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Regulation of Structural Changes in the Economy of Ukraine

ABSTRACT

The purpose of the study is to develop suggestions to improve the government structural policies in the economic sphere. World experience shows that during the restructuring the role of government in regulating the economy is growing. Its high effectiveness in practice has been proven by the approach, according to which structural changes in the country should start from primary industries. Export revenues of those industries are specifically used for the modernization of industries following next in the technological chain, and the expansion of high-tech production.

High and stable results were achieved in economic development of those countries, which pursued the policy of dosed liberalism. This enabled them to not only maintain the current level of domestic production, but also improve its international competitiveness according to the principles of dynamic (not static) comparative advantages.

The current technologies in Ukrainian government and public administration are not effective and seem to be inappropriate. Result of comprehensive liberalization and loss of control over economy was the lack of a meaningful strategy during the transformation of the national economy. Accordingly, at the level of individual enterprises in the region there is no strategic vision of the problems. Thus, during the years of reform there emerged an objective conflict between strategic management (which is missing) and operational management. This point of view makes it impossible to answer the question, which of the many options offered by structural reform has a historical perspective, also this point of view contradicts to all experience about ways to get out of structural crisis.

Studying the experience of implementation of structural change in many countries has shown that despite the theoretical recognition of monetarism as the primary and most effective means of resolving most of the economic problems, and despite the long and strong market traditions in most developed countries, during the period of structural changes and the formulation of targeted structural changes, the role of state becomes more significant, the government structural policy is actively used, the main objective of which is to accelerate the transition from recession of production to growth and improve national competitiveness at the global level.

The main areas of mechanism of structural policy implementation in Ukraine should be: 1) optimization of sectoral and technological structure of the economy 2) providing progressive structural changes by means of organization of investment breakthrough. Only in terms of the investment boom by creating own innovative products and supporting demand for those products, there may be progressive structural changes.

The efficient implementation of structural changes in the economy of Ukraine, which is a set of measures aimed at restoring the sphere of material production and diversification of the real economy sector, is not possible without deliberate government regulation.

Methods: dialectical, Economics and Statistics, abstract and logical

Key words: *economy, government regulation, public administration, monetarism, structure of the economy, structural changes.*

Introduction. Complex social and economic conditions in the country, the acute problem of low competitiveness and technological lag of the most important sectors of the economy need intense restructuring and finding a new approach to structural reforms. Though there is a general understanding of the importance and need for structural changes there are different ideas about the role of government in these changes.

In particular, it is suggested that only freedom provided to the market mechanism increases the mobility of resources and allocates them efficiently, which contributes to the structural transformation. Thus, government intervention in the formation of efficient economic structure is highly undesirable (Bila, 2001, p. 122).

The problem of structural change has become a cornerstone of dissertation research in public administration (S. Bila, L. Yefimenko, O. Kakhovych), economics (O. Heiman, M. Domaskina, O. Kravchenko, O. Krykhtin, O. Kubatko, N. Kuzenko, V. Medvid, K. Panchenko, S. Pashkov, O. Polishchuk, V. Saldo, N. Skirka, O. Tofaniuk, L. Shablysta), geography (V. Hrytsku, V. Oliinyk). Nevertheless, there remains a great interest to this problem, which can be illustrated by the numerous publications in professional journals of different areas.

The aim of the study is to develop suggestions to improve the government structural policies in the economic sphere.

1. Analysis of the World Experience in Economic Restructuring

World experience shows that during restructuring the role of the state is increasing with regards to regulation of economy. Thus, there is an increased interest towards the experience of implementation of structural reforms in the developed Western countries, where structural changes occurred as a result of government actions in the area of structural policy.

Its high efficiency in practice has been proven by the approach, according to which structural changes in the country should start from primary industries. Export revenues of those industries are specifically used for the modernization of industries following next in the technological chain, and the expansion of high-tech production.

In the implementation of neo-liberal reforms little attention was paid to the interference of macroeconomic parameters and actions of economic agents at the micro level. Meanwhile, there is an idea (Melnyk, & Vasina, 2010, p.164) about the need to study the economic reality as not being separate at the macro and micro levels, but in the context of the relationship and interaction between macro-and microeconomic processes.

Based on international experience, we can say that fairly high and stable results were achieved in economic development of the countries, which pursued a policy of dosed liberalism. This enabled them to not only maintain the current level of domestic production, but also improve its international competitiveness according to the principles of dynamic (not static) comparative advantages. In modern foreign and domestic scientific literature we can often find the well known statement: the higher the level of economic openness of the country (this topic was highly covered by J.D. Sachs and A. Warner) or the higher the index of economic freedom in a country, the higher the values of economic efficiency.

Ukraine is ranked 164 out of 179 countries based on the scope of government intervention in economy by influencing and regulating costs. Index of state intervention is 32.9%, which is quite a high level of activity of the state, but at the same time, there are many problems that need government support and government funding (Kdeiner, 2001, p.165).

Because the “invisible hand” in immature market still does not know how to transform selfish behavior in socially useful, in transformational economy the state functions have certain peculiarities. They can be divided into three interrelated groups:

- Functions characteristic of the administrative-command system (direct intervention in certain processes)
- Functions associated with the rejection of the former legacy, which leads to creation of a new institutional framework and market infrastructure;
- Control functions characteristic to the market economy.

This expansion of state functions is necessary because in terms of institutional imbalance no other agent than the government is able to make effective long-term solutions. As noted by V. M. Polterovych (Polterovich, 1999, p.165), during the implementation of necessary reforms one doesn't need “inflated” authoritarian state but rather mobile and efficient. Efficiency is a quality index that covers the concept of development, mechanisms of diagnostics and integration of benefits of social level. It is also the benchmark for the socially necessary goals.

Power is good if it is ready to recognize the limitations of their capabilities, and develop efficient tactics to delegate authority to market entities that are more informed, flexible and mobile. The state's role in the process of economic restructuring is seen as a key factor for technological and economic development of the country and its regions (Stihlits, 2003, p.209).

However, existing technologies of power and governance are not efficient and seem to be inappropriate. The result of a comprehensive liberalization of the economy and loss of control was the lack of a meaningful strategy during the transformation of the national economy. Accordingly, at the level of individual enterprises in the region there is no strategic vision of problems. Thus, during the years of reform there emerged an objective conflict between strategic management (which is missing) and operational management.

This position not only forbids to answer the question, which of the many options offered by structural reform has a historical perspective, but it also contradicts to all experience about ways to get out of the structural crisis. The main thing in this experience is not a set of specific activities carried out within Roosevelt's “New Deal”, German or Japanese “economic miracle”, etc., but the methodology of establishing the strategic management of the economy and, above all, the structural changes. All these programs to move from crisis to economic growth started with determining the most long-term goals of social and economic development and ways to achieve them (strategies), based on which medium- and short-term plans and programs were developed.

In this regard, concepts by post-Keynesian representatives are of particular interest (modern branch within the Keynesian paradigm). Post-Keynesians distinguish money and interest as a self-active link between monetary variables and real processes. Amount of interest is primarily a monetary phenomenon and not a performance indicator of real capital on the contrary to “pure” neoclassical theory. Market interest rates indicate the method of selection of loan projects and moral risks, which are carried by entities, rather than actual returns on investments. Thus, in some cases an active state regulation of finance and controlling the activities of intermediaries is appropriate and even necessary.

2. Role of Strategic Management in Supporting Structural Changes

Strategic management (which also includes planning) is characterized by adherence to the principle of “the uncertainty of the future”. In this way it's similar to post-Keynesian traditions and institutional and evolutionary trends in economic theory that takes into account the irreversible nature of time. In the system of strategic planning it is not expected that the future will necessarily be better than the present or the past.

To implement a consistent approach to the strategic management of structural changes as a first step it is necessary to imagine the economic system as a management system (regulator) and control system (control object). Consequently, if we perform sequential decomposition of economy, there are two areas — management & control and real sector. The first covers the state and territorial structures (and their corresponding entities), and the second — the branches of the national economy and households, and the corresponding subjects: commercial and non-profit organizations, as well as an individual being active and determining participant in social and economic relations. Each area separately and all areas as a whole are under constant flow of information.

Therefore it can be stated that the main strategic goal of structural change should be the creation of a post-industrial, competitive economy with proportional, balanced branch structure. This economic structure has the following key features:

- Priority-leading value in multistructural system of sectors (industries) of high-tech development, which have strategic and adaptive competence to enter the technogenic environment of the highest level;
- Washing away a significant number of traditional manufacturing industries and methods used, changing them with new artificial materials;
- Formation and development of technically strong and technologically oriented areas of service together with using the new modified information systems;
- Formation of investment and innovation subsystem of the economy, which is the generator of avant-garde technologies.

It is clear that national goals cannot be artificially brought (disaggregated) to the level of individual sectors, industries and companies. Approval must be achieved as a result of a repetitive (iterative) process by moving from higher levels of economic hierarchy to the lower and back. In this process, the aggregated figures in certain industries, sectors and the economy as a whole are

treated as feedback, on the basis of which we can form a judgment about the structural changes and, accordingly, about the results of implementing the strategy of structural change.

For national economies in different countries cross-level relationships are not universal, e.g. macroeconomic processes and their effect on the behaviour of macro objects is different in different periods of operation. The economy of the developed Western countries is characterized by close interdependence of micro and macro processes, which were shaped during long evolutionary process, and powerful influence of standard macroeconomic controls (interest rate, the money supply, the rate of reserve requirements, tax rates etc.) on the behavior of microeconomic agents that, in fact, creates an objective basis for the various options (monetarist etc.) of stabilization control. In contrast, in most countries belonging to the socialist camp, government influence on the social and economic situation in the country for decades has been carried out by the hard and direct centralized control of microagents' behaviour. This is explained by the lack of strategic management, which provides targeted system operations under changing conditions, and implies the creation of a system trajectory (strategy), target statement, the creation of corresponding programs etc.

3. Directions of Structural Policy at Regional Level

Studying the experience of implementation of structural changes in many countries has shown that despite the theoretical recognition of monetarism as the primary and most effective means of resolving most of the economic problems, and despite the long and strong market traditions in most developed countries, during the period of structural changes and the formation of targeted structural changes, the role of state becomes more significant, the government structural policy is actively used, the main objective of which is to accelerate the transition from recession of production to growth and improve national competitiveness at the global level.

With the help of certain forms and methods of implementation of state structural policy, reformation is carried out for of all the components of the economic system at the macro, meso and micro levels. In this context, the main areas of mechanism of structural policy implementation should be optimization of sectoral and technological structure of the economy, providing progressive structural changes. At the macro level, the implementation of state structural policy to some extent should be aimed at solving the problem of macroeconomic transformation, focused on ensuring the economic, technological, food, environmental and energy security of the national economy.

To do this, in our opinion, it is necessary to implement the following actions to improve the structure of economy.

Firstly, the development and maintenance of the priority sectors of the economy by directing public investment and creating favorable conditions for their activities.

Secondly, encourage and support the demand for innovation. This creates two problems: 1) lack of entity's own resources for innovation, and those offered by financial intermediaries are too expensive, and 2) competition from foreign goods and innovative products that have high quality and guaranteed maintenance, which exists despite higher prices.

These problems are solved by the third direction of structural policies — an organization of investment breakthrough. Only in terms of the investment boom and creation of own innovative products together with support for their demand, progressive structural changes can be implemented.

The main elements of the overall restructuring process are primarily globalization and increasing flexibility of production, internationalization of investment processes and production decisions. In these circumstances, location of production is being competed for not only by the national economies but also specific regions (Khanesh, 1997).

Accordingly, the main areas of structural policy at the regional level should be:

- Identifying promising directions of spatial development;
- Monitoring and assessing the feasibility of establishing effective cluster structures in the regions, identifying sources of funding for research in the future with the ability to attract foreign investors and taking into account effects of the created structures on the social development of the region;
- Creation of communication environment and information database for the operation of regional industrial structures;
- Stimulation and support of competitiveness of the sector or territorial organization of economic activities to achieve sustainable development.

At the micro level the mechanism of implementation of key elements about structural policy is comprised of a group of methods associated with an increase of economic stability and activity in all major processes of the market entities: businesses, corporations, scientific and educational institutions, and other basic economic systems.

These methods implement the following main areas of structural policies at the micro level: creating a strong corporate framework of the economy, the development of integration processes of science, education, manufacturing, market, balancing cost-effective forms of coexistence of investment-active small and large businesses in the system of "production — distribution"; restructuring industrial and scientific departments, support and development of strategically important for the state high-tech enterprises with significant prospects in the international market .

In current situation the main purpose of integration of science and production is to implement organizational advantages of small, medium and large businesses. The ultimate goal of integrating science and production is to develop research and production base for regional economic development and market innovation, oriented both to address the problems of inter-economic development (the development of new industrial products and technologies for enterprises in the region) and to create competitive industries to enter the inter-regional and foreign markets.

However, along with significant modifications in the basic science there are problems in the application of research directly in the production process. In national practice, the main problem of integration of science, industry and the market is the lack of an established mechanism for the relationship between the parties to an integrated structure. Particularly the instruments of transition of technical innovations from the field of science in production (technology parks, business incubators etc.) are not efficient enough. This, in turn, is associated with non-effective measures of state regulation with regards to stimulating the use of innovation, support of industries using innovative technologies etc.

In Ukraine there are certain organizational forms of integration of academic and scientific institutions, organizations of education and production that are represented on the market with new innovative structures, examples of scientific and practical conferences, joint research and participation in international projects (Heiets, Semynozhenko, & Kvasniuk, 2007, 282).

As instruments of government support of innovation internationally direct budget support is applied for the development and introduction of new technologies and products; indirect support through tax policy and by administration regulation; investments in education; support for critical components of economic infrastructure, which are required to promote rapid innovation. Implementation of structural policies in this area involves state regulation of participants in the integrated structures, in particular the development of programs for their formation and development, and direct state involvement in the innovation process through state and municipal scientific and financial institutions.

Conclusions. Structural policy at the microeconomic level is characterized by the following main areas: optimizing branch structure of the national economy through the growth of knowledge-based industries and reduction of inefficient production; improvement of the organizational structure of the enterprise (company) in order to best match its internal peculiarities and rapid response to changes in the environment; stimulate investment in equipment to improve production facilities – the material base for management activities. Thus, the effective implementation of structural changes in the economy of Ukraine, which is a set of measures aimed at restoring the sphere of material production and diversification of the real economy sector, is not possible without deliberate government regulation.

Specification of National Economy and complex measures to resolve them, will improve the productivity of the state structural policies that are areas for future research.

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