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**DEVELOPMENT of PARADIGM of SOCIAL PROTECTION IN ECONOMIC THEORY**

**Introduction.** Social protection as a basic component of social policy is one of the key areas of state regulation of the economy. Providing of scientific approaches in the formation and implementation of state social protection strategy requires a clear justification of its methodological basis. The evolutionary development of society as a whole system determines the differentiation of its structure and functions, development and improvement of all system elements, including social components.

Social changes, the structural complexity of the functional social relations find their appropriate reflection in various scientific theories. Each generation of researchers, considering the problems of the social structure through the prism of the requirements of their time and experience, have built various concepts and models of social existence. At the same time, the elements of systemic and social approaches to the analysis of social relations and processes were manifested in the theories of social development. In economic theory the social factors of development are considered in the light of the methodological and methodical providing the analysis of social processes and assessment of their influence on the economic development of the state. In the theory of institutionalism the researches are directed at identifying the specific regularities of becoming and transformation of social relations, their role in updating the content of existing and establishment of new social institutions.

Analysis of theoretical sources allows us to emphasize several important methodological approaches to the investigation of social protection of population on the basis of classical, neoclassical economic theories and the theories of institutionalism.

Despite their individual differences, an ideology according to which the state itself plays a key role in protecting and promoting economic and social well-being of citizens performs uniting function.

**Reviewing the literature.** N. Topishko says that according to the essence of each concept of socio-economic progress the social development of the country is formed and the certain social policy is carried out. Keynesian model is based on the social income maneuvering to support an aggregate demand to provide a general equilibrium based on government regulation of employment, prices and processes of distribution and redistribution of income, the state social assistance. In the neoclassical theory of distribution the need of person’s public support as its natural right is recognized but only as a limited state intervention in this area in order to regulate the contradictions between rich and poor on the basis of state control over the standard of living not lower than the established social standards (minimum thresholds) [ 1, с. 109 ].

D. Sevryukov examining theoretical images of the European social state in the globalized world comes to the following conclusion: “the state of possibilities” developed from the social state of universal equality, actively interacts with the civil society. It tends not to be the main provider of social services and builds new models of relations with the civil society, gradually shifting the burden of responsibility for caring for the welfare of citizens on the structures of the society itself. At the same time public and civic institutions insist on the priority of the individual personal responsibility for its own destiny and its loved ones. A person should take care of its future itself, actively using the conditions and opportunities that are provided by the state and society [ 2, р. 11 ].

I. Kirnos based on the systematization of the world experience of solving the problem of correlation of social and economic aspects in societal development emphasizes that the concept of “social protection” and “economic growth” are in a complex dialectical relationship. Increased economic growth can rise social spending. At the same time, social spending and investments in human capital contribute to economic growth. On the other hand, increased social spending increase the tax burden, which negatively affects economic activity [ 3, р. 153 ].

A. Glukhova believes that the state focuses on the stabilization of the economic component of the quality of life and ignores a number of issues related to consumer and social and labor issues; health and social security, education and culture; environmental protection. The need for social approval guidelines of state economic policy while ensuring proper quality of life is determined by the need to adjust for social policy - raising concerns about the health and spiritual condition of the population; optimization of demographic indicators and the quality of individual living conditions [ 4, р. 115 ].

**Not resolved aspects of the problem.** The lack of generally accepted approaches to the interpretation of social protection and the specificity of the phenomenon requires a detailed explanation based on the study of the existing economic theories. It can be done through a systematic approach and the principle of historicity.

**The aim of the paper** – generalization of the basic theoretical principles of research of social protection of population in the context of development of economic theory.

**Topical issues.** Methodology of analysis of any scientific problem involves highlighting of its nature, content and consideration of the theoretical foundations of homogeneous categories, phenomena and processes. In any historical conditions of social development, there is always a set of more or less similar, regular, typical, renewable problems which make up its real meaning. These problems are related to the state and the needs of improving living conditions of different social groups.

Understanding society as an object of research and theories starts in late XVII century due to the rapid development of science. Charles-Louis de Montesquieu proposed a new vision of human nature and the nature of social and political phenomena. He connected the development of various forms of social life, primarily with the economic, legal and political processes that are regulated by human mental activity. Immanuel Kant considered legal civil society as a particular social system. Having summarized the ideas of his predecessors, he managed to create a systematic theoretical example of the society of his time. Hegel completed the development of the idea that prevailed in the German classical philosophy concerning the world history, which developed a creative spirit. He also formed the concept of social life in which all the elements - the spiritual and material, static and dynamic, objective and subjective are closely associated with each other.

Development of economic theory in the aspect of social protection occurred in the process of emergence of different, depending on historical epochs, scientific concepts. According to mechanistic approach, economics exists only in terms of the possibility of mutual regulation of objective, external in relation to the human elements, and all that is subjective is not considered. This approach was used by J. Rueff, who believed that the laws of political economy fully comply with the laws, which gases obey, as people play in political economy the same role as the molecules in the kinetic theory [ 5, р. 11 ]. A. Smith’s position, the representative of the classical school, was about the same: economic phenomena governed by natural and objective laws that are independent of the subjective factor (“invisible hand of the market”, which carries a complex interaction between economic activity and distribution of social work). In addition, he emphasized the differences between the economic problems that must be solved in any society that produces goods. The first one consists in possibilities of man to provide themselves that is to have a sufficient level of income; the second - the need to provide the social needs through contributions to the state. Regulation of the social and economic relations in accordance with Adam Smith’s theory should be carried out spontaneously, through the mechanism of a free market by charitable donations that are made by believers for reasons of altruism or philanthropic [ 6, р. 326 ]. Developing the ideas of classical direction concerning charity, T. Malthus formulated the theoretical position in which he justified the real part in the creation and distribution of the gross national product not only economically active but inactive segments of the population. T. Malthus was the first who suggested the idea of influence on the public welfare of population number and population growth, confirming the relationship of economic processes and natural phenomena. As for charity, it serves as a mechanism that only increases the contradiction between the level of income in society and the number of population. Therefore, help should be only in the form of education, which is a kind of public weal everyone can be involved without prejudice to other; state care and any systematic charity should be abolished [ 7, р. 147 ].

The organic approach in political economy had some analogies borrowed from biology, and its supporters tried to analyze the needs and functions of the social organism that are necessary to meet these needs, investigate the appropriate authorities. F. Quesnay [ 8, с. 72 ], in the so-called “economic table”, tried to apply laws of blood circulation in the human body in relation to the circulation of wealth in the social organism. J. Sei believes that the main sections of the social economy are those relating to bodies that are used by society to create, distribute and consume some goods; just as the main sections of human physiology relate to bodies relating to nutrition and development of the human body [ 9, р. 65 ]. The main disadvantage of mechanistic and organic approaches was ignoring the obvious fact that the human community consists of people who have consciousness, mind and will, an economic system can change due to human activity and cannot be fixed like physical system, because society summarizes all relations relating to individual actions. As a social science, political economy should take into account that the people realizing various events and opening economic laws use their knowledge and experience to change these laws in their favor.

In neoclassical views the approaches to social protection change. It is fully reflected in the marginalist conception - social protection is based on the system of state control over the living standards of citizens. Resolving conflicts between wealth and poverty is proposed as a basis for the implementation of social policy. On its base equalization of incomes of the rich to provide the established minimum standards for the poor occurs. William Petty, examining the effectiveness of the social security system and its influence on the living standards of citizens, has defined the regulatory functions of the state and the need to introduce targeted state aid. He believes that there are many reasons to assist low-income individuals in the civilized countries. It is done mainly through the certain state institutions or by wealthier compatriots. Redistribution of funds provided by such assistance should increase (it can be arranged in a way that the increase will certainly happen) the real income for poor people. At the same time, the system has a number of disadvantages; the determining factor is that the redistribution of national income is also due to the poorest. For example, getting help from the state, the poor may agree to lower wages[ 10, р. 27 ].

Neoclassical welfare theory is based on the social welfare theory, proposed by V. Pareto. According to Pareto’s criterion, if in the result of any event an individual improves its welfare and does not worsen the condition of all other individuals, such event causes an increase of social welfare. All parts are tightly interconnected and mechanically influence each other. The social system of society is more complex than the economic; because only people who are endowed with feelings are involved into the social action. These people actuate the whole social system. Based on the delineation of economic and social life, V. Pareto has defined the main interacting elements of the system. They are sense, ideology, interests and social heterogeneity [ 11, р. 59 ].

E. Engel suggested a number of dependencies between revenues and expenditures of the population which were later called “Engel's law”. He believed that when income in the family budget increases, the share of expenditure on food decreases (the first law); the share of expenditures on clothing does not change (the second law); their housing costs, including heating and lighting remains constant (the third law); the share of expenditure on education and treatment increases (the fourth law) [ 12 ].

T. Parsons, developing the ideas of V. Pareto, M. Weber, E.  Durkheim, created a holistic sociological picture of the world, covering the structure and function of any part of the system. Based on the analysis, it was shown the way they are included into the system and the way the social groups and individuals that perform differentiated functions within the systemic integrity interact with each other. The scientists have identified four functional prerequisites without which no system is able to survive: adaptive, achieve goals, integrative and maintaining order. The special institutions that form the subsystems of society meet these conditions. The subsystem of economy meets the first function that serves the purposes of adaptation of society to the social environment. The subsystem of political institutions performs the second function related to the achievement of target plants of society and its individuals.

The subsystem, which includes institutions that support the general culture and a set of necessary for the existence systems of symbols, performs the third function of securing internal unity.

The last function that solves the problem of awareness by community members the norms of the system is connected with the subsystem of institutions that coordinate the structure of personal motivations with goals and values of the society [ 13 ].

Thus, the neoclassical theory is based on the fact that the redistribution is the only area of economic relations, where the basis for the intervention of state may be not an argument of improving the efficiency but achievement of social justice.

Proponents of keynesian theory emphasized the need of state economic management, which is based on the regulation of production, employment and income redistribution. The mechanisms of social protection should be based on the principles of social justice and material support should be extended to all persons in need, not only to those who acquired the rights to social benefits. John Keynes’ thesis that social spending can stimulate aggregate demand became the basis of the welfare state ideology. Civil agreement, the system of tripartite agreements or tripartism - participation in the development and implementation of social protection programs of the representatives of employers, employees and the state replaced the class struggle and confrontation. State social guarantees transformed the issues of distribution of material benefits in the economic area, mainly freeing it from political layers [ 14 ].

Institutionalists (E. Dolan, D. Lindsay) considered the social protection as an attempt to resolve the contradiction between market opportunities and the needs of population. Only needy segments of population should receive state aid while others must provide themselves. The reason of the dichotomy of society is the contradiction between the interests of the business (market) and the interests of various individuals and groups. The mechanism of social maneuvering, which artificially regulates the price level and wages, employment, quantitative and qualitative fullness of average living standards is considered as ineffective because it only reduces social contradictions, but does not stimulate the economy. The primary mean of social protection should be opportunity for all able-bodied citizens to obtain their own labor income. People with disabilities or disabled people should be protected by the presence of transfer social insurance programs, social assistance and social security [ 15 ].

F. Behm, A. Okun and R. Grossman-Dert called for the conscious formation of socially oriented public and economic order based on freedom, but subject to effective public policy. “Economic Order” - this key category formed the basis of ordoliberalizm theory [16 ]. Ordoliberalizm emerged as an attempt to overcome on the one hand, totalitarianism of the central administrative system prevailing in Germany in those days, on the other hand - spontaneity of unregulated liberal market economy order because development trends do not only aggravate the social contradictions, but also cause a concentration of economic power and restrict the rights and freedoms of the individual. Ordoliberalizm theory later became the basis of the concept of social market economy. The most famous its followers were A. Müller-Armak and L. Erhard.

A. Müller-Armak considered the concept of social market economy as a properly ordered system which aim was to combine a society based on competition and private initiative with social progress, high productivity and efficiency of a market economy. It allows to create a diverse and comprehensive social security system [ 17 ].

L. Erhard argued that social problems in society are solved not by redistribution but increase of economic efficiency on the base of a competitive market. The main task of social economic policy is not the distribution of wealth, but providing conditions for free initiative of individuals, who are able to create these benefits alone and take care of themselves and their loved ones. That is, statecraft is not to exclude from the citizens their income, and then to return it as pensions, grants and other social services. Much of the incomes should remain in the hands of the recipients and should not be excluded in the form of taxes and contributions for national needs [ 18 ].

H. Lampert, who supported L. Erhard’s teachings believed that the aim of the social market economy is a purposeful embodiment of the policies focused on economic growth through the use of such tools and instruments which could restrict as little as possible the economic freedom and ensure full employment and achievement of the highest possible welfare. Competition minimizes social injustice and at the same time promotes progress. The state correction of primary income distribution is inevitable [ 19 ].

According to P.  Samuelson, there are many problems which are impossible to solve through the laws of the market. They are: protection of the environment, public health, education and so on. Therefore, the state should identify the social problems and solve them, introducing some appropriate measures (minimum wage, housing finance programs of construction, food aid to those in need). Unlike P. Samuelson, M. Friedman considered demand and supply the most powerful economic levers. The law on the minimum wage only contributes to unemployment, as, increasing labor costs, it makes fire low paid workers. Problems of poverty should be solved by introducing so-called “negative income tax”, i.e. revenues that exceed a certain amount are imposed with a special tax, and the received funds should be distributed among low income recipients [ 20; 21 ].

**Conclusions.** In the period of historical development and changes of economic formations the processes of search of state mechanisms of social protection took place. With the development of economic theory, the evolution of scientific approaches to the interpretation of social protection, in particular, support of the individual in poverty (classical approach); redistribution of national income from the rich to the poor (neoclassical approach); equalization of man’s income throughout his life (Keynesian approach); resolving conflicts between the efficiency of social production and social justice (institutional approach). In broad terms social security is a meaningful characteristic of the social function of the state. This is a system of economic, legal and organizational measures to ensure the basic social rights of man and citizen in the state. In this sense the social protection elements are inherent to different areas of public relations, where the implementation of social rights (area of work, social security, social services, health, education, housing policy). Each of the analyzed approaches shows the certain characteristics inherent to the social protection, but it cannot fully display its contents. This is due to the fact that neither the social security nor its essences do not remain unchanged in the process of social development. These concepts can be classified only theoretically. The current social security system, which is implemented in the most of the developed countries, contains some elements of each of these concepts. From the theoretical point of view the classification of the concepts is based on the primacy of subjective and objective, goals and instruments is very conventional, but from the methodological point of view it is very important for practical implementation, development of specific mechanisms and trends of society at every historical stage.

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