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National University of Food Technologies, Kyiv***THE PROCESS OF TRANSITION OF UKRAINE TO SOCIAL DEVELOPMENT**

*In article the analysis of the transition processes happening in Ukraine to social and economic development is given. Questions of formation of model as result of existence of a certain concept are considered. Transition processes in economy of Ukraine also are considered. The main macroeconomic models of stabilization are presented: "shock therapy" and gradualistic (incremental). It is defined that "Shock therapy" provides: radical measures for stabilization of anti-inflation and privatization, fast liberalization of the prices, the maximum exemption of the state intervention in economic processes, eliminating the vast majority of subsidies, introduction of full financial independence of the enterprises, difficult restrictions of the budget and so on. The emphasis of "shock therapy" is placed on financial stabilization. Gradualistic provides a balance in the consumer market. As the foundation of transients according to the model is the development of production potential, it is called industrial and structural variant which allow the transition to economic recovery without financial stability. The international experience of application of models of social development is considered. Importance an economic role of the state is noted. Restrictions and reorientation of economic functions of the state is a complex and important challenge of process of transition in the context of stability.*

*Keywords: transition, economic processes, social development, state, models, strategy.*

**ПРОЦЕС ПЕРЕХОДУ УКРАЇНИ ДО СОЦІАЛЬНОГО РОЗВИТКУ****Буковинська М. П.**

*Надано аналіз перехідних процесів до соціально-економічного розвитку, що відбуваються в Україні. Розглянуто питання формування моделі як результату існування певної концепції. Показано перехідні процеси в економіці України. Представлені основні макроекономічні моделі стабілізації: «шокової терапії» та градуалістична (зростаюча). Розглянуто міжнародний досвід застосування моделей соціального розвитку.*

*Ключові слова: економічні процеси, соціальний розвиток, перехідні процеси, держава, моделі, стратегія.*

## ПРОЦЕСС ПЕРЕХОДА УКРАИНЫ К СОЦИАЛЬНОМУ РАЗВИТИЮ

Буковинская М. П.

*Дан анализ происходящих в Украине переходных процессов к социально-экономическому развитию. Рассмотрены вопросы формирования модели как результата существования определенной концепции. Рассмотрены переходные процессы в экономике Украины. Представлены основные макроэкономические модели стабилизации: «шоковой терапии» и градуалистическая (возрастающая). Рассмотрен международный опыт применения моделей социального развития.*

*Ключевые слова:* экономические процессы, социальное развитие, переходные процессы, государство, модели, стратегия.

**Problem statement.** According to the Constitution of Ukraine, art. 1. Ukraine is a sovereign, independent, democratic, social, legal state [1].

The welfare state is an ideal to which people aspire hundreds of years. Creation of necessary and sufficient political, social, economic, spiritual and moral conditions for a decent life for every person, comprehensive development of personality is its main task. A decent life consists of material security to the same standards of modern developed society, good education, access to cultural values and guarantee the rights of personal safety.

The collapse of the Soviet Union, the collapse of the socialist camp, the formation of post-Soviet political space had led to the appearance many countries that firmly established in the international arena as a country in transition. Began a long and painful process of transition from command to market economies.

The main feature of the economy of Ukraine is its transformational approach of qualitative transformation of the fundamental principles of the society in transition from one historical era to another. In the transition of Ukraine to the social market economy, unfortunately, deteriorating macroeconomic indicators, and continued impoverishment of the majority of citizens and reduce their quality of life. Real Ukraine's economy is far from providing conditions for the creation of a social market economy and thus ensure sustainable economic growth as the basis of improving living standards and the implementation of appropriate structural changes can be made because of the improvement of socio-economic relations through the development of industries and production, development of science, of innovation policy and investment development.

In countries with transitional economies for some time, there are two subsystems of industrial relations is transforming and emerging. As a result of the interaction of old and new systems there is a transitional system of social and industrial relations. Transitional productive relationship are complex - they cover not only the economy but also the social sphere. The specifics of this relationship manifests itself in an unstable form that can not be considered the ultimate goal of

development. This system is only the way to achieve the goal - the formation of new completed social and economic relations.

In transitional socio-economic space the old system of government collapses. a new one system is formed, economic and social role of the state changes, social problems exacerbate, the scale of the shadow economy increases, the economy requires large investments.

At the stage of market transformation is essential that the state and the public sector were the bearer of social and economic relations, as they have the greatest economic impact. Unfortunately, in Ukraine it hasn't happened yet. The state needs a strategic program of development of society, which should focus on the world markets and how to motivate Ukrainian business protection and integration. The objective necessity of the market economy transformation in Ukraine caused by the exhaustion of extensive factors of economic development to the conditions of post-industrial transformation.

**The purpose of article** is to select inherent society economic transients which befit Ukraine.

**The main results of the research.** In modern conditions the society inherent the transitional economic processes at which Ukraine should pay attention to. The most important include [2]:

1. Movement of public opposition to the eastern and western types of human evolution from the economic dominance of Western-style to a new type of evolution (median type, integration type).

2. The globalization of the economy, which is inherent:

- international economic relations dominance over national relations;
- proactive output growth rate with foreign capital;
- globalization of movement of capital and human capital;
- increasing elements of global economic regulation of international and supranational formations.

3. Formation of bases of post-industrial society with the trends of humanization, socialization and ecologization of mixed economy in developed countries.

4. The transformation of traditional society in the direction of industrialization, formation of bases of a modern market economy, the dominance of private enterprise in most developing countries.

5. The revolutionary changes in post-socialist countries, which inherent in the transition economy of a new type, characterized by such transients as:

- the movement to a new progressive social and economic system;
- personal fulfillment and self-organization of society;
- gradual changes in mentality towards social activism, responsibility, independence and self-reliance;

- the transition from completely public to socially and environmentally oriented competitive mixed economy;
- the transition from economic and extensive to social and intensive and innovative type of social reproduction;
- development of open-type economy, which is harmoniously included in the global trends of globalization, integration and differentiation.

The conceptual approach to the analysis of socio-economic development of society and its economic system must end with the formation of a model [3]. In the economic life of society the model serves not only the result of the existence of a concept of development, but also is a form of prediction of trends of functioning and development a particular object. There are two basic models:

1. "Shock therapy", which provides: radical anti-inflation stabilization measures and privatization, rapid liberalization of prices, the maximum excommunicating of state interference in economic processes, eliminating the vast majority of subsidies, the introduction of complete financial independence of enterprises, hard budget constraints and so on. The emphasis is on financial stabilization. All these measures are one-off, leading to the destruction of the previous economic system and serve as a short-term socio-economic "concussion" of society. This radical method involves an anti-inflation policy and the achievement of price stability, which is a sufficient condition for the effective operation of market mechanisms and the formation of market economy in general. "Shock therapy" is a program offered by the experts of the IMF and World Bank to post-Soviet countries to convert their economic systems in a market economy [4].

2. Gradualistic or incremental model, which provides: a balance in the consumer market by legalizing and private sector development, the spread of market mechanisms initially on the production and marketing of consumer products, and later on investments, liberalization of prices while preserving a certain state control in the consumer sectors of the economy, formation of the two-sector economy economic model. As the foundation of transients according to the model is the development of production potential, it is called industrial and structural variant, which allow the transition to economic recovery without financial stability. "Shock therapy" may be based on orthodox approach or approach heterodox that highlight the anti-inflation policy, but with some differences. Orthodox approach involves reducing the public sector deficit by reducing government spending (on state intervention in the economy, social security and welfare, administration, defense, etc.) and increase the revenue base budget (reduction of tax exemptions, improving tax collection, eliminating extra-budgetary funds, etc.). At the same time tough monetary and credit line, which is implemented in the policy of "expensive money": limiting the currency issue, raising the discount interest rate, increasing reserve requirements, reduction of central bank loans, sale of government securities and more.

In turn, the orthodox approach is divided into two subtypes depending on the choice of economic stabilizers. When money stabilizer operates monetarist methods are based on a strict budget, tax, monetary policy for the "floating" exchange rate. In the second case operates monetary stabilization, in which emphasis is made on stabilizing the exchange rate.

Heterodox approach is based on confirmation of the inversion nature of inflation. By their nature, inflation raises high expectations of devaluation of money and this makes ineffective tight monetary and fiscal policy. This approaches cannot be applied equally effectively in different countries. Features of each country influence the course of reforms and their results. All measures must be interconnected and subordinate defined purpose.

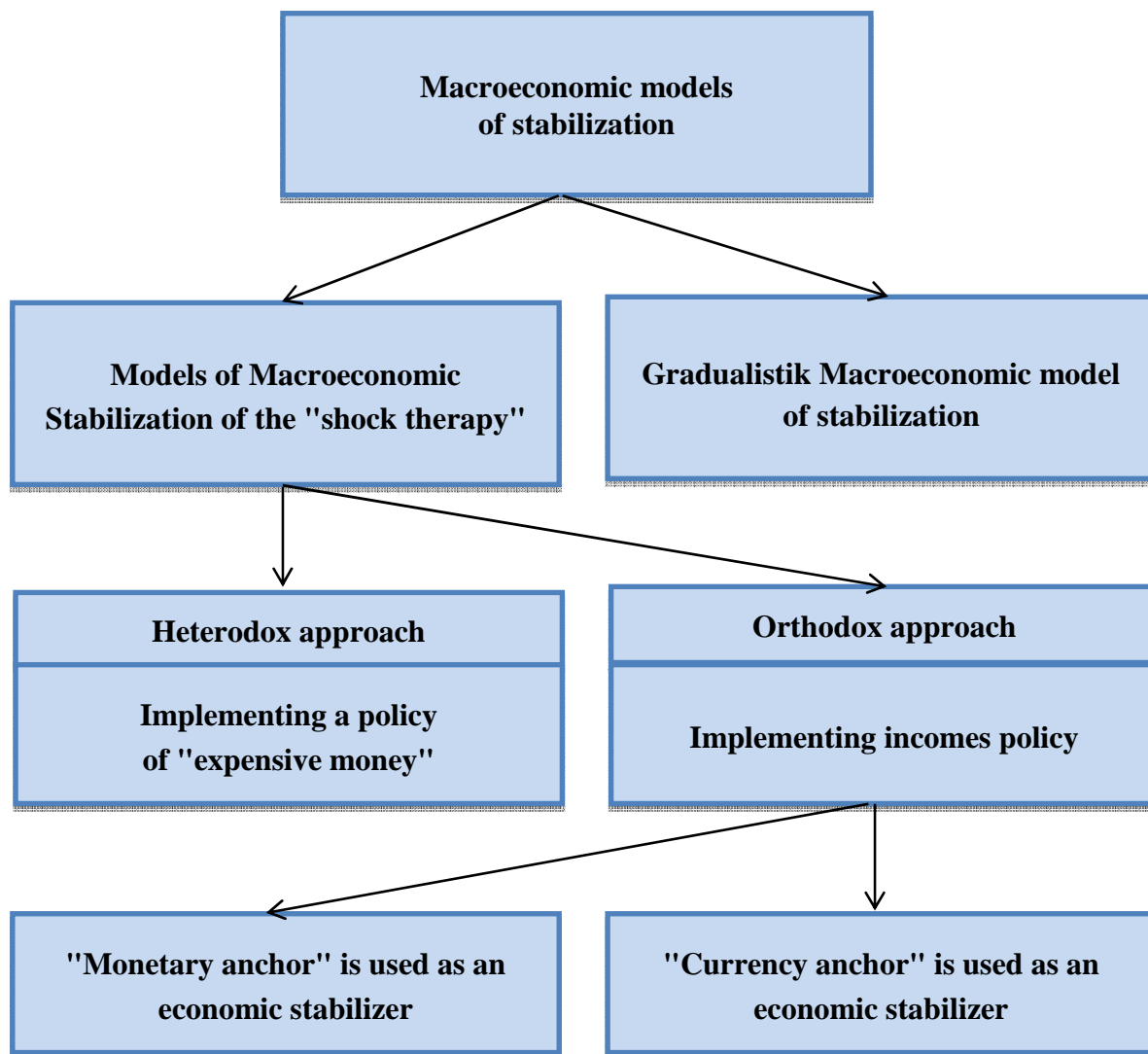


Figure 1. The main options for economic transition

In the practice of transformational change any of the options and approaches have not been implemented in pure form. At the same time spreading the idea that it is time to integrate both approaches. The emphasis on the rise of production should complement measures of financial

stabilization. Achieving economic stabilization and transition to economic growth will be provided mainly by financial and monetary policy.

Given the fact that Ukraine did not create effective framework for social transformation remains relevant today summarize the experience of social transformation of post-socialist countries and take account of it in the process of developing an effective national policy of social and economic transformation. It is necessary to take into account the previous (largely negative) experiences of modernization projects in the domestic political, legal, economic, social systems, etc. [5].

Experience of market transformation of the economies of different countries makes it possible to identify certain patterns of market transformation strategies depending on the ways and methods of reforming the economy [6]. The first model is a Chinese strategy. It involves the formation of market relations the old command-administrative system. The process of transformation of the economic system is a long, gradual, phased and full use of the apparatus of the state bureaucracy of public administration and planning is not eliminated, but adapting to new requirements. The reform in China formed two-sectorial economic model. Market controls the production of consumer goods and capital goods most. However, direct methods of economic management are widely used. The guarantees to attract foreign capital are created. Reforming of economy begins with reproductive areas (light and food industries, agriculture). As a result of transformations in China were solved three global issues: the issue of food self-sufficiency of the country (with only 7% of the arable land of the world's reserves); development of light industry, which not only fully provides population of the commodities of industry, but also allows to export products to many countries; created 15 new industries, including electronic-information, energy, chemical, machine building, metallurgy, automobile, shipbuilding, rocket and space and so on.

The second model strategy is Hungarian. It means a gradual evolutionary transition to a market economy through various interrelated transformations that originated during the administrative-command system. Market environment is formed within the system. Dismantled gradually. In Hungary, the evolutionary process of transformation of the economic system lasted about 40 years, making it possible to avoid welfare losses.

The third model is a strategy of market "shock therapy" or Polish model. This system of market transformation is a tough social experiment on human beings. There were all preconditions to use this strategy, because this country had market psychology, private ownership of land, support of the population, dependence on a significant number of diasporas. Poland was the first of post-socialist countries that resumed economic growth.

The fourth model of transformation is Czech or civilized model. The basis was the "velvet revolution" and the old tradition of market culture that have survived in conditions denationalization

of the economy and significant export links. The essence of this model is the "soft" destabilization (privatization) of state owned by civilized methods of shareholding and corporatization.

The fifth model is of transformation the Baltic model. Its specificity is the small scale of National Economy and efficient use of external assistance to stabilize production, consumption and orientation of the monetary system. Market transformations in these countries were made subject to "personnel revolution" and the presence of market culture and related personnel.

The sixth model of transformation is Russian. It is based on formal privatization, deregulation and enterprise development. Theoretically it was promising, but was not competitive. This experience demonstrates the complexity of a simultaneous of transformation of the political and economic system. Quick and effective implement market reforms failed.

The seventh model is the Ukrainian model. It is not realized and highly complex, very slow and not consistent. The reforms are controversial. The main reason for the failure of market transformation is the lack of a coherent strategy, although the state used the approach of "shock therapy" in the early transition. Ukraine transformed the administrative-command system to a market system. During the of transformation the pricing was changed. Government had to implement tough and unpopular steps related to the liberalization of prices. The central planning authorities established prices mostly below the equilibrium, in order to provide at least a part of the population's needs in products. An important part of the process of economic liberalization was the minimization of customs and non customs barriers. This step led to increased competition in the domestic market and to increase the efficiency of individual businesses the economic system as a whole. Changed also the place and role of the state in the international arena. Another lever of economic liberalization was to provide companies the right to choose or change the profile of their activities, industry, suppliers and others. The process of liberalization has led not only to a change in the sectorial structure of the economy, but also forced each economic operator constantly adapt to changing market conditions.

The process of economic liberalization is controversial and difficult because it brings the country a number of problems of economic, political and social issues. In this regard, the World Bank conducted a study whose purpose was to identify the cause of the success and failures of the process of liberalization of the economy, and made the following conclusions:

- Experience of all countries confirms that trade liberalization leads to increase in export-import operations;
- For the first years of trade liberalization is the economic downturn, but over time growth begins;
- Subject to the adoption of the structure of the economy unemployment slightly increases because of rising inflation and a deficit of the state budget. Countries that have managed to avoid macroeconomic instability, are successful;

- Fast pace of trade liberalization make possible to get market forces faster and safer [7].

An important task of transition is the transformation of state property into private, through large-scale privatization of state property. In order for a country that moves from the administrative-command system to a market economy, the business sector began to emerge should be restored the institution of private property. The main goal of privatization is to improve economic activity. Also successfully conducted privatization allows you to perform other tasks: creating the market, creating an efficient owner and effective control mechanisms, reducing costs and increase revenues to the state budget, attracting more investment, creating stock market [8].

Restrictions and reorientation of the economic functions of the state is a complex and important task of the transition process in the context of sustainability. The economic history of the world clearly indicates that the economy is developing successfully only when the state creates appropriate conditions for this. Therefore, the economic role of the state will be crucial.

Now it is important to determine the completion time of transformational change. The constitutional process was supposed to take less than six months and less than six years was for consolidating constitutional norms. After this was to take place creation of a social foundation that would allow to transform a constitution and economy so much that it would allow them to function even in a "storm". Limits within which the legitimacy of this society and on this basis could withstand various economic, social and political crises had to be laid [9].

Z. Brzezinski says, for all phases of post-communist transformation can be allocated from 9 to 30 years. Analysis of the sequence of changes in the political, legal, economic spheres and ways of maintaining the changes by western countries made by scientist can be perceived as a kind of action plan to implement the system transformation in Ukraine.

**Conclusions.** As the economy of Ukraine is an integral part of the modern world economy, international division of labor, it makes it possible to use the additional features and resources to deepen market reforms, acceleration of socio-economic development and realize opportunities in an international environment.

Therefore, the strategy of Ukraine is in transition to sustainable development and should be subordinated to the solution of important tasks aimed at deepening market reforms of social development.

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