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## **INSTITUTIONAL PROBLEMS OF DEVELOPMENT OF MARKET ECONOMIC MODEL IN UKRAINE**

### **ABSTRACT**

Over 20 years the process of market-oriented economic reforms in Ukraine is being continued. The required minimum of reforms is implemented to acquire the status of a country with market economy, but they didn't provide sustainable economic growth. Therefore some domestic scientists argue that western market model, inherent in developed countries, may not be reproduced in Ukraine.

Existing Ukrainian model of capitalism is really not conducive to structural economic transformation and tangible achievements in development. The question arises about the causes of its discrepancy in the standards and results of an efficient market.

One of the most important requirements of a successful transformation of post-communist countries is development of market institutional structure. Accordingly, the aim of this study is to identify the institutional causes that prevent economic development of Ukraine.

The basic institutions of a market economic model are the institution of property that provides varieties of its forms and mechanisms of protection, regulated freedom to choose the kind of economic activity and contractors (i.e., dispose their own resources), entrepreneurship, competition, limited state regulation. On the basis of these institutions markets must be formed (resources and end-use goods), market infrastructure, social safety net, the government economic policy.

The effectiveness of these institutions, as is proved by practice of leading countries and post-communist countries, may differ significantly. The next factors influence on it:

- Awareness, acceptance and public understanding of necessity of institutional changes;
- Uniformity or inconsistency of interests of specific social groups in relation to new institutions;
- The nature of the relationship between the state (which has the power to create a formal institutional structure) and society (which must implement the functions of control over the state and carry out rules made by it);
- The willingness of authorities to provide a formal consolidation of the new rules, consistency of acts and intentions of political forces and the degree of their awareness of the final goals of reform and the means of achieving them;
- Willingness and objective possibility of economic agents to change their behavior in accordance with the new system of rules.

The specificity of institutional change in Ukraine is their ambiguity, inconsistency. The great part of the society has a negative attitude towards them because first such changes were initiated against the background of the rapid decline in living standards. New institutions conflicted with the usual modes of behavior, including, formed in terms of the centrally-planned economy. Increasing uncertainty about the dynamics of prices and terms of future contracts led to the fact that economic agents tried to fix usual rules and regulations ("hysteresis effect"). Delayed implementation of the rules of some processes compared to the start time of these processes caused institutional vacuum that contributed to the emergence of informal institutions. Latest often distorted essence of formal rules, the impact of which, in the end, did not meet expectations. All identified problems with the implementation of institutional reforms in Ukraine could be seen in the formation of the institution of private property.

Thus, a complete institutional framework in Ukraine is not formed as a result

of difficulties with legal provision of relevant rules in a complex socio-economic situation in the country, imperfection knowledge of people who make decisions, social conflicts, distorted forms of interaction between society and the state. The solution to this problem is one of the first tasks of the transformation of the national economy.