

**International Economics**

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**INTERNATIONAL STANDARDS
OF INCLUSIVE GROWTH
AS A BASIS FOR SHAPING
AN EFFICIENT ECONOMIC POLICY
OF THE STATE**

Abstract

In some ways, the article summarizes the author's work in the field of integrated assessment of the state and dynamics of Ukraine's economic development.

Summarizing the longitudinal research, the authors present the goal of the article as a conceptual definition of inclusive growth in the format of its interpretation by influential international organizations, assessing the conformity of the state of the economy and social sphere of Ukraine to the standards of inclusive growth, and determining on this basis public policy measures, the implementation

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of which will help overcome crises in the country's economy and counteracting the main global challenges of modern civilization.

The most significant interest is the analysis of new approaches to counteracting these challenges, developed by the international community in the format of implementing the concept of inclusive growth.

These approaches are most concentrated in the program document of the OECD Council, which was named New Approaches to Economic Challenges, – NAEC. This document forms an important system process aimed at the development and consistent improvement of tools and analytical work that should be used by international organizations and governments of certain countries to resolve the issues identified above.

In the article by using the component principal analysis, the methodology of assessing the state of the economy and social sphere of Ukraine was improved, and an analysis was made of the compliance of this state with international standards of inclusive growth.

The result of the analysis is an important conceptual conclusion about the discrepancy of the current model of Ukraine's economic development with the challenges of our time, which in turn leads to a state of the Ukrainian economy and social sphere that are characterized by pathological and toxic features.

The result of the multi-vector assessment of the state of the Ukrainian economy is practical guidance on the improvement of state economic policy, the implementation of which, in the authors' opinion, will contribute to the achievement of standards of permanent inclusive growth.

Key words:

Improvement of the state economic policy, assessment of the state of the economy and social sphere, pathological and toxic economy, partial and integrated indicators.

JEL: C53, E27.

Introduction

The world economy is a complex system that evolves in the process of close cooperation of traditional institutions (states, multinational corporation, international organizations also) with the newest structures (intellectual valleys, world cities, technology parks, «virtual enterprises», etc) and business relations between them.

The current stage of development of the global economy is characterized by a better understanding of theoretical concepts, possible contradictions and new global problems, the increasing interdependence of all participants and components of the world economic system. The globalization of the world economy creates a new «environment» for the economic development of countries, defining new direction in the economic policies of these countries. Dynamic changes in the world economic economy can be viewed as global challenges not only for developed countries, but also for developing countries.

National governments and international organizations in order to effectively counter these challenges are developing new conceptual approaches, arrangements and technologies, the use of which should contribute to the consistent solution of the following basic issues:

- defining the typology of models and types of economic challenges that have a place in creating, development and deepening of socio-economic and financial crises according to various characteristics;
- development of conceptual approaches to measuring the influence of individual indicators on the process of forming various kinds of challenges, the emergence and deepening of economic crisis;
- development of different strategies and basic models that are used in different countries of the world to solve socio-economic challenges, to provide crisis phenomena with a view to adapt these strategies to the specific conditions of a particular country;
- implement the developed strategies and basic models at the global, regional and national levels.

The most significant interest is the analysis of new approaches to resolving these challenges, developed by the International Organization for Economic Cooperation and Development (OECD). The OECD consists 34 states, most of which are countries with powerful national economies, whose functioning provides a profit rate of citizens', the competitive index of the Human Development Index (HDI) etc, and which are classified as developed.

The above approaches are systematically set out in the program document that was adopted at the OECD session at the ministerial level in 2012. This document is called *New Approaches to Economic Challenges*, – NAEC and forms an important system process for the development and consistent improvement of tools and analytical work that should be used by international organizations and governments of certain countries to resolve the issues identified above.

The impetus for the development of such an instrument was the global financial and economic crisis of 2008–2010, although the need for such studies was long overdue.

Today, the public policies of OECD member countries and partners are facing an incredibly high number of risks and challenges of a socio-economic nature. Such risks include, for example, the slow post-crisis rehabilitation of national economies, the migration crisis that has pervaded most of the European countries, a steady unemployment rate, growing social differentiation, instability of the international and public finance sector etc.

Growing scientific interests in the search for a model for the development of socio-economic systems that will meet the principles of sustainable development and inclusive growth has been manifested in the increasing number of publications by such foreign scientists as D. Acemoglu, D. Robinson, E. Rinette, S. Hollander, R. Boling, S. Podestà, C. Bedos, E. Duflou, M. Todaro and other scientists.

Among Ukrainian scientists, mention should be made of the scientific works of A. Amosha, V. Anisimova, A. Bazilyk, V. Vishnevsky, V. Granatourova, V. Heyets, G. Glukha, T. Zatonacka, E. Yermolayeva, A. Konovalova, E. Libanova, O. Lugina, I. Mantsurov, D. Ogo, L. Simkiv, A. Sidorova, I. Taranenko, I. Chervakova, etc.

Summarizing the results of studies of foreign and Ukrainian scientists, it can be concluded that in the relevant publications, inclusive and extensional development models are considered, their features are described in different countries, although insufficient attention is paid to scrupulous analysis of each of the mentioned models.

1. Inclusive growth as a basis for solving the global challenges

At this point, there is an objective need to find new sources of growth to achieve **sustainable inclusive economic growth** in order to improve the well-being of society. This was emphasized, in particular, at the last World Economic Forum in Davos in 2018.

The term «innovative approaches» in the interpretation of the OECD implies understanding that the welfare of society is not only the growth of real GDP and material incomes of the population, it's also a multi-vector concept that includes such spheres of a person's life as education, health-care, personal safety, ecology and many others. It is taken into account the fact that one parameter of «sustainability» for economic growth is not enough: growth **should be inclusive, that is, in addition to ensuring high and stable economic growth and preservation of the environment, it must provide people with equal opportunities for realizing their human capacity.**

This concept is the result of transforming the concepts of «**economic growth**» and «**sustainable development**» into much modern ideology of «**inclusive growth**». Moreover, each of the following concepts doesn't deny, but harmoniously develop the previous ones, enriching them, making them more perfect and those that meet the real contemporary challenges.

Methodologically, the term «**innovative approaches**» includes several aspects. First, it is necessary to consider some basic concepts and settings of economic theory, for example, the postulate of market self-regulation. Secondly, it is necessary to consider the improvement of the existing tools for structural analysis between the components of sustainable development – including for the purpose of providing social differentiation and solving environmental problems. Finally, it is necessary to analyze the relations between the role of the state in overcoming global challenges, the interaction of political drivers and the final change in the level of welfare, since in different countries these aspects vary considerably.

The organizational structure of NAEC implies three interrelated stages, namely:

1) **analysis of previous crises and risks** in order to determine the work of the OECD, consideration of political priorities and the development of new approaches and instruments of economic policy, without the realization of which it is impossible to provide economic crises.

2) **analysis of trade-offs and synergistic effect** within the framework of economic policy between its drivers and changing social welfare, with an empha-

sis on addressing issues of inclusive development in the indissoluble interaction of all components of economic growth, overcoming social inequality and solving environmental problems, and emerging long-term global trends and political challenges.

3) **institutional and management issues** aimed at overcoming long-term challenges associated with increasing interdependence of national economies and identifying crises at their early stages of development.

An analysis of previous crises is presented in the second section of the article, which has the corresponding title.

2. Using the ideology of inclusive growth in Ukraine as a basis of state anti-crisis policy

At the beginning of this section, the authors consider it necessary to emphasize that the system of statistical reporting in the field of environmental protection in Ukraine today doesn't focus on assessing the response of ecosystems to industrial influence and critical parameters of influence for specific ecosystems and population groups, but reflects only the natural amounts of pollutant content and price indicators of compliance by enterprises or local authorities with health legislation or planned parameters for conducting health measures.

From the point of view of economic indicators, the system of statistical reporting in Ukraine in the sphere of environmental protection mainly operates through indirect indicators of the state of the environment (for example, capital investments in measures aimed at environmental protection), while international norms focus on the development and implementation of integrated indicators of direct action that will reflect the environmental and economic processes at the national level (for example, the share of the value of environment-related products and services in the total value of gross domestic product, %).

Thus, the nature of indicators of the environment state in terms of resources doesn't correlate with modern requirements for the formation of a system of sustainable inclusive growth of Ukraine, which are based on the principles of the UN International Conference on Environment and Development. The introduction of integrated indicators of sustainable development is becoming topical, which would provide an opportunity to coordinate the problems of the state of the environment of existence and the socio-economic progress of state.

Taking into account all the above, it was decided to focus attention in this article primarily on the economic and social components of inclusive growth.

As for the analysis of economic dynamics, it should be noted that for the years of independence, the real GDP of Ukraine decreased by 35%. According to the World Bank – this is the worst indicator in the world over the past 25 years. Of the 166 countries that represent the full GDP statistics for 1991-2016, the indicator was reduced only in five cases. The GDP of other states has grown. With a minimum increase in Barbados (8.9%) and Tajikistan (10.6%) and the highest in China (GDP increased more than 10 times).

The model of «*lagging development*» is an actively conveyed thesis, according to which the economic losses of Ukraine are caused by the loss of part of its territories, by war and the destruction of the most significant industrial region. That's not entirely true. At least for the reason that the negative phenomena in the economy of Ukraine began to accumulate in the early 90's of the last century – the volume of domestic production had been steadily declining for decades.

Because of the annual reduction, Ukraine has lost almost 60% of GDP. This recession twice exceeded the decline of the American economy during the Great Depression.

In 2000, the GDP for the first time increased – by 5.9%.

After that, there were cases when the GDP growth rate ranged from 12.1% (2004) to 2.7% (2005).

When the world plunged into the global financial and economic crisis, Ukraine's GDP once again began to show the worst performance in the world in terms of growth. Therefore, in 2009, the Ukrainian economy topped the list of countries with the most significant drop in GDP, which fell by 14.8%, while the average reduction in this indicator was only 2.1%.

Since the end of 2008, domestic GDP has declined in 24 out of 32 quarters. For 16 years, from 2000 to 2016, domestic GDP increased by only 69.8%. And this is the worst indicator among all the republics of the former USSR.

Today, Ukraine's economy is emerging from a prolonged crisis, demonstrating, according to the Ukrstat, a slight increase in terms of a certain reducing inflation. In 2017, the trend towards economic recovery was developed after a positive turnaround in 2016, which led to GDP growth of 1.5%. Last year, economic growth accelerated to 2.1%, industrial production grew by 2.4%, and the inflation rate was 13.7% – compared to 12.4% in 2016.

During the year, systematic risks for the Ukrainian financial sector decreased, and the macroeconomic environment – both external and domestic – was favorable. After a long economic recession in 2016, the economy of our country showed signs of recovery in many areas: GDP recovered, inflation was controlled and within the National Bank's benchmark, which again made bank deposits favorable for the population, and losses of the banking and corporate sectors decreased.

Production in key sectors has ceased to decline, beginning to recover – primarily through industry, agriculture and metallurgy. Statistically, in 2016, the economy of Ukraine received 3.1 billion dollars of foreign direct investment, which is 41% more than in 2015. Of these 3.1 billion, 2.2 billion came into the country as a result of recapitalization of banks by shareholders.

To attract investment and stimulate business, the National Bank in 2016–2017 continued to actively curtail the currency restrictions introduced in 2014 and to soften monetary policy. These steps were made possible by the stabilization of the hryvnia exchange rate.

However, for tangible improvements in the living standards, much higher rates of economic growth are needed, which can be achieved solely by acceleration of reforms and effective anti-corruption policy.

Thus, the dynamics of the values of macroeconomic aggregates doesn't make it possible to feel the results of achievements, moreover – so far the loss in the **format of inclusive development of the country**.

In order to implement the first stage within the NAEC process, namely, – **to analyze the functioning of the Ukrainian economy** in the format of inclusive growth over the past years, – the authors developed a system of statistical indicators that assesses the degree to which the characteristics of the state of the Ukrainian economy and its social sphere are in line with the standards of inclusive growth, and in the absence of such a consistency, – risk assessment of recurrence of a crisis situation, the intensity of its development, economic and social consequences.

The result of this approach is the proposed fundamentally new methodological approach to assessing the ratio, relatively speaking, of the **benchmarks** of inclusive growth with the actual values of the corresponding indicators, which determines the state of the economy of Ukraine and its social sphere. This approach makes it possible in the case of a significant violation of the analyzed ratio to assess the threat of the emergence of the economic crisis, and in case of its occurrence – intensity, duration and depth.

From the point of view of the OPEC and the international community as a whole, the values of indicators characterizing the economic and social components of inclusive growth are reflected in columns 3 of tables 1 and 2, respectively. Separately, it should be said that these values, which practically play the role of a base period, are determined by the method of expert assessments carried out by international experts.

But in so doing, the authors believe that any more or less significant deviation of the «negative» actual values of the indicators of the assessment different components of the functioning process of the economy from the benchmarks indicates the existence of a certain risk of a crisis situation, and in the case of the formation of more significant «negative» values of deviations of actual the levels

of these indicators from the benchmarks, it should be noted: the depth of the crisis is increasing, which, with the development of such a tendency, inevitably leads to the state of the economy, characterized by traits of **pathology and toxicity**.

(Definitions of the pathological and toxic economy are given below.)

In order to determine the existence of crisis phenomena in the economy and social spheres – if there are no features of inclusive growth – the actual values of the macroeconomic indicators are consistently compared with the «**pre-crisis**» levels, the threshold values of which are also determined by the expert evaluation method.

When there are «negative» values, in this case the state of the economy and the social sphere should be classified as «**critical**», while in the case of even larger deviations – «**supercritical**» or «**pathological**».

The formation of a system of statistical indicators, which assesses the level of compliance of the state of the economy and the social sphere with the standards of inclusive growth, is done as follows.

At the first stage, based on the analysis of the characteristics of inclusive growth suggested by the OECD and formalized at the last World Economic Forum (**WEF**) in February 2018, as well as the crisis response strategies of the developed countries, a list of special indicators for measuring and assessing inclusive economic growth and assessing the risk of a crisis in the state was formulated. This list includes almost 80 absolute and relative indicators.

The lion's share of these indicators is calculated and used in the practice of state statistics bodies of Ukraine, and this excludes the construction of long dynamic rows.

To finalize the process of forming a system of indicators, a set of 80 indicators with a certain measure of conventionality is divided into 5 groups, namely: macroeconomic, financial, of investment and innovation activities, of production and foreign economic activities – with subsequent evaluation of the coupling density between the indicators using correlation coefficients in each group.

The indices with a correlation coefficient $r < 0.7$ are de-listed as **insignificant**. The result of this selection was the finalized system of **partial indicators** of the state of the Ukrainian economy, the number of which reaches 22 (see table 1).

Table 1

**Threshold and actual indicators of the compliance
of the state of the Ukrainian economy to international standards
of inclusive development**

# by p.	Sets of indicators (A, B,C,D,E) and its components	The values of the indicators which correspond to			Actual values	
		Standards of inclusive growth	Pre-crisis situation	Critical situa- tion	In 2008	In 2017
A. Macroeconomic						
1	The GDP growth rate, %	105-107	< 103	< 100	102,10	< 103
2	Gross fixed capital formation in relation to GDP, %	30 or more	< 25	< 20	27,18	< 20
3	Balance of payments in rela- tion to GDP, %	positive	<-1	<-3	-7,0	<u><-3</u>
4	The black economy level in re- lation to GDP, %	less than 20	> 25	> 30	35	<u>≥40</u>
B. Financial						
5	The ratio of monetary aggre- gate M3 to GDP (monetization rate), %	less than 40	> 40	> 50	54,25	<u>≥ 60</u>
6	Inflation rate, by December of last year, %	102-105	> 105 < 102	> 110 < 100	122,3	<u>≥ 110</u>
7	Total Government debt in rela- tion to GDP, %	less than 40	> 45	> 55	13,7	<u>≥ 60</u>
8	Gross external debt in relation to GDP, %	less than 30	> 30	> 50	55,9	<u>≥ 90</u>
9	Growth rate of gross interna- tional reserves, %	more than 100	< 100	< 90	84,02	<u>≥ 100</u>
10	Gross external debt in relation to annual exports of goods and services, %	less than 50	> 50	> 70	23,6	<u>≥ 80</u>
11	The level of aggregate amount with Government-debt service in relation to the incomes DB, %	less than 3	> 3	> 5	4,9	<u>≥ 20</u>
12	The level of aggregate amount with external-debt service in relation to the incomes DB, %	less than 1	> 1	> 3	2,80	<u>≥ 3</u>
C. Investment activities						
13	Fixed investment volume to GDP, %	30 or more	< 30	< 20	24,54	< 20
14	The ratio of fixed investment growth rate to growth rate of GDP, %	95-100	< 100 > 120	< 90 > 130	120,8	< 90

# by p.	Sets of indicators (A, B,C,D,E) and its components	The values of the indicators which correspond to			Actual values	
		Standards of inclusive growth	Pre-crisis situation	Critical situation	In 2008	In 2017
15	Proportion of enterprises engaged in innovation activities, among the total number of industrial enterprises, %	60 or more	< 50	< 40	12,5	<u><10</u>
D. Production activities						
16	Degree of depreciation, %	less than 20	> 25	> 35	61,2	<u>≥80</u>
17	The rate of new jobs growth,%	105 or more	<105	<100	94	<100
18	Return on investments (ROI)of new enterprises., UAH/UAH	1,5 or more	<1,4	<1,2	1,2	<1,2
19	Cost-effectiveness operating activity of industrial enterprises, %	10 or more	<10	<7	3,9	<3
E. Foreign economic activities						
20	Funded ratio by the export of imports, %	100-120	< 100; >120	< 90 >130	78,2	<90
21	Export dependence, % to GDP	30 and less	> 40	> 50	47,1	> 40
22	Import dependence, % to GDP	30 and less	> 40	> 50	45,1	<u>≥ 50</u>

Source: developed by the authors and calculated according to the Ukrstat and National Bank of Ukraine (NBU).

Underlining the data means that the actual value of the indicator is above or below the lower limit of the threshold value.

For averaging the values of partial indicators of the assessment of this state and the threat of a crisis in order to obtain the **integrated indicator**, the principal component analysis is used, according to which the partial indices – components G_j are determined, based on their connection with the primary indicators:

$$z_i = \sum_1^m a_{ij}G_j,$$

where: – z_i – standardized values of i -rate; a_{ij} – factor's influence of j -component on the i -rate, that numerically evaluates the correlation between j -component and i -indicator.

The integrated indicator of the level of compliance with the standards of inclusive economic growth, and in case of non-compliance – the **threat of a crisis** – is determined on the basis of partial indicators as the arithmetic mean.

Correlations of the values of the integrated indicator to the reference value, which is taken as 100, serves as an indicator of compliance with the criteria for inclusive growth or otherwise the threat of a crisis.

Separately, it should be emphasized that not with any of the 5 groups of indicators, the value of their integrated level doesn't meet the standards of inclusive growth. Moreover, unfortunately, it must be acknowledged that in 2014 the pre-crisis state of the economy deteriorated to a critical level, and beginning in 2017, the characteristics of the macroeconomic and financial situation are characterized by **supercritical, that is, pathological values**. The state of the economy as a whole is assessed as critical, although it is almost on the border with the supercritical.

The main reason for the low integrated level of compliance with the standards of inclusive growth and assessing the level of economic security of Ukraine is a fixation of the indicators values below the lower threshold, namely: among the indicators for assessing the macroeconomic state; high level of underground economy; significant level of illicit capital outflows; excessive level of hidden interim consumption etc.

Among the indicators of the financial state of the economy should be distinguished: a high level of external and domestic debt; low level of gross international reserves of the NBU; high level of undergrounding of consolidated budget revenues; high cost of bank lending; low level of crediting of the real economy; a low share of credits in the processing industry in the lending of economy.

Thus, quantitative indicators of the state of the Ukrainian economy and their compliance with the standards of inclusive growth are calculated (see Table 1).

If we talk about the indicators of investment and innovation activity, it shows a low level of investment, an insignificant increase of own and direct foreign investments in relation to GDP, low level of updating of fixed assets; threateningly low level of financing of scientific and technical works; negative growth rate of scientific and technological progress, insignificant level of financing of innovation activity; a low proportion of enterprises engaged in innovation activities, among the total number of industrial enterprises; a low share of enterprises that innovate, among the total number of industrial enterprises; a low share of enterprises that implemented innovative products etc.

Among indicators of foreign economic activity, it is necessary to single out separately: a high level of import dependence; predominantly negative funded ratio by the export of imports; extremely low level of innovative products in merchandise exports; a significant part of the import of goods in the domestic consumption.

The values of the quantitative indicators of the compliance level of the state characteristics of the Ukrainian economy to the inclusive growth standards and risk of a crisis situation make it possible to form the corresponding qualitative indicators.

In this case, the actual values of the integrated indicators of the state of the economy are compared with the threshold levels.

In particular, the closer the real value of the integrated indicator to 100%, the more the economy meets the standards of sustainable inclusive growth and the less the threat of a crisis. If the real value of the integrated indicator is in the interval [91–100], the state of the economy is classified aligned with the standards of inclusive growth, and, as a result, is recognized as safe.

In the interval [71–90] – the state is classified as a pre-crisis state, in the interval [51–70] – as critical. When the integrated indicator takes a value of 50 or lower, **the state of the economy is classified as supercritical or pathological**.

Table 2

Qualitative indicators for assessing the state of the Ukrainian economy in terms of the possibility of a crisis

Year	2008	2010	2012	2014	2017
Sets of indicators	Quality characteristics of partial and integrated indicators of the assessment of the crisis possibility in Ukraine				
Macroeconomic	Pre-crisis	Critical	Pre-crisis	Critical	Supercritical or pathological
Financial	Pre-crisis	Critical	Pre-crisis	Critical	Supercritical or pathological
Investment activities	Pre-crisis	Critical	Pre-crisis	Pre-crisis	Critical
Production activities	Pre-crisis	Critical	Pre-crisis	Pre-crisis	Critical
Foreign economic activities	Pre-crisis	Critical	Pre-crisis	Critical	Critical
<u>Overall state of the economy</u>	Pre-crisis	Critical	Pre-crisis	Critical	Critical

Source: developed by the authors and calculated according to the Ukrstat and National Bank of Ukraine (NBU).

Qualitative indicators for assessing the state of the Ukrainian economy in terms of view of the continuing threat of crisis

Source: developed by the authors and calculated according to the Ukrstat.

The state of the social sphere should provide a significant and high-quality standard of living for the population, regardless of the impact of internal and external threats. This component is characterized by the following indicators: the level of labor (the ratio of the optimal demand for labor to its supply); wage level in the production; the level of hidden wages to the official one; the level of illicit employment to total employment; expenditure level on education to GDP,%; expenditure level on health-care to GDP,%; the ratio of the average wage to the subsistence level; the weight of wages in the income structure of the population, %; level of pension expenditure to GDP; the level of the Pension Fund deficit to GDP, %.

Among the problems of the social sphere, it should be noted: a low labour's share in GDP; high level of undergrounding of wages; significant level of illicit employment; insufficient funding for education and health-care; a significant level of pension expenditure to GDP.

The assessment of the conformity of the social sphere with the standards of inclusive growth is occurring in a similar way to assessing the state of the economy.

Table 3

Threshold and actual indicators of Ukraine's social sphere assessment to international standards of inclusive growth

# by p.	Sets of indicators (A, B,C,D,E) and its components	The values of the indicators which correspond to			Actual values of the indicators in 2017
		Standards of inclusive growth	Pre-crisis situation	Critical situation	
A. Sphere of social and labor relations					
1	The ratio of the population's disposable income to GDP, %	>65	50	40	≤40
2	Unemployment rate (following the ILO methodology), %	<5	7	10	<10
3	The ratio of the aggregate salary to amount of social assistance, times	1,6	1,2	1	>1
4	The ratio of the average monthly nominal wage to subsistence minimum for able-bodied person, times	3	1,75	1,5	≤1,5

# by p.	Sets of indicators (A, B,C,D,E) and its components	The values of the indicators which correspond to			Actual values of the indicators in 2017
		Standards of inclusive growth	Pre-crisis situation	Critical situation	
B. Demographic situation					
5	Life expectancy at birth, years	78	68	66	>66
6	Infant mortality rate (deaths before the age of one), per 1,000 live births	2	7	11	<10
7	Depopulation	<1	1	1	>1
8	The ratio of the non-working population to the working population, %	45	53	55	<55
C. Social disintegration					
9	The proportion of the population with an average equivalent overall income per month, under 75 percent below the midpoint of the total revenue, %	8	25	30	<30
10	The multiple between the income of the wealthiest and poorest 10 per cent of the population (percentile ratio), times	3	6	7	≥7
11	Share of expenditures to food commodities in consumer expenditure of the household, %	10	30	50	≥50
D. Social protection					
12	The ratio of the retirements due to age to the European average income level, times	1	0,6	0,4	<0,4
13	The ratio of the average amount of the retirements due to age to subsistence level for incapacitated persons, times	2	1,5	1	≤1
14	The ratio unemployment assistance to subsistence level for Subsistence minimum for able-bodied person, %	>100	80	75	<75
E. Safety of life					
15	Crime rate (the number of crimes per 100,000 population)	<1000	1200	1400	≥1400

# by p.	Sets of indicators (A, B,C,D,E) and its components	The values of the indicators which correspond to			Actual values of the indicators in 2017
		Standards of inclusive growth	Pre-crisis situation	Critical situation	
16	Intentional homicide rate per 100,000 population, people	0	01,3	6,9	<u>>6,9</u>
17	Suicide rate per 100,000 population, people	0	010	20	<u>>20</u>

Source: developed by the authors and calculated according to the Ukrstat and National Bank of Ukraine (NBU)

Underlining the data means that the actual value of the indicator is above or below the lower limit of the threshold value.

Threshold and actual indicators of Ukraine's social sphere assessment to international standards of inclusive growth.

The values of the quantitative indicators of the compliance level of the of the social sphere state characteristics of Ukraine with the standards of inclusive growth and the analysis of the risk of a crisis situation give an opportunity to form the corresponding qualitative indicators.

It should be emphasized that, as in the case of an assessment of the state of the economy of Ukraine, not by any of the five groups of indicators, the significance of their integrated level doesn't meet the standards of inclusive growth. Moreover, to regret, it must be noted that since 2017, the characteristics of social inequality, social protection and the safety of life are characterized by supercritical values, which classify the state of the social sphere **as a supercritical, that is, pathological**.

It should be emphasized separately that the logic of the relations between the state of the economy and the social sphere leads to the fact that the deterioration of the qualitative and quantitative conditions of development inevitably leads to degradation of living conditions and the decline of the well-being of the population.

In so doing, this decline is usually monitored with a certain lag, but with devastating increases, as evidenced, in particular, by the data in Figure 1, according to which the deterioration of the state of the **economy to a critical level can lead to a one-year lag to form a supercritical or pathological state of the social sphere**.

Table 4

Qualitative indicators of assessing the state of the social sphere of Ukraine in terms of the possibility of a crisis

Year	2008	2010	2012	2014	2017
The elements of threat to social stability	The values of partial indicators of the crisis threatening in the social sphere and the quality characteristics of this threat				
Social and labor relations	Pre-crisis	Pre-crisis	Critical	Critical	Critical
Demographic sphere	Pre-crisis	Critical	Critical	Critical	Critical
Social disintegration	Pre-crisis	Critical	Critical	Critical	Supercritical or pathological
Social protection	Pre-crisis	Critical	Critical	Critical	Supercritical or pathological
Safety of life	Pre-crisis	Pre-crisis	Pre-crisis	Supercritical or pathological	Supercritical or pathological
Overall level of social security	Pre-crisis	Critical	Critical	Critical	Supercritical or pathological

Source: developed by the authors and calculated according to the Ukrstat and National Bank of Ukraine (NBU)

The second direction of implementation of the framework conditions the NAEC process, as stated above, is aimed at **exploring compromises and synergetic effects**.

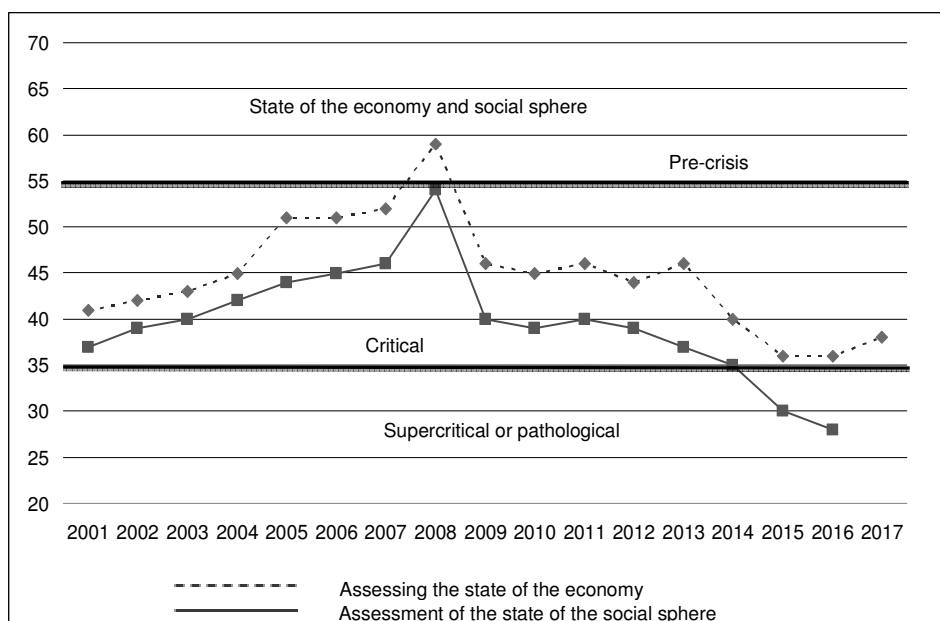
Over the last decades, for the sake of convenience of comparison, measurement and forecasting, the main measure and goal of economic policy were mainly indicators of GDP volume and their maximization. The practice of recent years has shown that only a steady growth in the indicator of the volume of real GDP without taking into account other dimensions of the quality of life is not enough. For a continued and inclusive improvement in the well-being of people, it is necessary to understand the multi-vector set of a number of significant aspects of human life – such as the level of health-care, education, safety, housing, and

leisure activities for the population, the level of environmental safety etc. Such a multi-vector nature of the concept of «well-being» leads to the fact that between different directions of public policy can appear mutually complementary effects, as well as effects that contradict each other.

Therefore, the NAEC process implies a comprehensive analysis to determine the possibilities of combining different types of reforms in terms of achieving sustainable inclusive growth. This analysis will be carried out taking into account the achievements of the OECD in the areas of Development Strategy, Human Development Strategy and Green Growth Strategy, which include developments in the security field of economic, fiscal, social, innovation, educational, environmental and other components of public policy.

Graph 1

Dynamics of the values of integrated indicators for assessing the state of the economy and the social sphere in 2001–2017



Source: developed by the authors and calculated according to the Ukrstat and National Bank of Ukraine (NBU).

The ultimate goal of the NAEC process should be the development of a **working concept of inclusive growth**, which will offer tools for the statistical assessment of the state and dynamics of the volatile global economy and practical recommendations for improving the economic, social and environmental components of public policy.

For this, the OECD sets itself the following tasks:

- 1) to define the synergies among the components of inclusive growth;
- 2) to determine the patterns of mutual influence between balanced economic growth, economic stability, reduction of social inequality and harmonious development and environmental protection;
- 3) to predict the effect of long-term global trends of inclusive growth on future public policy, to identify its strengths and weaknesses, its benefits and possible risks.

Third stage of the framework conditions the NAEC process implies the development of such norms of economic behavior and state economic policy, in which the economic system evolves into a new state possessing the best quality characteristics. That is, in the process of development, not only the structure of the system (constituent elements and links) changes, but also the interrelations between the elements of the system and functioning of these elements. Thus, homeostasis in the economic system determines not only the capacity for economic sustainability, but also **the ability to manage**, that is, to transition to a new, qualitatively higher state of economic balance.

In so doing it should be emphasized that the crisis state is immanent for any kind of socio-economic system. In world history there are no precedents for the development of a country without a crisis on its way.

Obviously, economic crises are the bane of many causes. The role and significance of these causes are often ambiguous. Moreover, the share of the influence of the same factors is different depending on the specific conditions and combinations, in which these factors interact with other factors.

Detailed studies are needed in order to understand the causes of the crisis and suggest mechanisms for overcoming it. *These studies, according to the authors, should deal with a new branch of knowledge – pathoeconomics.*

The authors suggest the need to consider this term for determining the science of crisis and transitional socio-economic processes and the state of economic systems.

In the opinion of the authors, the state of the economy, trends and patterns that form the appearance of new, previously unexplored states, external and internal factors that determine the above tendencies, as well as the structure and

dynamics of the economy, its reproductive capacity, and the efficiency of functioning should become ***the object of research of this science***.

The subject of the study of «pathoeconomics» as the branch of scientific study is the process of the formation of a new branch of knowledge, the methodological aspects of its formation as a science, the analysis and classification of the systemic factors of the crisis, the typology of its forms and types, the ways and methods of overcoming the crisis, the study of general laws and specific features of crisis conditions.

The pathoeconomics is also called upon to explore: the problems of the objective conditionality of the choice of target benchmarks for economic systems that are analyzed; classification of orientations; the determination of the regularities of forms and methods of transition to a new state; development of an optimal management strategy and ***a transition to a new, more qualitative, characterized by relatively high and, above all, a stable rate of inclusive growth based on fundamentally new sources and synergies of intensive margin***.

A separate point must be made about the **definition of the «toxicity» concept of the economic statement**.

Toxic economic, in the authors' view, is an economic system that is not capable of ensuring the effective use and reproduction of the resources of living and materialized labor, which in turn leads to the degradation of the productive forces, the means of production, the environment, ultimately leading to formation of an inadequate model of communication with the outside world.

The economy can be toxic both in terms of internal and domestic environment. In the first case, the negative impact is directed at members of society, the industrial relations between them and the national environment, both natural and business.

When reproducing the institutional and legal foundations of the economy, which is **toxic to the outside world** – that is, in the second case – the negative impact is directed at citizens, economic systems and the environment of neighboring countries, and possibly the world as a whole.

Unfortunately, it should be noted that the Ukrainian economy is characterized by some features of both a pathological and toxic economy in the cases to the internal and domestic environment. This is evidenced by the extremely low state of development of productive forces and production relations; level of social standards and life of the population; degrading environment, the existence of which leads to pollution of not only its own territory, but also the territory of neighboring countries.

Summarizing the above, the authors conclude: given the low level of development of the economy, the social sphere, and also because of the degrading environment, that is, the total absence of signs of inclusive growth, **the world**

community (even want to say, the world *government*) brought Ukraine in the position of a raw appendage and, what is even worse, contributing country of qualified, but extremely cheap labor.

Conclusions

Based on the results of the analysis of deviations of the actual values of partial and integrated indicators, compliance with the standards of sustainable inclusive growth and the assessment of the threat of emergencies, it was determined that during 2014–2017 the state of the Ukrainian economy as a whole and its components (macroeconomic, financial, investment, innovation, production and external) has deteriorated significantly.

So, in 2017 – in comparison with 2013 – the value of the integrated indicator of assessing the state of the economy deteriorated by eight points, which indicates an intensification of the influence of destabilizing factors and the formation of a supercritical – with signs of a pathological – state of the Ukrainian economy.

According to the results of the analysis, the authors emphasize that these negative processes are primarily the result of a lightning transition – institutionally and organizationally unprepared – from the model of planned economic management to an extremely liberal management system, which resulted in the elimination of the country's strategic development planning system. In connection with this, the role of deliberate and scientifically grounded state influence on the formation of the main synthetic indicators characterizing the development of the Ukrainian economy was critically worsened.

The parts of the current economic system, development priorities, national, sectoral and regional target programs are generally not related to each other, not in terms of performance indicators, nor in terms of resource capacity. At the moment, the Government's influence on the structure and growth rates of the public and private sectors of the economy hasn't been developed from the standpoint of State interests and priorities, including raising social standards.

The above underlines not only the imperfection of the current economic system – it also confirms its inferiority leading to the imminent and expected collapse in the short term. Of course, provided further ignoring of the necessary measures.

It should be emphasized that instead of the economy of free enterprise, as it was conceived during the transition from a planned to a market system, Ukraine received an oligarchic economic system. Such a model is characterized by neglect of innovation activity; distortion of the modern technical and techno-

logical structure of the economy; denial of the legitimate rights and conditions for business; denial of the market allocation of resources and determining the results of production.

The country is distorted by the political-economic system, which now forms the basis of pseudo-liberal economic and pseudo-social policies, and makes it impossible to implement the principle of national pragmatism in pursuing an independent economic policy aimed at ensuring of economic growth – as the basis of the constitutionally guaranteed welfare increase.

The most noticeable impact *of the pseudo-liberal economic policy* is translated in such aspects:

1) losing by the state of its function as a subject-regulator of institutional, economic, social and legal relations that regulate the direction of development of the economy and society, its rates and proportions;

2) public, but state-controlled sale of shares of state enterprises for a minimum price;

3) black (practically without competition) distribution, and in broader terms – appropriation of state objects, for example, by creating joint ventures with the government or direct purchase of these facilities (manufacturing enterprises, state banks, insurance companies etc.);

4) artificially-engineered bankruptcy of state companies with deliberate acceptance of illegal judicial decisions regarding the transfer of property rights to private joint-stock companies;

5) providing financial and industrial oligarchic groups with exclusive and virtually free licenses for the exploitation of mineral resources and the use of radio frequency spectrum for telecommunications;

6) export and raw materials orientation of the economy;

7) removing of potentially additional value when importing the actually created additional value;

8) entrenching the structural and sectoral deformation of the economy;

9) unproductive capital outflows, which actually leads to its loss, without the return of future profit from abroad and the absence of influence on the rates and proportions of economic growth;

10) impossibility of investment and innovation policy of real economy development;

11) formation of a negative trade balance;

12) uncertainty of foreign economic policy and, as a result, the transformation of the country from the subject into the object of international relations;

All of the above indicates:

1) the current model of the domestic economy is devoid of the internal energy necessary for its qualitative development and the ability to provide high and stable rates of economic growth;

2) a cardinal and decisive change in approaches to the formation of state economic policy is needed; its cross-cutting goal should be the development of a socially-oriented economy, and the instrumental tool is the results-based character of the formation of an economic development strategy based on certain priorities.

All of the foregoing testifies to the objective necessity of replacing the current model of economic development with a new one, more effective and progressive, namely: ***strategically verified, institutionally-streamlined and innovative-oriented.***

The key features of this model should be:

1) systematic and consistent execution by the state of the function of the subject of institutional, social and legal, economic and regulatory relations in the implementation of tasks of strategic development and adjusting its rates and proportions;

2) increasing impact of democratic institutions on economic policy (pre-regulating the economy, transparent privatization, demonopolization and the nationalization of strategically important facilities, primarily – infrastructure, combating «black economy»);

3) introduction of a policy of long-term (strategic) development priorities of the results-based and address type;

4) modernization of the real economy with a specific capacity-building strategy the share of 5 and 6 technological structures to 30-35% in the overall structure of the national economy, which is vital for ensuring stable and high growth rates – primarily inclusive;

5) formation of an independent financial, fiscal and monetary policy;

6) steady adherence to the principle of national economism (the synonym of «economic pragmatism») in the formation of foreign economic policy – as the basis for the state's implementation of the function of the subject of international relations;

7) meeting domestic demand by modernization and development of domestic production.

This is the minimum essential procedure for the formation of a national pragmatic development strategy that provides the conditions for the development of the domestic enterprise system on the foundations of fair competition, the re-

sult of which is the equalization of the technical and technological asymmetry of the domestic production of «final goods» and the realization of potential competitive advantages of the Ukrainian economy in world markets.

The most important issue in shaping the directions for implementing a new development model is the identification of priorities for economic development and the formation of a new institutional arrangement.

According to the authors, non-compliance of these tasks in the foreseeable future will inevitably lead to further aggravation of pathological processes in the economy and the social sphere, which in turn may exacerbate existing contradictions in the development of economic and social systems, strengthen the centrifugal force, and, as a result, even lead to the disintegration of the country.

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