

IN SEEKING THE EXIT FROM THE CRISIS

The theoretical conception of the exit from a crisis, which was proposed by Nobel's prize winner P. Krugman, and the application of its basic positions in seeking the ways to go out from the crisis in developed countries and in Ukraine are analyzed. A peculiarity of the application of Keynes' theory in the national economy is demonstrated. The necessity to develop an alternative economic model applicable to Ukraine's economy is substantiated. Some theoretical approaches to the formation of a new economic model based on a change of the current system of distribution of the aggregate added value to the favor of an increase in the rate of accumulation as a necessary condition of a steady economic growth are proposed.

Keywords: crisis, neoclassical theory, Keynesianism, new economic model, distribution of the aggregate added value, economic growth, institutions of modernization.

A long time global economic crisis testifies that the world has entered an era of serious socio-economic transformations. The change scenarios for existing business models with a view to removing them from the crisis are discussed among economists and politicians. Scenario development of national economies exit from the crisis in the context of globalization strikes with opposite approaches: some advanced the policy of tough state economizing and rely on market forces, others - on the contrary, calls for public policy to stimulate aggregate demand. The mere fact of opposing points of view in the approach to economic policy says about the complexities and differences both in understanding of the nature of the crisis, and in resolving conflicts, which hold the global economy in the grip of this crisis. Since the emergence of the economic crisis many scientists, politicians, world economic organizations are trying to answer two questions: " How did this happen? " and " What do we do now? "

The book of known American economist and Nobel laureate Paul Krugman, «There is the way out of the crisis! » [1] is devoted to finding the answer to the second question. The scientist believes that «... these two issues are linked, that is quite obvious, but in no case are identical. One thing – is to know the causes of heart disease, and quite another - is to be able to treat them. The same refers to the economic crisis. Currently we should be most interested in treatment» [1, p. 7].

But as the author of the book shows "treatment" cannot be successful on the basis of the prevailing monetarist concepts because they do not fit to the economy which is in a

state of depression. P. Krugman claims that " in essence, we are dealing with the same type of situation, which was described by John Maynard Keynes in the 30- ies of XX century: the economy is in a state of chronically reduced activity for a long time without showing any noticeable trends to improvement nor to the final collapse.

Of course, this situation is unacceptable" [1,p.8].

Unfortunately, the theoretical origins of the practical actions of governments to resolve the crisis lie in the dogmas of neoclassical theory, which occupied a dominant position in the world economic science and teaching. Without examining essentially the suitability of this theory to the conditions of economic recession, many governments (including Ukraine) embraced its basic postulates uncritically and tried to implement them in practical management unsuccessfully.

"Modern Conservatism - said P. Krugman – is loyal to the idea, that the key to prosperity are free markets and unrestricted desire for profit and personal gain, and strengthening the role of the state after the Great Depression cannot bring nothing but harm " [I, p. 105 |. The author asks: how has it happened that the conservative ideology, the belief that the state does not solve the problem, but only aggravates them, influence on our political discourse so much?

Development of alternative theoretical concept

Even now, when the pattern of disadvantage in the global and Ukrainian economies became apparent, there is no serious analysis of the origins of theoretical models of economic development accepted as defining. The idea that the rejection of forms of government regulation and the transition to freedom of market forces give the national economy stable dynamics is dominated not only among practitioners, but also in the scientific community.

All this indicates that there is a complex process in domestic science and practice of mastering tools and a wealth of theoretical world of economics, as well as the creative use of intellectual wealth in the analysis of the Ukrainian economy. First of all, it concerns the macroeconomics, which still remains the least mastered section of economic theory, despite the fact that macroeconomics is the most relevant for research and development of socio- economic policies and ensuring balanced and sustainable growth.

To some extent, such lag of macroeconomics as a section of economics is associated with dominance - both in the science and practice – of conservative currents, which simplify macroeconomic analysis significantly.

Although these theoretical flows (and primarily monetarism) are discredited by the current prolonged economic depression sufficiently, yet they continue to define the vision of economic processes in the modern global economy. At the same time, P. Krugman notes, " ... in 2008, we have surprisingly found that we are living in a Keynesian world, i.e. which John Maynard Keynes described in 1936 in his main work, "The General Theory of Employment, Interest, and Money". I mean that we have faced with a lack of demand which has become a major economic problem and insufficient

technocratic measures like the Federal reserve's reducing financing rates could not help in the current situation. To deal with the crisis effectively we needed a more active policy of the state in the form of a budget spending temporary increase, to fight unemployment as well as efforts to reduce excessive mortgage debt" [1, p. 137].

The author considers that an appeal to the work of John Maynard Keynes and his followers may largely contribute to the development of alternative theoretical concepts as a basis for another economic policy formation for the countries of the West. P. Krugman shows with specific examples that in times of crisis the U.S. government has not followed the calls to cut costs, boost taxes and even interest rates, despite the threat of mass unemployment, whereas the supporters of strict budgetary savings won the political debate in Europe. Rigid economy has become a compulsory condition to help debtor countries. Meanwhile, the countries which have had no problems with the loans such as Germany and the Netherlands have begun a policy of moderate savings. Thus, the overall result for Europe was the cash flow reduction [1, p. 13-14].

The scientist shows that alternative economic policies which are based on opposing theoretical concepts, gave different results. The ways of the U.S. and European economies that were depressed since the end of 2007 and by the beginning of 2010 - began to disperse. Responding to the recession the U.S. governments together with the Federal Reserve have dramatically changed the model of anti-crisis policy deciding to resort to the policy of the "new norm" in 2008. Its best-known external sign became three stages of dollar emission called "quantitative easing", that influenced the creation of new jobs. In 2010 the U.S. economy began to increase the number of jobs and in 2011-2012 there was a clear trend towards its improvement. The situation in Europe on the contrary was getting worse and worse. By the end of 2012 the European continent was officially in recession. This fundamental difference in the scenarios of U.S. economic growth and European P. Krugman explains the use of different theoretical approaches.

He shows that the U.S. government unlike European governments has not followed the advice of rigid economy. "After completion of the support measures program adopted by the administration of President 'Obama some passive tightening of fiscal policy was observed but not shift towards rigid economy. Fed not only maintained low interest rates but also announced a program of bond purchases trying to give a new impetus to a sluggish economic recovery....

Meanwhile, strict financial discipline is becoming increasingly popular on the European continent and in early 2011 the ECB raised interest rates despite the deep recession in the euro area and the lack of a serious threat of inflation" [1, p. 256].

P. Krugman demonstrates on these examples a constructive role of Keynesianism as a macroeconomic theory, which has a wide access to practice and suggests the active role of the state in determining the amount of investment, interest rate management, income policy. Today again relevant words of J.K. Galbraith about the role of Keynesianism in the Great Depression: "Keynesianism proved to be a remedy against despair which was

in the immediate vicinity. It did not reject the system but saved it" [2].

At the same time, experience in dealing with the current depression denied the basic tenets of neoclassical orthodoxy. How is the existence of different theoretical approaches and then models of economic development explained? The answer depends on the understanding of the nature of modern capitalism which underwent significant changes in the XX century. Different levels of capitalist development have appeared. Regulated capitalism as an alternative to the capitalist model of free competition has formed after the Great Depression. So today neoclassical theory that uses the principle of "laissez-faire" cannot perform its heuristic function for a number of reasons.

Firstly, the neoclassical theory is based on the concept of rational economic man (homo economicus), according to which he has exclusive powers of rational choice and thus always maximizes the utility function. Households maximize utility of the purchased goods and firms - maximize profit. Such a theory assumes that the future is always predictable. Keynesianism claims the opposite: a man does not possess the abilities of rational choice and makes his decisions between an unknown future and irrevocably gone past, and therefore his decisions can only be close to reality but cannot be fully adequate to it. Future is characterized by fundamental uncertainty. Secondly, according to the neoclassicists market economy tends to equilibrium. If external factors do not hinder economic agents to maximize their utility function the economy comes back into balance. On this basis the intervention in economic life is considered to be harmful. As Keynesianism points out discarding the dogma of rational human behavior the market economy sooner or later begins to deviate from the equilibrium under the influence of internal forces which eventually leads to crises, unemployment, inflation and other negative aspects.

Thirdly, neoclassical theory argues that the modern economy is guided by market signals, their universal carriers are prices. Being determined by supply and demand they constantly compare the market needs with opportunities to meet them and adjusting the amount of profit in different industries they provide the most efficient allocation of resources in the economy. Keynesianism does not deny the existence of market signals and their impact on business activity but it points out that this mechanism operates only in the short term. According to Keynesianism prices are determined in the long-term by technological factors and the distribution of the pure product (newly created value) between labor and capital as well as between the different business groups.

In economics, a small fraction of the prices results from competition - leading corporations mainly establish them by the formula: production costs plus a premium forming corporate profit. Today, companies are interested in stable prices, therefore when demand changes, not the price changes as neoclassicists suppose, but the volume of commodity supply, according to Keynesian theory.

Fourthly, the neoclassical theory is based on the factors of production, according to which each of them gets a fair remuneration. Wage is regarded as a fair remuneration for the marginal product a worker creates. Competition for jobs matches wages with the contribution of a worker to the creation of a product. On this basis, neoclassicists believe that unemployment has voluntary character (because don't work only those who demand more of their labor contribution) and is a positive property of self-regulating market, as it allows to keep wages at the level of marginal product of labor. Keynesianism opposes the neoclassical interpretation of the salary, which gives entrepreneurs the right to maintain it at a minimum subsistence level. Moderate wage increase is a condition of aggregate demand growth as a stimulus to economic growth and lessens social tension. Entrepreneurial costs on wage increase become income for wage workers. This relationship creates a multiplier of economic growth.

Fifthly, in contrast to the neoclassical economists, who believe that the purpose of entrepreneurship is to maximize profit, post-Keynesians believe that the main purpose of large corporations is to maximize not short-term profits, but long-term economic growth, which fundamentally changes the strategic plans of companies.

Sixthly, the neoclassical theory assumes that the principal motive, which is forcing entrepreneurs to make investments, is the level of interest rates: the lower it is, the higher is the expected return on investments. But economic practice doesn't confirm this dependence. This is particularly true in the present circumstances, when the crisis interest rates on credits have reached its historic minimum (0.25% in the U.S. and 0.15% in Japan) and increase in demand for investment from manufacturers is not observed. In Keynesian theory investment depends on the excess of allowances (income) over costs, and the size of the profits as a source of investment is associated with sustainable economic growth. Proponents of this theory recognize the need of state influence on the investment process.

Comparative analysis of the neoclassical and Keynesian theories allows us to consider the theoretical background for the development of a new model of economic development in our country. The world scientific thought has a rich arsenal of theoretical developments, which could become a condition of reforming the national model of economic development.

About application of Keynesian theory in the national economy

However, it should be kept in mind that the Keynesian theoretical system does not offer universal prescriptions, which operate automatically and give positive results in any country. Theoretical system of J. Maynard Keynes can be considered as a method of analysis, which gives a key to understanding the specifics and real interactions in concrete historical and economic system. Let us consider the specifics of the application of Keynesian recommendations to the Ukrainian economy in more detail.

It is known that in the Keynesian theory effective aggregate demand is the engine of national economic development. It includes consumer and investment demand. Each

of these types of demand fixes certain functional dependence in the economy. For example, according to John. M. Keynes, consumer demand is a function of income for a given distribution system.

As for the income distribution theory in the Keynesian doctrine, according to which the size of earned income is determined with the marginal productivity of labor, it is uncritically borrowed by J. Maynard Keynes from Neoclassicists.

But after Keynes, within the Keynesian theory, other trends appeared which criticized borrowed from Neoclassicists views on the income distribution system for private consumption [3]. Thus, the leaders of the "Neo-Ricardian" current (or school of "left Keynesians") J. Robinson and M. Kalecki (Polish economist who worked in the 30-40 of the XX century in England, the University of Cambridge) relied not only on the views of Keynes but also on the works of David Ricardo and Karl Marx. They developed their own theory of income distribution, which seems to be the most suitable for our Ukrainian realities.

The essence of the theory of income distribution of "left Keynesians" boils down to that in every industry, the profit and wages are determined not by the marginal productivity of labor (as in the neo-classical theory), and not only by the degree of exploitation of wage labor by capital (as in the orthodox Marxist theory), but by the degree of monopolization of a particular industry. It is a theory of income distribution that more adequately reflects specifics of its distribution in our monopolized economy.

Basics of the theory of income distribution, developed M. Kalecki, boil down to the fact that the benefit-cost ratio in a particular industry is determined by the degree of monopolization of this industry: the more the industry is monopolized, the greater share of fines takes gross profit.

Although this theory of income distribution reflects the essential features of the monopolized economy on the example of highly developed countries of the West, yet does not include a number of features characteristic of the post-Soviet economies (in particular, those that focus on export of raw materials). "Left Keynesians" have researched manufacturing industries that had the greatest degree of monopolization. Here, the price level depends, firstly, on the value of raw material prices and the cost of return on wages, and secondly, on the degree of monopolization of the industry.

In the domestic economy, the greatest degree of monopolization appears in raw material industries. Their businesses receive monopoly profits and natural resource rent. At the same time in manufacturing price level is determined by the value of primary resources and low wages. Therefore, under the current system of income distribution it is almost impossible to raise wages in manufacturing and agriculture, that is, in those industries that because of the low level of profit are oriented on the domestic market.

Thus, under the current system of income distribution increase in financing of government social programs have no significant impact on the dynamics of consumer demand. Without a change in the system we cannot expect an increase neither in consumer demand nor in an investment demand.

According to the classical and Keynesian theory, the decrease in investment demand is caused by a fall of additional (marginal) efficiency of capital investments. This decline takes place simultaneously in a number of industries and serves as a "trigger" for the start of the crisis. In this theoretical point J. M. Keynes fully agrees with neoclassicists. But the ways to stimulate investment demand are different: neoclassicism offers to balance this demand by lowering interest rates, which in present conditions is unreal; in its turn Keynesian theory suggests that in a sharp drop in investment demand the only means of its improving is public investment.

With regard to our national economy low level of investment demand is caused by not cyclic fall of additional (marginal) capital investments, because the very nature of the crisis is different. It is not cyclic but intersystem, transformational and it is a separate topic of scientific research. The reason for the lack of investment demand in the Ukrainian economy serves the existing system of distribution of total value added between industries. Manufacturing sectors get a small portion of the total value added, resulting in a low level of profitability as well as the lack of investment demand. In this case, excess revenue of primary export-oriented industries is used to form extremely limited investment demand. This demand covers only small volume of related industries with low technological conversion, which, therefore, do not create a significant multiplier effect for the high-tech industries. Processing industries (machinery and its main component - machine tools) do not receive investment impulses from commodity export-oriented industries that prefer to buy necessary ingredients abroad.

In addition to productive investment, raw materials corporations carry enormous overhead of conspicuous consumption of their owners and senior managers, as well as the maintenance of expensive "toys for adults" (e.g., national football clubs). National football championships turn into gambling of oligarchs. A significant part of unused profits is taken abroad through various channels. Therefore, while maintaining the existing system of distribution of total value added to solve the problem of insufficient activation of investment and consumer demand is impossible.

As for the activation of public investments, in terms of the budget deficit and performance of public external liabilities they cannot be implemented on a large scale. Today, according to the Federation of Employers, only 10% of the total state budget expenditures are directed on the development of the economy.

You should also pay attention to the inelasticity of investment demand in the national economy according to interest rates. Keynesians and neoclassical economists believed that the dynamics of investments depends on the ratio of the rate of profit and interest. However, the current economic practice of developed countries shows that this elasticity is practically absent.

In the current depression interest rate in many Western countries is tenth or even hundredths of a percent (as in Japan), but at the same time, we can observe low level of investment activity. Therefore Ukrainian economy faces the situation when investment dynamics does not depend on correlation between profit rate and interest

rate. Since profitability value differs significantly industry-wise, this difference being steady, reduction of interest rate shall have no impact on investment activity of highly profitable industries.

Theoretical Antecedents to Formation of a New Economic Model

As shown above, Keynesian recipes for macroeconomic regulation cannot be applied due to the established system of revenue distribution (including great differentiation thereof industry-wise, accounting for poor interest elasticity of investments). In this regard, one can also mention the NBU (National Bank of Ukraine) monetary restriction policy and pegging money emissions to foreign exchange receipts from exports, rather than to volume of economic turnover in the real sector of economy.

On top of existing market-induced objective factors, revenue distribution system in the market economy depends on acceptance by the public consciousness of the existing inequality in distribution of social wealth, i.e. on moral imperatives that can be traced back to the age of Enlightenment and the early stages of capitalism development. At these initial stages, when bourgeoisie gained victory over the old regime in their fight for equal opportunities, one started to look for necessary social counterbalances against the bourgeoisie's unlimited domination. And if that fails, then, according to A. Smith, one can forget about "common ideals" of freedom and equality. In his *Inquiry into the Nature and Causes of the Wealth of Nations*, Adam Smith states that tradesmen and merchants should not be trusted – they always cheat the public; however, it is possible to create a balance between adverse interests, so that their totality serves needs of the public, and not of the selfish class alone. Advocates of liberalism and neoclassicism pay no attention to this important and purely liberal thought. It is necessary to define, how social groups expressing different interests can control each other in such a way, so that none of them can achieve their selfish interest. In conclusions to Section 11 of the above treatise, Adam Smith calls the public for vigilance in relation to the class of merchants and industrialists, who are apt to "mislead the public and even oppress it" [4].

According to A. Smith, this is what is called a proper law-based state, a proper market economy working for the benefit of the public, rather than for certain corrupted oligarchic clans. Thus, it is A. Smith, who already mentions the issue of restricting *laissez-faire* principle and views it as just one of the possible types of economic order. According to neo-liberal doctrine, inequality is natural and necessary for progress, and thus, it is logical to adhere to *laissez-faire* principle. If, by contrast, we want to mitigate existing inequality and move towards extending rights of citizens to labour and proper remuneration, this can be achieved only within the framework of regulated market, deliberate association of the public's higher cause with its distinctiveness.

This has become a pressing point in Ukraine, as it can be seen from negative experience of the reforms. We have a much larger gap between the rich and the poor,

compared to traditional capitalistic countries, where the difference in profits between 10% of the richest and 10% of the poorest is six-fold. Whereas here this difference is seventeen-fold, according to official statistical research, and it is yet larger in reality. This is the result of the existing economic model operating in our country. This poses the problem of historic choice: which way to go – to exacerbation of material inequality and social tension or to narrowing socioeconomic differences and providing for consensus between different social strata of the society? If we choose the first option, no changes are needed. We should just follow *laissez-faire* principle (i.e. social Darwinism ideology), which means that everyone in the society makes their own decisions based on their own individualism and rationality, and no one cares for nobody.

Modern western society is not like that anymore. At the same time, there is a tendency there towards growth of socioeconomic inequality. In his book P. Krugman states that according to the Report on Inequality Rise of the US Congressional Budget Office, net revenue of 1% of the richest grew from 7.7% to 17.1% of the total revenue in 1979-2007. Just recently we started to understand that profits of the rich are not a trifle. It is one of the main indicators of what is going on in the American economy and American society [1, p. 118-119]. Still, this society is considered to be an adherent of such tradition, when implementing ideas of orthodox neoclassical theory in the form of liberal economic model.

If we believe that the current development model does not meet moral and socioeconomic criteria, then we should change it. Clearly, a change of the established model of economic development cannot go smoothly, without a hitch. Purely scientific justification of change is not enough. Despite obvious inaptitude of the current model for the public in general, it is extremely efficient for those, who have been using it for making millions and billions of hard cash. That is why they will resort to any means in order to protect it.^o A whole store of facilities will be needed to overcome this resistance, scientific rationale of the alternative model in the first place.

What are the main outlines of this model we need?

One can say that under these circumstances, theory elucidating ways and prospects of the country's development is highly important. Old theoretical tools won't do. It refers both to the Marxist theory in its orthodox form and neoclassicism, despite its domination in the world. At the same time constant driving for total monopolization of neoclassical assumptions lent certain respectability and exact science likeness to this theory. Excessive mathematization of neoclassical theoretical constructions signified

^o P. Krugman relied on research of the political scientists K. Poole and H. Rosenthal, who revealed a strong correlation between a share of 1% of the richest in the total revenue and level of polarization in the US Congress. In the first 30 years after the WWII characterized by relatively equal revenue distribution, there also was an extensive bipartisanship, when the presence of a large group of centrists allowed making more or less concerted decisions. Since 1980 the Republican party has moved to the right – simultaneously with increase in revenues of the elite, - and any political compromises have become almost impossible [1, p. 133].

transition to unrealistic representation of economy. Couched in mathematics, neoclassical theory acquired an appearance of mathematically proved theories. Compromised by the Keynesian theory, the idea of the economic system striving for balance and efficient self-regulation based on mathematical constructions was reinstated. Western economic heritage contains numerous publications proving that self-regulating market does not exist anymore. Nevertheless, the idea of market self-regulation is the main ideological value for neoclassicism. One cannot exist without the other.

As our own experience of economic reforms shows, non-critically adopted neo-liberal doctrine, which was the basis of the national economic model, not only failed to ensure growth of public production efficiency, but also led to decline therein. It ruined the existing social welfare system and aggravated living standards of the majority of the population. P. Krugman notes the ruin of unemployment security forms established before the crisis. Thus, “in 2010-2011 there was a relative drop in unemployment rate, yet the number of unemployed Americans not receiving unemployment benefits doubled... Obviously, long-term unemployment is caused by macroeconomic phenomena and errors in economic policy, and does not depend on a specific person. Yet this circumstance does not save victims from suffering” [1, p. 35-36]. According to P. Krugman, in the times of the Great Depression no one knew what was going on and what to do about it, whereas present-day managers cannot make such an excuse. Nowadays we have both knowledge and tools to end people’s suffering. Yet we don’t do that [1, p. 47].

All this induces to refer to an alternative theory stipulating that efficient growth of public production and social harmony are achieved through regulated development rather than spontaneous one.

This alternative theory should take into account modern trends of economic development and provide solution to a number of challenges noticeable throughout the world and national economies. Economic model ensuring economic advance of the country will do for us.

In Western economic thought there are two models of capitalism. One is called Liberal Market Economy (LME), the other – Coordinated (or organized) Market Economy (CME) [5].

The difference between them is as follows. In the first type of economy (LME) companies operate at competitive markets in all fields of economic activity using price signals, demand and supply as main indicators. It is characterized by substantial augmentability of institutions and adjustment processes. Such economic systems display a high level of stock exchange capitalization, low employment security, high rates of remuneration and substantial revenue inequality. The economy is characterized by mergers and takeovers through stock exchange, weak trade unions and low job security. This model of liberal market is applied in Anglo-Saxon societies – the USA, Great Britain, Canada, Australia and New Zealand.

In the second type of economy (CME) activity of companies is coordinated through non-market relations, including monitoring network based on partial information exchange and cooperation, rather than competition between companies. This economy is characterized by high employment security, low stock exchange capitalization, relatively smaller number of work hours and relatively low revenue inequality. Takeovers are infrequent and trade unions protect interests of working people. Companies' activity is coordinated through vertical and horizontal associations of companies.

Such kind of model is applied in Germany, France, Denmark, Sweden, Japan, and other countries.

Each of the models named above has its own target function and set of tools. The institutions working on the purpose in view as well as infrastructure, traditions and the people's mentality are understood by them. As there is an inseparable unity of the purpose and tools in its pursuit, so experience has proven that under some conditions the tools of economic management turn out to be inappropriate under the other ones.

As is well-known, the target function of the neoclassical model of the market adopted by us represents profit maximization. All the infrastructure of capitalism, state and society institutions, legal regulations and ethic standards, the media as well as university curricula are adjusted to the final objective. To this quantity belongs, for example, keeping the so-called "natural rate of unemployment" on the level of 3-4% of total number of labor force. Without this there will be no competition for work places, therefore it will be impossible to keep the salaries on the level which is called "labor's marginal product".

Now, let's compare the neoclassical (liberal) model to the model of "coordinated market economy".

As the most clear-cut the second model is shown in the German model of economy – which includes experience in corporate management and appeared as a result of a special reaction of the German business and the German people into two social and political catastrophes that were come through by them in the XXth century. All this taught the governing class of Germany to value the people's credit and do business in line with the people's interests. It was not so much the ruling elite as the national business and national social democracy became the founders of cooperative relationship between the labor and capital – that was named "Sozialen Marktwirtschaft" ("social market economy") [6].

The component of this model is the "collaborative decision making right" (Mitbestimmung) due to which the owner isn't dismissed from the management but retains their participation in it together with representatives of the working class, the state as well as labor unions. This resulted in the two-stage system of corporation management. The first stage is the management (Vorstand) (i.e. board of directors). It consists of professional managers carrying out day-to-day technical and economical work of the firm's subdivisions that are under their control. The second stage is the

board of supervisors (Aufsichtsrat). In companies with over 2 thousand workers employed, the first half of board of supervisors consists of work collective's representatives; the second part consists of representatives of owners as well as interested parties (to such can belong particularly the state, banks, consumers' associations, suppliers etc.).

In companies with less number of employees, a third of votes is usually allocated to the personnel. The board of directors is subordinate to the board of supervisors that control their work by considering the company's issues approximately once a quarter without interfering in its current management.

Due to the system of collaborative responsibility the owners create trust-based relations on the one hand with the managers, and on the other one – with the employees. As experience shows, corporate management in Germany achieved what hasn't existed before – the antagonism between labor and capital has been overcome.

The described model of capitalism is in marked contrast to what we see in the national economy. The Ukrainian owner creates their relations with the personnel by old feudalistic tradition of relations between the lord and bondmen, so he doesn't accept any partnership with them. He trusts neither the managers nor the frontline workers who are watched by security officials. All this doesn't conform to the relations developed in the civilized models of economy.

One of the component elements of the new model of economy management must be a specially created mechanism of elimination of possibility of the owner's sole control over the company's financial flows as well as uncontrolled appropriation of its profits.

The property right must be guaranteed but with due consideration of the society and personnel. Otherwise it will be impossible to avoid social strain developing into conflicts. The ways of economy management must be "transparent" and be under control of both the government and the workforce.

As the national owner will not agree on their own free will to civilized forms of cooperation, so in this case the state's enforced action will be needed for "force for civilization". It is necessary to adopt the law on corporate management where all the sides of actions of business participants will be described – the owner, the labour collective and the state (the last one must stop being the neutral observer of processes taking place in the economy).

The statement made above allows us to come to the conclusion that for performing the state's function of the regulating center, its clearance from corruption and bureaucracy accumulated for in years of its functioning under the customary model. Only under this condition in alliance with civilized private businesses it can become a factor of the social and economic process.

As international experience shows us, the concept of State-led development presupposes coherence of fundamental macroeconomic parameters such as *prices*, *salaries*, *investments*. If the prices continuously go up, as it is happening in our

situation, then the salary loses its stimulating role, and the investments become meaningless in general, as it's easy to get high profits by price increase and without any investments in the economy. In such situation "the fight against inflation" can't be successful either. For a reliable barrier against the way of inflation the following is needed: firstly, adaptation using market methods of the production and services to the real people's demand with the help of investment regulation, and, secondly, such control over prices for basic cost goods as well as consumer goods so that the salary remains stable, without losing its stimulating role.

In the models based on the principles of regulated development, *institutional, neo-Marxist and Post Keynesian theories* can be taken as a basis.

Thus, the comparative analysis of the two models shows their stark contrast. Alternative market target models in accordance with their own specific, have shown striking success for the last 20 years. Thus, in this period the GDP volume in China has increased 5.3 times, in Vietnam – 4 times, in India – 3.2 times.

The reasons for success of the Chinese reforms are explained by Shan Khun – one of the notable economists in the country: "These successful reforms were carried out not in accordance with the recommendations of the orthodox economic theory. It is even possible to say that namely those reforms that turned out to be not so successful, were carried out in accordance with the projects developed in the framework of the orthodox economic theory. This fact itself represents the challenge to the orthodox economic theory [7]".

As we can see, the Chinese economists definitely emphasize the sad role of the orthodox neo-classic theory in the countries in the post-Soviet space. If the criteria of scientific creditworthiness and business failure offered by western methodologists Kun, Lakatos and others had been put into practice, it would have been reasonable to accept the models of China as well as South East Asia as the most effective and worth economists' attention. Success of some models and failures of others need to be considered as recognition of correctness of the one and incorrectness of the other economic paradigm. In other words, development experience proved (verified) the theory of plan and market combination as the most effective model of economy management.

Stable economic dynamics as main criterion of the new model

When defining the concept of the alternative model, there is a need to note that it should be aimed at the effective economic growth first of all. Current rates of economic growth in Ukraine show that the national economy "got trapped in the low economic dynamics". Thus, according to the data of Standard & Poor's rating agency, in 2013-2015, the rates of growth of Ukrainian economy are expected to be on the level of 2-3%. It is lower than in Russia and Kazakhstan. Under the current rates of growth it is impossible to resolve the problems existing today both in the economy and in the social sphere.

So increase of annual average of GDP growth rate in Ukraine up to 6-7% for the nearest 10-20 years is a necessary economic condition for switching to the mode of stable economic development.

First, the importance of such annual average of growth rate is driven by increasing problems connected with oversupply of out-of-date equipment in the housing and public utility sphere, as well as in the infrastructure and other economic sectors. These out-of-date funds are impossible to simply “pension off” – they must be whether replaced by the new ones or they’ll require more costs for maintenance (case example: increase of current mandatory expenses for road infrastructure). According to the experts’ estimates, these aggregate mandatory expenses generally in the national economy reach up to 2% of GDP. With planned GDP growth rates in Ukraine of 3-4% (which is quite acceptable for developed countries), the annual growth of resources for resolving the issues of progressive advance is only 1-2%. In case all the anticipations of Standard& Poor’s rating agency on the GDP growth up to 2-3% are proved true, then the annual growth of the national product will cover the mandatory expenses.

Second, higher growth rates are needed for securing investment development. As is well-known, investment demand facilitates the expansion of demand for equipment, construction works as well as various kinds of products of productive consumption. Increasing of investment demand facilitates structural and technologic modernization of manufacturing, renovation of productive capacities and improvement of their efficiency. Third, the existing GDP growth rates are important characteristics of the investment climate in the country.

Therefore, low GDP growth rates are not only an obstacle to intensify investment, but also a source of negative social consequences - falling real incomes, rising unemployment, the overall growth of discontent in the country.

Solution to a difficult but necessary task of structural and technological modernization of the economy is possible only through a significant increase in the rate of accumulation. The experience of rapidly developing countries (especially China and India), with the rate of accumulation of more than 40% and the growth rate of 8-10% indicates a direct functional link between the rate of accumulation and GDP growth.

In the majority of developed countries, the rate of accumulation is 20-25%, while growth in non-crisis years remains at 2-4% level.

The problem of the developed countries consists in effective usage of investments, and the limited space for growth of investments is caused by high level of population’s saturation. In them consumption of food and security with cars, and also other goods of long using don't increase for a long time, housing construction slowly grows.

Qualitatively other situation is observed in Ukraine — we are far from saturation of the basic vital needs: we have a consumption level of food, security with cars,

housing and other goods of long using is 3 — 4 times lower, than in the advanced countries.

Considerable potential of economic growth is connected with creation of modern transport infrastructure therefore without essential gain of norm of accumulation (at first to 25 — 27%, and then and to 30% and above) the solution of a problem of sustainable and dynamic development isn't possible.

In the developed market systems the overwhelming part of investments into fixed capital is carried out by corporations at the expense of own profit. For 60% the credits of banks are sources of working capital. In Ukraine it is possible to recover private production investments with great difficulty. The domestic businessman isn't focused on increase of norm of accumulation as it can't be confident in decrease in investment risks and in payback of the investments. Therefore the private capital prefers to output the saved-up income abroad through various schemes or to put them in financial speculation at home. As the statistics of NBU testifies, capital outflow abroad is measured by tens of billions dollars.

As private business doesn't hurry to increase norm of accumulation, the state corporations at the expense of own and attracted bank resources could make it. Meanwhile updating projects transport ache infrastructures are suspended, and to creation of a modern network of highways the country, in essence, I didn't start.

The similar situation can be seen in other branches of infrastructure, in housing-and-municipal sector and constructing. Improving its position is impossible without increasing capital investments from the banking sector. The banking system led by NBU has to become important institute of development*.

Institutional elements of new economic model

It is known that by the beginning of world crisis of 2008 the Ukrainian economy didn't manage to restore the gross domestic product level of 1990, to create steady model of development and to change the structure. Ten years of pre-crisis economic growth were insufficient to form the domestic market that capable to provide steady demand for production of the domestic industry. As a result the country entered crisis with old problems: power-consuming and low effective raw materials sector; the mechanical engineering focused on CIS countries (and first of all, on Russia); the unbalanced financial system because of rising gas prices and a large external debt (42 billion dol.) accumulated by banks, corporations and the state.

Therefore to change the existing negative tendency it is possible only by transition to new model of economic development. For that purpose it is necessary to create non-standard institutional elements of new model **.

It has to include the national innovative system which has been adjusted to solve problems of loan of new technologies and institutes of development; to provide synchronization of various types of economic policy to increase in absorbing capacity of the country; to lean on the system of interactive planning providing interaction of the government, business and civil society in the process of development and implementation of large-scale modernization projects. The complex of these three elements forms system of interactive management of growth which has to become a basis for new model of economic development by virtue of modernization of national economy [8].

The choice and realization of strategy of further economic development and modernization in the country are caused by objective need to improve the productivity of social labor. In Ukraine it is about 3 times lower, than in the USA and the progressive European countries.

At the heart of new model the idea of modernization has to lie. By itself, the question of creating a new model of economic development in the form of modernization is not new. Such modernization projects were successfully realized by other countries — at first Japan, South Korea and Taiwan, and later — Spain, Portugal and Ireland. At different times these countries have managed to successfully realize strategy of "catching-up development" within 20 — 30 years ***.

Theoretical generalizations of successful experience of the countries of "catching-up development" say that it isn't necessary to try to reach more mature forms of democracy and full disappearance of corruption (it is not possible for any country of the world), and then to improve forms of management..

Such perfection maybe and at the present stages of maturity of democracy and forms of organization of political institutes. It experience testifies adopted higher, and such post-soviet countries, as Belarus and Kazakhstan. At these two countries at the present level of development of democracy and political institutes of GDP, I will perfume population in 2 times higher, than in Ukraine, while in 1991 this index was below than Ukrainian.

For the choice of certain scenario of modernization strategy co-operation of business and power is needed. In itself neither a market nor state can produce and realize strategy of modernization. For this purpose co-operation of three subjects of socio-economic process is needed: business, state and civil institutes.

Priorities of modernization cannot be a priori chosen from above, by the state - such choice is possible only by joint co-operation both in branch and in regional aspects. As experience of countries successfully realizing modernization strategies shows, it is important to put right the mechanism of borrowing of new technologies and management methods. It is not necessary to squander time on reinventing the "wheel".

If new technologies and management methods already are successfully tested, then it is necessary to create the mechanisms of such borrowing, that self on itself is far a not

simple task, as resists in absence the effective forms of organization of co-operation of business and state.

The major of elements of such interaction formation of system of indicative planning as forms of coordination of interests of business and the state acts. Formation of this system both on national, and on regional levels is carried out and in Ukraine. The set of strategic plans is developed, but they aren't deprived of old defect of the Soviet planning formation of plans by the state without participation of business and institutes of development of civil society. As practice of the countries which have created effective system of indicative planning shows, its main link are the intermediary institutes of regional level providing interaction of local authorities, business, science and civil institutes. In world practice for the last the 20th years such institutes of planning, as agencies of regional development and association business were widely adopted. For example, in Europe where such agencies are widespread, their number makes more than 150. On the former Soviet Union the system of agencies of regional development the most widespread is widespread in Kazakhstan.

What is the importance of such institute, as agency of regional development? Its main task consists in ensuring constructive interaction of the main agents of market managing - business structures, local authorities and civil institutes - on the principles of trust.

By means of such agencies the most preferable and effective business projects and ways of their realization come to light. These agencies are not -for-profit and do not impose any restrictions for businesses. The main objective of regional development agencies - to become a connecting link between local authorities, business, science and civil institutions to initiate large-scale projects. Such agencies are transformed into regional forecasting centers in the elements of the national system of indicative planning, development institutions regions.

With this, a question arises: how to start the creation of regional development agencies? As shown by this practice, the first steps of their deployment can be a regional business associations, which, in turn , can be combined into a regional business associations Assembly. These assemblies form the executive bodies, advisory councils and commissions on the most important modernization processes, thus contributing to the emergence of large projects and speeding up economic growth in the regions.

As for the foreign practice, the functioning of the regional development agencies and business associations is common in Western countries. Organization of business associations are coordinating the interests of firms and thereby decrease the costs of competition; representing the interests of business, as a rule, certain industry bodies in regional and national authorities; provision of market information , technical standards , regulations and requirements of the products; training of its members.

As for the experience of the functioning of business associations in western countries, they are negotiating with unions, business interests are lobbying governments

and parliaments , advise them , as well as participate in the development of plans for economic development.

Thus, a system as participants in the development and implementation of projects for entire industries within regions and carriers of new technologies and management practices.

Self selection of projects for inclusion in the state's plans involves public discussion involving the scientific community and civil institutions. Such open discussion of participants increases confidence among firms, partly competitors and government. But for ensuring successful interaction between business associations and the authorities should be developed a common methodology for calculating the efficiency of projects and best competitions . Thereby increasing the credibility of the project participants, as well as the decrease the influence of lobbying and opportunities for corruption.

When you create a network of regional development agencies, you should take into account current trends in the establishment and improvement of national development institutions. Over the past 10 years, in the country appeared development institutions (industrial parks, special economic zones, innovation funds , etc.). Advisory bodies at public authorities at different levels were created. However, the set of institutions is not complete and is not integrated into a single system. The form of their association can become the key to regional development agencies. A network of such agencies needs a unification into a national development agency, and they should be the main actors of the system of indicative planning. Without these organizational structures the sets of strategic plans will remain unrealized. A hierarchical system of planning and organization of each level of interaction is required with business associations, government and civil society institutions.

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