

**BACKGROUND FOR REVISION THE UKRAINIAN SOCIAL AND ECONOMIC MODEL**

The basic social and economic indicators of Ukraine were analyzed. A comparison with similar economic indicators of the western countries was conducted. The article proves that there is a need in changing the interrelations between the state and society. Attention is focused on the social and economic spheres of the society. The necessity of formation a new economic model in Ukraine, namely the national model of capitalism, was proved. The ways of transition to this model were suggested.

**Keywords:** social and economic indicators, social and economic model, production, economic freedom, responsibility, ownership, middle class.

**Introduction.** The most important task of society should be the formation and development of the country. In the process of formation the social and economic policy the state should focus on model of the social and economic development that aims in increasing the national wealth, reflecting the national interests, development of society, its capitalization, formation of self-sufficiency and economic freedom of people.

Modern Ukrainian economic model eclectically combines the elements of different models. The dominant part of them is related to the state monopolistic capitalism, which has a clan-oligarchic character of development. In addition to this model, the national version of it has the elements of the state socialism model, which is inherited from the Soviet era. The public capitalism which has a great potential for development is partially represented in the national economic model. That was the model concentrating on the development of the middle class, which was taken into focus by those countries which now have a high efficiency of development and competitiveness. It is recommended as a base for implementation in Ukraine by O. Soskin, a well known Ukrainian scientist. In his opinion, it is the model to be chosen as a foreground for the Ukraine's economic development strategy [1]. The model of management defines the basic social parameters for the social system functioning as a whole, as well as the production strategy in particular.

The model of management is determined by social relations that are defined by the nature of industrial activity. The nature of the industrial activity (interaction) influences

the relations of property (who owns the tools, objects of labor, the profits derived from the sale of manufactured product / product).

**Brief Literature Review.** Various forms of engagement with the public authorities, as well as forms of public participation in the preparation and management decisions are discussed in the works of E. and L. Afonin Honiukova, V. Dzoz, P. Manzholy. The problems of relations between the authorities and social organizations were analyzed in detail in the writings of E. Arata, H. Arendt, G. Almond and S. Verba, D. Cohen, A. Touraine, J. Habermas, A. Edwards. Theoretical and practical aspects of creating social and economic systems and models of economic development were set out in the works of foreign (L. Balcerowicz, J. Kornai, J. North, A. Aslund, Russian – A. Buzhalina, S. Glaziev, A. Kolganova, V. Kudrova, B. Livshits and Ukrainian – A. Halchynskiy, M. Mykhalchenko, S. Mocherny, Y. Pakhomov, A. Filippenko, A.Soskin ) scientists. But despite the fact that many scientists focused on the relations between the Government and the public, however, this article will focus on the background of change the Ukrainian social and economic model.

**Purpose.** The authors that base on the analysis of the main socio-economic indicators of development of Ukraine and their comparison with similar economic indicators of the Western countries are trying to prove that Ukraine needs replacing the social and economic model, changing in the relations between the state and society, and suggest the ways of transition to a new model.





**Results.** The current state of social and economic indicators of Ukraine is characterized by the negative dynamics, due to economic and political crisis. For example, nominal GDP in the second quarter of 2014 amounted to 373 billion dollars. Ukraine's real GDP for the second quarter of 2014 compared with the second quarter of 2013 (at constant prices of 2010) was 95.4%. GDP per capita in the second quarter of 2014 amounted to 8663

dollars that is 95.7% less than in the corresponding quarter of the previous year [2].

We point out the fact that the population is declining, but the state, in turn, proved unable to implement the policies for the country's development. Table 1 shows the quantity of the population in Ukraine from 1990 to 2014. Each year, the population decreased by an average of 250 – 300 thousand people.

Table 1

**Total population in Ukraine from 1990 to 2014, ths. people**

	1990	1995	2000	2005	2010	2014
Total population	51 838,5	51 728,4	49 429,8	47 280,8	45 962,9	45426,2
Urban population	34 869,2	35 118,8	33 338,6	32 009,3	31 524,8	31336,6
Rural population	16 969,3	16 609,6	16 091,2	15 271,5	14 438,2	14089,6
Urban population %	67,3	67,9	67,4	67,7	68,6	69

*Origin:* [2]

The population of Ukraine on August 1, 2014 amounted to 42,981.9 thousand people. During the period from January to July 2014 the population decreased by 91.3 thousand people [2].

Successful restoration of the Ukrainian society largely depends on the transformation of its structure. The history of successful countries suggests that the main source of stability is a strong middle class. One cannot say that there is a lack of attention to this problem in Ukraine. But its practical solution as well as the development of appropriate programs need certain theoretical and methodological refinements. For example, firstly it is necessary to determine the criteria for this class to be implemented.

The researchers believe there are objective and subjective criteria for people to be considered as the representatives of the middle class. The objective criteria are: the level of education, income, consumption standards (the ability to buy a home, a car, to educate their children, access to the quality health care and rest), possession of material or intellectual property, the ability to save, the ability to do a professional work. The subjective criteria include: self-identification (subjective perceptions of their position), the ability to rely on themselves, civil active position, self-esteem and responsibility for the future [3 – 5].

However, there is no consensus regarding the classification of certain categories of people as a middle class. Thus, the State Statistics Committee calls them a group with an average income and its research is based on the level of income of a particular resident. The experts of the Institute of Demography and Social Studies of NAS of Ukraine have the other approach: they claim that the middle class are people with high incomes, they are independent economically and aware of their position in society. Their consumer baskets include the consumption of various services, availability of financial assets and purchase of a real estate.

In Ukraine a resident with the income from 8 to 32 thousand dollars per a person can be attributed to the middle class. Estimating the cost structure of a family, spending on food (no more than 25% of family income) should be taken into consideration. Similarly, it is necessary to consider the possibility of a citizen to make savings without compromising decent lifestyle (all mandatory expenses should not exceed 30 – 50% of revenues) [4].

Lots of various questionnaires show that about half of the Ukrainians identify themselves as the middle class, however, the experts say that the current standards of living and level of education of the Ukrainians allows to say that this category includes only 10% of the population. And if we take into account

the political preferences and political activity, the number of the Ukrainian middle class people will fall to 5% [3, 4].

The Director of the Razumkov Sociological Service Centre – Andrew Bychenko argues that the middle class is considered to be a large part of society with average incomes. In our country there are only some individuals that can be classified as a middle class. But their small number does not allow to identify them as a class, therefore, the fact is there is no middle class in Ukraine [3]. However the middle class should perform various important functions: social and economic, stabilizing, integrating, controlling, legal, political, educational, and so on [5].

To achieve success and efficiency a country should do the following: increase the number of the middle-class, prevent the dissociation of the "Education – Occupation – Income" chain and change the social and property model. For comparison, in developed countries the share of the middle class in the total population is about 60 – 70% (in the Nordic countries – up to 75%) [5].

In terms of social development in 2014 Ukraine ranked the 62nd place in the world. Social Development Index is 64.91, while New Zealand ranks the first with an index of 88, 24; Germany – 12th place (84.61); Japan – 14th place (84.21); Poland – 27th place (77.44) [6].

In the second quarter of 2014 the nominal income totaled 385.3 billion hryvnias that is 7.3% more than in the second quarter of 2013. Available income that can be used to purchase goods and services increased by 7.9%, while real available income (taking into account the price factor) decreased by 1.9%. Available income per capita in the second quarter of 2014 amounted to 6900.9 hryvnias that is 8.2% more than in the second quarter of 2013 [2].

Real wages in August 2014 compared with July 2014 decreased by 7.1%, compared with August 2013 – by 12.7%. Real wages in January – August 2014 compared with January – August 2013 decreased by 3.1% [2].

According to the official figures, the consolidated budget of Ukraine in January – August 2014 was conducted deficit of 28, 634, 300, 000 dollars. The state budget deficit in

January – August 2014 amounted to 35, 204, 500, 000 hryvnias [7].

No country in the world in 2014 has been at such a high level of devaluation as Ukraine. This led to a complete collapse of the national currency and the impoverishment of the citizens. The devaluation caused high prices for all imported goods, especially energy.

Since the beginning of 2014 the official exchange rate for the Ukrainian hryvnia to the US dollar for January 9, 2014 was depreciated by 5 hryvnias 12 kopecks., or by 64.1% and amounted to 13.11 hryvnias for a dollar [2].

The quality of the financial system penetrating all significant areas of society is determined by the state of the national currency. In the complex of measures for economic recovery in Ukraine this point can not be passed over. Dampening of economic activity continued to reduce the labor requirement in Ukraine during the year. The main causes of gradual decline in labor requirement were decreasing the production and construction volumes (these activities employ about 29% of the average number of full-time employees in the whole economy). As a result, in the second quarter the number of full-time employees continued to reduce (3,5% annually – to 9,4 mln. people) [8].

At the end of August 2014 the number of registered unemployed was equal to 426,1 thousand people that in relative terms is 9,1%. The registered unemployment rate at the end of August 2014 was 1.6% of the population of working age including in rural areas – 1,9%, in urban areas – 1,5%. The highest unemployment rate was registered in Cherkasy (2,5%), Zhytomyr (2,5%), Kirovograd (2,4%), Rivne (2,4%) regions, and the lowest – in Odessa (0,7) and the city of Kyiv (0,8%) [2].

**Conclusion.** Comprehensive analysis of the dynamics of the main social and economic indicators of the country allows to conclude that to make the revision of the social and economic model it is necessary: to preserve the purchasing power and stability of the national currency; issue hryvnias reasonably; support and develop the social and economic indicators of the country; develop programs preventing devaluation and inflation; conduct training courses for the people like "Economics", "Macroeconomics", "Finance", "Financial liter-





acy" that will help to increase the number of economically competent people; increase the size of the middle class; focus on the middle-class intellectuals who would be able to be the driving force of the country; plan and predict the behavior of the people; promote social and economic model, based on the small and medium enterprises; use progressive foreign experience solving problems of social and economic development; change the system of relations in the gas internal market; develop economic relations with other countries, monitor the market equivalence; take into account public opinion at all stages of the process of administrative decisions making; increase the number of free (enlightened, who have the equity) people – to develop people.

An important part of the modern state is the relationship between the science and practice. There should be government support for research activities, because without adequate state support neither science nor the state has any prospects for further development. It requires investing in people's education for increasing the number of skilled and educated people. The national universities should be responsible for setting the nation's intellectual elite that would really meet the needs of the domestic labor market. As a result, the property relations, the nature of industrial cooperation, public relations, basic social parameters: production, product, principles of operation of the entire social system as a whole are changing.

Hopefully, the recommendations will make it possible to reorient the development of the country and make a breakthrough in the formation of public and social interdependence.

Further studies abovementioned issues can be directed to identify areas of socioeconomic activity in civil society.

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**Дороніна М. С., Чепель І. В.**

**Передумови зміни соціально-економічної моделі України**

Проаналізовано основні соціально-економічні показники розвитку України. Проведено порівняння з аналогічними економічними індикаторами розвитку західних країн. У статті доведено, що існує необхідність зміни взаємовідносин держави та суспільства. Акцентовано увагу на соціально-економічну сферу життя суспільства. Доведено необхідність становлення нової економічної моделі України – моделі народного капіталізму. Запропоновано шляхи переходу до цієї моделі.

*Ключові слова:* соціально-економічні показники, соціально-економічна модель, виробництво, економічна свобода, відповідальність, власність, середній клас.

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**Предпосылки изменения социально-экономической модели Украины**

Проанализированы основные социально-экономические показатели развития Украины. Проведено сравнение с аналогичными экономическими индикаторами развития западных стран. В статье доказано, что существует необходимость изменения взаимоотношений государства и общества. Акцентировано внимание на социально-экономическую сферу жизни общества. Доказана необходимость становления новой экономической модели Украины – модели народного капитализма. Предложены пути перехода к этой модели.

*Ключевые слова:* социально-экономические показатели, социально-экономическая модель, производство, экономическая свобода, ответственность, собственность, средний класс.

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Стаття подана  
30.11.2014 р.

