



Opening Remarks

Yevhen SAVELYEV

**CHOOSING THE NATIONAL
ECONOMIC MODEL OF UKRAINE**

Abstract

The author raises the problem of developing the strategy oriented at attaining the national economic miracle. At the heart of this strategy is employment of the available resource – the intellectual potential of the nation, which has not been wasted so far. In view of Ukraine's lack of traditional factors of production, its choice should be based on the strategy of transition to the economy of highly-intellectual services with capitalism of managers (instead of the capitalism of owners), bypassing the phase of processing industry dominance.

Key words:

Capitalism of managers, capitalism of owners, education, information sector, intellectual services, knowledge economy, model of economic development, national idea of economic development, quality of life, skilled work force, strategic choice.

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Savelyev Yevhen, Doctor of Economic Sciences, Professor, Honoured Worker of Science and Technology of Ukraine, Vice-President of the Academy of Economic Sciences of Ukraine, Head of Department of International Economics, Finance and Credit Relations and Marketing, Ternopil National Economic University, Ukraine.

We can read about successes of the Ukrainian economy a lot. It's a pity, however, that they are mostly presented in governmental reports. It is hopeless to look for same in the analytical decisions of international financial and rating organizations. Even less so can we hear of them from average citizens – economy is not something they can be proud of. The early years of independence made people concerned about the coming large waves of inflation and uneasy about their survival thanks to finding employment abroad. The latest years are marked with stressful price shocks, especially in power engineering, and search for new survival forms.

The indifference of average citizens to country's «successes» shouldn't be accounted for by their full absence. In fact, economic growth does exist, even if there is no full trust in statistical reports. The feeling is that sooner or later macroeconomic indices will have to be specified. There might come the time when such correction will have to be done as it was done in China – based on general economic census. Nevertheless, we can hardly hope for their increase (as it was in China in 2006) – this is way too unlikely (unless the unbelievable achievements of the shadow economy are uncovered).

The indifference of average citizens towards «success» of the country stems from absence of *the national idea of economic development*, for the sake of which one can undergo temporal (but not permanent) constraints in the quality of life. This idea is worthy of being discussed at the nation-wide scale, perceived and realized. In view of this, Ukraine should get ready to enter the process of revolutionary transition to «*information industry*» or «*knowledge economy*», which in the developed countries leads to rough structural reformation accompanied by horrors of «deindustrialization» (a popular new term today is «delocation») and mass reprofiling of labour force. In other words, the world market exhibits strongly growing demand for skilled people capable of performing highly intellectual labour, which is regarded today as a new step in the development of mankind as a whole. The time of traditional industry in the developed countries is drawing to a close. Manufacturing is transferred to other countries, while the new mission of the leaders is to enhance that system with results of valuable intellectual labour, that is, innovations and inventions, software products and different services.

Therefore, in current conditions it is necessary to immediately take the macroeconomic decision about the long-term strategy of the Ukrainian economy with orientation not at the GDP rates, but at the present-time requirements. We should not wait for a «do-gooder» who will indulge in making the country a manufacturing site for supplying commodities to the world market. Ukraine has sufficient grounds for setting an alternative task – to transform the country into the producer of *high-quality labour force and intellectual services* requiring «sophisticated intellectual activity». After all, the country has more resources to catch up with economic leaders by using modern parameters rather than traditional factors of production. In this connection, it is worth to consider that the quality of life is determined first of all by the contents and complexity of labour

which dominates in a society. The country of factory chimneys is a heroic spirit retreating to periphery of the world economy.

Of course, none of the choices should be made absolute. The case in point is priority, but it is the priority of much deeper meaning. In view of the traditions of Ukrainian society and intellectual potential of the nation, the choice is obvious – we should get involved in the business-processes providing for sophisticated intellectual activity. The nation has spontaneously taken this way already. Non-accidentally, the number of students in higher educational institutions of III–IV accreditation levels is growing at decreasing number of secondary school graduates and falling admission to educational establishments of I–II accreditation levels.

Raising the question about strategic choice of the economic development model, where the traditional task of accelerated GDP growth would fade into the background, means a return to life quality indicators. We speak of building the economy capable of forming – at an accelerated rate – the middle class and providing high standard of living, including high level of national wages and pensions and improved conditions for health and life insurance. Once again, the past methods can hardly fit the task of meeting these objectives (such as the Soviet method connected with development of «heavy industry», or the American one, based on the highly-integrated sector of motor-car construction in the USA, Canada and Mexico).

The question is: Is there such a pattern of reformation that could be used as a guiding line by Ukraine? Not a single country of the CIS can set an example, since the majority of them, – though fairly successful, – base their strategies on employing the factor of natural resources exploitation, which is not acceptable for Ukraine. In view of Ukraine's resources scarcity, its choice should ground on *the strategy of transition to the economy of highly-intellectual services with capitalism of managers (instead of the capitalism of owners), bypassing the phase of processing industry dominance.*

Thank God, we still have resources to create the Ukrainian economic miracle. According to its 2007–2008 World Competitiveness Report, the World Economic Forum, – having rated Ukraine 73rd out of 131 countries by the overall index, – admitted its competitive advantages in the quality of primary education (49th), access to higher education (17th), quality of mathematical and nature studies (44th), quality of education system (47th), and capacity to innovate (40th). This position, of course, can not be regarded as decided leadership; however, it testifies to maintaining the level which is above the average.

The implementation of the new strategy should start from accumulating the sources of education financing. Consequently, the recent dominant tendency towards the opposite should be changed. The share of state budget financing of education decreased to 35.9% in 2006 from 40.7% in 2002. At the same time, general budget expenditures for education currently make 6.3% of GDP, which is not enough to reach the leading positions in the world economy.