

## KEY OF THE SUCCESSFUL EFFICIENCY IN THE ALLOCATION OF SERVICE RECOURCES IN THE LIGHT OF SUSTAINABILITY

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**Abstract:** *“In order to overcome this crisis there is need for the spiritual forces that are capable to fight with evil, there is need for the free minds, sharp - sighted and far – sighted with new creative ideas.”<sup>1</sup> „History of the science is the process of the insight disproving that has been inviolable...”<sup>2</sup> Contemporary economical development consists sustainability which is permeated with ecological aspects. On the other side there is the concept of privatization and liberalization of the market that is getting other dimension, today. The market economy is developing as the ground for successful allocation through its own mechanism.*

**Key words:** *x-efficiency; allocation; internal market; technology; services; privatization.*

### 1. INTRODUCTION

The concept of sustainable development looks like it is on the conscience of many world leaders. Failure to comply with the rules of sustainable development leads to negative economic growth. Also despite of the other resources, the natural capital that until recently was not taken in the national accounts should be considered. Recognition of the problem is the way for enforcing policies for sustainable growth and development, it is a loyal competition among other that can do as much as in terms of healthy and proper resource allocation whose key lies in the ownership, management and discounting of risk that is adapt to new conditions.

Companies that can not adapt to changes are doomed to fail in order to emphasize the prominent economic theorists. The competition, which has promoted deregulation and

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<sup>1</sup> I., Iljin, The way of spiritual renewal, Logos, Library Russian God seekers, Belgrade, 1998.

<sup>2</sup> LJ. Madžar, Economic policy temptation in Serbia, Sl. Glasnik (Official gazette), Belgrade, 2011., pg. 222.

privatization of public enterprises with the intention to create a competitive atmosphere, is now gaining the strength. Vertical disintegration of the supply system leads to organizational changes in terms of, say, tax-funded services. Specifically tax funded services have found themselves in the market by tender. So the market is divided into services funded services and user services financed taxes. Coordination and competition have become the two basic terms in the characterization of allocation efficiency. Allocation mechanism should provide a sufficient amount and quality of the overall supply and market deregulation is expected sequence of events.

Strong competition allow comparative advantages, such as: strategic geographical position, favorable climate for investment and business, tax and financial incentive systems, highly skilled staff, modern legal framework, excellent infrastructure and regional accessibility, modern telecommunications systems and numerous cultural, entertainment, sports and recreational facilities. Also, implementation of innovation should serve as a good example of achieving competitiveness. Innovations are an intangible capital for the growth and development of a country with a positive trend of research and development projects.<sup>3</sup> American Nobel laureate in economics and professor of macroeconomics at the University of Columbia, Joseph Stiglitz believes that the need for new ideas for a new world. “.. The system of indicators for inter-state analysis of an innovative system which has been proposed by the EU Commission Directorate-e, are human resources (university staff in the field of science and technology, employees with academic degrees and qualified engineers, employed in the production of hardware and software and working in the field of high-tech services), production knowledge (state universities, private universities, the number of patents in the field of high technologies and their applicability to a million people), the distribution of knowledge (market players) and innovation (investments in technology companies, by market capitalization, number of Internet users per 100 people, the size of the IT market ..).”<sup>4</sup>

Competitiveness in addition to technological aspects of a bureaucratic aspect that includes specific measures and policies of economic and tax policy, reorganization or decentralization of public services, and the ability to involve the private sector in partnership with the public sector as well as shares functional integration and cooperation among regions in Europe and worldwide.

In the section titled Objectives in allocation efficiency and X- efficiency is being spoken about budgetary allocation of resources through taxes, which will be at the forefront been answered through the Laffer curve, while in the section entitled Ecological aspects of resource allocation is to be spoken of environmental awareness in the country of the relevant factors and the so-called Ekonavigator and finally concluding remarks we will basically make recommendations about which direction according to this volume the economy should be led and what are the key points of economic policy.

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<sup>3</sup> New Building Blocks for Jobs and Economic Growth: Intangible Assets as Sources of Increased Productivity and Enterprise Value, Report of a Conference by Athena Alliance, 2011.

<sup>4</sup> Doroshenko, Yuri, Somina, Irina, Radosavljević, Života: National innovation system: the fundamental approaches to definition and evaluation. *International journal of economics and law*, vol. 1. No. 2, FORKUP, , Novi Sad, August 2011, pg. 26-27.

## 2. GOALS OF THE EFFICIENT ALLOCATION AND X-EFFICIENCY

“All the goals of efficient operations are reflected in the achievement of sustainable growth and development of the system-holistic approach.”<sup>5</sup> Allocation efficiency implies that one should only produce those goods and services that are desirable in the market and for that are therefore there high demand on the market. The marginal costs have to be equal marginal revenue. The social surplus is maximized or utility is equated with the cost which is equally applicable to other concepts.

Principles of rational choice, individual maximization, utilitarianism and market theories allow comparability of different combinations and choices on the market. Allocation policy is effective as long as revenues exceed costs. Efficiency is also applied in engineering (engineering is the application of scientific, economic, social, and practical knowledge, in order to design, construction and maintenance of structures, machines, devices, systems, materials and processes). It is necessary to achieved the optimum balance between cost, quality and time.

Speaking of allocation efficiency we mean the financial aspect of the allocation of funds in the market, while in terms of allocation of natural resources, we can look at the environmental resource allocation even if this is already contained in the financial context. Compromise means that there is an optimal spatial structure with market constituents. Services are funded from tax revenues through a system of public expenditure.

In modern countries, about two-thirds of the total resources produced in the formal sector is allocated by the market mechanism while one-third of resources is allocated by the central and local budgets. Increased tax revenues are more than ten times during the twentieth century. The main task of economics as a science and its sub-disciplines is to resolve the question of the methodology and the distribution of these resources in such equitable manner. There are two ways to allocate tax revenues, as follows: allocation based on annual revenues and the allocation on the basis of certain tax revenues, especially as a solidarity fund. For example taxes of petroleum products go into a special fund for the rehabilitation of roads and thus form a special section dedicated to social finance for the construction of road infrastructure. “Where the invisible hand can not regulate the market there is appearing visible hand.”<sup>6</sup>

Decentralization of power applies to decentralized public finance and meritorious services in the budget. Delegating responsibility has an impact on the satisfaction of needs according to the principles of public top-down and bottom-up methodology.

Theoretically top-down approach in the economic literature has been initiated by various schools of economics, but gained in importance especially when the famous economist D.A. Achaer explained significance of the top-down method what is the beginning of it practical application.

Modern economy is clearly based on the principles of service economy. Added value that is recorded in the account services increases national output by more than 80%, which is a fascinating figure. Changes in the economic structure and mode bring their heritage with them. Economics of the demand side becomes dominant in the service economy such as the economy today. Besides of the demand there is of great importance in the economic analysis the costs that determine the marginal user cost and therefore are another impor-

<sup>5</sup> Aca, Marković, *Holistic management approach*, EPS, Belgrade, 2010.

<sup>6</sup> J., Owen, Jansson, *Economics of teh services*, Edward Elgar, USA, 2007. pg. 251.

tant factor in the so-called service economy through the theory of x-effective marginal price theory.

The three biggest enemies of a successful allocation are common property, discounting followed by high inflation and the effects of risk. In order to avoid negative effects of the mention above there is need for the following:<sup>7</sup>

- To play in safe mode, if there is need to change the policy immediately;
- Wait until the danger has passed, future studies will clarify the situation and thus indicate the necessary further steps;
- Let things run their course, the market economy itself will respond as appropriate, the development of science and technology will give the answers for the future needs;
- Armageddon.

Allocation policy aims to reach the criterion of efficiency through pricing and investment policy of discounting. It is not the same value of 1000 euro this year and the future value of the same year, in fact it is the interest that divides this amount, and the same discount rate has a different value, assume that the discount rate is 10% then the value of that money is now equal to the amount of 909,09 euro. Also 1000 euro for ten years has a value of 385.54 euro today, and 100 years for the same amount of value is 7 cents today, so today's and tomorrow's value is not the same value in the economy as a valuable asset that is discounted so when you sell a commodity at grace we are automatically at a loss because the value today is another one tomorrow's value.

"Discounting is a natural procedure in financial analysis, although it is very difficult to determine the real discount rate in practice."<sup>8</sup> Therefore, it is necessary to conclude that the main factor, management resource and overall business success is **the time**. If we take into account the changes in tax policy that changes its focus from income tax in the base product to differentiated base this tendency is growing. The value of the marginal product is below the cost of wages in the service sector. By shifting the process of taxation from the income to products, the demand for services is growing as a result of the economic efficiency requirements applying. It can be said that the current allocation of resources, is more in line with consumer preferences than in accordance with the postulates of the welfare state.

This proportion is growing in line with the relatively high income elasticity. Shares in these services is also growing, with a note that the increase of quality of services are becoming increasingly financed from the budget. Liberalized economy involves changes in the area of tax policy, financial markets, commodity markets, especially the market for services and labor markets. Tax policy involves reducing of the highest tax rates, expanding the tax base, reliance on two major taxes, income tax and sales tax. In the markets for goods and services, liberalization is expanding the concept of deregulation what is along with the privatization accelerating of the public enterprises. In financial markets it is expanding the process of the international capital free movement. In the labor market on the other hand we have an individual approach to bargaining and supply, imbued with the industrial policy measures: subsidies, grants, tax breaks, selective tax policy.

Country is solving the problem of contributions and expenditures. Additional users of public services are not excluded from their use, although if they do not participate in the

<sup>7</sup> R. Constanza, The science and management of sustainability, Ecological economics, Columbia university, NY, pg. 324.

<sup>8</sup> same.pg. 324.

cost, that is known in the theory like positive and negative externalities (see the book of Macroeconomics Gregory N. Mankiw, 5e). The welfare state is always placed emphasis on equality. In large there is affirmation of an individualist economic paradigm (liberalism), which is based on market competition and the main instrument is the existence of private property, which improves living standards. The process of transition, which is the basis of privatization as a fundamental postulate of economic policy followed by poverty that is incompatible with sustainable development and welfare state, too. In connection with Strategy of poverty reduction it should be noted that Strategy is required by the International Monetary Fund and the World Bank.

To solve the problem of sustainability we need to know the following:

- We need to recognize the problem;
- We need to understand the forces that are responsible for the un-sustainability and
- We need to bring the strategy for overcoming the problems.

It is also necessary to raise the awareness of all relevant factors, bankers, engineers, politicians and the general public about the importance of sustainable concept with all its aspects. The concept of resources is very complex and includes physical, biological, social, economic and political components. There is need for the interaction between of all these components in order to achieve appropriate, successful and financially viable concept of sustainability.

“Natural capital is by definition equal to the depreciated value of future benefits that derive from the using of the resources. Owner of resources will be fully aware of that value in the endeavor to maximize its value for future generations in order to come to positive economic growth.”<sup>9</sup>

At the question: Whether, and how it is desirable economic development, professor of the Economics at University in Belgrade, Ljubomir Madzar replied: “The question of the desirability of economic development here is in the first line posed in its broader, more comprehensive version. It is, in fact, the question about the desirability of whole bunch of desideratum which is known to occur as a result of the development and that development is the only way and method for desideratum to be provided. Consider the desirability of economic development means to tackle the assessment and evaluation of a wide range of desideratum, some economists are trying to access their categorization related to broader dimensions according which those are grouped into a wider generic class. Todorov<sup>10</sup> introduces three such categories:

1. The persistence,
2. The realization of creative potential and self-esteem and
3. Freedom.

The persistence implies the existence of supply livelihoods. Self-esteem implies among other things that a human being is a personality in the Kantian sense should always to be treated as a goal, never as a means. Freedom is so large and so widely accepted value that does not require special comments.”<sup>11</sup>

Eligibility of labor force, capital, infrastructure and quality of education system are definitely determinants of national competitiveness. The environment (state, society and

<sup>9</sup> *Ibid*, pg. 329.

<sup>10</sup> Todorov, Michael P., Economic development, Longman, NY, 5e, 1994. pg. 17.

<sup>11</sup> Lj., Madžar, Planning hrestomatia, Theory of the production and economics growth, Federal secretariat for science development, Belgrade, 2002. Pg. 69-70.

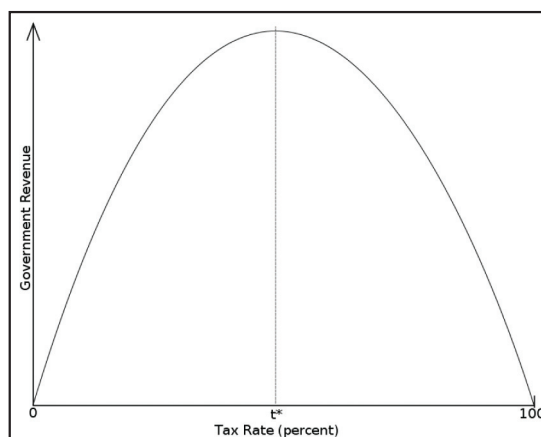
culture) is also important where innovation creates demand and supply. In order to be productive in economy employees should be educated, safe and healthy to have decent housing and also should motivate them with feeling that they have a chance to go further in its own career.

Bigger investment in education budgets, in knowledge, human capital, development at the company level, are very important basis for competitive advantage of countries and companies today. Competitive advantage of the state can be improved by investing in knowledge and education. Global competitive index shows dependence of the development on the knowledge and education. Countries that invest more in education have a higher GDP and vice versa, countries with higher GDP invest more in education.

It can be added here one extract from the book on the Economic growth of the professor Ljubomir Madžar<sup>12</sup>, the following: “Technological progress is a process of the productive combinations expansion and changing their composition at the principle level which is the basis for the production combinations and abstract technology defining, as a way of articulating their properties where introduction of technical progress does not change analytical basis on which the technology is modeled. There is another way of the geometric representation of alternative technologies. They are mostly brought down to formalized by presenting of the alternatives in the form of so called isoquant. The most often, technical progress is moving isoquant to coordinate point, the origin. Generally speaking it means, without the need to articulate in detail all the sub-variants, that the same level of the production can be encouraged with decreased engagement of the resources.”

It is mentioned in introduction part the Laffer curve, so let it briefly sum up, in fact it is a concept of increasing tax revenue, this curve is growing up the steady state point, from that point there is the declination of the curve what is the consequence of the market mechanism:

**Chart no.1** Laffer curve<sup>13</sup>



<sup>12</sup> Lj., Madžar, Planning hrestomatia, Theory of the production and economics growth, Federal secretariat for science development, Belgrade, 2002. Pg. 340-343.

<sup>13</sup> <http://en.wikipedia.org/wiki/File:Laffer-Curve.svg>

From the picture it can be seen clearly that the relationship between income and taxable income during the time is disproportional, revenue growth due to growth taxes and opposite, therefore reduce tax revenues due to reduced taxes, therefore, it is a clear relation between the rational tax rates and tax differentiation on general and specific level.

### 3. INTEGRATIVE PROCESSES AND DEREGULATION OF THE MARKET

American economist of Ukrainian origin Libenštajn Harvey (Harvey Leibenstein (1922 - 1994), provides a major contribution to economic theory, the theory of X - Efficiency. This concept refers to the efficiency of the process of creating and creations. If the firm produces the maximum output use of existing resources, particularly technology, then we can say that this firm is technically efficient.

It should be noted that the state is, not so often, in the role of monopsony, because it buys goods from private manufacturers and distributes them to its customers. In some cases, these goods are subsidized and partly are covered with transfers. So, there is disintegration of integrative system where on the one hand are the private sector producers and on the other hand, we have the state that distribute them, but how these systems are essentially inseparable, then we just change the title, in which private companies should be regulated more than ever, despite modern trends.

“In a democratic society, today, there are a number of limitations. Ignoring these limitations, in science means giving wrong recommendations and quite authentic impingement of the canons of the profession.”<sup>14</sup>

Suppose that the energy limitations will be overcome in the future by nuclear fusion (Economic biases against sustainable development)<sup>15</sup>, that's the achievement of the scientific progress, and ultimately better off in every way for the society, that is why we invest in science and all the forces that will make us improved in each sense. “Population growth and technology provides the background of the exploiting resources possibilities in general. On the other hand, technology also has the potential to increase the benefits we receive from nature, the resources can be used more efficiently, pollution can be reduced and controlled through ownership management. Specifically, earlier approach of human to the natural resources is no longer adequate. The transition from the old to the new philosophy of behavior and access to resources, will require a change of institutions and methods of management of resources.”<sup>16</sup>

In terms of human resources, we can take the example of public procurement. What is crucial here is the precision that one has to show as well as responsibility in accordance with the position of charge. So, the key of the success can be a **combination of creativity and responsibility**. It is very common situation where private sector provides public goods which are financed by the transfer, tax expenditures or subsidies funded to meet the needs of the relative merits. Commercialization becomes a mechanism to place the

<sup>14</sup> L.J. Madžar, Economic policy temptation in Serbia, Sl. Glasnik (Official gazette), Belgrade, 2011., pg. 215.

<sup>15</sup> R. Constanza, The science and management of sustainability, Ecological economics, Columbia university, NY, str. 320.

<sup>16</sup> Same pg. 321.

merits services and public goods which are financed by taxes. In that way commercialization contribute to the efficiency of satisfying needs. The general opinion, which is even approved from the European Commission has confirmed that the consumption of public services such as the transport, be more efficient if the same freely sold on the market or if it has been providing these services privatized.

Even in cases of natural monopoly it is considered that it can achieve better business results in the private sector than it is the case in the hands of public sector. Status of the meritorious goods are therefore changed, the first those goods were funded by taxes but then it became more user funded with the goal of improving efficiency consumption. Services funded by commercial users require a framework for the realization of the market.

#### **4. ECOLOGICAL INSTRUMENTS OF THE SUSTAINABLE DEVELOPMENT, EKO-NAVIGATOR**

“The most important mechanism for the global fight against climate change is famous Kyoto Protocol. Since its mechanisms taking into account the economic progress, the environment and social justice. This protocol commit industrialization countries to reduce emissions of greenhouse gases. In this way, it encourages investment in environmentally sustainable projects. According to an analysis of the Agency for the UN Food and Agriculture Organization and the International Institute for applied system analysis (ISA), developing countries could lose up to 11% of its agricultural land and 280 million of grains what is estimated at USD 56 billion in the period from 1995 to 2080. year due to climate change.”<sup>17</sup>

Important legislation in the field of ecology as a science and as a strategic concept of sustainable development are numerous international conventions, treaties relating to the protection of the environment from pollution, then the civil liability for nuclear damage (the Vienna Convention), a ban on nuklear experiments weapons in the atmosphere, cosmos and under water. There is also the World Commission on Environment, then international governmental institutions on ecological issues ... Production, technology, culture, politics and economy alike must embrace the principles of natural conditions for the survival and healthy life as they accepted the technical and economic solutions for industrial and technological progress .

On the other hand, let us mention the program ENSURE (enabling knowledge usability and sustainability for economic recovery value). The program provides technical and scientific support for the effective integration of consumption in accordance with the life cycle in the European politics and business. Opinion in accordance with the product life cycle is essential if we want to have success in sustainable exploitation of natural resources. It is necessary to emphasize the importance of the technology that enables rational resource consumption either during production or if necessary in the course of consumption. Today when we have the latest technology of the production and consumption, let us talk about environmental technology projects of the production of materials in accordance with ecological fashion, then food technology in accordance with eco-living style, but also in accordance with the digital data storage and management lifecycle.

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<sup>17</sup> A., Omićević, Instruments of sustainable development: Kjoto protocol u JIE, Belgrade, 2009. pg. iii.



## 5. CONCLUSION

Sustainable economic development is the goal of the economic policy, and now what is particularly important is that development with regard to environmental policies that are put in various environmental acts in the world between them the first one is Kyoto Protocol. The development of the loyal competition with the implementation of relevant laws on that basis. Integration with generally accepted values in the world. Promoting of its own value in the world may also be important for the growth and development of society as a whole if they are in accordance with existing principles. The Link diversity project can reconcile the world in general.

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