

*Liakhovets Olena, Petro Mohyla Black Sea State University,
Associate professor, Candidate of Economic Sciences,*

A STATE AND INSTITUTIONAL CHANGES IN TERMS OF MODERNIZATION OF THE ECONOMY

ABSTRACT

The changes in institutional environment are the necessary element of modernization of the economy because the concept of “modernization” anticipates the renovation of technologies, economic relations, institutions, which promote or mediate them. In conditions of variability and rapid informatization that influence on functioning of institutional environment the significant role in the process of regulation of the economy belongs to the state.

The investigation of the government’s role in shaping of institutional environment and in implementing institutional changes was conducted by neoinstitutional scholars such as Douglass C. North, Oliver Williamson, Karl P. Polanyi etc. A valuable contribution to the study of the state as an institute was made by domestic and foreign scientists as T.I. Artjomova, D.V. Dayneko, V.G. Fedotova, V.M. Geyets, I.Y. Malyy, I.A. Ostrovskyy, K.V. Pavlov, L.V. Shynkaruk, V.L. Tambovtsev, etc.

At the same time less attention in the studies is paid to the essence and necessity of institutional transformations in modernization of the national economy and the degree of government participation in such transformations.

Therefore, the purpose of the paper is the determination of theoretical and practical aspects of a state’s impact on institutional transformations that take place in the process of national economy modernization.

Institutional changes are made through transformations of institutional structure of the economy. O. Williamson [1] sees the institutional structure as a mutually arranged set of institutions (formal and informal), those forms the matrix of social and economic behavior and determine the limits of social and economic

subjects. They consist of the basic political, social, legal norms, which are common for economic activities.

The state as the only, main and decisive institution-organization is forced to control the formation of new rules of anti-crisis government regulation and to form evolutionary new rules of economic activity. The institute of a state provides the realization of new demands, institutional requirements and their modification, new rules of interactions between economic entities, their establishment in society through the relevant system of values, functions and services.

The main tasks of the state in the terms of economic system modernization are development and support a new system of values and norms that would diffuse in society, i.e. the creation of a new institutional environment.

At the same time the transformation of institutional environment can be impacted by many other organizations. Each of these organizations, including the state, pursues its own interests and goals in shaping the institutional environment.

Absenteeistic form of property, monopoly structure of economy, rent-seeking behavior, corruption, deviations from demand law (Veblen and Giffen effects), due to K. Pavlov, are the economic anomalies associated with deviation from standard behavior of various institutions or institutional system in general. Such “patho-institutions” include archaic institutions which require modernization or changes; the outdated institutions are harmful for realization of progressive measures.

Various economic schools confirm the phenomenon of abetment of patho-institutions by a state. Virginia School considers the regulative activity of the state from the rent-seeking behavior point of view. The political system is not commonly adapted for a fair social goods distribution; it is the quasi-market mechanism of intermediary in wealth and rent distribution. The researchers from Chicago School studied the economic activity of the state and the economic base of decision-making process within the economic theory of regulation. The most complete contents it obtained in the model of groups of interests which is based on the thesis that political sphere is a market with their own laws of supply and

demand, buyers and sellers, suppliers and intermediaries.

The dissemination of patho-institutions that indicates a weak institutional structure of the economy and society, in turn, can undermine the power of a government and leads to anarchy. Historical evidence shows that the later the country moves to modernization reforms, the greater the role of the state is. The success of the reforms will depend on forms and methods of governance implemented by the state.

Thus, to create the appropriate institutional environment in the modernizing economy the state should regulate the basic socio-economic processes in accordance with long-term interests of the economy and society, what may be reflected in strategies and programs of national development.