

The government's policy of continuing to subsidize some enterprises has often served as an **impediment** on the road to a free market. The state should stop subsidizing enterprises with **outdated** technology or those damaging the environment.

Regional economics is another important area in which a visible liberalization of decision making is taking place. The government of the republic should **retain** for itself the power to regulate overall territorial proportions; to watch the levels of interregional development; to carry out large scale programs of economic, ecological and scientific – technical progress; and to oversee the **implementation** of central legislation by regions, including fiscal and customs policies. On the other hand, regional authorities should become responsible for the use of local resources, the choice of policy priorities in their regions, securing and **utilizing** financial resources, and implementing economic reforms within regions.

Task:

1. What are the main problems in the agricultural sector?
2. Why are the changes so slow?
3. What is the role of the state and the regions in the development of economy?
4. Explain the meaning of the emphasized words.

2.6. SOME ASPECTS OF THE UKRAINIAN ECONOMY IN TRANSITION

During the Soviet era, Ukraine was heavily industrialized and at the same time the “**bread basket**” of the whole union. In 1990, the year before independence, industry and agriculture contributed over 40% and 30% of the total net material product respectively. The economic structure was shaped to serve the political purposes of the central planners, and was, to large extend, **geared** to meet military needs.

The heavy heritage of the collapsed socialist system and weak policies toward macroeconomic stabilization and structural **adjustment** made the first years of economic transition in Ukraine very painful. According to official statistics, total output declined by about 14% in 1992 and 32% in 1997. Industrial output is estimated to have fallen by almost 40%. Real GDP in 1997 was less than 60% of its 1989 level. Probably as much as one – third of the labour force of 24 mln. is either on short-time work or indefinite unpaid leave. The annual average inflation rate increased from about 1,400% in 1992 to 6,000% in 1997 with monthly inflation close to 50%. The background of all these difficulties was the **fiscal** deficit which has been largely financed by creating money which fuelled inflation and **eroded** public confidence.