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# GLOBALIZATION AND THE SOCIALITY OF THE ECONOMY

**Abstract.** The article identifies that the problems of combining social and economic development goals has not been resolved in Ukraine. That is, economic development requires investment, which in the short and medium term limits consumption. In turn, the low level of consumption does not allow freeing up sufficient resources for savings and investments. For a real increase in the standard of living for a long-term period, the outstripping rates of technological progress (growth of labor productivity) are necessary in comparison with economic growth.

The specific factors for high-income countries that significantly affect the ratio of consumption to investment are discussed. It is determined that the distribution of wealth within societies, the inter-country (interregional) comparison of this distribution and the historical trends in the distribution of total capital into its private and public forms are of great importance for the ratio of savings to consumption throughout the world. An important link in the relationship between economy, consumption and social development is the cost of training the «workforce» and the expected income from it. In other words, social spending is to some extent regarded as the goal of economic development.

It is proved that the development of the Ukrainian economy over the past 30 years has occurred mainly by stimulating consumption. It led to a lack of investment resources, a concentration of wealth and income, a distortion of the asset structure of financial intermediation institutions, the formation of an oligarchy and clan structures, the merger of power and property, state administration and business, and the infringement of the rights of small businesses.

***Keywords:*** economic growth, globalization, investments, consumption, sociality of the economy.

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# ГЛОБАЛІЗАЦІЯ І СОЦІАЛЬНІСТЬ ЕКОНОМІКИ

**Анотація.** Визначено, що проблеми поєднання цілей соціального та економічного розвитку в Україні не розв'язані. Тобто економічний розвиток потребує інвестицій, що в коротко- та середньостроковій перспективі обмежує споживання. У свою чергу, низький рівень споживання не дає змоги звільнити достатні ресурси для заощаджень та інвестицій. Для реального підвищення рівня життя на довгостроковий період необхідні випереджаючі темпи технологічного прогресу (зростання продуктивності праці) порівняно з економічним зростанням.

Досліджено конкретні фактори для країн із високим рівнем доходу, які суттєво впливають на співвідношення споживання та інвестицій. Визначено, що розподіл багатства в суспільстві, міждержавне (міжрегіональне) порівняння цього розподілу та історичні тенденції розподілу капіталу на його приватні та державні форми мають велике значення для співвідношення заощаджень до споживання в усьому світі. Важливою ланкою у взаємозв'язку між економікою, споживанням і соціальним розвитком є витрати на навчання «робочої сили» та очікуваний дохід від неї. Іншими словами, соціальні витрати певною мірою розглядаються як мета економічного розвитку.

Доведено, що розвиток економіки України за останні 30 років відбувся в основному за рахунок стимулювання споживання. Це призвело до браку інвестиційних ресурсів, концентрації багатства і доходів, спотворення структури активів інститутів фінансового посередництва, утворення олігархії та кланових структур, злиття влади і власності, державного управління та бізнесу, а також порушення прав малого бізнесу.

***Ключові слова:*** економічне зростання, глобалізація, інвестиції, споживання, соціальність економіки.

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# ГЛОБАЛИЗАЦИЯ И СОЦИАЛЬНОСТЬ ЭКОНОМИКИ

**Аннотация.** Определено, что проблемы объединения целей социального и экономического развития в Украине не решены. То есть экономическое развитие требует инвестиций, что в кратко- и среднесрочной перспективе ограничивает потребление. В свою очередь, низкий уровень потребления не позволяет освободить достаточные ресурсы для сбережений и инвестиций. Для реального повышения уровня жизни на долгосрочный период необходимы опережающие темпы технологического прогресса (рост производительности труда) по сравнению с экономическим ростом.

Исследованы конкретные факторы для стран с высоким уровнем дохода, которые существенно влияют на соотношение потребления и инвестиций. Определено, что распределение богатства в обществе, межгосударственное (межрегиональное) сравнение этого распределения и исторические тенденции распределения капитала на его частные и государственные формы имеют большое значение для соотношения сбережений и потребления во всем мире. Важным звеном во взаимосвязи между экономикой,

потреблением и социальным развитием являются затраты на обучение «рабочей силы» и ожидаемый доход от нее. Иными словами, социальные расходы в определенной степени рассматриваются как цель экономического развития.

Доказано, что развитие экономики Украины за последние 30 лет происходило в основном за счет стимулирования потребления. Это привело к недостатку инвестиционных ресурсов, концентрации богатства и доходов, искажению структуры активов институтов финансового посредничества, образованию олигархии и клановых структур, слиянию власти и собственности, государственного управления и бизнеса, а также нарушению прав малого бизнеса.

***Ключевые слова:*** экономический рост, глобализация, инвестиции, потребление, социальность экономики.

Формул: 0; рис.: 1; табл.: 1; библ.: 20.

**Introduction.** The globalization of the world's economy is exacerbated. US trade wars with China, US friction with the EU, US-Indian economic problems, sanctions against Iran, the Brexit — all this should be viewed in the context of increasing globalization: deepening of the global trends continue, but these trends are not straight forward. For example, despite the trade war of 2018—2019, China is storing its foreign exchange reserves in American securities to a greater extent. At this time, the dollar is growing (in terms of breadth: increasing its share in financial transactions) and the US influence on the economies of other countries is growing. A trend is emerging: *the global nature of commodity markets* is becoming absolute, the prices of global goods are gradually equalizing. At the same time, with the strengthening of the US dollar, as well as other freely convertible currencies, there is an *oligopolization of financial and money markets*. At the same time, there is a nationalization of *resource markets*. There is an increase in control over them everywhere. For example, in almost all countries with significant volumes of mineral raw materials (hydrocarbon raw materials, metallic and non-metallic minerals, rare-earth metals, etc.), national companies account for the lion's share of production, and that share is rising. We also witness how developed countries stubbornly defend their national labor markets. In fact, we are dealing with partial, controlled globalization. Typical is the level of the budget deficit and the use of the so-called «floating» rate of the national currency. Floating in relation to what? We are all witnessing how the dollar, euro, and other convertible currencies are being printed depending on the political will of the respective countries. The skirmish between President Trump and Fed Chairman Powell is a clear evidence of this. By constantly depreciating the dollar, the United States thus devalues the savings of those countries where the US dollar is the reserve currency. And this also fully applies to Ukraine. In such countries, the level of debt is artificially increasing, and the growth rate of savings and savings is falling. Subsequently, we have an interesting picture. The West, in this case — the IMF, insists on a «floating» exchange rate of the national currency against the dollar, and a reduction in the budget deficit. In these conditions, when national savings are constantly depreciating due to voluntarism in the «issue» of reserve currencies, there is practically no money left and no ability to finance investments from the state. Thus, we are facing a choice: how to ensure a normal level of investment in the country's economy, when the living standards of the majority or a substantial part of the population revolve around the poverty mark? What should be the sociality of the economic policies of poor countries?

**Research Results.** In international practice (UN, WB, IMF, etc.) countries are divided into high, middle and low income countries. At the same time, the term «OECD countries» is often used in relation to high-income countries. In 2017, the world's GDP amounted to $75,845 billion and the population was 7,442 million. But these assets were distributed very unevenly. Thus, 8.8% of the world population (a group of low-income countries) only 0.5% of income was located, 75.2% of the population of the group of middle-income countries had 35.5% of GDP disposed of, and finally the richest countries, with only 16% of the world population account for 64% of the world income [1; 2]. With such a huge difference, we can't apply a unique approach to social (consumer) and investment objectives.

Let us first examine the specific problems of each of these groups of countries on consumption and investment levels. From a statistical analysis, it follows that currently there is such a trend in the world: in low-income countries, the level of final consumption (FC) is usually close to GDP, and often exceeds it (*Tabl.*). In these countries there is no middle class, the changes are revolutionary, insurgent, there are no costs for science and technology, the financial system is centralized in commercial banks, consumer loans dominate in the assets of the banks, the policy of price targeting prevails in the activities of the Central Bank, imports exceed exports and balance of payments is negative.

Table

**EFC in the world, in countries with low, middle and high income levels for 2000—2016** billion dollars

| Countries | 2000 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | EFC | GDP | EFC in % to GDP | EFC | GDP | EFC in % to GDP |
| Low income | 108.1 | 112.7 | 95.9 | 364.8 | 402.5 | 90.6 |
| Middle income | 4356.6 | 5860.5 | 74.3 | 18177.6 | 26897.1 | 67.6 |
| High income | 21021 | 27585.6 | 76.2 | 37828.5 | 48557.5 | 77.9 |
| World | 25506,1 | 33566,6 | 75,9 | 56350,6 | 75845,1 | 74,3 |

*Sources*: [1; 3].

In high-income countries, final consumption expenditure (RCP) is about 78% of GDP. The backbone of the evolutionary political and economic changes in these countries is the middle class. Here, the costs of science and technology make up from 2 to 3 percent of GDP (2.5% on average), the financial system is diversified and almost evenly distributed between commercial banks, investment and pension funds, and in the assets of the financial system there is a wide balance between investment and consumer loans, imports exceed exports and the difference is financed by issuing foreign currency.

But there is something strange, at first glance, happening with middle-income countries. It would seem that they should have some kind of middle location between countries with higher and lower incomes. But this is not true. In fact, in the global world, at the beginning of the 21st century, these countries consume from 67 to 74% of GDP. The rest is saved, accumulated and invested. At the same time for 2000-2016, the percentage of final consumption fell sharply: from 74.3% to 67.6% [1; 3]. These countries spend from 0.15 to 1.5% of GDP on science and technology, the lion's share in the portfolio of commercial banks and investment funds is financing investment, many of them prefer a policy of a controlled (regulated) exchange rate. In the most prominent representatives of this group (China, India, Brazil) there is no universal state pension system, which releases (saves) substantial funds for investment and development. Non-state funded pension systems are gaining momentum here. Mandatory state retirement usually covers government employees. In these countries, the middle class is underdeveloped, faced with evolutionary changes alternating with revolutionary changes. As a result, FC in these countries is significantly lower: in China, the FC is only 53.4%. This country manages half of the social product to accumulation and investment. India (71.1%), Kazakhstan (69.3%) and others are also distinguished by this «property». In these countries, there is a different understanding of the sociality of the economy.

Now, let us take a brief look at the historical evolution of private consumption in Europe. According to many economists (T. Malthus, D. Ricardo, J. McCuloch, J. Austin, D. Kaplan, J. Diamond, G. Clark), the real wages of workers and peasants until 1800 did not grow. In other words, private consumption did not grow. Moreover, the structure of consumer spending by English workers did not change: 75% of expenses were related to food, 10% to clothes, 6% to housing and the remaining 9% was spent on fuel, lighting and soap [4, p. 71]. At present, such a consumption structure is very close to Ukrainian reality (minus the services sector, in particular, utility bills).

With extensive growth (the amount of resources involved in the economy grows in proportion to the volume of the economy), a «Malthusian trap» is inevitable. This idea is also clearly confirmed by the research of G. Clark and R. Harris [5]. Until 1800, the growth rate of the world population was 0.08-0.18% annually (in the first century AD, the growth was 0.04%) [4, p. 201]. Today, these rates have increased to 0.75—0.95% [6], and the average birth rate has decreased, compared to the Malthusian era, 2.5-3.0 times. Developed countries have learned to redistribute the total product in such a way as to maintain the necessary rate of economic growth with relatively reduced volumes of resources. But OECD countries are too rich and they know the value of allowing other countries to be equally rich.

G. Clark makes an interesting analysis of the costs of the central government and local authorities of England in the Middle Ages (XVI — XVII centuries). There were no regular taxes at that time (they appeared in the middle of the 19th century). The treasury was held at the expense of customs duties and mainly due to the issuance of debt obligations (public debt, as the author rightly observes, is the same taxes with a deferral of payment). One way or another, in 1600—1688, the total budget spending in England amounted to 2.2% of GDP or National Income, and until the XVI century — only 1.5% [4, p. 214—215]. Thus, before the creation of a regular tax system, through government debt obligations, rulers regulated the ratio between consumption and accumulation in society. But after the «glorious revolution» (coup d'état in England in 1688) a tax level of 10% of GDP was established. Subsequently, this figure increased to 40—50% in the developed countries of capitalism. In particular, the indicator «expenditures to GDP as a percentage» in 2015 accounted for 29.5% in the UK, 29.9% in France, 20.2% in Germany, 22.9% in the US (2016), and on average of 27.9% in the world [7]. Today, almost all Western countries actively regulate consumption and investment through the tax system.

In Ukraine, the problem of combining social and economic development goals has not been resolved. That is, economic development requires investment, which in the short and medium term limits consumption. In turn, the low level of consumption does not allow freeing up sufficient resources for savings and investments. Compared with the world average (74.3%), Ukraine spends from 87 to 95% of GDP on consumption. But for a real increase in the standard of living for a long-term period, the outstripping rates of technological progress (growth of labor productivity) are necessary in comparison with economic growth. And this is a challenge for many developing countries, as well as for Ukraine. Repeat experiments, such as South Korea or Singapore will not work. According to I. Radionova et al., in social policy, the state should fulfill three main functions: legislative, redistributive and stabilization [8, p. 183]. Moreover, the stabilization function is necessary to ensure more or less stable rates (conditions) of economic growth, and the redistribution function is to maintain harmony between production and consumption, between the size of wages and labor productivity [8, p. 184—188]. The same authors believe that the regulation of the social sphere is a tool to stimulate aggregate demand [8, p. 196]. Our subsequent analysis shows the futility of such approaches today. So, let us consider the dynamics of FC in countries known for their breakthroughs in economic development. We analyzed the data and revealed a correlation between FC and economic growth for Japan (1961—1990), South Korea (1963—1992) and Ukraine (1991—2015). At the same time, correlation coefficients were calculated both for the entire term (Japan — 0.8508, South Korea — 0.8588, Ukraine — 0.8338), and for individual sections of the term, taking into account rapid growth at the initial observation period (for Ukraine, unfortunately, negative or low economic growth rates prevail almost continuously, with some exceptions). Thus, the following data were obtained. For South Korea, where 1963—1993 are considered the most active years of economic reform, the correlation is 0.6783. This means that during periods of rapid economic growth, FC growth rates are necessary, but, on the whole, to a lesser extent than during periods of stagnation or slow growth. For 1994—2016 the correlation between FC and economic growth was 0.9549. It is no coincidence that during this period the average annual growth rate decreased three times. For Ukraine, the correlation between FC and economic growth for 1991—1999. (years of economic decline) amounted to 0.5458. For 2000—2008 the correlation was negative — (-) 0.1509. And, finally, during the period of deep crisis (2009—2016), it amounted to 0.9192. In Japan, during the period of rapid economic growth (1973—1990), the correlation between these indicators was 0.7602, then for 1991—2009 — 0.7645 with a significant slowdown in economic growth and, finally, for 2010—2016, the correlation coefficient increased and amounted to 0.7884. At the same time, economic growth rates became the lowest over the observed period.

Thus, the relationship between KP and economic growth is cyclical: at very low and medium values of the correlation coefficient, comparatively high rates of economic growth are evident, and at low and very high values, growth rates are falling. This means that for each given period of time there is the following connection between consumption and accumulation: 1) high growth rates are possible with relatively low growth rates of consumption, but decrease when consumption grows faster than the economy; 2) during periods of economic decline, the correlation between consumption and economic growth intensifies, and the rise decreases. The cyclical interaction of consumption and accumulations is described in more detail in the book of H. Bagratyan [9, p. 244—253]. How to achieve fast pace of development and at the same time not go to a relative reduction in consumption, maintain a high level of sociality of the economy?

In fact, any country that solves the problem of fast, or more correctly, catching up development, sooner or later runs into the problem of the «consumer gap»: there is a need and the possibility of increasing consumption. This is also due to the fact that the marginal efficiency of savings within the country is reduced. In addition to Japan and South. Korea, this phenomenon was also observed in Germany. The post-war rapid growth of the German economy under the government of C. Adenauer (1949—1965) occurred according to the same scenario. For 1950—1989 the GNP of this country increased from 269.9 to 1769.6 billion marks. Moreover, over the first decade (1950—1960), it increased 2.1 times (average annual growth rate of about 8%). However, during this time private consumption began to slowly and confidently grow. The growth of this indicator particularly accelerated after 1960. For 1950—1962 private consumption in Germany grew from 69 to 172 billion marks. At the same time, prices did not rise (28% over the past 12 years) [10, p. 10—11]. And this, as it seems to us, is a sure sign that the period of economic growth has come due to the expansion of demand (consumption). Studies by T. Picketty show that in the period from 1970 to 2010 on average, in developed countries (USA, Japan, Germany, France, Great Britain, Canada, Italy, Australia), the growth rate of savings outstripped the growth rate of national income from 2.5 to 7 times. Private savings had a significantly greater impact in gross investments. In turn, within private savings, household savings were dominating [11].

Now let’s look at a few specific factors for high-income countries that significantly affect the ratio of consumption to investment.

**The First one.** The distribution of wealth within societies, the inter-country (interregional) comparison of this distribution and the historical trends in the distribution of total capital into its private and public forms are of great importance for the ratio of savings to consumption throughout the world. So, in 2016, 10% of the highest paid European workers owned 37.8% of NI. The same indicator in China amounted to 41%, in Russia and Ukraine — 45.5, in the USA and Canada — 47.1, in the Sahara countries — 54.4, in Brazil and India — 55.4 and in the countries of the Middle East — 60.9% [12]. It is clear that the greater the inequality, the less the ability of societies to accumulate and invest in development. In parallel with this, there is a long-term trend of an increase in the share of private capital and a decrease in the share of public capital in societies. For example, for 1970—2016. The cost of private capital in relation to NI in Spain increased from 400% to 650%, in the UK from 295% to 610%, in Japan from 310% to 585%, in France from 310% to 565%, in the USA from 325% to 500% in Germany from 230% to 420% [12]. In parallel, the cost of private capital showed the following dynamics: in Spain — from 60% to 10%, in the UK from 65% to 0%, in Japan from 70% to 15%, in France from 48% to 17% and in Germany with 105% to 20%. This means that, as a rule, a large share of public capital raises the rate of savings and accumulation and reduces the share of private consumption. Thereby, the struggle against the overconcentration of wealth, and Ukraine as a prime example, allows you to achieve large savings, investments and there is no need for a sharp decrease consumption.

**The Second one.** An important link in the relationship between economy, consumption and social development is the cost of training the «workforce» and the expected income from it. In other words, social spending is to some extent regarded as the goal of economic development. From this point of view, the indicator of «replacement cost of the stock of human capital» is interesting. Some authors estimated the stock of human capital (HK) both per employee and in the USA as a whole in 2000. The cost of developing human capital is a long-term investment. The total value of human capital for developed countries is 250—300% of GDP, in fast-growing economies and countries with economies in transition — 80—120%, and in poor countries — 50% or lower. These proportions between GDP and the cost of human capital are confirmed by the research of J. Psacharapoulos and G. Clark [4, p. 284; 13]. According to these authors in the United States, expenditures on human capital are 15% higher than expenditures on physical capital (fixed assets — FC). But the most interesting side of these costs is that as long-term investments, these costs are simultaneously consumption for people: they consume education. Thus, such costs are extremely flexible. Being investments, they simultaneously increase the sociality of economic systems. In Ukraine, the processes of the formation and use of the human capital are adversely affected by such factors: set of social risks that the modern employee faces (risks of inadequate compensation, not ensuring decent work conditions, its excessive intensification of an informal relationship of employment, impossibility of self-realization, not prestigiousness of some professions, labor demotivation) [14; 15].

The problem of the «consumer gap» also awaits all the rapidly growing economies these days: China, India, Indonesia, Malaysia, Brazil, South Africa and others. The Chinese government, for example, since 2000, bearing in mind the inevitable negative impact of the «consumer gap», man-made measures in every way supports a high level of savings in the economy (*Fig.*).

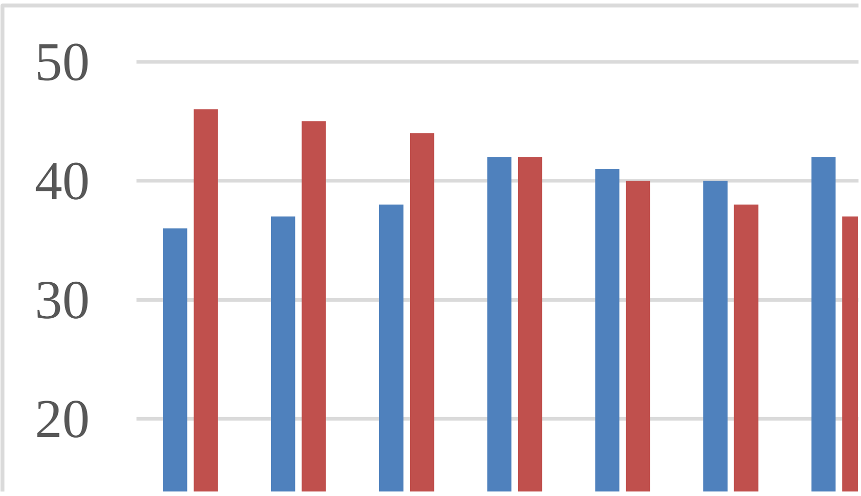


Fig. **Investments and consumption in China, 2001—2014,** in % to GDP

*Source*: [16].

To this end, about half of the reserves of the Chinese central (people's) bank were placed in securities of the Fed or US federal agencies (about 1.5 trillion dollars). But for China, such a «strengthening» of the USA was not to their liking even after the 2008—2009 crisis: these reserves began to transform into the assets of this country in Eurasia and Africa in the form of infrastructure projects. To implement such projects, China strengthened its participation in ADB (Manila, Philippines), June 29, 2015. initiated the creation of AIIB (Beijing, China) and also created the world's largest sovereign fund in China with assets of 1.2 trillion dollars.

Now we analyze the features, advantages and disadvantages of middle-income countries in managing the economy. With a very high concentration of income (Ukraine), there is no window for small and medium-sized businesses. This is critical for parallel social and economic growth. The smaller the size of economic entities, the greater consumption and investment, accumulation and savings merge together. In the most primitive version of the business, in the case of self-employment, micro-business, there is a complete identification of consumption and investment. And here one more problem comes to the surface: it turns out there are objective necessary boundaries for SMEs. Indeed, for the accumulation and investment, the «economies of scale», which can occur only in large business, are important. Therefore, as it seems to us, for each country at this stage of development there is a clear line of «uniform efficiency of investment and consumption», «a point of indifference» between large business and SMEs. Historically, at this stage of development, the role and impact of SMEs on economic growth is increasing.

Firstly, if the share of SMEs is excessively low, then despite the volume of investment, rapid GDP growth is not possible. In the results of the economic activity of a large business, the added value is less than in the case of SME activity.

Secondly, in the case of SMEs, the identification of accumulation and consumption takes place (an increase in consumption leads to an increase in accumulation and economic growth and, conversely, an increase in accumulation leads to an increase in consumption due to the phenomenon of self-employment) and with a relatively high share of SMEs, harmony is reached between them.

Thirdly, with a low share of SMEs in the total product, effective employment cannot be achieved. Employment in big business is subject to cyclical and structural fluctuations. A certain proportion of SMEs and self-employment is always necessary so that the work is constantly adapted to the increasing technological requirements.

Fourth, a high proportion of SMEs gives political stability to the country and opens the evolutionary path of development instead of the practice of «latecomers» or, at best, «orange» revolutions.

The second important feature of middle-income countries is the structure of financial markets. In Ukraine, 89.1% of financial assets is CB [18]. In developed countries, CB assets comprise only 1/3 of all financial assets. Those, we do not have real instruments of savings and accumulation, there are no institutions to motivate people to invest for the sake of future income growth. Along with this, a very cumbersome pension system has been created in Ukraine: the pension fund of Ukraine in 2018 amounted to 355 billion hryvnias, of which 214 billion were own revenues and 141.5 billion were subsidies from the budget. As a percentage of GDP, this is 11.5, 6.9 and 4.6%, respectively. In Russia this figure is lower than 1.8, and in China — 3 times. Here, Ukraine, of course, needs structural changes.

The next feature of Ukraine, countries with an average per capita income is the concentration of wealth and a weak middle class.

First, the pace of concentration of wealth in the hands of the haves is accelerating, and it is the middle class that can stop the processes of unjustified enrichment of the rich. Such a struggle requires material resources that the poor do not have.

Secondly, poor people are less inclined towards evolutionary development: for them, revolutionary political and social changes are the only possible way to change their social status.

Thirdly, a strong democratic state with a market economy is wholly and completely based, first of all, on the middle class: many middle peasants need a centralized and orderly state, while several rich people can appropriate power and merge with it.

Fourth, the evolution of socio-economic elites requires a smooth transition from the poor to the middle and from the middle to the rich and vice versa. Any other decision is fraught with endless revolutions, confiscations, demagogy and expropriation.

Here it should be noted about one, third, features of Ukraine. In contrast to China or India, post-Soviet countries have relatively high spending on education and health. In Ukraine, human capital expenditures are huge, despite the low level of economic development: 5.9% of GDP. So, while in recent years Ukraine has never made it to the top hundred countries in terms of GDP per capita, it has always been in the top ten in terms of student numbers per 10,000. Sometimes Ukraine was even one of the three leaders behind only Estonia and Latvia.

It should be noted that the costs of education and health are uniformly good both as consumption and as investment. Their advantage over other sectors of the economy (industry, construction, etc.) is that the same costs in these sectors of the economy are identified as investments and as consumption. Ukraine has achieved a certain advantage here, and in the future, social development and economic growth should be accompanied by new investments in education and healthcare.

Finally, the fourth feature of Ukraine: a more competitive resource environment for the reproduction of the economy. So, over the past 500 years, the world's population has grown 15.2 times: from 500 million [19, p. 301] to 7.59 billion people [2]. During this time, the world's GDP increased from $ 250 billion [19, p. 301] to 85.8 trillion dollars [1] or 343 times. Well, this was given by ever greater expenditure of resources. So, for the same 500 years, daily energy expenditures increased 115.4 times: from 13 to 1500 trillion calories [19, p. 302]. If Ukraine and other undeveloped countries would be at the level of economic development of Western countries, then the amount of resources involved in the world economy would have to be increased by 4 times. And this is impossible: then the Western countries themselves would have to reduce the amount of resources they consume. It will be increasingly difficult for Ukraine and other undeveloped countries to find the necessary development resources.

Thus, in high- and low-income countries, as well as in middle-income countries, various patterns of the relationship between consumption and accumulation, forms of consolidation and involvement of the latter have historically developed. Ukraine is in the second group of middle-income countries with disabilities, macroeconomic channels for diversification of sources of savings, implementation of investments. Our country needs a sophisticated social and economic policy in order to simultaneously satisfy both the social needs of the population and achieve the necessary rates of economic growth.

Before analyzing the nature of the relationship between consumption and investment and, thus, making specific judgments about the relative effectiveness of social development, let us dwell on the features of inequality in Ukraine! Our country is characterized by specific features that give consumption and investment a distinctive character.

Unfortunately, in the macroeconomic policy of Ukraine for all this transformational time (1990—2018) there was more populism: the growth of incomes of the population was significantly faster than the growth of GDP. For 1990—2017 the country's GDP growth amounted to -29%, while the level of real wages in 2017 was above the 1990 level. (+14%). Given the fact that in 2017 unemployment was 9.5%, we get real wages around 1990 levels. Someone had to finance this gap between GDP growth and wages! And the country gained an impressive amount of public debt, consumption took away all of its GDP, and savings and accumulations steadily fell! If the Cabinet of Ministers of this period would pursue a more realistic policy, suffer a little with an increase in the minimum wage, pensions and salaries, other social standards, then over time, in view of the greater contribution of investments to economic growth, they would be able to implement more ambitious positive changes in the same social standards.

In addition to the fact that investment funds and banks, pension funds and insurance occupy an insignificant share of the financial market, the market capitalization in Ukraine is very low — 15.7%. In high-income countries, this figure is 138.2%, in China — 71.2%, in the EU on average 54%, in India 98.4%, in Brazil — 46.5%, etc. This, of course, dramatically reduces the investment opportunities of Ukraine. The increase in the capitalization of the domestic stock market allows for the development of the economy to transfer the means of current consumption, to increase the rate of savings and accumulation. At the same time, sociality does not suffer: people become owners of shares and shares.

As already noted, many leading economists in the world began to pay attention to the fact that, for example, all sorts of attempts to combat income inequality quickly evaporate due to the presence of huge inequality in wealth (capital) [20]. If the highest salaries are set for government officials, but inequality in wealth is several times greater than income inequality, then such measures to increase wages can ultimately strengthen the unequal distribution of wealth. The same applies to financial intermediation institutions (commercial banks, investment funds, insurance companies, etc.) and capital markets. The high level of development and openness of these institutions allows government actions to equalize incomes to be made more effective. For example, suppose that the Cabinet of Ministers, on the basis of the relevant law, requires many systemically important enterprises, or business entities that occupy a monopoly or dominant position in the market, to re-register as open joint-stock companies (OJSC). Then the increase on the part of the state of the incomes of the poor of the population should also lead to a redistribution of wealth. And in this case, competition in the economy will intensify and production costs will go down. This is such a classic case of an effective income policy with long-term social consequences.

**Conclusion.** Thus, the development of the Ukrainian economy over the past 30 years has occurred mainly by stimulating consumption. It led to a lack of investment resources, a concentration of wealth and income, a distortion of the asset structure of financial intermediation institutions, the formation of an oligarchy and clan structures, the merger of power and property, state administration and business, and the infringement of the rights of small businesses. It is necessary to take a qualitative step: transfer the country's economy to the rails of investment development. This will revitalize small businesses, increase the role of investment lending in the financial system, increase market capitalization, mitigate the depth of inequality and decentralize, disaggregate the economy. The sociality of the economy in this case is not only and not so much that current consumption is stimulated or supported, but the participation of large segments of the population, a large circle of residents in the consumption of investments in the name of large incomes for the long term is ensured.

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