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NATIONAL ECONOMIC PATRIOTISM AND EVOLUTIONARY IMPERATIVES OF MACROECONOMIC DYNAMICS

Macroeconomic dynamics' submission to the imperatives of self-preservation and self-development is explained from the evolutionary perspective. The fundamental role of national economic patriotism in the hierarchical system of macrodynamic selectors is revealed. Based on the assumption of the determining effect of innovation in the implementation of evolutionary imperatives and strengthening national competitive advantages, recommendations for increasing the level of innovative development of Ukrainian economy are proposed.

Keywords: national economy; macroeconomic dynamics; evolution; economic patriotism; innovations.

JEL classification: B520; O100.

Віктор М. Тарасевич, Олена О. Завгородня НАЦІОНАЛЬНИЙ ЕКОНОМІЧНИЙ ПАТРІОТИЗМ ТА ЕВОЛЮЦІЙНІ ІМПЕРАТИВИ МАКРОЕКОНОМІЧНОЇ ДИНАМІКИ

У статті з еволюційних світоглядних позицій обґрунтовано підкорення макроекономічної динаміки імперативам самозбереження та саморозвитку. Розкрито провідну роль національного економічного патріотизму в ієрархічній системі селекторів макродинаміки. Спираючись на твердження про визначальну роль інновацій в реалізації еволюційних імперативів та зміцненні національних конкурентних переваг, запропоновано рекомендації щодо підвищення рівня інноваційного розвитку економіки України.

Ключові слова: національна економіка; макроекономічна динаміка; еволюція; економічний патріотизм; інновації.

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В статье с эволюционных мировоззренческих позиций обосновано подчинение макроэкономической динамики императивам самосохранения и саморазвития. Раскрыта основополагающая роль национального экономического патриотизма в иерархии селекторов макродинамики. Исходя из предположения об определяющей роли инноваций в реализации эволюционных императивов и усилении национальных конкурентных преимуществ, предложены рекомендации по повышению уровня инновационного развития экономики Украины.

Ключевые слова: национальная экономика; макроэкономическая динамика; эволюция; экономический патриотизм; инновации.

Problem setting. At the beginning of the third millennium the variability of social existence acquires a continuous frontal character, without leaving aside any of its planes and, foremost, the economic one. It is in the economic sphere the latest achievements of human innovative activities are incarnating the most intensively, and

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also more vividly and faster are showing the consequences and results of a new quality of socioeconomic development.

Under heightened dynamism of national economy every economic subject is in a situation, when economic passivity, disparity of rates and scales of own and external changeability got turned around for it to keep pace with technological progress and to be driven out by the wayside of global economic process. The imperative of subject's economic dynamics under the conditions of global transformation changes becomes "willingness to perceive a new, assimilate it and to be assimilated in it" (Bilotserkivets, 2013: 5), adaptability, propensity and capacity for self-renewal, self-preservation and self-development.

For a national economy as an economic subject the necessary prerequisite for successful resolution of these tasks is not only understanding the laws, determinants, principles and development vectors of itself and of the system of higher level, in the framework of which it functions and recreates, but also the contemporary worldview and high level of economic patriotism.

Recent research and publications analysis. Actualization of the problems of theory, methodology and practice of global and macroeconomic dynamics from the position of direct active involvement of patriotic subjects into these processes increases the attention to them from the side of academia. Getting new important scientific results are reasonably associated with using the methodology of global evolutionism in cognitive processes (Moiseyev, 2001; Nelson and Winter, 2002; Heylighen, 2007; Nazaretyan, 2012). Evolutionary worldview determines the view on the economic system of any level and any spatial-territorial localization as open, complex, nonlinear, innovative, mobile and human-dimensional (Stepin, 1999), which is capable to be an actor in evolution, its both subject and object.

Cognitive, creative and practical activities of the man which interact with the systems of nature and society, are able to change the spectrum of possible states and development alternatives of these systems, design and construct their future conditioned by the imperatives of evolutionary ratio (Jantsch, 1980). With the emergence of public institutes, spontaneous evolution turns into nonlinear history to be directed by target programs which are consciously designed and implemented. Evolution becomes a process, the objective laws and regularities of which in time and space are connected with human activity. In this activity people are guided by a certain system of mental and ethical persuasions and certain frames of rationality.

Among the frames of economic rationality special attention deserve such target reference-points and selectors of macroeconomic processes as focus on competitiveness, efficiency, social justice, stability, productivity and resource economy (Figure 1). First of all, national economic patriotism in which the imperatives of self-reproduction of national economy in an aggressive competitive environment of the global economy are finding their adequate expression.

Almost all presented selectors in Figure 1 and their criterion with relevant calculation methodologies got sufficiently broad and thorough coverage in economic literature concerning public choice and sustainable development (Stiglitz, 1988; Sztompka, 1996; Grinberg, 2003; Geyets and Hrytsenko, 2012). The only exception is economic patriotism. The necessity of its inclusion in the traditional taxon of selectors of macroeconomic dynamics as the basic resistant element

is distinctly appearing while looking at economic realia from the evolutionary positions.

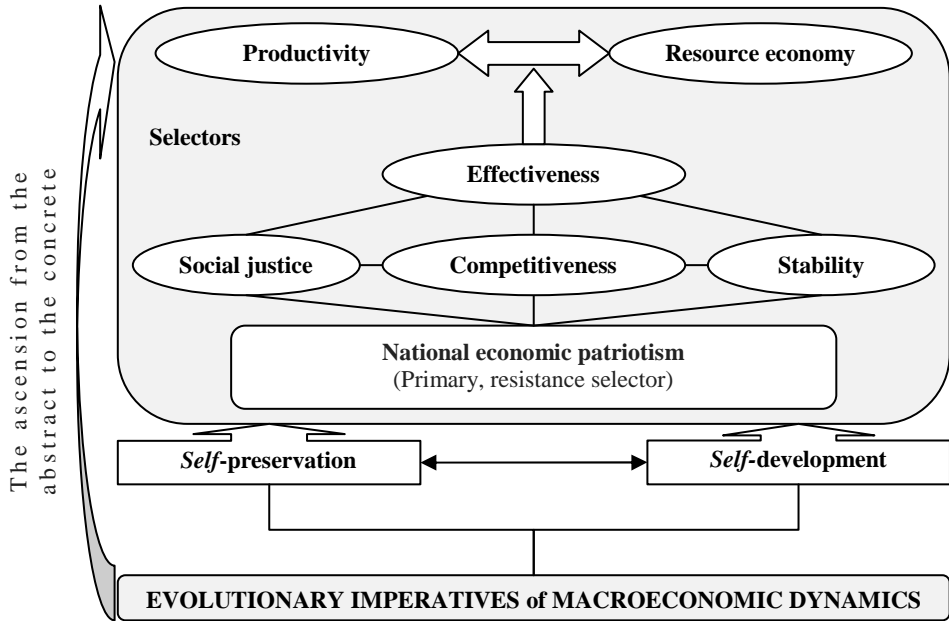


Figure 1. The hierarchy of selectors of macroeconomic dynamics, developed by the authors

The research objective is to reveal the conceptual aspects of economic patriotism as a relatively new notion for economics, especially important in today's conditions, and to formulate theoretical and practical conclusions relevant to political and economic realia of Ukraine.

Key research findings. Globalization and European integration forces do not remove the ideas and practice of patriotism. In many countries it acquires new profound features, mechanisms and forms of realization. Sadly, Ukrainian economic patriotism at present is not competitive. Ukrainian economic crisis depth is proportional to economic patriotism deficit.

First of all, obviously it is impossible to compare as equal the Ukrainian economic patriotism and the European one. Today the majority of Ukrainian citizens have no doubts that "Ukraine is Europe" and "Ukraine is not Russia". But in real economic policy we must proceed primarily from "Ukraine is Ukraine" and its national economic interests are not always identical to the economic interests of the EU and its countries.

German national economy is an indisputable locomotive of the EU economy. Why? Germany could not have reached such an unconditional leadership and kept it, if their authorities had not exploited well its economic, social, spiritual and political potential. Consequently we should consider European integration of Ukraine as not the final point in itself, but as a means of strengthening national economy and not as "bright future", for the sake of which the Ukrainians must "tighten their belts" already now. Every step to European integration must bring real improvements of economic

condition to our citizens in "critical mass". Ukraine has already evidenced that "unpopular reforms" led to economic crisis and depression and are doomed to failure. We have to admit that many Ukrainians are disappointed in the "European dream" already now.

Secondly, Ukrainian economic patriotism has little in common with economic European romanticism and utopianism. European integration challenges for national economy are larger opportunities. The government must objectively assess the disparity between European wishes, intentions on the one hand and real possibilities on the other. For example, it is evident that the EU has no financial resources for Ukrainian implementation of the Association agreement. Also European, American and other foreign firms compete with Ukrainian ones, and this competition is rather fierce. Thus, there is an unfavorable trend of the decreasing quantity of small and medium firms-residents in national economy. Therefore, the government and economic subjects must find their own financial resources. Where and how, if it is even enough to maintain simple reproduction and leakage of capital out of the country continues? There is no deficit with well-grounded proposals on capital investment, efficiency of government regulation, support for national commodity producers, but there is an obvious "competence crisis" at all levels of government and business. This means the acute deficit of professional and patriotic personnel. Only this kind of personnel is able to work according to European and world standards, pushing forward the unbalance national economy to European mode of the development. Appointment of foreign citizens to government positions can hardly change the situation in our country. Independent Ukraine had a lot of advisors and consultants from abroad, whose efforts did not turn out sufficient to improve Ukrainian economic situation. While the government does not carry out mass and targeted training of national staff for same positions.

Thirdly, economic patriotism is not economic nationalism. World and European practice shows that the country of commodity origin, initial jurisdiction of businessmen, working in a national economy, is not very much important. Activities must only comply with national legislation and national interests. For example, importing coal from neighbouring countries for Ukrainian firms and consumers is more profitable, than from remote ones. But the coal is now imported from far abroad. Another example. Declarations about nationalization of property of "unfriendly country" citizens can lead to distrust among foreign businessmen. The government must not create additional barriers for global expansion of Ukrainian business.

Fourthly, economic patriotism does not mean economic populism or political adventure. Klisfen's democratic reform in Ancient Greece established that the author was responsible to the people assembly for their "wrecking" law in the forms of imposing fine, excommunicate and even capital punishment. Surely, this is impossible today, but public officials must be still responsible for administrative property and also for negative consequences of their decisions and actions.

Domestic economic policy (2004–2013) and its results are a good example of ineffective public administration and insufficiency of economic patriotism. The consequences of the reforms initiated and realized have mainly regressive character, they weakened competitive edges and presented substantial threats for the future of our country.

Ukraine takes now the 44th place in the world by area, 32 – by population and according to conservative estimates is included in top-30 most resource-rich countries. At the same time, according to international ratings (2013–2014) it ranks 118th in the world by the level of economic welfare; 94th – by technological development; 83rd – by human development level; 120th – by environmental sustainability, and 95th – by eco-efficiency; 84th – by global competitiveness (Table 1).

Table 1. Ukraine in the World Ratings

Worldwide indicators	Year	Maximum (country- leader)	World average	Ukraine	
				Score	Rank / observed countries
GDP per capita (current prices, USD)	2014	102100.8 (Luxembourg)	12748	3082.5	118/189
Human Development Index (HDI)	2014	0.944 (Norway)	0.702	0.734	83/187
Human Capital Index (HCI)	2013	1.455 (Switzerland)	0.45	-0.124	63/122
Social Progress Index (ISP)	2014	88.24 (New Zealand)	61.17	64.91	62/132
Global Competitiveness Index (GCI)	2013– 2014	5.67 (Switzerland)	4.12	4.05	84/148
Global Innovation Index (GII)	2015	64.8 (Switzerland)	36.5	35.78	63/143
Technological Readiness (TRN)	2014	6.24 (Sweden)	4.05	3.3	94/148
Environmental Performance Index (EPI)	2014	87.67 (Switzerland)	53.07	49.01	95/178
Ecosystem Sustainability (ECoSI)	2014	82.21 (Switzerland)	53.45	36.73	120/133
Economic Globalization Index (EGI)	2014	90.61 (Singapore)	56.85	66.85	70/207

Sources: The World Bank; United Nations Development Program; World Economic Forum; Social Progress Imperative; Global Innovation Index; Global Metrics for the Environments; KOF Index of Globalization.

The results of comparison of Ukraine's scores with the average and maximum scores (Figure 2) show the deviations in the trajectory from the leading trends of global socioeconomic process. At first sight, the most expressive positive exception – increasing openness of the national economy and intensification of foreign economic relations, mainly in trade. However, the semantic context rather than formal context of such openness compels to be more thoughtful about the extent of its adequacy to strategic national interests.

Among long-term consequences of expanding export model realization the most dangerous part is technological structure of export, its raw material orientation. The State Statistics Committee of Ukraine states, that during the last years in the structure of Ukrainian commodity export prevail black metals – 22.6% from the general volume of all exports, grain-crops – 10.1%, ores, slag and ash – 6.2% (State Statistics

Committee of Ukraine). At the same time the status of Ukraine in the world technological pyramid is very low due to specialization in the international division of scientific and technical labour, low diffusion of innovations and technological knowledge, loss of the most profitable hi-tech market niches and part of global intellectual rent (Figure 3).

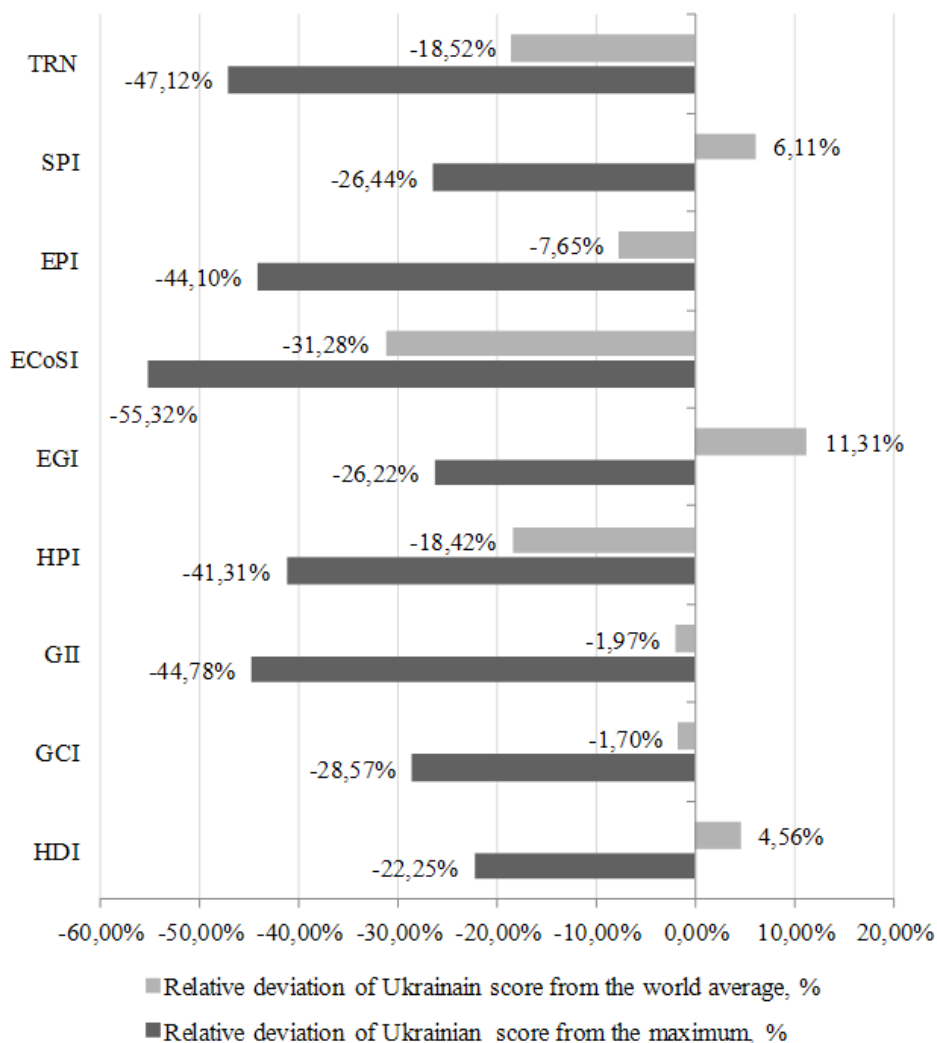


Figure 2. **Ukrainian ranking in global comparison with the maximum and world average scores, based on data from Table 1**

It is critically important that the mechanisms of innovative updating of national economy capable to change the vector of macroeconomic dynamics and stop technological degradation appear within the limits of action of the marked regressive tendencies. Unfortunately, the data of the World Economic Forum on the dynamics of comparative innovative advantages of national competitiveness shows the opposite (Table 2). Ukraine falls into the closed circle of dependence on foreign producers of

scientific and technical knowledge and intellectual products. The state of balance of payments for the use of objects of intellectual property rights gets worse steadily, negatively impacting the national trade balance (The World Bank).

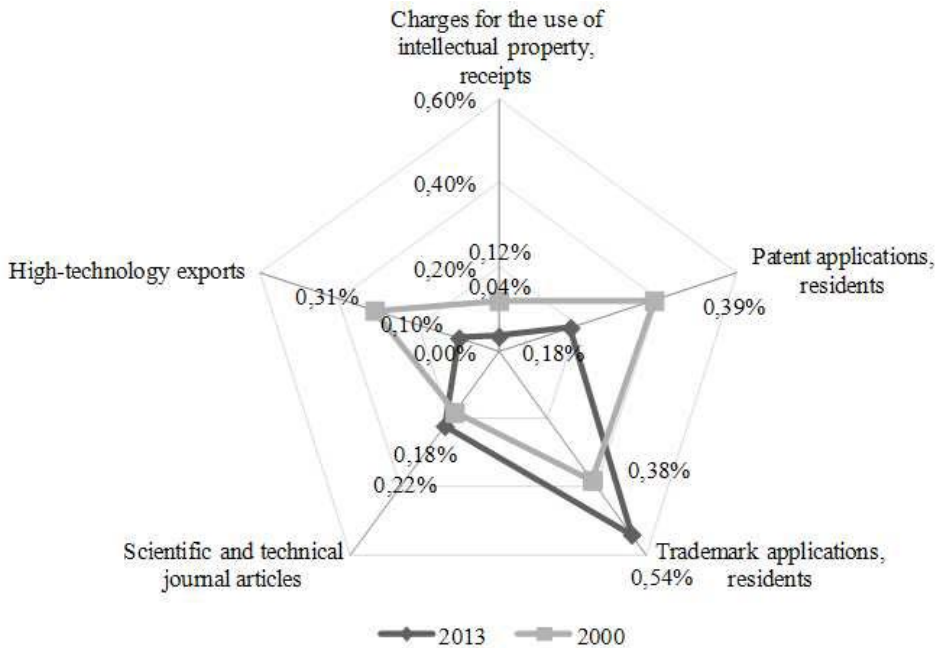


Figure 3. **Ukraine's share (%) in the global market of high-tech products, in international R&D activity and results distribution** (The World Bank, World Economic Outlook Reports)

Rent-seeking behavior of domestic oligarchic structures, the property of which is concentrated in base industries, their resistance to changes that threaten to violate their personal "status quo" turns into social and technological degradation of national economy, increasing its dependence on the external world that is in a direct correlation with the depletion of natural-resource base and protracted reduction of specific gravity of country's GDP in world GDP (Figure 4) with corresponding limitations in relation to the influence on pricing at world markets.

Undoubtedly, external factors play an important role in the evolution of national economy and have high potential for its transformation. However, their influence is mediated by the actions of the corresponding value selectors, in particular, economic patriotism. At the presence of the latter the innovative changes of national economic genome and genotype are to follow the strategic national interests and only in insignificant measure are determined by the current exogenous processes.

External forces able to overcome internal sources of self-development only, when they do not meet resistance, when stabilizing mechanisms and the mechanisms of national economic security are not effective and not ready to react to challenges and threats of the environment adequately. There is no doubt that the current state of affairs and the loss of the world hi-tech market niches are a strategic miscalculation of the state, the consequence of neglecting problems of national competitiveness.

Table 2. Components of the Global Competitiveness Index (GCI) for Ukraine (WEF, Global Competitiveness Report)

Indicators	Years								Trend
	2008–2009		2010–2011		2012–2013		2013–2014		
	Rank (out of 134 countries)	Score (1–7)	Rank (out of 139 countries)	Score (1–7)	Rank (out of 134 countries)	Score (1–7)	Rank (out of 148 countries)	Score (1–7)	
Global Competitiveness Index	72	4.1	89	3.9	73	4.1	84	4.05	↓
Efficiency enhancers, including	58	4.1	72	4.0	65	4.1	71	4.0	↓
Technological readiness	65	3.4	83	3.4	81	3.6	94	3.3	↓↓
Innovation and sophistication factors, including	66	3.7	88	3.3	79	3.4	95	3.4	↓↓
Innovation	52	3.4	63	3.3	71	3.2	93	3.0	↓↓
- Capacity for innovation	31	3.8	37	3.5	58	3.3	100	3.2	↓↓
- Quality of scientific research institutions	48	4.2	68	3.6	64	3.7	69	3.6	↓
- Company spending on R&D	52	3.3	69	3.0	104	2.7	112	2.7	↓
- University-industry collaboration in R&D	49	3.6	72	3.5	69	3.6	77	3.4	↓↓
- Government procurement of advanced tech products	54	3.7	112	3.1	97	3.2	118	3.0	↓↓
- Availability of scientists and engineers	54	4.4	53	4.3	25	4.8	46	4.5	-
- PCT patents, applications/mln population	65	0.3	64	0.4	51	2.1	52	2.9	↑

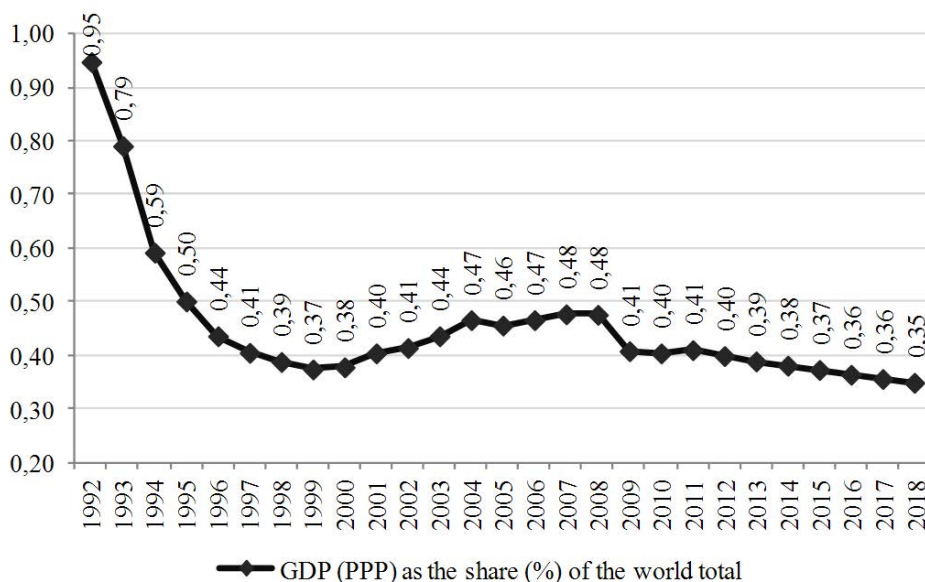


Figure 4. Actual and forecasted shares (%) of Ukraine’s GDP to the world total (International Monetary Fund)

Unfortunately, the macrofactors of economic environment formed in Ukraine incline a choice of relatively passive, moderately conservative economic subjects in favour of rent-seeking and innovationless models of economic activity. Undeveloped competitive relationships, tolerance to the bureaucratic administrative system, manifestations of unfair competition, misuse of administrative resources uncontrolled by the civil society and oligarchic structures' transfusion with public authorities, their parasitism on public funds and exhausting taxes of domestic commodity production are those factors that restrain the development of the most economically active layer of entrepreneurship – small and medium businesses, and also they push them out of productive sphere into trade and intermediary services with less possibilities for innovation potential realization.

Disregarded public economic interests by authorities is one of results of the not enough developed civil society, its passivity and certain alienation from political processes.

Economic patriotism rests upon national, economic interests which should be equal with economic interests of various economic individuals, social groups and clusters. Consequently, establishment of economic patriotism requires higher level of economic sovereignty, renunciation from antinational patriotism (including European, Russian, American etc.), and also overcoming economic romanticism, utopianism, nationalism, populism and political adventure. What must we do? Very important are the following positions:

1. Considerable strengthening of national economic state capitalism and "nationalization" of the state. In order to provide the realization of national interests, the state must have more efficiency and power in its property as compared to oligarchs and other private owners.

2. The government must prevent the "export of entropy" from developed countries to national economy. It means that the implementation of the Agreement on association with the EU must be elaborated in correspondence with the criterions of competitiveness, economic efficiency, higher innovation level of the national economy and better welfare for Ukrainian citizens.

Developing effective and patriotic national innovation system is a task of systemic character that needs the activity of the state in many directions that are meaningful for innovative macrodynamics. Such an innovative policy has to be systematic, frontal and intensive.

Under the open model of innovative macrodynamics its internal limitations of resource character lose the critical role and more to the background because they can be overcome due to mobility of labour and capital and export of intellectual and hi-tech products, and also innovations diffusion. At these terms the decisive precondition for the intensification of innovative macroprocesses is a developed technological structure with high absorbing features in relation to innovations. We are talking about its ability and willingness to become the epicentre for generation of innovative ideas, queries and initiatives, and also facilitates the satisfaction of innovative demand of economic subjects.

To avoid the fate of participation of raw material periphery, the threats of which are extremely actual under excessive openness of Ukrainian economy, for domestic

market development and stimulation of internal innovative demand the following would be expedient:

- differentiation in profit taxation rates depending on the activity of an enterprise, its character and the aims of this profit use further use;
- state purchases of domestic hi-tech products etc.

At the same time the mechanisms of preventive protection for strategically important sectors of the economy including hi-tech industries must be involved. The accumulated world experience shows that the most effective means against the manifestations of political voluntarism are:

- setting the minimum quotas of budget expenditures (as % of GDP or a % of expenditures for the most important categories);
- development of the target-program budget of development, within which to single out the item "Public procurement of high-tech products, including domestic ones".

It is also necessary to take into account that projects developing and implementing pioneering innovations with strong macroeconomic externalities, which are often extraordinarily dependent upon external financing. And such financing should be provided by the state as a carrier of strategic national interests, for the sake of strengthening national competitiveness. For financial support of such vital innovative projects the national budget of development must be created.

Certainly, a list of recommendations can be continued, and the already presented recommendations require further specification.

Conclusions. Human dimension of any economic system a priori provides a number of concomitant generic properties, dynamic attributes and selectors, that together determine the orientation of country's historical way and its key features. And above all, economic patriotism with its evolutionary imperatives of self-preservation and self-development of national economy within the global economic space is finding its adequate expression.

In this context, for Ukraine, oriented on European integration, the search for the most suitable model of economic development, defining its limits, aims and behavioral strategies of development in the global and regional economic space without the loss of own identity comes forward as a priority task. This requires the realization of comparative national uniqueness in the global environment; understanding of the values and target priorities in public choice laid down in national history; specification of strategic national economic interests and development of effective mechanisms for their protection.

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