

SECTION 1 CURRENT ISSUES OF ECONOMIC THEORY

UDC 330.34 (477)

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PREREQUISITE OF MODERNIZATION OF THE ECONOMIC SYSTEM OF UKRAINE

Statement of the problem. After the crisis the world has become more rigid compared to the early 2000s. Ukrainian companies are forced to compete with those corporations that have survived, and thus were able to reconstruct the production, concentrate it in the most efficient enterprises and activities, increase productivity, quantity and quality of their products, reduce the number of employees. If it won't be done the same in Ukraine, the competition in this market will be difficult.

Analysis of recent research and publications. The results of fundamental and applied research on the problems of successful scenarios of economic development of individual countries and formulated on the basis of their conceptual foundations of Ukraine expressed in scientific works of many local authors, particularly in the works of Yuri Pakhomov, E. Belarus, V. Budkin, A. Hawryluk, A. Vlasyuk, Dutchenka M., A. Kredisov, D. Lukyanenko, V. Novitsky, S. Bilyatskoho, Matviychuk A., V. Onishchenko, A. Plotnikov, V. Sidenko, Sidenko S., A. Soskin, A. Filippenko, N. Gullies and others. A special place in the works of these scholars is covering various aspects and features of the global transformation processes of the last decade.

Among foreign scholars whose work concerns the basis of modern methodological study on structural change and economic development, are: W. Heytsona, P. Drucker, A. Toffler, L. Hayek runs. In Russia these issues effectively investigate Inozemtsev, V. Nikepelov, V. Nechyporenko, V. Smirnov, F. Shahmalov, V. Polterovich.

The aim of the paper is the analysis of some successful scenarios of economic development of countries and, on this basis, the conceptual framework of modernization and development of modern Ukrainian state, particularly foreign trade as initiator and catalyst of modernization and development in a competitive environment.

The main results of the study. In the twentieth century Ukraine has faced the urgent need of modernization of its own economic system and the entire social life in general. This primarily concerns the updating and modernizing the external sector of the state, because it stimulates positive transformation in the economy, initiates modernization. On the other hand, modernization scenario in foreign economic activity (FEA) of Ukraine should have character, derived from the baseline modernization of the economy. Also note that it is implemented in further strengthening the impact

of global trends in the national economy, and hence the socio-economic situation in Ukraine, amid increased competition, the role of innovation factors in leading countries and the restructuring of the world's economic order. Based on these considerations, it is reasonable assume that it must be based on the priority of external relations, based on intelligence and scientific and technical potential of society, the results of international cooperation in this area. Moreover, it has to define priorities and parameters of foreign policy of Ukraine, combined with long-term goals and objectives of domestic policy in a transition to the innovative type of socio-economic development and civilization shifts caused by the global crisis. Without solving this very difficult problem we do not sustain tough competition in the civilized world does not give a decent answer to dangerous challenges of the new decade.

Hence we have two consequences for Ukrainian long-term comprehensive economic modernization, and modernization of economic activity, in particular.

First. It makes sense at least to not interfere with Ukrainian companies to act as it did corporations that managed to survive the crisis, prepare for competition in the hard post-crisis world, adapted to solve the problem of social practice.

Second. Make a top priority the creation of a competitive sector of Ukraine innovative economy.

Skeptics would say that solve this problem in Ukraine failed to anybody and not at the time of the Russian Empire, not under Communist, nor after the collapse of the Soviet Union (the military-industrial complex is the only exception to this rule). However, this does not mean that the problem is not fundamentally a decision. By the way, neither Finland or South Korea or Taiwan in 1950-ies can not be attributed to innovation in advanced economies. Over the past 60 years, the world has accumulated rich experience in policies to support innovation economy. And many of these programs have been successful [1, 2].

Note that this experience should not be copied verbatim. Support Programs Innovative Economy is specific, adapted to local realities. As this experience in Ukraine, it should be emphasized that the prerequisite for the success of this policy is amending legislation (tax system, budgetary laws, regulations patent rights, facilitation of foreign trade for all those involved in innovation). These measures should be complemented by the creation of an effective infrastructure supporting innovation. It is the active state policy to establish

business incubators and poles of competitiveness, innovation-oriented economy, venture capital funds, to stimulate interest in the banking system of innovation-oriented loans [3, 4, 5].

An innovative economy is by nature very different from the usual. There is a significant risk of failure. However, successful results can not surpass the expected times, and by orders of magnitude. That is why the government's economic policy in this area can not be standard. It requires innovative solutions. From what to what extent Ukraine next decade will move in this direction, largely depends on the state of the country in which it fits into the new global world crisis, and long-term prospects of its development [6].

«Catch-up growth» - a pragmatic idea or a trap?

When in Ukraine 90 years passed sweeping liberal reforms, many Ukrainian were willing to suffer the consequences even negative hope that very soon we will live well «in them». However, very quickly it became clear that no European bourgeois nor perfect American entrepreneurial spirit total joy on the horizon is not expected. The resulting hybrid independent and sovereign democracy catch up and overtake its Western neighbors obviously not.

As a result of over 20 years we have transformation view of mirage that dissipated - perhaps someone on the ruins of the Soviet Union and believed that the new Ukraine are invited to the club of developed countries, and now the trend in liberal with common sense was the idea of reducing the requirements and catch-up modernization. Gone, they say, times industrialized victories. We adopt the technology, economic models, pragmatically fellowship with neighbors, which anyway will never catch up, and as a result of good behavior become eligible to remain unassuming neighbor, so to speak, a second-tier.

But the question is catching up and the impact of foreign economic prescriptions for its result is not that simple. Today coherent theory that would explain why one country «is able», another «managed to be like the first», and the third» failed absolutely nothing», the economists do not exist [7].

The result of all the different

In the twentieth century, various countries have tried on myself seemingly most apt neoclassical model (or items) that is based on the postulate of rational-egoistic economic behavior, mechanisms of private property, free competition and maximize profits. Then they seemed to be completely integrated into the globalized world of division of labor. But the results were all different, but generally at least somewhat closer to the level of Western countries could only «East Asian Tigers», the other with varying success behind - the only question is whether very dramatically. Since the 70s the dynamics of GDP growth in large parts of the developing countries generally negative - that they not only catch up, but more and more behind.

As a result of a number of economists appears quite natural question: perhaps the economic development not only affect the functioning of abstract laws of capitalist markets? And in general, if you can, relying only on these laws, consider the real economic system that dynamically developing over time?»

Neoclassical Theory in essence - inappropriate tool to analyze and develop strategies for economic development. It examines the functioning of markets, rather than their development. Is it possible to develop an economic strategy, not realizing how developing economy? Those methods used by scientists, neo-classical, asking a subject of study and prevent this development. This theory is in its initial form, mathematically slim and elegant, modeled static world free of friction. When

she turned to economic history and the problems of development, found themselves the center of attention or technological progress, or - later - investment in human capital. In this case, nobody paid attention to the existence of institutions that setting incentives, thereby determining the amount of funds allocated by society to both of these areas,» - said in his Nobel speech in 1993, economist Douglass North. The idea that the market will put everything in its place in any part of the world, is not supported by history: if there were universal rules, a simple imitation of what would quickly improve economic welfare, they would all have long taken advantage of. However, according to North, is just the opposite - how the hand of the market will behave or will it generally depends on the institutions of a particular society, the totality of formal and informal rules of behavior, mental models. It would change the old thinking to new, modern, add a word to the word written off with the «right of» law and the system of property rights, and everything will start working. But said Nobel laureate reached an entirely different conclusion: there is no guarantee that the evolution of institutions and even philosophical systems leads eventually to state growth.

Post-industrial feudalism

(«Trade not destroyed any country (Benjamin Franklin [8])»)

Policies such as free trade and specialization on comparative advantage, which was imposed by most countries to «catching up», led to the opposite result for their population. Local companies can not compete on the field of innovative technologies with advanced countries and corporations - this is often no primary resources nor banal lead time. As a consequence of the country choosing their own traditional competitive advantages. This mainly - natural resources and labor. First, moreover, comprehensive, and their extraction becomes more expensive. Primary «advantages» of conjugated Malthusian dynamics and impact falling: instead of deindustrialization occurs (death is not competitive sectors of own production) deagrokulturalization (extinction own agriculture) and therefore depopulation - all more or less educated and future citizens emigrate.

With whom the example?

In recent years, many economists have attributed the development of Ukraine with the way that moving countries that until February 2011. were known as the BRICs. Brazil, India, China and Russia - the big markets that are rapidly developing. At the beginning of the century Goldman Sachs analysts predicted that these countries will enter the twenty-first century, one of the world's major economic players. How, for example, wrote in late 2009, Nouriel Roubini, weather justified by 75 %, but the role of the «Quartet», he began offering another country - Indonesia. The reason for this was the decline of the Russian crisis of GDP in 2009 to 7.9 % (the highest among the «Big Eight») and the BRIC countries - in Brazil fell by 5 % against GDP growth in China and India, which showed GDP growth by 8.7% and 6.8 % in the same year. Yet Russia has managed to stay in the «Quartet». In February 2011 it was annexed to the BRIC South Africa, and since then the group is called BRICS (in Russia it is called «PANTS»). Analysts Goldman Sachs, by 2050, the sum of the economies of this group will exceed the size of the economies of the Group of Eight combined. Already mentioned country is mostly very high positions in many categories and ratings, confirming their socio-economic growth and its prospects. For example, well known that China is the second largest economy in the world and India is 4th in the world in terms of GDP growth.



For now the Goldman Sachs BRIC states that by 2050, the country's «four» can become the dominant economic systems as occupying more than 25 % of the land in the world, with 40% of the world's population, and their combined GDP of \$15.435 trillion. Today, these four countries are among the largest and fastest growing markets that have formed.

Back in 2005, analysts at the Goldman Sachs BRIC as a locomotive of the global economy of the XXI century began to consider the eleven countries. These are - Bangladesh, Vietnam, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, Turkey, the Philippines and South Korea. They were called «group of eleven» (N- 11, or Next Eleven). Well what we are worse that we not among these countries? And you sometimes, now Western experts invent a name for the new group of leaders of growing - BRICET (plus Eastern Europe and Turkey), BRICKETS (the same plus South Korea) or BRIMS (plus Mexico). As we mentioned, he Nouriel Roubini drew attention to Indonesia, giving it an advantage over Russia. More recently, in this country dominated by a military dictatorship, the destructive Asian crisis, the tsunami, the growth of radical Islamic sentiment, low GDP per capita - and yet the country's economic prospects, as economists see, is quite real. In addition, a decline in the population of Indonesia became the fourth country in the world in terms of population (it resides 230 million people). «The whole Germany (80 million people). Higher than in Russia», - says Roubini.

For Russia, it is clear that its estimates of Western experts often there is a certain ideological bias (by the way, is scheduled to take place in the next BRICS summit). But the whole story of the attempt to «replace the letter P» indicates that the option of quiet increscent growth guarantees nothing - Russia and so no one especially not calling for «a celebration of life», and the least problems openly asked «to exit» - well, that others looking around enough. As for Ukraine, the question «catch up or catch up» today is clearly not economic but ideological in nature [9].

Most economists favor of rapid development practices in technology and business and consolidate Ukraine as a «solid middle», which is able to focus on the good leaders and follows them at a distance. The opposite point of view, contrast, argue that the chance of a breakthrough is always there, especially in a country like Ukraine, with its material and intellectual resources and examples of major achievements, which indicates its historical experience [10].

However, there is little hope for any breakthrough sky-high - jump in the post-industrial future, bypassing the stage of reconstruction of industry and infrastructure fails. In addition, the successful modernization - a change of elites why modern elite is unlikely to be happy. In this case, an example of the last Olympic Games clearly demonstrated. that no amount of money will not make miracles out of nothing: where there is no sustainable system, no rules, lost continuity, and most importantly - no goal to work on the result if it does not directly present income range «especially close» - there is no victory.

Example of many countries, ready-made recipes economic prosperity and the greater plan breakthroughs that focus on leadership, no one will offer, and if they exist, it is very unlikely possibility of their use in Ukraine. Will develop your own? The answer, it seems, is not so much in the instrumental field - believe that Ukraine belongs to those countries that are potentially much - but in the realm of values and meanings.

If we have the truth and most people believe that no one we will never catch up, then so be it - the moral capitulation this contributes not less than backward industry or lack of research.

Recent decades have dominated the degradation of the country, state institutions and the very lives of citizens. It should be firmly stopped. Ukraine desperately needs a new course - a course of modernization and development. Activities of public administration, government, local and regional authorities should be subject to the general objectives and intensive modernization of our country. This is a task for all of us - citizens of Ukraine. Alternatives modernization does not exist.

Conclusions. Summarizing the above considerations, we formulate a system of strategic objectives (conditions), the achievement of which is to provide Ukraine modernization and development in a competitive environment, namely:

- **Reproduction and growth of a healthy and highly educated population.** The major objective of the state - to ensure the reproduction and growth of a healthy and highly educated population of our country. If the government did not ensure that citizens simply do not see the point in its existence. For the health sector, education and culture of the nation - not a place for profit. Public healthcare and education budget to design from scratch. They have become more competitive with private services in this area.

- **Modernization of foreign trade.** Upgrade stimulating economic activity should give impetus to the modernization of the country, to become, so to speak, of a catalyst and a tuning fork. This should be solved the problem of determining the priorities of foreign policy of Ukraine in the long run and on individual countries and regions, the choice of adequate instruments of foreign policy and priorities of institutions regulating economic activity and its individual components (e.g., regulation of foreign trade). Furthermore, we note that one of the criteria on which will be assessed the positive effects of modernization FEA Ukraine is borrowing policy success, which depends on the absorption capacity of the country, the ability to recognize the value of new external information, assimilate it and apply for commercial use.

- **Establishment of modern industry.** The country needs new industrialization. This is a modern industrial revolution. In the short time we have to create a new economic foundation of our country. Unconditional priority- construction factories energy complexes infrastructure roads highways ports and airports.

The priority should be the development of high-tech industries, nanotechnology, microelectronics on modern element base, rocket and space, aircraft construction, shipbuilding, machine building, and information technology. We have a future only in countries with highly developed industry.

- **Creation of conditions for accelerated development of Ukrainian agriculture.** In village turn to industrial method of production. Commodity agriculture, organized in a system of full cycle from field and farm to the final consumer - both domestic and foreign. Our country has become a global player in the food market.

- **Establishment of efficient modern army.** In today's world of real sovereignty should only country capable of defending themselves and their territorial integrity. No unions do not guarantee us security with efficient modern army. It must be re- design and build.

- Create a new socially just state. We need a new type of state, free from the domination of capital over it. The power in this country is not based on fear, including fear of poverty, disease, and helplessness. The new Ukrainian government should implement the principles of social justice and a high level of social protection.

The state should return to economic and commercial life of the country not only as a regulator. Income from significant profit strategic industries and enterprises

should belong to the state. This will provide true freedom for the development of private initiatives in the field of small and medium-sized businesses drastically lower tax and administrative burden on businesses and employers. We need to develop small and medium enterprises, investment climate, energy independence. The state should ensure effective participation in the process of modernizing the country to Ukrainian private business.

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