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# ECONOMICS

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*Sociology*

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## THE STATE OF ECONOMICS IN UKRAINE IN COMPARATIVE PERSPECTIVE: CURRENT SITUATION, OUTLOOK, AND PROSPECTS FOR FORMING A NEW PROFESSIONAL ASSOCIATION<sup>1</sup>

**ABSTRACT.** Following the breakup of the Soviet Union, academic disciplines such as economics have undergone their own transitions. Economics in Ukraine is has seen increasing development in past several years. We analyze the current situation, tendencies, and restrictions facing Ukrainian economists. Professional economists involved in academia, public administration, and business spheres were analyzed. From these recommendations concerning activities of professional association of economists were developed. The Ukrainian situation is compared to the development of neighboring countries such as Poland.

## Introduction

*The real act of discovery consists not in finding  
new lands but in seeing with new eyes.*  
Marcel Proust

Since gaining independence in 1991, Ukraine's road to a market economy and a more open political system has been a difficult one. Critical economic reforms were frequently postponed or implemented half-heartedly. Efforts at economic reform were complicated by lack of legal and political reforms and intense corruption at both the macro and micro levels – Ukrainian households pay an average of 10–20 percent of annual per capita GDP in bribes (Transparency International). The “Orange Revolution” in late 2004 raised significant hopes that Ukraine would be able to move ahead with a faster transition, but as of this writing the direction and pace of reform remains unclear.

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In order for reforms to succeed, it will be necessary to secure the active support of sectors and institutions that serve as catalysts for change. The experience of transition countries in Central and Eastern Europe suggests that economic, business, and management education plays a critical role in determining the success and pace of the transition. In Poland, for example, in the decade after 1989 while enrollment in all higher education grew 3.5 times, enrollment in business and management curricula grew 7 times and enrollment in weekend and part-time business courses grew 17.5 times (Radzilowski, 2003; Pawlowski, 2004). This unusually rapid increase in education was driven by the desire of actual and potential managers to renew or learn new knowledge and skills in order to be able to succeed in a dynamically developing economy. The results of the 15 years of continuing investments in human capital significantly contributed to the good economic performance of the eight new European Union (EU) members and granted them EU membership. Their case clearly indicates that such enormous investments in human capital were necessary to make the other new institutions performing effectively and is paying back now (Archibald, et al., 2005). The market economy requires modern managerial skills that were never introduced in a mass program before the transition in Poland or in other CEEC.

The great challenge for Central and Eastern European academic communities has been to produce new human capital that will be able to meet needs of a democratic society with a market economy. This was particularly the case of the major building block of the renewable human capital such as knowledge, skills and attitudes, especially in neoclassical economics and management. The new system based on completely different principles made a lot of the human capital shaped in the previous educational system under a centrally planned economy obsolete and useless (Bochniarz & Bolan, 2004).

In light of the experience of other Central and Eastern European countries, the building of human and social capital among economists in Ukraine takes on increasing importance (Bochniarz 2006). Of particular importance has been the need for the development of a modern professional association that can provide a forum for professional development, identify key stakeholders, and collect and disseminate critical information on the status of the discipline.

In preparation for the development of a new professional association of economists in Ukraine analytical research was conducted. The research was conducted among members of the economics community in two select Ukrainian cities. Those surveyed were professional economists involved in the scientific, educational, and business spheres as well as in public administration bodies. The major goal of the research was to collect and analyze data on the status of economics in Ukraine to better understand the state of professional development, challenges and barriers facing professional economists, and attitude of the economic community to the project of developing a professional association. The research also aimed at facilitating activities of economic community of Ukraine and establishing understanding and open dialogue between economists, businesspeople, and government about the role and importance of the discipline.

To achieve the goals set for the research met the following objectives:

1. Identified members of economic community by demographic indicators.
2. Analyzed institutional and organizational restrictions to the development of the economic community.
3. Studied possibilities for professional development of the economic community members.
4. Evaluated the state and problems of higher economic education.
5. Characterized the directions and forms of communication between members of economic community.

6. Analyzed the experience and problems of the interaction between the economic community and business and state institutes.
7. Identified problems existing in professional economic associations along with advantages and disadvantages associated with membership.

The research of the state and development outlooks of Ukrainian economic community is based on theoretical and methodological provisions of the concept of the extended marketing complex “5P” that includes the following components: people, place, product, price, and promotion. The traditional concept of marketing complex 4P (Place, Product, Price, Promotion) was supplemented with the element “people” or “personal.” This new element includes potential consumers of the association’s services. An organization can influence consumer indirectly unlike the influence on assortment updating, changing prices, and selecting distribution channels or product promotion. Consumers are elements of the external environment of the organizations that can be hardly managed. However, in the proposed approach they can be simultaneously viewed as elements of the internal environment since consumers of Ukrainian Association of Economists are its potential members who will “consume” services of the association.

To implement goals and objectives of the research we divided it into two stages: empirical and analytical.

To conduct the survey in two respondent subgroups the authors developed four types of questionnaires that made up instruments of the research:

- 1) General characteristics of the economic community;
- 2) Problems of the economic community: Professional development of economists;
- 3) System of higher economic education;
- 4) Communications of economic community: Membership in professional associations.

To clarify the situation and development outlooks of Ukrainian economic community we organized survey of 150 professional economists who work at the selected enterprises, institutions of higher education, and state and commercial organizations. Authors of the research interviewed 125 respondents personally while 25 of them participated in survey on-line.

All respondents were divided into two main groups depending on the region of Ukraine they represented:

- Residents of Donetsk (oblast administrative center with a high level of social and economic development);
- Residents of Lviv (oblast administrative center with a medium level of social and economic development).

Respondents participating in on-line survey who were residents of other cities of Ukraine were not separated in a group (since they made up only 9 percent from the total sampling) and were included in “Lviv” (residents of Kyiv, Kharkiv, and Ternopil) and “Donetsk” (residents of Odessa, Zhytomyr, Khartsyzk, and Kramatorsk) regional groups.

Each of these groups was divided into two subgroups depending on the type of economic activity:

- Employees of scientific area, industry and service production sectors and public administration;
- Employees of higher education.

Representatives of education, business, and public administration bodies willingly completed the questionnaires even though they were rather long—it took about 30 minutes to answer all the questions. We observed a high level of coordination of survey results in both regional samplings.

The first part defines theoretical and methodological fundamentals and information basis of the research, instruments used for conducting survey, methods of collecting, analyzing and presenting data. The second part deals with identifying demographic and professional characteristics of the respondents and analyzing basic scientific and organizational problems of economic community. A variety of ideas expressed by respondents regarding teaching practices and improving the system of economic education are investigated in part three. Information and communication aspect of the community's activities including directions, state and problems of internal and external communication is the theme of part four. In part five we studied respondents' attitude to the project of creating Ukrainian Association of Economists and analyzed possibilities of adjusting experience of American Agricultural Economics Association (which was examined as a potential model) to Ukrainian realities.

The typical representative of the Ukrainian economic community is a 31–40 year old economist by education with 10-years of working experience in the field and a high self-evaluation. We discovered that economists lack knowledge in the area of communication and hence, cannot make use of all possibilities available for establishing contacts and ensuring a sufficient level of communication within the economic community.

Most of the respondents pointed out the need in improving their competencies even though they have different motivation for it (career growth, competition, administrative pressure etc.). Respondents felt that the most acceptable form of improving the qualifications of economists working in business or in public administration bodies was short-term studying (short seminars or training sessions of up to one week).

Comparative analysis of answers given by two respondent subgroups (employees of educational and scientific spheres, industry/service production sectors and public administration) concerning modern problems of economic education and science of Ukraine as well as communication problems of the economic community gave us interesting results.

First thing that draws our attention is the emphasis on the problem of insufficient funding in both regional groups. If we consider this problem in the context of increasing competition in the market of educational and scientific services it will become obvious that respondents are just worried that financial disability of a higher educational establishment or a scientific center makes it an outsider in this competition. The problem of low level of funding and salaries is three times as much significant as the problem of low prestige of the teacher's work.

Secondly, representatives of both subgroups recognize importance of the problem associated with an insufficient link of theory with practice and interaction with business. The content of economic education seldom meets changeable requirements of the market. This problem is associated with the lack of interest in exposing academic economists to the business environment as well as with establishing cooperation between higher education and business.

Comments made by respondents working in the area of education concerning conditions for educating professional economists are somewhat contradictory. On one hand, there is some optimism among respondents articulated in positive assessments about the status of economic disciplines or just positive evaluations of the quality of educating students at universities. Such indicators as the quality of academic processes, the quality of curricula, qualification of faculty members, the quality of graduates and demand for them at the labor market were also highly estimated. We can treat this as display of ambitions of university teachers, particularly in their attitude to competitors.

On the other hand, insufficient information and methodological provision in the academic process, infrequent use of new educational technologies, and weak motivation of students testify to the fact that there are weak sides in organizing the education of professional

economists. Underestimating these facts delays the development and reform of higher economic education. These problems include a poor fit between educational content and market requirements, a lack of collaboration with business, and a crisis in selecting students, to name a few.

Respondents emphasized economic education as a competitive advantage for an educational establishment, but the separation of theory from practice explains the weak collaboration with business and lack of interest shown by business in establishing partnerships with higher education institutions. This finding reinforces an earlier study conducted in 2000 among Ukrainian businesses which found businesses often held a low opinion of Ukrainian business and management degrees.

The low rating of some quality indicators of educating economists is evidence of the inadequacy of methods used at universities to teach economics and forming student competencies. It is very important to give appropriate explanation to low results because it can be a potential basis for decision making in the area of education management, in compiling the content of education and developing new teaching methods and methodologies.

Modernization of the educational environment (training materials and organization of educational processes) is becoming particularly urgent in the conditions of Ukraine's intention to join the world educational community. As late as 2000, a decade after independence, about half of all business and economics courses in Ukraine continued to use pre-1990 textbooks, a situation that thankfully begun to see major improvement. In the future, the Ukrainian educational market will be open for educational systems of other countries and the loss of high-potential students and younger scholars to European and North American institutions is already a reality. Moreover, Ukrainian system of education will get an opportunity to enter global educational market, where contextual and structural correspondence of educational systems of participants is one of the basic conditions of success.

Another group of problems facing the economic community is in the sphere of information and communication. Comparing ideas expressed by two respondent subgroups about these problems allows us for making generalized conclusions.

The main directions of communication received different respondents' rating. Extending priority of external communications by the geography of the partnership is going on from international level down to national and then oblast levels. At the inter-organizational level the hierarchy of communication links consists of the following sublevels: consulting, non-governmental organizations, local administration and educational organizations. Internal communications are characterized by quite a "closeness:" members of economic community prefer to contact their colleagues at work and are hardly interested in interaction with economists working in other spheres.

We can observe two retrospective tendencies of changing communication activities of members of economic community. During 1996–2001 respondents' respondents' contacts remained the same or reduced significantly. During 2002–2006 dynamics of contacts with colleagues became more active (table 1).

Table 1: Dynamics of Contacts with Colleagues

Period of time	Contacts with Colleagues in Economics (number of respondents)							
	Reduced significantly		Reduced insignificantly		Remained at the same level		Became more active	
	Donetsk	Lviv	Donetsk	Lviv	Donetsk	Lviv	Donetsk	Lviv
1996–2001	14	11	6	7	25	15	12	13
2002–2006	4	5	6	4	19	11	42	55

Respondents pointed out the importance of funding the communication system as a factor determining development of new or revival of old contacts. Another problem that is as significant as financial one is caused by the fact that Ukrainian specialists do not speak foreign languages. Respondents treat it as a barrier in implementing projects jointly with foreign colleagues.

The primary sources of scholarly communication continue to be paper sources. The most popular source of information named by most of the respondents was books and journal. They seldom use electronic sources of information. This confirms statement of respondents about difficulties they experience getting access to the internet. Telephone and fax are the most popular means that are used for establishing and developing contacts. Written messages have the least importance as a mean of communication. The reason for this is lack of computers and computer skills, lack of access to the internet and the underdevelopment of internal organizational networks.

When asked about preferred methods of developing contacts with colleagues and gaining access to new skills and information, members of the economic community felt that round table discussions are the most promising instrument. Seminars are felt to have the highest general benefit and practical value; roundtable discussions are the best way to ensure interactive communication. Summer institutes were characterized by the best organizational and material-technical provision. Conferences were defined as the least efficient way of developing communication potential of the members of economic community.

Respondents held the attitude that existing communication among members of the economic community is rather limited and needs updating. This was identified as a venue in which a professional association can play an important role. Significantly, we found that most of the respondents do not participate in any professional associations. This strongly indicates a niche market for the formation of Ukrainian Association of Economists.

Respondents of two regional groups were unanimous in showing their interest in founding the Ukrainian Association of Economists and stated that the most important directions of its activities should include conducting seminars, conferences, and round table discussions; disseminating experience of effective scholarly work and teaching; informing members about research grants, conferences programs of professional collaboration and exchange. It proves significance of this information for economic community. Besides, facilitating exchange of information and publishing activities of the Association were named as the most important.

Potential members of Ukrainian Association of Economists expect to win some advantages and benefits from their membership. Respondents of two subgroups sought the following: facilitating economic research (particularly joint research) and consulting, effective professional/academic communication and collaboration, preparing international publications and raising funds. Most of the respondents expressed their opinion about expediency of establishing a journal of the Ukrainian Association of Economists to be printed and distributed on the regular basis. Overall, respondents view the role of Ukrainian Association of Economists as a mediator and assistant in organizing cooperation was seen as beneficial for participants. The economic community and potential association members have high expectations associated with founding and the work of Ukrainian Association of Economists.

To summarize this block of questions we can make the following conclusion:

1) Most of the respondents in both regions (Lviv, Donetsk) indicated their interest and identified the need in creating professional economic association; they defined themes interesting for them, pointed out their expectations regarding services that should be provided to the Association members;

2) Directions that are interesting for stakeholders include the following: economic researches and consulting, professional/academic communication, preparing international publications, fundraising and effective academic cooperation;

3) Most of the respondents expressed the opinion about expediency of establishing and disseminating regular printed journal of the Ukrainian Association of Economists;

4) Economic community and potential stakeholders have high expectations associated with creating Ukrainian Association of Economists and its work. It is important to meet these expectations, which means to meet interests of educators, practicing economists and other stakeholders.

The mission of most U.S. and European professional associations stipulates enlarging knowledge, improving skills and supporting the professional development of economists that contribute to resolving economic development problems urgent for society. Although we have similar understanding of the mission of Ukrainian Association of Economists a special approach to developing goals and objectives of the Association is necessary. During the last seventy years Ukrainian economists were isolated from both the world community and each other. In effect we have unsatisfactory results in the area of development and implementation of economic policy of Ukraine along with numerous institutional problems.

The need for creating and developing the network of economists in Ukraine is caused by the wish to establish solid links and cooperation between economists and businessmen in the regions as well as to set up better communication within the Ukrainian economic community and to support exchanging best practices of professional enhancement. To be come a successfully integrated organization the association of economists should encompass and meet interests of all stakeholders, who are people interested in professional development in the economic area such as teachers, academic administrators, administrators of international economic training programs, professional economists, businessmen, students, representatives of governmental organizations, Ukrainian and foreign donors, local community and mass media.

To meet the needs of main stakeholders of Ukrainian Association of Economists we need to meet their interests through development of modern economic education and increasing economists' prestige in Ukraine. We need to focus Ukrainian science and education on the needs of the economy and society and to add a practical aspect to them. On the other hand, we need to achieve not only declarative but actual recognition of science and education as general national priorities. In effect we will increase the responsibility of economists for the social results of economic development including stability, social welfare, and employment. Moreover, economists will need to be more active in developing goals and objectives of national economic policy.

At the present time the Ukrainian Economics Association (UEA) is registered in Kiev, capital of Ukraine and started its activity. The UEA's mission is to advance economics knowledge in Ukraine through the encouragement of study and research, publishing, and promotion of free and informed discussion of economic issues.

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