INFLUENCE OF STATE STRUCTURAL POLICY UPON THE DEVELOPMENT OF ECONOMY: THEORETICAL APPROACH BASED ON UKRAINIAN EXPERIENCE

Abstract: State regulation of structural changes in an economy is aimed at forming and support of a rational economic structure and is carried out through state structural policy. The goal of the article is to define the directions for substantiation of state structural policy, which could ensure the development of the national economy; determine its priorities and a mechanism of its implementation. The essence of the structure of state economy is given, main directions for implementation of state structural policy are offered, including the industrial, innovational and investment policies, development of which influences the economic growth and the increase of national competitiveness on a global level.

Key words: investments, innovations, competitiveness, industry, structural changes, state structural policy.

Introduction

Current stage in social and economic development of Ukraine is characterized by unsteadiness and inconsistency of quality changes and requires intensification of restructuring as well as search for a new approach for implementation of structural transformations.

Forming of a new efficient economic structure is a priority issue that requires urgent solution in the context of strategic macroeconomic and spatial...
development. In economically developed countries the basic role in overcoming the crisis phenomena in economy and farther maintenance of its sustainable growth is fulfilled by the mechanism of state regulation.

Successful state economic development depends on the nature, directions and speed of structural changes in an 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 a range of following national and foreign scientists, among which are V. Volynets, O. Lebedyeva, A. Melnyk, L. Shynkaruk, Y. Yaremenko. In their tractates basic attention is focused on state priorities of structural policy, definition of peculiarities in functioning and development of state economic structure and on the research of state economic sectorial structure. At the same time in context of current integration processes the directions of structural policy implementation constantly gain greater significance and attention.

The aims of this article are: to define the basic directions for substantiation of state structural policy that would maintain the development of state economy; outlining of its priorities and search for a mechanism for implementation of such structural policy.

**Contemplations on the essence and role of structural policy by Ukrainian and foreign 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 of its implementation. In particular, the elements of reproductive, sectorial, regional and social economic structure and the structure of foreign trade can appear as such economic objects.

According to Lebedyeva structural policy is a general strategy for maximization of economic growth through implementation of priority state programs and projects on the basis of definition of goals and nature of needed structural changes, as well as on the complex of measures for the support of the development of separate economic system elements that altogether maintain economic
Influence of state structural policy…

1. However, from the viewpoint of state sectorial economic structure the structural policy is the complex of measures for maintaining of economic growth through efficient balance of primary, secondary and tertiary economic sectors.

In the opinion of Yaremenko, structural policy basically aims at prevention of long term unbalance of economy that could come as the result of longstanding investment pause and negative changes in production potential of separate branches. In other words the state structural policy should be directed at overcoming of inter-industry disproportions.

In our opinion the state structural policy should be interpreted as motivation of goals and the planned outcome of structural changes in a state economy, definition of the complex of measures for the development of those structural elements of national economic system that maintain forming and support of its development, thus influencing the 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 optimal macroeconomic proportions, development of competition, restriction of monopolism and decrease of disproportions between economic sectors, reduction of disproportions in technical level of production in different industrial branches, rational allocation of production capacities and balanced state development, reduction of material and energy intensity of production and increase of technological level and competitiveness of production both at local and foreign markets.

Even though the market mechanism is recognized in theory as the main and most efficient measure for solution of most issues in an economy (market adaptation is taking place through the process of inter-sectorial flow of capital from the less profitable branches to more profitable ones), as well as even though there are longstanding market traditions in the majority of well-developed countries, the role of the state considerably increases in the period of structural changes and the implementation of state structural policy is much more active (by the influence of the authorities on all elements of economic structure), main goal of which in this time is the acceleration of transition.

1 O. Lebedyeva, Strukturna polityka derzhavy: sutnist i osoblyvosti yii realizatsiyi, http://www.stattonline.org.ua/ekonom/60/8016-strukturna-politika-derzhavi-sutnist-i-osoblivosti-%D1%97%D1%97-realizaci%D1%97.html (date of access: September 17, 2015).
2 V. Volynets, Shlyahy udoskonalennya haluzevoi struktury ekonomiky krayiny, Ekonomika ta Derzhava, 2006, pp. 32-34.
from the output decline to economic growth and increase of national competitive ability at global level.

In practice there are two types of state structural policy: active and passive. The basic difference between them lies in the intensity of state interference into the structural changes. According to definition\(^4\), the passive structural policy (liberal approach) stipulates that the state does not interfere with the investment processes in separate branches of economy, but simultaneously creates active legal basis that promotes the flow of capital from one branch into the other. 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 if 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, causing the reduction of profit rate in those branch to the level, when the capital again moves back to the branch with higher profit rate. Therefore, passive structural policy positively influences the creation of competitive environment and increase of production. The negative effect of such policy lies in overlong liberal position of state that requires great social expenditures.

Active structural policy means wide utilization of state instruments in order to accelerate the progressive structural transformations\(^5\): increase of output in the branches that maintain considerable share of state export; increase of output in the branches capable to replace imported products; development of branches that produce competitive goods and services for global market; support of industries that introduce resource-saving technologies in order to reduce demand for limited resources in the country; growth of production in branches capable to increase scientific and technical level, as well the quality of products, especially in the branches with highly technological and knowledge-intensive production that support farther increase of efficiency in other national economy branches; 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 value added of final output; reduction of production in depressive branches, where the efficiency of resources decreases or 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 branches with less priority to those more strategically important; development of branches that accelerate introduction of


\(^5\) S. Yerohin, *Strukturna transformatiya natsionalnoyi ekonomiky (teoretyko-metodolohichni aspekty)*, Svit znan, Kyiv, 2002; Shynkaruk L., op. cit.
scientific and technological achievements; protection and granting of financial aid to the branches that require restructuring; liquidation of part of production in the depressive branches; solution of problems related to concentration of capital in capital-intensive directions of structural reconstruction⁶.

The practice shows that active state structural policy positively influences advanced development of production and export of produced goods and advanced technologies, creation of favorable conditions for introduction of scientific and technical achievements in the production processes, saving the branches of national economy being in the critical state.

However, while evaluating theoretical aspects of active and passive structural policies it is worth mentioning that the latter not only cannot be actually built according to some theoretical scheme, but should correspond with the knowledge of real conditions and peculiarities of particular stage of state development. Along with this structural policy should not contradict the development of free market economy and modernization through intensification of private initiative. This stipulates the necessity to search for non-traditional flexible methods, which should exclude any individual privileges, mass state subsidies and investments that require the increase of tax burden, including subsidizing through prices and introduction of any official financial or other privileges for selected branches.

The state should play its role in the recovery of financial situation, stimulation of investment and innovative activity, increase of efficiency of state apparatus through modernization of economy’s management mechanisms and promotion of favorable investment climate creation.

The reason for structural deformations in state economic policy is the existing model of globalization, which reflects the general unbalance and intensifies economic contradictions. As Joseph Stiglitz states, contemporary influence of globalization upon the development of state structural policies does not aid the stability of their economies. The precondition for this he sees in the current institutional system. He writes, “Unfortunately, we do not have a global authority, responsible for the population of all nations. Instead of this, we have a system that could be called a global management without a global government, in which a group of institutes (IMF, WTO, etc.) and a group of players (ministries of finance, ministries of internal and foreign trade), which are closely related with financial and commercial interests, are dominating the scene, but along this the vast majority, who are influenced by their decisions, are staying silent⁷.

⁶ O. Lebedyeva, op. cit.
In opinion of Russian researcher Zeltyn\(^8\), the main direction of state structural policy is the increase of competitive advantages of state economy through achievement of four interconnected objectives: 1) aid the increase of competitiveness of national producers of goods and services on domestic and foreign markets, as well as ensuring of structural transformation towards the share increase of those sectors, which produce goods with high processing level and services sector; 2) correction of structural deformations, meaning the restructuring of lossmaking economic sectors, which are artificially supported by the system of state subsidies; 3) completion of transformation of existing low-efficiency institutes typical for the “transformational” economy into those institutes, which are adequate for the challenges of modern market economy; 4) intensive development and transformation of economic system, enterprises and markets in the process of global economic transformation, based on the modern information technologies, intensification of global and regional integration processes.

**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 on foreign and domestic markets. So increase of state economy’s competitive advantages is the basic direction of state structural policy that can be achieved through accomplishment of the following mutually related goals:

- promotion of competitiveness of national producers of goods and services on domestic and international markets and ensuring of structural changes toward the increase of the share of branches that produce output with high level of processing, as well as the services branches;

- correction of structural deformations – restructuring of unprofitable economy sectors that are artificially supported by the system of budget subsidies;

- 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;

\(^8\) A. Zeltyn, *Russian structural policy on the verge of third millennium*, Ekonomicheskiy obzor, #1, 2001, pp. 2-20.
• 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 conditions there are some restraining factors to the introduction of these measures:\n
• low level of corporate management due to poor experience in conditions of market economy and poor managerial training;
• low level of national economy integration with the world economic system that is caused not only by low competitiveness, but also by institutional factors, for example, by insufficient participation of Ukraine in the activity of international economic organizations;
• low level of technical infrastructural development: roads, communications, etc;
• insufficient development of infrastructure that supports commercialization and spread of innovations;
• low flexibility of labor market due to the barriers on the way of interregional labor force migration and shortages in the system of professional education and additional professional training.

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 sectors;
• stimulation of economic growth and increase of production efficiency at macrolevel through support of import substitution chains, export contracts and the use of other related indirect instruments;
• reduction of transaction expenses of corporate activity through development of goods, services, labor and capital markets and forming of infrastructural support for entrepreneurial activity;
• termination of direct and indirect subsidizing of non-profitable enterprises, efficient selection of enterprises capable to function, increase of bankruptcy institute utilization, restructuring of inefficient economy sectors;
• stimulation of restructuring processes and reforming of enterprises, increase of their efficiency, promotion of integration processes and crea-

tion of large profitable and competitive companies with full-scale support for 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 macroeconomic 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 in the economy; economy openness; liberalization of economic activity at macrolevel.

The necessity to guarantee the accomplishment of basic economic tasks such as achievement of sustainable tempo of economic growth with positive changes in economic structure and stimulation for the increase of population’s real income makes economically rational the “strategy of structural maneuver” based on the scenario of “active positioning on the markets”. This strategy stipulates gradual change of the formed economic structure due to available advantages of the branches that are competitive at world markets with consistent distribution of growth impulses to the adjacent branches of industry and other spheres of economic activity.

**Industrial sector in state structural policy**

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

Entry into the world markets with competitive products due to introduction of new technologies is the basic direction of such policy in the industrial sector. Implementation of abovementioned measures should result in: support of stable tempos of industrial production growth; positive structural changes related to the increase of the share of processing branches production (compared to extractive industries) 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, which products and services are in demand on domestic and global markets. Within the limits of such approach we can outline
the “traditional” export branches (primarily in raw materials sector and processing industry) as well as “new” export branches in the sphere of services. 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 instruments is caused by macroeconomic restrictions for investment and innovations inflows into the infrastructure and the sphere of services, which constrains the circle of possible priorities of state activity in these areas.

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

Basic directions for development of investment activity, priorities of innovative policy and stages of its implementation are defined by the needs of industrial production: urgent technological renovation and presence of investment resources. Creation of favorable conditions for the development of innovations enables modernization of technological basis of state economy and swift increase of competitiveness of national production.

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

**First stage.** The main point is to prepare the technological basis of the branches, production of which has stable demand on existing 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 resource-saving technologies and improvement of products’ consumption characteristics. The basic problem at this stage lies in creation of economic, infrastructural and institutional fundamentals for 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.

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10 A. Melnyk, op. cit.
Second stage. Its basic task is to create production that implements modern technological development and to enter domestic and foreign markets with scientific-intensive produce of world level of competitiveness. This stage should result in support of competitive positions in progressive sectors of market, where national production was not represented earlier and in some cases – forming of new demand areas, where domestic scientific-intensive production plays dominating role.

State measures at this stage should be directed at creation and improvement of the following mechanisms: activation of “human factor”; attraction of private investments 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 producers.

Third stage. State support of innovative infrastructure, creation of conditions of the demand switching over to internal innovations, informational support for 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 follows:

- coordination of actions of state executive authorities, state entities 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 policy;
- creation of the system of staff training in the area of innovative entrepreneurship;
- maintenance and development of scientific, production and technological potential, including fundamental science and system of staff training, its utilization for support of modern technological level and transition to higher technologies;
- choosing the rational development strategies in innovative sphere with realization in economy of those branches, which have the critical technologies and innovative projects that influence the growth of production efficiency and products’ competitiveness.

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

Finalizing the findings it is worth mentioning that in order to implement basic measures of structural policy in current conditions the state should address its actions to the achievement of the following key goals:

- development of new economic branches that promote general increase of industrial production efficiency;
- promotion of industrial investment, innovative and entrepreneurship activity;
- promotion of development of branches that maintain considerable share of export production;
- ensuring of favorable economic and financial conditions to intensify production and develop fair competition;
- forming and development of domestic markets;
- introduction of world standards toward production quality and environmental protection;
- development of production competitive at global market level;
- closing down part of production in the depressive economic branches.

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

Bibliography

Regulacje państwowe zmian strukturalnych w gospodarce mają na celu kształtowanie i wspieranie racjonalnej struktury gospodarczej i dokonywane są za pośrednictwem państwowej polityki strukturalnej. Celem artykułu jest określenie takich kierunków państwowej polityki strukturalnej, które mogłyby zapewnić rozwój gospodarki narodowej, a także określić priorytety i mechanizmy jego realizacji. Główne kierunki realizacji państwowej polityki strukturalnej są określone. Istotę struktury gospodarki narodowej przedstawiono uwzględniając polityki: przemysłową, innowacyjną i inwestycyjną, których rozwój wpływa na wzrost gospodarczy i wzrost konkurencyjności krajowej na poziomie globalnym.

Słowa kluczowe: inwestycje, innowacje, konkurencyjność, przemysł, zmiany strukturalne, polityka strukturalna państwa