



KAPITEL 1 / CHAPTER 1¹
STRATEGIC DIRECTIONS OF THE DEVELOPMENT OF UKRAINE

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Introduction

The current socio-economic situation of Ukraine in the global economic space can only be compared to a ship sailing in the ocean without a compass. For more than twenty years of Ukraine's existence as a sovereign state, none of its governments has declared: what economic formation does the current generation of Ukrainians live in? What is the main economic law that determines the development of Ukraine's statehood? What is the strategic goal of Ukraine's development? What kind of state are we going to build? What does the majority of the population want and what kind of life does it aspire to?

Thus, the lack of a strategic direction for Ukraine's socio-economic development, the uncertainty of the consequences of structural changes that would take into account the specifics of internal and external conditions and the mentality of the Ukrainian people, generate economic and political instability in the country and the powerlessness of the authorities.

Some of the issues of Ukraine's strategic development were raised during the economic discussion initiated by the journal «Economy of Ukraine» with the article by academician V. M. Heits «Liberal economic principles: a course for Ukraine's modernisation» [1].

In this regard, V. M. Geyets noted that the essence of the discussion is the modernisation of the socio-economic system, the need for which is due to «unsuccessfully implemented reforms, exacerbated by the global economic crisis» [1]. Accordingly, «the result of the transformations is not prosperity, but massive impoverishment of the population, which has led to mass unemployment in the country, and the formation of a powerful oligarchy that controls the government at all levels. That is why there are opportunities for unlimited use of power in the interests of oligarchic groups, and the courts often act as a tool to protect these interests» [1].

¹*Authors: Ataieva Olena Alimivna*



According to V. Heits, «the ideological basis for such modernisation should be liberal democratic transformations, which were only declared at the beginning of the reforms, but in fact turned out to be conservative» [2].

Unfortunately, this discussion faded away without any practical consequences, as the issues were not discussed comprehensively, but mainly concerned the liberal democratic principles of the reforms. In addition, the authorities did not pay attention to the discussion and continued to patch up the holes in the economy.

The fact that the problem remains too important and unresolved was evidenced by the massive demonstrations of the population on the Ukrainian streets.

1.1. Analysis of research and publications on the issue

The problem of strategic choice of the country is the subject of a significant number of publications, each of which deals with the economic foundations of the state, which is the focus of each scientific work. However, such publications usually consider separate aspects of the problem, not combined under a common strategic direction, and most of them deal with individual shortcomings of economic policy or the reasons that cause them.

In addition to V. Heits, M. Popovych [3], Gzh. Kolodko [4], V. Symonenko [5], M. Zveriakov [6], O. Yaremenko [7], L. Gorkina [8], and others. Each of these authors' works highlights certain shortcomings of the unsuccessful reform of Ukraine's economy or factors that affect the democratisation of society. In particular, M. Popovych, L. Gorkia, O. Yaremenko, M. Zveriakov, as well as V. Heits, focused on the liberal democratic principles of the formation of the economic system of Ukraine. V. Symonenko considered the importance of state-administrative regulation of the economy, Gzh. Kolodko advised to rely more on the nation's own national economic conditions and mentality.

Thus, based on a comparison of the points of view of different authors, it can be concluded that their usefulness will be significantly increased by systematising and



comprehensively combining in a single conceptual sequence the creation of a national doctrine of strategic development of Ukraine, the implementation of which will ensure not slavery, but prosperity of the Ukrainian nation. It is quite clear, and the world experience confirms this, that the introduction of only the principles of liberalism and democracy in the formation of class production relations can only lead to anarchy, elementalism, and permissiveness. Therefore, the views of V. Symonenko and M. Zveriakov are correct, provided that state-administrative regulation of the economy is combined with liberal-democratic principles of management and economic activity.

As a rule, when formulating a strategic course of Ukraine's socio-economic development and the corresponding mechanism for managing the country's economy, one should take into account the need for institutional transformations of the power structures, as well as the solution of a number of socio-economic problems that were not considered during the discussion. In particular, these problems include the question of defining the essence of the economic formation to which Ukrainian society is moving as a result of reforms based on liberal democratic principles, and the definition of the basic economic law that shapes the way the Ukrainian nation exists.

In our opinion, the prosperous life of the majority of the Ukrainian population in the future is unthinkable without the development and growth of the middle class on the basis of developed medium and small businesses, especially in the agricultural sector, and without limiting monopolistic capitalism and oligarchy. At the same time, it will not be superfluous to strengthen the state form of ownership and rationally regulate the structure of other forms of ownership of the means of production.

Under such conditions, the economic formation cannot be other than liberal-democratic and socio-economically determined for the society, whose vital activity should be in accordance with the basic economic law.

But in order for the practical activities of Ukrainian society to meet the requirements of such a law, it is necessary to form a mechanism for managing the country's economy, according to which the psycho-physiological and social needs of society would be decisive in regulating the level of production and business income, and not vice versa, as is the case not only in Ukraine but throughout the world. But the



well-known mechanism of the capitalist-oligarchic level, which, according to Keynes's theory, developed in the United States during the global economic crisis of the 1930s with elements of state-administrative management of the market economy, is outdated and needs to be changed and reformed, because it is based on the principle of priority development of production and business, which is adjusted to the basic needs of people, and not vice versa.

In this case, the development strategy should be viewed as a means of achieving the fundamental goal of Ukrainian society for a specific long-term period, which includes the desire to ensure the quality of life of employees and the population by meeting their growing psycho-physiological and social needs, to which the proportions of production and business income should be subordinated. This direction can be considered strategic on the path of Ukraine's socio-economic transformation mainly on its own economic basis, its own internal market environment. This direction of strategic development of Ukraine and other countries is historically inevitable, unless humanity, through its reckless actions, wars, environmental pollution and irrational use of natural resources, etc., leads to the death of all living things.

The historical inevitability of this strategy of building a liberal democratic society with public administration is evidenced by the mathematically determined pattern of development of economic formations.

Therefore, the purpose of the article is to determine the strategic direction of development of Ukrainian statehood on a liberal democratic and socially based basis, taking into account historical and mathematical methods of studying changes in economic formations in the world.

1.2. Model of the control mechanism

It is well known that any state is a complex socio-economic system, the management of which depends on how optimal its structure is, how it is organised and what its purpose is. The main requirement for the system is that it should be self-

organising, which ensures a targeted information and management process, since both the managed object and the managing entity are connected by closed forward and backward information links.

(Figure 1) schematically shows a controlled system (CS), a control link (CL), and a feedback loop with two control loops, a control system (1) and an actuator (2). A special role is played by the second feedback loop with a memory unit (3), which selects information from the 1st loop.

This information accumulates, forming experience and knowledge, is synthesised into certain structures, increases the level of organisation, activity and survivability of the system, when influenced by the external environment (market, nature, public reaction, etc.). The object of management is out of dynamic equilibrium, and the resulting deviation (information) in the information meter 1 is processed and sent to the LU, which issues the appropriate command to the executive body 2.

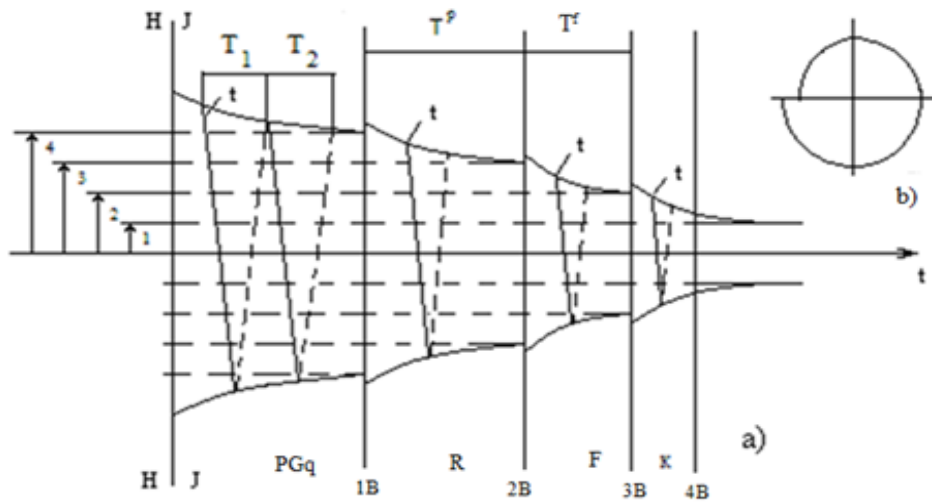


Figure 1- Generalised model of the governance mechanism
B - bifurcations, t - period of the oscillatory process, PG - primitive society, R - slaveholding, F - feudal, and C - capitalist system. 1, 2, 3, and 4 are the ratios of H (entropy) to J (information).

This closed loop provides self-regulation of the CS. The formation of the control mechanism is completed in the loop 2 (which includes the memory body 3 - this is the



information selection and accumulation loop, the adaptation and self-learning loop - the self-development loop). This loop allows to select information from the flow of information circulating in the self-regulation loop, taking into account the continuity and value of new 'portions' of information for the target function of the system, for its integrity.

(Figure 1) also shows that, along with the CC, the main thing is the presence of a market in the governance system. In accordance with the principle of necessary diversity in complex self-organising systems, the complexity of the CC regulator should not be lower than the complexity of the regulated system itself. In technical systems, this is achieved by increasing the complexity of the element base, while in economic systems, the process of management is carried out by the market and reducing the complexity of the system structure.

Currently, two types of structures are most common: a vertical structure with a multi-level hierarchy and a horizontal structure established through self-organisation. The main disadvantage of the former is the absence or breakdown of feedback at all levels, which prevents reliable information from flowing either up or down the chain. An example of a horizontal structure is shown in (Figure 2), which shows that all management objects are connected by the market and a publicly accessible data bank. A small number of 'ministries' are connected to producers through the market. The main advantages of a horizontal structure over a vertical one:

- the largest percentage of the population is involved in the creation of wealth;
- competent specialists are nominated to leadership positions to make prompt and adequate decisions;
- absence of corruption and «telephone law»;
- civilised competition, access to any information in data banks;
- the activities of other firms and the state are external «environmental impact» through the market.

Along with the optimal structure of the object of management, the structure of the state plays an important role, if not the main one. Thus, according to R. Abdeev [9], «...the state in the new civilisation will not «die out», but as a complex self-organising

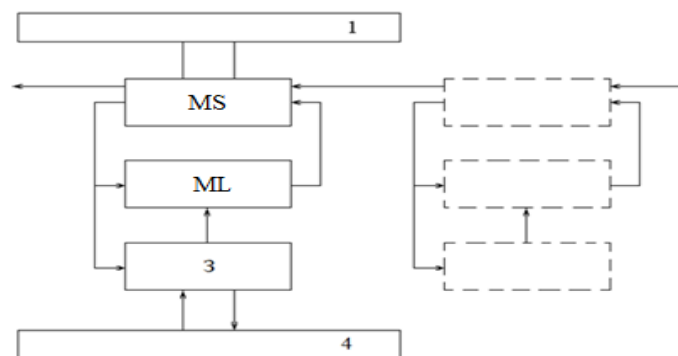


Figure 2 - Horizontal interconnections of open systems

(1 - market, 4 - data banks)

system, will further improve its structure, according to the principle of five rings. This principle reads: A state can have a prosperous economy and progress in social and cultural terms only when five independent powers interact: the legislative, executive, information and intellectual powers, the latter two permeating all the others».

(Figure 3) shows the structure of the state organised according to the above principle, where the power of information means freedom of the press, publicity, a large number of publicly available data banks, and the power of intellect is realised by rigorous selection of the most trained competent specialists for the legislative, executive, judicial and information branches of government at all levels. But you can only manage an object that is moving, and it is better if it is moving towards a certain goal.

1.3. Possible strategic goals for Ukraine

The economic, social and political structures that have emerged in the world over the past decades are in deep crisis. New solutions and ways to renew social life are being sought. However, most of the proposed recipes address only immediate problems. History shows that a society devoid of clear prospects and universally recognised goals, lacking spiritual unity, must either disintegrate or find the strength to develop new values, new attitudes, new goals and reasonable methods of achieving them.

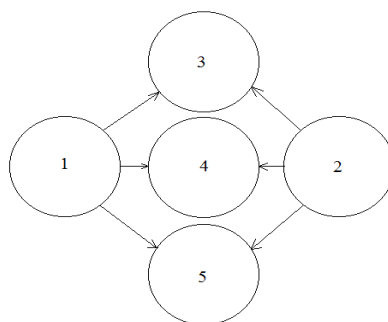


Figure 3 - The principle of the five rings of the rule of law

*1 - power of the intellect, 2 - power of information, 3 - legislative,
4 - executive, 5 - judicial.*

To determine the future of Ukraine, let us look at its past. Figure 4 shows the change in the initial (socialist) system, which starts from the fact that in 1917 Russia made a transition to the first phase of 1A - socialism, when political and economic power passed into the hands of the people.

As a result, the social foundation of the economy and society was created. At this stage (taking into account the introduction of the market - NEP and private property), the country in the twentieth century turned into a powerful industrial state. However, in Stage 2A, as a result of a coup in 1923, a one-man dictatorship was forcibly established. The supranational collective power was replaced by a supranational one-man rule, which was reflected in the following

the electoral system was eliminated (the people were deprived of the right to elect representative bodies and to control their activities);

power was transferred from the Soviets to party bodies;

the ideological carrier of the ideas of socialism and the practical organiser of its construction was destroyed;

the market and various forms of ownership, except for the state, were eliminated.

In 1991, as a result of the collapse of the USSR (which was a planned action to divide a single nation), an independent state, Ukraine, was formed, with possible goals for further development that could include returning the country to 1923, which would allow preserving: industry and jobs; the same population; the social structure of

society, etc.

However, the reformers at the head of the state and their «consultants from the West» did not have a task to decide which path to follow, which goal to achieve. There was only one goal: to turn the country towards the West, motivated by the fact that the standard of living there was much higher.

The analysis of the development of capitalist countries shows (B, Figure 4) that at the initial stage of capitalism (I), all the energy of entrepreneurs was directed to the creation of new production technologies that could increase output and production volumes. At stage II (1900-1930), the main goals and objectives of entrepreneurs changed significantly and consisted of developing and improving the mechanism of mass production and reducing production costs. At the third stage, starting in the 1930s, firms shifted their main management tasks from production to advertising, consumer choice and sales organisation, i.e. to managing the processes of product promotion. Since the mid-1950s (stage IV), market orientation has become even more pronounced, and this stage is known in foreign economic literature as the neoliberal stage.



Figure 4 - Stages of development of Ukraine in the XX century and capitalist countries in the late XIX and XX centuries

Therefore, the visible economic successes of the 90s in developed capitalist countries, where neoliberal ideology prevailed, caused Ukraine to adopt this ideology. Most importantly, it was adopted without critical reflection, without taking into account the realities of life and the way of life of the Ukrainian population and its mentality. In order to move to this path of development, it was necessary to «go back»



many years and go through the paths I-IV, the paths travelled by capitalism. Therefore, during the 20 years of this choice, Ukraine came to the dominance of oligarchic capitalism 2.

This period is characterised by the fact that «enormous structural distortions have occurred in the Ukrainian economy. Industrial decline became widespread, not structural. GDP fell by 38% from the level of 1990, giving rise to such problems as chronic inflation, underdevelopment of the domestic market, «flight» of labour and funds abroad, large-scale corruption, falling living standards of the majority of the population, decline in morale, enormous social stratification, and continuous decline in the country's population» [6]. Opposite 5 is Ukraine's accession to the European Union (EU).

Another strategic path remains to be considered - building a new democratic society on the information basis of productive forces - 3. According to many scholars, this is the only way that allows a country to develop without repeating other people's mistakes and without catching up. Ways 1, 2, 4, and 5 automatically put the country in the position of a catching-up country.

1.4. Information civilisation

In the last quarter of the XX century, humanity entered a new stage of its development - the stage of building an information society (IS). Some developed countries, primarily those of Southeast Asia, have already reached its first stage. It is understood that this society marks the creation of a new civilisation and leads to essential transformations in the system of modern cultures, which are in the very initial phase.

According to the formationist approach to the analysis of the economic history of mankind, which distorted the development of social production against the background of the evolution of socio-economic formations, the idea of which was most fully and consistently developed by K. Marx, is as follows: primitive society - PS, slavery - SS,



feudalism - F, capitalism - C, socialism - S (as the first phase of communism).

The same process of development (transition from one formation to another) is described by the general theory of the systemic approach, which combines such concepts as evolutionary development, transformation, self-organisation, interaction of political and economic systems, the state of the general economic level, etc. presented in the works of A. A. Bogdanov [10]. A similar result, but on the basis of functional-cost and structural-functional analysis, was obtained by E. T. Ivanov [11].

Let's consider the change of socio-economic formations from the point of view of the theory of oscillations. Understanding of the most general patterns of development of nature and society is based on the fact that any processes occurring in nature are the interaction of oscillating elements through fields and these processes are non-linear. In addition, all processes of development (change) of any system are always a struggle between two opposing tendencies: organisation and disorganisation. From the standpoint of information theory, this is a close relationship between the amount of information and entropy. Since the 1930s, the concept of entropy has become a measure of the probability of information systems and has become the basis of information theory. The second principle of thermodynamics implies that information can be lost in various ways and this leads to an increase in entropy. However, in order to acquire information and reduce entropy, energy must be expended.

With the introduction of the concept of entropy, it became possible to quantify such concepts as chaos and order. In this case, information and entropy characterise reality in terms of order and chaos, with information being a measure of order, and entropy being a measure of disorder.

In one of his works, F. Engels compared the development of social life to a spiral: «...history slowly begins its run from an invisible point, sluggishly making its turns around it, but the circles grow, the flight becomes faster and more lively» [12]. However, modern research shows that the processes of self-organisation of matter are of a converging nature, since the growth of the level of organisation of any system has its limit, its saturation region (the optimum determined by the objective function and the possibilities of accumulating information in this structure).



(Figure 5) shows a schematic representation of the real economic process of society's development. As long as the production relations of this formation more or less correspond to the level of productive forces, the latter develops rapidly. But when stable production relations begin to slow down the long-term growth of productive forces, then a stagnant or even downward stage in the development of this formation occurs, which leads to a revolutionary situation, to a new leap in development.

For example, (Figure 5) shows that the development of the primitive social system (as well as slave, feudal and capitalist systems), starting from a certain point in time, in the coordinates $H, J - t$, represents a damped oscillation with period T_1 . The peculiarity of this unit oscillation is that the amplitude of the beginning of the sinusoid is greater than that of the end. Figure 5b, in the plane, shows this oscillation in the form of a spiral. This is due to the fact that during the time T_1 , humanity has accumulated a certain amount of information, which leads to a decrease in entropy H . Given this fact, the next oscillation will have a period T_2 , and T_2 is less than T_1 .

Thus, at the end of each round, as a result of a bifurcation (let's call it a high-frequency bifurcation), the system makes a micro-jump and faces a new choice. A similar process occurs when a formation changes, and as a result of a bifurcation (low-frequency bifurcation), the system moves to a new formation.

It should be noted that the system has several possible transitions, but the choice that has occurred is called (in the case of $PG - P$) - slave-owning. The envelope of high-frequency oscillations (t) is a low-frequency damped oscillation (in this case, a fragment). The period of the formations has the same tendency: from formation to formation, the period decreases. In addition, the saturation value $\Delta = H - J$ also decreases with the change of formation from $GH \rightarrow K$, due to the increase in the amount of information. (According to [9], the dynamics of information growth is now doubling every 20 months, although in 1900 it was 50 years).

Let us return to (Figure 4). According to the theory of oscillations, the period from 1991 to the present can be called a period of bifurcation. Ukraine is facing a choice of which strategy to choose out of the five.

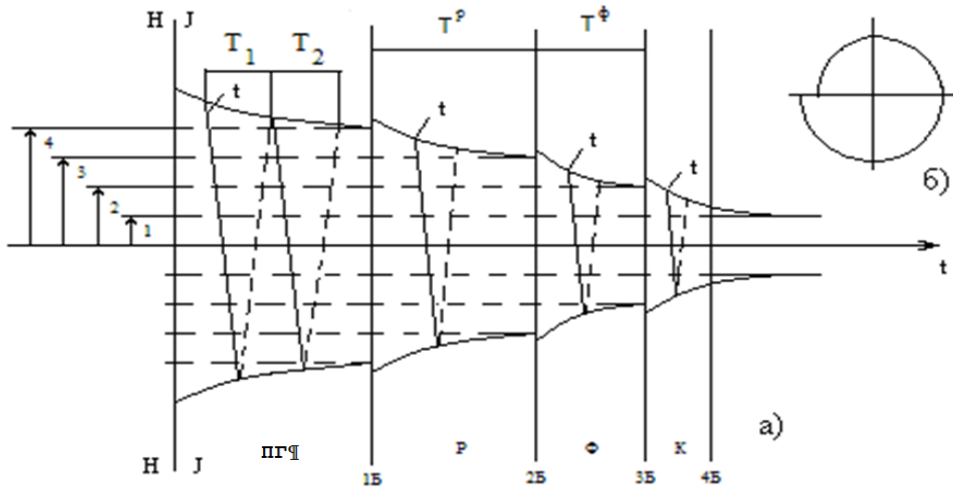


Figure 5 - Schematic representation of the actual historical process
B - bifurcations, *t* - period of the oscillatory process, *PG* - primitive society, *R* - slaveholding, *F* - feudal, and *C* - capitalist system. 1, 2, 3, and 4 are the ratios of *H* (entropy) to *J* (information).

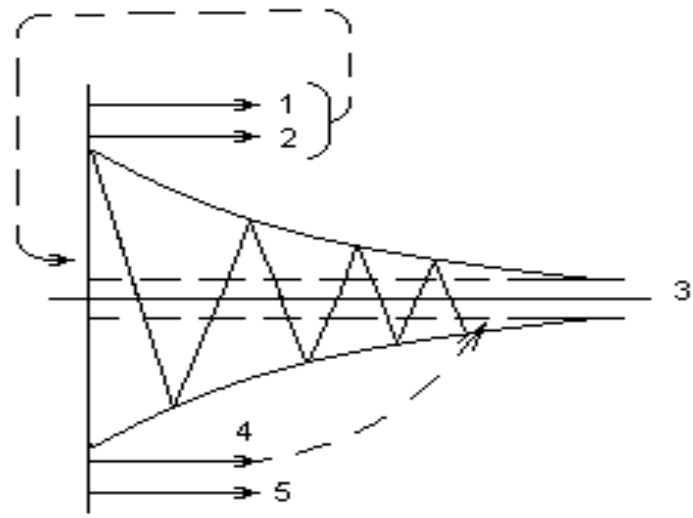


Figure 6 - Possible strategic directions for Ukraine's development

(Figure 6) shows a scenario of possible strategies for Ukraine. Strategy 1 - liberal-democratic development, according to [1], has turned into Strategy 2 - oligarchic capitalism. This direction, which corresponds to the formation, is capitalism, which, according to (Figure 5), leads to bifurcation 4B, i.e. the way back. Strategy 5 is not a long-term strategy for Ukraine's development from the point of view of the theory of



oscillations, since this strategy has no development parameters, except for the movement towards 4B. Direction 4 is the movement towards socialism, towards the socialism that ensures a decent future, freedom, and equality. This direction of the socio-political system is part of a more general formation - the information society - 3.

1.5. Main prerequisites for Ukraine's move towards information support of the economy

Since society is contradictory and social events are difficult to predict, an assessment of the prospects for Ukraine's movement towards the information state of the productive forces of society should not be a precise, rigidly drawn route, but rather a scenario of possible developments. It should be noted that such a strategy is unrealistic today for many reasons.

The existing system of government is not ready to:
implement the transition to the rule of law;
transform the vertical structure of governance into a horizontal one;
transform the education system;
abandon the raw material «econom», etc.

But time goes on, people's minds change, and the time will come when the transition to an information device will become a necessity.

Thus, the interaction of economic categories and elements of the state economic management mechanism at the information stage of the formation of the productive forces of society and development of Ukraine can be revealed by means of the model of its structure presented in (Figure 7).

From the analysis of (Figure 7), it becomes clear that it is time for Ukraine to develop a mechanism for managing the state's economy that meets the above principles and the requirements of objective economic laws.

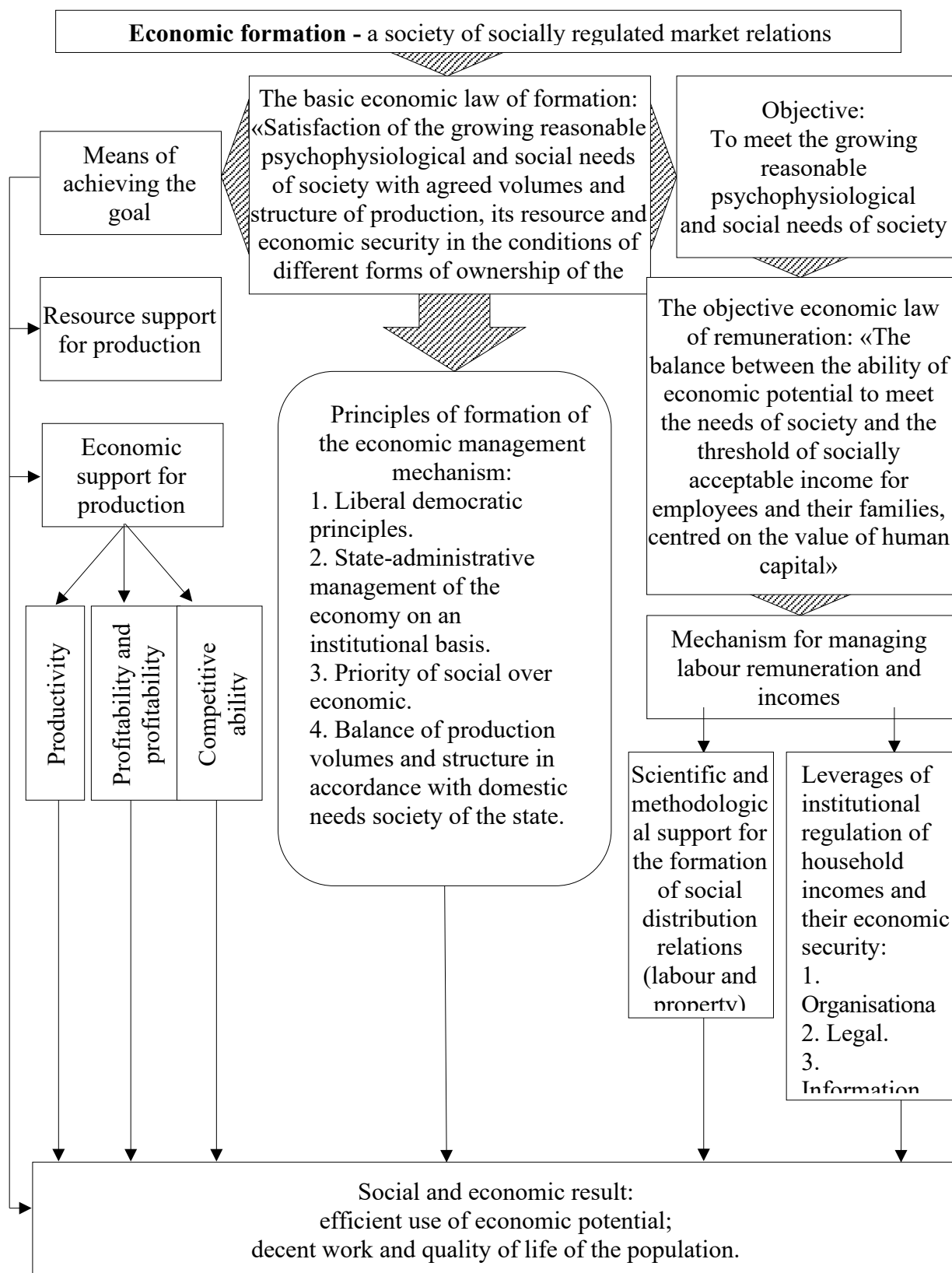


Figure 7 - Model of the structure of the economic management mechanism at the information stage of formation of productive forces of society and strategic development of Ukraine

Author's design



Conclusions

Thus, the information stage of the development of the productive forces of society leads to the historical inevitability of changing the economic formation of monopolistic-oligarchic capitalism that prevails in the modern world, including in Ukraine, and the emergence of an economic formation of a society of socially regulated market relations, which are governed by state-administrative methods and formed on liberal democratic principles and based on various forms of ownership of the means of production and provided by legislative institutional institutions

This law should express the purpose of humanity's existence in accordance with the current economic formation and the means to achieve it, so its essence could be roughly described as meeting the growing psycho-physiological and social needs of society with agreed volumes and structure of production, resource and economic security under different forms of ownership.

At the same time, the level of remuneration and business income for personal consumption is formed depending on the requirements of the objective economic law of remuneration, the essence of which we have previously defined as a balance between the economic potential (effect) of an economic entity and the threshold of social sensitivity of the level of remuneration by employees and their families (the principle of weights), the centre or fulcrum of which is the cost of human capital [14]. It would be advisable to extend state regulation of wages to its range, while keeping regulation of the average wage as a function of business entities. Business income for personal consumption can be regulated by differentiated taxation, which would reduce the polarity of the population's income to a reasonable and fair level and thus allow for targeted accumulation of funds to raise the minimum wage.

Methodological approaches to the formation of a mechanism for managing labour remuneration in Ukraine, identifying reserves for its increase and the formation of social distribution relations are disclosed and published in [14; 15; 16; 17].

In addition, the priority stages of modernisation of the Ukrainian economy, in our opinion, should be:

1 - reorganisation of education. Due to the growing amount of information, the



complexity of technological processes in all spheres of production brings us to one of the central problems of the intellectual history of mankind - the formation of a technological mind [13]. To do this, we need to modernise the concept and development of new educational technologies, rather than economic mechanisms of access to education, which is still treated as a common commodity. The effectiveness of the educational process should be higher, the more the specifics of education correspond to the natural inclinations of students;

2 - reorganisation of the state governance structure based on the 'five rings' principle;

3 - predominant production of consumer goods over production of means of production;

4 - transition to horizontal interconnection of open production systems;

5 - gradual and uniform settlement of the population of Ukraine on its territory. This is a direction that will allow, first of all, to improve the health of the population, especially the health of children and youth. This will require significant funds for the development of small-scale mechanisation, individual energy sources, road construction, etc., but it will more than pay off in the future if the current generation takes care of it now.