

## Interpretation of Economic Systems Models in International Overview: Traditional, the Command-Administrative, Capitalism and Mixed-Economy Systems: Unified Economic Areas

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### Abstract

The important theoretical background directed to interpretation of economic models in different countries and regional cooperation scheme. It is relevant research topic because in various systems of interaction among nations there are particular methods of making the economical operations. Unified economic projects influenced by other spheres of interaction among regions, between countries as education, transport cooperation, industrial collaboration, humanitarian interaction. The research detailed the arguments of theory and practical experience of cooperation between different economical systems of States with appropriate results in common projects, their implementation results.

**Keywords:** Economic models; Traditional economy system; The command-administrative economy system; Capitalism-economy system; Mixed-economy system; Unified economic area

### Introduction

#### Economic system in theoretical overview

Considering about the acquisition of wealth Aristotle allocated economy and chrematistics. The Economy, according on this argument, has the purpose - the purchase of consumer values necessary for life and household and also for the country. Chrematistic is "the art make a fortune by trading". The tem "chrematistic" is identical to the concept of "trade capitalism". Economy science, like any other social science explores and represents one side, the positions of the varied and complex social reality, considering at a certain corner of vision general activity of people and individuals [1]. Development history of humanitarian society directly connected to various economic systems, including multitude of elements or properties, which formalized as:

$$ES=f(A1...An) \quad (1)$$

ES: Economic System, A: determining properties from 1 to n.

In the combination of components properties, the fundamental role-played by property in its diverse forms. ES properties and especially the ownership are the differentiation criteria of economic systems, determining their types, models.

#### Traditional economic systems

In some so-called underdeveloped countries operating traditional, based on the mentality systems. Traditions, transmitted from generation to generation, determine what products and services, how and for whom to produce. The list of benefits, technology of production and distribution are based on customs [2]. The economic role of the individual is determined by heredity and caste affiliation. Technical progress often comes into conflict with the traditions and threatens the stability of the existing order.

#### The command-administrative system

In this system, all the decisions on economic issues are taken by the state. Resources are mainly state property (state ownership). Centralized economic planning covers all levels-from the household to the state level. Resource allocation is based on long-term priorities.

The command-administrative system under certain conditions, yields positive economic results [3]. So, in the Chinese economy in a certain period of command-administrative system has increased the growth rate.

In Russian Federation, the administrative-command system associated with the success in solving critical problems (industrialization, collectivization of agriculture, the mobilization of the national economy). However, attempts to reform the economy made to think about a fundamental change in the system, certainly: the de-monopolization of the economy, privatization of ownership, establishing a market-oriented economy. In the literature it was suggested the model of "market socialism".

The final choice of a particular economic system is determined by the balance of political forces in the country, the nature of the ongoing transformation, the extent of support of these reforms from national society and international community.

#### Capitalism

Pure capitalism of the era of perfect competition with the "invisible hand" is characterized by private ownership of resources and the use of the market mechanism for coordinating economic behavior and economic management on the principle of "let it go". The behavior of market actors is motivated by rational interest [4].

Each economic unit seeks to maximize income based on free decision-making when self-regulation of the market determines the price, profit, loss. It should be noted that the market economy described in the ideal theoretical variation never existed.

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## Combined (mixed) system

The modern economic system called the "mixed economy". These countries also have the right to be called capitalist States. First, the determining method of transmitting information in them is the mechanism of price signals, or spontaneous order [5]. Second, private ownership is the prevailing share of scarce resources, most of which is capital. The desire to expand the boundaries of the public sector inevitably reinforces the hierarchical components in the system of economic relations. "Production may be sent either market prices or governmental Board of management of the production. The third solution does not exist. It is impossible third social system which would be neither socialist, nor capitalist."

The advantage of mixed economy is efficient use of resources and the economic freedom of producers, the promotion and deployment of resources, more modern technology. There is no single universally accepted solution to the economic problems.

Approaches and methods of effective usage of own resources are exposed to not only the objective laws and trends, but also influence the national culture, customs and traditions.

## Integration in the theory of economic growth - International economy

The international economic system (IES) is a set of elements of the world economy with special characteristics of each of them, in the process of the action elements of the global economy arise integrative qualities, characteristics, principles of functioning of this system. The main elements of IES there are individual countries, groups of countries. Between countries, there are different relations: political, scientific, cultural relations. Countries cooperate in various fields, organize international exhibitions, exchange of artists, scientists, experience in the field of technology, protection of the environment [6,7].

International economic relations (IER), is one of the forms of international relations. IER mediate the implementation of other forms of international relations. For example, for the normal functioning of the scientific and technical projects between the countries need international market of scientific and technical products. In addition, IER is a system of economic relations concerning the production, distribution, exchange and consumption of products, beyond the national borders.

## Unified Economic Areas

Unified Economic Area or Common Economic Space is one of the forms of international integration, aiming at liberalization of foreign economic relations within enterprises and the implementation of collective protectionism abroad. The task of the Unified Area is the provision of so-called "four freedoms" between the States parties: movement of goods, capital, services and labor, as well as ensuring the coordination of economic policies of States parties in relation to the macro-economy and the financial sector, transport and energy, trade, industry and agriculture (as the Eurasian Economic Space established in 2012).

It is formed gradually, by increasing the level of integration through synchronization carried out by the States parties of changes in the economy, joint measures on the implementation of a coordinated economic policy, harmonization and unification of legislation in the sphere of economy, trade and other areas, taking into account the universally recognized norms and principles of international

law. Among these phenomena is the so-called regionalism, i.e. the agreement is particularly close cooperation of individual countries according to the type of free trade areas, customs unions. The number of such groups by the end of nineties according to various estimates ranged from 80 to 100. According to the world Bank within the framework of such zones is about half of world trade.

Among the most famous areas: the European free trade Association, European Union, North American free trade area (NAFTA), the Asia-Pacific economic cooperation (APEC). The South American common market (Mercosur), The South African development Committee (SADC), The West African economic and monetary Union (UMOA), South Asian Association for regional cooperation (SAARC), Andean Community of Nations. The formation of such blocks led to the objective processes of political, economic, historical character.

## International Economic Unions

The simplest form of economic integration – is free trade area in which trade restrictions are abolished among member countries, especially customs duties. Another form – the customs Union involves along with the functioning of the free trade zone the establishment of a common external trade tariff and implementation of a uniform foreign trade policy concerning the third countries. The customs union is supplemented by a payment union, providing mutual convertibility of currencies and the functioning of the unified monetary unit. A more complex form is a common market, which aims to provide its members along with free trade and the common foreign trade tariff of the freedom of movement of capital and labour and harmonization of economic policies. The highest form of interstate economic integration is economic and monetary Union that combines all of these forms of integration with the overall economic and monetary policy.

Forms, or species, of regional integration can be different. They are characterized by the degree of freedom of movement within the group of production factors. Currently there are the following forms of regional EI:

Economic and monetary Union: CSME/EC\$, EU/€, Switzerland–Liechtenstein/CHF.

Multilateral Free Trade Area (FTA): CEFTA, CISFTA, COMESA, EFTA, GAFTA, NAFTA, SAFTA, AANZFTA, PAFTA, SADCFTA.

Customs Union (CU): CAN, EAC, EUCU, SACU.

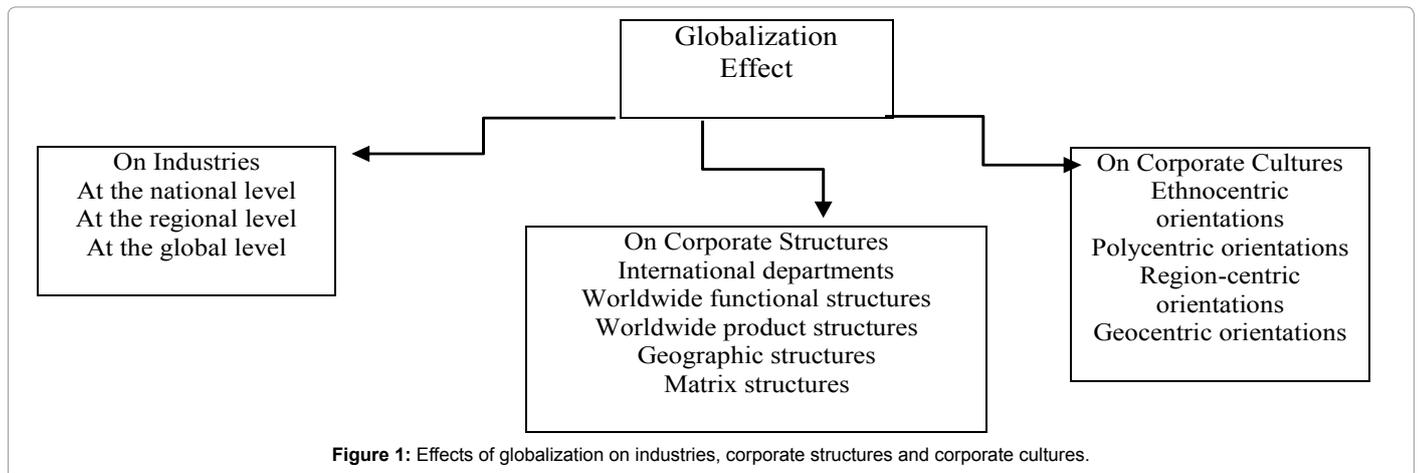
Customs and monetary union: CEMAC/XAF, UEMOA/XOF.

A single or common market (RR): EEA–Switzerland, ASEAN.

Economic Union (ES): CSME, EU, EAEU, MERCOSUR, GCC, SICA.

Effect-background within the integration:

- The proximity of the levels of economic development and the degree of market maturity integrating countries;
- Geographical proximity of the integrating countries, in most cases, the common border and historically developed economic relations;
- Common economic and other challenges facing countries in the field of development, financing, regulation of economy, political cooperation;
- Demonstration effect - in the countries that make integration



associations, usually there are positive economic developments;

- "Domino effect" - after most of the countries of the region have become members of the integration Association, the rest of the country, remaining outside, will inevitably have some difficulties associated with the reorientation of economic ties of the countries in the grouping at each other. This often leads even to a reduction in the trade of countries outside the integration. Some of them even without significant primary interest in integration, have expressed interest in connecting to the integration processes.

Economic Integration is a direct link between the dynamics of macro- and micro-economic indicators such as the evolution of industrial clusters and the temporal and spatial dynamics of GDP.

## Conclusion

### Globalization process: The concept of "common law"

The concept of common law is theoretical argumentation of practical cooperation integrational rule or principle. In the science and practice of international law, according to the "Dictionary of international law", under the sources of international law encompasses "the ways in which there are norms of international law created as a result of the harmonization of the intent of its subjects". Norms do not act, neither the external nor the internal form of international law, but are his essence, i.e. provide its main features: normativity; certainty; mandatory; universality (for those who these rules are related); resistance; strength. Initial structural number of concepts belonging to the category "source of law" (General theory of law): normative-legal act; international legal agreement; custom; precedent. Types of sources of international law:

- Primary: international treaties; international (legal) customs; General principles of law;
- Derivatives: the decisions of international conferences; the acts of international; organizations;
- Auxiliary: judicial decisions; the doctrine of international law.

General principles serve as the convergence of international and national law.

### Globalization effect in theory of economic relations

Corporate expansions into the worldwide position can affect

industry structures at national, regional, and global levels. These are summarized in Figure 1.

Information and Internet technologies have vastly improved the ability of companies to communicate efficiently within and across national borders, greatly enhancing global coordination and facilitating cross-border flows of knowledge, information and expertise. The countries within particular cooperation region with different economic systems showing the following economic models: traditional economy system, the command-administrative economy system, capitalism-economy system, mixed-economy system are integrated in scheme of confirmation the unify tasks in regional economic collaboration agreements, with confirmation of common principles.

Unified Economic Areas or Economic integrational areas are structuring the cooperation fields in the process of confirmation common specific rules and appropriate cooperation principles according on the international law. National governments have played key roles in promoting free-trade policies and eliminating foreign direct investment restrictions. In general, globalization is defined as the increasing interconnectedness of people and societies, the increasing interdependence of economies, governments, environments. Internationalization is the first stage in the globalization process. Integration is the higher level of world economic development with complete diffusion of all economies in almost all major aspects of economic activities.

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