

Chapter 3

NATIONAL CAPITALISM MODEL AS OPTIMAL MODEL FOR NATIONAL ECONOMY OF UKRAINE

3.1. Essence of national capitalism model and peculiarities of its implementation in Ukraine

Defining feature among countries of the developed world is creation and implementation of national model of economic development. The majority of developed and competitive countries are positioned towards economic model of national capitalism, and this is the international experience. Non-efficient countries usually perform within limits of state-monopolistic capitalism, which is frequently defined by archaic economic and technological modes, tribalism and recessively. In conditions of last financial and economic crisis Ukraine and other developing countries increased the gap in economic development. So nowadays it is tremendously important to direct economic development to implementation of qualitatively new, effective model. We are certain that national capitalism model is optimal for our country, so it may develop within limits of the model as democratic country with market capitalist economy and natural part of European environment. We are of opinion that it is possible to create necessary conditions for such model's implementation in Ukraine.

3.1.1. Main parameters, features and mechanism of transition to national capitalism model in Ukraine

Capitalism as social-economic system is based on private property in various shapes, free business activity and competition. So while developing national capitalism model for Ukraine we emphasize the following: firstly, it must be grounded on such capitalism attributes as free market and private property and secondly — it has to diminish possibility of oligarchic clans creation, to limit power of large monopoly capital in favour of the largest possible quantity of people, who should be transforming from their own labour force owners into owners of labour products and private property carriers. According to national capitalism model, share of those people, who are actually small and middle bourgeoisie, must be at least 65% of community structure. With such institutional and social foundation, country's economy shall achieve the highest level of efficiency, competitiveness and welfare. High development figures of some countries are evidence for that, given that their economic policy is essentially directed to implementation of national capitalism model.

Let us turn to the Global Competitiveness Index, which is provided by analytical group of World Economic Forum annually. Analysis of 133 countries according to 12 competitiveness criteria yielded the following results in 2009–2010: Switzerland was on the first place, USA — second, Singapore — third, fourth and fifth places were taken by Sweden and Denmark, accordingly. Those countries are different in a way: developed corporate economy and powerful middle and small business. If

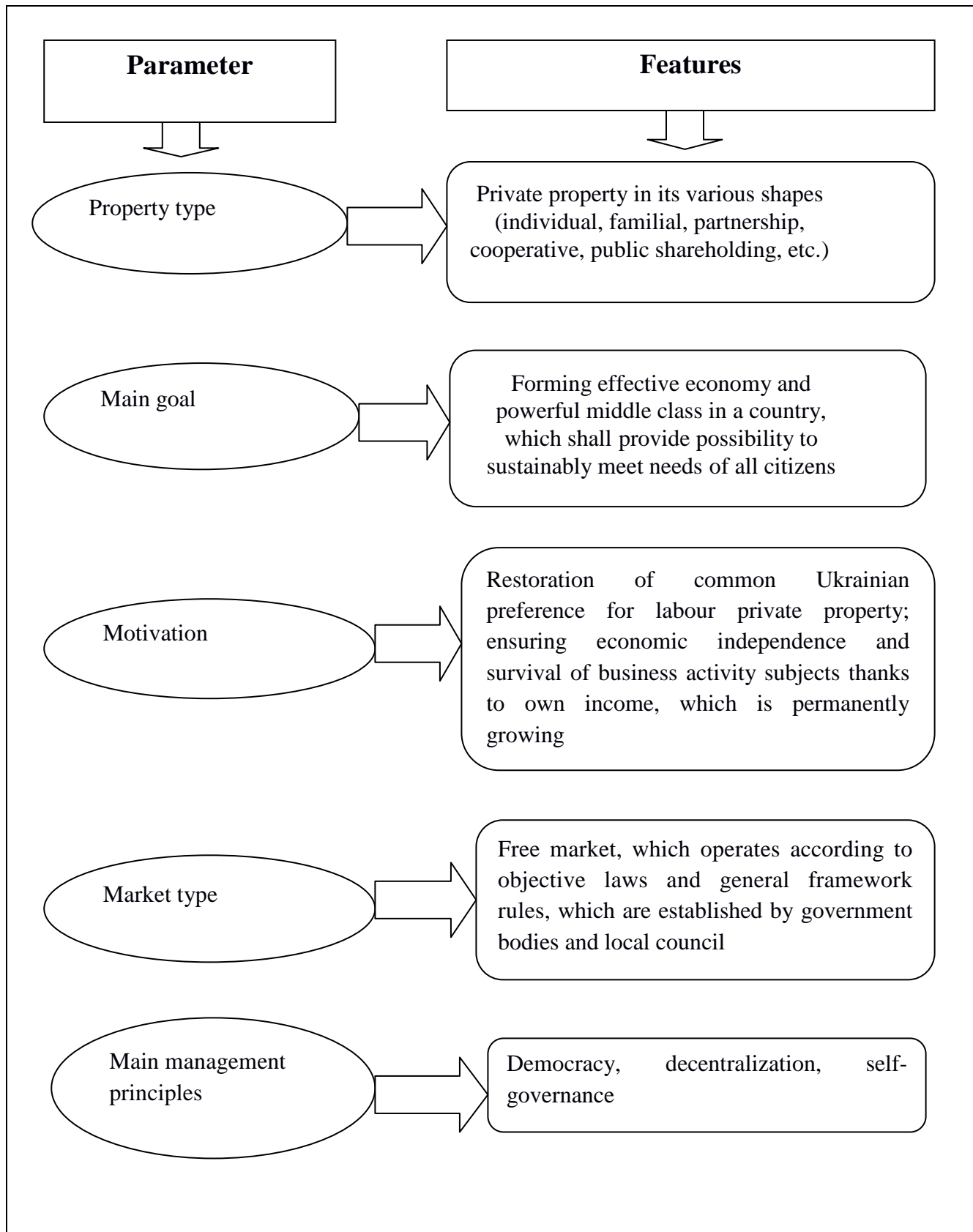
economy in a country is managed by financial-corporate groups, there is unfriendly and especially hostile business environment, and the majority of population does not possess property, those countries were listed rather low in Global Competitiveness Index: Ukraine 82 place, Kazakhstan 67-th place, Tadzhikistan 122 place [1]. Ukraine was actually on the same 82 place of Gloval Competitiveness Index in 2011–2012, in 2012–2013 — 73 place. Despite positive dynamics in recent years, the following components of the index are dangerous to small and middle business development (so for the country`s economy also): «institutions» — 132 place, «goods and services market» — 117 place, «financial sector stability» — 114 place, «business development level» — 91 place, «innovations» — 71 place [2].

We are forced to admit that nowadays more and more Ukrainian citizens are incapable to earn sufficient money legally through economic activity to support themselves and their families. Inadequate personal and household income are resulting into lacking of purchasing power for national economy. Today, when poverty had reached the scale where it can not be shadowed or explained objectively, when country is under threat of national bankruptcy, the government has the obligation to carry out adequate actions, as it is responsible for economic development stability and providing conditions for welfare growth. But instead of property redistribution in favour of population`s majority, which is included in national capitalism model, the government is forced to resort to budget funds redistribution and expropriation of local budgets as pseudo-rescue managerial attempts to postpone economic failure of our country. According to M. Porter, «main goal of a country — to provide their own citizens sufficiently high and growing living standards. Country`s ability to do this does not depend of some amorphous «competitiveness», but of national resources utilization efficiency — labour and capital» [3, p. 35].

In order to prevent destruction of Ukraine as a country and its economy, as it was happening, in fact, during last 350 years, an alternative is required – implementation of such mechanisms of income acquisition and distribution that would provide significant growth of small and middle private owners.

Such mechanisms are an important component of national capitalism model, which is lately being implemented in many leading countries in the world, as mentioned above.

Picture 3.1 is illustrating main parameters and features of national capitalism model.



Pic. 3.1 Main parameters and features of national capitalism model

Source: Author`s point of view

According to national capitalism model Ukraine shall be forming itself as a country with developed market economy, which is based on private property, and that is supposed to be lawfully established with the following standards:

- a) private property is the prevailing property type;
- b) private property is holy and untouchable;

c) any attempt to get hold of private property by state, state official or company or private person will be swiftly and legally punished according to country`s laws;

d) national authorities and local councils support development of productive private property, but not usury private property.

Experience of developed capitalistic countries shows that effective activity can not be achieved in state economy sector, to supply profit and provide competitive development of production sphere and services. A state is capable to meet needs of disadvantaged population groups – disabled persons, pensioners, children, also support infrastructure development, in the first place, social infrastructure, but not industrial. So state should be excluded from industrial production, services, trade, financial and banking sphere. Only powerful middle class of private owners, who actually own means of production, is capable to utilize them in the most effective way, encourage innovations, independently perform management of all resources types, define possible financial (and many others) risks, create new workplaces, prevent debt accumulation. So restoration of genetically common for Ukrainian nation leaning to private property shall happen, along with creation of independent private businesses, their free cooperation on the bases of cooperative labour forms and shared management.

Main mechanisms of national capitalism model implementation are the following:

- transformation of institutional bases of national economy restoration phases;
- reformation of economic process management;
- budgeting conception reformation;
- shaping of tax system on fundamentally new grounds (simple tax model was developed by the author, it is simple for administration, based on five directive taxes; it is proposed for implementation in Ukraine; it is described in paragraph 4.3 of this monograph in full);
- domestic market activization;
- support of innovative and technological development model
- encouragement of venture investments for small and middle business;

- transition to personal social and pension support, etc. Successful implementation of mentioned mechanisms requires certain transformations in Ukrainian economy, which would be directed, first of all, on changing character and property distribution and management system.

1. Removal of clannish-corporate groups from country`s economy and state management system, aand their liquidation, eventually; resistance to monopolization of public resources; providing equal possibilities for business activity subjects; decreasing gap between different society layers as much as possible.

It is general knowledge that wealth of a nation depends of property structure formation, also there is the important factor – how fairly wealth and income are distributed in the society. If at least two thirds of population own property in a country, it means that a moderate income distribution system is operational, small oligarchic groups are forbidden from acquiring monopolitic income, income maximization model is not functioning, so there are no friendly conditions for

double polar society creation. A country, which is on the road to create effective economic development model, must not have multi-millionaires. This is one of the important requirements of national capitalism model.

Capital accumulation and development shall be only in a country, where average standard of income (after taxes) does not exceed 30%. So in order to implement national capitalism model, the government must create certain limits for profit minimization (no more than 30%) through legal and economic instruments for companies and private persons, also for its equalization. Appropriate ministries and departments, first of all Ministry of economic development and trade, Anti-Monopoly Committee of Ukraine must create joint inter-industrial strategic group, which shall provide income formation, distribution and final acquisition monitoring.

It is necessary to create conditions for free capital flow from one industry branch to another within the country. Fresh capital should be flowing effortlessly into those economic sectors, where there is the highest profit rate. So those industry branches would experience gradual levelling off of profit rate, significant amount of business subjects would appear there, searching for the appropriate profit rate. Such enterprises are not to be restricted in any way, on the contrary, they are to be supported in their development.

Simplifying of registration and accounting system is extremely important and of great current interest. The state must not interfere into business activity utilizing services of State Fiscal Service of Ukraine, National Police of Ukraine, Security Service of Ukraine, etc. Removal of excessive control of business subjects shall encourage them to search of new industry branches, open possibilities and income sources. This is necessary condition for national capitalism model expansion in Ukraine.

2. All-round development of corporate form of private property, which includes bringing employees into ownership of a business through shares acquisition and opening individual accounts. This direction of structural-institutional reconstruction is defined by logic of evolutionary changes in property relations.

It is worth mentioning that Employee stock ownership plan (ESOP) was devised by American economist Luis Kelso, which is considered to be a theoretician of national capitalism. This plan is essentially a financing method, which enables employees to buy their company`s stocks and pay for it using their own future earnings. This method is used by 11 thousand of American stock companies, several largest among them. More than 11 million of ESOP system participants own assets for more than 50 billion of \$USA [4, p. 23.]. Luis Kelso considered that hired employee can not work effectively a priori. Only owner is motivated enough to deliver the most efficient labour. So he proposed to pay salary in part by stocks (of the hiring company). ESOP system enables employees to buy stocks with 15% discount of the market price. This way, significant number of Americans own stocks in addition to pension payments, including their hiring company`s stocks.

Pension funds use that money as investments.

Such systems are present in other countries as well. In French Republic, ESOP systems are popular in a lot of large corporations, for example, «Air France». Millions became owners of their hiring companies stocks in Britain. Government in People`s Republic of China prefers employees of the enterprises during

privatization of state property.

Nowadays share of product, which is produced on corporate property enterprises, makes 80-90% of the total production volume. There was six million of stockholders in USA in the beginning of 1950-s. Today this figure is approaching 50 million. In general, every third adult person in Western countries is a stockholder [3].

ESOP system is operating in Russian Federation as well, since 1st October, 1998, the day when Federal law «Peculiarities of legal state of incorporated companies with employee-owned stocks». It acted as a foundation of creation and operation of enterprises, where majority of share capital is owned by employees. In four years after this piece of legislature was adopted, around 80 enterprises appeared in Russian Federation, which employ approximately 30 thousand people. Main reasons for high effectiveness of «employee-owned enterprise» — their clarity and democracy, removal of long and deep abyss between management and workers, which is characteristic for the majority of enterprise, where workers do not possess right to vote. Simultaneously, this process is happening very slowly in Russian Federation. The quantity of enterprise, which chosen «national capitalism» as their operation model, is too small nowadays [5].

Formation of modern stock type property has to become an important development priority for Ukraine, if choice will be made in favour of national capitalism model. It is necessary to legally liquidate closed stock companies as type of business organization, as they enable clannish-oligarchic groups and corporations to operate freely in Ukraine. It is vital to open public stock companies actively. Their main difference: there is no shareholder, who owns controlling parcel of shares.

Public stock companies formation enables to neutralize monopoly and deliver a destroying blow to «reyderstvo» model (illegal asset takeover, usually using some sort of brute force), which is rather widespread in Ukraine today. Apart from that, transformation of closed stock companies into public stock companies enables millions of citizens to be involved in the process of positioning themselves as businessmen, owners, to be transformed from hired labour holders into business activity subjects. It is not so important that these people will be minority shareholders in those companies, the most important thing here — they are going to own stocks, which is actually a legal proof of a person for share in an enterprise and makes this person a private owner.

So, public stock companies provide development possibility for national community and national business, challenge existing economic system and make the way to property and capital for those, who were historically declined that opportunity, and that means the majority of population. Any country, developed or a country with emerging market, a country in development phase, especially Ukraine, is capable of utilizing this national capitalism mechanism and to prove that there is an alternative to clannish-oligarchic model, which enables the country to provide economic development activation and to escape unfair income redistribution, which is carried out by clannish-oligarchic groups in their own favour through state management mechanism.

3. Creating economic and legal conditions, directed on all-round support of small and middle business, which shall encourage middle class share growth in society structure, and create some distance between political and economic power.

Unobstructed development of small and middle business (SMB) – the most important attribute of national capitalism model. Small and middle private businesses must make the largest share of all business activity subjects and provide major part of workplaces in country`s economy. It is general knowledge that significant contribution by small and middle businesses to GDP of developed countries is considered as assurance of stable development of national economies. In post-Soviet countries share of small and middle businesses in GDP is rather insignificant: 5-10% in Ukraine, in Russia 10-15%, in Belarus – 10% [6; 7]. Deterioration of SMB in Ukraine is evidenced by structural indices of business activity subjects in 2010-2012 (table 3.1) [8].

Table 3.1

Main structural indices of business activity subjects ¹

index		Including							
		Enterprises			Among them	Single person businesses			
		Big	Middle	Small		total	Middle-sized businesses	Small businesses	Among them
total				micro-companies				micro-companies	
Quantity of economic subjects, units									
2010	2183928	586	20983	357241	300445	1805118	355	1804763	1793243
2011	1701620	659	20753	354283	295815	1325925	306	1325619	1313004
2012	1600127	698	20189	344048	286461	1235192	361	1234831	1224315
Quantity of economic subjects for 10 thousand of current population, units									

2010	477	0	5	78	66	394	0	394	391
2011	372	0	5	77	65	290	0	290	287
2012	351	0	4	76	63	271	0	271	269
Quantity of employees, thousand									
2010	10772,7	2400,3	3393,3	2164,6	832,6	2814,5	20,5	2794,0	2708,1
2011	10164,5	2449,0	3252,6	2091,5	788,9	2371,4	20,9	2350,5	2241,5
2012	9957,6	2484,2	3144,2	2051,3	788,2	2277,9	44,00	2233,9	2062,8
Quantity of hired employees, thousand									
2010	8845,8	2400,3	3392,4	2043,7	762,0	1009,4	20,1	989,3	914,9
2011	8757,9	2449,0	3251,6	2011,8	757,4	1045,5	20,7	1024,8	928,5
2012	8620,3	2484,1	3141,9	1951,6	736,5	1042,7	43,6	999,1	838,4
Volume of sold product (goods and services), million of hryvnas									
2010	3596646,4	1401596,8	1396364,3	568267,1	181903,1	230418,2	19487,5	210930,7	190055,3
2011	4202455,2	1775829,0	1607628,0	607782,4	189799,1	211215,8	11221,2	199994,6	181697,8
2012	4459818,8	1761086,0	1769430,2	672653,4	212651,2	256649,2	13015,4	243633,8	225449,1

¹ Data is given without banks, budget organizations and taking into account statistical data for self-employed individuals by State Tax Service of Ukraine.

It is worth mentioning that in middle-sized cities small and middle businesses are especially significant. Small cities are rather perspective, where population is engaged

in a certain mix of industrial-urbanized and rural living. Those «threshold» cities are easily accessible for effective innovative enterprises formation in agricultural-industrial sector, this means that agricultural products are being grown on lands around those cities, and being processed in cities themselves. Advantages of such approach:

firstly, this process may involve both rural and urban population;

secondly, significant growth of products` demand and proposition is happening;

thirdly, monopoly on the production level is being destroyed;

fourthly, actual realization of such national capitalism model`s key elements, as open competition and free entrepreneurship, is happening.

Condominium development, organizations for shared maintenance and service of buildings development are similarly important part of national capitalism model on city level. Members of mentioned organizations are practically acquire shared business subjects status, where each member has a private share, as they convert shared living space into income source. This strengthens national capitalism positions in specific communities and in a country in general.

Driving force of small and middle business is economic freedom, which enforces a country to achieve highly efficient development level. The more business activity subjects will perform in Ukrainian economic environment, the more force and power for national capitalism development, as this is where national income, and therefore national wealth is created. Economic freedom development is the foundation of free entrepreneurship. It is exactly economic freedom, free entrepreneurship and systemic competition that shall empower Ukraine to level standard profit rate and shape conditions for fast capital transfer between industrial branches in favour of higher feasibility branches.

4. *Family type of economic self-organization.*

Family business was widespread in Europe until the middle of 19th century, but it was driven out by large international corporations, majorly American, to outskirts of modern economic environment. For example, in China traditional family business is open, flexible and highly effective form of economic organization. It is actually an ideal example of systemic organization, which is capable of scaling itself from the core condition into multi-level, differentiated organization, which has a lot of organization levels and activity profiles. Nowadays there is a lot of small and middle family companies in modern Chinese economy. Modernization processes of capitalist economic mode did not weaken in any way this particular business form, but strengthened it. Taiwan, for example, was demonstrating capitalistic, market economy development, and 98 out of 100 of companies there were family-type character. Hong Kong, which was under Great Britain protectorate till the end of 20th century, number of companies and with fifty and less employees is growing. Similar processes are characteristic for the booming Singapore`s economy, where government is actively engaged in strengthening and supporting family businesses [9, p. 81–82].

While reviewing reasons for efficiency and dynamism of economic development in East Asia countries, which is basically founded on family business activity, and it is in turn appears to be a product of certain cultural tradition, some scholars concluded that special type of capitalism, «confucian capitalism» exists and it possesses advantages and strengths over Western capitalism. H. Kahn was one of the first Western scientists

(in 1979) to outline advantages of «capitalism by Confucius». He provided detailed substantiation of the theory that the main reason of Far East countries fast economic growth (beyond continental China border at that time) was «confucian tradition», which is based on personal precision, perseverance in achieving goals, highly developed sense of organizational identity and loyalty to various institutions [10]. Since the beginning of 90s (20th century), the term of «capitalism by Confucius» (based on two main grounds: family is considered a basic economic unit and a country is considered an institution, which is responsible for middle class) is becoming widely used in scientific community [11]. But considerable amount of scientists approached this hypothesis about Confucian connection of Far East economic model with great caution. American scholar M. Levy says: «I think that Confucianism could never lead to early emerging of modernization without appearance of strong national corporative country» [12].

We are certain that family businesses, which employ family members and several hired employees (3-5 persons) are rather effective and psychologically acceptable form of economic organizations due to a number of mentioned reasons:

1. Labour on familial private businesses is most productive, as both models, consumer (when owners are consumers of their own income) and saving (when owners, which are working for a business, are interested in saving a share of income).

2. It is thanks to these businesses that consumer demand is widening, because on family enterprises both owners and workers have stable and sustainable income, their permanent income sources.

3. Family businesses are almost completely free from parasitic elements, expenses for maintenance and management are rather low.

4. Growth of family businesses quantity significantly expands possibilities for population`s self-employment, which lifts obligation weight of creating new workplaces from a country, and it provides possibility to reduce unemployment payment (as unemployment rates start to decrease).

5. It is simple to implement efficient saving mechanism of appropriate funds on social and pension accounts for pension support (owners and hires employees) of employees, who are working for family business.

6. Family businesses form productive demand, as it is necessary to purchase raw materials and equipment.

7. Actual balance between material (physical) and monetary forms of created product is maintained in family businesses. So there are no supportive conditions for financial bubbles or speculative short-term money in family businesses.

8. In conditions of information-technological revolution exactly family-owned small and middle businesses are the most acceptable for venture and innovation development model.

Certainly, it is one-sided approach, to persist the point that the most competitive are those countries, where national economies are built on family-owned property type and family-owned businesses; this is true especially for Middle Asia economic models. It is necessary to take into account the system of factors, which could be contradictory to each other, but provide success to a country while connected. Such success factors are to be considered first of all:

- open economy policy,
- external markets orientation,
- organic integration into global capitalism structure,
- strengthening of production connections in internal and external economic environment,
- regional infrastructure development,
- utilization of new-age technologies and management practices,
- utilization of innovation mechanisms, etc.

We admit that widespread implementation of family business as a part of national capitalism model provides significant increase of business activity`s efficiency in those countries only, that have appropriate historical and cultural tradition. Ukraine is one of such countries. So we are able to state that this model is not foreign for us — it works well for Ukrainian nation`s mentality.

Key results of national capitalism model implementation in Ukraine shall be also:

- firstly*, state property constriction within limits of social-economic system;
- secondly*, restriction and modification of state role in national regulation sphere;
- thirdly*, redistribution of national income in favour of large quantity of people;
- fourthly*, significant decrease of resources expenses (human, financial, material) for providing extended reproduction;
- fifthly*, freedom to business initiative of Ukrainian population, acquiring property rights for capital and appropriate income.

There is a logic question emerging: why the author is persistent in the notion that national capitalism model has to become leading and dominative in Ukraine? Our position is based on the following: to choose correctly the appropriate development model among possible alternatives, it is crucial to take into account which model is present globally, proven its efficiency and adequacy and is based on the similar values to Ukrainian values simultaneously.

So national capitalism model may be implemented in Ukraine through carrying out institutional transformations, mentioned above, which shall enable to overcome current economic and social shortcomings in Ukraine in 10-15 years, ensure stable competitive development of national economy and balance of the social system «state — economy — human being». Social-economic background for Ukraine`s restoration as European, democratic country with market economy of capitalist type, which is going to be grounded on untouchable private property and open competition, shall be created on the basis of that model. The national capitalism model itself is the most acceptable option for Ukraine`s interests and Ukrainian mentality, and also corresponds perfectly with European tradition of competitive development.

But national capitalism model is not recognized as dominant in Ukraine nowadays, because fierce battle between clannish oligarchy, state bourgeoisie and small and middle national bourgeoisie, which are carriers of qualitatively different models. It is necessary to make a lot of effort on scientific, theoretical and practical level in order to prove that only through national capitalism model realization Ukraine shall be able to become an organic part of European community, a wealthy and strong country, which is capable to protect its national interests.

3.1.2. Role of state regulation in effective economic model formation

State role in formation of national economic model, despite change of functions and activity scale is definitive on various development stages to other activity spheres, including economy and community management [13, p. 154]. With transfer to capitalistic market relations, the idea of state regulation gradually replaced state management, leaving managing functions for state property objects only, and the remaining industries and spheres is left to state regulation. It is state regulation system that has to provide achievement of macroeconomic goals: economic efficiency, social equality, competitiveness, stable economic growth, monetary and financial stability, smooth business environment, equal business opportunities, free capital transfer (flow), open competition, and also the following: creating conditions for management subjects and objects in the necessary fashion for state, which shall define economic model development of the country in general.

During recent years state regulation model in many countries (and in Ukraine) is not capable to perform its functions, first of all, in financial, economic and social spheres. Carrying out this mission by country is complicated by new challenges and threats, which are created by globalization processes and global crisis events. These conditions are support increase of uncontrolled chaos share, which activates undetermined (including negative) influences on future development of global and national economic systems. And this process is happening during decreasing stage of large Kondratiev cycle (wave). So the question of changing an imperative of state regulation model, which certainly causes necessity of national economic development models transformation.

Mentioned problems were the center of many scientific works and papers. J. Schumpeter, R. Ackoff, I. Ansoff, C. Freeman, M. Hirooka, P. Krugman, M. Ruch, J. Stiglitz, and influential Russian economists M. Kondratiev, L. Abalkin, S. Glaziev, A. Akaev, Y. Yekovec, D. Halturina, A. Korotaev, V. Kuzmenko, S. Kurdyumov, O. Knyazeva were among them. Ukrainian scientists, who were working with those problems, were A. Galchinskiy, V. Geyec, I. Mancurov.

But changes of state regulation processes during decreasing stage (fall phase and stagnation phase) of the large cycle and uncontrolled chaos mass growing, annihilation of determined vertical hierarchic systems and necessity of new economic development model (national capitalism model) remain not studied.

State regulation has specified application and influence character on management objects in order to achieve positive results, meaning realization of defined goals and managements missions, also «to organize them within limits of strictly defined parameters, plans» [14]. The basic economic, political, social and legal standards that are developed and approved by state institutions form the basis for the accumulation, production, exchange, distribution and consumption of material goods [15, p. 688].

Depending on the degree of state participation in economic activity and the diversity of its functions, there are specific models of state regulation in different countries, but they all have a mixed character, which involves combination of the administrative and market influence levers in one or another relation on economic development.

Simultaneously, last global financial crisis, which started in 2007 and appears to

involve majority of countries, revealed failure of many state regulation models (and national development models) to organize stable and growing performance of economic, financial and social mechanism adequately to new threats and challenges. Unsuccessful attempts of national governments to adjust failure-free financial sector performance with state regulation help, to limit speculative operations, rehabilitate banking sphere, stimulate business environment development are prominent evidence of that. It was expected that those actions would provide credit support to business subjects, employment rate will grow, that in turn shall increase consumption rate, and that will lead to stable economic development and wealth. The results were not like that.

It's been a long time since the financial crisis that began in the United States has hit America's economy hard, but they appear to be unable to overcome chronic unemployment (8% in 2012). Massive and prolonged inactivity of potentially productive labour force creates conditions for decreasing general living standards in a country. American economist *P. Krugman* in his book «*End This Depression Now!*» (2012) writes that the United States have encountered not just simple recession — they are trapped in «liquid trap», which requires systemic transformations [16]. Debt and budget crises also appear to be unresolved by the United States of America for the moment. The country is on the verge of inability to maintain its state financial obligations.

Similar conclusion is made by French economist *M. Ruch* (2012) regarding European countries: «Chains of financial crises on the continent are evidence of systemic failure, but not accidental events, which are resolved by themselves or can be solved by means, which are directed on this system strengthening» [17].

According to Russian analyst *N. Yakovenko*, social explosion in Spain, Greece, unrest in Italy and France are challenging the very essence of community model, which was functioning successfully in the West [18].

On the basis of the foregoing, one may express the opinion that current global challenges and threats have a profound systemic impact on the development of all (above all, national) economic processes: they cause failure of national economic models and state regulation, shaking up the financial and economic environment, increasing its non-linearity, instability, unpredictability, its chaotic characteristics.

Crisis of strictly determined vertical hierarchy of state management became powerful process, which emerged in the beginning of 21st century. So national economies are becoming increasingly attracted to the horizontal network chaos, economic atomization, which involves self-organization, self-employment and self-planning.

The theory of chaos, which is being referred to in our research, was used for a couple of centuries mostly in physics and mathematics. It achieved real scientific evolution in the second half of 20th century after studies of mathematicians *E. Lorenz* and *B. Mandelbrot*. It was developed actively by *M. J. Feigenbaum*, *P. Couillet*, *C. Tresser*. The theory of chaos started to be utilized for estimation of economic events recently. American economists *Gleick J.*, *Chorafas D. N.*, *Vaga T.*, *Crownover R.*, *Mandelbrot B.* published several papers in 1990s regarding this particular area of knowledge. One of the first to define theoretic basics of the chaos theory was American mathematician and

economist E. Peters. In the book «Chaos and Order in the Capital Markets» (1996) he attempted to analyse cycles, prices and markets volatility from positions of non-linear economic dynamics.

Nowadays, on the background of aforementioned trends, uncontrolled chaos share in economy is growing significantly, uncontrolled influences on future evolution of economic systems are becoming active on all levels.

It is necessary to take into account that uncontrolled chaos space always inhabits various mainstreams, which possess qualitatively different parameters. We define four main mainstreams [19]:

1. Creative mainstream, where life forces are flourishing and being structured.
2. Zero mainstream, where evolution energy is in zero potential state.
3. Destructive (necrophilic) mainstream, where destruction and annihilation forces are in full scale.
4. Floor mainstream, where all active energy resources are being depleted and subject`s status becomes in limbo, all life processes suspended.

During crisis and post-crisis periods mentioned chaos mainstreams are in different proportions in various countries, but it is vital for future development which of them shall prevail eventually. So existence of mainstreams in chaos space is foundation for multi-directional development. Chaos, as mentioned above, encourages formation of horizontal networked systems, as opposite to vertical hierarchic systems. State regulation role is strengthened in these conditions, meaning external management of organization, self-organization and annihilation processes.

Countries that become engaged in creative mainstream flow during expansion of chaos range are capable to qualitatively update and transform economic model (with help of adapted and appropriately transformed state regulation model) in such a way that it shall be adequate and live up to new global imperatives and national requirements, and to reach new evolution trajectories, giving them impulse for formation of fifth and sixth economic and technological modes.

The thought of Russian scientists, professor O. Knyazeva and associated member of Russian Academy of Sciences S. Kurdyumov, fits in in this context smoothly regarding chaos: «...chaos is a stimuli, evolution impulse, and spontaneity is something like a life drive, an impulse; on the stage of dissipative, chaotic processes new connections could be made, new structures may emerge; chaos is utilized as update factor of complicated organization» [20].

In case a country becomes engaged in destructive mainstream, then national economy control model starts acting in destructive-entropy fashion, which causes freezing of decreasing economy state. Country with such economy becomes permanently transitive and remains in state of linear changes, which lead to deepening and expansion of systemic destruction. Economic development looks like destructive downward-type spiral then.

In our opinion, the most susceptible to new globalization challenges and expansion of financial-economic crises are economy models and state regulation models in those countries, where the following negative processes are more developed and deeply rooted:

1. ***Growing distance between income of wealthy and poor population***, which reached

dangerous level and strengthened contradictions, inequality of possibilities, social activity inside of community. For example,

J. Stiglitz wrote in 2012: «the abyss between 1% of richest people and 99 of poor people is enormous and it is growing constantly. This is the defining feature of extremely unhealthy American economy, the model is utterly disastrous» [16].

Ukraine is experiencing these processes to the full extent. According to UN` data, relative poverty rate of Ukrainian population is 24.3%, in Human Development Index in 2013 Ukraine is on 83 place (187 countries in total). Absolutely poor people decreased in quantity – from 16.8% in 2010 to 15.2% in 2012 (this is precisely the people, who receive less than living standard wage, which is 1060 hryvnas from 1st October, 2012 per person/month. But those people, who are over poverty limit, increased in quantity ². During 2012 this index in Ukraine increased from 42.8% to 44.1%. Quantity of people, whose consumption is less than living standard wage, has increased also – to 25.8% in 2011 relative to 23.5% in 2010. This risk category includes not only pensioners, but families with children also. Annual monitoring UN report «Millennium Development Goals. Ukraine – 2014» mentions that almost every third family in Ukraine with children is poor (32.6%), and 20.7% of employed population are poor; poverty level in rural areas remains almost twice as high as in cities [21].

2. *Distortion of state management system to service interests of small group of large capital owners (oligarchy) as result of better political influence*, existence of artificial benefits and bonuses. This is how some producers are able to maintain high profits in the population`s expense. Such negative effects are especially distinctive in energy sector. State regulation in Ukraine for energy sector is minimal, private corporations` profits are ultra high and ineffective expenses of state monopolies are obligations for citizens (first of all, national joint stock company «Naftogaz of Ukraine»).

3. *Disbalance between markets self-regulation and state regulation in favour of the latter, strengthening of management centralization*. It is natural, because monopoly concentration of property

² Poverty limit, according to international criteria, is a situation when 60% of income is spent for food.

Three processes, mentioned above, are closely connected to each other, concern basics of national economic model and show the development of systemic contradictions inside of management, utilization and other property relations. It is evident that mentioned contradictions are practically impossible to liquidate within limits of existing model with financial and non-economic instruments.

In times of growing globalization shifts and chaos countries require new, horizontally networked management model, its defining feature must be effective performance of state economy control in conditions of instability. Necessity of defining a systemic problem-solving algorithm becomes a priority, which shall require making hard decisions from state control centres, first of all, about transfer to new economy development model, which is capable to provide adaptivity, stability and survival. Right now in global and national range there is growing demand for such economy development model, which shall establish healthy capitalism system, and that is exactly

post-industrial national capitalism model.

This considered, a lot of countries that got tangled up in chaos process, made decision to change managing imperative and started transfer from inflexible model (direct intrusion into economic balance) to indirect forms of national economy regulation. Such change will not demand large expenses of state budget and social energy, but shall require favourable conditions for:

- innovation development activization, which means massive utilizations of innovations;
- emerging and all-round support of self-organization centers, which is where horizontal-networked management model is formed and uncontrolled chaos area is shrinking; establishing partnerships between state and such centres;
- decreasing tax pressure on small and middle business;
- forming information, creativity and high-level communication environment in society;
- free access to property, capital, knowledge and information to all society members;
- expansion of openness and transparency limits of all systems and removing all tendencies for dissipation;
- achieving critical mass of innovators in power elite, who have appropriate knowledge and are ready for qualitative and radical changes. It is necessary to take into account that transition of global economy system from directive vertically oriented to chaos-controlled (or uncontrolled with four mainstreams, horizontal networked type) is happening during decreasing stage of large Kondratiev cycle (wave). This stage started in 2007 and shall be active for at least 25 years. It is general knowledge that large cycles (waves) have an average duration of 50-60 years, consist of two stages (ascending and descending), each of them, in turn, is divided into two phases: the ascending stage - in the phases of recovery and growth, descending stage - in the downstream phase and depression phase [22]. Large cycles have objective of highest level economic balance restoration and capital wealth transformation, transition of largest capital values to qualitatively new economic and technological level through massive implementation of innovations and acquiring new qualitative professional level by labour force. In our case this means transition of world economy to information model, where innovative intellectual capital is the main production force, core factor of all economic processes.

J. Schumpeter, founder of neo-orthodox theory of economic development, was emphasizing role of these (or similar) factors in disbalanced state of economic system (crisis, depression). He saw this state as necessary environment for the start of economic structure reorganization mechanism with help of innovative businessmen, which creates synergic effect, society self-organization and encourages overcoming of economic crisis through cluster formation of new production combinations [23, p. 157].

R. Ackoff's position correlates with this approach: «Only through creative thinking

and innovations shall we transform society into one that is capable for more fair wealth distribution, living standards, development possibilities...» [24].

A. Akaev is developing the thought regarding transition to sixth large cycle and its link with appearance and commercial utilization of qualitative innovations of the higher level [25].

Determined vertical-hierarchic model of state management (regulation) is still dominating in Ukraine, in opposition to global tendencies, it is based on strict directive decision and mission unification within limits of national economy, non-economic management methods, linear intrusion of state mechanism into economic life of subjects on various levels (various sizes and various forms of ownership), expansion and consolidation of etatism. According to V. Geyec, «state management system is degrading in Ukraine because of all-round corruption and low competence, corruption is transforming into basic social mechanism of communal performance; also because of many politicians and officials actions as agents, working for foreign interests, so there is no trust in existing state institutions» [26, p. 8]. The scientist thinks that such processes are to be considered as endogenous threats to social-economic development of our country.

It is evident that such state management model is not directed on creating competitive, growing economy and wealthy, upstanding middle class, development of small and middle national bourgeoisie of creative type. Current management model of national economy led to appearance of the most parasitic model of state-monopolitic capitalism of clannish-oligarchic type.

All levers of the current state regulation model are directed on solidifying of state influence on productive forces evolution and financial flows, so eventually on support of state-monopolitic capitalism economic model. Budget, financial, tax systems are working to increase influence of large financial-industrial and usury capital of the monopoly type. A state is actively engaged in changing property structure, distribution system of goods and services through its methods, means and instruments. Direct intervention of a state into economic basis leads to negative shifts in social-economic structure of Ukrainian society, formation of new influence centres and key decision making regarding economic development vectors of a country on national level and in world economy system, which are antagonistic to each other by nature.

Monopolitic bourgeoisie of usurious and comprador type, which is in the process of formation in Ukraine is seeking to reinforce its positions, utilizing economic and social environment of the country to the fullest extent through acquiring official positions inside of the state mechanism. In this case, aggregation of forces of state and monopolitic structures is not limited to economic field, but also political, ideological, information sphere.

It is possible to conclude (taking into account the aforementioned information) that essence of the aforementioned state regulation model (practically, centralized management), and national economic development model, which is not adjustable for stable performance in conditions of permanent growing crisis and chaos.

The state is responsible for developing and proposing to citizens such property rights, power authorities functions, infrastructure, tax law, which would encourage people to initiate new ideas and transform them into profitable business models in

reality. This is the logical way for increasing living standards of the country's population (living standards include income, consumption, employment and unemployment, accommodation, household property value, social and cultural services, life duration, nation's health in general, etc.) in short and long term period, and the fullest needs fulfilment in the «individual — economic subjects — state management subjects — society in general», creation of critical mass of rich people, who increase national wealth.

Did Ukrainian government make any effort for state regulation model transformation and business activity support of the population in the country? We are of opinion that it did and those efforts were not in vain, but they caused negative consequences for national economy and society, among them:

- 1) reinforcement of large state-monopolitic capital of oligarchic type positions — parasitic by its nature;
- 2) significant increase of gross state and corporate debt and impossibility of its servicing without further internal and external credits;
- 3) constant grow of negative net and foreign trade balance;
- 4) fast reduction of National Bank of Ukraine's metallic reserve storing;
- 5) truncation of economic freedom for small and middle business;
- 6) increase of qualitative and quantitative gap between income of rich and poor;
- 7) expansion of monopoly processes throughout entire fabric of economic environment, competition close-up, and systemic diversion of free entrepreneurship;
- 8) loss of qualified labour force, especially intellectual capital carriers (during independence restoration years 6-7 million (according to various sources) people went abroad to find employment or to obtain permanent residence;
- 9) political pressure in society;
- 10) strengthening of risks and challenges for future development of social-economic system.

Measures that were carried out by Ukrainian governments appeared to be ineffective, as they were first of all in the interest of bureaucracy and large parasitic capital, because these elements felt «threat to lose their power, privileges and possibilities to maintain parasitic activity on state property... it is not possible to overcome this resistance without deepest overhaul of state management system» [27, p. 484].

Simultaneously, Ukraine may use positive effects of chaos environment and engage in transition to its mentally characteristic national capitalism model [28]. It is necessary to change main imperative for that to happen — transform state regulation model of national economy into model, which would comply to international standards:

- absence of linear and autocratic management methods;
- introduction of such community values as national security, personal security, untouchable private property, increase of living standards and education level;
- provides development of real competition, middle class, small and middle labour private property;
- establishes practical local administration;

- increases economic efficiency and country`s competitiveness.

3.2. Successful experience of national capitalism model realization in European countries

Such global events as socialism failure, state regulation system failure, excessive government spending, destructiveness of bureaucratic regime, massive grow of social parasitism, public unhappiness of general governance proven failure of Keynesian policy.

Widely accepted incapability of communist governments in Eastern Europe to plan economies caused intensified transfer to free market system, which is classic capitalism`s attribute. Etatistic and inflationist principles are demonstrating essential bankruptcy in the United States and in the West in general. National state models, where state regulation was favoured, appeared incapable to quickly overcome crisis events and react adequately to modern external challenges. This information surfaced during last financial and economic crisis, which began in 2007 and damaged etatistic economies the most.

On the contrary, economies with foundation of national capitalism (Austria, Switzerland, Scandinavian countries) appeared to be resistant and adaptive to global economic challenges, so proving that this is the alternative to modern etatism.

Theoretic foundations of the mentioned alternative were developed a long time ago, were promoted and substantiated by prominent scientists of the Austrian economic school, first of all, by its founder Ludwig von Mises.

In words of modern representative of the Austrian school Murray Rothbard, «...the problem is that world is not able to wrestle out of etatistic prison until viable and consistent alternative is found. We do not fully understand yet that Ludwig von Mises is offering such an alternative — a way out of crisis and dilemmas that endanger modern world» [29]. This way is formation of national capitalism model.

Ukraine, as European country, is supposed to have effectively implemented model (in Europe) as an example. Switzerland, Austria, Netherlands, Scandinavian countries are to be distinguished first of all, as those countries have competitive and effective economies, based on national capitalism model specifically (with minor differences in national peculiarities).

As demonstrated by global experience, classic examples for Ukraine are Austrian and Swiss economy development models, which are based and implemented on national capitalism foundation.

3.2.1. Austrian economic model

Austria is one of the 25 countries, which possess the following features: market economy; highly developed citizen freedom and citizen rights in public and political environment; large income per capita; economic and political stability; processing industries and services make a significant (prevailing) contribution to GDP volume; systemic level of self-administration; high life quality and living standards.

Austria is a member of European Union since 1995 and is fully integrated into

common market. GDP in the country in 2012 was 47077 \$ USA per capita (3870 \$USA in Ukraine, for comparison), which puts it in top ten countries in EU and global ratings. Austria is one of the wealthiest countries in the world, according to this index [30].

Unemployment and inflation indices are among the lowest in Europe. In December, 2011 level of unemployment in European Union reached 10.4%, while in Austria – 4.1%, according to Eurostat data [31].

Throughout 1990–2010 average inflation level in Austria was 1.99%, in 2011 – 3.3%, in February, 2012 – 2.6%. Historical peak was in August, 2008 – 4%. [32].

Austria is on the top of many international economic ratings (*table 3.2*). In global rating of economies by GDP per capita, which is calculated annually using World Bank methods, the country was placed on the 18th place among 192 countries, and in the group of countries with high living standards [33].

Table 3.2

Austria in international economic ratings

Index	Institute	Rating (position)		
		2011/2012	2007	1998
World Competitiveness Score-board	IMD, Switzerland	18 (2011)	11	24
Economic Freedom Rating	Fraser Institute, Canada	7 (2009)	18	26 (1995)
Global Competitiveness Index	World Economic Forum, Switzerland	19	15	20
Corruption Perception Index, CPI	Transparency International	16	15	17

Source: Compiled by the author with data from [34–37]

According to the *Legatum Prosperity Index* (calculated by the Legatum Institute, Great Britain), Austria was on the 14th position in 2011 among 110 countries in the study. This combined index calculates countries` achievements, taking into account their prosperity and living standards. Field of study – state administration. Index is combined from 79 various indices, aggregated to eight indicators, each one of those is defined as prosperity foundation:

1. Economy.
2. Entrepreneurship.
3. Administration.
4. Education.
5. Healthcare.
6. Security.
7. Personal freedom.

8. Social capital.

Each country`s rating is defined through average figure calculation of the mentioned indicators (*table 3.3*).

Table 3.3

Prosperity rating, 2011

Position	Country	№ 1	№ 2	№ 3	№ 4	№ 5	№ 6	№ 7	№ 8
1	Norway	3	8	12	4	4	2	3	1
2	Denmark	14	1	3	5	16	8	5	2
3	Australia	7	7	6	1	14	14	4	4
4	New Zealand	24	13	2	2	22	9	2	3
5	Sweden	6	2	4	11	12	5	8	7
6	Canada	5	9	5	10	15	7	1	8
7	Finland	15	3	7	3	13	4	16	6
8	Switzerland	2	10	1	29	2	12	17	13
9	Netherlands	9	12	10	14	9	17	7	5
10	The United	18	5	9	13	1	26	12	9
11	Ireland	35	11	14	12	11	3	9	10
12	Iceland	71	6	15	8	3	1	6	11
13	Great Britain	21	4	8	19	17	23	13	12
14	Austria	11	18	11	17	8	16	25	16

Note: indicators are placed in appropriate order in the table — from 1 to 8. Each of them is given certain rating — from 0 to 110, which defines country`s place in relation to other countries. So the lower that figure, the worse country`s indicator in that category.

Source: [38]

According to *The Heritage Foundation*, I Economic Freedom Index of Austria is 71.9, which is 21th place in 2011. This is 0.3 better than in 2010. Austria is on the 10th place of European continent, its general score is significantly higher than regional and global figures.

Economic Freedom Index of Austria in 2012 was 70.3, which is 28th place. Comparing to 2011, this is lower for 1.6 points, which is connected to government expenses growth and somewhat decreased business activity in the country. Austria is placed 14th among European continent countries. Austria`s rating dynamics in 2011-2012 according to Economic Freedom Index is shown in table 3.4

10 parameters of Austria`s economic freedom, 2011-2012 (points)

2012	2011	Parameter	Average value	2012	2011	Parameter	Average value
70.3	72.8	Freedom for business activity	64.3	80.0	80.0	Freedom for investment activity	50.2
87.2	87.6	Trade freedom	74.8	70.0	70.0	Financial freedom	48.5
50.5	50.3	Tax freedom	76.3	90.0	90.0	Property rights acceptance	43.6
15.4	28.0	Government expenses	63.9	79.0	79.0	Freedom from .	40.5
82.2	82.9	Freedom in currency sphere	73.4	78.1	78.2	Labour freedom	61.5

Source: compiled by the author with data [39]

It is evident that such results were achieved due to optimal economic model implementation, which in total meets main basics and principles of national capitalism model in its modern shape, and taking Austrian peculiarities into account.

Current economic model in Austria is based on the following main principles [40]:

- political stability;
- economic growth encouragement through liberalization and privatization policy;
- entrepreneurship freedom;
- open competition;
- priority development of small and middle (including family-owned) business;
- insignificant difference between income of various layers of society, social harmony;
- providing stable future for citizens with powerful social system;
- social partnership, cooperation between employers and employees;
- developed local self-administration, support of free cities traditions and local referendum system;
- stable internal security;
- complete integration into global economy.

Defining feature of Austrian market model is unique unofficial institute of social partnership. It brings together representatives of employers (economy board and agricultural boards) and hired workers (trade unions and labour board), encompasses practically all areas of economic and social policy. Austria is the example of all-round

and coordinated cooperation between different interests inside of Austrian society. Low unemployment level, absence of strike actions, moderate salary growth are evidence of stabilizing role of partnership.

Austrian economic model provides the country with stable market economy development, which is based on free entrepreneurship, key small and middle-sized businesses support, restricted state regulation, which are inextricably bound with solidarity and evening-out social differentiation principles.

Principles and content of Austrian economy model are carried out through appropriate economic policy, which makes significant contribution in Austria's achievements in main parameters of economic freedom.

Freedom for business activity. Business in Austria is regulated by *Allgemeine Geschäftsbedingungen* (general conditions of entrepreneurship). According to Austrian law, «Allgemeine Geschäftsbedingungen» must not limit any partner and are legal only when both parties are agreeable with them.

Legislature in Austria is generally encouraging development of business sector, innovative business expansion and economy's efficiency growth. Long-term barriers, which were restricting retail and wholesale entrepreneurs, are significantly weaker nowadays, but administrative expenses on the beginning stage of new business remain oppressive.

Open competition is the foundational condition of healthy market, which is characterized by high quality products, low prices, innovations. In order to even out the danger of this system's transformation into uncontrollable competitive battle, where businesses are engaged in acquisition of unfounded preferences, anti-monopoly law is active in Austria, which is directed on prevention of cartel formation (multicorporate enterprise), abuse of top controlling position on a market and arranged prices, also carrying out control of business associations. Statement regarding Austrian anti-monopoly law is in Kart (piece of legislature about multicorporate enterprises) and in Wettb (piece of legislature about competition), where such actions are forbidden.

Special control, according to piece of legislature about multicorporate enterprises, is to for enterprises that influence Austrian or European market. Multicorporate enterprises are, for example, if a significant (controlling) share of business is purchased, especially in case of merging, signing contracts for business management or purchasing share in limited liability company, at least 25% to 50%. Such enterprises are to be registered, in case turnover of participants is over certain limit and it is forbidden by the state if such enterprise is creating (or strengthening) unlawful monopoly position on the market [41].

The *Vertragsrecht* (law of contracts) is active in Austria, main content is regulated by *Allgemeines Bürgerliches Gesetzbuch* (Austrian Civil Codex) and *Unternehmensgesetzbuch* (business activity piece of legislature regarding business activity), which is active since January 1st, 2007. Legislature regarding business activity defines appropriate regulative instruments for all areas of business activity.

Austrian law of contracts is grounded on principle of contracts freedom. According to that, interested parties are free to regulate their relations if contracts

conditions do not break any laws or common practices. The term «contract» is handled as mutually approved expression of will about offer and its acceptance. Usually offer or its acceptance are not bound by any officially defined form. According to Austrian law, verbal agreements are lawful and — under certain conditions — agreements, which are made through mutually understandable actions (so called silent agreement). But there are exceptions from this rule. For example, agreements regarding security services, insurance contracts and some other, concerning consumer rights protection, have to be made on paper to be legal. Requirements are more strict to documents regarding notarial instrument.

Trade freedom. Trade policy of Austria is almost the same as in other EU countries. General average figure in EU was 1.2% in 2009. Simultaneously, European Union has rather high and even constantly growing tariffs for agricultural and industrial products, and code of MFN (most favoured nation treatment) is difficult. General European non-tariff barriers are agricultural and industrial subsidies, quotas, import restrictions and banning some goods and services, nontransparent and restrictive rules and standards, contradictory norms and customs administration. There are additional restrictions in biotechnology, some other services.

There is a «E-commerce law» in Austria, which carries out the European Union`s directive about e-commerce. This piece of legislature regulates law framework conditions of electronic business communication. According to European Union`s directive about e-commerce and linked Austrian piece of legislature, legal standards are being applied by country of origin principle: service company acts under laws of a country, wherever it is registered. So if a company is registered in Austria, any laws and restrictions apply to this company`s business relations (sale of goods or services). In case of meeting Austrian conditions, a company is able to make decision independently regarding its operation in other EU countries. No restrictions there. It is the same if a company is registered in another country, a member of European Union, is able to operate within EU, if it meets requirements of its home country.

It is possible to make contracts over Internet also. They fall under the same legal regulation as other contracts. The significant difference here is that goods proposal over Internet may not be considered as contractual offer, but as consumer information only, in order to do him an appropriate contractual offer.

Tax freedom. Austria has high rates of profit tax (personal income tax) and moderate rates of corporate tax. Highest limit of profit tax (Einkommenssteuer) is 50%, and corporate tax (Körperschaftsteuer) — 25% (it is actually the lowest rate among EU countries). Other taxes — value added tax (VAT), insurance contracts tax, property rights transfer tax. In 2011 taxes were 42.9% in GDP. Share of taxes, which flows into state budget from small and middle-sized businesses (SMB) reaches 70%.

Population in Austria is obliged to pay tax for all income, including income, acquired abroad. Foreigners pay taxes for income, acquired within Austrian borders.

Income tax is calculated with progressive differentiated tariff. There is a special form of income tax, tax for capital gain. This tax is applied for the following profits in Austria: quota of profits (dividends), interest rates and other income from investments (shares and stocks), interest rates from bonds; income from

cooperative share and profit share from stock enterprise activity (for persons, who are not members of stock company) or from funds, which were acquired due to stock company's liquidation (for persons, who are not members of stock company); income as private fund's beneficiary; funds, which were acquired by a person as secret company member.

Joint stock companies have to pay minimal corporate 5% tax of minimal main capital worth value, established by the law. This minimal figure is 1750 Euro for limited liability companies, for joint stock companies — 3 500 Euro annually. Certain tax privileges exist for recently started businesses [42]. There is no specific taxation mode for small businesses. Shadow economy exists in any EU country, but this value is lowest in Austria.

Freedom in currency sphere. Austria, a Euro zone member, has got rather liberal currency law. It is established on current EU legislature and Austrian «Currency law» (Devisengesetz), accepted in 2004. Austrian national bank performs control of currency flow and currency utilization in the country.

Free capital flow principle is active within EU. There are no legal restrictions for payments and capital transfer between Austria and other EU countries.

Currency transactions with non-EU countries are almost no restrictions also regarding payments, linked to foreign trade operations, investments or other transactions, and also regarding capital export, quota of profits, profits or other income, with several exceptions. Foreign companies have unlimited access to Austrian capital market.

Investment activity freedom. For implementation of foreign investments at least one managing partner has to be Austrian resident and meet legal requirements, and non-residents have to appoint an authorized representative (an Austrian citizen). Foreign and domestic private businesses are able to acquire and manage necessary rights for business activity. Austrian law forbids privatization of several enterprises in certain areas. Those enterprises are infrastructural assets, enterprises that provide communal services and some state monopolies.

State control or special requirements of current transfers, foreign currency conversion or recovery of exported profits is absent in Austria. Contracts of real estate property rights change are to be approved by local administration. Legal regulation system and accounting rules are transparent. Expropriation is infrequent and special legal approval is required.

Financial activity freedom. Austria is home for one of the most competitive banking systems in the world. Banks offer wide spectre of credit and financial services. Credit is given on market conditions, and domestic and foreign investors have unlimited access to capital markets. 60% of total asset volume is provided by five largest bank groups in Austria. Financial regulation is carried out according to international standards. Foreign exchange and financial market is completely liberal and there are no restrictions for cross-border operations. The government reacted on concentration of bank risks regarding problematic assets in Central and Eastern Europe through providing deposit support and capital flow. Financial group Hypo Alpe Adria was nationalized in December, 2009 [39].

Property rights recognition. Private property is respected and well-protected. Contract

conditions are indisputably realized, and validity of intellectual property protection measures is provided.

Austrian legislature allows foreign citizens and companies to start companies in Austria, manage companies and purchase them.

Freedom from corruption. Corruption is minimal. According to *Transparency International*, Austria was 16th among 180 countries in corruption rating (first places are taken by New Zealand, Denmark, Finland, Sweden, Singapore, Norway, Netherlands, Switzerland, as there are practically no corrupt officials) [37]. Bribing Austrian and foreign official is punished by criminal law. Government made certain corrections and improvements into criminal legislature in part of anti-corruption action, which eased some features that were considered too strict, in September, 2009.

In June, 25 of 2008 European Commission published «A Small Business Act for Europe», which is based on European Charter for Small Enterprises (accepted in 2000) and presents first European initiative for providing stable growth and ensuring all-round support for small and middle enterprises (SME).

Competitiveness Council accepted the «Conclusions on the Small Business Act», including annex «Action schedule», in December, 1st, 2009. This document emphasized the fundamental role of small and middle business in economic growth and providing employment, and assured establishing support for SME. Three priority areas were identified: improvement of access to finances, simplification of entrance to market, creating regulative environment for small and middle business support. Introduction of such policy regarding SMB should be carried out on the European Union level, as well on the national level of the members. There was an obligation by Austria in the mentioned document to comply with *Small Business Act (SBA)*.

As expected, intentions of European Union`s members were different in various spheres of SME-policy on the national level. In particular, Austria is gives significant priority and importance for small and middle businesses access to appropriate finances. SBA in 2011-2012 is focused on support of state dedicated programmes «Businesses are updating themselves» (started after crisis), «Knowledge is success» and «Implementation of ne legal standards», which were announced in spring of 2011.

3a According to EU classification, which is supported by Austria, companies with 250 hired employees are considered small and middle-sized (SMB). In statistics, provided by Austrian economic chamber, there were 294 099 of businesses in 2010 in the country, and only 1030 among them exceed the quantity of 250 employees.

Quantity of middle-sized businesses for 1000 persons is 33 units in Austria — somewhat lower than average figure in European Union (around 40). But if we would be comparing quantity of employees in SMB and their contribution to added value production, Austrian SMB exceed average EU figures. General statistics about Austrian SMB with less than 250 employees are given below (*tables 3.5 and 3.6*).

Table 3.5

Distribution of Austrian SMB by quantity of employees

Quantity of employees	Quantity of enterprises	Quantity of totally employed in this category
1-9	257 221	404 661
10-19	20 019	252 208
20-49	10 850	318 535
50-249	4 939	495 671
250 <	1 070	888 709
Total	294 099	2 357 784

Source: [40]

SMB enterprises contribution into Austria`s GDP in relation to quantity of employees

Quantity of employees	Added value (1000 Euro taxes are not counted)	Percentage ratio (%)
1-9	28 958 652	17,79
10-19	12 532 280	7,7
20-49	18 036 279	11,08
50-249	35 179 862	21,61
250 <	680 90 397	41,83
Total	162 797 470	100,00

Source: [43]

As it is shown in table 3.5, in 294 099 Austrian SMB the quantity of employed people is 2 357 784, which makes 62.3% of total quantity of employed people. SMB`s share in quantity of businesses in the country is 99.6%. Majority of middle-sized businesses are family-owned. SMB create gross income (including taxes) of 162.79 Euro billion.

Share of SMB in main sectors of Austrian economy is rather high:

- Mining : 98.6%
- Industry (heavy industry, machine equipment, metallurgy, etc.): 98.4%
- Power production, gas processing, etc. : 98.3%
- Construction: 99.7%
- Wholesale and retail trade, car and motorcycle repair: 97.3%
- Housing services and food industry: 99.9%
- Information and communication: 99.6%
- Finance and insurance: 99.1%
- Real estate trade: 99.8%

Austria never had large capital entrepreneurship traditions. A lot of companies work on Austrian market or their local regions only. It is partially because of negative experience of inflation and depression between world wars, the majority of citizens are trying to evade risky business areas, concentrating on regions or specific products instead, where success is almost guaranteed.

SMB in Austria are not uniform fabric. More than a half of them — private businesses, owned by a single person with no hired employees, but with potential growth and plans for hiring employees. Over five thousand of middle-sized businesses are operating in Austria (more than 50 hired employees) that employ over 500 thousand workers. This fact means that needs of small and middle-sized businesses have tendency

to significant changes [44]. Among big changes that are gaining power during last decade, there is the tendency of strengthening of innovation activity development on small and middle-sized businesses (*table 3.7*).

Key preferences, which are characteristic for SMB sector, are evidence for that:

- fast pace of R&D and constant grow of investments;
- rather large quantity of highly innovative micro companies;
- high rate of expenses growth for R&D among these businesses;
- great know-how and high R&D ratings of IT companies, electronics, biotechnology and car parts production;
- implementation of large amount of support programmes for small and middle-sized business in these industries.

Table 3.7

Distribution of innovations in SMB sector, 2010.

SMB size, quantity of employees	SMB that Implement innovations into product, %	SMB that implement innovations into production processes, %	SMB that actively use marketing and implement management innovations, %
10–49	29,8	32,8	44,0
50–249	52,8	57,8	71,1

Source: [43]

Certainly, the largest amount of investments in R&D is generated in large enterprises, where significant quantity of workplaces is concentrated, which are connected to innovation activity. Among small and middle-sized businesses the majority of experts (78%) is engaged in high-tech market sectors, while large companies work in middle and high industrial technologies. Middle businesses usually utilize less innovative technologies that small companies. And about micro-companies (less than 10 employed persons; turnover less or equals two million euro), around 33% of them provide high-tech services implementation and 32% more are engaged in high-tech services sector [43].

Mentioned data about SMB in Austria means that the center of state policy is business sector policy, in particular SMB policy. *State economic policy, targeted on business sector, on one side, is supposed to provide every possibility for business activity of enterprises of any size (but especially small and middle) and sector; on another side —* na provide support to various business types to increase Austria`s competitiveness level and its economic growth.

SMB policy is carried out in the following directions [44]:

1. Financing. SMB can receive funds on three levels: federal, regional, European (within EU limits). *Austria Wirtschaftsservice GmbH provides investment support to small and middle business, helps entrepreneurs in opening their own business or*

purchasing a business. Credits are provided with 1.5 annual interest rate. AWSG also provides 80% credit guarantee, which are received by entrepreneurs for performing projects in the country or abroad. Ministry of economy, family and youth (BMWFJ) carries out the following SMB support programmes: startup businesses support programme, active business support programme, SMB engagement into foreign trade support programme, net worth development or joint-stock capital development programme.

Strong economic policy is carried out in R&D in Austria, Ministry of science and research (*BMWF*), Ministry of transport, innovations and technologies (*BMVIT*) and Ministry of economy, family and youth are responsible for that. This policy is directed on solving such priority tasks as providing high-tech development of national economy, SMB encouragement, strengthening of cooperation between scientific institutions and businesses on national and international level. If businesses are meeting at least one of the mentioned priorities, they have a chance to acquire financing and are stimulated and supported. So this is the reason for R&D spending in Austria is relatively high in average for EU.

2. *Distribution area.* Federal economic chamber of Austria in cooperation with Ministry of economy, family and youth has been implementing SMB support programmes for entering international markets and inclusion into globalization process for over eight years. Trade departments in Austrian embassies are engaged in this process also (over 110 offices over the world).

3. *Consultations and assistance.* Federal economic chamber of Austria informs its members (membership in the Chamber is obligatory for each Austrian enterprise) about business support possibilities and there is special department, which is handling these problems.

4. *Education and constant qualification improvement.* Education could be received in various institutions. European Association of Crafts and SMB, which is representing employers interests. Institute of economy development encouragement of Federal economic chamber of Austria is the leading institution that encourages qualification improvement on Austrian and international markets (*WIFI*). The Institute is featuring successful cooperation with foreign companies and institutions, offers approximately 20 thousand courses annually, which are taken by over 300 thousand entrepreneurs.

Austria`s international positioning and strong respect traditions of property right remain the foundation of country`s economic growth. Legal field positively affects the competition development, requirements to foreign investors remain not particularly rigid, and the state of financial market promotes business activity. Corporate tax mode makes economy competitive, but private persons are still encounter high tax rates and heavy general tax pressure.

Due to correctly chosen economic model, where there are friendly conditions for business development (especially small and middle-sized), labour and life of the majority of country`s population. Austria achieved not just high general efficiency and competitiveness of national economy, but created foundation for stable economic development inside of threats and challenges environment.

Retrospective view on Austrian economy development enables us to note that

from the end of 1950-s to middle of 1970-s it demonstrated stable growth dynamics. In the beginning of 1980-s growth slowed down, but increased after 1988. Since 1992 economy growth rate slowed down somewhat due to international economic downturn, export decrease and high inflation rates.

Between 1970-s and 1990-s employment tendencies changed in three main economy sectors. During this period part of agriculture in total employment decreased more than a half. Part of industry, which employed around 47% of labour in the end of 1960-s, decreased to 37% in the end of 1980-s. In the end of 1960-s, the service economy was employing approximately the same part of labour force as industry, but in the end of 1980-s it was employing almost 60% [45].

In Austria, as in many other industrial countries, the added value in the industry is an important element of national production and exports. Therefore, the government decided to revise the basic principles of the functioning of the economy that it had in 1980-s. So it commissioned a special national report that substantiated the need for structural adjustment, and also took some measures to increase the competitiveness of the Austrian economy in the world. These measures included privatization, increased incentives for encouraging research, greater readiness to make decisions on subsidies reductions, where they did not justify themselves, and re-targeting freed resources to other, potentially more competitive production (or industries). Despite the fact that the size of industrial subsidies is more difficult to calculate than agricultural subsidies (due to their greater range), government has made particular efforts to reduce these subsidies and encourage competition during 1980-s [45].

Austria joined EU in 1995, its member states now account for more than 80% of Austrian foreign trade. Austria significantly reduced government spending after entering EU while preparing to join European Monetary Union. Government gradually abandoned control over previously nationalized branches of economy, including oil, gas, steel and engineering companies, and carried out the deregulation of telecommunication and power industries. During 2000-2007 the government increased pace of market reforms and significantly restricted state control of economy.

Austria sustained influence of large economic crisis in 2008 for the first time since the beginning of 1980s. But general consequences of economic downturn appeared the most insignificant in Austria, in relation to other EU members. The reasons for such stability are, firstly, the internal Austrian market is rather limited, and the most important factor of economic growth is export. Austria exports goods and services for over 100 billion Euro per year, occupying, thus, the fifth place in EU of per capita export volume. Secondly, small and middle-sized business is the foundation of Austrian economy, which makes a significant share of export. Thirdly, almost 100% of all businesses are SMB, that provide almost 66% of workplaces in the country [39].

Recession, caused by international finances crisis that started in 2007 and global economic downturn, was not prolonged in Austria. According to calculations provided by statistical office of the country, growth of the Austrian economy due to global

economic and financial crisis in 2008 was only +1.4% and negative in 2009 (-3.8%). Those are the worst figures of economic growth of the country since World War Two. But in 2010 already, Austria benefited greatly from global economy restoration processes and proved its stability and competitiveness one more time. Real growth of Austrian economy was 2.3%, which is higher than average figure throughout EU countries (+1.8%).

Austrian industry received heavy damage due to global economic crisis in 2009. Production volume decreased for 15%. But the Austrian industry achieved pre-crisis growth figures in 2010 already. Simultaneously, financial and insurance markets continued to show a long-term growth trend of 9.5% even in 2009 [46].

Unemployment level in Austria did not increase that swiftly as in other European countries, partially because the government provided subsidies for transition to shortened work hours, giving companies the time to keep employees. Measures to stabilize the situation, budget stimulation, as well as reform of profit taxation led to decrease in budget deficit indicators from 4.7% in 2010 to 3.6 in 2011. In 2008 this figure was around 1.3%.

It is worth mentioning that global financial crisis of 2008 caused problems for the largest Austrian banks, whose large-scale financial operations in Central, Eastern and South-Eastern Europe led to significant losses. Government provided support to banks, including nationalization in some cases. It was necessary to prevent gross demand downturn and bank system stabilization.

Financial state of Austria differs favourably from other Euro area countries, but the country also faces significant external risks. An example of this is the high bias of Austrian banks in business life of Central and Eastern Europe, and also significant level of political and economic uncertainty, caused by the crisis of European sovereign debt.

3.2.2. Swiss economic model

Until the middle of 19th century Swiss Confederation was considered one the poorest European countries. It does not possess any natural resources and has no direct access to sea routes. But in the beginning of the 20th century Switzerland was assigned to the richest countries of the world by World Bank (its GDP per capita was 36.2 thousand \$USA then). Due to fast and effective economic growth (in 2004-2007 average 3% annually, last 5 years — 1,9% taking into account the downturn of 2008) Switzerland has this status nowadays. The nominal GDP of the country is featuring stable positive dynamics: \$492.3 billion in 2009, 2010 — \$527.9 billion, 2012 — \$622.9 billion, 2013 — \$646.2 billion. In the beginning of 2013 GDP per capita reached \$79.039 thousand. [47].

According to The Global Competitiveness Report, Swiss economy is positioned on the first place in the world (competitiveness level rating) since 2009 until today, staying ahead of USA, Singapore, Sweden, Denmark, Germany, Japan.

In terms of innovation Switzerland is ranked second in the world, in terms of technological development - third, in the infrastructure development - fifth, by level of education and upbringing - sixth place. These indicators are tremendously important and characterize high development level of Swiss economy [48, p. 23–24].

Switzerland has market economy with moderate government spending and regulation system. According to Economic Freedom Index, published in the World Annual Report by Gwartney, this country received 10 points out of 10, which means especially high level of economic freedom. Countries receive 10 points if there are few state-owned enterprises, and government investments make less than 15% of total investments volume.

According to Index of Economic Freedom Index, compiled by Heritage Foundation, Switzerland is positioned on the fifth place in economic freedom rating since 2011 (among 177 studied countries). Total government spending, including consumption and money transfer, are moderate and make 32% of GDP (34% in 2009) [49].

Swiss economy is based on principles of a conservative development model dominated by small and medium-sized enterprises. In 99% of firms, the number of full-time employees does not exceed 250 people. The state is responsible only for creating framework conditions, but it does not interfere directly with economic activity, because it has no constitutional right to do so.

Business is permitted to private economic individuals and legal entities only. The Swiss Constitution states that the state can not at its discretion regulate economic activity and determine certain factors, levels, etc. In the main economic principles enshrined in the law, it is clearly stated that no state body has the right to interfere with the daily activities of business entities, since this is the prerogative and tasks of private entities[48, p. 24].

There are economic sectors in Switzerland, where the state has monopoly position, but they are significantly limited. According to the *U.S. Department of Commerce* report for 2009, Switzerland makes an effort for complete liberalization of industrial infrastructure, in particular, telecommunication, power production and mail service, and during past several years government made specific steps for removing barriers and competition activation in those areas, which are partially state-owned. For example, phone service company Swisscom, certain share of it is owned by the government, is not the single supplier of telecommunications any more. Mail service is liberalized completely (with exception of packets shipment, which are lighter than 100 grammes, Swiss Postal Service still has the monopoly for that). In January, 2008 new federal piece of legislature became efficient in Switzerland that partially opened Swiss power market for competition, starting in the January, 1, 2009 [50].

Well-protected private property rights, including intellectual, promote productivity and entrepreneurship. According to Index of Economic Freedom, published by *The Heritage Foundation*, in 2013 Switzerland received 90 points out of 100 in «Property rights» indicator category. This indicator assesses the ability of individuals to accumulate private property protected in accordance to transparent laws that are proposed by a state. It measures the extent to which the laws of a country protect private property rights, as well as the probability that private property will be confiscated. In addition, this indicator analyses the judiciary independence, the corruption existence inside of it, the ability of individuals and businesses to sign contracts easily and securely, and so on. The more confident legal property protection, the higher the country's rating; so the greater the possibilities for the government to confiscate (liquidate) property, the lower the country's rating. 90 points mean the following for

Switzerland: private property is guaranteed by government; the judicial system protects the contracts effectively; the justice system punishes those who confiscate private property illegally; corruption does not exist practically; property confiscation is unlikely. The protection of property rights is being implemented constantly, commercial and bankruptcy laws are applied consistently and effectively. Intellectual property rights are respected, their provision complies with world standards [49].

Due to its strong legal tradition Switzerland has one of the best anti-corruption modes in the world. Corruption does not bother investors at all, which was reflected in Corruption Perceptions Index (CPI), which is compiled by Transparency International. Switzerland is on the fifth place among 180 count. This means there are practically no corruption in the economy. The government widened scope of anti-corruption laws in 2013, in order to make bribery criminal offence almost always. Flexible labour standards and absence of corruption stimulate business development in Switzerland. Inflation pressure (-0.7% in 2013) is under control.

Federal government of Switzerland support general policy of non-intervention into foreign investment, focusing instead on creating a supportive business environment for external and internal investment, in particular maintaining economic and political stability, transparent legislative framework, strong infrastructure, efficient capital markets, developed local self-government.

Cantons, which operate on real local administration principles, are allowed to work out their own foreign investment policy, and they utilize financial and other stimuli effectively for foreign investment encouragement. Foreign business that implements production lines with new high technology has the most chance to acquire benefits. Some cantons even provide ten years of no taxation privileges for new businesses. Stimuli, which are proposed most frequently, are the following: loans and subsidies for industrial development and research, bank loan guarantees, low interest on capital loans, subsidies on investment costs and personnel training, tax exemptions for profits [51].

Foreign investments in Switzerland do not require official permission, but real estate investments and some areas, connected to security, are under regulation.

The tax regime in Switzerland remains more burdensome at the canton level than at the federal level. Top rate of the federal income tax is 11.5%, but the total tax burden may reach 41.5%. The federal corporate tax rate is 8.5%, but reaches 24% when combined with cantonal taxes. The total tax burden in the country is 28.5% of GDP, state spending – 33.8% [51].

Switzerland has no significant barriers for trade. The country's competitive and transparent regulatory structure is supporting commercial activity, the business environment, effective and dynamic business constantly. Bankruptcy procedure in the country is relatively easy. Macroeconomic stability and highly developed, competitive financial sector solidifies Switzerland's position as a world financial centre. The financial sector of the country quickly recovered from global financial crisis and opposed the weakening of bank secrecy laws.

After analysing modern shape of Swiss national capitalism model, it is logical to

make certain generalizations in the context of possibility of its implementation in Ukraine:

1. In Switzerland the following features are present: domination of small and medium-sized businesses, private property is securely protected and being expanded (in particular, based on personal and family labour), there are no barriers to the expansion of business and trade, minimization of state interference in development of business environment; an active policy of stimulating domestic and foreign investment is being performed. These economic features comply completely with main parameters of national capitalism model and could be implemented in Ukraine within its current economic model transformation.

2. Simplified, clear and transparent tax system contributes to the development of small and medium-sized businesses in the country, which is extremely important for Ukraine.

3. Such signs of economic model as social and financial-economic stability, lack of corruption, high level of economic freedom, macroeconomic governance and competitiveness characterize Switzerland as a civilized European state, which should become the guideline for shaping the modern economic model of Ukraine, which seeks for integration into the European community.

4. High level of local administration and economic independence of cantons enables Switzerland to realize its economic potential to the fullest extent, which is in the interests of Ukraine and should become the goal of administrative and territorial reform.

So it can be argued that national capitalism model, which was outlined in 1950-s on the basis of new at that time economic phenomena such as property diffusion of property and the bringing an increasing number of people to capital, management and distribution of income, has been shaped into modern format and relevance against the backdrop of Keynesian and liberalism theories, Austrian school's ideas restoration (conservationism, traditionalism) and actual success of those countries that consistently develop their own economy with main parameters, which are characteristic for national capitalism model. Bright examples of such countries are Austria and Switzerland, which are really developing according to this model, since the basic principles of their economies' performance are in accordance with national capitalism model specifications.

It is our opinion that Ukraine should utilize experience of developed European countries and steer state economic policy to creation of legal, economic and financial foundations for national capitalism model formation.

3.3. National bourgeoisie and middle class establishment as carriers of national capitalism model in Ukraine

National bourgeoisie and middle class are carriers of national capitalism model in all countries that are developing with this model. State and nation's evolution is connected to national bourgeoisie formation. If ethnos is not aware of the necessity to create conditions for the formation of national bourgeoisie, then it will never become a full-fledged nation, which, in turn, will not be able to build an effective, powerful, creative state.

The problem of national bourgeoisie creation is crucial for Ukraine. It is precisely the inability of the Ukrainian ethnos to form a full-fledged national bourgeoisie led to the fact that the Ukrainian nation, which has its own territory, language, culture and traditions, failed to form a national state and was a colony of different empires for the last three centuries.

3.3.1. National bourgeoisie of Ukraine formation: scientific and retrospective context

Over 20 years passed after 1991, when Ukraine restored national and historic independence, but the main mission on the way of European-type state establishment is not carried out yet — powerful, national productive bourgeoisie is not formed. The development of Ukraine after the independence restoration has shown the failure to fulfil the main task of transformation process - there was no qualitative change of economic model and social structure of community and formation of its core - the national bourgeoisie. To date, the small and middle segments of the national bourgeoisie have not been formed, and the state's economic policy is not aimed at creating the basis for the stability of society - middle class of private owners.

A complicated way of the national bourgeoisie formation in Ukraine and the peculiarities of the development of the post-Soviet middle class in comparison to the western analogue is noted in studies of Ukrainian and Russian researchers: R. Dzarasov and D. Novozhenov[52], V. Khmelko [53], O. Soskin [54-57], G. Diligentskiy [58], E. Libanova [59], M. Kozlovets [60], Y. Gnatkevych [61] and others.

In contrast to Ukraine in all the states, where nations were freed from imperial oppression, state establishing process was headed by the national bourgeoisie, which immediately took the course of national revival [61]. It is the national bourgeoisie that takes care of the society development in which it operates, the evolution of its culture, education, spirituality, and in general the prosperity of the state in which it is an organic constituent. Therefore, the ruling elite of the country should, first of all, care about the formation of economic and legal conditions for the national bourgeoisie development, especially small and middle.

It is worth mentioning that the question of the nature of the bourgeoisie development — national, supranational, cosmopolitan, comprador, usurious, has arisen at the stage of the internationalization of economic life, when capital, technology and goods began to cross borders actively in order to receive maximum profit. This problem is controversial and ambiguous to this day. Karl Marx was maybe the first one to be immersed deeply in this debate in the 40's of the nineteenth century; he discovered a tendency for free trade between the countries to erode the "national" in economic life. He called this trend a legal conformity and welcomed it in every way. In his famous critic of Friedrich List's book «National system of political economy» he wrote «...each nation has developed for the other nations one of the main definitions (the main aspects) in which humanity develops itself and, thus, after the following was developed: industry in England, politics in France, philosophy in Germany, - they are

developed for the whole world, and their global historical significance, as well as the global historical significance of these nations, thus ended» [62, p. 221]. He insisted that carriers of capital in each country would have to forget their own national interests and consider themselves to be representatives of all humanity without exception. In fact, Marx argued that the development of the cosmopolitan market requires cosmopolitanism, that is, the weakening or even elimination of national identity.

Unlike Karl Marx's argument, F. List`s argument was based on the fact that humanity is divided into nations that must pass through clearly defined stages. At the same time, he acknowledged that the evolution of a particular nation depended heavily on relations with other nations, and therefore his vision of historical development was no less global or international. F. List, however, insisted that a nation seeking to survive as an independent community should go through these stages through internal development. In other words, it was supposed to perform something that Karl Marx considered absurd [63, p. 74].

In 1920-s Ukrainian scholar Yulian Bachynskiy concludes that a national Ukrainian state may be shaped if the leading part of society is interested in that, and the national bourgeoisie should become precisely that leading part of society. It should be economically interested in the strength of the nation, as that provides «stronger position opposite other capitalists on the global market». Thus, he tried to convey that the level of national-state consciousness of one or another nation depends on the level of development of the country's economy. "Bourgeoisie, national idea and national state are the impact of economic evolution, a child of capitalist production," writes Y. Bachynskiy, illustrating this thesis with examples from the history of bourgeois states, such as Spain, the USA, France, Germany, Italy, Switzerland, Norway, Sweden [64, p. 71].

Nowadays there are multi-directional processes in the world, happening simultaneously : on the one hand, the economies are integrating into globalized environment, which requires the unification of economic and legal mechanisms and interaction tools; on the other hand, public movements appear and gain strength within the countries, which are opposed to globalization as the highest form of economic life internationalization, but are in favour of the strengthening of national identification in all social spheres, including economic, which requires usage of the created GDP primarily in the interests of a nation, not humanity as a whole. These events, caused by processes of global social and technological dynamics, directly affect the formation of the Ukrainian economic environment and the reproduction process.

One can agree with S. Biloshitsky, who states that under the conditions of intensive development of informational and financial-economic globalization, the destruction of foundations of the national state is accompanied by marginalization process of ruling elites. The process of real alienation of national elites from society`s values and interests is happening right now.

This phenomenon has been sporadically observed in imperial provinces since colonial conquest, but just now became a dominant trend, apparently, in the context of globalization processes. The intensive process of national bourgeoisie destruction led to radical reorientation of the interests and values of current

economic, and (in future) political elite [65].

Manuel Castells studies the problem in the same context: «Modern national state, that experiences domination of global net of wealth, power and information, is living through significant reduction of sovereignty» [66, p. 296].

Francis Fukuyama made a prognosis that nationalism`s destruction (he meant nationalism as policy of national interests protection) is purely the question of time. He wrote: «Economic forces have initiated nationalism, replacing the class with national barriers, creating a centralized, homogeneous (in sense of language) community. The same economic forces lead to the elimination of national barriers through an integrated world market creation». However history has made its corrections into such self-assured forecasts. Within a few years, the author of the "collision of civilizations" concept Samuel Huntington began emphasizing that the main challenges of the national identity of the United States of America are “the growing influence of the Spanish-speaking community and the tendency towards American linguistic and cultural division, and also widening gap between the cosmopolitan identification of elites and the nation's commitment to traditional identity”.

It is worth mentioning that Czech ethnos was on the brink of extinction. In times of empire the Czechs communicated in German. However, after the collapse of the empire, the Czech national bourgeoisie took the course of national revival. Today, there is an independent Czech Republic with national culture and language. Hungarian, Slovak, Finnish, Norwegian nation experienced the same.

The formation of the national bourgeoisie class in Ukraine should become the most important task of the state economic policy. The Ukrainian bourgeoisie may acquire national character if it performs a number of functions, in particular:

- operation and profit formation on the territory of Ukraine; investment of the funds raised in the development of modern national production, but not its suppression and capital export to foreign banks abroad or offshore areas;
- formation and deepening of various forms of co-operation between capitalists in order to strengthen their integral power (this is vitally important for defending our international competitive positions);
- business expansion and corresponding creation of new workplaces within the country;
- maximum usage of intellectual breakthroughs and achievements of the world information and technological revolution in the interests of the country's economy growth;
- investing into venture innovation startups;
- development of productive rather than parasitic capital;
- limitation of the usurious capital operation;
- development of labour private property.

The current Ukrainian bourgeoisie, in pursuit of property and monopoly profits, was unable to fulfil its primary purpose - to form a system of national values and priorities

[67].

It should be noted that in Ukraine, at a certain stage of its development, necessary conditions were created for the national bourgeoisie formation. It is worth mentioning the second half of the 1860's in this context, that is, the post-reformation period, when the decline of the natural economy began, the rapid factories growth, the growing market for capitalist production goods.

The developed branches of the Ukrainian industry were sugar, alcohol and mucilage. Suffice it to say that the share of sugar in the all-Russian empire sugar production in 1852–1885 reached 87.8%. Ukraine became main sugar supplier for the whole empire. Intensive railroad construction of the 1870-1880s contributed to the expansion of domestic market for factory industry, and development of new industries – rail mill production, transport engineering. The capitalization of agriculture began. Existence of small manufacturing plants alongside large factories and plants (Luganskiy kazenni plant, «Arsenal» in Kyiv, Bobrisnkiy plant in Smila, Yakhnenky and Symyrenky plant in Gorodysche, Russian parohodstvo and Trade Association plant in Odesa) was characteristic for first post-reform decades, in particular in food and processing industry. The rapid development of Donbas coal industry continued. Donetsk basin became the main coal base of the country, which provided around 70% of the whole Russian empire raw coal mining. In the second half of the 1880s - early 1890s four large metallurgical plants were built in Ukraine: in Katerynoslav, Kamenske, Kryviy Rig and in Druzhkivka. South of Ukraine has become the most powerful metal production area: in 1895, iron and steel, produced at its factories, amounted to 28.6% of the total production in Ukraine. Thus, displacing the Urals, the South of Ukraine has become the main coal and steel base of the country. There is a rapid growth of the capitalist machine-building industry during this same period. By the mid-1890s, 109 factories in Ukraine were operational (79 of them were built precisely in those years). A big part of the factories were large enterprises [68].

With the spread of capitalism in Ukraine there was a change in the social-economic development model, which led to the formation of new class – the industrial bourgeoisie. The leading position in the bourgeois class belonged to the great bourgeoisie, whose capitals were growing, and economic situation and role in the life of society strengthened. Formation of the industrial bourgeoisie in Ukraine was primarily due to the "transformation in bourgeoisie" of the Ukrainian, Russian, Polish landlords (Tereschenky, Golovinsky, Rutchenky, Dobrynsky, Lopuhiny-Demidovy), who went in the direction of their properties capitalization, became owners of industrial enterprises, became members of joint-stock companies and shareholders – primarily in sugar, alcohol and mucilage industries. The industrial bourgeoisie was also formed at the expense of both Ukrainian (also Russian and Jewish) merchants and petty bourgeoisie - in the sugar, flour, leather, coal industry and shipping (Yakhnenky and Symyrenky, Panchenky, Storozhenky). Ukrainian national bourgeoisie was holding on to important positions in several leading industries.

Petty bourgeoisie (owners of small plants, workshops, etc.) retreated to the background, often went bankrupt. However, in Ukraine, the petty-bourgeois segment remained much larger than in Western European countries. In the

bourgeois environment, a stratum of bourgeois intellectuals was starting to shape itself of lawyers, doctors, land surveyors [68].

However, the process of the Ukrainian national bourgeoisie formation was artificially interrupted after the Bolshevik coup of 1917 and the subsequent course towards socialism development, and then - communism, which lasted until the beginning of the 1990s. During this period of the communist regime domination private property was practically eliminated, its carriers, Ukrainian bourgeoisie, physically destroyed.

We are of opinion that current Ukrainian national bourgeoisie (which did not complete its formation process), in contradiction to Western and even Eastern European countries, is defined by the following features:

- 1) lack of understanding national needs and interests;
- 2) unstructured and uneven development;
- 3) miserable political aspirations;
- 4) lack of management skills;
- 5) low intellectual level;
- 6) parasitism;
- 7) propensity to the criminal system of world outlook.

Since the Ukrainian national bourgeoisie fights for capitalism in a state that, according to the UN criteria, is classified in the number of 46 «non-realized» countries [69, p. 4], so it could not be positioned as leading, progressive segment of Ukrainian society. Such undeveloped social stratum is not able to make its own tangible contribution to the national economic model development at the stage of its transition to national capitalism model, as well as to take a leading position in the international competitive market. The national bourgeoisie of Ukraine is so weak that it can not become the driving force for the state development, but on the contrary, it is interested in support, above all – in the budget support from authorities. Hence the contradiction: 3 from one side, national business is demanding economic freedom, from another – requires regulation of its activity, which becomes state intrusion into competitive environment with economic and non-economic methods.

National bourgeoisie has to possess mutual interests – defining motivation of national integrity. The current bourgeoisie, which is formed in Ukraine, is actually divided into two parts: the national one, which to some extent associates its future with the Ukrainian state, and a cosmopolitan, comprador, which has not acquired a national identity and does not take into account the Ukrainian nation`s interests in their business schemes and projects. «The new elite does not identify itself with the "this" people (Ukrainian population): the "we" is more about the international power centres - the “internationalism”, the globalism, than the ethnic population. It is in the control of large capital, has real estate, teaches children not in "this" country. Accordingly, the fate of "this" country is of no interest» [70, p. 56].

Consequently, the existence of the aforementioned division and the absence of internal integrity is the basis for concluding that in Ukraine, the national bourgeoisie is currently in the initial stage of its development. In order to become a powerful class that ensures the reliable economic potential growth of our state, it will be necessary to create an integrated network structure of the national bourgeoisie, the organic

components of which must be vertical cross-cutting circuits of large capitalists and local entrepreneurs areas led by the family business.

It is general knowledge that bourgeoisie, depending on the scale of business and its members, consists of three segments - large, middle and small. Today in Ukraine prevails the large comprador cosmopolitan bourgeoisie, which is named the oligarchy and it is the bearer of the model of state-monopolitic clannish capitalism.

According to Y. Hnatkevych, the oligarchy includes those subjects of social class relations, who managed to seize large industrial objects and even their associations during the national property privatization (immediately after USSR disintegration) through gross violation of the law, using its shortcomings or the high social status of relatives.

The oligarchic traits of the newly emerged national bourgeoisie are acquired through shadowed appearance in government structures or influence on state policy through political parties or mass media, created by themselves. Some individuals highlight a stratum of criminal capital among them. However, it should be kept in mind that none of the oligarchs acquired their wealth without violating laws and morals [61].

Main economic players in modern Ukraine are large enterprises, united into vertically integrated holdings. Their owners, belonging to the large bourgeoisie, formed clannish-corporate financial groups in Ukraine. These groups, together with their families and those who are servicing them, make up, according to our calculations, about 1-1.5% of the Ukraine`s population.

But they are in control of management positions in the state and economy, conquered state mechanism and use it for their own enrichment. If land resources are not taken into account, then clannish-corporate financial groups, according to the author's estimation, have direct or indirect control of 70-75% of the national wealth.

It should be noted that among the richest people in Ukraine, which belong to the new bourgeoisie, there are virtually no representatives of its national segment, which would ensure the national reproduction process and promote the national private property system formation.

It is explained not so much by their cosmopolitan essence, but by the understanding that increasing capital by obtaining monopoly profits (300-500%) is easier in the conditions of marginalised population, which is missing its national idea and, correspondingly, weak petty and middle bourgeoisie, which is the foundation of middle class.

The second and third quantitatively largest segments of the bourgeoisie are the middle and petty bourgeoisie. These are lower-level capitalists who were not prone to stealing state property, but who succeeded in saving their commercial assets from bankruptcy and saving small businesses (such as food and light industry, agriculture, construction businesses, etc.) or creating new firms. These people produce socially important products, provide jobs, and pay taxes, despite the fierce tax and regulatory pressure from the state.

Most effective, and this is especially acceptable for Ukraine, the middle and small bourgeoisie performs in family form. It is the most effective, healthy and, ultimately, the best form of succession and shapes a generation. For without formation of a

generation, as the experience of many countries shows, it is very difficult to achieve the prosperity of a country in information and technological revolution conditions that engulfs the whole world nowadays.

If family members are engaged in joint business, it creates not only its own, but also the surrounding wealth, creating jobs, consuming services and thus forming around them the area of wealth. It is the middle and the petty bourgeoisie that are carriers and producers of national capital, and therefore, this particular segment of the bourgeoisie is inherent in a national character. Such a bourgeoisie forms labour private property and performs extended reproduction.

The middle and small national bourgeoisie must develop, first of all, in small and medium-sized cities and villages of Ukraine, where it is necessary to create comfortable conditions for the Ukrainian nation's life. There is another situation today: active social-economic and cultural life is active in metropolises such as Kyiv, Donetsk, Odesa, Kharkiv, Dnipro and Lviv. Small cities are dying out gradually. Ukrainian traditions and culture are being lost, and parasitic, usurious capital is strengthening itself.

3.3.2. Middle class as social foundation of national capitalism model

Middle and petty bourgeoisie is the foundation of middle class, which plays an important role in the economic and social life of any state. The presence of sufficiently large middle class in a country is the basis for stability of the country's social-economic development. It is worth mentioning that middle class consists of not small and middle business owners, but also managers of middle and lower levels, qualified specialists, creative workers, journalists, education employees, scientists, healthcare employees, barristers. This is the most active and predictable part of society. The actions of middle class representatives on markets are more rational than the richest people for whom there are virtually no financial constraints, and the poorest, who are usually concerned with satisfying the basic needs, necessary for physical survival.

It should be noted that by mid-1990s, the definition of "middle class" in Ukraine was used particularly. Economists did not even attempt to reveal its content, the quantitative and qualitative parameters, because there were no grounds. Because such terms as «private property», «middle class», «market economy», «entrepreneurship», «productive consumption community» were not inherent for directive administrative-command economic system, which was dominant in soviet-communistic era.

Large volumes of economic knowledge, possessed by democratic societies with market economy system were officially forbidden for use. Unbiased analysis of laws and definitions of market economy in relation to USSR in general, or to Ukraine in particular was unacceptable direction of scientific activity in Soviet era, and a person who expressed to own private property or engage in business activity was regarded a criminal a priori.

Today, we are constantly facing the rudiments of this phenomenon. And this is understandable, since the post-communist nomenclature has not been eliminated from authorities and government in our country, and usurious, comprador, denationalized bourgeoisie grew precisely from it.

National report of National academy of sciences of Ukraine «New route: reforms in Ukraine. 2005–2015» specifies that «Western democracy stands on middle class, which is the majority of population, has parties that represent its interests and form the power. In Ukraine, the middle class is not the majority, it has no clear structured ideas about its own interests and political parties that adequately represent them.» [71, p. 6].

However, in spite of political or ideological obstacles, market economy is developing in Ukraine, and therefore its basic subject - the middle class. According to estimates of prominent sociologists, this share of the population in Ukraine was 12-15% in 2008. But there are a lot more people, who consider themselves to be middle class, as shown by sociological study, over 50.7% [72]. In our country people become middle class representatives rather quickly, but the reverse process is just as fast [53].

According to Institute of demographics and social studies of NAS of Ukraine estimation, at the end of 2013, the criteria for middle class (high income, economically independent, aware of their position in society, the structure of their consumer basket involves a large volume of services consumption, financial assets availability and real estate acquisition) are met by 5% of the population (2.3 million). That is wealthy people, according to State service of statistics of Ukraine. Індекс Index of Ukrainian middle class income, calculated by *Forbes* і *EY* (Ernst & Young before), increased for 8% during 2008–2012. Leaders of growth — «white collars» from Kyiv, Lviv and Kharkiv [73].

In our opinion, the inclusion in the middle class should be determined by the following standard parameters:

- stable income sufficient to meet a wide range of material and social needs;
- significant income level (gross domestic product per capita), which ensures the prosperity of a family;
- availability of personal property and sufficient property amount (first of all real estate);
- usually high level of education;
- awareness as a happy person, a cell in common welfare;
- personal status understanding and willingness to defend it;
- high level of social development;
- long life expectancy.

Most of the mentioned parameters have not yet developed in Ukraine, or have not acquired tangible manifestations.

Central Intelligence Agency of the USA report specifies: in 2013 Ukraine (among 224 countries) Ukraine ranks 2nd in terms of mortality - 15.5 persons per 1000 inhabitants. The 1st place - South Africa with an index of 17.36, on the 3rd - Lesotho (15.02), on 4th place - Chad (14.85). Russia is on the fifth place - 13.97 [74].

Life expectancy of men in Ukraine is 61.7 years, women — 73.4 (Ukraine is second from the bottom with these indicators). For comparison purposes: according to international standards, the maximum life expectancy is should be approximately 85 years. Philip Le Uoru, vice-president of World Bank in Europe and Middle Asia expressed his concern for this matter: «The main problem is that Ukrainians,

especially Ukrainian men, are dying too young. The average life expectancy of a man at birth is only 59 years in Ukraine; mortality rate of the adult male population is comparable to mortality rates in poorest countries of the world. This causes enormous social and economic costs» [75]. Ukraine`s population is decreasing for 200–300 thousand annually [76]. Fast formation of middle class is complicated in Ukraine due to such conditions.

Due to the lack of opportunities to perform economically in their own country, millions of Ukrainian citizens go to work in other countries, where they effectively form middle class. According to various expert estimations, the number of Ukrainians who work permanently or temporarily abroad, is 5 million. Hundreds of thousand of Ukrainians, majority of them with high education, work as low-qualified employees in Spain, Italy, Portugal, Turkey, Canada, Germany. They are working intensively in exhaustive conditions for insignificant pay. That is the payment of Ukrainians for adaptation to European environment.

Among the characteristic features of middle class is the presence of certain material assets: private house (or large apartment), car, household appliances of durable goods, modern furniture; the opportunity for vacations for the whole family once a year; possibility of acquiring quality education, etc. If 70% of newly-created families reach such standards in 10 years, it means that a country has created the basis for middle class formation. Such conditions are absent today in Ukraine. Instead we have a repressive state with a monopoly focused business of the clannish-corporate economy model, which impedes the middle class formation.

The main features of the repressive-monopolistic nature of economy are: excessive, economically absurd taxes, through which 90% of income of a person or legal entity is seized; excessive regulation and large-scale control over business activity; the existence of financial and industrial groups in almost every economy branch and sphere that have merged with the authorities, have monopoly control over businesses and state and local budgets funds, distribute property and financial resources in their favour.

The presence of middle class in a country a priori requires access to international economic and security organizations. We should emphasize that it was precisely at the inception of European middle class in European countries that the European Union was created and is being developed. The middle class became the basis for North Atlantic Treaty Organization formation.

And this is understandable, because, as it is strengthening, this class seeks to have security and stability guarantees. It favours an established, safe environment that will provide prosperity, and therefore it is searching and initiating the creation of security instruments. The higher is its social, political and economic status, the security system is developing more quickly and powerfully. The middle class is never interested in conflicts and instability of a situation that harm its interests.

With development of middle class in the Ukrainian society, such phenomena as conflicts and antagonisms inherent in bipolar social systems shall be eradicated, and Ukraine will enter the Euro-Atlantic community in organic fashion. If the share of middle class in society diminishes, then Ukraine may lose democratic development and social stability foundation.

Because the model of state-monopolitic capitalism prevails in Ukraine, the process of concealed genocide in our country in relation to the national bourgeoisie and the Ukrainian nation as a whole has actually started. The country is increasingly transformed into a carnival state, whose characteristic features are satisfying the society`s hedonistic needs, its degradation and entropy.

There is no productive accumulation and positive use of national capital. The state and society are not treating their own citizens respectfully, who show examples of effective economic management and economic behaviour, who are not living lavish lifestyles, but spend the earned money on expanding private business and creating wealth. There is currently no social-economic policy in the country that would stimulate and encourage the class of national entrepreneurs to implement social projects, aimed at increasing the wealth and poverty reduction among the Ukrainian population.

The potential of middle class in Ukraine is diminishing rapidly as clannish-financial groups and comprador bureaucracy, which are now controlling our country, do not intensify the development of domestic business deliberately [54, p. 32–33].

Some scientists are saying that there is a battle against middle class in Ukraine, and this means further marginalisation of society. «From 46 million of Ukrainian citizens 30 million are marginals and lumpens, as it is much easier to control such people for the regime. They are scattered and atomized, they are not organizing into civil structures. The power of interests of the ruling stratum is far exceeds the aggregate force of the marginalized and lumpenised population interests» [77].

We are convinced that qualitative change in the situation in Ukraine can be achieved by reorientation of its development into the implementation of the social-economic model of national capitalism, where middle class must be at least 60% of population.

In our opinion, the systemic financial and economic crisis, which began in 2007 and has spread across all countries of the world, has struck Ukraine particularly strong. This will have significant impact on the further development of middle class and its foundation - the national petty and medium bourgeoisie.

The profound negative consequences of the crisis shall be felt by the vast majority of its representatives: the number of small and medium-sized businesses will decrease, its restructuring will take place, and the qualitative composition of those entrepreneurs that will withstand a change in the competition vectors in the market, will increase. At the same time, the middle class may radically radiate and unite to put pressure on the authorities, in order to implement transformations and anti-crisis programmes actively in Ukraine.

3.3.3. National bourgeoisie and middle class strengthening ways in Ukraine

Strategically important and priority component of the economic policy of Ukraine should be creation of creative national bourgeoisie, especially of the petty and middle, which should become a full-fledged bearer of accumulation-productive economic model

rather than hedonistic-economic economic model. For this purpose, the state and, most importantly, the government of Ukraine, must carry out a series of transformations, which should be directed first and foremost to the creation of a developed business environment and national capital in the country by eliminating formal and informal control over economic subjects, forming conditions for labour private property development, resolution of corporate conflicts, and the provision of effective strategy for the long-term national economy growth.

It is our opinion that for national bourgeoisie and middle class strengthening in Ukraine has to provide certain priority measures and encourage the development of important processes, in particular:

1. It is crucial to transform the tax system in Ukraine (transformation methods are substantiated by the author in paragraph 4.3 of this paper).

During its existence, the tax administration has made great efforts to form state monopoly capitalism model in Ukraine, was actively engaged in pressure on business, even destruction of national business and competitive environment. We must return to the situation pre-dating 1996, when the tax administration was main department in the Ministry of Finance, its head being first deputy of Minister of Finance. Tax administration has to become consultation and encouraging structure, which would help entrepreneurs to grow their businesses.

It is necessary to reduce tax pressure on business entities by liberalising taxation, significantly reducing the taxes amount, simplifying their administration system.

2. To take care of national interests during privatization of large state-owned enterprises in strategic economy sectors. Particular care must be taken to sell property in the south and east of Ukraine - in regions with sensitive peculiarities regarding ethnic composition and cultural values.

«Because otherwise, — as mentions M. Kozlovets, — Ukrainian authorities will have big problems in the future. Russia with connivance, in some cases with direct assistance of our government and local officials, is linking the Ukrainian Southern-Eastern region to itself. For example, after sale of «Kryvorozhstal» the balance between national and transnational in medium-term in Ukrainian economy» [59]. It is worth to take care of other transnational corporations activity in Ukraine more carefully.

3. Convert chemical, petrochemical, petroleum, metallurgical and ore processing plants into open public stock companies, where no business entity or individual shall have a controlling interest. The said enterprises are national wealth, and all citizens of Ukraine should use the proceeds from their activities.

4. To introduce a state monopoly for production and sale of spirits and tobacco products. Revenues from this type of business should belong to the state and to be spent on development of culture, sports, support for the disabled persons, the introduction of programs against AIDS and illegal drugs, also for youth business development and business incubators.

5. Eliminate payments to Pension Fund, Fund for accidents, unemployment and social fund, and introduce a single social pension tax at the level of 12-14% of total labour income of a person instead. For each employee, it is worthwhile opening a personalized social pension account in a bank, which can be deposited and indexed in case of the national currency devaluation. Each citizen will be interested in paying this

tax by accumulating personalized funds for their own retirement.

6. Strengthen the processes of concentration and centralization in the Ukrainian banking sector, which should become a locomotive for the development of national entrepreneurship. This function is not performed by the banking sector of Ukraine currently, due to number of objective and subjective factors, among them the following can be distinguished:

- unprofessional activity of executive bodies, which slows down the development and distorts the banking system functions;
- low pace and concentration and centralization level of bank capital;
- the affiliation of most banks to transnational cosmopolitan, comprador, bureaucratic and even criminal capital, but not the national bourgeoisie;
- insufficient quantity of systemic investment banks;
- insufficient quantity of mortgage banks;
- transformation of banks into usurious institutions;
- inadequate position of the National Bank of Ukraine top management, which is usually not able to ensure the national currency stability and to withstand the pressure from the government and the President of Ukraine;
- a complicated, bureaucratic procedure for lending to small and medium-sized businesses, absence of venture programmes in majority of commercial banks, aimed at national entrepreneurship support.

7. Introduce mechanisms for the stabilisation of financial system and national monetary unit. Among such mechanisms, the most effective, in our opinion, is the introduction of currency system, which involves the hryvnia attachment to four major currencies: Euro, British pound, US dollar, Japanese yen. In fact, this means the transition to the SDR system, which will help stabilize the hryvnia.

8. Simplify the licensing system by eliminating licenses, quotas, permits, prohibitions, certificates that create barriers for national business development. It is necessary to introduce the notification principle of private business registration, to simplify the reporting system (should be submitted once a year) and business liquidation procedure, especially small and medium-sized businesses.

9. To carry out administrative-territory reform, which shall entail:

- transition to two-tier system of local self-government: First level - community-based cities, second level - the provinces;
- liquidation of district state administrations;
- strengthening of the territorial community as the main unit of local self-government;
- abolition of delegated powers transferred by central government to local authorities;
- liquidation of the system of state-owned treasuries and law enforcement structures on the local communities level.

We are of opinion that administrative-territorial reform, the model of that was developed by the Institute for society transformation (on the theoretical and practical levels) and finalised in the form of a draft of the relevant piece of

legislature of Ukraine [78, p. 21–31], is able to provide new, powerful impulse to development of petty and middle national bourgeoisie on the level of regions and cities of Ukraine.

10. Enforce democratic mechanisms of social development, in particular, to change the system of property relations in information sphere, turning the leading private TV companies into public, open joint-stock companies. The stocks of those companies should be openly traded on the stock exchange, and no financial corporation group, a person or legal entity should be able to form a controlling interest.

11. Introduce youth support programs, as the youth is the main source of petty national bourgeoisie formation. Young people should be given the opportunity to start their own business without interference. The youth business, with the exception of banks, should be provided with venture capital investment funds and funds from business incubators. Such enterprises should be exempted from paying taxes for 3-5 years, provided with low-rate loans (no more than 4-5% per annum). Mortgage loans should be given for 25-30 years, rate should not exceed 2-3% per annum.

12. Carry out lustration of staff, because, as we know from experience, people who have been working at various levels of executive power for the last five years, are corrupt, in their majority. All employees to the level of department specialist should be fired from the state apparatus, replacing them with young people who are not yet spoiled by bureaucratic habits and have high level of education and moral standards.

A system of training and refresher courses of an international nature should be formed.

The result of the implementation of the proposed measures in Ukraine will be unrestricted and straight development of national entrepreneurship and national productive bourgeoisie. Consequently, the state-monopolitic capitalism model, formed in Ukraine in a clannish-oligarchic type is not oriented towards the systematic formation of national bourgeoisie and middle class of private owners in the country. This is an ineffective, parasitic model of state development that exists only in the most backward Asian and African countries with an entropy and transition economy, and which is in fundamental contradiction to the current economic policy of democratic states with market economy. In developed countries middle class makes two thirds of society, in some even 70-80% (Austria, Belgium, Sweden, Norway, Netherlands, Finland, Switzerland), which conditions their successful operation.

We are convinced that a very limited number of oligarchs, who now calls themselves Ukrainian elite, are not able to fulfil the functions of the Ukrainian nation evolution and Ukraine`s build-up as European state.

To refine the social-economic system and to introduce a modern model of Ukraine's development shall be possible only through national bourgeoisie formation in vertical-horizontal fashion, which would be capable of mastering the best advancements of scientific, technological and information revolution.

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