

**TATIANA MELNIK PHD\***

**ECONOMIC DEVELOPMENT  
AND INSTITUTIONS:  
PROBLEMS IN UKRAINE**

Practice of reforms in transition economies based on the principles of a neoclassical school confirms that conventional methods of approach to management of social and economical processes do not yield expected results. Institutional factors used in many developed countries have proved to be more effective.

The works by many foreign and Ukrainian scientists, in particular T. VEBLEN, D. NORTH, G. SIMON, R. COASE, O. HART, J. GALBRAITH, M. PORTER, J. SCHUMPETER, V. L. TAMBOVTSEV, A. Y. SHASTITKO, R. M. NUREYEV, A. A. AUZAN, D. S. L'VOV, O. G. BILORUS, V. Y. NOVYTSKY, Y. M. PAKHOMOV, A. I. CHUKHNO V. M. GEYTS, and others deal with the problems of the institutional theory and the institutional economy. They cover a wide range of theoretical and applied questions of institutionalism, use of various instruments to ensure countries' competitiveness in institutional models.

In scientific publications less attention is paid to studying developed countries' experience of employing institutional mechanisms which are able to offer long-term facilities for effective economic progress.

In this respect, a currently pressing thing is generalization of methodological and practical grounds of development and use of institutional regulators in the context of their possible suitability for elaboration of programs on development of transition economy of Ukraine.

A wide spread of information and other technologies, accelerating of changes in developing economy sectors, increase of importance of social goals of development, strengthening of competition in global markets demands from countries and companies adaptation to such challenges of time. In such environment traditional approaches to management of economy, in particular the transition one, do not give necessary results anymore. Restructuring of industry, first of all growth of its information and high-technology component, forming of public institutions, able to harmonize interests and aspirations of different social groups, become the main factors of a national competitiveness increase.

Difficulties in social and economic reforms in the countries with transition economies during two decades showed that universal recipes of economic reforming, worked out on the principles of the neoclassical school have no prospects. Thus, total liberalization of trade which contributes neither to activation of direct foreign investments inflow, nor improvement of industry and export structure, nor facilitation of country's integration in global economy did not become a moving force of constant economic growth.

---

\* Deputy Chief of the Department of Foreign Economic Activity Management of Kiev National University of Trade and Economics.

Economic growth lately observed in a number of post-Soviet countries and measured by rate of GDP growth is mainly achieved by extensive way due to involving in industrial process temporarily spare capital and human resources, i.e. development factors typical for the mid twentieth century. And stated rates were used in economic researches based on the neoclassical theory.

According to many authors the neoclassical theory has a very abstract nature, as well as differs in inflexibility, weak possibilities for taking into account peculiarities and changes occurring in many national economies.

Thus, R. COASE, the Nobel Prize winner, during the awarding ceremony in 1991 stated in his speech that traditional theory is isolated from life and an object of research is a system existing in economists' imagination<sup>1</sup>.

Concerning transition economies characterized by instability and unpredictability prospects of development, especially long-term, more acceptable theoretical instrument in our opinion is the institutional approach; its methodological base allows building macroeconomic models, capable to reflect instability and indefiniteness of many economic development aspects. This is accomplished by combination of different elements in this methodology – economics, law, politics, culture, etc.

Here, for analysis of economy as a whole and its separate sectors, in particular a foreign-trade one, it is of great importance to understand that structural changes in them depend on the processes taking place in other spheres of a society. For undeveloped technology, political instability, degradation in spheres of science and culture, weak market institutions can make more slowing-down effect on economic development than lack of capital inflow.

The institutional theory takes a special place in a set of economic theoretical achievements. Unlike neoclassical approach this theory emphasizes not only the results of economic agents' behavior but the behavior itself, its forms and means. This is implemented under condition that economic process is considered as a unity of two interconnected aspects – resource-technological and institutional<sup>2</sup>. On the resource-technological side economy acts as a system of means for joining manufacturing resources aimed at wealth and services production. Institutional aspect of economy is governed as a mechanism of social regulation of economic actions.

For this definition the institutional aspect of economy is understood wider than the economic mechanism (planned or market). A plan and a market as notions with all their differences are referred to one class of means for social regulation of economic actions. Both of them are based on a choice principle among the alternative means of limited resources usage. But the institutional theory operates some other means of social regulation, based on a motivation mechanism which enables individuals to adapt to generally acknowledged, standard model of behavior specified by social experience. Thereby they realize common expectations and just due to this are able to cooperate<sup>3</sup>. And the ability to well-coordinated actions in economic plane is a main resource produced by institutional structure of economy and a vital element of „human capital”.

---

1 Coase, R., The Institutional Structure of Production (in Russian) Vestnik SpbGU. Series 5, 1992, issue 4, p. 88.

2 Weber, M., The Protestant Ethic and the Spirit of Capitalism (in Russian), in: Selected works. Moscow: Progress, 1990, p. 123.

3 Introduction to Institutional Economics (in Russian) Manual, L'vov D.S. (Ed.), Moscow: Economics, 2005, pp. 88-89.

According to D. NORTH, due to unification of resource-technological and institutional aspects identity of theoretical object of analysis and historical reality is achieved.

The processes of people's interrelations, making up activity of a society, influence directly the formation and development of formal institutions (laws, standard acts and government institutions) and informal ones (traditions, customs, unwritten maxims of society members to each another and to the state, its institutions and organizations).

The economic effectiveness of social and economical system on macro-level as well as its competitiveness strongly depends on the state which carries out its typical functions under conditions of optimal expenses for their performance. The state within these functions creates favourable conditions for economic development, improves the well-being and social security of citizens and sustains price competitiveness through creating of appropriate institutions and providing their functioning.

At present, the discussion on increase or decrease of a state's role as an institutional factor of economic development and strengthening of competitiveness is still going on in special literature. Some scientists consider that a state should have an active role, especially under the conditions of globalization and reforming of transition economies. In others' opinion a role of a state is too big with respect to portion of state's expenses and it has to be reduced.

A portion of state's expenses (taking into account basic funds of government-financed institutions and organizations) in GDP of transition economies (except China) is on the level which considerably exceeds average indexes of countries with market economy and correlated level of GDP per person.

Thus, in the countries of Central Europe the portion of state expenditure in GDP exceeds 40%, i.e. it is two times higher than in the countries with the same level of development of South-Central Asia. According to our calculations, in 2006 the portion of GDP, which is redistributed by the state through the budget, in Ukraine was 39.1%, which is also estimated as high. Hence some scientists draw to a conclusion that the high level of state expenditure in transition economies does not favour for the successful restoration of the economy and its further development.

But the calculations show that in a range of countries of Central and Eastern Europe the dynamics of the state expenditure at the end of 90<sup>th</sup> and in the early 21<sup>st</sup> century has a descending trajectory, and their portion decreased significantly that stipulated the formation of ascending dynamics of GDP<sup>1</sup>.

China's experience in the changes of the economic role of the state in general and state expenditure in GDP in particular is estimated in different way. Some researchers consider that there is a stable connection between the size of a state and the rates of economic growth<sup>2</sup>. Maximization of the rates of economic growth enables increasing the total value of produced resources in medium- and long-term perspective. The value of these resources may be increased so much that the relatively smaller portion of state expenditure will provide their bigger absolute amounts. The example is the strategic manoeuvre, made by China in 1979-1996, as a result of

---

1 Minervin, I. Transformation of Russia's economy: diversity of approaches, the similarity of the findings. *Economic Issues in Transition Period*, 2006. No. 1. pp. 90-93. (in Russian) Минервин И. Трансформации российской экономики: многообразие подходов, сходство выводов // Вопросы экономики переходного периода. – 2006. – №1. – С. 90-93.

2 Ibidem, pp. 39-41.

which for 17 years there was not only 5-times increase of nominal GDP, but also the double increase of the absolute value of state expenditures. During the next period the state expenditure of China increased from 13% to 20% GDP, which along with the high rates of economic growth testifies to the absence of negative impact of increasing of state expenditure portion<sup>1</sup>.

Researching the reasons of increase and even of growth of the role of the institute of the state in the economy, G. STIGLITZ relates them with inefficient according to PARETO market because of a range of drawbacks (or 'gaps')<sup>2</sup>. Among them the author distinguishes the following:

- inability of competition (the presence of monopoly, geographical limits of the market, which complicate the consumer choice and the presence of state monopolies; the high incoming barriers in branches; economy of scales of production; natural monopoly);
- inability of the market in general to supply consumer goods and services or provide them in insufficient quantities;
- inability of determination by private producers of the external effects, which decreases the efficiency of the distribution of limited resources;
- incomplete markets (inability of the private markets to satisfy the demand for certain good and services even in conditions of exceeding of the selling price over the production costs);
- imperfection of information, supplied by the market;
- periodical cases of high unemployment, idleness of equipment, inflation, imbalance.

In developed countries the government is responsible for the economic state. That's why the development and implementation of economic policy is the key responsibility of the government. The objective of the economic policy is determined by the necessity to support and improve the state of the economy in general and the level of business activity; support the level of employment, which is defined by law (e.g. the law on full employment in the USA, England, Germany, etc.), or recognized on the bases of the public opinion in the countries with democratic form of state structure. In addition, the governments are responsible for relative levelling of their countries' regions according to the level of economic development in order to avoid tensions and contradictions.

The research of the practice of the developed countries allow distinguishing the following forms of the state involvement in functioning of the economy:

- community work aiming at maintenance of employment and purchasing power of the groups and strata, which suffered from the long-term decline of economic activity;
- support or stimulation of the level of aggregate demand through fiscal and monetary and credit policy (stimulating interest rates decrease, tax credits and benefits, etc.);
- support or stimulation of the level of employment and economic growth on the bases of taxation optimization, decrease of interest rates, state support of the export, large-scale leadership projects;

---

1 Illarionov A., Pivovarov I.: Dimensions of State and economic growth Economic Issues in Transition Period, 2002. No. 9. pp. 39-41. (in Russian) – 2002. – No 9. – pp. 39-41. Илларионов А., Пивоварова И. Размеры государства и экономический рост // Вопросы экономики.

2 J. E. Stiglitz: Economics of the Public Sector (in Russian: Экономика государственного сектора.) Publ. Moscow State University, 1997. pp. 150.

- state order of scientific-technical production and products of defense sector in order to ensure technological leadership;
- government purchase, creation and support of the system of state reserves of agricultural products and strategic raw materials;
- fixing of guaranteed state quotas for agricultural producers, in particular for the production of the rape, sunflower, etc. under the conditions of insufficient production of foodstuffs and increase of their prices;
- participation in financing and development of infrastructure, first of all transportation, communication;
- control over the activity of market structures (commodity and stock exchanges), carrying out arbitrageur functions in the sphere of industrial relations, trade and commerce practice and energy sector;
- participation in informational service of the economy (the system of state statistics and economic financial reporting, audit);
- support of functioning of state enterprises, which are low-profit, but are considered to be important from the point of view of state prestige and long-term perspectives;
- determining the priorities of the economic policy as an important element of formation of entrepreneurial and investment climate;
- the support of competition through the means of antimonopoly policy;
- development and conducting the credit financial and antinflationary policy.

The mentioned above forms of state involvement in the processes of economic development ensure the possibility to coordinate the activity of all economic agents, which enables coordination of economic interests of some institutional entities and national economic interests.

Summarizing the range of scientific researches on the problem of institutional economy showed that developed countries have rather proven institute of the state due to the accurate delineation of the general goal and functional tasks. They are, first of all, strengthening bases of lawfulness, maintenance of balanced political environment, investing in social and cultural sphere, support of unprotected social strata, protection of environment. Well-grounded basic framework conditions of development of entrepreneurship cover stable tax legislation, clear accounting, stable rules of game, etc. Stability of legislative field in the country is guaranteed by the justice system, the performance of the contracts and the protection of proprietary right are ensured by the legislation.

The states use different institutional regulators within the medium-term and long-term strategies, which under the conditions of competitive struggle strengthening in the globalized world environment allow to succeed. These strategies used the methods of planning, programming, forecasting and determination of priority of innovative sectors of the economy.

Taking into account that in Ukraine these methods were also used in the process of the Government work, but they proved to be inefficient because of underdevelopment of its institutional system, we think that the study of the other countries' experience in the use of institutional regulators will allow us to estimate the possibilities of their use in Ukrainian conditions.

So, in the periods of crises the institutional structures of the states with their different structure are used. In particular, President Roosevelt in the 30<sup>th</sup> used the elements of the institutional structure of the USSR – mechanisms of planning, organization of community service, state policy on the provision of full employment, etc. After the economic crises he used non-standard decisions, in particular, ap-

proved for most companies 'the codes of fair competition', which bound them to employ a certain amount of the unemployed, the number of which exceeded 15 million people. Because of this in three years 10 million work places were created.

But when the society goes to the phase of stabilization, it applies more often to the institutional forms of those countries which have the similar structure.

The experience of the USA in the sphere of support of competitiveness with institutional methods testifies to their high efficiency. In spite of the strengthening of the significance of integration unions in Europe the USA keeps their advantages in a range of fundamental factors of long-term action.

Among them we may distinguish the principles of economic liberalism, according to which the regulatory policy and stimulation of the economy is carried out by the state. The USA keeps the leading positions in the main directions of the fundamental science, and the presence of the unique military-space research programs ensures the long-term technological advantages for the country.

The growth of intellectual potential of the USA is ensured by the import of the best human capital. To satisfy the needs of the development of the economy the country creates the conditions for expansion of non-commercial spheres of activity, diversification of community organization, improvement of education system quality. The social value of free time is also increased. Such processes of socialization may be considered to be irreversible, because they stipulate the deep changes in national mentality and morals<sup>1</sup>.

Due to the use of these methods, first of all institutional, the USA takes the first places in the world rating of competitiveness. In the USA as well as in other countries the national Council on Competitiveness plays a significant role in strengthening the positions in the competitive struggle – non profit, independent, two-party organization. The objective of its establishment is in the development of recommendations on the strategies of provision of international competitiveness of the industrial country<sup>2</sup>.

These strategies provide for the consolidation of involvement of the government, business, science, social organizations which allows coordinating national state interests with the interests of all participants of social production and private interests of the consumers. The activity of the Council on Competitiveness is aimed at the identification of the possibilities of competitive positions improvement of the country on the world markets and the improvement of innovative character of the economy.

On both the federal level and the level of the state the great attention is drawn to the development of foreign economic activity and improvement of competitiveness of national producers<sup>3</sup>. Practically all the states develop complex programs of

---

1 Socio-economic efficiency: the U.S. experience. Role of the State. Ed. by: Martinov, V., Entova, R., Dinkina, A. and others: Moscow, 1999. pp. 12-13. Социально-экономическая эффективность: опыт США. Роль государства. / Под ред. В. Мартынова, Р. Энтова, А. Дынкина и др. М.: 1999. – С. 12-13.

2 Competitiveness of Ukrainian economy: status and prospects of development (in Ukrainian). Ed by: dr. econ. sciences Krutschkow, I. V., K. Osnow, 2007. p. 20. Конкурентоспроможність економіки України: стан і перспективи підвищення / За ред. д-ра екон. наук І. В. Крючкової. – К.: Основа, 2007. – р. 20.

3 Mihailovskiy, P. V.: The formation of a new paradigm for the development of foreign economic activity of the region. PhD dissertation, at Ural State Economic University, 2001. Михайловский П.В. Формирование новой парадигмы развития внешнеэкономической деятельности региона. Дисс. д-ра экон. наук. Спец. 08.00.05. Уральский гос. экон. университет – 2001.

stimulation of foreign economic activity, including such components as: educational programs (conferences, workshops on the problems of export, individual consultancy); programs on the attraction of foreign sellers and buyers (issue of special bulletins, development of informational systems on the activity of different companies), favouring the companies for the search of trade agents or wholesale buyers of products, establishment of foreign representations of the states, etc. One of the components of this success is the use of information systems which allow establishing the contacts with the companies, situated in all the countries of the world.

The similar councils on competitiveness are established in Great Britain, France, Poland, Hungary, Finland, Denmark and other developed countries. The structure of these councils allows working with the government, providing the mechanisms of the dialogue between interstate, private, trade union and academic institutions on the measures necessary for improvement of the economic and social competitiveness of the country. Through the direct recommendations which are grounded on the research, carried out by the councils, the government is given the accurate, grounded policy measures and action programs, realization of which will favor for the improvement of competitiveness, which will encourage the fast economic growth and standard of living improvement.

In our opinion, we may refer to the institutional instruments the laws on fair trade and special order, implemented in the regulatory practice of the USA, and aimed at the support of the competitiveness in the depressed regions<sup>1</sup>. They provide for the following: if an enterprise-producer, being as the same time a supplier, is first to agree the price of products, which will be supplied in the region, with wholesale of retail company, non other enterprise can sell the similar products for lower price, even if it is economically sound. This regulation does not concern the physical bodies. The law on special order is even more indicative. According to the working regulations the company, that advertises its products via mass media and advertising editions, is not eligible to sell it for the price which is lower than the price stated in the advertisement. However in the case of emergence of the buyers, which make one time purchases, the companies may provide discounts. Such laws provide the employment of the population, the development of the production in the depressed regions, and provide possibilities to survive in the competitive struggle.

In order to support the efficient functioning of the competitive environment in the USA, the special orders are given for the production of goods, providing of services and works not only to the national but also to the foreign companies on conditions that the prices of their products (works, services) after import clearance, will be 6-12% lower in comparison with the minimal domestic producers' prices<sup>2</sup>.

The most successful example of the economy's modernization with the use of the institutional regulators in the Asian region is the Republic of Korea<sup>3</sup>. The significant

---

1 Socio-economic efficiency: the U.S. experience. Role of the State. Ed. by: Martinov, V., Entova, R., Dinkina, A. and others: Moscow, 1999. p. 22. Социально-экономическая эффективность: опыт США. Роль государства. – С. 22.

2 Novitzkiy, V. E.: Regulatory imperatives in the context of modern global competition (in Ukrainian). Coll. Science works, No. 4. Kyiv, 2004. Новицький В.Є. Регулятивні імперативи у контексті сучасної глобальної конкуренції. Зб. наук. праць. №4, Київ, 2004.

3 Lisovolik, J. D.: Competitive Russia in the world «competitive liberalization». (in Russian), Publ. *Economica*, 2007., pp. 180-184. Лисоволик Я.Д. Конкурентная Россия в мире «конкурентной либерализации». – М.: ЗАО «Изд-во «Экономика», 2007. – С. 180-184.

role in the development of competitiveness of the Korean economy is played by such an institutional regulator as planning. During 7 Korean 'five years' the state actively formed the priorities and the ways of modernization. Thus, during the first 5 years the development of heavy industry was stimulated, and the state actively participated in the realization the biggest investment projects, and the main emphases were made on the stimulation of the export.

During the second 'five years' the development of high-technological sectors of the economy was started. The third 'five years' ensured the development of 6 sectors of the economy (ferrous metallurgy, shipbuilding, petrochemistry, mechanical engineering, electronics, nonferrous metal industry) through the establishment of 13 industrial complexes with implemented price control and wages increase. To develop export deliveries most companies got significant foreign credits, and most part of risks was covered with the state funds.

The planned checkpoint for the economic growth for the next five years was established at 9.2%, the portion of basic branches in the economy increased. Later the use of plan targets ensured high rates of GDP growth on 10% annual average level, which was accompanied by inflation decrease from 39% in 1980 to 1.5% in 1986. Under the pressure of the USA the government conducted liberalization of foreign economic regime, started the process of commercial banks privatization. At the end of the 80's main attention was drawn to the qualitative parameters of the economic policy, improvement of the social security system, increasing investment in the economy of the depressed regions of the country. By the end of the 90<sup>th</sup> the tasks of 5-year plans of the development of the economy were aimed at the reformation of financial and budget system, the system of state management. The state played an important role in the process of formation of leading companies, which could successfully compete with the leading foreign companies.

One of the key instruments of increasing of competitiveness of Korean enterprises and development of small business became the debureaucratization of the economy. Thus, in 2005 to create a new business in Korea you needed 22 days and had to complete 12 procedures, and in 1985 – 350 days, and you had to complete 213 documents<sup>1</sup>.

The market research of after-war renewal of the economy in Germany, Italy, Japan let us draw to the conclusion that the main reasons of their success in economic activity were not resources and their efficient use or the formal components of the institutional system – legislation or even absolute performance of all its norms by every citizen. We cannot but agree with many authors who consider that one the most important factors of overcoming the crises were regulatory institutional instruments of non-economic spheres, involved in the process of renewal. The mentioned above countries suffered a defeat in the war, survived the collapse of totalitarian regimes, continuous foreign occupation, the loss the significant part of their sovereignty. They started renewal on the ruins of their own economic systems. But in 20 years these countries were able to win proper place in the world society and the world economy. Meanwhile they didn't copy the experience of the others, but they had one peculiarity: the countries used their cultural, historical and psychological resources to the maximum, i.e. non-formal institutions of non-economic sphere.

---

1 Song B. N. The rise of the Korean economy. Oxford University Press, 2003. p. 138.

The programs of renewal of the mentioned countries were not limited by the quantity of such resources and other purely economic factors. They considered such cultural and historical factors as national character, understanding of unity of the future of the country and every its citizen, level of education and general culture. It allowed to unite society, sharply to increase the high-quality descriptions of human capital and specified the possibility at the extremely limited economic resources to reach the most important public results.

Consequently, the analysis of foreign practice of the use of institutional regulators in a global competition environment showed that competitive strategies of the developed countries are directed on medium and long-term perspective and are based on the use of methods of the indicative planning, scientific prediction of technological changes and priority of innovative sectors of economy. A favourable institutional environment, for which plans, programs and predictions, have warrants for realization in economic activity, is created in the developed countries, as a result of what a possibility is provided for the market participants to receive advantages in competitive activity both at the internal and on global markets.

In Ukraine during a long time while in composition of USSR and after acquisition of independence, the experience of development of the programs and predictions of economic and social development of the country is accumulated for short, medium and long-term periods, scientific and technical programs, programs of development of separate industries, programs, directed on solving hard separate problems.

In the last decade development of such programs and prognoses can be an example of "Ukraine-2010", preservation of resources – 2030, development of potential of industry, program of preparation for the Final of world Cup of football in 2012 the programs and prognoses of growth of export were more than once developed.

However, as practice testifies, medium and the long-term programs and prognoses of economic and social development often had declarative character and hadn't executed, mainly through difficulties with financing and the absence of the worked institutional environment, that grounds on the values of civilizations.

A high level of Ukrainian economic openness was not supported with a positive impact on the economy since the income from export business didn't get investments and remained abroad or was spent on consumption of a small part of the population.

In contrast to developed countries developing countries and transition economies, including Ukraine are applying short-term instruments and methods within the framework of annual state budget implementation that significantly limits their regulatory potential. These countries have poor institutional system. It concerns the provisions of the range of laws, repeated changeability, unreliable protection of legal rights and interests, namely property right.

The consequence of underdevelopment of institutional environment in Ukraine and other transition economies is the existence of black market. In contrast to developed countries, where black market is rather limited and doesn't possess replication ability, in certain transition economies it has a damaging influence on the development of social production. Not long ago the part of black market in Ukraine made 50-60% of GDP. But nowadays in our estimation the situation is getting better due to the harmonized work of national legislation according to the requirements of WTO and EU.

The existence of such institutional traps as black economy, corruption, evasion of payments according to the legislation, inappropriate contract execution, criminal relations are leading to the situation when the state should perform a new function

– keeping track of potential possibilities of such traps' emergence and the creation of conditions to overcome them. At the same time the existence of above mentioned institutional traps is causing the loss of trust in the country from both foreign investors and within the country certain groups of institutional units to others and the authority. The consequence of credibility crisis in Ukrainian economy in the 1980th was a rapid increase in transactional costs. During the period of reforms in 1990th credibility crisis extended as crisis phenomena were not overcome and living standards were going down, and during the current decade when economic growth is not being supported with the increase of wellbeing of the majority of ordinary people.

The experience of developed countries shows that trust<sup>1</sup> in the society is the only pervasive cultural feature and is one of the factors of nation's wellbeing and its ability to compete in the global environment.

Therefore insufficient institutional development, low level of trust in the society are the sound reasons of lagging in transition economies, namely in Ukraine, the formation of the situation that can be called growth without development. The adaptation of the experience of developed countries in the sphere of institutional regulators and their appliance will come useful during thoroughgoing economic reforms.

---

<sup>1</sup> Trust is seen in such works:

J. Kornai: Honesty and credibility in a transition economy. *Economic questions*. 2003., No. 9.

Корнан Я. Честность и доверие в переходной экономике // *Вопросы экономики*. – 2003. – №9;

B. Z. Milner: The factor of trust in the conduct of economic reforms (in Russian), *Economic questions*. 1997., No. 11. Мильнер Б.З. Фактор доверия при проведении экономических реформ // *Вопросы экономики*. – 1997. – №11;

Ljasko, A.: The trust and transaction costs (in Russian), *Economic questions*. 2003., No. 1.

Ляско А. Доверие и транзакционные издержки // *Вопросы экономики*. – 2003. – №1

F. Fukuyama: Trust: The Social Virtues and the Creation of Prosperity. *Post-New Wave in the West*. (in Russian) Anthology. Academia, 1999., p. 130. Фукуяма Ф. Доверие. Социальные добродетели и созидание благосостояния // *Новая постиндустриальная волна на Западе*. Антология. М.: Academia, 1999. – С. 130.

**MELNIK, TATIANA**

***Use of institutional regulators managing the socio-economic processes: experience and problems in the Ukraine***

*The article highlights the experience of the use of institutional regulators in managing the socio-economic processes in developed countries. It focuses the attention on the role of the State and its role in the development and implementation of economic policies. It shows the results of the studies of institutional environment in the Ukraine. It substantiates that the experience of developed countries, the use of institutional regulators might be one of the levers of radical economic reforms in the Ukraine.*