The 2020 Crisis: The Collapse of the Social Market Economy or the Path to a New Model of Sustainable Development

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Abstract. Purpose: The goal of the work is to find opportunities and prospects for a successful exit of the global economy from the 2020 crisis, which avoids the collapse of the social market economy and embarks on the path to a new model of sustainable development.

Design/Methodology/Approach: The work uses a set of general scientific methods within the framework of the system approach, including methods of induction, deduction, analysis and synthesis, modeling of socio-economic systems, as well as graphic representation of research materials.

Findings: The change in the model of sustainable development under the influence of the crisis of 2020 is justified. A new - pyramidal model of sustainable development, emerging under the influence of the crisis of 2020, has been developed, in which the directions of sustainable development are more integrated.

Originality/Value: It has been proved that the 2020 crisis is not necessarily led to the collapse of a social market economy - a fairly likely scenario is associated with setting humanity on the way to a new model of sustainable development. Its most important features will be, firstly, increasing the importance, prioritizing social and environmental goals and becoming their foundation for the realization of economic goals. Secondly, the recognition of the «failure of the market» with sustainable development and the assumption by the state of a key role in their implementation instead of creating «rules of the game».

Keywords: Economic crisis of 2020 · The social market economy · A new model of sustainable development

JEL Codes: C31 · C33 · C38 · F63 · Q01 · Q56 · O11 · O12 · O31 · O32 · O33 · O38 · P25 · P48 · R11 · R13 · R58


1 Introduction

The social market economy is the result of the sustainable development of economic systems, embodied in the achievement of the key priorities of mankind. The global sustainable development goals adopted in 2015 have formed a modern model of a social market economy, to which the countries of the world have been striving for the past five years. This model implies stable and even progress in the development of all spheres of economic activity - environmental, social, economic and innovative, as well as balance of the world economy from the point of view of equality in the socio-economic situation of the countries of the world.

The 2020 crisis risks becoming so large-scale and long-lasting that it will lead not just to the suspension of initiatives in the field of sustainable development and the delay in the formation of a social market economy, but to their revision. Two alternative options are possible for developments in the world economy after the end of the 2020 crisis. One of them is the collapse of the social market economy. This means the recognition by the world community of the fundamental impossibility of simultaneously achieving the goals of sustainable development and the rejection of the construction of a social market economy.

As a result, each economic system will establish its own priority, which can be either accelerated economic growth and scientific and technological progress, or environmental protection, or social support, equality and stability. Another scenario is the path to a new model of sustainable development. In this case, the world community will not abandon the goals of sustainable development, but will choose a new approach to their implementation and prioritization.

Sustainable development goals have become a key reference point in the early 21st century, and abandoning them would mean a return to either a social or a net market economy, which in the future could lead to either social and environmental crises or economic crises and therefore be associated with new shocks for the world economy, no matter what choices are made. Therefore, the urgent task of economic science at present is to find opportunities and prospects for a successful exit of the global economy from the 2020 crisis, which avoids the collapse of the social market economy and embarks on the path to a new model of sustainable development, which is the goal of this work.

2 Materials and Method

The existing model of sustainable development has been highlighted in numerous publications by authors such as Andronova et al. (2019), Frolov et al. (2017), Haabazoka (2019), Inshakov et al. (2019), Ivanov et al. (2019), Morozova et al. (2019), Petrenko et al. (2018), Popkova et al. (2014), Popkova and Gulzat (2020a), Popkova and Gulzat (2020b), Popkova et al. (2017), Popkova et al. (2016), Popkova and Zmiyak (2019), Popkova and Sergi (2019), Pozdnyakova et al. (2017), Pritvorova et al. (2018), Ragulina (2019), Ragulina et al. (2019), Sergi (2003), Sergi et al. (2019), Sergi (2018), Shulus et al. (2020), Sagittarius (2017).
Parameters and prospects for building a social market economy are discussed in Ebner (2006), Goyal and Sergi (2015), Pichkov (2016), Popkova and Sergi (2020), Thanawala (2002), Zavyalova et al. (2018), Sorokina, (2017), Shakhovskaya and Arakelova, I.V. (2017), Artemyeva (2018). Although the issues of sustainable development and social market economy have been studied in detail and disclosed in existing research publications, in the context of the 2020 economic crisis, they need to be rethought and further studied taking into account the new realities of the global economic system.

The study of the problem is hampered by the late generation and publication of economic statistics. While data on the incidence of COVID-19 are promptly provided and updated daily, data on the 2020 economic crisis are likely to be only in 2020, although they are currently necessary for the timely development of crisis management theory and practice for sustainable development and the construction of a social market economy. Therefore, this work uses a set of general scientific methods within the framework of a systemic approach, including methods of induction, deduction, analysis and synthesis, modeling of socio-economic systems, as well as graphic representation of research materials.

3 Results

As a result of the logical analysis, it was revealed that the 2020 crisis will lead to a change in the model of sustainable development, which is reflected in Table 1.

Table 1. A change in the sustainable development model under the influence of the 2020 crisis

| Directions for sustainable development | Before the 2020 crisis | In the conditions and after the crisis of 2020 |
|----------------------------------------|------------------------|-----------------------------------------------|
|                                        | Treatment              | Importance | Treatment                                      | Importance |
| Economic growth                        | Pro-cyclical management in pursuit of maximum growth acceleration | 1          | Countercyclical governance to maintain growth stability | 4          |
| Maintaining global competitiveness     | Reliance on high technology and high-tech products, breakthrough innovations | 2          | Reliance on responsible innovation, socially relevant technologies and products | 3          |
| Ensuring social well-being and equality| With emphasis on economic priorities (income) | 3          | Focusing on non-economic priorities (health)    | 2          |
| Achieving sustainable development goals| To maintain an enabling environment for economic development | 4          | To prevent future crises of a non-economic nature | 1          |

Source: developed and compiled by the authors

As it is shown in Table 1, under the influence of the 2020 crisis, priorities for sustainable development will shift from economic to social and environmental. In the
direction of economic growth, pro-cyclical governance in pursuit of maximizing growth will be replaced by counter-cyclical governance in the interest of maintaining growth stability. In the direction of maintaining global competitiveness, reliance on high technology and high-tech products, breakthrough innovations will be replaced by reliance on responsible innovations, socially significant technologies and products.

Towards social well-being and equality, the emphasis on economic priorities (income) will be replaced by a focus on non-economic priorities (health). Towards the realization of the goals of sustainable development, the interests of maintaining an enabling environment for economic development will be replaced by the interests of preventing future crises of a non-economic nature. To illustrate the changes described, consider the previous model of sustainable development (Fig. 1).

As it can be seen from Fig. 1, in the previous model of sustainable development, all its directions were combined into a common system, while being separate, implemented separately in the framework of relevant initiatives. Business and non-profit entrepreneurship initiatives supported by society played a key role in the implementation of sustainable development.

The state was suspended, its functions were limited to maintaining the effective functioning of the market mechanism through monitoring, control, as well as stimulating priority private initiatives for sustainable development. Under the influence of the 2020 crisis, it will be replaced by a new model of sustainable development (Fig. 2).
As it is shown in Fig. 2, sustainable development directions are more integrated in the new model. Social and environmental directions - the realization of the goals of sustainable development and the achievement of social well-being and equality - form the basis and open up opportunities for the realization of economic goals - maintaining global competitiveness, accelerating and stable economic growth.

The roles of the state and business have changed. Now the key role in the direct implementation of these areas is played by the state, since only it has sufficient responsibility and resource capabilities to fully protect the interests of society (for example, combating the pandemic by financing R & D for the development of a drug and a vaccine against COVID-19), most of which are not for profit. Entrepreneurship initiatives are still in demand and important, but have been sidelined, as they are unstable and therefore unreliable.

4 Conclusion

Therefore, the crisis of 2020 is not necessarily led to the collapse of a social market economy - a fairly likely scenario is associated with setting humanity on the road to a new model of sustainable development. Its most important features will be, firstly,
increasing the importance, prioritizing social and environmental goals and becoming their foundation for the realization of economic goals. Secondly, the recognition of the “failure of the market” with sustainable development and the assumption by the state of a key role in their implementation instead of creating “rules of the game”.

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