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У випуску висвітлюються різноманітні аспекти економічної теорії, історії економічних учень, світового господарства та міжнародних економічних відносин, економіки і управління національним господарством, теорії та практики організації підприємницької діяльності та функціонування підприємств, фінансів і кредиту, бухгалтерського обліку.

Для науковців, фахівців-практиків, викладачів навчальних закладів, аспірантів, студентів – усіх, кого цікавлять теоретичні та прикладні аспекти економічних досліджень.

This issue presents various aspects of economic theory, history of economic thoughts, international economic relations, function of the national economy, theory and practice of business organization and function of enterprises, finance and credit, accounting.

It can be used by scientific employees, practitioners, teachers of institutions of higher and secondary specialized education, students. This issue is intended for all who are interested in theoretical and applied aspects of economic research.

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ARTICLES IN A FOREIGN LANGUAGE

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THE IMPORTANCE OF INNOVATION FOR DEMOCRATIC AND ECONOMIC DEVELOPMENT IN EUROPEⁱ

The right to seek a better future for oneself and one's family is a fundamental right and a quality feature of the democracy. However, the consequences are critical when hundreds of thousands local citizens throughout Europe leave their societies which have been the fundament in their lives to find jobs and new opportunities abroad, and calls for smarter solutions. Innovation opens new ways of solving problems and implies that individuals and society are able to do something that previously could not be done. The main objective of social innovation is to make the world a better place for everyone. People all over Europe should be told another story than the one they have been used to listen to. Those who are willing to be economic active should be encouraged to use their qualifications and skills on innovative processes leading to start-ups, even though the economic result per hours in the beginning would not exceed one and a half or two euros. Being an entrepreneur means to take direct control over the production and to lead societal development in a more democratic direction. That situation brings the individual to be the head rather than the tail in the process of economic and democratic development of Europe.

Keywords: Innovation, social entrepreneurship, youth employment, quality of life, democratic development.

Introduction. Since the economic recession of 2007/08 many politicians, governments, scholars and practitioners have launched their ideas and theories on how to counteract unemployment, economic destruction, social exclusion, youth hopelessness, and tendencies of dissolution throughout Europe, which to a large extent threatens the stability and common understanding of Europe as a peaceful and democratic region (Krugman, 2012). Mainstream policies and ideologies have pointed towards economic bailouts and volunteering programs for youth employment as efficient weapons against social, economic and democratic defeat. The main themes have thus been that the state should secure existing jobs and create an environment for providing new job abilities, especially for marginalized groups in society like youth, immigrants and refugees, women, the poor and disabled, and graduating students, to mention just a few groups (European Commission: Employment Package, 2012).

In addition, business and commerce have a role to play in this picture, especially from a moral point of view: business should be loyal to their employees, in times of recession it has been said. At the same time, Europe provides new job abilities for millions as long as employees are willing to move abroad (European Commission: Europe initiatives 2012)ⁱⁱ. This mobilization has given Europe ghost towns in the southernmost and eastern countries. It is understandable that the segment of competitive and strong European youth seek a better life in economically secure countries. However, at the same time they leave behind the countryside, districts, suburbs, cities and static social and economic environments, which have been their platform in life.

The problem. The right to seek a better future for oneself and one's family is a fundamental right and a quality feature of the democracy. However, this kind of mobilization is not an expression of democratic freedom, because the individuals who are hit by this compulsion have no choice to stay or to leave. Left behind areas experience a substandard social framework in most critical sectors of infrastructure such as elderly and health care, kindergartens and school system, supply of all kinds of commercial goods, lack of youth activities, lack of most basic municipal activities and dissolution of individual's private and family networks locally. Once young people leave for some other country, be it study or work, the possibility of returning home in the future is shrinking with time staying away. Critical voices have pointed to neo-liberal economy reducing society to individuals rationally pursuing their own interests (Stiglitz, 2012). At the same time, municipalities and governments are under a heavy economic pressure, constantly cutting social and welfare budgets, shifting population's profile and standing in society from being citizens to become mere consumers (Beerbohm, 2012).

Universities are static players. Universities and academia are important players in Europe, more in the static definition as providers of activity for a huge number of students, their teachers and bureaucrats rather than as a dynamic supplier of independent science, skill-provider and promoter of innovations (Sandal, 2012). The knowledge industry keeps millions of peoples out of the streets and contributes to a much lower pressure on the labor market throughout Europe. Nothing wrong with that, for the short time period, but in the end universities in the way they operate today are waste of time for most students for many reasons. We have seen that a university degree is not a guarantee for getting a

job on the labor market or advancement within the educational system. European universities are mostly based on education, less on science, and operate with models from the nineteenth-century. Modern information technology during the recent decade has outrun universities in both innovation, science, education, structure, flexibility, relevance, cooperation, and cost efficiency matters. In addition, 21-century university models represent a democratic approach to society and individuals in a different way than did the nineteenth-century models.

Innovation. The main exploratory factor for economic and democratic development, as in all other kind of societal democratic development, is innovation. With a neo-classical understanding of the process of innovation, one can explain social innovation as the process whereby the individual makes free and independent decisions concerning the combination and use of the first and second factors of production, with the aim of introducing a social service, which improves people's lives and has not been on the market previously. Innovation implies that individuals and society are able to do something that previously could not be done, or at least not be done so efficiently or economically (Schumpeter, 1934/2008). This is exactly what has happened in the knowledge industry these days. Mooc, Massive Open Online Courses, is a new technology which makes it possible to offer higher education online free of charge. We have already seen new start-ups in the knowledge industry the last months, as Udacity, Coursera and The Minerva Project and more are to follow suit (Cobb, 2013). Mooc has the potential to decrease geographic mobilization among youth in Europe based on their need of higher quality university education and at the same time make it possible for a large number of European students to afford international expensive education in the near future.

Social entrepreneurship. However, innovation reaches further than the knowledge industry, of course; it is a phenomenon of development in all sectors of society. The main objective of social entrepreneurship, which is the process of social innovation, is to make the world a better place for everyone (Sandal, 2007). The process of social entrepreneurship leads the society in a democratic direction and enriches the quality of life. Every citizen has the potential of participating in the process of innovation, to turn his or her own good ideas into productive processes. This is exactly the meaning of the New Democratic Norm (Warren, 2003): individuals should participate directly in the process of societal change, not only as voters or consumers, but also as agents of change through social innovation. Europe is a continent, but not a nation. North and South are as different as East and West. That is also the fact when it comes to carrying out innovations rather than just consume the effect of economic changes and prosperity undertaken by others. In nations and regions with too low per capita income, we often experience questions like;

tell us about the process of poverty – why are we so poor while the others are so rich. In addition; how can we empower ourselves to enrich our families, our neighbors and our nation and how can we bring about changes in society to improve quality increase of life and development of the democracy? In the North the assumptions are differently, mainly because of the, through generations, inherited approach to public life and roots of the welfare state; give us money, we don't care, we have rights. In both cases, the population strongly depends on the political system and governments to take the first step. It is not so much a question of helplessness but more on being passive or active (Strossel, 2012). The strong state is in command and the weak individual awaits the orders. This is the training and experiences from the battlefields through hundreds of years; the generals lead the armies to victory, and very often to defeat. As long as Europe's population is comfortable in letting politicians and governments take the lead in the change processes, both on innovation and democracy, we will not see any real development in the labor market or in the New Democratic Norm.

Economic funding. When it comes to issues about economic founding of new dynamic enterprises and innovations the picture does not look promising.

Take for instance a country like Sweden (Country Fiche, 2007, Sweden). Half the population has no savings what so ever, and the other half has ten thousand Swedish kroners or less in savings (Sweden-US Open, 2013). It is true that putting an innovation to work on the market does not take much capital in the first place, and when the consumers have approved it, the sales will finance the further expansion by its own cash flow. In Sweden, there are numerous institutes and organizations ready to undertake, not only the financial part of launching new ideas, but also to supervise the process itself. Without willingness to undertaking supervision and following the guidelines of borrowed external capital, the entrepreneurs in most cases are left on their own.

The primary aim of state controlled entrepreneurship in Sweden, as in the other socialist countries, is not to encourage the entrepreneurs to make a profit, but to secure a wage or salary income for himself, his family, and in extreme cases, to hire people for wages. This is fair enough, because why should the socialist political system allow some of the families of the politicians and governments and their friends use taxpayer's money to make profits to create their own private wealth and fortunes? The main political base in a socialist country is to overtake the production means by government and keep control on what is being produced.

However, profit is very important when it comes to the process of innovation and democratic development. Entrepreneurial profit is the ultimate proof that successful innovation has taken place on the market. The entrepreneur and his family explore satisfactory financial security when entrepreneurial

profit becomes a fact. It also means that a person has moved himself and his family from the social position of being a mere wage earner to live an economic independent life. If he was unemployed before becoming an entrepreneur, he moves himself and his family out of the endless long unemployment queues and quite his burden on the social security system, which of course is a very democratic thing to do, and achievement to fulfill.

Wages give no room for savings. Salaried and wage earners are not in a position to make any savings based on their wages alone. This is true because the income from their labor does not bring about a surplus from which savings can be made. Wages, in a socialist state, are firmly calculated and functions more like means of equalizing and contribution to building a just society rather than to mirror the quality, skills, capability, contribution and future prosperity of the individual worker. It's ultimate goal is to bring about the single social class society (Newman, 2005). Even though the workers might have individual needs there is not much space left over for individual interference in the private consumption preferences, which could have had contributed to savings.

Take for example nutrition. The cost of a unit of calories is the same on the market without any discrimination, theoretically speaking, and the need for calories is almost the same. The laborer could of course change his consumption preferences from high quality food, which has a higher price per unit calories to low quality nutrition, like for example fat, that has a lower price per unit calories. In the short run, there would be room for savings, but over a lifespan, there will of course be no savings because low quality meals dramatically contribute to decrease the quality of life due to bad health, sicknesses and shortening of the expected lifespan of the worker (Morris, 2013). In addition, a shift in meal preferences also means a decline in quality of life in the sense that a person in this situation usually experiences social isolation from earlier friends and breakup of his social networks.

The same is true when it comes to housing. Rent for flats usually include heating, and there are many cold days and nights through the winter season in Sweden. If the wage earner wants to turn down, or turn off the heating in order to save money, it does not inflict on the rent. Turning down heating does not give room for savings; it only decreases the quality of life for the worker and his family.

Borrower or lender? The wage earner in a socialist state is usually forced to take on the role of being a borrower rather than a lender. On the other hand, the successful entrepreneur does not only contribute to democratic and economic development but has the capacity to shift his social and economic position from being a mere borrower to become a lender. In that role, every citizen has the capability to contribute, not only to his own satisfaction, but also to society, undertaking the process of development and to bring about new job abilities

and increase of quality of life for a great number of people.

Mobilization. Take for instance a country like Norway (Country Fiche, 2007, Norway). One third of state budget is being spent on NAV (social security expenses, pensions included, health and eldercare excluded). A very huge number of Norwegian citizens are unfitted to undertake even the simplest of jobs, and a large portion of young Norwegian males, in particular, are being expelled from the labor market what so ever. For the time being, it seems that the Norwegians are the social benefit aristocrats of the World and that they live in a nation with the sickest population on the whole Globe. At the same time, Norway experiences an enormous huge labor import from the Baltics and Poland, Sweden and certain regions in the South.

During the last five to ten years, we talk about hundreds of thousands of individuals staying for a longer or shorter time period in Norway as cheap labor. The average wage for a young Swede working in Norway is approximately 135 Norwegian kroner an hour. They fill up large parts of the governmental hospitals and healthcare sectors, restaurants and hotels, transportation and services of a wide range. They have a very good reputation due to their discipline, professional and good behavior. They compete on the labor market against their counterparts, particularly Norwegian young men, who often also experience early dropout of school, alcohol and drug addiction and sometimes even social and criminal misbehavior. As losers on both the labor market and at school, this young group of Norwegian male citizens largely face social exclusion and decrease of quality of life.

The other groups of immigrant and visiting laborers usually work for much less. We have seen wages down to 50 Norwegian kroner an hour and even down to 15 – 20 kroner an hour. It seems that the lower the wages are the less social rights in the Norwegian society the laborers have. In that sense, they are multiple losers in the Norwegian society.

Foreign laborers engage themselves as workers in a wide range of production in Norway; in governmental health care, governmental infrastructure constructions work, state owned or state controlled larger business construction works and so on. Besides their main occupancies, many also undertake labor for private contractors or individuals.

Social dumping and social exclusion. Why is the Norwegian political system so eager to exploit cheap labor mostly from European regions with too low per capita income?

European poor workers are largely not driven by push factors, to come to Norway, for obvious reasons. Most workers explore that their Norwegian wages are much lower than what they can expect to obtain elsewhere in Europe. Many also suffer largely from being expelled from social inclusion in Norway (especially concerning social and labor rights and protection by governments) and they usually don't

achieve increase of quality of life when working in Norway or later on.

Pull factors are more obvious for the Norwegian case. Cheap labor is a good substitute for diminishing investment in human capital and democratic development for a nation. Think about it; if there were only one company on the market, why should that company bother about investment and risk taking in inventions and innovations – it does not, there is no need, and they are just fine the way they are. The same is true for any state monopoly. Since the end of the Second World War, the Norwegian society has been on the left side of the political agenda and the state has been the primary and almost the only producer of human capital, hospital and healthcare, elderly care, kindergartens and so on. In a society with no competition on emerging issues, there will be almost no incentives for investments or development.

A large portion of the methods, equipment and mentalities in the Norwegian society relevant for this situation has its roots back to the nineteen fifties. Old-fashioned equipment, buildings, methods and programs are not suitable to meet the challenges of the modern world. Nevertheless, it does not matter as long as the state monopoly rules. The political convictions that fixed amounts of expenses are not to be exceeded, and that wages that are brought out of the country for consumption elsewhere, is not inflation driven, are strong political pull factors in Norway. The strong unwillingness of the socialist state against investments in innovations has largely brought the same state in a position of being the primary exploiter of poor laborers from Europe and the main driving force for social dumping and social exclusion.

Much of the wages, after the intermediaries, contractors and lenders have taken their portions, are sent back home to the homeland of the workers. Sweden, for ex. experiences a capital import of billions of Swedish kroners as a direct result of labor exports to Norway, capital that contributes to keep the Swedish countryside going.

Volunteering for youth employment. In Europe as a whole, the unemployment figure now has reach 26,2 million. Of a EU-28 young population aged 15 – 24 years counting 57,5 million, 5,6 million are unemployed, 18,8 million are

employed and the rest, 33 million are economic inactive (European Commission, 2012). In countries like Spain, Portugal, Greece and Italy certain regions have exceeded unemployment rates of 30% and especially the youth are exposed. It is still possible, though, to find jobs in these regions for the best candidates, but for the vast majority of jobseekers it does not look promising. How, then, could the process of volunteering for youth employment contribute to speed up good solutions and partly solve the critical situation on the labor market? First, the unemployed and economic inactive people of the South should be told another story than the one they have been used to listen to. Those who are willing to work or be economic active should be encouraged to use their qualifications and skills on innovative processes leading to start-ups, even though the economic result per hours in the beginning would not exceed one and a half or two euros. Second, successful entrepreneurship will stimulate the demand for labor and the creation of new job abilities on the market. Third, even marginal incomes contribute to increase of governmental taxes and less burden on the social and welfare expenses, which gives society a win-win situation. Fourth, income based on entrepreneurial profit turns the individual from being a dependent borrower to become an independent lender. Fifth, it is better to be the head than the tail in the process of economic and democratic development of Europe; in fact, any citizen could change his or her position through innovative and dynamic contribution on the market.

Conclusion. Innovation is crucial for the economic and democratic development in Europe. This assumption is especially important when it comes to issues about youth employment, mobilization, social inclusion and increase of quality of life. It should be easy for anyone to understand and accept political arguments for youth to travel abroad to find jobs and new opportunities, but the dramatic consequences of a policy encouraging youth leaving the local society which has been the fundament in their lives, calls for smarter solutions to the problem. Even though not everyone on the continent is ready to take on the role as entrepreneurs, Europe needs a safe, economic, secure, just, peaceful, and democratic development; the alternatives belong to history.

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Анотація

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РОЛЬ ІННОВАЦІЙ В РОЗВИТКУ ДЕМОКРАТІЇ ТА ЕКОНОМІКИ ЄВРОПИ

Право на пошук кращого майбутнього для себе і своєї сім'ї є одним із основних прав та особливостей якісної демократії. Однак, наслідки мають вирішальне значення, коли сотні тисяч місцевих жителів по всій Європі залишили своє суспільство, яке складало основну їхнього життя, щоб знайти роботу і нові можливості за кордоном. Інновації відкривають нові шляхи вирішення проблем і передбачають те, що окремі особи і суспільство зокрема в змозі зробити те, що раніше не могло. Основна мета соціальної інновації - зробити світ кращим для кожного. Людям всієї Європи слід почути іншу історію, відмінну від тієї, яку вони чули раніше. Ті, хто бажає стати економічно активним, мають бути заохочені використовувати свою кваліфікацію та навички для інноваційних процесів кредитуванням стартапів, навіть якщо економічний результат на початку не перевищуватиме півтора чи два євро. Бути підприємцем означає прямий контроль над виробництвом і займати лідируюче місце в розвитку суспільства в більш демократичному напрямку. Така ситуація дає можливість піднятися на верхівку, а не бути в кінці економічного та демократичного розвитку Європи.

Ключові слова: інновація, соціальне підприємництво, зайнятість молоді, якість життя, демократичний розвиток.

Аннотация

Ян-Урбан Сандал

РОЛЬ ИННОВАЦИЙ В РАЗВИТИИ ДЕМОКРАТИИ И ЭКОНОМИКИ ЕВРОПЫ

Право на поиск лучшего будущего для себя и своей семьи является одним из основных прав и особенностей качественной демократии. Однако, последствия имеют решающее значение, когда сотни тысяч местных жителей по всей Европе покидают свою страну, чтобы найти работу и новые возможности за рубежом. Инновации открывают новые пути решения проблем и предусматривает, что отдельные лица и общество в частности в состоянии сделать то, что раньше не могло. Основная цель социальной инновации - сделать мир лучше для каждого. Тот, кто желает стать экономически активным, должен быть поощрен использовать свою квалификацию и навыки для инновационных процессов кредитованием стартапов, даже если экономический результат в начале не будет превышать полтора или два евро. Быть предпринимателем предусматривает прямой контроль над производством и лидирующее место в развитие общества в более демократическом направлении. Такая ситуация дает возможность подняться на верхушку, а не быть в конце экономического и демократического развития Европы.

Ключевые слова: инновация, социальное предпринимательство, занятость молодежи, качество жизни, демократическое развитие.

¹Paper presented at the International Conference on Volunteering for Youth Employment, Mobilization, and Social Inclusion & Quality of Life 25 – 26 October 2013.

ⁱⁱThe three flagships initiatives of the Europe 2020 strategy are youth on the move, an agenda for new skills and jobs, and European platform against poverty and social exclusion (lifting 20 million Europeans out of extreme poverty within 20120).

НАУКОВЕ ВИДАННЯ

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