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## FORMATION OF INSTITUTIONAL CHANGES MANAGEMENT SYSTEM UNDER THE CONDITIONS OF SOCIALIZATION OF NATIONAL ECONOMY

**Statement of the problem.** Institutional changes management system is formed within a certain economic system that represents the sum of all economic processes that are taking place in a society on the base of a complex of organizational and economic relations. Each system has its national models of managing organization, that correlate with existing economic, resource and cultural potential of the country, its traditions, spirituality and mentality.

Overview (analysis) of recent studies and publications. To the problems of formation of institutional changes management system are devoted basic developments of home and foreign scientists: A. Buzgalina, V. Volchik, A. Galchinskogo, S. Glaz'eva, T. Efimenko, S. Mochernogo, Ya. Kornayi, D. North, A. Radigina and others. On the basis of generalization of huge work of scientists, we made an attempt to ground our own concept of forming of institutional changes management system.

**Formulation of research objectives.** In this connection it is necessary to form an institutional changes management system under the conditions of socialization of the national economy, taking into account modern aspects of globalization and internationalization of world economic processes.

The basic material. The processes of institutional changes they connect with categories of institutionalization and deinstitutionalization of institutions. Specifically, market institutionalizing foresees movement of economic system to its institutional equilibrium; and the lack of changes in the development of science, engineering, technology, its moral getting older, stop in the development of human capital is a bright result of inefficient institutional changes, which characterized Ukraine at the beginning of 90-ies of the twentieth century.

Exclusive role in these processes is given to the State. During the periods of rapid economic and social changes it creates most of the institutions, that is

why eliminating of State from the active policy as for the formation of institutional conditions in the market can lead to deinstitutionalization.

Institutional development of the national economy is connected with the character of changes of all kinds of institutions, taking into account the institutional frames, as well as the special conditions in which they occur.

In particular, economic growth largely depends on the optimistic mood in the market. Otherwise, the economic can be shown out of balance, and then the institutional structure of the transactions and market must be taken into account. In this way, the long-term economic growth is a function of the conditions that create incentives for the effective activity of all economic subjects. Consequently, the balanced development of institutions is the key to the public welfare and development of the national economy [5, p. 18].

Secondary attitude towards the role of institutions and institutional changes in providing of conditions for economic development has led to a negative growth of Ukrainian economy during the nineties of the twentieth century. This was due to the use, as a theoretical basis of economic policy, of neoclassical model, which describes the production of goods and services as a function of the quantity and price of a set of spent resources: soils, labour, capital and entrepreneurial abilities, while the production function itself is determined by the level of technical development.

Using the institutional methodology allows you to adjust the neo-classical model taking into account the fact that production costs - is a function that depends not only on the costs of traditional resources, but also on transaction costs, which, with the introduction to the post-industrial stage of development, have become so significant that ignore them in economic policy would be a mistake [1, p. 5].

Development in many aspects is based on economic growth and rising of productivity. But to the growth productivity may lead both technological changes and institutional changes that touch the specification and the protection of property rights. Moreover, prospects of economic growth only on the base of technological or institutional changes are substantially limited. The thing is that the "main role, which institutions play in a society, lies in the reduction of uncertainty by establishing sustainable (though not necessarily effective) structure of interaction between people" [2, p. 36].

With the accumulation of technological innovations is taking place the modification of economy structure and old institutional elements of the market environment can not correspond to the new relationships. In this regard, is needed the implementation of institutional changes (evolutionary or revolutionary) that would have created an adequate basis for a system of economic relations, that is changing.

And if in the short-term period it is evident in the negligible extent, then in the long period the allocation of resources and, consequently, economic coordination, mainly, will depend on institutions. Thus, the role of institutions and rules in the long period of development and in evolutionary aspect is identical to the role of prices. In the planned economy actually there was not any price coordination, but was existed the institutional coordination, which usually is not taken into account [3, p. 82].

With this point of view is correlated a fundamental idea of Y. Schumpeter about the fact, that the essence of economic development lies not so much in the accumulation of capital and growth of additional manpower, but in allocating of capital and workforce from less effective areas of economic activity to more effective, that is possible only with the existence of effective institutional environment [4]. The reasons for such relationship lie in the plane of the formation and development of transaction sector of the economy.

Improvement of the institutions that promote the conclusion of agreements, leads not only to the expansion of production and trade in the markets, but also to the next lowering of transaction costs.

The presence of explicit institutional limits of development demonstrate various quality indexes of institutional environment, among which the most famous are: index of efficiency of State management of the World Bank (WBWGI), the corruption perceptions index (Transparency International's CPI), index of economic freedom (Heritage Foundation's IEF) as well as a number of indexes OECD (Organization of economic co-operation and development).

Published by these organizations quality indicators of institutional environment can give, mainly, common evaluation of quality dynamics of key institutions. Ukraine today significantly lags as for the quality of institutions from both developed countries and from a number of countries in Central and Eastern Europe with economies in transition.

For Ukraine, still, are characterized relatively high transaction costs: the internal market has a low level of competition because of the inflated costs of entrance and business corruption. Index of restrictions for foreign direct investments, OECD, that forms, shows abnormally high in comparison with other countries, barriers. This same trend confirms the other institutional index also: corruption index Transparency International.

On the other hand, indicators of investment attractiveness of the country, that are calculated by international organizations and rating agencies, over the last few years had got consistently positive dynamics. The main indicator here is the country's sovereign rating that is calculated for all States and the final risk of investing into a particular country, its ability to pay its debts, the ability of the economy to use effectively all borrowed tools, and so on.

Improving of indicators of credit risks is an important factor in the growth of the external debts of national companies, as well as growth of volumes of their investments. However, as overseas experience shows, the steady growth of foreign direct investments and the entrance into the market of new foreign investors (outside the areas of mining) is largely associated with deep institutional changes that are shown by common indicators of institutional environment state.

Therefore in well-developed countries, generally, improving of values of these two groups of indicators takes place in parallel. However, in Ukraine there is the opposite situation that lays in presence of significant differences between the two groups of indicators: the indicators of the quality of institutional environment and indicators of investment attractiveness of the country.

Besides, the size of institutional gap cannot increase all the time and after reaching of a certain level of development, the country is faced with a situation where, without adequate institutional changes the further growth turns out to be impossible. In this situation, change of the world rankings only disguises the fact of preservation of serious problems in the functioning of basic institutions and related with them risks for attracting of new investments and long-term development.

Sustainable long-term social-economic development of Ukraine and reducing of its backlog from neighboring countries is hardly possible without serious diversification of economy. The institutional structure of Ukrainian economy has low efficiency, with absence of coincidences of interests of subjects of formal and informal sectors. The effectiveness of the institutional changes that are formed in the State sector, depend on the specific individuals that are without full responsibility for the decision, which are accepted by them.

These institutional changes are developed within the framework and under the rules of the formal sector, and are implemented in the informal sector, where firms are organized in large groups and act together. It says about the inadequacy of conditions for the formation of a harmonious institutional environment and favorable prospects for development.

At the present stage of social development, axiomatic is the claim that industrial and postindustrial democracies are impossible without socialization of State, giving it functions of social control. You can say that all modern democratic countries, although at different times, have recognized the need for institutionalization mechanisms to ensure social harmony and peace. Such policy was fixed in the form of various forms, models according to the conditions and needs of each society, having received the general definition of policy of social partnership.

To achieve sustainable social-economic development, labour relations, Ukraine should take into account the basic world trends of social partnership.

Study of the approach that is used in institutional theory for the analysis of social-economic system allows to formulate the following conclusions:

-changes can be both effective and ineffective. Efficiency is determined by the level of transaction costs in the economy, and by the ratio of effective and ineffective institutions;

-even if the institutional balance is inefficient, the system can be sustainable as for the three main reasons: firstly, because of getting by State a relatively large budget profits, secondly, as a result of interest of powerful economic groups in the existing position that guarantees big profits, and, thirdly, as a result of too large, in comparison with the current level, transaction costs, associated with the change in equilibrium;

-the ratio of effective and ineffective institutions of the system will determine the trajectory of its development;

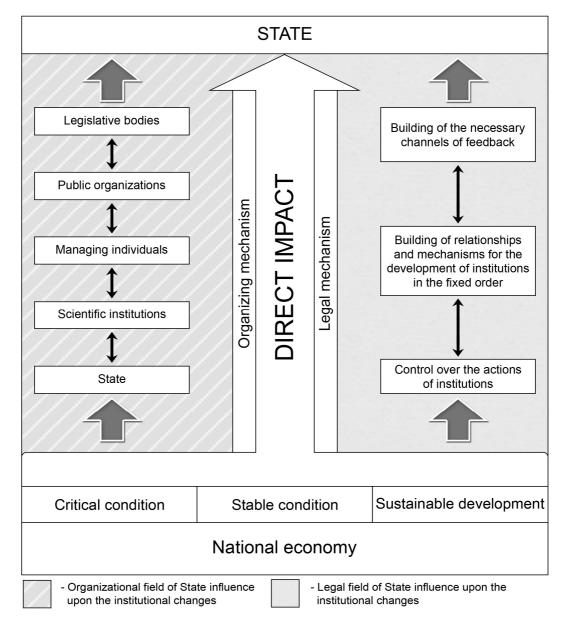
-institutional changes are possible under the influence of shifts in relative prices or changes of ideology.

Speaking about the change, we must also distinguish their quantitative and qualitative aspects. The quantitative aspect characterizes simple changes or conversion, quality sign indicates the deformation or transformation. Under the deformation we understand the regressive change of social-economic system and under the transformation - its progressive development. Thus, the institutional changes of social-economic system can be defined as a violation of the quantitative and qualitative nature of its institutional equilibrium, the ratio of forces of its main players and transaction costs, which are shown in change.

According to studies that were led by us, we proposed the concept of institutional changes State management, based on the complex interactions of both state bodies and public authorities (fig.).

Social-economic system from the position of institutional theory can be in two states: institutional balance and institutional changes. Under the conditions of institutional equilibrium the system can be effective and ineffective. These categories are determined by the ratio of effective and ineffective institutions and by the optimum level of transaction costs. In case if the level of transaction costs is not optimal, i.e. there are more ineffective institutions than effective, the system can still be sustainable. Sustainability is supported artificially thanks to the economic interests of the players and expectations of rising of the level of transaction costs comparatively with the current value. However, under the influence of changes in relative prices and changes in the ideology, social-economic system can go from a position of institutional equilibrium to a state of institutional changes, which is characterized by quantitative and qualitative parameters.

Not big, as for the size, changes mean simple institutional changes, significant – institutional transformation. Quantitative changes in the



## Concept of institutional changes state managing (author's project)

institutional environment mean change of number of players and the size of transaction costs. Qualitative institutional changes lead to increasing of inefficient institutions and increasing of transaction costs, which are typical for institutional deformation, or for reducing the number of inefficient institutions and lowing of transaction costs, that mean institutional transformation. As a result of institutional changes a new institutional equilibrium comes. Further, the process of changing of states of institutional balance and change is repeated.

Accordingly, we believe that institutional changes are the result of interaction of organizational and legal mechanisms in the field of interaction State-National economy.

Solving of this problem situation should become the main goal of institutional providing of Ukrainian social-economic system development. The institutional environment of modern Ukraine won't be able to solve the existing

problem because it includes institutions of low quality, effective selforganization of which is naturally impossible. Thus, the concept of institutional changes is an effective instrument of economic policy, with the help of which it is possible to eliminate the problems of institutional providing of the country development.

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Іртищева І.О., Стройко Т.В, Крупіца І.В. Формування системи управління інституціональними змінами в умовах соціалізації національної економіки. Обґрунтовано напрями формування системи управління інституціональними змінами в умовах соціалізації національної економіки, враховуючи сучасні аспекти глобалізації та інтернаціоналізації світових економічних процесів. Запропоновано концепцію державного управління інституціональними змінами, що базується на комплексній взаємодії як державних органів влади, так і громадських організацій. Доведено, ЩО інституціональні зміни результатом взаємодії організаційних та правових механізмів в полі взаємодії державанаціональна економіка.

Иртыщева И.А., Стройко Т.В, Крупица И.В. Формирование системы управления институциональными изменениями в условиях социализации национальной экономики. Обоснованы направления формирования системы управления институциональными изменениями в условиях социализации национальной экономики, учитывая современные аспекты глобализации и интернационализации мировых экономических процессов. Предложена концепция государственного управления институциональными изменениями, которая базируется на комплексном взаимодействии как государственных органов власти, так и общественных организаций. Доказано, что институциональные изменения являются результатом взаимодействия организационных и правовых механизмов в поле взаимодействия государство - национальная экономика.