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INSTITUTIONAL MODERNIZATION OF THE ECONOMY: THE ESSENCE AND BASIC DIRECTIONS

ABSTRACT

Modernization of a national economy became a paradigm during the transition to a capitalist mode of production. Its research program was both widely criticized and recognized one of the promising ways of reforming of the underdeveloped countries. The main reason of popularity loss by the theory of modernization in 70-s of XX century is the fact that it ignored traditional institutes in modernized countries while they played a significant and outstanding role in this process.

The problem of economic modernization is widely studied and discussed by contemporary scientists all over the world. Among them we can name M. Buravoy, I. Wallerstein., V Inozemtsev, A. Martinelli, D. North, R. Nelson, R. Nureev, V. Geyets, A. Grytsenko, He C. ets.

The purpose of the study is a determination of basic directions of institutional transformations stipulating economic modernization of a country.

In modern studies there are two basic approaches to the analysis of the modernization process: 1) wide-sense modernization as a transition from one type of civilization to another; 2) narrow-sense modernization represented as a renovation of the economy of entities, regions, countries or the world.

In this case an institutional modernization is an evolutionary process that affects almost all social life including political system.

D. North, the neoinstitutionalist representative, uses such a postulate of a neoclassical theory as a starting point of his study: the resulting economic

performance (a maximization of the net income of individuals) can be provided only in the terms of low transaction costs. And the role of institutions is to reduce transaction costs. The more the institutes realize their role the more they are efficient. The efficiency of the institutes is the main factor of economic development; their inefficiency is the main reason of its inhibition.

Institutional transformations for economic modernization can be evolutionary, revolutionary, cumulative, and adaptive; endogenous and exogenous.

Starting conditions and directions of modernization transformations in an institutional framework are determined by “institutional matrix” that stipulates the range of possible paths of the society development. As the result of such development both efficient and inefficient institutes can arise in the economy. The last ones tend to violate the effects of market mechanisms and manifested in the form of institutional traps, institute deformation, their atrophy, degeneration or rejection.

For Ukraine the modernization in the terms of institutional transformations has to solve two tasks simultaneously:

1. Completion of market institutions creation: business corporatization, reducing the public sector, increasing the polymorphism of financial institutions that anticipate both government and society efforts on institution adaptation.

2. Restructuring of the economy in the direction of innovative development, knowledge economy and informatization of the society.

Thus, in terms of institutionalism modernization is a form of economic development that anticipates institutional change in short and long run. It depends on a variety of factors: institutes efficiency, sources of their origin, selection of development path.