

СЕКЦІЯ 2. ІНСТИТУЦІЙНІ ПЕРЕДУМОВИ ІННОВАЦІЙНОГО РОЗВИТКУ ТА ПРОБЛЕМИ ЕКОНОМІЧНОЇ БЕЗПЕКИ

LACK OF TRUST AND ECONOMIC DEVELOPMENT 2013-2015 (CASE OF UKRAINE)

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The modern ideology of reforms, made systematically both in industrial and in developing countries, is based on the achievements of the new political economy and institutional theory, widely using traditional unit of macro-and microeconomics, the theory of international trade, economic and mathematical modeling. Recently particular importance for reformation has been given to the institutional modernization that was not taken into account in the ideologies of the reformers. The main problem in the developing countries in the context of the formation of institutional environment, which would contribute to the development of the economy in the long run, is defective social capital, the study of which by the domestic science is insufficient.

In Ukraine during 1991-2013 social capital orientation could be interpreted as «immoral nepotism», which implied the standards of conduct, under which «one has to cooperate exclusively with the members of the core family and try to take advantage of all others, because if you do not take advantage of them first, then they will take advantage of you». The dominance of that principle of co-existence causes the inability of individuals to commonly solve public affairs and communication gap between any abstract principles (ideologies), and behavior in everyday situations (like in Italy, Spain and other Mediterranean countries).

Our hypotheses regarding practical ethos functioning of «immoral nepotism» in Ukraine are focused on: 1) if a public servant is a carrier of an «immoral nepotism» ethos, they are likely to take bribes (examples in the spheres of educational services, health care, resolving of bureaucratic problems etc.); 2) in a society with «immoral nepotism» standards weak civil society encourages the regime that maintains an order with a «strong hand» (case of V. Yanukovich regime).

We emphasize that the impact of institutions on the dynamics of economic development is twofold, both positive and negative. Everything depends on the initial institutional conditions, which determine the success of reforms, since even irrelevant historical events cannot be ignored in the long run as they often serve as the fundamental principle of a phenomenon. These historical events are kind of institutional constraints that due to the inertia of technological, institutional and political structures of the economy may lead the economic system to the collapse of exchanges. If as a result of random historical events the initial set of institutions

happens to be relatively ineffective, the economic system will reflect those ineffective conditions unless new situation arises (purposeful influence through «modernization from above» or «modernization from below»). In Ukraine, excessive centralization of the political system and fixed «vertical power structure» during V.Yanukovich regime narrowed the space for social initiatives, reduced the possibilities of social capital for improving living standards and for stimulation of economic growth. In our country the problem of «shortage of elites' social capital», when public administration top officials use the available social capital solely for their personal interests or are guided by the principle of «immoral nepotism» in communication with the society, is one of the most acute. «Modernization from below» is blocked by the absence of public trust in government and lack of confidence in the ability to bring positive results by means of individual or collective efforts to protect the violated rights. Therefore to create enabling institutional expectations in the countries with «weak» institutions, reformers' critical priority should be to increase the middle class who is interested in improving institutions, and at the same time to weaken incentives for behavior that deviates from the desired one («the free rider problem», corruption and «dissertation trap», etc.).

Today new government strategy is implemented in:

- changes in Tax Code and system of government procurements (Law «On Amendments to the Tax Code of Ukraine and some legislative acts of Ukraine on tax reform», Decree «On the Strategy for Sustainable Development «Ukraine – 2020»);
- enacted a new Laws «On Higher Education» and «On sciences and research-and-development activities» (important because the state has to control the quality of educational services, quality of graduates and scientific research). Provisions for many reforms that will bring Ukrainian universities into compliance with the Bologna Agreement, will recognize foreign degrees, decentralize administration and simplify the bureaucracy, allow more control to universities and expand student self-governance, and will promote transparency;
- reforms in judicial and law enforcement system to amending legislation to restore confidence of society with implementing in the future new constitution of Ukraine;
- permanent anti-corruption monitoring system with approving the President legislative draft about creation of unique institution to resist corruption – the National Anticorruption Bureau. Anticorruption Bureau shall be empowered to provide pre-trial and open investigation to resist corruption. The Anticorruption Bureau membership shall be approved by the specific committee as well as president. The Verkhovna Rada of Ukraine shall be also responsible for controlling the Bureau activity as well as obtaining complete report of the body activity during the hearings and making propositions.