

PROSPECTS OF UKRAINIAN CONTEMPORARY INSTITUTIONALISM

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Abstract: A promising area of the research of institutional economics of Ukraine is the research of its methodology and history, covering the process of the formation, development, evolution of institutionalism in the totality of its components and options. Problems and prospects of the institutional economics in Ukraine are very important and this urgency is growing due to the fact that the practice of market changes in the Ukrainian economy in recent years is evidence of the lack of the institutional approaches to solving today's theoretical and practical problems.

The article offers to look at some current problems and issues of Ukrainian institutionalism as one of the modern economic theories, that defines the transition of the Ukraine's economy to a market system and, later, to a postindustrial society - the economy of knowledge.

The analysis of problem of forming of institutional principles, presence of row of institutes, gives possibility to understand and explain social processes that take place in our country, see the prospects of , b25community development. Untaking into account of achievements of all directions of development of economic idea in the conditions of a variety of the modern world threatens serious consequences – to the removals of those aims, that was put before itself by society.

Keywords: institutionalism, institute, basic institutions, transaction costs, institutional environment.

JEL Classification: A10, B25, P10, P26, P48

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Relevant information

The problems of the contemporary institutional, social and economics transformations of the Ukrainian society are an object of research for all modern scientists. The subject of institutionalism, its methodologies, stages of development, structure, place and role in the economic theory, current state, problems and prospects of development is a relevant field of studies. In addition, the necessity of studying this topic is rising because of the fact that last few years the practice of market changes shows that there are not enough institutional approaches to solve current theoretical and practical problems in the Ukrainian economics.

The revival of institutionalism in the early twenty-first century and strengthening its influence on liberal and Keynesian concepts, gave a chance to many Ukrainian scientists (economists as well as historians) to describe not only the social aspects of economic life but also to study and explore the institutional environment, influence of its subjective factors on the development of entrepreneurship and functioning of the mechanism of the national economic.

Analysis of key studies and publications

Since the end of the twenty century, the interest in institutionalism as the direction of modern economic theory raised sharply. Scientific researches of theoretical and methodological positions of the institutionalism are highlighted in dissertations and others scientific publications in the field of institutional economics. The most known authors of the scientific monographs are: S. Arhiyereyev, T. Gaidai, V. Dementev, G. Zadorozhnyy, V. Lypov, P. Mazurok, O. Nosova, B. Odyahaylo, O. Prutska,

R. Pustoviyt, A. Tkach, O. Chausovskyy, O. Shepelenko, A. Chukhno, V. Yakubenko, O. Yaremenko etc.

A. Grytsenko, I. Malyi, V. Tarasevych, A. Chukhno, O. Yaremenko and others are the scientists who studies and researches issues related to the complexity of modern methodology of institutionalism and subject-methodological features of its components. Professor A. Grytsenko and representatives of her scientific school created a new scientific field. It is called institutional architectonics. This area is a combination of the deep knowledge of institutional structure, the art of the institutional creation, and the general plan of creation the integrated system of the institution.

Such periodicals as "Economy of Ukraine", "Economics", "Economics and Law", "Economy and prediction" and others include discussions of all issues of institutional economics.

One of the most prospective directions of the research in the theory of the institutional economics in Ukraine is a research of its methodologies and history. This area includes the processes of formation, development, and evolution of the institutionalism, its features and options. The most known scientists that work in this area are: L. Gorkina, S. Zalupko, P. Leonenko, P. Yukhymenko, A. Maslov.

The **main purpose** of this article is to highlight the current problems and issues of Ukrainian institutionalism as one of the modern economic theories, which defining the transition of Ukraine's economy to a market system and, further, to a postindustrial society - a knowledge-based economy (knowledge economy).

Research Methodology.

The appearance of institutionalism as one of the modern economic theory was possible due to the transition from the domination of private property and free competition to the increasing of the socialization of the economy, its monopolization and nationalization.

Modern institutionalism, including Ukrainian, was appeared and developed in the form of the neo institutional economics due to the theory of property rights and transaction costs, public choice of the institutional changes in the new economic history (cliometrics) and human capital. Nowadays such issues as the questions of the existence and development of the basic institutions, the institutional problems of the economic regulation, the institutionalization in a transformation period, the formation of institutional environment and sustainable economic growth are in the priority of the institutional process.

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Architectonics (from the Greek. architektonike - the art of building) – is the term used in architecture, literature, and geology. In a broader sense architectonic is the main principle of structuring, communication and interdependence of the elements of the whole. In economic theory, institutional architectonics is a "fundamental structure of the institutes, consisting of the rules, norms, attitudes, traditions, institutions and other social entities in their relationship with a nature and general aesthetic plan of the integrated social system" [4, p. 9, 27].

Representatives of the idea of the institutional architectonics, based on their methodology, have proved the new way of the institutions` development. The main idea of this approach is that scientists define the concept of term "institution" not only as a part of the society (part of the socio-economic reality) but also as a society in the institutional aspect. All institutions are exploring as they are a part of any organization, technique and technology, any object of human culture, the way of thinking and so on.

Institutions are the dynamic ways to coordinate the interaction of economic entities and business units. In addition they define the relationship of these units and entities with the historical states of the society (path dependence). At the same time, institutional forms as samples approved in practice (practice and model patterns), methods, and norms of behavior that are caused by the specific socio-economic and technological conditions of the society, are fluid and relative [5, p.94]. This means that institutions have internal dependence on past experience and are demonstrating the inconsistency between the "formed norms and mechanisms of social interaction and organization of production" [6, p.70].

The main features of institutions are that they express themselves through the:

- 1) strategic and operational goals of the economic policy of advanced development;
- 2) rules and regulations of economic activity and social initiative for the significant improvement of standards and quality of life;
- 3) innovative type of behavior of economic agents [9].

O. Moskalenko proposes to think about the institutional structure model of advanced development in developed countries as about the set of such institutions:

- political and economic institutions (they define the mechanism of solving social conflicts based on social compromise and consistency of government, business, public and individual interests);
- institute of a goal formation;
- institutions of a science and education (institutions of a human development);
- institute of an information and knowledge (sufficiency of an information);
- market process (traditional resource markets; labor market - the market of intellectual (creative) labor; capital market; human capital market, intellectual capital market);
- institute of the innovative competition (competitive activity);
- institute of economic efficiency and social justice;
- ethical business culture (independence of economic agents in decision-making, freedom and human dignity). [9, p.16].

Representatives of the institutionalism in Ukraine (T. Artemova, A. Grytsenko, I. Malyi, V. Mandybura, S. Stepanenko, etc.) among the basic structures of economic system are also define such institutes as:

- the institution of property,
- the institution of management, based on the economic value,
- the institution of distribution.

A transactional sector, an economic power, a fiscal, banking, and monetary systems, taxation and others are separate components of the economic system. Scientists are analyzing these structures and components of the economic system from the point of institutional architectonics [8, 4].

The institutional construction of the economy happens all the time. Especially intensely this process happens in the transformation period. Privatization of society (reforming institution of the government) is the most essential part of transformations in Ukraine. One of the main functions of the government in such period is creating an informational space, which prevents distortion of current market information to business units. This also includes the reducing of the uncertainty of behavior of these units by reducing risk. In addition, compiling of regulation and mandatory requirements that restrict the improper execution of contracts between the units and coordinate their joint efforts to achieve a mutually beneficial outcome [7, p.50-55].

The problem of institutionalization of the economy in transformation period is linked to the issue of forming the institutional environment in Ukraine. The spontaneous transformation of the institutional environment and import the institutions that exist in countries with more developed economies are the main reasons for inhibit the market reforms in our country by the majority of Ukrainian economists.

Factors that inhibit the forming of the institutional environment in the national economy of Ukraine are:

- missing of the new institutions, which could replace the old one and provide the self-sufficiency of the economy and social stability of society;
- the weakness of government institutions. This is generating shadow economy;
- a large number of the inefficient institutions;
- a desire of some institutions to receive the exclusive privileges;
- the bureaucratization of the institutions.

In the institutional environment, government should provide the movement, coordination, redistribution of the material, financial and information flows in the economy. This will allow using the limited economic resources more effectively by all business units.

The increasing of transaction costs and the need to save them causes the government intervention in the process of institutionalization of the economy. This aspect highlights in the works

of S. Arkhiyereyeva. He analyzed the phenomenon of transaction costs and made their classification. He also discovered their economic role, their relationship with the efficiency of production and market equilibrium. In addition he explored the impact of institutional and social capital on the peculiarities of market transformation; discovered the irregularity of transaction costs` distribution among different population groups, which causes the property stratification in the countries with transitional economy [2]. He also developed a methodological framework for better understanding of the limits of transaction sector [3, p. 15-20]. The author proves fundamental possibility and practical expediency of implementation the correction of national accounts by institutional sectors. This allows getting information about the transactions institutional sector directly from the statistics of national accounts.

A. Efimenko highlights the analysis of the relationship of institutions and transaction costs. From his point of view, the institutions are reducing transaction costs and transforming these costs to their own income, through appropriate specialization and professionalism. The competition between institutions (the desire to get more economic benefits) leads to higher transaction costs for the institution and society as a whole. This process leads to the increasing of conflicts inside of the institution as well as between different institutions (that are working in related fields) and their non-institutional actors (those who are using the services of professional intermediaries) [7, p.51]. As we can see, without the intervention of the government (consider the rights of each institution), these institutional conflicts will not be resolved. While the institutions resolve their internal conflicts based of their own rules, regulations and standards they do not need the government intervention. But at some point of time, the institutions are not able to organize their relationship along. This leads to unjustified increasing of internal transaction costs for administration. This also can cause the criminalization of activities. Then there is a need to impose the institutions with more serious limitation system. This system includes sanctioned and protected by the state norms and rules of conduct.

Trajectory of society`s development, except legislation, defines the relationship between effective and ineffective institutions. A. Alchyan, following the evolutionary hypothesis, says that competition among institutions leads to the elimination of "weak" and helps to survive those institutions that provide the greatest efficiency in the coordination of economic agents [1]. D. North believes that the theory of technological change is very important. According to him, changes in institutions are caused by changes in prices and ideology. It is important to create a system of social control over the economy for social institutionalism. Following these scientists, the forms of social control include: regulative government's influence on large corporations, competition, pricing, employment, currency, and finance [10]. The government should enhance its role of arbitrator as this position provides the compliance of general interest and the stimulation of individual initiative at the same time.

To what degree Ukrainian institutionalism take shape as independent research program as part of institutional paradigm will depend on whether its representatives will propose a new research methodology of studies of transition processes, design a new economic policy, which would take into account all issues from theoretical and practical sides.

Results. Nowadays in Ukraine, there is a lack of institutional approaches to solving theoretical and practical problems that are associated with the transition of the state to a market system and, further, to the knowledge economy. Such questions as: the existence and development of basic institutions, institutional problems of economic regulation, institutionalization in a transformational period, the formation of institutional environment and sustainable economic growth in the context of the institutional process – are very relevant and give the opportunity to all representatives of the theory of modern Ukrainian institutionalism to create a new theory of economic development.

Conclusions and prospects. The main condition for successful economic modernization in Ukraine is to bring the institutional environment in one line with goals and objectives of this modernization. The economy needs modern institutions that are aimed at sustainable development of society. These modern institutions assume the strengthening the role of the government in order to stimulate the actions of those business units that provide all kinds of cost reduction considering the using of opportunities of market situation and the development of national production potential.

One of the challenges of modern institutionalisms is the definition of the term "institution" as not only as a part of society (socio-economic reality) but also as a society in the institutional aspect. That is why it is proposed to consider the institutional structure of country's development as a set of political and economic institutions, institute of a goal formation, institutions of a science and education, institute of an information and knowledge, market process, institute of the innovative competition, institute of economic efficiency and social justice and, in addition, the basic structures of economic system: the institution of property, the institution of management, the institution of distribution.

The most essential part of transformations in Ukraine is a privatization of society, which means the reform of the state. The role of the state is changing during the process of institutionalization. In the institutional environment, the government should provide the movement, the coordination, the redistribution of material, financial and information flows in the economy. This will allow using limited economic resources by all business units more effectively. Government intervention in the process of institutionalization usually is caused by the increasing of transaction costs and by the need to save these costs. When institutions are not able to organize their relationships, when there is an unjustified increasing in internal transaction costs for administration, and increasing in criminal activities, then there is a need to impose need the institutions with more serious limitation system. This system includes sanctioned and protected by the state norms and rules of conduct.

Trajectory of society's development, except legislation, defines the relationship between effective and ineffective institutions. Changes in institutions are caused by changes in prices and ideology. For the modern social institutionalism it is important to create a system of social control over the economy. Regulative government's influence on large corporations, competition, pricing, employment, currency, and finance are the forms of social control.

Analyzing the problems of formation of institutional framework and environment, learning the current institutions, scientists are trying to understand and explain the social processes that are taking place in our country, to see the prospects for social development. Neglecting of achievements in all areas of economic theory, in terms of the diversity of the modern world, can lead to the distancing from the society's set of goals.

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