

TRANSFORMATION OF THE ECONOMIC SYSTEM IN UKRAINE

Novikova O.S. senior lecturer

Concept of economic system is widely used in the course of political economy. Though, carefully analyzed by famous scientists of the past like K. Marx, Paul A. Samuelson and more modern like Paul R. Gregory and Robert C. Stuart it still remains hard to classify some transitive economies like Ukrainian.

Typically, economic system is referred as a system of production, allocation of resources, and distribution of goods and services within a society and a geographic area. It includes various institutions, agencies, entities, the process of decision-making, most characteristic patterns of consumption for a given community. According to famous principle all economic systems have to face three basic problems: what to produce, how to produce and how the products will be distributed among members of the society.

National approach is often more Marxist and investigates the state of individual components of the economic system: the level of development of productive forces, industrial relations and economic mechanisms. The research of economic systems may also include how various agencies and institutions are connected to one another, information flow between them, and the social relations in the system (including property rights and the structure of management).

It is commonly considered that Ukrainian economic system is now transforming from planned socialism to market capitalism, but saying so we must properly define the concept of transformation.

Transformation of the economic system — is qualitative change of the system, which happens through disruption of the equilibrium condition and can be characterized with certain levels, stages and depth of the changes. System can also be characterised with a certain level of productive force development, economic relations and mechanisms of coordination.

Productive forces have greatly changed lately – information revolution, mass innovations in capital stock, shorter product life cycle, growth of the service sector of the economy upgraded modern economies. But this did not lead to mass institutional changes or transition from market to central planning. General principles and goals of the system remained unchanged so productive forces can not be considered decisive in defining the economic system. National economy still possesses high growth potential using extensive factors due to reach land and labor resource.

Economic relations have greatly changed in Ukraine after 1991. Major changes were taking place in the relations of property. State and collective property were gradually replaced by the private and corporate. But formation of new property pattern was incomplete. Privatization of state enterprises through the system of privatization certificates actually passed state enterprises to the hands of corrupted private owners away from the people. And even despite unfair and nontransparent privatization procedure, the completion of the formation of property relations was not done properly. Numerous raider seizures and corruption undermine the basis of the fundamental principle of modern market economy — private property rights. And put together this does not allow to classify our national economy as modern market system.

Land privatization also remains the barrier on the way to the market. As one of the most important components of national wealth, the land must acquire its owner, and without a full right to trade in land, land ownership remains inadequate, which also prevents the completion of the transformation process of the economic system. Ukraine was offered to take as an example the privatization of the lands of East Germany or Poland, but unfortunately their experience was not used, although it should be said that the share ownership with the subsequent lease, nevertheless, was more successful than the privatization of state property with the use of certificates.

Open trades of state land using market prices and privileges for small local farmers, over the past 10 years destroyed the remnants of collectivization in East Germany and allowed the German model of a market economy to be extended to the entire united country.

It is established that the key factors of effective transformation of the system are the completion of the formation of property relations, the improvement of state mechanisms on the principles of transparency, unity of interests and consistency. The neglect of the importance of such transformations can lead to an increase in the entropy of the system and the dispersal of financial resources.

Changes of the administrative mechanisms and production planning happen in all aspects of national economy and this transformation occur even faster than the system can perceive them. State mechanisms undergo constant changes: legal framework, taxation, the absence or declarative nature of long-term development programs. Monopolization of certain spheres of the economy, oligopolistic conspiracies between major suppliers do not allow the market mechanisms to work efficiently.

The combination of these factors does not allow us to attribute the economic system to market, at the same time, the features of the command and administrative have remained in the distant past.

Without the purposeful activity of the state authorities, in collaboration with public organizations, scientists, financial institutions, private companies, aimed at reducing the chaos of the system, creating clear and transparent rules of the game, the movement in the opposite to market direction and a significant slowdown in development of the economy is still possible.