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**BELARUSIAN ECONOMIC MODEL:  
ASSESSMENT AND POSSIBLE WAYS OF TRANSFORMATION**

*Summary.* The model of the organization of the Belarusian economy, which was formed in the post-Soviet period, has always received ambiguous assessments in the research and expert communities. In recent years, as the study shows, the trends of its development do not correspond to the dynamics observed in the economies of countries in similar conditions. The publications give numerous explanations for this state of affairs, which, basically, are reduced to the impact on the Belarusian economy of various external factors. The results of the research presented in the article show to what extent the problems of its development are caused by internal factors. An assessment is made of the effectiveness of various measures and instruments of possible economic policy.

**Introduction.** The development of institutions is generally recognized as one of the most important drivers of economic growth of any economic model. The role of institutions in countries with a transitional economy, to which Belarus belongs, is particularly important. This importance is due to the fact that in the transition from the economy with the administrative-command structure to the market economy, there is a fundamental replacement and restructuring of economic, political, social and other institutions. Such processes are also taking place in the Belarusian economy. Transitional economies of the post-Soviet countries began their transition to a market system with quite similar institutional conditions, but if we take the starting point as 1991, a quarter of a century has already passed, and it can be stated that a different policy in the field of institutional transformation led to different economic results. It is timely to compare the development that has

taken place in countries geographically close to each other, similar culturally and socially, but with a different approach to the development of institutions, so Lithuania was chosen in the study to compare it with Belarus.

**Method and objects of research.** During the implementation of the study, formal logical methods of cognition (abstraction, analysis and synthesis, comparison and analogy), methods and techniques of concrete economic and empirical analysis (measurement and description) were used.

**Results and its discussion.** To assess the level of development of the Belarusian economy, a common approach has been used, which is based on a comparison of the welfare of Belarus and Lithuania in terms of GDP (gross domestic product) per capita at purchasing power parity (PPP), calculated by the World Bank (Table 1).

Table 1 – GDP per capita, at purchasing power parity in current prices (US dollars) of Belarus and Lithuania

	Belarus		Lithuania	
	1996	2016	1996	2016
GDP per capita according to PPP (in current prices), US dollars	4174.8	18060.4	6379.7	29966.1
Increase (in current prices), US dollars	x	13885.6	x	23568.4
Increment of growth, %	x	332.6	x	369.71

Source – own development based on World Bank data [9].

The growth of GDP per capita at the purchasing power parity in the analyzed period in Belarus is lower by 37.11 percentage points. Per capita in 2016, the level of GDP in Lithuania is higher by 9702.8 US dollars. In 1996 it was higher by 2204.9 than in Belarus. However, it can not be stated that the economic policy of Belarus during this period was a failure, but rather it can be described as a policy of missed opportunities.

The GDP growth in Belarus slowed down since 2010, and in 2015 GDP fell by 3.6%. Negative growth rate was observed for the first 10 years. In 2016, the trend continued - the fall was 2.6%. In 2017, experts from BEROC (Belarusian Economic Research and Education Center) predict a continuation of the recession - a negative growth rate of GDP of 1.5% [1]. Experts from the BEROC Research Center indicate that cyclical factors (for example, a reduction in the volumes of processing Russian oil) are not predominant from mid-2015, but structural factors are (the problematic debt of state enterprises is not a temporary deterioration in their financial and economic condition, but a mismatch between their business model and economic reality). Thus, it can be concluded that the period of growth of Belarusian economy ended. Some researchers believe that this is due to the use of inefficient management principles, and the growth in the past period is explained by conjunctural factors (processing of Russian oil, cheaper labor). These factors can be named conjunctural because they are situational and non-fundamental, and it is impossible to use them as the main support for economic growth for a long-term perspective. This is evident at the moment, because the volumes of Russian oil supplied for processing and the possibility of high-margin exports of oil products are falling. The tax maneuver planned in the Russian Federation in the taxation system of the oil industry can lead to a loss of up to \$ 1.9 billion USD for the Belarusian economy [11]. Also, the volatility of the Russian ruble to the dollar reduced the advantages of the Belarusian economy in the cost of labor. It is also necessary to take into account the issue of sanctions by the EU and the US towards Russia, which is Belarus' main economic partner. Provided that sanctions will have a negative impact on economic growth in Russia, they will also indirectly have a negative impact on the Belarusian economy.

Thus, it can be argued that structural reforms are necessary for the Belarusian economy.

However, a vision in government and research circles of the content of the reforms and the algorithm for their implementation has not been formed. The establishment of the State Asset Management Agency in order to solve the problem of bad debts of the banks does not eliminate the reasons for the accumulation of such debts. Many of the planned reform measures for the existing economic model, like the one mentioned above, boil down to technical actions that are not in themselves wrong, it is unlikely that they will generate growth for the current economic model.

It is well known that for the success of reforms, the most important attention should be paid to the development of political and economic institutions. To assess the level of development of institutions World Governance Indicators are used, which are published by the World Bank. Percentile indicators vary from 0 to 100, where 0 is the smallest value, and 100 is the highest value among all countries in the world. The World Bank notes that the accuracy of the comparison depends on the duration of the analyzed period. Data used for the analysis is for 1996 and 2015. The World Bank calculates the following indicators. The indicator «voice and accountability» reflects the perception by the citizens of the country of their opportunity to participate in elections of state power, freedom of expression, freedom of assembly and the degree of freedom of the media.

The indicator «political stability and the absence of terrorism/violence» assesses the perception of the likelihood of political instability and (or) politically motivated acts of violence, including terrorism. The indicator «government effectiveness» makes it possible to assess the quality of public services, the quality of civil services and the degree of their independence from political pressure, the quality of the development of state policy and its implementation, and the degree of consistency in the stated policy directions. The indicator «regulatory quality» reflects the public's perception of the ability of public authorities to identify and implement sound policies and regulations that permit and stimulate the development of the private sector of the economy. The «rule of law» assesses the perception of the degree to which individuals are certain of the sustainability of the rules of society and follow them, and in particular as compliance with contracts, property rights, police, courts, and how they assess the likelihood of crimes and acts of violence. The

indicator «control of corruption» allows you to assess the perception of the extent to which the state uses power to achieve private goals, including small and large-scale corruption, and the seizure of state power by elites and private interests. In order to compare the level of institutional development of Belarusian economy the neighboring country was chosen, which was also part of the Soviet Union – Lithuania (table 2).

An analysis of the data shows that the level of development of institutions in Lithuania in 1996 was significantly higher than in Belarus. However, for 20 years it has grown in all analyzed indicators in Lithuania, and in Belarus it has grown significantly only in the field of control of corruption, and the level of development of this indicator in 2015 in Belarus lags behind the level of its development in Lithuania in 1996. Despite the fact that the accuracy of measuring these indicators for both countries in 2015 is much higher than in 1996, it can be concluded that in Belarus there has been a decline in the already low level of development of institutions [6].

The program of structural reforms can be based on a holistic view of the existing economic model of the country. The Belarusian economy is a transitional economy that has retained quite a large number of features of the Soviet economy – directive planning, employment orientation, ministries that fulfill the role of the principal for enterprises, and the declared high level of social protection. At the same time, the analysis of government program documents makes it possible to single out the following principles that emerged in the post-Soviet period, which can be attributed to the fundamental ones: increasing gold and foreign exchange reserves, high import duties and import substitution, supporting industry,

including by searching for cheap raw materials and energy resources, for exports of goods and services (for government officials and state-owned enterprises, the failure to meet the export figures will be a more likely cause of losing the position than the inefficient use of resources (e.g., purchase of new equipment, but its inefficient use), the pursuit of growth of the population.

Let's compare these principles with the leading principles of the world view of mercantilists - gold as the essence of wealth, regulation of the inflow of foreign trade to ensure the inflow of precious metals into the country, support for the industry by importing cheap raw materials and protectionist duties on the import of manufactured goods, encouraging exports, in particular finished products, population growth to maintain a low level of wages [2] Obviously, the main principles of income in the mercantilist system - the export of goods and services, precious metals, the import of capital in the form of foreign investments, correlate with the main directions of income, which are emphasized by economic regulators in Belarus - the export of goods and services, and the import of capital in the form of incoming flows of foreign investment (however, in the case of investments there is a discrepancy in interpretation with mercantilists - foreign loans in Belarus are related to incoming investments, that is, income for Belarusian economic regulators, and mercantilists considered foreign loans to be expenses, and interest payments on loans issued abroad were considered income). Thus, the connection between the modern economic model of Belarus and the model of mercantilism that dominated Europe 300 years ago is obvious.

Table 2 – Comparison of the institutional development of Belarus and Lithuania

	Belarus			Lithuania		
	1996	2015	Increment of growth, %	1996	2015	Increment of growth, %
Voice and Accountability	17.31	8.87	-48.76	75.48	75.86	0.50
Political Stability and Absence of Violence/Terrorism	45.41	47.62	4.87	57.49	69.05	20.11
Government Effectiveness	40.00	37.50	-6.25	63.9	85.58	33.93
Regulatory Quality	15.69	14.90	-5.04	85.78	87.9	2.47
Rule of Law	27.75	24.04	-13.37	60.77	81.25	33.70
Control of Corruption	20.00	45.67	128.35	57.56	70.19	21.94

Source – own development based on World Bank data [8]

It should be noted that one of the first to show such similarities between developing economies and mercantilism was H. de Soto on the example of Peru. He emphasized the similarity of the development of the institutions of Peru and the institutions of mercantilist economies in Western Europe. H. de Soto defines mercantilism as bureaucratized state which is using laws only for its own benefit and considers that redistribution of national wealth is more important, than its production [7]. Redistribution of wealth occurs in the form of granting monopoly rights or favoring a narrow circle of the elite, which is closely connected with the state. In the framework of this system, the success of business depends not so much on efficiency and ingenuity as on the ability to enlist the support of the authorities (government officials). The analysis of the press shows that the latter is quite typical for Belarus, when large Belarusian businessmen or foreign investors seek support and approval of their business projects from the president of Belarus, governors and other representatives of the executive power. It also notes the complexity, inconsistency of legislation, which is created by legislative and executive authorities in the absence of real political freedoms and the ability of the population to influence the adopted laws. For Belarus, there are examples such as: in the first half of 2016, 98.5% of checked individual entrepreneurs were found to have violated tax laws, and in the Vitebsk region, 99.8%, which is more indicative of a low level of tax legislation that does not fully reflect the needs of the economy, but serves as an additional constraint to independent economic activity and works as a redistribution mechanism in favor of privileged groups [10]. Also, the redistributive essence according to de Soto can be attributed to Presidential Decree No. 222 «On the regulation of entrepreneurial activity and the sale of goods by individual entrepreneurs and other individuals», which complicated imports to small entrepreneurs from other countries of the Customs Union and actually obliged them to work with Belarusian enterprises, that is, the beneficiary of redistribution became inefficient Belarusian enterprises at the expense of small entrepreneurs and a population with low incomes [3]. Proposals to amend this legislative act from public associations of entrepreneurs were not accepted by the state.

Thus, the existing economic system must be reformed, and on this account, there are different

points of view. One of them consists the IMF proposals, which are put forward as conditions for obtaining a loan from IMF to the government of Belarus.

The actions proposed by the IMF to the Belarusian government can not be considered as a reform program, as it is presented. The IMF is a financial institution that gives loans with interest, and their main goal is to get their money back, instead of reforming economy instead of Belarusian officials. Thus, the IMF's proposed program of action rather guarantees the return of funds, rather than the economic development of Belarus. It can not be said that the measures proposed by the IMF do not contribute to economic development, however, this is not their main goal. For example, the IMF's proposals for 100% financing of housing and communal services costs by the public are useful in themselves, because cross-subsidizing housing and communal services at the expense of enterprises undermines their competitiveness. However, in the context of an inefficient and corrupt system of housing and communal services, these actions will only result in the redistribution of even more funds to the housing and utilities sector. The problem is that in the current system it is impossible to calculate the real cost of housing and communal services and this «reform» will not lead to anything else, but the rise in prices for housing and communal services for the population and is unlikely to provide a significant reduction in prices for utility services for legal entities, that is, there are no sufficient grounds to assert that the competitiveness of enterprises due to this factor will grow significantly. If housing and communal services in Belarus were a private monopoly, then monopoly profits would probably be visible in accounting and financial documents, and its activities properly passed the audit procedure. At present, the monopoly profit of the housing and communal services is either inefficiently spent, or goes into various corruption schemes. Thus, in accordance with M. Friedman's approach to monopolies, the private monopoly is a lesser evil than the state monopoly, that is, perhaps even the privatization of utility services would be of great benefit, since the private owner would not allow inefficient waste of resources and corruption [4].

With regard to the IMF's proposals, that the management and control of state-owned enterprises to be transferred from ministries and concerns to a single body – the State Property

Committee - there are not sufficient grounds to state that this will lead to significant changes in the work of these enterprises. On the contrary, if we assume that these bureaucracies currently compete for state support and resources in a bureaucratic system, then within the framework of a single body the degree of competition is likely to go down, and it is possible that in connection with the fall of even such «conditional» competition between ministries and concerns, the efficiency of state-owned enterprises which is not high enough already, can become even lower. It also raises the question of the scope of operations within a single body that will monitor and manage such a large number of enterprises. Most likely, the main goal of this body will be to increase exports and prevent a sharp fall in employment to avoid social upheaval. However, too many controlled entities can lead to inability to control them. Perhaps this could lead to an increase in the degree of self-management of these enterprises, however, a variant with a collapse of the system of management of state enterprises in general is also likely. With high probability, it is possible to predict in this case an effect called «institutional trap».

Thus, the IMF reform program can not be the basis for an exit from the recession. And the current model does not cope with modern challenges.

To overcome the recession and make the citizens of Belarus more wealthy, tactical economic solutions are not needed, but there is a need for a revision of the principles on which the economic model is based. The essence of such a revision is the creation of such a legal system that will protect the rights and effectively ensure the fulfillment of obligations of economic agents in the framework of concluded contracts. What developed countries have been going through centuries has to be done in a few years. On the one hand, this is extremely difficult, since new institutions are needed, the set of which is known and sufficiently tested, but the effectiveness of their functioning is conditioned by a fracture in the minds of people who have been subjected to indoctrination about the impossibility of living under a market system and great benefits of state paternalism both under the Soviet Union and in independent Belarus. There is also a problem of the incongruence of «new» formal and «old» informal norms in Belarus. However, the experience of some post-Soviet countries shows that overcoming it is possible. On the other

hand, the example of Western developed countries will allow this path to be made much quicker and painless and avoid the mistakes that currently result in the growth of socialist sentiments and tendencies in Western Europe and the United States, where the socialist ideas in recent years have been called liberal, although they have little in common with classical liberalism.

One of the measures for the development of the Belarusian economy can be the creation of new codified constitution, in which political and economic institutions will be specified in a clear and unambiguous form. And on the basis of this constitution it is possible to build a legal system that ensures the functioning of these institutions. The current constitution of Belarus has practically no opportunity to solve such a problem. However, when creating new institutions, such as the constitution, it is necessary to avoid institutional traps that negatively affect economic growth [5].

However, is there any possibility for the Belarusian government, which is called authoritarian or even dictatorial, to make the necessary changes? It can not be asserted that an authoritarian regime can not carry out the necessary reforms, and subsequently transform into a more democratic society. Indeed, along with the Cuban regime of Castro, there was also the Chilean regime of Pinochet. Also noteworthy is the experience of the two Koreas. Perhaps, given that changes in the democratic process will be slower than under the undemocratic, the latter will be more preferable in carrying out such large-scale changes in the society, when the speed is extremely important. Thus, for the successful development of the Belarusian economy, it will be better to carry out reforms first and after that start a change in the political system than first to change the system to a more democratic one, and then to start large-scale changes. With the underdevelopment of democratic institutions and mass misunderstanding and fear of the concept of a free market, the transition to a market economy will not be possible because of a direct voting system. However, these issues will remain outside the scope of this work, as they depend on the will and desires of politicians whose actions are predicted by political science rather than economics.

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## ШЕБЕКО Д.К.

ЭКОНОМИЧЕСКАЯ МОДЕЛЬ РЕСПУБЛИКИ БЕЛАРУСЬ,  
ОЦЕНКА И ВОЗМОЖНЫЕ ПУТИ ЕЕ ТРАНСФОРМАЦИИ

**Аннотация.** Модель устройства экономики Беларуси, сложившаяся в постсоветский период, всегда получала в исследовательском и экспертном сообществах неоднозначные оценки. В последние годы, как показывает изучение, тренды ее развития не соответствуют динамике, наблюдающейся в экономике стран, находящихся в сходных условиях. В публикациях даются многочисленные объяснения этому положению дел, которые, в основном, сводятся к воздействию на экономику Беларуси различных внешних факторов. Излагаемые в статье результаты исследования показывают, в какой мере проблемы ее развития обусловлены внутренними факторами. Дается оценка степени эффективности различных мер и инструментов возможной экономической политики.

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