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## DEVELOPMENT SCENARIOS IN THE MODERN UKRAINIAN ECONOMY

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The article is devoted to the development scenarios of modern Ukrainian economy, possibilities of emancipation from poverty for developing and transition economies. Special attention is given to Ukraine and its required future steps to reach the necessary level of prosperity and development.

Keywords: development, Ukraine, modern economy, economies in transition, developing countries.

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Статья посвящена сценариям развития современной экономики Украины, возможностям преодоления бедности для развивающихся стран и стран с переходной экономикой. Особое внимание в работе уделено Украине, необходимым реформам для развития и процветания.

Ключевые слова: развитие, Украина, современная экономика, переходные экономики, развивающиеся страны

The most important problems confronting the world today are a significant lack of economic development and the poverty associated with that lack. In comparison with such problems, the difficulties of global warming and control of the level of disappearing rare animals and carbon emissions are minor irritants, adjustment problems easily salved with a sufficient degree of international cooperation. Developing countries and economies in transition try to find the right way of reducing poverty and catching up to the wealth of developed economies, but in spite of developed countries' advices and help they can't find the right way out.

Despite an explosion in relevant publications on economic growth there is still no good explanation of why modern economic development has occurred, where and when it has. There are still no agreed policies on how government can promote modern economic development [1].

The world is clearly divided economically. On the one side is the cluster of rich and well-to-do countries, and on the other side is the collection of poor and economically deprived countries, largely overcome by poverty. Ukraine is presently regarded as economy in transition, because it has not yet achieved a full-fledged market based orientation [2].

The major task of development economics is to explore the possibility of emancipation from poverty for developing and transition economies. How can Ukrainian economy in the world today be set on the track of sustained economic development for the immediate goal of reducing poverty and the long-run goal of catching up to the wealth of developed economies? The ultimate goal for us is to obtain an answer to this question and make the necessary steps. What should be the right combination of community, market and state for promoting economic growth is the problem of high research priority in development economics. There is no single optimum combination uniformly applicable to developing economies. Under different cultural and social traditions, the efficiency of the market may be relatively higher in one economy, whereas the organizational ability of community is relatively stronger in another. For example, in the course of modernization of Singapore a rather unique form of economic organization has been created under a different cultural and social tradition from that in the West. China's step-by-step approach to economic reform, rejecting "shock therapy" especially as practiced by the IMF and World Bank [Помилка: джерело перехресного посилання не знайдено].

Of course, not only cultural differences detect the success of economic growth. Economic institutions protecting property rights and allowing for free entry and

introduction of new technologies not only were important in the nineteenth century but continue to be important today. There is also a general consensus that political instability, weak property rights, and lack of infrastructure are major impediments to growth in poorest countries. The Asian experience is one of the striking examples of the crucial roles of social and political stability in promoting economic development. A stable social and political climate is necessary for the establishment of economic enterprises. Unstable not only deter domestic entrepreneurships and investment, but they also jeopardize the inflow of foreign investment while encouraging the flight of capital from the country [4].

It comes as no surprise that many important insights about economic growth lie in political economy. But understanding politics is in many ways harder than understanding economics, because political relations are even more complicated. As we investigate why societies make different collective choices, we will gain a better understanding of the process of economic growth.

Extensive economic growth cannot be realized without examining the requisite major changes in social organizations and people's value system. Recently, much attention has been directed at the role of the state. History has shown that some political systems are capable of producing institutions that are more efficient while others are not.

A lot of economists identifies initial conditions, institutional development, democratization, and liberalization as major variables explaining differences in real GDP growth among transitional countries [5]. Of course to change everything at once is impossible, but we should define the right way and make the necessary steps. First of all it is necessary to detect our disadvantages and advantages. For example, Ukrainian problem of its location between two powerful markets – European and Russian may evolve into an advantage.

Other difficulties Ukraine encountered in its reform were lack of incentives, nonprice capital allocation, monopoly pricing after price decontrol, a soft budget constraint for enterprises, a torn “safety net” for workers and the elderly, capturing

of liberalization benefits by vested bureaucratic interests, neglect of institutional and legal changes essential to accelerate economic growth. Now we should analyze our pluses and minuses and make the well-defined plan how to reach the prosperity. But we should remember that we are living in the new economy, time of knowledge. And in the new knowledge economy the main force for future prosperity is the intellectual capital. The development of technology becomes less important. Technology and in particular knowledge technology helps to transform a part of human knowledge to machines, but knowledge economy is also possible without technology.

So, the one of the most important factor for stable development and future prosperity is the high level of intellectual capital. The technology of information society form new economy based on knowledge instead of rising consumption of limited resources. Ukraine has enormous intellectual and technology potential, but we should teach how to convert it into our main advantage. The human being as an idea hamster and capital source is in the center of new economy. The information society leans on new social configuration. The role of state and state institution are also transforming. That can be observed by activity of Japan, USA, Sweden, Singapore and other countries' governments. In the new economy state becomes the main investor of high technology industries and infrastructure. The outspread of high level life standard is one of the most important goals in the modern state. Taking into account the inequality of medical and education institutions' allocation we think that it's rather important for Ukraine to make the equal access to the same services in the Internet. Today Internet allows us to have medical advices and help, see new films and performances and use advantages of distance education. Information and knowledge is the main object of regulation in the new economy. The information society not only changes the economic structure, but the new entrepreneurship appears. The principle of vertical integration substitutes with new form of business organization. The competitive advantage of new economy determine the amount of unique products, technologies, organization process and

ideas. The consumer is in the center of new economy. The orientation on its individual wishes and needs will determine the growth of companies[6].

The lessons here can be boiled down to a simple set of ideas. First, good economic policy is important. The most damaging features of Ukrainian economy are the degree of lawlessness and bureaucratic interference. On the annual Doing business index of the World Bank and IFC (2012) Ukraine ranks 137<sup>th</sup> among 181 countries, while Poland ranks 55<sup>th</sup> and Russia 112<sup>th</sup>[7].

Second, liberalize conditions for functioning of small and medium businesses. Ukraine is rated as one of the worst countries in the world when it comes to dealing with construction permit and paying taxes. All activities that involve the state are exceedingly difficult for entrepreneurship in Ukraine, including closing a business, protecting investors, registering a company, changing company's documents, trading across borders and starting business.

Third, as the one of the most important factor for stable development and future prosperity is the high level of intellectual capital we should make investment in education and technology. It would allow Ukraine to move steadily closer to the goal of becoming a modern, prosperous country. We have a lot of advantages doing this. Ukraine has the natural resources, the educated people. We simple need the commitment to move forward on a sustainable growth path. Today administrative reform is crucial. The main objective of the reforms is to refocus decision – making processes towards a strategic model of government, which fundamentally change the role of government. We should change this role from ownership and control to one of facilitating business and developing people.

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