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POTENTIAL PROSPECTS OF ECONOMIC POLICY MAKING IN UKRAINE

Since the revolution in Ukraine in 2014, many (structural) reforms have been implemented which can be expected to give a boost to economic growth. These reforms mainly revolve around decreasing the bureaucratic process which hinders the ease of doing business within the country. Additionally large-scale privatizations of government enterprises can be expected to increase competitiveness of these companies while giving the government additional budget to continue further reforms. A third important reform is related to the energy market, where the government decided to cut energy subsidies which were costing about 10% of GDP. This meant that gas tariffs for domestic consumers, which used to be subsidized, have increased by at least four times. While this reform was really necessary, it most likely has some negative consequences for economic growth in the short term. Since consumers are already facing lower purchasing power because of higher import costs, their purchasing power declines ever further through the increase in spending on the natural gas bill. This, along with the devaluation of the hryvnia, has led to inflation in Ukraine and has a dampening effect on domestic consumption and thereby lowers the aggregate demand. This should be a primary concern for economic policy makers in Ukraine, which top priority it should be to stimulate local business to provide affordable alternatives to the major import products and services which have become more expensive.

A second important policy for the Ukrainian government should be to increase it's spending on large (infra) structural projects. Such projects will improve the size and quality of the domestic infrastructure, which is needed to realize the export potential which has become within reach due to the devaluation of the hryvnia. Within Ukraine, most of the older infrastructure has depreciated by at least 75% while commercial harbors, warehouses and roadways will need improvement to increase trading volumes [2]. The large government-initiated projects will also boost employment through aggregate demand. This will help increase domestic consumption and the size of the domestic market. It can be expected that increased employment will put some upward pressure on average wages, but they most likely still remain competitive compared to wages in other producing countries. The wage increase will have a positive effect on increasing purchasing power thereby reducing the potential for public discontent or domestic recession. To realize the structural investments, help will be needed from institutions like the European Union, the IMF and/or the American government. In this way, the model becomes similar to the way in which Poland was able realize rapid economic growth through access to structural EU investment funds which improved the quality of its exports, employment and its domestic market.

Although Ukraine's economic future seems very bright, there are still many challenges and risks which could inhibit realization of the potential [3]. The most important internal risk is corruption and the current oligarchic structure of the economy. After the independence from the Soviet Union in 1991, many of the countries key industries, like energy, heavy industry, banking and mining were taken under the control of Ukrainian oligarchs. These oligarchs, having strong ties within the government, have created a political and business environment of corruption and created a bureaucracy which makes it difficult for small and medium sized companies to challenge the incumbents. This is also one of the major reasons for why the Ukrainian economy has very low diversity in products and services. Melnychuk recommends the Ukrainian government to focus on 'joint development and implementation of a large-scale plan to support entrepreneurship in Ukraine based on the German (1950s) and Polish (1990s) experience'. Additionally, the government can decide to impose 'high custom rates on raw materials and low-tech commodity exports, and minimize such costs on exports of high-tech products, and exempt from duties the import of industrial and scientific equipment to Ukraine [1, p.44].

The most important external risk is prolonged or extended conflict within the countries boundaries. The loss of control on the Crimean peninsula and the Eastern (Donbas) regions of Ukraine is having a large impact on the Ukrainian economy. The Donetsk and Lugansk regions in Eastern

Ukraine make up roughly 15% of total GDP and 20% of industrial output. One way in which Ukraine might be able to stop the conflict is by showing how to move forward economically. When Ukraine, under the free trade agreement with the EU, is able to grow economically through increased exports, infrastructural investments and the growth of a domestic market, the conflict regions might decide to join the rest of the country, resisting any outside influences to destabilize the region. This same approach worked in Georgia under Mr. Saakashvili, which increased the country economically, which made conflict zones like Ajaria return to the country and many people from the South Ossetia region to work in Georgia.

Some other risks are largely outside of the control of the Ukrainian government. The main one is the political developments within both the United States and the European Union, where nationalist policies are increasingly being pursued as opposed to international cooperation. However, even when this might continue, there are other international countries, like China and Korea, who would be interested to increase cooperation with Ukraine given its strategic location and large amount of resources.

Thus, economic policy in Ukraine is under the influence of various risks and challenges, but with a sound and balanced approach to its promotion has significant prospects for the restoration and development of the country.

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COMPARATIVE ANALYSIS OF THE ALTERNATIVE MEASURES FOR PRICE LEVEL

Nowadays, world faces many macroeconomics problems, one of which is to ensure low inflation and a stable price level in the economic system. Since price is one of the most important tools for economic regulation, there is a need for its permanent control [1].

Price level shows prices at a certain time, which afterwards allow for the measurement of its changes in time. When prices rise (which means inflation) or falls (deflation), it affects consumer demand for goods, and as a result, leads to changes in production, as well as changes in gross domestic product (GDP) [2].

Price indices are used to monitor changes in price levels over time. There are three main price indices that are regularly calculated and published by government agencies. These three indices differ in the number of products they take into account. The first one is the consumer price index (CPI): it measures the average retail prices paid by consumers for goods and services. This index includes several thousand products grouped in approximately 200 sets of items. These items are selected based on their inclusion in the household consumer's budget. Weight is assigned to each good's price, based on the importance of the good in the budget of the household. As a result, CPI reflects the changes in the cost of living of a typical urban household. CPI is considered to be the most relevant inflation measure in terms of consumers, since it measures the prices of goods and services that are part of their budgets.

The second index is a producer price index (PPI). The items included into this index are those that are commonly used by producers and enterprises and thus include many raw materials and semi-finished products. A change in PPI reflects a change in the cost of production that manufacturers encounter. Since producers may partially or completely modify the cost of consumer products, changes in the PPI indicate future movements in the CPI. Hence, the producer price index can forewarn consumers about future growth in living expenses. [3]