

Iryna Storonyans'ka

Institute of Regional Research of the NAS of Ukraine, Lviv

Nazariy Popadynets

Institute of Regional Research of the NAS of Ukraine, Lviv

STATE STRUCTURAL POLICY: BASIC DIRECTIONS OF ITS IMPLEMENTATION

Summary

Basic role in overcoming the crisis phenomena in economy and maintenance of its sustainable growth as well as social orientation in well developed countries is played by the mechanism of state regulating influence. Successful state economic development depends on the nature, directions and paces of structural changes in the economy and their adjusting to the requirements of the market. The aim of this article consists in definition of basic directions of state structural policy development that maintain development of state economy, outlining of its priorities and research of structural policy implementation mechanism.

Introduction

Current period of social and economic development of Ukraine is characterized by unsteadiness and inconsistency of results and requires activation of structural reconstruction as well as search for new approach to implementation of structural transformations.

Forming of new efficient economic structure is the priority problem that requires prior solution in the context of strategic tasks of macroeconomic and territorial state development. Basic role in overcoming the crisis phenomena in economy and maintenance of its sustainable growth as well as social orientation in well developed countries is played by the mechanism of state regulating influence.

Successful state economic development depends on the nature, directions and paces of structural changes in the economy and their adjusting to the requirements of the market. State regulation of structural changes in national economy is directed at forming and support of rational economic structure and is implemented through state structural policy.

State structural policy nowadays is researched by the range of following national and foreign scientists: S. O. Bila, V. V. Volynets, O. A. Lebedyeva, A. F. Melnyk, V. V. Papp, L. V. Shynkaruk, etc. In their tractates basic attention is spared to state priorities in structural policy, definition of peculiarities of functioning and development of state economic structure and to the research of state economic sectoral structure. At the same time in terms of current integration processes the directions of structural policy implementation gain greater significance.

The aim of this article consists in definition of basic directions of state structural policy development that maintain development of state economy, outlining of its priorities and research of structural policy implementation mechanism.

Interpretation of the essence of structural policy by Ukrainian scientists

It is worth mentioning that nowadays there is no single understanding of the essence of structural policy. In economic literature structural policy has different interpretations and definitions depending on economic object it is implemented to. In particular, the elements of reproductive, sectoral, regional and social economic structure and the structure of foreign trade can appear as economic objects.

According to O. A. Lebedyeva structural policy is the general strategy of economic growth maximization through implementation of state priority programs and projects on the basis of definition of goals and nature of structural changes as well as the complex of measures on the support of separate economic system elements development that maintain economic growth¹. However, from the viewpoint of state sectoral economic structure the structural policy is the complex of measures

¹ O.A. Lebedyeva, *State structural policy: concept and its implementation features* [Internet resource]. – Available from : <http://www.stattionline.org.ua>

over maintenance of economic growth through efficient balance of primary, secondary and tertiary economic sectors².

In the opinion of Yu. V. Yaremenko, structural policy basic aim lies in prevention of long term unbalance of economy that comes as the result of longstanding investment pause and negative changes in productive potential of separate branches³. In other words state structural policy should be directed at overcoming of inter-industry disproportions.

To our opinion state structural policy should be interpreted as motivating of goals and nature of structural changes in state economy, definition of the complex of measures on the development of those structural elements of national economic system that maintain forming and support of its development as well as economic growth and solution of urgent economic problems.

It can be understood from the abovementioned definitions that the tasks of state structural policy are the following: setting the efficient macroeconomic proportions, development of competition and restriction of monopolism and disproportions between sectoral complexes, liquidation of technical level disproportions of productions of different branches, rational production location and balanced state development, reduction of material and energy capacity of production and increase of technical level and competitive ability of production both at local and foreign markets.

Notwithstanding theoretical recognition of market mechanism establishment as the basic and most efficient mean of solution of the majority of economic problems including implementation of structural changes (market adjustment takes place in the process of inter-sectoral flow of capital from the less profitable branches to more cost efficient ones), as well as in spite of longstanding and sustainable market traditions in the majority of well-developed countries, the role of the state considerably increases in the period of structural changes and forming of goal-oriented structural transformations and the state structural policy gains more

² V.V. Volynets, *Ways of improvement of state economy branch structure*. Economics and state, 2006, p. 33.

³ Yu.V. Yaremenko, *Economic growth. Structural policy*. Problems of prognosis, 2001, p. 8.

implementation (influence of the authorities on all types of economic structure), which basic aims are acceleration of transition from the output decline to economic growth and increase of national competitive ability at world level.

In practice there are two types of state structural policy: active and passive. The basic difference between them lies in the level of state interference into the structural changes. According to definition of Ye. H. Yasyn, the passive structural policy (liberal approach) stipulates that the state does not interfere into the investment processes in separate branches of economy but simultaneously creates active legal basis that promotes the flow of capital from one branches into the other⁴. The mechanism of passive structural policy implementation lies in the fact that on the basis of the law of demand and supply market economy in case that the demand exceeds the supply the branch profit rate increases and the capital flows from the branches with low profit rate to the branches with increased profit rate and maintains reduction of profit rate in this branch to the level when the capital again moves to the branch with higher profit rate⁵. Therefore, passive structural policy positively influences the creation of competitive surrounding and increase of social production. The negative effect of such policy lies in overlong liberal position of state that requires great social expenditures.

Role of state structural policy

Active structural policy stipulates wide exploitation of state leverages of progressive structural transitions acceleration⁶: increase of output in the branches that maintain considerable share of state export; increase of output in the branches capable to replace import production; development of branches that produce competitive goods and services at world market; support of production that introduce

⁴ L.V. Shynkaruk, *Structural changes and economic development of Ukraine*, Kiev 2011, p. 267.

⁵ O.A. Lebedyeva, *State structural policy: concept and its implementation features* [Internet resource]. – Available from : <http://www.stattionline.org.ua>

⁶ S.A. Yerohin, *Structural transformation of national economy (theoretical-methodological aspects)*, Kiev 2002; for M.O. Kobzystyi, *Institutional conditions of structural changes implementation in transformational economy*. Scientific-technical information, 2005; for L.V. Shynkaruk, *Structural changes and economic development of Ukraine*, Kiev 2011; for Yu.V. Yaremenko, *Economic growth. Structural policy*. Problems of prognosis, 2001.

resources-saving technologies in order to reduce demand for insufficient resources in the country; growth of production in branches capable to increase scientific and technical level and quality of production, especially in the branches with highly technological and knowledge-intensive production that maintain increase of other national economy branches efficiency; development of competition through restructuring and diversification of production; development of production of raw materials, semi-finished products and components for substitution of imported ones in order to increase marketability of final output; reduction of production in depressed branches, where the efficiency of resources falls or production demand lowers.

In order to implement efficient structural policy the following steps should be taken: the state develops and introduces complex of measures that includes stimulation of capital flow from less priority branches to more priority; development of branches that accelerate introduction of scientific and technical progress achievements; protection and granting of financial aid to the branches that require restructuring; liquidation of part of production in the depressed branches; solution of problems related to concentration of capital in capital-intensive directions of structural reconstruction⁷.

The practice shows that active structural policy positively influences advanced development of production and export of final goods and high technologies, creation of favourable conditions for introduction of scientific and technical progress achievements, saving of crisis branches of national economy that, on one hand, leads to reduction of social problems urgency and on the other – does not promote the efficiency of “problem” branches.

However, while evaluating theoretical aspects of active and passive structural policies it is worth mentioning that the latter not only cannot be built according to one theoretical scheme but also should foremost correspond to the knowledge of real conditions and peculiarities of concrete state development stage. Along with this

⁷ O.A. Lebedyeva, *State structural policy: concept and its implementation features* [Internet resource]. – Available from : <http://www.stattionline.org.ua>.

structural policy should not contradict the development of free market economy and modernization through activation of private initiative. This stipulates the necessity to search for non-traditional flexible methods that should exclude any individual privileges, mass state subsidies and investment that require increase of tax burden, including subsidizing through prices under regulation and introduction of any official branch priorities fixed by budget funding.

Herewith the state should play its role in the recovery of financial situation, stimulation of investment and innovative activity stimulation, increase of state apparatus functioning efficiency through modernization of economy management mechanisms and promotion of favourable investment climate creation, etc.

Basic directions and tasks of state structural policy

Structural policy should have its aim to bring national economy sectors structure in correspondence with market model of economy; achieve high level of national economy openness and therefore maintain competitive ability of national production both at foreign and national markets. So increase of state economy competitive advantages is the basic direction of state structural policy that can be achieved through accomplishment of the following mutually related aims:

- promotion of competitive ability increase of national goods and services producers at internal and world markets and maintenance of structural maneuver to the increase of the share of branches that produce output with high processing level and services sphere branches;

- correction of accumulated structural deformations – restructuring of unprofitable economy sector that is artificially supported by the system of budget subsidies;

- accomplishment of transformation of existing low efficient economy institutes “of transitional type” (state property structure, goods and financial markets, innovative mechanisms, system of state regulation and the range of others) into the institutes that meet the requirements of modern market economy;

–accelerated development and reconstruction of economic system, enterprises and markets in the process of world-wide economic transformation that takes place on the basis of new information technologies and strengthening of global and regional integration processes.

However in current terms there are some restraining factors of these directions introduction into the development of state economy⁸:

–low level of management at enterprises due to both poor experience of functioning in terms of market economy and poor managers training;

–low level of national economy integration to world economic system that is defined not only by low competitive ability but also by institutional factors: insufficient participation of Ukraine in the activity of international economic organizations, etc;

–low level of infrastructure development: roads, communications, etc;

–insufficient development of infrastructure that maintains commercialization and innovations assimilation;

–low flexibility of labour market due to the barriers on the way of interregional labour force migration and shortages of the system of professional education and retraining.

The following should be the primary and basic tasks of structural policy in order to eliminate these restraining factors:

–increase of innovative activity and advanced development of highly technological economy sector;

–stimulation of economic growth and increase of production efficiency at macrolevel through maintenance of import substitution chains, export contracts and the use of other indirect instruments;

⁸ A.F. Melnyk, *Structural transformations in national economy: problems of diagnostics and institutional maintenance*, 2012, p. 275; for O.I.Amosha, S.S. Aptekar, M.H. Bilipolskyi, S.I.Yuriy, *Structural reforms of economy: foreign experience, institutes, strategies for Ukraine*, Ternopil 2011, p. 348.

–reduction of transaction expenses of enterprises activity through development of the institutes of goods, services, labour and capital markets and forming of entrepreneurial activity maintenance infrastructure;

–termination of direct and indirect subsidizing of non-profitable enterprises, efficient selection of capable to function enterprises, increase of activity of bankruptcy institute, restructuring of inefficient economy sector;

–stimulation of restructuring processes and reforming of enterprises, increase of their efficiency, promotion of integration processes and creation of large profitable and competitive companies with full-scale assistance to small and medium business development;

–implementation of target programs of transport, communications and telecommunications infrastructure development, forming of competitive environment, creation of equal and predictable conditions of economic activity in the country – both at whole economy scale and at concrete branch markets.

In general in current conditions structural policy should be implemented on the basis of exploitation of the following fundamental principles: competitive market as main regulator of economic development; minimization and optimization of state interference into the economy; economy openness; liberalization of economic activity at macrolevel.

The necessity to guarantee accomplishment of basic economic tasks such as achievement of sustainable paces of economic growth with positive changes in economic structure and maintenance of the increase of population real income makes the strategy of structural maneuver based on the scenario of “active positioning at markets ” economically efficient (that is why it is often used)⁹. This strategy stipulates gradual change of the formed economic structure due to available advantages of the branches that are competitive at world market with consistent distribution of growth impulses to the adjacent branches of industry and other spheres of economic activity.

⁹ S.O. Bila, *Structural policy in the system of state regulation of transformational economy*. Kiev 2001, p. 299.

Industrial sector in state structural policy

The basic aim of industry development in the course of state structural policy implementation is to increase competitive ability of production and technical level of output, to maintain entry of innovative production and high technologies into national and foreign markets, to substitute import production and to promote transition of innovative active industrial production to the stage of stable growth.

Entry into the world markets with competitive production due to introduction of new technologies is the basic direction of such policy in the industry sector¹⁰. Implementation of abovementioned direction should result in: maintenance of stable paces of industrial production growth; positive structural changes related to the increase of the share of processing branches production compared to mining ones and the share of highly technological and knowledge-intensive production and services in the GDP.

State structural policy should be directed at the advanced development of such sectors of economy the production and services of which are in demand at national and world markets. Within the limits of such approach we can detach “traditional” export branches (primarily in raw materials sector and processing industry) as well as “new” export branches in the sphere of services¹¹. Development of structural policy in such direction can take place due to forming of integral investment and innovative policy.

Determining of investment and innovative policy priorities

The limitedness of structural policy leverages related to macroeconomic restrictions of investment and innovations inflows into the infrastructure and the

¹⁰ V.V. Papp, *Structural transformation of Ukrainian economy in terms of Euro integration processes*. Regional economics, 2008, p. 25.

¹¹ M.O. Kobzystyi, *Institutional conditions of structural changes implementation in transformational economy*. Scientific-technical information, 2005, p. 36.

sphere of services harshly constrains the circle of possible priorities of state activity in these spheres.

Complex renovations of productive and non-productive infrastructure and promotion of scientific and technical progress primarily in the sphere of high technologies should become the priority directions of state investment policy.

Policy over maintenance of structural changes should be supplemented by the innovative impact measures on overcoming of basic problems in the most important economic sectors.

In current terms it is obvious that innovative character of reproduction model should become the basis of structural transformation with forming of efficient market economy in Ukraine. Therefore, in the nearest perspective the necessary structural transformations should be defined and thus efficient mechanism of state interference into the implementation of structural transformations should be developed.

Basic directions of investment activity development, priorities of innovative policy and stages of its implementation are defined by the needs of industrial production in technological re-equipment and availability of investment resources. Creation of favourable conditions for the development of innovations enables modernization of technological basis of state economy and sharp increase of competitive ability of national production.

We can detach several stages of state structural policy in the course of forming of innovative policy.

First stage. The main point is to reproduce technological basis of the branches the production of which has stable demand at the formed markets. Herewith market “niches” can be expanded due to active import substitution. Innovations can be oriented primarily at modernization of existing production on the basis of resources-saving technologies and improvement of consumption characteristics of production. The basic problem of this stage lies in creation of economic, infrastructural and institutional fundamentals of transition to investment stage of state development. This stage stipulates accomplishment of the following tasks: strengthening of scientific and technical potential; improvement of conditions for development of legal

entrepreneurship and support of fair competition; stimulating of investment in the most advanced and highly specialized production; development of internal demand; introduction of world standards of production quality and environment protection.

Second stage. Its basic task is to create production that implements modern technological developments and to enter internal and foreign markets with scientific-intensive production of world level. This stage should result in maintenance of competitive positions in perspective sectors of market where national production was not represented earlier and in some cases – forming of new demand areas where national scientific-intensive production plays dominating role.

State actions at this stage should be directed at creation and improvement of the following mechanisms: activation of “human factor”; attraction of private investment on a large scale; regulation of protection and use of intellectual properties; creation and support of necessary infrastructure of innovative development; cooperation of science and producer.

Third stage. State support of innovative infrastructure, creation of conditions of the demand switching over to internal innovations, informational support of industrial production, strengthening of science and production relations are the basic tasks and measures at current stage.

State attention should be paid to the new forms of scientific, innovational and engineering activity that uses modern informational technologies and it should gradually be shifted from “quantitative” aspects of support to “qualitative” ones.

Thus, basic tasks of state structural policy in terms of innovative policy forming should be as following:

–coordination of actions of state executive authorities, state entities authorities and municipal units in order to develop complex approach to accomplishment of innovative development tasks, efficient functioning of innovative system and implementation of state innovative policy¹²;

¹² A.F. Melnyk, *Structural transformations in national economy: problems of diagnostics and institutional maintenance*, 2012, p. 196.

–creation of the system of staff training and retraining in the sphere of innovative entrepreneurship;

–maintenance and development of scientific, productive and technological potential, including fundamental science and system of staff training, its exploitation for maintenance of modern technological level and transition to higher technologies;

–choice of rational development strategies of innovative sphere with realization in economy branches of critical technologies and innovative projects that influence the growth of production efficiency and production competitive ability.

Implementation of state structural policy should have its main result of reforming of all economic system components that influence basic macroeconomic proportions and structural links and form structural interactions of national economic system with the world one.

Conclusions

Therefore, finalizing all the findings it is worth mentioning that in order to implement basic directions of structural policy in current terms the state should address its actions to the achievement of the following key goals:

–development of new branches that promote general increase of industrial production efficiency;

–promotion of investment, innovative and entrepreneurship activity of production;

–promotion of development of branches that maintain considerable share of export production;

–ensuring of favourable economic and financial conditions to activate production and develop fair competition;

–forming and development of internal market;

–introduction of world standards of production quality and environmental protection;

–development of production competitive at world market;

–closing down of part of production in the depressive economic branches.

The research of this subject can be further developed by the analysis of changes that take place in industrial sector of Ukrainian economy and their influence on internal and foreign markets as the result of new state structural policy implementation.

Bibliography

1. Amosha O.I., Aptekar S.S., Bilipolskyi M.H., Yuriy S.I. *Structural reforms of economy: foreign experience, institutes, strategies for Ukraine*, Ternopil 2011.
2. Bila S.O. *Structural policy in the system of state regulation of transformational economy*, Kiev 2001.
3. Kobzystyi M.O. *Institutional conditions of structural changes implementation in transformational economy*, Scientific-technical information, 2005.
4. Lebedyeva O.A. *State structural policy: concept and its implementation features* [Internet resource]. – Available from : <http://www.stattionline.org.ua>.
5. Melnyk A.F. *Structural transformations in national economy: problems of diagnostics and institutional maintenance*, TNEU, Ternopil 2012.
6. Papp V.V. *Structural transformation of Ukrainian economy in terms of Euro integration processes*. Regional economics, 2008.
7. Shynkaruk L.V. *Structural changes and economic development of Ukraine*, Kiev 2011.
8. Volynets V.V. *Ways of improvement of state economy branch structure*, Economics and state, 2006.
9. Yaremenko Yu.V. *Economic growth. Structural policy*, Problems of prognosis, 2001.
10. Yerohin S.A. *Structural transformation of national economy (theoretical-methodological aspects)*, Kiev 2002