extract a series of relevant considerations gathered in a hybrid analysis model that exhibits the particular traits of a SWOT model (strengths, weaknesses, opportunities and threats), which includes several analyzed subjects (in our case, the models of economic development) instead of a single model (classic SWOT analysis).

**Table 1. Comparative analysis of the models of economic development**

<b>SWOT States</b>	<b>Strengths</b>	<b>Weaknesses</b>	<b>Opportunities</b>	<b>Threats</b>
United States of America	- world leader - hard currency - headquarter of financial and political organisms - political liberty	- lack of social equity - exclusionist model	- maintaining and strengthening of its position as a world leader - maintaining economic growth	- losing world leadership - losing competitive advantage
England, Ireland	- regional and world leaders - hard currency - headquarter of financial and political organisms - continual economic growth - political liberty	- lack of social equity	- maintaining and strengthening of their position as world and regional leaders	- losing world and regional leadership - losing competitive advantage
Denmark, Finland, The Netherlands, Sweden	- social equity - continual economic growth - political liberty	- increased taxation	- maintaining the position of regional leaders - maintaining the efficiency of the model	- dilution of social equity - losing competitive advantage
Austria, Belgium, France, Germany,	- regional and world leaders - hard currency - headquarter of	- lack of social equity - increased taxation	- maintaining and strengthening their world and	- losing world and regional position - losing

Luxembourg	<ul style="list-style-type: none"> <li>financial regional and international organisms</li> <li>- continual economic growth</li> <li>- political liberty</li> </ul>	<ul style="list-style-type: none"> <li>- increased unemployment aid</li> <li>- state's intervention in economy</li> </ul>	regional position	competitive advantage
Cyprus, Italy Greece, Malta, Portugal, Spain	<ul style="list-style-type: none"> <li>- hard currency</li> <li>- political liberty</li> </ul>	<ul style="list-style-type: none"> <li>- blackouts economic growth</li> <li>- lack of social equity</li> <li>- increased taxation</li> <li>- state's intervention in economy</li> <li>- difficulties in maintaining competitive advantage</li> </ul>	<ul style="list-style-type: none"> <li>- economic revival through decreasing the existing development gaps</li> <li>- decreasing social inequity</li> </ul>	<ul style="list-style-type: none"> <li>- losing the status of developed economy</li> <li>- losing regional position</li> <li>- losing competitive advantage</li> </ul>
Bulgaria, Czech Republic, Estonia, Latvia, Lithuania, Poland, Slovenia, Slovakia, Romania, Hungary	<ul style="list-style-type: none"> <li>- political liberty</li> </ul>	<ul style="list-style-type: none"> <li>- blackouts economic growth</li> <li>- lack of social equity</li> <li>- increased taxation</li> <li>- state's intervention in economy</li> <li>- corruption</li> </ul>	<ul style="list-style-type: none"> <li>- economic revival through decreasing the existing development gaps</li> <li>- decreasing social inequity</li> <li>- the status of an entity that has nothing to lose</li> </ul>	<ul style="list-style-type: none"> <li>- losing the status of aspiring to a developed economy</li> </ul>
Japan	<ul style="list-style-type: none"> <li>- regional and world leader</li> <li>- state's intervention in economy</li> <li>- social equity</li> <li>- continual economic growth</li> <li>- hard currency</li> <li>- headquarter of regional and international financial organisms</li> <li>- labor specificity</li> </ul>	<ul style="list-style-type: none"> <li>- exclusionist model</li> <li>- political liberty</li> </ul>	<ul style="list-style-type: none"> <li>- maintaining and strengthening world and regional position</li> <li>- maintaining economic growth</li> </ul>	<ul style="list-style-type: none"> <li>- losing world and regional position</li> <li>- losing competitive advantage</li> </ul>

South Korea, Philippines, Hong Kong, Indonesia, Malaysia, Singapore Taiwan Thailand, Vietnam	- regional leaders - state's intervention in economy - continual economic growth - social equity	- exclusionist model - political liberty	- maintaining and strengthening world and regional position	- losing the status of developed economy - losing regional position - losing competitive advantage
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### 3. CONCLUSIONS

In consideration of the main analyzed models of economic development, grouped in the three main categories by specialized works, we are going to refer to several general considerations that are universally accepted:

- a) The Anglo-American and Asian models are characterized by exclusivity, being antagonistic to each other and to the European development models, which are inclusive and permissive (Burgherea, 2013); these latter ones include a part of the features of the other two models.
- b) The Anglo-American model pinpoints markets freedom, while the Asian one pinpoints decision and resources control. The European model is a combination and an alternative of the other two models.
- c) The American model and the Asian model are protectionist, in antithesis to the European permissive model. The homogeneity of the two models visibly contrasts the multiple typologies of the European model. From the two specifics, yet deficient, features of the European model also result the main danger of the annihilation of the model, over time.
- d) The European economic models undergo, at present, a strong pressure from the forces of globalization, promoted by the economies of the American and Asian models. The specialists estimate that adjusting to such pressure might determine the loss of the specific features of the European models, in favor of the global uniformity of the economic structures and policies (Bal, 2006).
- e) None of the three categories of models cumulate economic growth, social equity and political liberty. The Anglo-American model is characterized by economic growth and political liberty, the European one by political liberty and economic growth, while the Asian model is characterized by economic growth and social equity. As a consequence, there is no perfect model.
- f) The Anglo-American model and the Asian one are characterized by a superior dynamic of the results, while the European economic models display a decreased efficiency.
- g) Specialized works have asserted the term of “sub-model” in most presentations of the European development systems. The variety of the component models of the European system does not derive from a general model so that they could bear this name, but are heterogeneous parts of the system, which, being of the same rank, form together the category of the European model.

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