MANAGEMENT OF THE 21ST CENTURY: GLOBALIZATION CHALLENGES

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In edition I.A. Markina, Doctor of Economic Sciences, Professor

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ECONOMIC ACTIVITIES OF SELF-GOVERNMENT BODIES IN UKRAINE: HISTORICAL RETROSPECTIVE REVIEW

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As a result of reforms in the 1860–1870s in Ukraine, the activities of the elected local self-governance institutions – zemstvos began. At that time Ukraine was not independent and its considerable territory was a part of the Russian Empire, that is why "The Regulations about Zemstvo Institutions", which determined the composition, structure, the way of their formation and the range of power, were also followed in Ukraine [1]. Zemstvos in Ukraine began functioning from 1865 in 9 provinces: Volyn, Katerynoslav, Kyiv, Podillia, Poltava, Tavria, Kharkiv, Kherson, and Chernihiv. Local people elected deputies on the level of provinces and povits (districts), who made decisions, and zemstvos implemented them. There was no clear government program of zemstvos' development, and it enabled them to determine the problems, which required immediate solution, independently. With this purpose zemstvos employed doctors, teachers, agronomists, statisticians, economists, and other specialists. After a long time of hard work, the first considerable results of economic activities were received, and the gained experience and devotion to work is a topical example for modern state functionaries.

At present, self-governance bodies in Ukraine gain more authority supporting economic independence. For successful implementation of the reform as to raising the authority of the local power bodies, not only the historical grounding is necessary, but also taking into account the typical mistakes, made by the previous generations of the reformers. Analyzing the latest research of modern economists (Soskin, 2014) [2], who see the future of Ukraine in developing national economic interests, based on business, the development of small and medium businesses – the experience, gained by zemstvos, only enforces the topicality of the given research. The measures of economic character, developed, planned, and introduced by zemstvos on the territory of Ukraine are the subject of the investigation. The object is the economic activity of zemstvos in Ukraine.

Brief Literature Review. The works by foreign authors are interesting from the viewpoint of evaluating the economic potential of local self governance bodies. The first group of research by H. Fischer (1958) [3], S. Harcave (1956) [4], and

I. Timberlake (1972) [5] reflects the main idea, that zemstvos introduced new liberal ideas and views, which were not limited by government limitations, thus having the potential for implementing the bravest economic plans in the economic sphere. The second group of foreign authors: B. Sumner (1966) [6],

X. Seton-Watson (1967), [7], R. Robbins (1987) [8], and T. Pearson (1989) [9] mostly evaluated the home policy of the authorities during the reformation period and considered that the control over the development of zemstvos' economic activities by the state was admissible during the transition period.

National scholars created three groups of work, devoted to zemstvos: the first one describes the general vectors in the sphere of social-economic activities and is represented by the papers of T. Sharavara [10], O. Obmetko [11], T. Lobas [12], and others; the second group is devoted to the regional development – the economic achievements of zemstvos in separate provinces: A. Maskina [13], O. Petrov [14], and others; the third group analyzes in more detail the kinds of economic activities: M. Maslov [15], O. Zavalniuk [16], and others.

The purpose is the analysis of the economic program of self-government bodies' actions in the second half of the XIXth – the beginning of the XXth centuries in Ukraine and the kinds of activities, initiated by them in the economic sphere in the context of gaining historical experience.

Results. At the beginning of the XXth century, specialists officially distinguished the directions aimed at improving social standards and activities in financing various sectors of the national economy, that is, they separated social activities from economic. It caused the appearance of that time classification of zemstvos' economic activities and their kinds, such as agronomy, insurance and crediting the population, road construction and repairs, and cooperation [17].

Taking into account the fact, that the land reform did not envisage close information connection between provincial and district zemstvos, because the authorities tried to minimize the contacts between them with the aim of avoiding the formation of the opposition, the plans of economic activities in each zemstvo were made independently, trying to satisfy the demands and needs of their local

communities. All this caused the different level of success in developing the directions of economic work, increased regional peculiarities of zemstvos' development, often being an obstacle to solving complex problems.

According to the Law dated 12.16.1900, the government envisaged the financial support of the zemstvos' economic activities, but in fact the Law was not effective. The sum of 500 thousand rubles was allocated to the Minister of Internal Affairs; however, as V. Kuzmin-Karavaiev mentioned, the credit was not used, though there were a lot of problems. Judging by the 35 year experience the workers of zemstvos understood the attitude of the state: "if you cannot increase spending on the needs of the population – do not increase

it" [18, 429], because addressing for financial assistance from the state would lead to blaming zemstvos in incompetence.

Having analyzed the researches of the second half of the XIXth century, we can conclude that during the first decade of zemstvos' functioning no serious plans of their own economic activities were made.

The support of agricultural development became the following important direction of zemstvos' activities. As it was mentioned in the «Brief Outline of Zemstvos' Economic Measures in 23 Provinces of Russia» [19], agricultural activities were represented by three kinds of work: the organization of experimental fields, distribution of the new variety seeds, and supply of farm machinery. Later on, zemstvos were engaged in food supply [20] and organized the work very well.

After receiving the first results of their activities, zemstvos began publishing the reviews (reports) of their achievements in the field of agriculture [21], then they started publishing the literature of scientific-methodical content. First of all,

they demonstrated the correct scientific-methodical

approach, having invited to cooperation the specialists and scientists [22], [23], who prepared valuable material for publishing, which was accessible and clear to ordinary people. Zemstvo functionary D. Shorygin stated, that the consultations of the inhabitants in different places as to the right choice of seeds, rational cultivation and sowing the fields, pest control became a well organized process [24]. Such interaction lasted for several decades.

Considering the regional peculiarities of zemstvos' economic activities, we should like to notice, that they were caused not only by the needs of the population, but the level of developing the material base of separate provinces, certain persuasions, and the vision of the situation by zemstvo functionaries themselves.

For example, Lubny and Zolotonosha county zemstvos of Poltava province began to provide material and financial assistance even to agricultural partnerships, and later on, to invest money in the construction of permanent buildings for lectures, libraries, and reading halls. Thus, besides spreading special literature for educational purposes, the organization of lectures became the following correctly chosen method of their activities [10].

At the end of the XIXth – beginning of the XXth centuries, zemstvo functionaries

of Poltava province analyzed the results of their economic activities and noted, that the best tendencies of development were registered in tobacco growing, horse-breeding, and forestry [25]. The essential obstacles to the further development were the poverty of peasants and the lack of land owned by them.

Kharkiv provincial zemstvo was the first to allocate money for agronomic assistance to the rural population having formed its budget in such a way as to assist the peasants in buying seeds of good varieties, machinery, and seeding machines. Such approach was caused by the Ministry's draft of the food reform of 1909. It was the fight against crop failures that urged the government to cooperate with zemstvos more closely. The result of such cooperation was the formation of reserve funds, and it was the right following step in the work of zemstvos to support the population [26].

Katerynoslav provincial zemstvo chose the different direction and became the active lender of peasants and initiator of arranging elevators. The zemstvo actively promoted its methods of management and urged others to follow their experience. According to the economic estimates of 1916, the zemstvo was the richest in the whole Russian Empire, because its economic expenditures amounted to 5,172,345 roubles [27].

The economic specialization of Chernihiv provincial zemstvo concerned horticulture, apiculture, and sericulture. Most counties of Chernihiv province had such agricultural specializations. At the same time, the zemstvo was actively engaged in swamp drainage, which was connected with the natural conditions of the region

It should be stressed, that besides solving the problems of the population and the chosen directions of economic development peculiar for various regions, zemstvos also realized the decisions of the government. Besides the regulations, which obliged zemstvos to solve food problems, the government spread the Provision about economic responsibility of zemstvos for motor roads. According to the Decisions of the State Council of April 5, 1883, the Provision contained 38 items. Though being in charge of the roads, according to the decision of the government, zemstvos did not cope with the task successfully.

The bodies of the local self governance in Kyiv province had the status, similar to other zemstvos, but they also had the uniting function, organizing various zemstvo congresses. For example, on January 27, 1914 the congress of the representatives of the southern-western zemstvos took place in Kyiv. The congress was organized by the partnership engaged in buying farm machinery and implements on the initiative of Kyiv provincial zemstvo [10].

The support of cooperation became a separate direction of economic activities of the self governance bodies. The most active organizers of cooperatives in the 1864-1917 were: Poltava, Katerynoslav, Kyiv, Chernihiv, Kherson, Podillia, and Volyn zemstvos. Despite the peculiarities of regional development of the territories, economic specialization, the representatives of the zemstvo elite, highly

skilled specialists always gave recommendations concerning the organization of cooperatives. Among the most well known such works should be mentioned: by V. Khyzhniakov «Cooperation and

Zemstvo» [29], I. Podolskyi «The tasks of Zemstvo and Cooperative Institutions...» [30], P. Sokolovskyi «The Activities of Zemstvos in Organizing Credit Loan-Saving Partnerships» [31], and others. First of all, zemstvos began organizing courses in credit cooperatives and education of the population. The most active were Chernihiv zemstvo, later on, Volyn, Podillya, and Kyiv provincial zemstvos. Agricultural cooperatives were first created in Poltava and Kherson zemstvos, then in Kyiv zemstvo. After giving consultations and providing instructions, the following step was the creation of financial funds giving loans to cooperatives on various activities, and the formation of loan partnerships. These economic steps considerably improved the material well-being of the population and justified themselves.

The organization of zemsto statistics was also considered a successful sphere of economic activities. The development of statistics at that time was called to life by considerable social and economic changes in the country. The creation of zemstvos caused the problem of the population taxation, and studying its material opportunities had to be started. It was also necessary to analyze economic and quantitative indices of zemstvos' activities. The development of statistics resulted in the creation of scientific theoretical and practical fundamental research. This sphere of activities was outside the circle of duties, stated in the «Regulations about Zemstvo Institutions». Zemstvo statisticians worked out clear and exact system of collecting information. The work by A. Kaufman [32] can be mentioned as one of the examples of scientific-methodical developments and instructions in conducting statistical analysis.

In the late 1880s – early 1890s, certain directions of statistical work were established. As a result, sanitary, veterinary, and agricultural statistics, etc. appeared. It should be noted that the development of statistics began in the areas requiring operational interference and the quickest assistance.

The culmination of zemstvo activities became full regulation of zemstvo land cadastre [33]. Beginning from the 70s of the XIXth century, zemstos started a difficult land estimation work all over the Empire. Zemstvos in Ukraine acted more actively, taking into account higher soil fertility and urgent needs to give the true evaluation of land cost. Such work caused the appearing of new statistical methods of research. For a long time, under-evaluation of the existing lands' quantitative registration was a considerable drawback of zemstvos' activities. As the land registration was conducted on the basis of outdated existing plan materials of the general and special boundary making, it influenced the accuracy of the conclusions. Despite that criticism, the zemstvo land cadastre had many advantages over some Western European land cadastres (the most accurate was the Austro-Hungarian cadastre). In particular, it was characterized by a high quality of land-estimation

work. Zemstvo specialists provided not only the correct description of lands, but they suggested their own classification, which later on gave the impetus to scientific theoretical soil science, the development of soil geography. Zemstvos conducted land-estimation work using the principles of Prof. V. Dokuchaev, a well-known founder of the methods of soil quality evaluation. V. Dokuchaev suggested that the soils are to be evaluated according to their natural properties, taking into account crop yield. He became the author of the natural-historic method of soil rating, which consists in soil classification according to chemical, geological, and physical properties.

The development of such kind of economic activities, as insurance of the local population, including that against fires, was the most difficult. In our opinion, the reason was the following: zemstvos in all the provinces got the permission of insuring against fires at different time, which prevented them from uniting their efforts and sharing experience. For example, according to the Law dated January 31, 1906 the Regulations on zemstvo insurance was extended to Kyiv province. Only in 1907 zemstvos began to register agricultural buildings and developed the plan of reforms to improve the fire-prevention measures. The number of fires was considerably reduced in 1910, and by 1916, it could be stated, that such work was useful for the state [34].

It should be noted that the economic activities of self governance bodies took place during different historical periods, in particular, the Counter-reforms period in the 1870–1890s, the revolutionary events of the 1905–1907s, the Stolypin agrarian reforms of the 1909–1911s, the First World War of the 1914-1918s.

During the time the Prime Minister P. A. Stolypin, the system of isolated farmsteads (khutirs), was initiated, which is considered the proto-type of modern farms. He also initiated mass migration to Siberia of smallholders and landless peasants. Zemstvos were also involved in this process by the government. Chernihiv provincial zemstvo publicly emphasized that the authorities obliged, but the funds for migrants were not allocated. In 1909 Stolypin circular «On the assistance to the small isolated farmsteads» was brought to the attention of the provincial zemstvos. They also participated in working out the projects of organizing economic assistance to khutir farms, although zemstvo themselves could not choose the form of assisting migrants. Zemstvos created the centers organizing public lectures to peasants, distributed agricultural literature, organized model khutir farms for those who wanted to see the advantages of leaving the community and becoming an independent farmer.

Conclusions. Thus, on the grounds of analyzing various kinds of economic activities of provincial zemstvos in Ukraine and their regional specialization, it is possible to make the conclusions about their work. Active formation of economic activities lasted to the middle of the 1870s. During this period, zemstvos founded local banks with the aim of overcoming the consequences of abolishing serfdom after the reform of 1861. Credit and loan-saving partnerships were actively founded.

The important work of creating land cadastre of the state began. To the middle of the 1890s, zemstvos organized small land credit, worked out the methods of providing statistics. At the end of the XIXth – beginning of the XXth centuries zemstvos invested considerable sums of money in agronomic congresses, organized the extension courses for agronomists, were engaged in selling farm products, initiated experimental fields and elevators, brought new varieties of seeds and modern farm machinery, made efforts in tobacco growing, horse breeding, horticulture, apiculture, and sericulture. In 1916, the economic department was opened in the All-Russian Zemstvo Union, with the aim of improving the functioning of the national economy, because the exhausting World War I of the 1914-1918s lasted. Zemstvos functioned on the basis of the innovative methods in economics, which present local bodies of self governance can adopt. In particular, zemstvos organized lectures (about pest control, new methods of field cultivation, the latest machinery and technologies), both for the professionals in different branches, and the local population; they actively spread scientific literature; gave recommendations to those who wanted to organize cooperatives; formed reserve funds for agronomic assistance to the population; organized public zemstvo congresses to discuss the most problematic issues of economic activities, coordinated actions between different zemstvos, and shared the experience. The creation of a new land cadastre became a considerable assistance to the state. It is well known, that this problem is actual for Ukraine at present and requires uniting efforts of various bodies of power and specialists. Thus, taking into account the drawbacks, made by zemstvos at the first stages of their activities, caused by the absence of the necessary experience, clear economic plans and programs of work, the impossibility to unite the efforts because of the government prohibitions, modern state functionaries have to take into account their experience and achievements: they can organize broad discussion of the existing economic problems at the local level, uniting local communities for their solving, attract the most experienced specialists to their activities, make promising plans of economic development on their territories.

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REALIZATION OF THE SYNERGY BASIS ON ESTIMATION OF INNOVATIONAL POTENTIAL OF REGIONAL SOCIO-ECONOMIC SYSTEMS

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Current state and prospects for the development of regional socioeconomic systems (RSES), which form the basis of any economic system nationwide. Implementation of administrative reform in Ukraine and the development of decentralization processes, first and foremost, require from the scientists and practitioners of managing the transition to fundamentally new technologies and mechanisms for the formation and management of the potential of the RSES, as evidenced by the research, the results of which are reflected in the monographs [3;

4; 5; 7; 8 ; 10].

The unstable behavior of various economic dynamic systems is characteristic of economic evolutionary processes. Linearity and stability are not universal, but very limited due to certain circumstances, the nature of which is emphasized by leading both foreign and domestic scientists V.B. Zang, V.S. Ponomarenko, M.O. Kizim, O.M. Tridid, G. Hacken [2; 9; 11].

Such placement of emphases is different from those on which the traditional economy is being built. For example, P.A. Samuelson in economic phenomena tried to identify exactly the linearity and stability as the basic properties, because using the traditional static analysis and the principle of conformity can only deal with those systems in which small changes in parameters lead to small changes in characteristics, which analyzes and proves the author of the monograph [10].

The synergetic approach, in contrast to the traditional dynamics, reveals those properties of dissipative systems, for which small changes in parameters cause qualitative changes in dynamic behavior [2; 11]. When a system becomes dynamically unstable, for example, because of the "perturbation" of the parameters, the nonlinear members become very important for determining the nature of its behavior. In this regard, "the presence of analogies in the main provisions of various theories means that there should be a more general theory that combines particles and unifies them with respect to these common properties" [2].

V.S. Ponomarenko, M.O. Kizim, O.M. Tridid in this regard point to the inability of the traditional economic theory "to get close to the empirical reality. The scientific value of abstract concepts and formal theoretical constructions is respected. They rely in their studies on equilibrium analysis, leaving science blind to phenomena associated with historical changes. And this leads to the wrong assumption that it is possible to anticipate all possible cases and assess their consequences" [9, p.74].

The synergetic economy refers to the field of economic theory, which has the great practical importance for sectoral and specific economic activity. It concerns the temporal and spatial processes of economic evolution [2; 11]. In particular, the synergetic economy deals with unstable nonlinear systems and focuses on nonlinear phenomena in economic evolution, such as structural changes, bifurcations, and chaos.

Consideration of the importance of using the synergistic approach for solving the task of managing the development of the RSES is due to the definition of the relationship between synergetic and traditional economics [8, 10]. Since the synergetic economy deals with economic evolution, it is part of the theory of economic dynamics. Under this concept there are many theories (theory of business cycles, the theory of economic growth) and analytical methods, such as the principle of conformity.

All these theories and methods form the content of the traditional theory of economic dynamics. The synergetic economy is an extension of the traditional theory of economic dynamics, due to the fact that the results of the latter can be