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STRUCTURAL TRANSFORMATIONS OF THE TRANSITIONAL ECONOMY UNDER INSTITUTIONAL UNCERTAINTY

Summary. The conceptual foundations of transitive economy structural transformations under institutional uncertainty are investigated in the article in a political economy context. A profound structural collision of the transitive economy of that kind appears as a contradiction between economic coordination market mechanism that is in the process of elaboration and dominating mechanism of oligarchic organized regulation in terms of institutional uncertainty and inefficiency of the state. The structural transformations of economic systems are the internal process of their general evolution. The capacity of the system towards the transformation is a precondition of its viability and competitiveness. The theory of structural transformation subject could not be limited only to economic transition from central-planning to market economy. Modern national economies are still in the process of permanent structural transformations, adapting to the dynamic economic environment. Thus, the analysis of the structural and institutional changes is the main course for the elaboration of economic evolution and transformation general theory. The most important feature of the transformation process is a mixture of economic policy and spontaneous adaptation mechanisms.

Keywords: economic systems, transitive economy, structural transformations, institutional uncertainty, evolutionary economics, structural policy, knowledge-based economy.

Formulation of the problem. Institutional and financial constraints of structural reforms are a special issue in regard of the traditional economic governance in Ukraine and structural policy goals that prevailed in the “pre-transformation” economy.

Analysis of recent research and publications. A significant contribution to the study of structural changes, dynamics, structural transformations and economic policy was made by A. Fischer, C. Clark, S. Kuznets, W. Leontief, W. Eucken, J. Tinbergen, W. Rostow, J. Fourastié, W. Lewis, G. Myrdal, J.K. Galbraith, L. Pasinetti, A. Maddison, C. Freeman, G. Dosi, J. Gowdy, D. North, R. Nelson and S. Winter [1–20]. The problems of uncertainty, including institutional uncertainty, have been studied in the works by F. Knight [21], A. Alchian and H. Demsetz [22; 23], F. Filho and O. Conceicao [24] and others. The proposals concerning the economic reforms fiscal space expansion, ensuring the sustainability of public finance, the implementation of structural policy in Ukraine in conditions of fiscal consolidation are justified in the research publications of the Academy of Financial Management scientists [25–28], etc.

The aim of the study is to reveal the theoretical foundations of the conceptual basis of transitive economy structural transformations under institutional uncertainty in Ukraine, the approaches to solving the structural issues in accordance with the conditions of institutional uncertainty.

Presentation of the main material of the study. The structural transformations of economic systems are the internal process of their general evolution. The capacity of the system towards the transformation is a precondition of its viability and competitiveness.

The theory of structural transformation subject could not be limited only to economic transition from central-planning to market economy. Modern national economies are still in the process of permanent structural transformations, adapting to dynamic economic environment. Thus, the analysis of the structural and institutional changes is a main course for elaboration of economic evolution and transformation general theory. The most important feature of the transformation process is a mixture of economic policy and spontaneous adaptation mechanisms.

A profound and harsh institutional crisis is the main peculiarity of the current phase of transition period in Ukraine. Under certain conditions a transitive institutional order might be “preserved” by the government as well as pretending its ability to self-reproduction.

Effective structural reforms are essential precondition for overcoming the crisis state of the national economy, ensuring sustainability of public finance and economic growth recovery. Sustainable Development Strategy “Ukraine – 2020” (hereinafter – Strategy) stipulates implementation of 40 reforms and 22 programs during six years period (2015–2020) [29]. Eight reforms and two programs are prioritized: reform of the national security and defense; renewal of governance and anti-corruption reform; law enforcement system reform; decentralization and public administration reform; deregulation and entrepreneurship development; health care reform; tax reform; energy independence program; Ukraine popularization in the world and promotion of its interests in the international information space.

That is a two years period in January 2017 since the Strategy approval. Unfortunately, none of the reforms and programs would be implemented and finalized until that date. That is not only a consequence of enormously big quantity, complexity and terms (the Annual Implementation Plan should consist of at least 10 reforms and programs), but, primarily, due to absence of clear structuration by reform nature, interdependence and priorities (institutional, general economic, structural, social). The reforms aggregation into four so-called “vectors” (development, security, responsibility and pride) is mostly an issue of propaganda measures.

Secondly, it is impossible to successfully organize and complete any of the relatively independent structural reforms (in regard of the each individual importance) without precursory resolving general *fundamental constitutional issues* of the establishment and enforcing real democracy and on that basis – balancing, counterweights and responsibilities of central and local government towards citizens (electors and taxpayers). A profound, comprehensive, thoroughly justified (including the terms of further practical implementation) *constitutional reform* is the first in importance. Such reform should provide single, unified criteria for setting goals, mechanisms and

anticipated outcomes of consistent and interconnected structural reforms. Only under this condition every reform would not only perform destructively whilst enabling a positive and creative “smart function”. Ukrainian people need not a Leviathan State, but a *new socially responsible state and constitutionally organized, legal and social market economy*. The authors of the Strategy recognize that a major precondition for its implementation is a *social contract* between government, business and civil society, where each of parties has its own responsibility. But what is that kind of social contract specifically? In a democracy society, the being such contract is impossible out of the constitutional borders.

Thirdly, large-scale structural reforms require the accumulation of significant financial resources in all institutional sectors of the national economy, including the public sector. Thus, the structural reforms are doomed to failure without a sufficient fiscal space.

The concept of fiscal space was established by the experts of International Monetary Fund and World Bank in order to solve practical problems of both internal and external financial resources increase for ensuring development goals for low-level GDP per capita countries [30]. At the same time, the implementation of structural reforms prioritized with consideration of the special characteristics of the national economy could positively affect the expansion of the fiscal space, which is necessary to maintain the sustainability of public finance, reducing the debt burden and general government deficit in the medium term [31].

It should be noticed, that tax reform itself (even the most advanced one) does not provide the anticipated outcomes for fiscal space whether it is not properly coordinated with monetary and general economic policies to ensure economic growth. There is quite a significant time lag between fiscal decisions, entities behavioral response to these decisions, their anticipated economic outcomes and macro-fiscal effects for the governance.

Today in Ukraine virtually no coordination of fiscal policy and monetary policy of the Government of National Bank in the context of recovery and accelerate growth both in the short and medium term and. Moreover, current methods of structural reforms implemented towards science (R&D), education and healthcare are contrary to the national strategic interests concerning human capital formation as a determinant of long-term economic growth, enhancing national competitiveness, transition to knowledge-based and innovative economy. *The main deficiencies in the country are not the natural gas and oil resources, but high-quality human capital, knowledge, professional capacities and innovations*. Underestimating this fact could lead to catastrophic economic, social and political consequences. The structural reforms priorities should be concentrated on public and private investment into human capital development.

Economic growth is positively associated with the development of the human capital and negatively – with economic policy measures that distort markets, and institutional uncertainty as well. There is a negative influence on growth caused by: fiscal policy, which limits the volume of consumption and investment spending, foreign trade deformation imposed by external economic regulation measures [32]. Legal institutions that promote “economic order” and the financial institutions development policy, government infrastructure spending provide a positive impetus on economic growth. Institutional and financial constraints of structural reforms are a special issue [33] in regard of the traditional economic governance in Ukraine and structural policy goals that prevailed in the “pre-transformation” economy.

The required preconditions for structural reforms in terms of institutional uncertainty and financial instability are:

1) conceptual foundations of structural reforms areas in a form of clearly defined “sequence” set of goals and functions that should be completed by the state;

2) implementation of systematic economic policy aimed at market internal coordination mechanism importance increase that structurally adapts to the global economy environment on the basis of the national economy absolute and relative advantages consideration;

3) functioning of the state as the most important structural policy goals and tools agent-bearer, being the exponent and guarantee of general (but not any group limited) national interests implementation. However, it should contribute to establishing the required structural changes and support them by well-coordinated activities of fiscal and monetary policies;

4) the justification of structural policy objectives and tools for every single case should be considered in regard of the specific institutional sector potential, state fiscal capacity, varied influences of political parties, social groups, institutions, organizations, etc.

We have to move away from dogmatic approaches to structural policy as soon as possible, because they are inherited on the one hand by the “ideal state” categories thinking, and by the definitions of the “ideal market” from the other hand. The function of state structural policy is a timely and effective elaboration of response to old and new structural problems of the national economy in terms of the environment that is rapidly changing. But the state itself is now in conditions of system transformation. There are many supporters of its functions “strengthening”. The implementation of ideas concerning “strong” but *inefficient* state, which itself is the bearer of institutional uncertainty and not trusted by small and medium business – that is the main institutional factor of structural reforms capacity limitation.

There is a great danger that due to the weakness of new institutions and behavior forms the state as an institute could return back to old functions whether the coordination of developing market economy would lead to “bad outcomes”. This threat is amplified in conditions when the state is constantly involved into contest of government power groups and oligarchic structures.

Only an effective state able to implement the concept of *economic order policy* is a precondition for successful structural reforms. In modern conditions the state power is weakened. Moreover, there is a specific tendency of “new privatization of state” and utilization of its tools to perform the private sector exploitation. The forms of such exploitation are:

- 1) corruption;
- 2) controlled public procurement;
- 3) inflation processes due to exchange rate manipulations;
- 4) private banks recapitalization by the public budget with further bankruptcy and public and investors funds withdrawal to offshore jurisdictions;
- 5) artificial regulatory barriers for small and medium enterprises;
- 6) non-transparent tax administration and excessive tax burden on business;
- 7) unjustified tax benefits;
- 8) monopoly pricing; lobbying of budget programs and their excessive volumes in the interests of political parties and oligarchic groups.

Finally, such state exploitation of private sector leads to the enormous property stratification, mass poverty and social discontent, undermines the economic security of the state, contradicts to the national interests.

In this regard, the necessary conditions for implementation of the structural reforms policy should be considered:

1) formation of a broad social base of proper understanding, support and ensuring of national interests, especially among the most economically active population;

2) achieving at least a moderate, but real progress in some areas of structural reforms, especially those related to the vital interests of the most population groups.

At the same time it should be recognized as a reality: nowadays Ukrainian market economy is formed and functions as *quasi-market*. Its main features are:

1) large private property, which is formed mainly due to formal privatization, nomenclature distribution of public property, the utilization of state power as a capital funding leverage;

2) private property, which is mostly linked to the shadow economy has suspicious origins and distorts the real beneficiaries structure;

3) property rights have no real state protection and guarantee mechanisms;

4) control of the public administration apparatus and oligarchic groups concerning business areas and scope, its personification and entry/exit barriers as well, which distorts the industrial organization and markets structure;

5) informal institutions priority over formal ones, establishment of market behavior rules outside the boundaries of current legislation;

6) specific "transitive ethics" of economic behavior that significantly differs from that type of ethics, described by M. Weber and which became into the basis of market evolution;

7) permanent non-equilibrium state of some markets, their relatively weak interdependence;

8) actual priority of state regulation mechanisms towards economic system coordination mechanisms;

9) rent seeking behavior of most entities and economic and political decision-making subjects;

10) existence of the numerous negative external effects and the lack of effective economic mechanisms for their neutralization;

11) penetration of some social by its nature benefits into the sphere of quasi-market economy;

12) relatively widespread price discrimination;

13) market-oriented behavior simulation by entities and economic and political decision-making subjects.

Conclusions. Interrelation of real market forms of economic activities is an important actual criterion for assessing the degree of "market standards" or "quasi-market standards". Structural reforms are the only path to ensure strategic national economic interests, which determines the long-term economic policy priorities. The real structural reforms require clear prioritization, perception of interconnections, the peculiarities of each reform fiscal space, coordination of appropriate measures in fiscal and monetary policies.

Post-Soviet transitive economies, including Ukrainian, are characterized by the matter that social and market organization and coordination of the production and distribution of wealth is not constantly established neither institutionally and technologically nor socially and mentally. A profound structural collision of transitive economy of that kind appears as contradiction between economic coordination market mechanism that is in process of elaboration and dominating mechanism of oligarchic organized regulation in terms of institutional uncertainty and inefficiency of the state.

In the context of the political economy the structural changes of economy are essential structural and institutional transformations.

The market mechanism of coordination and allocation of resources in different institutional conditions also stipulates various social and economic consequences, even though resource advantages of a certain country. However, similar by its essential nature structural reforms in certain countries are successfully completed, whilst in others they turn into a long simulation process, leading to opposite outcomes that eventually turn them into non-trustworthy in society comprehension.

The overall modern trend is that the institutional changes in the structure of economic activities are increasingly associated not with a conflict but an economic interests compromise, shaping a trust factor between business entities and their relations with the state, enforcement of property and human rights, labor intellectualization, establishment of knowledge-based industries.

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Гасанов С.С. Структурні трансформації транзитивної економіки в умовах інституціональної невизначеності

Анотація. У статті у політекономічному контексті розкриваються концептуальні основи дослідження структурних трансформацій транзитивної економіки в умовах інституціональної невизначеності. Глибинна структурна суперечність транзитивної економіки пострадянського типу постає як суперечність між ринковим механізмом економічної координації, що формується, та панівним механізмом олігархічно організованої регуляції в умовах інституціональної невизначеності й неефективної держави. Структурна трансформація економічних систем – внутрішній процес їх загальної еволюції. Здатність системи до трансформації – умова її життєвості, конкурентоспроможності. Предмет теорії структурної трансформації не може обмежуватися переходом від командної господарської системи до ринкової економічної системи. Сучасні національні економічні системи дотепер перебувають у процесі перманентної

структурної трансформації, пристосування до мінливих умов господарювання. Аналіз структурних та інституційних змін – основний напрям формування загальної теорії економічної еволюції і трансформації. Головною особливістю трансформаційних процесів є поєднання механізмів спонтанної адаптації з механізмами економічної політики.

Ключові слова: економічні системи, транзитивна економіка, структурні трансформації, інституціональна невизначеність, еволюційна економіка, структурна політика, економіка знань.

Гасанов С.С. Структурные трансформации транзитивной экономики в условиях институциональной неопределенности

Аннотация. В статье в политэкономическом контексте раскрываются концептуальные основы исследования структурных трансформаций транзитивной экономики в условиях институциональной неопределенности. Глубинное структурное противоречие транзитивной экономики постсоветского типа предстает как противоречие между формирующимся рыночным механизмом экономической координации и господствующим механизмом олигархически организованной регуляции в условиях институциональной неопределенности и неэффективного государства. Структурная трансформация экономических систем – внутренний процесс их общей эволюции. Способность системы к трансформации – условие ее жизнестойкости, конкурентоспособности. Предмет теории структурной трансформации не может ограничиваться переходом от командной хозяйственной системы к рыночной экономической системе. Современные национальные экономические системы до сих пор находятся в процессе перманентной структурной трансформации, приспособления к меняющимся условиям хозяйствования. Анализ структурных и институциональных изменений – основное направление формирования общей теории экономической эволюции и трансформации. Главной особенностью трансформационных процессов является сочетание механизмов спонтанной адаптации с механизмами экономической политики.

Ключевые слова: экономические системы, транзитивная экономика, структурные трансформации, институциональная неопределенность, эволюционная экономика, структурная политика, экономика знаний.