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Institutional areas of the market economy and their contribution to the growth and performance of economies

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The school of Varieties of Capitalism (VoC) has developed a theoretical framework for comparative analysis, which is used for studying developed national economies. The authors consider it sociological evident that different institutional areas and subsystems (product markets, the labour market, the financial sector, social protection and the welfare state, and the education system) should be studied in order to model the social system of production. Besides the creation of the models of capitalism, in these works the question is hidden whether capitalism has more competitive models.

The review of the macroeconomic and econometric studies persuasively prove that the institutional areas examined in the most influential works of the VoC literature are all relevant with respect to the performance of economy and growth, like their characteristics, based on which the different models are typified. At the same time it is instructive that there is no unambiguous correlation in the subsystems – especially in the case of the labour market, social protection and education – between the institutional system and economic growth, and thus there is a scope for economic and socio-political options among the different sets of institutions.

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1. Introduction

Globalisation and the fall of the Soviet empire have made the question timely of whether countries are heading for only one model of capitalism as a result of international competition. Both comparative economics and sociology show an interest in the different institutional solutions of capitalism.

The school of Varieties of Capitalism (VoC) has developed a theoretical framework for comparative analysis, which is used for studying developed national economies. Two complex theories have become most influential lately: the works of Hall and Soskice (2001) and Amable (2003).

The classification by Hall and Soskice (2001) has become one of the most widespread methodologies in the literature. Their views are in line with approaches started in the 1980's examining the social system of production, and focusing on the behaviour of companies. They deal with the determining sub-systems of the economic system: corporate governance and the financial system, industrial

relations, education and the training system, the system of inter-company relations in terms of market competition and technology transfer. They find that there is strong relationship between the type of coordination and the institutions. They describe two ideal types of modern capitalism based on the coordination of economic activity: the liberal market economy and the coordinated market economy. The Mediterranean countries are classified as a separate group within the latter.

Hall and Gingerich (2004) verified these ideal types empirically using a factor analysis while making a supplementary point of naming the Mediterranean countries as "mixed" market economies.

Amable (2003) refers to Hall and Soskice's dual division as non-satisfactory because fundamental differences remain unexplained. He examines five defining institutional areas: product markets, the labour market, the financial sector, social protection and the welfare state, and the education system. Based on theoretical works, Amable assumes that five models of capitalism exist: market-based, social democratic, continental European, Mediterranean and Asian models. He confirms the existence of these models by principal component analysis and cluster analysis.

Among the institutional areas analysed by Hall and Soskice, and Amable there is significant overlap as well as difference. Difference occurs in that the former approach places great emphasis on the study of business management, while the latter disregards it but extends the analysis to social protection and the welfare state. However, later both Hall (2007) and Soskice (2007) integrated the welfare state into the VoC model. At the same time, both Hall and Soskice (2001) and Amable consider it sociological evident that the mentioned institutional areas and subsystems should be studied in order to model the social system of production. Besides the creation of the models of capitalism, in both works the question is hidden whether capitalism has more competitive models. Thus, from my point of view, it should be examined whether the chosen subsystems have relevance with respect to the performance of the economy. In the following, based on the empirical studies in the current literature, we intend to decide on the question of whether the inclusion of the named subsystems in the creation of models is reasonable, as well as whether the characteristics of the different subsystems defined by different indicators are relevant to the performance of the economy and economic growth.

2. The relationship of competition, productivity and innovation

In the description of the different models of capitalism, one of the most important questions of typology is *how strong the competition is and how much it is restricted by the state*. In theoretical economics – by the mainstream authors – it is a generally accepted correlation that strengthening competition and deregulation increase the performance of the economy, and pressing back the state's intervention has a beneficial effect on economic growth. Competition increases the growth of the

economy by urging innovation, which increases productivity. On the other hand, it forces the managers to use the resources better, and to make their allocation more efficient. The present article does not wish to analyse the macroeconomical disputes in relation to this or to examine which other conditions, such as economic policy or institutional conditions, are needed in order to realize the desirable effects of free competition. Only a short summary is provided here about the conclusions from the current literature. In most writings the topic of competition and growth goes hand in hand with the study of research and development and innovation.

In 2002 Ahn, in 2008 Sharpe and Currie prepared a comprehensive review of the relevant literature. Some of the studies about the relationship of competition, innovation and growth in productivity are of a theoretical nature; however, usually these do not only create models, but also empirically test them. Other studies aim at the comparison of international experiences. The most significant work is conducted in the framework of the OECD, and materials prepared here include proposals on reform of the economic policy. The third type of approach is the case study. Through both literature reviews it can be seen that empirical evidence asserts the notion that the intensity of competition has a positive effect on innovation and productivity.

Conway et al (2006) has observed that in the 1990s in OECD member states governments conducted wide liberalization, in spite of which differences in productivity still increased among the countries. Their explanation is that still after the liberalization significant differences remained in the market regulation. In the 1990s new, general-purpose technologies (information, communication technologies) appeared and it was partially determined by the market regulation how this "productivity shock" could spread in the economy. At the same time they call attention to the fact that in order to interpret the changes in productivity, apart from the institutions related to market regulation, also the labour market, the financial market and education should be examined. Høj et al (2007) have found evidence in OECD member states, while analysing the correlation of profit margin and market regulation, that liberalization increases the strength of competition. Based on this they make economic policy recommendations to strengthen competition in the field of services. Dutz and Hayri (2000) conducted examinations of the different areas of the world economy which in sum have shown a tight correlation between long-term growth and effective competition policy. However, data on the area of the Far East show a much weaker relationship, owing to which the authors warn against further simplification. Blanchard and Giavazzi (2003) also argue for the deregulation of the market, but they provide conditions with respect to both the product and the labour market which are needed for generating growth by deregulation.

A unique line of argument stems from the theory of Schumpeter, which, in contrast to the above-mentioned, supposes that competition decreases the motivation for innovation, because prospects of the rent originating from innovation decline owing to the strong competition. A series of studies have come to light in the

National Bureau of Economic Research in which the Schumpeterian-effect is combined with the case of competition motivating innovation. Acemoglu et al (2002) distinguish investment-based development strategies from innovation-based. The former had been successfully applied by emerging countries, where intervention from the state, direct assistance and the restriction of competition might have their place. In the case of innovation-based growth, the role of competition, the selection of successful firms and managers increases close to technology frontiers. There is a risk that following the fruitful closing up, the economy does not switch to innovation-based development, which is required for further growth. Interest groups gaining strength in the period of investment-based development might also acquire political influence and thus be able to hinder the switch-over to innovation-based development. Aghion et al (2005) describe the relationship of competition and innovation with a reversed U-shape curve. In their model, innovation takes place step by step. Innovation is not motivated mostly by the innovation rent in itself, but by the difference between the preinnovation and postinnovation rent. If the starting level of competition is low and the technical level is balanced in most of the sectors, then an increase in competition motivates innovation because companies can "escape" competition. If competition is already fierce and the technical level in most of the sectors is unbalanced, then for the less-developed firms there is no motivation for innovation, the obtainable innovation rent is small, and thus the Schumpeterian-effect emerges. In industries where the firms are technologically close to the frontier, strong competition urges innovation (so the "escape-competition" effect dominates). With the assistance of British data, the authors find their model empirically proven. Kilponen and Santavirta (2007), grounded upon Finnish experience and data, highlight the reversed U-shape relationship of innovation and competition. They also examined the effect of R&D subsidies. They have reached the conclusion that R&D subsidies accelerated innovation at all levels of competition, but by competition becoming more intense, the positive effect decreased. Thus when the Schumpeterian-effect occurred, it was intensified by R&D subsidies.

Amable et al (2008) – after a thorough examination of the relevant literature – have defined different correlations with an empirical background. It is precisely the high-tech area where regulation of the product market helps innovation, while competition has a positive effect in the underdeveloped industries, so the Schumpeterian effect prevails. Through an analysis of the role of the public sector, they draw the conclusion that competition policy cannot substitute science and technology policy.

With respect to the analysis of the product markets the relationship of competition, productivity and innovation has been demonstrated so far. Apart from the above-mentioned, privileged role of innovation, it is highlighted by the significance of technological development, which is shown in current growth theories. In the neoclassical growth models of the 1950s and 1960s, technological

development was seen as an exogenous factor and by taking it into account, a long-term positive rate of economic growth could be presumed. Since the source of the long-term growth was an element outside the model, in the end, long-term growth itself remained without explanation. This defect was remedied by the endogenous growth theory, which has resulted in further problems. The results of technological development are manifested in such goods that are partly non-competing and have certain characteristics of public goods. If the non-competing new notions are included in the factors of production, returns to size might be increasing, which does not fit perfect competition. *Theories of research and development and imperfect competition had been involved in growth theories since the end of the 1980s*. In these models, technological development is the result of deliberate research and development, the reward of which is some form of ex post monopoly – following Schumpeter. In the opinion of Barro (2005) the long-term growth rate depends on such governmental actions, like taxation, the maintenance of legality and public order, the provision of infrastructural services, the protection of intellectual property, international trade, and the regulation of financial markets and other areas of the economy. In the mentioned work of Barro, the development of growth theories is described, especially the contribution of Romer, Lucas, Aghion and Howitt and others to endogenous growth theory. The topic's detailed and classic elaboration can be found in Barro and Sala-i-Martin's (2004) book.

All in all, we can see that it is both theoretically and empirically proven that competition increases the performance of the economy. This seems to be sustainable even if researchers sometimes point out contradictions as well as institutional conditions. Thus we can accept the regular aspects of the VoC literature with respect to analysis of the product markets, the strength of competition and presence of the state. Innovation and the privileged importance of technological development also justify that research and development and innovation should be treated as an independent subsystem in the comparative institutional examinations.

3. The effect of the financial system on economic growth

The main question of the VoC literature when analysing the financial system is whether financing takes place primarily through *the banking system or the financial market*. Out of the chosen two foundational works, Hall and Soskice (2001) expressly stress this, while Amable (2003) highlights that owing to the changes in the 1990s, financial systems form the combination of the two.

Nevertheless, in the literature the question arises of *what effect the development of the financial systems has on economic growth*. About the relationship of competition and growth in case of the product markets, widespread agreement can be seen, along with some adjusting and refining. Similar agreement is

not so visible about the effect of the development of the financial system on long-term growth.

Demirgüç-Kunt and Levine (2008) provide a thorough review about the ongoing theoretical disputes. It is demonstrated that some of the works (e.g. well-known books on development economics) do not deal with the financial system, while others consider it evident that the financial system is important in relation to growth. Those authors, who give a positive role to the financial system, argue that its efficient functioning decreases information and transaction costs. It not only helps the efficient allocation of capital, but exercises control during the realization of the investment. Diversification of risks, mobilisation and collection of savings, and ease of transactions all have a beneficial effect on economic growth. According to Demirgüç-Kunt and Levine (2008), empirical research, which they summarize, has a more direct message. In these they aim at measuring the relationship of the development of the financial system and economic growth, comparing not only at the level of countries, but industries and corporations. Numerous studies – several of them prepared by the World Bank and the National Bureau of Economic Research – prove that the depth of the financial system correlates with per capita long-term growth, accumulation of capital and growth in productivity. In the analyses they aimed at proving that not simultaneity bias caused these results, but there is causality between them, and the authors excluded other possibly influential factors (e.g. per capita income, education, political stability, etc.).

Demirgüç-Kunt and Levine (2008) note that their conclusions should be treated with reservations in spite of the evidence found. It seems to be a valid critique, for example, that with the econometrical approaches, development of the financial system can only be measured quantitatively, which does not say anything about how the banks, when lending, fulfil the task of searching for information which helps the effective allocation of capital. The case of China can only be included in their theory with difficulty.

We are warned, for example, by the critique of Zhu et al (2004) about the often-quoted article of Levine and Zervos (1998). The latter proved, by using data from 47 states between 1976 and 1993, that the developed money market measured by stock exchange liquidity, and the developed bank system measured by bank loans to private enterprises divided by GDP significantly and positively affect the growth of GDP. Zhu et al (2004) demonstrate that the authors reached their conclusions about the role of stock the exchange by excluding the outliers, which, when taken into account, would rule out the conclusions of the article.

There's an extensive literature dealing with how decisive the role of legal institutions is in the development of the financial system. It can hardly be disputed that the former has an effect on the latter, but opinions vary about its importance. About the ongoing dispute a comprehensive picture is drawn by Beck and Levine (2003).

Taking into account all methodological barriers and counterarguments, we can accept that the development of a financial system is an *important characteristic of an economic model, and at the same time it forecasts the possibilities of development. Thus in institutional analysis apart from the dichotomy of financing through bank or stock exchange, the development of the financial system itself should also be studied.*

4. Institutions of the labour market and the performance of the labour market

As a criterion enabling differentiation between the liberal and the coordinated market economy, Hall and Soskice (2001) used the method of organizing employment, which is based on unique contracts in the case of the former, while in the latter it is based on the collective contracts negotiated by the organizations of employers and employees. Amable (2003) distinguished three aspects of the institutions of the labour market. *Flexibility of the labour market* was measured by the employment protection legislation, and analysis of the *institutional system of labour relations* as well as the *instruments used by employment policy* took place.

It is well-known that since the middle of the 1970s, the member states of the European integration have been hit by a high level of unemployment. A historical review is given by Cameron (2001) about this and the differences among the member states. The conclusion that was reached is that the employment rate was higher in those member states where economic growth was higher, the organizations of the employers and employees made new, more flexible contracts, and the government carried on an economic policy that aimed at creating jobs. It has become a general belief that *making the labour market more flexible is essential for creating jobs in a growing number. According to a study of the European Central Bank (2008), participation in the labour market can be increased by making the labour market more flexible, fitting the demand and supply in the Eurozone*. In the empirically-founded studies after the millennium it is not the verification of this connection that is in the centre, but the relationship of the deregulation of the labour market and the product market. In this topic – like in the product market – the intellectual influence of the research groups of the OECD is determinative. This is where the indicators are created and measured which are usually used in the literature. Nicoletti and Scarpetta (2005) – partially building on the above-mentioned theoretical model of Blanchard and Giavazzi (2003), and partially developing further the empirical analysis conducted previously with Boeri (Boeri et al 2000) – examine the relationship of the reforms of the product market and employment in the OECD member states. They provide a comprehensive review of the results of the literature, according to which, based on the theoretical models dealing with the regulation of the product market, it can be presumed that regulation restricting competition entails a loss in employment. Empirical analysis has proved

this presumption. Many studies confirm that high a tax wedge and high and long-lasting unemployment benefits have negative effect on employment. The situation is not exactly clear with respect to employment protection legislation. Security of the workplace and stable work relations can increase the employee's intention to cooperate, which can increase productivity. However, very rigid regulation can lead to a lower level of employment. Opinions vary about the relationship between employment legislation and the institutional system of collective bargaining and its level of centralization. Nicoletti and Scarpetta (2005) ground their analysis of the experience of OECD member states on data between 1980 and 2002. They have reached the conclusion that the trend of the employment rate can be partially explained by the differences of the legislation on the labour and product market. The restriction of competition had significantly diminished the employment rate in the OECD countries. With respect to employment, the anti-competition legislation was the most costly where the labour market policies and institutions protected people within the labour market and increased their power to negotiate. The positive effect of deregulation on long-term employment stems from, on the one hand, the higher activity levels and new firm entry, and, on the other hand, the shrinking wage-productivity gaps as insiders lose their leverage on rents. (In the short term, as it was pointed out by Blanchard and Giavazzi (2003), the increase of competition can lead to a decrease in employment at incumbent firms.) It has also been stated that deregulation of rigid markets leads to greater advantages. It is an interesting partial result that only a slight decrease occurred in employment gains when the tax wedge was reduced and the employment protection legislation was loosened up, but the generous employment benefit remained unchanged (this is the Danish system of "flexicurity"). Nicoletti and Scarpetta (2005) have warned that the available data is limited and further research is needed. Results should be treated carefully. For example Berger and Danninger (2006) found that the deregulation of the market leads to a significant increase in employment, but from their point of view, deregulation of the product market is more efficient when labour market policies are less restrictive. Fiori et al (2008) confirm the analysis of Nicoletti and Scarpetta (2005) with respect to the disputed question.

The research group of Amable–Lung (2008) has reached different results by using the same OECD data. Their opinion is also that restriction of competition at the product market and the high-level organization of trade unions undermine employment, but the employment protection legislation does not. In their explanation, that occurs because in the deregulated labour market the unstable situation of the employees can be balanced by higher wages in order to keep their motivation, which reduces employment.

The study of Boeri (2005) highlights why one finds more complex institutional solutions and less clear-cut results in the examination of the labour market than in the product market. Valuation of the European structural reforms of two decades showed that reforms of the labour market had been more frequent than

those of the product market, although the latter had been more coherent. In the case of the labour market, reforms can be introduced more gradually, first being applied only to the newcomers, which is politically more accomplishable. This graduality is unachievable in the product market because the incumbent firms could drive away the newcomers owing to their more advantageous state.

Besides deregulation of the labour market, an active employment policy is the other instrument with which they intend to step up both at EU and national level against the persistent high rate of European unemployment. A study covering five European states examined the effect of an active employment policy. The summary study and the case studies on the states all show that active an employment policy helps to reduce unemployment as well as persistent unemployment, but with relatively small efficiency (De Koning–Mosley 2001); thus, the realization of the programs requires development.

Based on the above it is certain that employment, with respect to the performance of labour markets, the *flexibility of the labour market, labour relations and employment policy* are all significantly influential factors; thus, it is reasonable to base the formation of the clusters upon them. At the same time we were struck that *the authors' choice of values and world view in the analysis is more visible when compared to the previously analyzed subsystems, and the results are more controversial.*

5. The welfare state and social protection

It was not easy to summarize concisely with respect to the above-mentioned subsystems what theoretical background and empirical results are given by macroeconomics and econometrics for the comparative analysis of economies. The welfare state, the subject of social protection, poses a task which is more difficult than this.

It has already been obvious about the labour market that the examination of economic correlations inevitably touches upon sensitive sociopolitical issues. The subject of the welfare state is the terrain of not only the economist, but the sociologist and political scientist too. It cannot even be attempted to take a look at the disputes ongoing in the different fields of research about the welfare state since it would require an independent book.

Some of the literature dealing with the varieties of capitalism mentions social protection, others call it the welfare state, and these terms cannot be precisely separated from each other. For example Amable (2003) writes about social protection, but compares his own model to the models of Esping-Andersen (1990) which in turn constituted welfare-state regimes. We can observe that those approaching the subject from the side of sociology, sociopolitics, political science, and political economics tend to use the more comprehensive term, that is, the

welfare state, while those executing statistical examinations for modelling macroeconomics or comparative economics use the term social protection. For a macroeconomic analysis, social protection can easily be grasped by welfare payments; furthermore the OECD has a well-constructed, defined database.

The most frequent explanation for the birth of the welfare state, which spread in the 1960s and 1970s, originates from functionalist sociology, namely that it is the answer for the social challenges and possibilities arising from industrialization. Conflict theory attributes it to political factors and social movements. Since the economic crisis of the 1970s, criticism has become stronger, and the most urgent question is whether the welfare state is sustainable in the era of globalization, in postindustrial and at the same time aging societies (Jæger–Kvist 2004, Kleinman 2002, Tomka 2008). Nevertheless it is a fact that the welfare system has survived all challenges as the average level of welfare payments has not decreased either in the OECD member states or in the European Union (Arjona et al 2001, Jæger–Kvist 2004, Tomka 2008).

Genschel (2004) considers all opinions about the relationship of globalization and the welfare state. Globalists declare the crisis of the welfare state and its reduction in the frame of a convergence process the direct and necessary consequence of internationalization. According to sceptics, nothing proves that mutual international interdependencies restrict the autonomy of national politics, as the size of the welfare state has not diminished, and differences among nations still exist. A third group, the so-called revisionists even claim that globalization can help solving those problems of the welfare state that originate from the welfare state itself. The disciplining force of international markets makes it easier for governments to keep welfare payments under control, which are susceptible to dynamic increase. By taking into account the theoretical arguments and the empirical research, it is clear that in the era of globalization, there is not a single unambiguous direction for the welfare state, but there are choices for governments.

Numerous macroeconomic models and empirical studies have analyzed the relationship of economic growth with social protection and income inequalities. Aronja et al (2001), besides creating their own model, processed all the available results. The most common argument of economic theories against equality is that the amount of savings in an egalitarian society is less, which slows down growth. The bigger the difference in income is among the groups of workers, the more people there are who aim at receiving those qualifications which secure a high productivity job and higher wage. Others mention against inequality that poorer households are unable to invest, even from credit, in human capital, which is disadvantageous for growth. When great inequalities exist, there might be too many people among the voting population who are not interested in the necessary economic reforms which strengthen competition. The probable social and political tensions are also not beneficial for economic growth. But social protection can harm growth owing to its possible effect of deterring people from both saving and working. If a political way

of enforcement of interests results in better access to material goods than through economic activity, then this can result in the decline of business and innovative capacity. The advantage of strong social protection is greater social cohesion in which it is easier to make difficult political, economical decisions (e.g. about structural adjustment); social groups do not drop out of society, thus neither from participation in the labour market, which increases economical potential; and children of the poorer also have the chance for long-term social, intellectual development.

Aronja et al (2001) collected 24 such studies from the previous one and a half decades which had analyzed the relationship of growth, social inequality and social protection. In accordance with these it is not possible to decide which above-mentioned theory is verified by reality, whether there is a trade-off among growth, social protection and equality, or whether the latter assists the former, because the studies are controversial. According to their own research based on the database of OECD, there's no reliable evidence for the relationship between growth and the final (after taxes and transfers) distribution of income. However, they found it proved that more welfare payment implies lower economic growth, but the active payments, which help employment, assist growth.

After the review of the literature, the conclusion seems to be persuasive that *different institutional solutions can be economically successful*[1]*, for the demonstration of which the database describing social protection and its structure can be used well.*

6. Education and growth

Hall and Soskice (2001) have integrated into the types of the liberal and coordinated market economies the different systems of vocational training from out of the whole system of education because this is necessary for the examination of the system of production. In the formal training of the liberal system, students acquire general knowledge and abilities, and firms are unwilling to invest in their own training because in the flexible labour market those trained by them can easily find another job. In the coordinated market economy – which is illustrated by the example of

[1] Historical experience shows that there is not necessarily a relationship between the level of welfare payments and the institutional structure. On the one hand, market solutions can be relatively costly. In 2007 the USA spent 16% of the GDP on public health, while for example Finland spent only 8.2%. On the other hand, for example, in Sweden universal health care and the pension system exists independent from whether 11.3% (1950) or 40.1% (1990) of the GDP is spent on it. They did not give up the philosophy of their system of social institutions even when the level of state expenditures was lowered from 70% (1994) to 54.4% (2001) compared to the GDP. Thus adjustment of the welfare payments to the actual capacity of the economy does not define the institutional structure relevant to it. (Source of the data: database of OECDStat, Győrffy 2006, Tomka 2008)

Germany – companies provide vocational training, which is supervised by the organizations of employers and which gives specific knowledge.

Amable (2003) mentions that education systems are extremely country-specific and their comprehensive comparative analysis is missing. Usually the education system of Anglo-Saxon countries and of Germany and the Netherlands are compared to each other, the former being characterized by loose, while the latter by strict standardization and differentiation. Amable used in the analysis a wide range of indicators, although he was not able to find reliable and comprehensive data on vocational training[2].

According to the neoclassical growth theory, education is one of the determinants of the economic environment because education develops human capital, which increases the productivity of work, and thus owing to growth equilibrium moves to a higher level of output. The endogenous growth theory stresses the force of education in increasing innovational capacity, but also has an important role in spreading and distributing knowledge. In a series of macroeconomic analyses aimed at proving empirically what is expectable under the theory, Akram and Pada (2009) studied seven such country-studies and 14 studies on multiple countries. The period of time, the group of examined countries, segments of education, and the statistical methods used all differed, and the power of the results, and the level of their significance also, but they unambiguously affirmed that education has a significantly positive effect on the growth of economy.

Hanushek–Wößmann (2007) point out that usually the studies capture education with quantitative criteria (level of enrolment, length of studies, etc.), albeit that quality of the education might also have importance with respect to the growth of the economy. They used the results of international tests for the evaluation of the quality of education, and there were both developed and developing countries among the examined ones. Their analysis does not only prove the significantly positive effect of quality of the education on the growth of the economy, but also that the level of this is relatively low in the closed economies, while much greater in the open ones. The economically positive effect of education is increased when operated in a productive institutional environment (markets, legal system, etc.). They establish that improvement of the education system is not only a monetary issue, but that greater input brings results only when combined with concerted action. A key element of the reforms is to provide quality teaching staff.

Empirical studies underline that education has a positive effect on growth. But it is striking that *when compared to the previous subsystems, the classification of the institutional system of education and its correlations with growth are not thoroughly elaborated yet.*

[2] Gangl (2000) considers the dualistic education systems which provide vocation-specific training, like the ones in Austria, Denmark, the Netherlands and Germany, advantageous for the young people who are entering into the labour market.

7. Conclusions

The review of the macroeconomic and econometric studies persuasively prove that the institutional areas examined in the most influential works of the VoC literature are all relevant with respect to the performance of economy and growth, like their characteristics, based on which the different models are typified. At the same time it is instructive that there is no unambiguous correlation in the subsystems – especially in the case of the labour market, social protection and education – between the institutional system and economic growth, and thus there is a scope for economic and socio-political options among the different sets of institutions.

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