

**Strategies for sustainable
socio-economic development
and mechanisms their
implementation in the global
dimension**

**Collective monograph edited by
M. Bezpartochnyi**

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The authors of the book have come to the conclusion that it is necessary to effectively use modern approaches to developing and implementation strategies of sustainable socio-economic development in order to increase efficiency and competitiveness of economic entities. Basic research focuses on assessment of effectiveness the investment projects, use of cluster analysis the innovative activity of regions, formation and use of financial resources, competitiveness management and use of modern methods sale of the goods, effectiveness the activities of territorial communities. The research results have been implemented in the different models and strategies of project-oriented resource management, state management of development of territorial communities, implementation of the concept inclusive oriented economic development, efficient functioning and development of electric power enterprises, agricultural production, tourist industry, lifelong learning concepts. The results of the study can be used in decision-making at the level the economic entities in different areas of activity and organizational-legal forms of ownership, ministries and departments that promote of development the economic entities on the basis of models and strategies for sustainable socio-economic development. The results can also be used by students and young scientists in modern concepts and mechanisms for management of sustainable socio-economic development of economic entities in the condition of global economic transformations and challenges.

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**MECHANISM OF
INTERACTION BETWEEN
MARKET SELF-
REGULATION AND
ECONOMIC POLICY OF
THE STATE IN THE
CONCEPT OF SOCIALLY
ORIENTED NATIONAL
ECONOMY**

Ukraine’s exit from the crisis depends on the mechanisms of economic development, which is conditioned by the action of the economic laws system of and laws themselves. Economic development is a process of society life and its constituent parts, which is conditioned

by both the freedom of the human will and the objective laws. Thus, economic development as a process of human life is the result of the action of objective laws, on the one hand, and, on the other, economic management, based on the conscious use of properly understood laws. However, in the modern world, the economy is not a self-contained and closed system. Economic growth is needed to create conditions for human development, improve living standards and quality of life. A tool for creating such conditions in our country should be a socially oriented model of economic development. Therefore, state regulation in the economic sphere must proceed from the realities of the social condition of the majority of the population of the country. Within a socially oriented economy, the market should be seen as a device that maximizes the level of achievement of social goals, not just profit.

The economic development that underpins a socially oriented economy is a process of qualitative change in the economic system, but it is impossible without economic growth. There are theories in economic theory that explain the causes and drivers of economic growth. In Keynesian theories, as in the neoclassical ones, models are used in the analysis of problems of economic growth. The main goal in developing and researching such models is to find out and consistently substantiate the main, most important factors that determine the process of increasing national income, which means achieving the goals of economic growth and improvement of the economic system.

The main models of economic growth include: 1) A. Smith's model of economic growth; 2) the model of economic growth by R. Harrod – E. Domar; 3) the model of economic growth by S. Kuznets; 4) J. Robinson's economic growth model; 5) the model of economic growth by N. Kaldor; 6) Cobb-Douglas economic growth model; 7) R. Solou's model of economic growth; 8) P. Romer's economic growth model; 9) the model of economic growth of A. Lewis; 10) the “golden rule” of E. Phelps; 11) institutional theory of economic growth and development; 12) two-sector macromonetary model of economic growth of V. Ryaboshlik and others.

The socio-economic system, which underlies the socio-economic dynamics of economic entities, leads to the development of society, as well as to the formation and transformation of the entire economic environment. The internal drivers of this process are laws and laws. Laws act as a collective force, the manifestation of which is indisputable, and the result is unambiguous, so thanks to them the most accurate prediction (prediction) of the state of processes is achieved.

Due to the development and complication of the economic system, the system of social relations and relations between the subjects of society, the deepening of the interdependence of their actions, there is a necessary need to integrate these relations into a certain system, the functional content of which is determined by economic and social laws.

An integral part of the process of forming a model of socially oriented national economy is the interaction of the mechanism of market relations and economic policy of the state. It contains different ways, forms, specific technologies regulated by regulatory legal documents. Such a mechanism is a set of organizational and economic forms, principles and methods by which the relations of ownership of the means of production and its results are realized. The transition to a socially oriented economy, that is, to a form based on socialized commodity production, is ensured by the interaction between production and consumption through the market, state regulation and specific public institutions. That is, in a mixed two-sector economy, the market regulation of economic processes is complemented by state-social regulation. Meanwhile, the creation of such an economy requires the following prerequisites: theoretical, economic, political and legal, social and ethical and psychological. Thus, economic conditions include: a) the real variety of ownership and economic activities (the presence of real owners); b) a modern efficient structure of the economy and a sufficient number of modern production facilities; c) dismantling of monopoly structures in the economy and optimal interaction between large, medium and small enterprises, their real independence; d) a strong economic center; e) commodity-monetary and budgetary equilibrium, economic deficit, availability of stocks, based on real achievements in production, and not on administrative and fiscal methods; e) highly developed market infrastructure: commercial banks, exchanges, fairs, trade and warehouse network, inventory management, advertising service, tax and financial inspection, information and transport systems, pre-sales centers and after sales services; g) industrial (financial, labor, technological and organizational) discipline at micro and macro level; g) the state's susceptibility to regulating the market through socio-economic, monetary, financial, structural-investment, scientific and technical policies, the state's readiness to strictly regulate the principles of competition, social protection of the population (including control over pricing).

Any discussion of the forms and models of the national economy, any analysis requires a preliminary understanding of the backgrounds

underlying them. In our case, such prerequisites are “free market”, “market economy”, “property”, “competition”, “socialized commodity production”, “social policy”, “social protection and assistance”.

Social division and specialization of labor are important and necessary conditions for the formation of the market. As a result of these processes, the possibility of commodity exchange and the emergence of the market as the interaction of sellers and buyers emerged. The basic meanings of this term are: first, the market is a mechanism that provides a link between production and consumption; secondly, the market is the place where the sales operations are carried out; thirdly, the market is the place of residence of people who interact through commodity exchange; fourth, there are sectoral markets (securities market, intellectual property market), and fifth, the market as a way of selling goods in the face of two types of material relations: a planned economy and a free market; sixth, the market as a set of socio-economic relations in the sphere of exchange, in which the sale of goods takes place. As a basis, we can cite this definition in its modern sense. A free market is a social institution designed to reconcile fundamentally opposite prices and sellers, with each participant in the process being equal with others, no one having power over others, and no superior authority to look after interests except for the sellers and buyers themselves [5].

The functioning of the free market is conditioned by the following circumstances: 1) the presence of competition, that is, the struggle for survival, in which all means are used – the laws of the market and non-economic methods of influencing competitors; 2) supply and demand – the main mechanism of market functioning; 3) risk – the law of entrepreneurship, which can be different: economic (low rate of profit), commercial (default partners partners), political (not predictable actions of government and higher echelons of power); 4) bankruptcy – the result of competition for those who do not provide adequate activities; 5) spontaneity of the market – there is a circle until regulatory forces emerge; 6) conjuncture – characterizes the state of the market and the moment, that is, the interacting forces of the market; 7) unity of prices, their homogeneity; 8) market anarchy – occurs when there is no governing function of political bodies in a free market; 9) market capacity – characterized by turnover; 10) the law of value is the basic economic law in connection with which the exchange of equivalents takes place in the process of purchase and sale of goods; 11) the advantages of large-scale production – the ability to make fuller use of market conditions, more sophisticated equipment, labor organization, etc

.; 12) concentration of production – increase in the size of production at large enterprises; 13) centralization of production – the desire of entrepreneurs to unite to gain economic benefits in the fight against competitors; 14) differentiation of producers – property stratification for rich and poor; 15) the expropriation of producers – the ruin of some and the enrichment of others, the alienation of direct producers from ownership of means of production and products of labor; 17) proletarianization – the transformation of direct producers into employees; 18) priority accumulation of capital – concentration of means of production in the market entities that become the organizers of the economy; 19) the relative share of each manufacturer in the total volume of market operations; 20) availability of full information on prices and terms of sale of goods from all market entities; 21) availability of different forms of ownership of the means of production; 22) absence of monopoly and other leading forces in the market.

Each of the mentioned above laws and features of the market has a specific autonomy and has its own vector of action on its development. However, they can act simultaneously or sequentially, globally, or unidirectionally. There are several basic economic laws that fundamentally affect the formation and functioning of the market. This is first and foremost the law of competition, the law of value, the law of supply and demand. Under these laws a socially oriented market and a social market economy are built. Yes, the law of demand is inversely proportional to the change in demand with price changes. The main determinants of demand are the price of the goods. But as the market develops, demand is multifactorial and depends on non-price determinants: consumer tastes, fashion, number of buyers of goods, consumer incomes, prices for related products, etc [6].

When analyzing demand, it is important to evaluate the extent of its magnitude, which is usually determined by the notion of “elasticity” of demand. This phenomenon is desirable, but difficult to evaluate. Such demand occurs when purchases rise faster than prices rise. All other cases are considered as inelastic demand. The law of supply expresses the direct dependence of the change of supply in comparison with the change of prices, that is, the price increase leads to the increase of supply and vice versa. The main determinant of demand is price. Non-price determinants include: improvement of production technology, taxes and subsidies, number of sellers on the market. Equality of supply and demand is called equilibrium of the market, and prices that meet supply and demand are equilibrium prices. Due to the reverse economic

dependencies, the market, in turn, acts on production. Due to market exchange the realization and coordination of an important component of economic interests of manufacturers and buyers is carried out. Market management instruments act simultaneously as sanctions mechanisms: first, profit and loss; secondly, property income or labor income generated by the use of goods and services; third, the opportunity for economic growth and social prestige for both integrated and individual market players.

You can agree with the opinion of economists I.M. Bratyshchev and A.S. Makaryan, who believe that in a modern market economy, its mechanism can not be based solely on the law of supply and demand, although, of course, depends on it, as well as on other economic laws [2, p.21].

But the concept acknowledges market failure. P. Kozlowski believes that the term “market insufficiency” is more appropriate than the term “market failure”, since the word “failure” gives the impression of a general market collapse and the existence of a state-protected alternative to failures [1].

The concept recognizes the fact that government failures and government decisions based on errors regarding economic realities can occur as often as cases of market failure and failure. It also acknowledges the fact that state failures are more critical to economic performance than individual market failures. There is considerable asymmetry between the defects of the market and the state: the defects of the market can be corrected by the state; In this regard, the deficiencies of the state are much harder to neutralize than the deficiencies of the market. Since the state is an institution of the highest order, it can only correct itself, but the task of self-correction is extremely difficult.

In the concept of a socially oriented national economy, the idea of equilibrium and compensation is central to three sectors – the overall availability of capital for medium and small enterprises, the offsetting of market failures in environmental and environmental protection, and the implementation of social policy objectives. After all, social policy and social protection must offset the risks of industrial production and provide insurance against unforeseen circumstances, personal troubles and needs. Therefore, the concept of a socially oriented national economy recognizes the possible interference of the state not only in an industry where the market mechanism does not work, but also in those areas of social life where, based on the principle of social responsibility,

the state has an important role to play. The state intervenes in the sphere of market activity in order to form a system of social support for the population. In addition, state intervention is necessary in cases where an independently functioning market mechanism can lead to socially dangerous outcomes, and therefore a structural and regional policy must be pursued by the state. In this connection, it is possible to distinguish the main spheres of policy of a socially oriented market economy, which are based on balancing the social and market components (Fig. 1.1).

That is, a socially oriented national economy is such a model in which the state creates reliable legal and social framework conditions for the implementation of economic initiative, which lies solely in the sphere of individual market decisions. By creating the institutional conditions for the effective functioning of the market mechanism, the state reserves the opportunity to react when its action may lead to social risks. As a result, the state tends to pursue a policy that can create the necessary legal, economic and administrative institutions for the free exercise of human capacity.

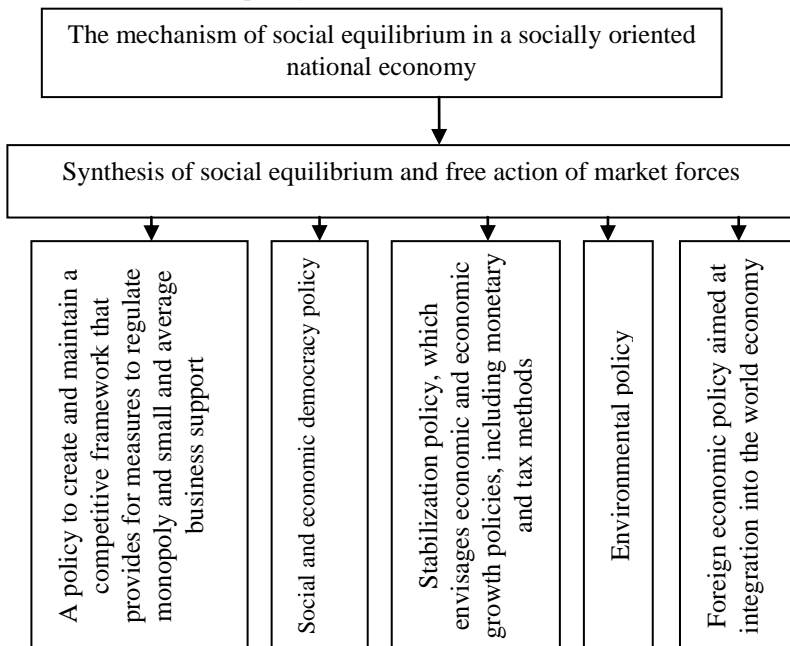


Figure 1.1 The mechanism of social equilibrium in a socially oriented national economy

Developed by the author

Another important prerequisite for a state social development policy is a competitive environment. Competition acts as the market regulator of the economy, which encourages all businesses to make the most efficient use of scarce resources. On the basis of streamlining the technological processing of these resources, an increase in the production of goods and services is achieved, and therefore also tax revenues to the budget, through which the relevant social programs are implemented. Thus, the formation of a model of socially oriented national economy is nothing more than the introduction of framework conditions that will maximally contribute to the implementation of competition policy and the formation of an open competitive environment in the country.

Competition policy is a central element that directly affects the overall effectiveness of the functioning of the entire socio-economic system. In this sense, the concept of a social market economy is based on the premise of prioritizing economic efficiency over social charity of the state. Competition may reduce the role of monopolies and lead to higher incomes, but it remains a mechanism that is neutral to human values and goals. Any adjustments can be made in the state to help constructively transition to a new competition policy. That is, effective competition policy and competition protection must be the goals of the state.

The tendency towards regeneration of the system of “underground” competition, which is based not on open forms of competition inherent in the socially oriented economy, but on so-called “clan” principles, cannot be overlooked. Such principles encourage entrepreneurs not to rationalize the use of their abilities in a system of stable rules of a market economy, but to approach authorities in order to influence the formation of these rules in their own interests, or to obtain benefits and access to exclusive sources of economic information. As a result, competition occurs by rules when success in the market is determined not by the ability to conduct effective business activity, but by the ability to eliminate competitors from it through administrative, financial-oligarchic or political levers [4, p. 32].

At the same time, the economic system inherent in the described system of “clan competition” extends to all spheres of public life, from political to social protection of the population. In such a situation, any market liberalization, as a rule, only leads to the deepening of existing imbalances, the further monopolization of markets and all spheres of public life. Moreover, the strengthening of the “social” component is

necessarily accompanied by the redistribution of the relevant budget resources through the corrupt channels of the distribution system. Thus, the social market economy cannot rely on closed models of post-socialist “clan” competition. Its primary task in a market economy should be the adoption of rules and principles inherent in competitive order, with its social responsibility, openness and transparency of all forms of market struggles, the establishment of moral principles of entrepreneurship, a clear definition of the functions and role of government in this system. The implementation of the described conceptual principles of the competitive order allows to achieve the effect of self-regulation on the use and redistribution of available in the state natural, labor and other limited economic resources [3, p. 57].

Open competition in this case acts as the main regulatory tool that provides for the expansion of the range of influence and power of more efficient competitors and counterbalances the value of less competitive and therefore less efficient ones. The socio-economic system maximizes the rational use of its resource potential and improves the competitive position of entrepreneurs on the world stage. The state is gaining authority and recognition in the world, its citizens enjoy a sufficient level of social protection, and business structures are involved in the process of shaping major economic trends [4, p. 28].

In this case, the microeconomic environment and the social sphere achieve full stability and balance. Entrepreneurs who work more efficiently – reduce unit costs, pay better wages for employees, get professional professionals, reach higher levels of income, increase payments to the budget, and thus create the basis for increasing social payments to the population. The system of financial institutions serves and accelerates the process of redistribution of public resource in favor of more efficient enterprises, contributes to the improvement of its use on a social scale. Only competition for the consumer, credit resources, working capital can serve as an effective tool for determining the best and most successful participants in the market proces.

A prerequisite for maintaining competitive order in the social market economy is the availability of stable currency and free pricing. Only if they exist, can market agents be sure that commodity exchange is on a stable basis and that economic and financial proportions remain important? Otherwise, demand and supply in the markets occurs under conditions of “deformed standards”, when the unit of value of the same product changes in a time-dependent measure, depending on the level of inflation. That is, competition cannot be open unless prices reflect the

real exchange value of goods [3, p. 58]. If, despite the recent trend of increasing hidden inflation and deficits of the state budget, it is possible to maintain stability in the financial market, then the price factor will remain favorable for the implementation of competition policy and implementation of the principles of the social market economy.

Other important areas of competitive order formation are problematic today. First, it is the legislative consolidation and practical implementation of antitrust mechanisms for regulating the economy. As practice shows, the authorities of Ukraine today are called upon to protect the society from monopolistic abuse of certain business groups, but in practice they are advocates of the interests of monopolistic associations and clan groups, thus contributing to the deepening of market distortions and neglect of the monopolies by the monopolies.

Second, support for market self-regulation of the socio-economic system. The main efforts of the state should be directed to reducing their presence in the areas where competitive self-regulation mechanisms are able to automatically ensure the proper efficiency of economic management and self-development of enterprises. These spheres include virtually all sectors of the economy except those that are particularly significant in terms of national security.

Third, ensuring the freedom of enterprise and the dignity of the individual. Post-totalitarian Ukrainian society has been virtually devoid of any opportunity to uphold its own interests, dignity and morality. Fourth, the realization of the priorities of public interest over the personal interests of individual members of society. This principle, which is an axiom of the social market economy, in Ukraine does not find virtually any support either at the state level, in the environment of entrepreneurs or among the population. Prolonged differentiation in the social psychology of its own and other's-state distorted citizens' perceptions of public interest, distorted their understanding of activities for the benefit of society. Social in the minds of most modern Ukrainians is associated with the state, which means foreign and no one needs. Private and group interests, clan morality are increasingly hampering the realization of public interest in the classical sense of the word. A vivid confirmation may be the privatization or brazing of collective farms carried out in the state, when the interest of everyone to become the owner of a piece of the former state property was put above the interest of the whole society for its maximum effective use. These difficulties significantly complicate the implementation of competitive order in modern Ukraine. They create obstacles in virtually all areas of

open competition policy.

Legislators' decision-making on competition cannot take place against the backdrop of spontaneous political interests, as stronger social groups will "tyrannize power" and adapt laws to meet their own interests. Adam Smith drew attention to this feature. This means that in society there is a need for legislation to serve the common welfare, so competition rules in the market must be fair to all. V. Aiken introduced the concept of "full competition" for this and justified it by saying that restrictions on competition must be declared illegal and that a developed system of competitive markets allows the weakest members of society to lead a dignified life.

Therefore, the purpose of the concept of a socially oriented market economy is to combine freedom of enterprise and initiative with the social policies provided by market-based management methods.

Consequently, the transition to a socially oriented national economy is ensured by the interaction between production and consumption through the market, state regulation and specific public institutions, and is based on socialized commodity production. The socialized commodity production itself is another prerequisite for the functioning of the economic mechanism. Socialized commodity production is the highest stage of commodity production, which operates on the basis of social partnership and progress. In this form of commodity production, collective ownership dominates in the form of joint-stock ownership. It is known that simple, classic and socialized commodity production is characterized by similar and distinct features (Table 1.7). As a result, producers of goods are at the same time owners of factors of production and take part in the management of the production process.

When a social partnership is established in society, the actions of the authorities, entrepreneurs, employees and society are coordinated on the dynamics of wage and social assistance payments. In socialized commodity production, large enterprises that use modern management methods play a leading role.

Thus, the economic mechanism of a socially oriented market economy contains the organizational structure of production (vertical and horizontal), specific forms of functioning of the economic system (state and non-state regulation of the market), as well as a specific institutional base (including its legislative component).

The core of a socially oriented national economy is a market economy whose main purpose and goal is to increase production efficiency and profit. Market economy, reaching its main goal, to some

extent automatically solves some social problems – ensuring employment, payment of wages for labor results. But a market economy is competition-based and has no business to do with social justice. Social justice, social protection is ensured by state intervention in the economy (redistribution of created goods, tax policy, and legal support). That is, the state voluntarily, rather than the market economy itself, returns it to the interests of society and gives it the status of a socially oriented market economy. In such circumstances, the state often sacrifices economic efficiency for the sake of social protection of the population. Therefore, one of the important criteria of a socially oriented market economy is the priority of social protection, social justice over economic efficiency, carried out for the sake of social peace and secured by the implementation of state social policy.

Table 1.7

Comparative characteristics of types of commodity production

Feature	Simple commodity production	Classic commodity production	Socialized commodity production
The dominant form of ownership	Small individual private property	Individual private property	Collective ownership
The combination of labor and capital	The employee and the owner are one person	Manufacturers are employees and the factors of production belong to the owners	The vast majority of producers are both co-owners of factors of production
Availability of human exploitation by human beings	Missing	It is possible	Missing. A social partnership is being established
Scale of economic entities	The power of small crafts	Power of medium-sized producers	Priority of large enterprises
Level of utilization of NTP achievements	Primitive obsolete technique	Use of modern technology	Use of advanced technology and information technology
The nature of production	Closed, crushed	Social	The socialization of production is at its highest

Thus, the economic mechanism of a socially oriented national economy is a complex structure and system of interconnections. It includes: a) a system of balanced markets; b) public sector of economy; c) large economic structures that fulfill the regulatory role of the state for the economy as a whole and at the same time increase the market sensitivity to medium and long-term programs of its development; d) public sector administrative and production subsystem; e) system of operative state regulation of economy; e) a budget-balancing system with a powerful core; g) regulatory framework governing mid-market processes.

In rather difficult conditions, Ukraine produces the parameters of its own national model of socio-economic development for the long term. The country has not yet formulated or implemented an effective model of economic development that would fully reflect its national characteristics and interests and become a macroeconomic base for effective state regulation.

The formation of the model of the national economy has its own peculiarities of macroeconomic policy. Macroeconomic policy is a policy of governmental institutions and institutions aimed at regulating economic processes in order to ensure long-term economic growth. The main forms of macroeconomic policy are: credit, tax, monetary, investment, innovative, financial, structural, industrial, scientific, agricultural, anti-cyclical, human resources, foreign economic, social, environmental. In Ukraine, macroeconomic policy began with the formation of science-based government economic programs.

Analytical and forecast macroeconomic models that operate on aggregate indicators: GDP, national income, accumulation and consumption funds, aggregate demand and supply indicators, etc. are used to study macroeconomic development problems in Ukraine. Among the known macroeconomic models that are used to forecast the development of the national economy and analyze the structure of the economy are: 1) macromodels of the economy Ukraine-1 and Ukraine-2, which are designed to make medium-term forecasts of key indicators; 2) macromodels of the UKR-MACRO-3 and UKR-MACRO-4 economics, in which the social sphere and the market of goods and services are forecast among the six subsystems; 3) budget modeling system, which serves for budget modeling; 4) a medium-term forecasting model that operates on real GDP; 5) quarterly model of real GDP forecasting.

The peculiarities of macroeconomic policy in Ukraine should be aimed at overcoming the systemic crisis of socio-economic development. The policy should be transformational and based on

inclusive economic growth.

The priority goals of the national model of socially oriented development are economic stabilization, high level and quality of life of the population, harmonious social relations, stable dynamics of economic development. Thus, the search, selection, definition of forms and methods, factors and mechanisms, the role of which ensure the implementation of these tasks in practice, is actualized.

Since the beginning of economic reforms in Ukraine, domestic science has raised claims about the lack of a clear theoretical base and practical recommendations regarding the strategy and tactics of a radical transformation of the socio-economic system for the further development of the national economy of the country. It is clear that the formation and development of a national model of socio-economic development is impossible today without the active involvement of state regulation, but governmental structures and public authorities are building their activities in accordance with the theoretical canons of liberalism. The national strategy for building a socially oriented model of economic development is the problem of choosing between the speed of such formation and the achievement of the desired effect. In today's context, the evolutionary formation of such a model takes time, which determines the backwardness of the country from other countries in the Western world, and may be accompanied in the future by a loss of production and resource potential and rising economic costs.

Therefore, an effective national model of socially oriented economy should be formed, it should be the result of the implementation of a strategy, within which it is necessary to harmonize the target orientations of market transformations, anti-crisis regulation, structural and technological restructuring, improving the level and quality of life of the population, stabilizing the economy and inclusion in the world economic space. This strategy should be based on high, dignified and at the same time attainable long-term goals that will transform Ukraine into a dynamically developing country basing on intensive work and business initiative and consistent economic policy.

On the way to building a national model of socially oriented economy in order to ensure the continuity of the modernization process, constant in nature, there should be a transfer process, through which daily accumulation and use of specialized knowledge takes place. The result of innovative activity should come to the everyday life. Therefore, in a socially oriented economy, the intellectual potential of the society on which it relies and which is a set of everyday and specialized

scientific knowledge, which are accumulated in the minds of people and materialized in the technological way of production, is crucial.

The formation and development of the national model of socially oriented economy requires the transition from the so-called investment, as a rule, extensive, type of development to a qualitatively new, effective, innovative type of development, based on the acceleration of scientific and technological renewal of production, its intensification, reduction, production costs and increase its profitability. It not only increases the funding sources, but it also opens up the possibility of achieving the optimum ratio between production, storage and consumption, profound radical changes.

Consequently, the transition to a socially oriented national economy is ensured by the interaction between production and consumption through the market, state regulation and specific public institutions, and is based on socialized commodity production. The socialized commodity production itself is another prerequisite for the functioning of the economic mechanism.

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**INNOVATIVE
ACTIVITY OF
UKRAINIAN
REGIONS:
CLUSTER
ANALYSIS**

The relevance of the study of innovative activity in special terms is defined by the high level of differentiation of the social and economic development of regions and further development of the decentralization policy in Ukraine. The assessment of the innovative activity of the regions is not only a factor in the rating dynamics of competitiveness but also an effective tool for designing strategies for the development of inter-regional industrial relations. In many cases, the lack of data on regional channels of technology and knowledge transfer or local levels of scientific and innovative activity becomes an obstacle to stand against the tension of international competition. The allocation of regional clusters by innovative activity helps identify gaps and specialization of the region and is the first step in more comprehensive regional development studies.

Most current methods of analyzing the innovative activity of regions are based on the division of regions into groups using integral indicators (for example, relatively strong, medium and weak regions). This approach is based on a quantitative comparison of regions without the possibility of a meaningful description of their peculiarities. However, innovation is a complex feature that incorporates heterogeneous indicators. Therefore, in this study, k-means clustering and hierarchical cluster analysis algorithms are used to analyze the innovation activity of Ukrainian regions. The application of multidimensional statistical analysis methods is implemented in the STATISTICA application package. The initial data for the analysis of the innovative activity of

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