

Olena KAMINSKACherkasy State Technological University, Cherkasy, Ukraine
djul_82@mail.ru

Theoretical Approaches to the Regional Economy Modernization

ABSTRACT

The aim of the article is studying of the theoretical approaches to the Ukrainian economy and its regions modernization. In the article historical aspects of definition of concept of modernization, the main priorities of modernization of the Ukrainian economy are analyzed. Preconditions of modernization of the Ukrainian economy and its regions are defined. It is defined that the new mechanisms of modernization of economy of Ukraine shouldn't be based on neoliberalism. Firstly, the real practice and consequences of neoliberalism are quite obvious. Secondly, neoliberalism was under construction round improbably stylized version of an Anglo-American way of development with which such details as steady factiousness in policy, high duties during start of modern economy, possession of the colonial empire or the colonized continent in case of the USA dropped out. All this needs to be considered, considering a question of today's modernization. The conclusion is drawn that on character modernization has to be organic. In this case the probability to avoid bloody revolutions and command state mistakes increases. It is noted that the main sense of modernization of the Ukrainian economy will pass on its regional components at the level of which the main network and regional structures of innovative economy, first of all in the person of small business and which have opportunity to get effective support from the management institutes which will allow them to use the interbudgetary transfers, regional funds of compensations and separate powers of public authorities of regions of Ukraine are created. It will promote formation of regional space of the new multilevel economic relations.

Key words: *region, modernization, economy, modernization processes, transformation, development.*

Introduction. The strategy development of economic and social region progress becomes the main task for the regional economic theory, as the modern economic situation and social development in many Ukrainian regions can not be described as satisfied. Economic growth that was taking place before crisis has started, was not only insufficient according to its tempo, but unprofitable as well according to its quality. GDP growing of the country was received at the expense of high prices and favorable conjuncture on the international market of fuel and energy resources and natural resources. As the result the given type of export-oriented economy caused to the creation of specific economic system basement and gave the possibility for budget surplus emergence. Within this low wages remained as well as the level of life for population in many spheres of life for a long time, badly influencing on economic potential for the whole country in general and for its regions. Thus share of scientific and innovating production in the general production amount till now remains critically minor.

Theoretically — methodologist approaches to the Ukrainian regions modernization is shown in the works of domestic researches: V. Babayev, O. Beyko, Z. Varnaliy, B. Danylyshyn, M. Dolishnyi, O. Korotych, I. Kulish, S. Romanyuk, D. Stechenko, V. Trofimova, M. Fashchevskiy, L. Chernyuk and others.

It should be mentioned, that there are many works devoted to economy modernization in the national economic literature. Besides, the contradictions of long-time and short-time economic interests and the social groups on background are not enough depicted. Mainly it's explained with the necessity of simultaneous and interdependent policies in technical and technological, organizational and social-economic spheres. These problems are less researched according to the Ukrainian regions.

Material and Methods. The main research methods are general scientific methods of analysis and synthesis, induction, deduction, methods, theoretical modeling, and critical interdisciplinary approaches to study problems of comparative analysis, hermeneutic method to interpret concepts and problem-chronological presentation of material on the history and development concepts modernization of society.

The Research Results and Their Discussion. It would be a mistake to limit the problem of modernization in the modern Ukrainian conditions just to the level of technical, technological and economic parameters. Modernization should simultaneously cover technical, technological, organizational and social-economic society structures, as well as institutional environment, where these structures are being formed and functioning.

In the modernization process the problems of vectors inconsistency for the long-time and short-time development appear, those are determined with different social groups of population. It refers both to the governmental and to the regional levels. Thus problem topicality is determined for the orientation of all the regional structures on solving the problems of economy modernization as the condition of region competitiveness and the increasing of level of life for its population.

The existing ethnic inconsistency between the regions of the country, society layers, that are made by monopoly companies, that are depicted in alienation of a big part of the population from the means of production, and, as a result, the guaranteed source of income, that at the end can cause to the ruining of Ukraine as the united and integral state. According to this we can say, that the topicality of problem of modernization in the modern Ukraine and its regions in wide aspect is reduced to the questions of unity and security providing for the population and the state. The given problem is actualized with the fact, that the main part of people has increasing motives of emigration and separation, also in the regions with mainly Ukrainian population.

On this background and taking into account the modern crisis in economic system, the main task is the development of the organic policy for regions modernization.

The term "modernization" was used the first time by the philosopher Marquis de Condorcet in 1770 to mark the ability of modern people to lead the changes in society scientifically.

However, a deeper study of modernization was started only in 1950 when powerful school began to organize in the universities of England and the United States, led by sociologists Talcott Parson, Edward Shylza and Ralf Dahrendorf, analyst Lysiana Paya and economist Walt Rostow. This interpretation of modernization theory came from the classic tenets of evolution and evolutionism. Moreover, the interpretation of these theories has been LINE – everything in nature moves through stages of progressive complications and improvement. The social world is going to balance the final stage, which is characterized by rationalism of management, complex division of labor, industrial economy, liberal democracy, gender equality, attenuation of class, religious and ethnic conflicts, massive consumption. In turn, the Soviet Union emerged own line production theory “developed socialism” and “social orientation” to third countries (Freeman, 1987).

After coming to power neoliberals in the U.S. in 1968, the dramatic changes were made in the country and the world as a whole. So, the new government in the U.S. got institutionally limited budget and politically powerless state administrative mechanism. This was followed by the transfer of production to countries with cheaper labor, which led to a wave of industrialization throughout Asia and stagnation in Japan. However, with the exception of episodes, reflecting the emergence of speculative bubbles in real estate markets, raw materials and finance since 1980, world output growth and real wages were much lower than similar figures of previous years.

After this upgrade, conducted towards the development of high technology, also did not bring the expected results. Internet, mobile telephony and nanotechnology failed nowadays to bring as many changes in the real economy, as the invention of the locomotive, car electronics. It is worth saying as to the modernization of Ukraine that during the 60 – 90th Ukrainian vector adjustment led the country towards social democracy – like mainland Europe (Danylyshyn, 2007). New mechanisms to modernize Ukraine’s economy should not be based on neoliberalism. First, because the actual practice and the effects of neo-liberalism are quite obvious. Second, neoliberalism was built around the incredibly stylized version of the Anglo-American way of development, which dropped details such as persistent factionalism in politics, high tariffs during the launch of modern economies, possession of colonial empire or colonized continent in the case of the United States. All this must be taken into account, considering today’s modernization.

Also the choice of areas of modern modernization is complicated by the lack of certain development goals and targets. This is due to uncertainty in the future of the world economy, which started changing with the onset of the global financial crisis. In order for action in situations of uncertainty were the most effective, considerable attention should be paid not only to the “content”, but” style” of modernization processes.

All modernizations known in history can be grouped into groups of revolutionary, organic and overtaking modernizations. Revolutionary modernizations do not require an explanation of their character, as opposed to organic and overtaking. Feature of organic and overtaking modernizations is better to illustrate. So modernization of Japan and South Korea in the postwar period, in fact, wore overtaking nature, as these countries were sent to the American type of development. But the difference between Japan and South Korea in the process of modernization was the fact that the role of the private sector in Japan attached great importance, while it retained relative autonomy. A South Korean private sector virtually created and strictly controlled by the state. It was the opinion of some researchers, economists, and the difference between organic and catching model of modernization of the economy. In other words, large variability and flexibility are possible in organic modernization in the development of system. And in overtaking modernization the main role of government in decision-making increases the risk of making a mistake or wrong decision in choosing the vector of development. In this case, the second model also increase systemic risk, especially in the growth phase of the contraction and exit from the stage of forced growth (Dolishniy, 2006).

Based on the above, we can conclude that the nature of modernization should be organic. In this case, the possibility to avoid bloody revolutions and civil command errors increases. Therefore, without complex modernization of the country there will be no future. The President of Ukraine marked the five priority areas of Ukrainian economy – energy and energy efficiency, information and communications technology, health care, basic research on the most important problems of scientific, technical, socio-economic, socio-political, human potential for competitiveness of Ukraine in the world and the sustainable development of society and the state. However, the problem of modernization is larger and more complex. Modernization is a breakthrough from the initial state to the final state, some ideal. Modernization is a process in motion vector from the start point to the final. The starting point is represented country with its history, problems, possibilities. The final point is – the ideal of modernity that can be transformed. Sometimes the final state modernization undergoes rapid changes.

For example, several years ago, the powerful and most liberalized financial sector was considered to be the ideal of the post-modernization state economy. But the current global financial crisis has dramatically changed its development priorities giving the former ideal aim the negative character.

The processes of modernization are not limited to technical and technological modernization and inevitably are accompanied by changes in socio-economic relations and systems of economic system management. It often turns out that improvement of management precedes and serves as a prerequisite for technical and technological modernization. And it often turns out that modernization of technical and technological processes and management is closely tied with changes in the social life, with the tasks to improve the material welfare of population, poverty reduction, improvement of education and health care, as well as positive changes in the society mentality, the quality of human capital, with the creation of conditions for the realization of creative potential.

The complexity of modernization lies in the reflection of the interaction between a government center and regions. The task of modernization in the country aspect in general and individual regions indeed differs seriously. So, for Ukraine at the present stage the most pressing issues are the issues of industrial structure diversification as well as the reduction of its resource and export structure. Thus, one of the most difficult issues is the modernization of the engineering complex. This high degree of complexity is explained by depreciation of fixed assets and significant technological backwardness. This, to a great extent, complicates the conclusion of the automotive industry to the current level, the manufacturing of machines for agriculture, the manufacturing of machine tools and industrial equipment (Trofimova, 2009).

In the currently formed situation it is much easier to focus on modernization and diversification of industries through the rapid development of modern high-tech industries that rely on intellectual, educational and creative potential of scientists and engineers in a variety of modern, high-tech industries – radioelectronics, telemechanics, bioengineering, chemical engineering.

However, within the region, as it has already been noted, the task of modernization may substantially be different. Besides, these problems are largely dependent on the nature of each specific region: central or peripheral, industrial or agricultural, economically developed or depressed, south or north, east or west and so on.

On the level of specific companies modernization involves the introduction of a new high-tech manufacturing, the production of competitive products and gaining new markets.

One should understand that the process of economy modernization is the implementation of strategic (long-term) interests of the nation and people. Thus, similar interests have their carriers and representatives. In this situation, the state must protect national interests that are the interests of the country and its people. However, the modern theory of social choice makes it to understand well the government policy change happening not only by national needs, but also under the changing set of private interests of different “elite” groups. In a similar set of private interests the interests of the state apparatus and government officials are often included. Thus, it often happens that the interests of the elite do not coincide with the interests of the nation, engaging them into a conflict. The result is a certain conflict situation.

In this situation the phenomena take place when officials who influence the redistribution of scarce resources to modernize the economy, the development of high-tech industries, to increase the share of high technology and high added value are not interested in the direction of the data listed field if, for example, their private interests are not being met by such actions.

In the modern society, there is an opinion that a state is a kind of over social force, the real owner of national wealth subordinating its personal interests the behavior of all other economic entities. However, under the current state of science, the state is the only agent that hires people to represent and implement national interests, institutional frameworks for the economy, specifications, and property rights. And this agent should always be under the control of society. This is the most important condition that ensures normal socio-economic development of the country, limiting excessive selfishness of government agencies. That is the condition which creates the preconditions for the formation and effective functioning of the dispute settlement mechanism of the real national interests and private interests “of the ruling elite”.

The said above is of particular value precisely in terms of regional economy modernization. Since the implementation of modernization programs and the effect of these can be felt over time after a considerable period that exceeds a political cycle. The realization of long-term economic interests through modernization requires truly state approaches in which genuinely national economic interests are represented.

Technical-technological and socio-economic modernization is so closely linked that the question of primacy between them is hardly relevant. So modernization processes in engineering and technology cause significant changes in the socio-economic aspects of society. For example, under the influence of modern information revolution and the widespread distribution of Internet there have been significant changes in society and the economy. On the other hand, the modernization of social and economic relations is an essential prerequisite for the occurrence of qualitative changes in the technical and technological environment.

Thus, a prerequisite of economic modernization is the mass perception of it as imperative in state economic policy and in behavior, decision-making of corporations, companies, individuals. But these national programs in education, health care, agriculture and housing services should be seen as parts of more general and large-scale national program of modernization that isn't exhausted by these components.

World practice shows that modernization initiatives often come from small and medium enterprises. However, as a rule, large companies (corporations) more often do not tend to modernization, because of their size they are able to make a profit on the old terms. In turn, we can say that the increase in the number of small businesses in the economy of the country or region promotes accumulation of force modernization pulse. This competitive environment for small business, protected from the negative effects of monopoly companies, transforms the problem of modernization in the question of its survival and successful operation.

However, it is worth noting that all the same international experience shows that modernization of the functions of small firms it is necessary to have a number of important factors. These factors are a favorable investment climate that encourages the modernization of the tax system, an effective protection of property rights and competitive conditions. In particular the fulfillment of these factors is a main problem in many regions of Ukraine nowadays.

In general, such an international experience shows the growing role of small business in the course of country modernization. Also it shows the growing role of small business in the socio-economic system of the country in the formation of economic policy of the state on the legislation, in general on the political life of society. Modernization of the socio-economic system involves growing confidence in the authorities, banks and businesses. At the same time modernization provides the release of socio-economic relations of paternalism, dependency, the hope that someone will ensure welfare without searching, without efforts of the economic subjects.

Conclusions. The main content of the modernization of the Ukrainian economy will be on its regional components, at the level of which they establish the basic networking and regional structures of innovation economy, especially in the face of small business, and which are able to receive effective support from management institutions that will allow them to use interbudgetary transfers, regional compensation funds and other authorities of state power in the regions of Ukraine. This will facilitate the formation of regional space of new multilevel economic relations.

References:

1. Chukhrai, N., & Patora, R. (2006). *Tovarna innovatsiina politika: upravlinnia innovatsiiami na pidpriemstvi [Commodity innovative policy: management innovations in the enterprise: Textbook]*. Kyiv: CONDOR.
2. Danilishin, B. M., Cherniuk, L. G., & Fashchevskii, M. I. (2007). *Prostorova organizatsiia produktivnikh sil Ukraïni: mezo-ta mikroregional'ni riven' [Spatial organization of the productive forces of Ukraine : meso- and microregional level]*. Vinnytsya: Knyha-Vega.
3. Dolishnii, M. I. (2006). *Regional'na politika Ukraïni na rubezhi XX–XXI stolit': novi prioriteti [Regional policy at the turn of XX–XXI centuries: new priorities]*. Kyiv: Naukova Dumka.
4. Enright, M. J. (1993). *Regional clusters and economic development: A research agenda*. Division of Research, Harvard Business School.
5. Freeman, C. (1987). *Technology Policy and Economic Performance*. London, NY.
6. Grigor'ev, L., Zubarevich, N., & Urozhaeva, Iu. (2008). Stsilla i Kharibda regional'noi politiki [Scylla and Kharybda of regional policy]. *Voprosy ekonomiki*, (2), 83–98.
7. Radushinsky, D. A. (2013). O «Poliusakh Rosta» i klasterakh v innovatsionnoi infrastrukture regiona [On the «growth poles» and clusters at innovation infrastructure of a region]. *Modern Studies and Innovation*, 10. Retrieved from: <http://web.snauka.ru/issues/2013/10/27973>
8. Shutenko, V.O., & Gorodnyskii, T.I. (2001). Innovatsiini potentsial regionu: teoretichnii aspekt [Innovative potential of the region: theoretical aspect]. *Menedzhment ta pidpriemnitstvo v Ukraïni: etapi stanovlennia i problemi rozvitku*. Lviv: Publishing house of the National University “Lviv Polytechnic”.
9. Trofimova, V. (2009). *Regional'ni innovatsiini sistemi v global'ni ekonomitsi: monografiia [Regional innovation systems in the global economy : a monograph]*. Simferopol: ViTroPrint.