RESEARCH OF THE INFLUENCE OF HUMANOMICS ON THE ECONOMIC EFFECT OF COMPENSATION AGREEMENTS

1. Introduction

Traditional economic science (the so-called «economic mainstream», «economism»), by definition, was and remains only the doctrine of bartering. In it, a man formally recognizes, like other forces of nature, only a selfish force, always acting in the same direction. It is logical that this force, under the same conditions, leads to the same consequences. This, in fact, is the essence of the term «economism», used in scientific and journalistic literature in an increasingly critical sense.

Currently, such economism is contrasted by a number of researchers with a different term and the corresponding methodological approach, behind it is «humanism» or, more precisely, «humanitarianism». The latter puts at the center of economic relations a person with all his feelings, advantages and disadvantages, which underlie all economic relations, events and processes. In the final analysis, economics is objectively a humanitarian science, that is, a science of man, therefore economists have to deeply analyze and constantly consider human nature (the so-called «human factor»).

For many years, the followers of abstract economism have tried to exclude the humanitarian factor in economic relations by introducing purely mechanistic rules, devoid of emotional coloring. But it was they who formed and actually proved the humanitarian nature of the economy. The fundamental example of the dualism of these key concepts – economism and humanitarianism is the ideas and approval of the author of the works [1, 2]. The direct unity and struggle of opposites in these two works allows us to reveal what, at first glance, may seem to be directly opposite ideas about human nature. This explains why human nature at the same time seems both selfish and altruistic. At the same time, the reliance solely on economism (abstract economic mechanism or the economic mainstream) as a single driving force in economic relations has proved not just its sterility, but complete counter-productiveness. The crisis, which ended the first decade of the 21st century, clearly showed that not one of the
existing doctrines of economic mechanism could explain and prevent this global financial collapse.

In the wake of the crisis of 2007–2008 a whole galaxy of researchers has ripened, including anthropologists, sociologists, historians, and was very helpful at the crisis turn of the XX–XXI centuries. In their works [3, 4], devoid of formulas and mathematical dependencies, they were able to turn the mass consciousness towards economic humanitariansm. The so-called «humanism» («humanitarian economics») is the term of the 2002 Nobel laureate from the economics of W. Smith and American economist, expert in the field of experimental economics B. Wilson – this is inclusion of the humanitarian component in economic science. According to the author of the work [1], «humanism» can be used to describe both classical market relations and personal social exchanges, that is, interactions. Humanism is both economics, and sociology, and history, which recognize the fact that it is a person who determines the meaning of things. In 2016, the authors of the idea of humanity created the Smith Institute of Political Economics and Philosophy, one of the goals of which is to combine the humanities with economics, based on experimental economics [1, 5].

It should be noted here that the ideas of the humanitarian nature of economic relations originated in the depths of ancient philosophy and culture. These ideas were developed by European thinkers during the industrial revolution at the turn of the XVIII–XIX centuries. German economists of the 19th century formed the intellectual roots of the humanitarian economy as a symbiosis of attitudes about economic ethics and scientific doctrine. As part of the development of the fundamental foundation of a new scientific direction, the key term «national economy», which occupies a prominent place in economic science, was formed. It is the national economy, in fact, that is the root for the concept of the humanitarian economy (human economy, humanomics), which is now being restored in the scientific works of a new generation of economists. According to the authors of such works [6, 7], national production strengthens the social character of values and creates the product of all products – social communication.

Thus, the first principle that forms the relations of the humanitarian economy and which is subsequently transferred to financial relations as a system of relations between people is the principle of proportionality or correlation of mutual obligations, dependence, responsibility. The personification of economic ties and relationships is the second key principle on which the definitions of humanitarian economic relations or humanitarian economics are built. Human economic behavior is the result of many motivations, often contradictions, emotions, and not only rests on the cold calculation of rational choice. Therefore, the humanitarian aspect of economic relations, the humanitarian economy, prompts the researcher to seek and prove not only the roots of rational human behavior in the economy as a whole or in the field of trade in particular, but how much to try to explain and understand the nature of human irrationality.

A limited number of empirical studies in this direction can be found in the scientific literature. Therefore, the object of research is the humanitarian context of offset policy, which was studied using the collection of evidence in the field of study – in the defense industry of Europe. The aim of research is determined on the basis that there is not enough information available on this topic. In addition to studying the impact of compensation transactions on business processes in small and medium-sized enterprises, the aim of research is to develop a special business model, the so-called compensation transactions model.

2. Methods of research

To achieve the aim of research, a three-stage systematic approach is developed, based on a review of the literature, and becomes the basis of the theoretical part of this work. Identification of problems associated with compensation agreements (offset) at small and medium enterprises was the first stage of the study. This stage is carried out using expert interviewing. In parallel with this, the so-called «system for measuring the impact of compensation agreements» is used to determine the impact of compensation transactions. Surveys to collect information on the topic, based on questionnaires, completed the first stage of the study. At the second stage, empirical data are analyzed through the use of identified facts and the literature on this subject, as well as using expert comments and suggestions. At the last stage, a theoretical model is proposed. This model is specifically designed for practitioners and tested with almost two specific cases (case studies). Practical use has shown that the compensation transaction model supports the implementation of compensation agreements at all levels of management, including planning, implementation of tasks and control.

3. Research results and discussion

A striking example of the dualism of the traditional and humanitarian economics at present is, paradoxically, the sphere of trade in military goods (MG). It would seem that the military security of the state as an integral component of the guarantee of national security is a purely rational category of net budget expenditures, and there is no place for ethical reasoning. However, ensuring military security at the proper level requires enormous expenses, will inevitably lead to the curtailment of social programs and a decline in the standard of living of the population. This is already becoming a serious ethical problem, again developing into the problem of the stability of the state system, only in which there will be a state security.

For technologically developed countries, a very logical way to compensate for the costs of the MG development and production is to trade in weapons and military equipment that are being developed. The reduction of national armament programs in countries that are leading manufacturers of armaments and military equipment and the high prices of modern armaments force suppliers to intensify export activities. However, the cost of modern high-tech weapons systems reaches billions of dollars. As noted earlier, the arms market is oversaturated with offers, and each contract or agreement requires significant efforts from exporters; this is especially true of entering into agreements with a new buyer. In addition, in recent years, many new influential participants have appeared on this market, even leaders of world arms exports have been supplanted from certain positions. Therefore, in world practice, in conditions of limited resources, a search is constantly underway for mechanisms to reduce the cost of weapons, including when it is imported, due to certain compensations. Under such conditions, the practice
of counterclaims is increasingly spreading among importers of weapons, the so-called offset (offset) — compensation by the exporter of a part of the costs to the importer of weapons for its purchase [3]. In fact, offset is a tradition of reciprocal, reciprocal gifts, which forms a constant exchange between people and countries. Moreover, the tradition of lending by some countries to others is being formed, not just as a form of voluntary assistance, but as an objective necessity: if do not want to help your importer bear the burden of military expenses (often unbearable), another exporter, your competitor, will do it.

Fig. 1 shows the so-called offset diagram — a list of fundamentally integral measures for organizing interaction and implementing counter requirements.

Offset has quite a few other aspects of interaction. The main purpose of offset in the event of the opening of the domestic market of defense products for international tenders is the protection of national interests (the development of the defense industry and economy, the attraction of new technologies, the development of scientific potential, etc.). The status of offset activity is monitored both by individual leading arms exporting countries and by international organizations and institutions.

There is no generally accepted definition of compensation between companies: some distinguish between direct and indirect, others (and some governments, as well as industry) use terminology such as «industrial cooperation», «industrial participation», «countertrade», industrial/economic compensation or industrial benefits. Some companies define compensation in accordance with the degree and type of participation of their company in the contract, and do not choose descriptions of direct or indirect bias. However, in general, compensation can be said to relate to mutual agreements between governments and the private sector. In most cases, the procurement government requires the foreign seller to join the obligation to compensate the amount in the importing country, which is part of the cost of the main contract for reinvestment in the importing country. Although companies also reported that in some cases government agencies may require a compensation obligation to address a specific project or work, rather than the quantified cost associated with the host contract.

The specific features of the offset policy of arms exporting countries are analyzed in detail in fundamental works [8, 9]. Now let’s continue their analysis in the aspect of the humanitarian economy. The humanitarian aspects of offset economics can be implemented in different ways:

- importing countries can be involved in the development and production of products for the benefit of exporters of military goods (joint production or subcontracting production, etc.). This will make it possible to take into account the interests of importing countries and, as a result, to strengthen military-trade cooperation over time;
- foreign direct investment in the economy, including in the military-industrial complex (MIC) of the importing country;
- transfer of technologies for the production of military equipment (ME). On the one hand, this will testify to the confidence of the exporting country in its partner, and on the other, it will be tied to cooperation for many years;
- transfer of licenses for the ME production as a whole or of individual subsystems, counter-sales are also evidence of mutual trust.

Thus, the introduction of offset mechanisms in the state has such positive humanitarian consequences, it becomes an absolutely objective necessity. However, offset transactions, like traditional trade, are accompanied by uncertainty and risks. In particular, manifestations of mercantilism and selfishness are possible, such as the lack of transparency of offset contracts, incompetent wording of requirements, inconsistency of actions of various authorities, cases of corruption, etc. [10].

Investigation about offsetting issues is important from a practical point of view. For Ukraine, on the one hand, it is important to study and apply the experience of concluding and implementing offset agreements in the field of military-trade cooperation with importing countries. Especially in the context of budgetary constraints and the existence of a number of problems associated with the development and restructuring of the national military-industrial complex, for the implementation of the military-technical policy and effective military-industrial policy for the development of its own military-industrial complex.
On the other hand, Ukraine has traditionally been a powerful exporter of weapons. For the military-trade cooperation of Ukraine with other countries-importers of weapons, offset models will contribute to the deepening of economic cooperation in the competition on the world ME markets. Therefore, it is extremely important, while strengthening the humanitarian aspects of offset policy, at the same time actively developing and implementing mechanisms of competitive counteraction [11].

The most fruitful of these mechanisms is the theory of conflict [12]. Its fecundity follows from its effectiveness (in the sense of being most suitable for achieving the set goal), since this theory was developed specifically for use in the military sphere. It is not surprising that the specifics of the theory of conflict is presented by the authors of [12, 13] and other authors only in special sources:
- «Military Radio Electronics» journal of the Ministry of the USSR;
- «Issues of Special Radio Electronics» of the USSR Ministry of Radio Industry;
- scientific collections of military research and educational institutions of the USSR;
- modern military journals, reviews and other military scientific sources published in the Russian Federation and are not available for open access and familiarization. The same holds true for works by authors from Western Europe and the United States of America.

In open source scientific and technical sources [14, 15], conflict is considered as a way of interaction of complex systems. The developed apparatus for conflict resolution allows one to determine the purposefulness of systems, their true (and not those that are declared, demonstrated and reflected) performance criteria, to develop a better line of behavior in accordance with these criteria. The problems of the emergence, development and resolution of conflicts in the field of military-technical cooperation, in particular, in the conclusion and implementation of offset transactions, as well as mathematical models and quantitative estimates, will be considered in subsequent works.

In conclusion, it is possible to emphasize once again that the path of the humanitarian economy is the most fruitful way of introducing and developing offset policy in the arms trade. This conclusion is new; it seems at first glance unexpected, but the results of an in-depth analysis certainly lead to the thought of its authenticity and validity.

4. Conclusions

A special business model, the so-called compensation transaction model, is developed in this research. The model is based on a three-stage systematic approach: at the first stage, problems associated with compensation agreements at small and medium enterprises are identified, and at the second stage, empirical data are analyzed. At the latter, a theoretical model is proposed that is specially developed for practicing specialists and is tested using practically two specific cases. Thanks to the use of the proposed model, it is possible to support the implementation of compensation agreements at all levels of management, including planning, implementation of tasks and control. For the military-trade cooperation of Ukraine with other weapons-importing countries, offset models will contribute to deepening economic cooperation in the competition on the global arms and military equipment markets. Therefore, it is extremely important, while strengthening the humanitarian aspects of offset policy, at the same time actively developing and implementing mechanisms of competitive counteraction.

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