

CONCEPT OF STATE INDUSTRIAL POLICY
AS POLITICAL ECONOMY AND MANAGEMENT CATEGORY

Annotation

The process of formation of state industrial policy is defined. The approach to solving objectives of industrial policy and deepening of integration processes is grounded.

Keywords: *mechanism of ranking, industrial policy, integration process, management category.*

Анотація

Визначено процес формування державної промислової політики. Обґрунтовано підхід до розв'язання завдань промислової політики та поглиблення процесів інтеграції.

Ключові слова: *механізм ранжування, промислова політика, процес інтеграції, управлінська категорія, формування.*

Аннотация

Определено процесс формирования государственной промышленной политики. Обоснован подход к решению задач промышленной политики и углубление процессов интеграции.

Ключевые слова: *механизм ранжирования, промышленная политика, процесс интеграции, управленческая категория.*

Introduction

Question about the essence of industrial policy causes heated debates that reflect controversial views of scholars and practitioners on the role of a state in an economic system. On the one hand, there are excessive expectations put on the effectiveness of public administration and, on the other hand – the denial of any need for government intervention in the economic process. Proponents of the first point of view tend to claim the leading role of the state in the economy, and supporters of the second point of view believe that the decisive role is played by the market. This thesis is advocated primarily by the supporters of monetarist theory. However, inefficiency of contrasting the extreme positions – «dyryzhysm» and liberalism – and their application in pure form in practice has received negative responses in the contemporary economic publications.

More balanced seems to be the position of those scholars who recognize the need for a combination of the regulatory impact and the market components within state industrial policy, implemented through state and market institutions of self-organization of economic activity.

Analysis of recent research

Theoretical, methodological and practical issues of industrial policy are actively investigated by both foreign and local scientists. In particular, these are works by local authors

such as O. I. Amosha, O. M. Alimov, V. Bodrov, A. Galchinsky, V. Heyets, Y. Goncharov, B. Gubsky, S. Dzyubyk, B. Kvasnyuk, I. Lukin, O. Mordvinov, Y. Nikolenko, V. Novitsky, V. Sidenko, V. Semynozhenko, A. Filipenko, A. Fuks, A. Chukhno, M. Chumachenko and others. Similar processes are analyzed by Russian scientists S. Avdasheva, V. Kirichenko, D. Lvov, A. Nekipelov, I. Shurchkov, Y. Petrov, O. Yastrebova and others.

In our view, the level of research about the problems of formation and implementation of the industrial policy in modern national economic science is inadequate to practical importance of this problem.

Statement of research objectives

– to define the process of formation of the state industrial policy;

– to justify the approach to solving objectives of industrial policy and deepening the integration processes.

Results

The problem of carrying out a certain industrial policy in any country is certainly a part of a wider problem – the overall economic policy of the state. The question of economic policy is quite deeply analyzed in economic science, because it's conducting influences lives and welfare of all citizens; it is beyond the national framework and it covers the relationship with the

economies of other countries. A special branch of economic theory – normative theory of economic policy – examines the question of how politicians should act. Another part of economic theory – a positive theory of economic policy – looks at how government agencies operate in practice. Theorists in this branch analyze the development and implementation of economic policy in certain countries, conduct comparative analysis, and summarize the conclusions.

At the same time there is no clear definition of the concept of state industrial policy as political economy and management category. In general we can identify three main methodological positions concerning definition of this category. Within the first approach industrial policy, as policy in general, is seen as a mechanism for ranking certain values in society. Industrial policy in this sense is defined as the consequences and results of specific government decisions. That is industrial policy in this sense can be defined as a certain mechanism of government decision-making [2, p. 130].

Another approach reflects the interpretation of the category of industrial policy in the broad sense. In this definition policy is interpreted as a general structure of implementation of certain authoritarian rules. The third approach idealizes the fact that political actions are consciously oriented and motivated. In this context, policy is seen as specific actions aimed at achieving a certain goal.

Also synthetic definitions of policy exist such as, for example, «policy is a direction of action offered by a person, group or government within an environment, which includes obstacles and opportunities that a particular policy should use or overcome in trying to achieve a goal or complete a task or intention. For the concept of policy availability of goals, objectives or intent is essential» [9, p. 64].

Thus, it is generally accepted that the state should carry out industrial policy and define its goals and methods. State may declare the strategic priorities of industrial policy, based on selected socio-economic goals of society according to certain criteria (preserving economic independence, rapid receipt of currency funds, implementation of existing technological, natural or labor resource advantages, control of external market segment, etc.), groups of subjects of economic system, whose development is important for the existence or qualitative transformation of the national economy, as it is understood at this

point of development. In branches, recognized as priority branches, creation of an attractive investment, credit, tax and other climate is expected. Market institutions enable coordination of negotiating objectives of different levels and provide links in the economic system [3, p. 36].

The experience of reform in recent years suggests that market reforms, not supported by active industrial policy, can lead not only to the loss of the country's technological positions in the global market, which is especially important nowadays, but also to the development of such trends as a significant decline in production and a number of negative social consequences. As noted in the «Strategy of Economic and Social Development of Ukraine» (2004-2015 years) «eventually economic dynamics has not acquired the modern post-industrial focus that had to become the core of the transformation process. Ukraine actually started to move in the opposite direction – dismantlement of relevant development potential, introduction of standards of countries that now specialize on maintenance of the needs of post-industrial world» [8, p. 41]. This confirms the need for priority of industrial policy in economic reforms, since the purpose of the structural reform of Ukraine's economy is approaching the inefficient structure of industrial production to a certain optimum, which is characteristic to postindustrial society in the conditions of socially oriented market economic model.

The process of development of state industrial policy of Ukraine has passed several stages. In the first stage (1991-1994) reformation of the economic system and its liberalization did not allow to realize the problems that arose in production sphere. The predominance of the ideology of decentralization, denying the necessity of state regulation of production, had the effect of limiting the state's impact on the real sector without creating a system of market management of certain industries and enterprises.

In fact, catastrophic decline in industrial production was seen as a fee for reform, as inevitable loss in the transition to the new economic system; it was tried to compensate it with constant changes in the structure of industries' management. The threat of further deepening and accelerating of production decline brought to life measures of general support of enterprises through mutual indebtedness and concessional loans, which contributed to the development of inflation. In the second stage (1994-1997 years)

in macroeconomic aspect financial stabilization measures were conducted, which were considered as necessary and sufficient condition for economic growth, improvement of investment climate, and increase of investment activity of subjects. State regulation of the real sector was reduced mainly to the rapid response to emerging problems.

Various development programs of individual sectors were composed; the concept of industrial policy was even adopted [4] and the concept of regional policy was developed [5], where much attention was focused on industrial development in the territorial aspect. However, these documents did not become the impetus for systemic effects on production.

The third stage of the state industrial policy begins in 1997.

Today there is an awareness of public authorities in necessity and importance of the regeneration of material production as the basis of the economic system; the question of overcoming disparities between financial and real sectors of the economic system, that have developed in previous years, is raised; economic experiments, aimed at increasing the efficiency of functioning of enterprises and their management, are conducted.

Thus, it is clear that state power in Ukraine recognizes the need in industrial policy. Official documents are periodically adopted and other measures are declared within the industrial policy. However, there are no tangible results from industrial policy implementation so far. Obviously there are a number of restrictions that complicate the implementation of industrial policy: legal, institutional and social. Let us formulate in details limitations of economic plan and also let us analyze the ways of their elimination.

One of them is connected with the approaches to industrial policy, with the understanding of its essence. Practice and documents show that the government relates the industrial policy to the definition of goals and directions of structural reconstruction of industry; to the increase the efficiency of industries and enterprises; to formation of such a legal and regulatory framework of management that would ensure the increase of competitiveness of products [6, p. 27]. Thus, the scope of industrial policy is treated narrowly. Modern approach to the definition of the essence of the latter should be based on consideration of existing tendencies and processes in global and national economic practice. As mentioned above, limiting the impact of industrial policy only to

industry does not meet the current global economic realities of the transition from the dominance of traditional industries to the increase of the role and importance of new areas and sectors – services, communications, informatics, transport, and infrastructure.

The next restriction applies to the definition of industrial policy's priorities. The priorities, which are put forward, relate mainly to those sectors that have the conditions for competition in the global market. To this accounting, in particular, fall in mechanical engineering – production of aircraft and space technology, energy and agricultural machinery, automobiles; in metallurgy – production of thin automobile sheet, special pipes, cables, valves; in the chemical industry – production of fertilizers, household chemicals, automobile tires; in wood industry – production of plywood, cardboard, special paper, furniture; and in light industry – processing of flax, raw hides, sewing and knitting production [6, p. 28].

An important function of state industrial policy should be the selection of priorities in the development of industry, development of the system of protective measures, creation of a regime that contributes the most to important and promising enterprises. Especially significant role state industrial policy should play in the development and implementation of highly effective modern scientific and technical and, especially, scientific and technological policy, in development and implementation of large scale nationwide programs. The innovation strategy and tactics at the macro- and microeconomic levels is the key to this. Finally, a special aspect of the state industrial policy is ensuring national economic security: creating a sustainable, stable and guaranteed system of resources and energy saving, maintaining the optimal level of military-industrial production and on this basis – defense of the country as defined in the Law of Ukraine «On foundations of national security of Ukraine» [4].

State industrial policy is an important component of state economic policy, which directs the activities of the state on acceleration of economic progress of the country, on stimulation of industrial enterprises' work of all forms of ownership towards achieving tasks set by the national economy. State industrial policy is designed to promote effective solution of urgent problems of the society [3, p. 60].

Industrial policy is also a set of targeted economic, political and organizational measures

at different levels of national economic system, aimed to compensate for shortcomings of the market mechanism for some cases of distribution of resources (infrastructure, environmental impacts, intersectoral reallocation of resources, etc.); improvement of industry structure, location of production, management and promotion of investment and production activities, formation of industrial groups, encouragement of small and medium enterprises; maintenance of optimal conditions of competition in industries (production quotas, competition policy, promotion of competition) [1, p. 76].

As to the essence of industrial policy, in this regard unanimity is absent. There are complaints about the difficulties of unambiguous interpretation, due mainly to different understanding of its aims and objects of influence, as well as specificity of instruments applicable within its framework at various stages. It is recognized that industrial policy stands as a component of economic policy, «any economic policy is always at the same time the industrial policy» [2, p. 130], and is connected with such its direction, which aims at creating conditions for production activity. Differences in approaches of scientists appear in the definition of area of industrial policy and its relationship with other elements of state economic policy. For example, industrial policy is defined as a state policy that affects certain areas of economic activity in the country. It is noted that this policy applies tax rules and state funds; promotes mergers to achieve economy in the scale of production; intervention in financial markets in order to direct resources to the sectors that are supported.

Some economists practically equate structural and industrial policy [7, p. 127]; others argue that the latter focuses mainly on promoting and encouraging technological progress that is directly or indirectly supports innovation [1, p. 131]. Sometimes the definition of «industrial policy» stresses means it applies, and the scope of their use. There are also allegations that industrial policy is the distribution of resources between branches of industry or in organization of industry, that is, determining the structure of enterprises (such as the predominance of large or small businesses); and also that industrial policy determines the activities of the state, aimed at meeting the needs of the population and industry, the increase of production volumes and the increase of competitiveness of industry as a whole and its separate branches. We believe that such approaches unreasonably narrow the scope of industrial policy.

In particular, let us focus on the problem of identification of structural and industrial policy as such that, on the one hand, is quite common, and, on the other hand, touches the most important component of economic reform: changing the structure of the economy. It is well known that the structural changes are one of the major components of reform. Structural changes are characterized by a change in the share of different sectors, regions, enterprises of different scale in the domestic product, capital circulation, the total number of employed in social production. They are expressed in that the number, range, and quality of manufactured goods and services changes: certain benefits are produced less or their production is terminated at all, while production of other increases. At the same time there is a change of main production technologies and typical for a market economy economic ties emerge. The structural transformations can be defined as the establishment of new relationships between different sectors of social production.

State industrial policy is part of state policy of reforms. It aims at achieving a new level of industrial development and on that basis: significant economic strengthening of the state's potential, meeting the needs of the population, development of the internal market and increase of exports, growth of production volumes and increase of competitiveness of production [6, p. 29].

In our view, the process of government regulation of industrial policy is based on two interrelated sides: methodological and functionally targeted. The methodological approach lies in the fact that for the state regulation of industrial policy the program-target approach should be used, as in the regulation of state economic policy in general. Thus, it is necessary to use the organizational and functional tools for its implementation in the form of a particular system of planning and development of the industry in Ukraine. The target component in state regulation of industrial policy reflects the result of regulation: creation of harmonious real sector of the economy, which optimally combines different in their purpose structures providing the realization of economic objectives the country.

If we consider the process of formation of national industrial policy in general, it includes three major subgroups (subsystems):

- analysis of the objectives of the national economy on the feasibility of their realization and resource support in the real sector of economy;

- definition of strategy and its mechanisms, which is needed to be provided for the implementation of defined objectives of industrial policy;

- development of measures of systematically balanced industrial policy, which is necessary for the implementation of this strategy as well as for definition of basic guidelines for effective management of resources in real conditions.

The objectives of industrial policy can be seen from the perspective of different actors. Thus, the state sets targets, declaring the so-called industrial policy priorities. The industries and companies get to this list selected or by specific criteria (for example, the criterion of «innovation», «turnover rate of capital» or «production of high-tech products», etc.), groups of subjects of economic system, whose development is urgently required, vitally important from the standpoint of existence or qualitative transformation of the economic system in the country. As for enterprises, the direct

producers, then their goals can be defined as a set of expected results and consequences from the use of certain measures. It may be, for example, updating capacities of the enterprise, introducing new technology, accessing markets, etc. Market institutions in this case act as subjects, creating conditions for the coordination, harmonization of objectives at various levels and providing links in the economic system.

Conclusions

Therefore, the basic principles of industrial policy are the protection of national interests in decision making; social and ecological orientation of the industry's reform; implementation of an innovative type of development; combination of state regulation of industry with market self-regulation mechanisms; program-targeted approach to solving problems of industrial policy; deepening the integration processes in the global economy, especially in the area of European integration.

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