Prospects from exiting the economic models of 1970ies for Ukraine's post-war economy

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Annotation. The article examines the current economic situation in Ukraine. It highlights the need to move away from the economic models of the 1970s and instead adopt modern management practices. The article emphasizes the importance of investing in innovation and technology to boost economic growth. It also discusses the impact of globalization on Ukraine's economy and the need for the country to find its place in the global market. The article highlights the importance of long-term planning in achieving economic stability and growth.

Specifically, the article analyzes the economic situation in Ukraine in the mid-2010s and the effects of the country's exit from the economic models of the 1970s. The article discusses the shift towards quality over quantity, the decline in entrepreneurship, the tightening of markets, the importance of global management systems, and the trend towards longer-term planning. The article argues that these changes have implications for Ukraine's economy after 2022, including the need for a shift towards more innovative and sustainable economic models, increased investment in human capital, and the adoption of more strategic and long-term planning approaches. The article concludes that by embracing these changes, Ukraine can position itself for greater economic prosperity and growth in the years ahead.

Keywords: economic models, post-war, economy.

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INTRODCUTION

Review of literature. The current state of the economy in Ukraine is a topic of much debate and discussion in economic literature. The literature suggests that the Ukrainian economy has been transitioning since 2016-2018, from a regulated but still liberal market-oriented economy towards a more planned-administrative model reminiscent of the 1970s. This transition has led to a number of imbalances and inefficiencies in the economy.

A number of publications are already analyzing economic and managerial forecasts for Ukraine in the post-war period.

The works of Acemoglu and Robinson (2012), Easterly (2001), Krugman (1994), Rodrik (2018), and Stiglitz (2002) shed light on the factors that influence economic growth and development. They argue that institutions, political stability, and trade policies are critical to creating an environment that is conducive to economic growth. For instance, Acemoglu and Robinson (2012) suggest that inclusive institutions [1] and property rights are essential to creating an environment that fosters innovation and entrepreneurship.

Additionally, the literature suggests that the Ukrainian economy has been affected by external factors such as the EU-Ukraine Association Agreement, which has increased trade with the EU (Zubko, Oliinyk, & Kutsyk, 2019). The World Bank (2019) notes that Ukraine has made some progress [7] in terms of macroeconomic stabilization and structural reforms, but further efforts are needed to ensure long-term growth and stability.

Fernand Braudel's work on the everyday economic structures of the late Middle Ages period [2] highlights the importance of studying the organizational and everyday aspects of economic relations (Braudel, 1981). Similarly, the current article aims to identify some notable features of economic activity inherent in the recent past period (2016-2018) in Ukraine to see those imbalances that we would like to avoid in management and economic systems in the post-war period.

The literature reviewed provides valuable insights into the factors that influence economic growth and development. The Ukrainian economy's transition towards a planned-administrative model, the impact of external factors, and the importance of studying organizational and everyday aspects of economic relations, all provide a useful framework for understanding the current state of the Ukrainian economy.

Problem statement. The current state of affairs in a number of economic sub-sectors in our country succinctly characterizes the situation into which the national economy in Ukraine transitioned at the micro level as early as 2016-2018. From a regulated but still liberal market-oriented economy - almost to the conditional 1970s. Recall what those years are associated with for you. Perhaps, it is not only what was called "stagnation" in the former USSR - in Europe, it was generally a planned-administrative time. The dominance of excessive procedures, machines built upon people. Haste makes waste. Stagnation in human development. Breakthrough technologies recede into the past, and rapid forward movement is replaced by development in breadth and depth. The growth of annoyances and incomprehensible foreign policy - all of this is about the 1970s period. Currently, there is a war going on in Ukraine, but after its completion, we would like to see the development of the national economy in a constructive direction. This article aims to identify some notable features of economic activity inherent in the recent past period (2016-2018) - in order to see those imbalances that we would like to avoid in management and economic systems in the post-war period.

RESULTS

Below we provide an overview of the typical distortions in organizational and economic relationships that we mentioned, which were noticeable to the ordinary citizen before the war. These examples are presented to analyze them and, if possible, to move away from negative economic practices in the future, in the post-war period of development. In economic terms, the text is discussing the pre-war economic practices that had distortions in the organizational and economic relationships. These distortions were noticeable to the ordinary citizens. The purpose of presenting these examples is to analyze them and avoid negative economic practices in the future, particularly in the post-war period of economic development.

The middle-level manager who does not care. The 1990s marked a period of wild capitalism and entrepreneurship stimulation in our country. However, by 2016, these trends had become a thing of the past. As a result, middle-level managers had a plan to work for another 10 years in their familiar positions, rather than engaging in a career race or striving for high profitability achievements. The customer-oriented approach was no longer a priority in 2016, as routine procedures and processes became the key focus once again. Managers chose a strategy of maintaining their current status, as the economy no longer provided opportunities for rapid promotion.

In 2016, a vast majority of employees and colleagues became bureaucratic and complacent, focusing on routine tasks instead of working diligently to earn money or buy appliances, as was common 15 years ago. They were no longer capable, willing, or skilled enough to complete urgent work while handling routine work. Instead, they preferred routine work, and the number of such employees in your company was overwhelming.

Win-win or "all is lost"? In the mid-to-late 1990s, international business theorists taught us that the best situation among partners is a win-win scenario, where everyone wins. However, there is another side to the coin, which is a situation of mutual loss, waste, and inefficiency, where everyone loses, and only one party gains something that is not optimal and is aimed at "sinking" good productive relationships, along with their organizational potential, in the short term. By 2016, managers who lacked the ability to retain a comprehensive understanding of the situation and who were unable to change their approach reduced the partnership situation to a mutual loss scenario. It is worth noting that the second option is almost always an element of power struggle, where partners squeeze sweat, resources, and money out of each other. By changing employees like gloves and forcing them to emotionally burn out for a short-sighted, often selfish, poorly thought-out gain, the manager undermines organizational potential.

Deadline extensions as a norm. The dynamic manager may find the "inert" management style of the recent past, where deadlines are constantly missed, unrealistic. In their understanding, this cannot be done because there is a schedule and a plan. However, inertia in achieving goals was impossible to overcome, and the solution was to plan with a time buffer coefficient of 1.5 or even 2 relative to the originally set deadlines. In addition, other progressive-thinking partners also understand this and plan "with a buffer." In business, this is usually not acceptable. However, until recently, it was necessary to somehow live with it because the share of the "seventies philosophy" in market structures was increasing. By 2016, deadline extensions became an acceptable norm because the majority in the organizational structure saw it as a sign of being unable or unwilling to complete tasks and supported the manager's decision. What would have been unacceptable in the early 2000s with the eternal race for money and the desire for competitive advantage is now perceived calmly in 2016. In other words, we’re talking about the phenomenon of deadline extensions, which was previously seen as an inert management style. However, due to the difficulty of overcoming inertia in achieving goals, planning with a time buffer coefficient has become an acceptable norm in business structures by 2016. This practice, which was previously considered unacceptable due to the desire for competitive advantage, is now perceived calmly[1].

Narrowing of business directions and increasing quality. For large contractors, by 2016, this meant abandoning insignificant business directions, sometimes sacrificing profits to preserve organizational capacity. The focus on quality and reliable methods, strict adherence to deadlines while reducing overall workload was a strategy aimed at stabilizing relationships with major clients. Management of such companies adopted a strategy of preserving the organization's positions by abandoning the marathon race and pursuit of fast innovation profitability in traditional sectors.

Business doomed to exist for no more than one generation. Small businesses founded in the late 1990s have recently given up attempts to attract their 20-year-old children to continue the business. Children, raised on popular social media culture, want a different life - and they don't care where the money comes from. They have little understanding of where products like bread come from or whether it grows on trees. They were familiar with computer technology and small additions to the service economy (such as tourism), but they did not understand how their father changed the braking system of a client's car at his auto repair shop. At the same time, both in the recent past and now, we observe the swift "washing out" of human capital from small towns in our country and its concentration in megacities - with different opportunities and apart from family businesses of parents. This is not entirely the "seventies," but we see that in the past years, significant prerequisites for "generational divide" have been created and strengthened - which in economics is associated with the need of major players for fresh human resources before the next technological breakthrough. In other words, this is the phenomenon of small businesses facing a "generational divide," where children of small business owners are not interested in continuing their parents' business. This is attributed to a shift in cultural values and a lack of understanding of the business's operations. Additionally, there is a concentration of human capital in megacities, which deprives small towns of necessary human resources. This creates a significant challenge for small businesses, which are often run by families, and highlights the need for major players to seek fresh human resources before the next technological breakthrough.

There has been a gradual decrease in the level of propensity towards entrepreneurship. A 50-year-old entrepreneur who started a business in the 1990s, when arriving at an empty construction site in the forest in 2016, would return to his office with joy because he knew that in five years, a hotel or residential complex built with his investments would stand on the land he had just purchased, which would quickly find demand due to the housing construction boom. In contrast, the generation of today's supporters of "cultural routine" in 2016 no longer took risks, dirt, or prospects. Their lives were mostly seen as their office or enterprise, as well as affordable, minimally acceptable, socially oriented housing. They already subconsciously understood in 2016 that the markets were already saturated, and there was no mega-high-tech breakthrough in the labor market expected in the near future. Therefore, they mainly planned to "get good jobs." They wanted someone else to think, plan, and make decisions for them - and for those actions to be explained in simple words. In other words, we have witnessed the decreasing level of propensity towards entrepreneurship, where people are less likely to take risks

[1] Another strange and somewhat new phenomenon is the immediate focus on achieving "synchronicity" among unrelated contractors of one client - as it helps to more clearly report on the progress of their contracts.

and start their own businesses. It contrasts the attitude of a 50-year-old entrepreneur who started a business in the 1990s with the attitude of today's generation, who prioritize stability and security over taking risks. The saturation of the market and lack of technological breakthroughs are possible reasons for this change in attitude.

One peculiar and relatively new phenomenon is the contrast between the "mega-management" and the regression to more primitive business methods in recent years. On one hand, we have almost perfect, large-scale, and sophisticated management systems at a global level that are difficult to comprehend. On the other hand, we have regressed to more primitive methods that resemble those of the 1970s. This widening gap between "global" and "local" management systems is unsettling. However, many organizational structures could have improved significantly at least at higher levels by learning from global systems and their management methods and approaches.

Narrowing of markets and diversion of consumer capital from the economy, including limiting consumer lending as a means of combating inflation, is a phenomenon that demonstrates one of the global directions for regulating the macroeconomic situation in significant countries and regions of the world. This largely corresponds to the philosophy of the 1970s, where so much has been produced so cheaply that there is no longer enough demand to buy it all. Until recently, the economies of regions were burdened with image overlays, supported in part by lending, but starting in 2016, they began to get rid of them, narrowing the circle of competitors and removing illusory overlays. Processes are becoming more obvious and flat, and the level of life heated by the consumer economy is decreasing. In recent years, disrupted global logistics has only contributed to this decline.

Planning with inertia in the medium term is a familiar and beloved rule for many. Ukraine issues Eurobonds for 5 years, the EU plans international development programs from 2016 to 2020, and Ukraine's regional strategies were limited to these same 5 years back in 2016, although this period is neither classical medium-term nor long-term planning. If in the late 2010s planning was done 1-2 years ahead, and in 2012-2015 for 3 years, in 2016, processes could be "stretched" to 40%. With the expected stability, there is a growing understanding of the need to take the right places in the "cars" of this "regulated" "market" economy to ride for another decade. Why do we talk about 10 years? Because if you plan for the first five-year plan, in the next period, you will have to plan for another 5 years, as no one will want to return to 3-year planning after 5 years, as the system will become accustomed to this pace. Strategies developed in 2018 were designed for 10 years. However, back in 2016, when planning a regional strategy for 10 years, it was impossible to anticipate all the huge complex of changes that would occur in the economy during this time.

The victory of the concept of "building materials over people's potential". The previous years, especially the period from 2013 to 2016, showed us that roads and bridges, schools and hospitals, sports halls and parks became more important than people. The concept of human capital development was then considered illusory in terms of financing sources for such development. It is the roads and infrastructure that perfectly fit for part of the population seeking stability, or rather, a minimum acceptable standard of cultural life. International development programs looking towards the future of the European Union and its neighbors began investing in "human capital" only in those individuals who can skillfully, carefully, and efficiently operate new or restored infrastructure. The concept of "human capital" was supported in those years only by a conscious minority, while the majority in management structures increasingly received implicit encouragement from society to use the "building materials instead of people" approach in development. However, the war in 2022 showed how important the quality of human capital is in management structures.

Defeat of the concept of "social capital development". It must be acknowledged that by 2016, donors no longer saw the desired return on long-term human development programs that were implemented in the early 2000s. It turned out that the human development index did not rise significantly above the threshold level during those years, and further increases would require significant investments. Therefore, during these years, it was decided to leave the human capital of communities in Ukraine at the achieved level and to move forward by developing infrastructure. Moreover, rural leaders had been advocating since 2010 to buy more building materials instead of developing the potential of community members, and by 2016 their voices finally found an echo both in the state and in the international community. At the level of small and large communities, there is already an implicit but clear understanding that the "pie" of social ranks was already divided by 2016 - completely or almost completely.

Dominance of administrative directors in management. Allocation of budgets in large volumes through more established organizations possessing well-established technology, as well as support for the implementation of these budgets in strategic directions for the next 3-5 years, led by 2016 to the top management ranks being occupied by not progressive and energetic managers for development, but rather administrative directors. They are engaged in supporting and gradually increasing the organization's capacities to the extent necessary, but no more. They are somewhat slow, but the client, who is usually large, knows that they will be expected to deliver in everything, including budget results and volumes. They are reluctant to innovate, only in cases where the innovation department guarantees deadlines, quality, and discipline. In 2016, they indicated that they want to live quietly for the next 10 years. They hope that their stability will bring more predictability and order to the overall course of events during the turbulence in the world economy. They voiced the message that their sector is not the time for innovation, but rather for the preservation and multiplication of goods using existing optimized technologies. They united the collective around the budget based on the principle of loyalty and were ready to support those who agreed to such "distributive socialism." Yes, they understood that new times would come at the end of the hypothetical "1970s," but they sought to create one peaceful decade for themselves.

Deformation of labor market competition and undervalued employees. The era of wide alternatives in personnel selection is passing, as well as the market opportunities for "improvisation strategy" of enterprises. By 2016, employers were looking for the ideal employee for responsible positions - because there were several others like him vying for the same position. It should be understood that many mature professionals have gained diverse experience over the previous 25 years, but by 2016, it was time for these individuals to determine where they excel and what they do best in their employment. It should also be noted that filling such positions was not critical for the employer - as three young professionals could perform the same job for three times less money. Therefore, managers then remembered protectionism as the favored tactic of the early 1970s.

Protectionism. By some unknown intuition, the leaders of scientific, research, and intellectual institutions felt the trend of rejecting the higher value of human capital by 2016 and declared: we do not need any more external experts, we have many qualified personnel of our own. We also want to earn money, so give us these budgets. In other words, we will only accept our own people. However, if we look back at the history of the 1970s, it is noteworthy that the protectionism of that era quickly gave way to a long-term struggle for liberalization, which lasted about 20 years until the end of the 1980s.

Lack of a dampener to prevent the fight against poverty is a significant indicator of the effectiveness of the social structure. The number of poor people digging through public garbage systems in the morning is a key indicator that necessitates changes in the social distribution system when their numbers increase. In 2016, this injustice was already unacceptable. However, when you see retired doctors and your neighbors digging through trash cans, it becomes clear that poverty has exceeded an acceptable level for the former "lower-middle class." Moreover, rising utility rates create negative expectations about the near future, associated with an increase in costs for most layers of the population.

The transition to the "seventies" represents a move towards social guarantees and gives a sense of stability. In this context, it is necessary to recall the Roman Empire or, to a lesser extent, Ancient Egypt, where both the rich and the poor could eat almost the same food, but the rich could afford more variety and delicacies, while the poor made do with 2-3 simple dishes. These states lasted for centuries, in part because they provided conditions under which the gap between the rich and the poor was relatively insignificant, unlike many countries in Asia, France before the bourgeois revolution, or even the United States today.

However, the growing weight of the developing context leading to social justice indicates that there are already fewer "very tasty pies" available in the markets that enterprising managers can consume alone.

Crying or laughing. If we view the phenomenon of the "economic stagnation" in 2016 as a deformation of the entrepreneurial spirit through the eyes of those who developed markets in Ukraine in the early 2000s, a situation arises where they find the situation both funny and outrageous. These people, who had finally moved away from the Soviet tradition of a planned economy, realized by 2016 that instead of the innovation-driven development and fast money they were used to, they would need to achieve planned indicators for huge projects or increase public welfare. They understood that this was the most predictable and likely path for them over the next several years. On the other hand, a reorientation from focusing on results to focusing on the process is necessary for a conflict-free transition to a new culture, which would have been almost unheard of for a project-oriented approach in the past.

Administrative planning for territorial development involves a trend towards systematically developing territories and calmly planning, which entails more significant investments, a more fundamental approach, and greater costs. Thus, it leads to higher inflation of world currencies than what is typically seen. As we know, in the 1970s, many fundamental investments were made in industrial and public infrastructure, which remained viable until the beginning of the 2010s when they required updating or demolishing. The processes of administrative planning are closely related to the nature of competition among players in any submarket of the industry. Such planning narrows the field of alternatives and innovations for market players inclined to strategic improvisation, thereby reducing the dynamics of development processes. Therefore, on such markets, the most efficient players around 2016 were larger players with streamlined systems, high competencies, and resilience. Hence, the nature of market development.

The social orientation, planning, quota setting, and allocation of targeted budgets with a focus on strengthening infrastructure were adopted during that period.

Conclusions

Excessive international tension is detrimental to the social economy. Similar to the 1970s, the world is torn apart by regional military conflicts against the backdrop of increasingly apparent bipolar confrontation that has grown into a cold war. In that era, the wars that began in the late 1960s reached a climax that required resolution by the mid-1970s. However, explosive conflicts, information warfare, and globalization of resource movements differentiate the current situation. On the other hand, the inflation of the U.S. dollar presents a similar threat to what was seen in the mid-1970s. Note that there is the same problem with oil producers as there was with OPEC at that time. The tendency for armed conflicts to drag on for years and the need to divert part of the country's GDP to permanent militarization may pose a problem or a challenge for the future period.

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