Managing economic operations in the face of military and political turmoil: Evaluating the public sector's role

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Abstract

The focus of the forthcoming article centers on the intricacies of public administration in times of conflict and political turmoil. Its pertinence stems from the enduring impact of military confrontations on both domestic and global economic landscapes, necessitating governmental adaptability. Through comprehensive analysis, the article seeks to delineate the hurdles and approaches to governing economic affairs amidst military and political crises. At its core, the study delves into the dynamics of public administration during tumultuous periods. Employing a diverse array of methodologies, including comparative analysis and modeling, the research underscores the imperative of restructuring public administration amidst crises. Unlike peacetime, wartime demands a multifaceted approach from public administrators, encompassing resource mobilization, industrial realignment, economic stabilization, supply chain management, and socio-political stability maintenance. The research underscores the criticality of agility and innovation in administrative responses to crisis challenges, emphasizing the potential ramifications of inflexibility. Ultimately, the findings serve as a practical guide for governments in devising crisis management strategies, offering insights into effective governance amidst adversity.

Keywords: management, economic activity, military crisis, political crisis, public administration, governance, conflict management, modeling, crisis management strategies

1. Introduction

The importance of the topic of this study is obvious, especially given the conditions of the modern Ukrainian landscape. The military and political upheaval caused by the Russian Federation’s aggression has deeply damaged the national economy, manifesting itself in humanitarian crises, widespread infrastructure damage, and trade disruptions, among other dire consequences. The reverberations of the war have spread throughout the world, with consequences such as food shortages in various regions and changes in international trade routes, which led to an escalation in the cost of imports and a decrease in the volume of Ukrainian exports. Consequently, both individual national economies and the overall global economic structure are under significant strain.

Furthermore, the implementation of martial law necessitates substantial defense expenditures, invariably resulting in a surge in public debt (Bourguignon & Platteau, 2018). Such heightened defense outlays typically coincide with reduced allocations for other critical sectors like education, healthcare, and civilian infrastructure (Brauer, 1996), precipitating enduring and wide-ranging ramifications for the economy and various facets of societal well-being (Brauer 2012).

Moreover, the war-induced political and economic turbulence exerts a detrimental influence on investment. Recent research demonstrates that, notwithstanding concerted efforts by the Ukrainian government and its allies, investors frequently divest from the Ukrainian market or abstain from new ventures altogether. Consequently, this phenomenon engenders a contraction in economic activity and a deceleration in economic expansion (Shevtshuk, 2023). The erosion of investment potential poses dire implications for both the economic advancement of Ukraine and the broader regional landscape.

An independent challenge arises from the devastation of infrastructure resulting from hostilities, significantly complicating economic operations by causing disruptions in production, logistical bottlenecks in goods transportation, and interruptions in service delivery. Moreover, military conflicts precipitate extensive population displacement within Ukraine,
imposing an added strain on social infrastructure and resulting in a diminished labor force. Collectively, these factors present formidable hurdles for the management of economic activity by public authorities.

The hypothesis underpinning the proposed investigation posits that the prerequisites for proficient public administration of economic affairs amid both peace and wartime often intersect. However, the exigencies for effective public administration of economic activity during periods of armed conflict are notably more intricate, given the presence of distinct wartime exigencies.

The forthcoming article delves into the complexities confronting public administration in managing economic activity during both peacetime and times of military-political upheaval. Commencing with precise terminological delineations, we shall scrutinize the prerequisites conducive to efficacious public administration of economic affairs under ordinary circumstances. Subsequently, we aim to elucidate the transformative effects of military-political crises on these prerequisites. The ensuing conclusions are drawn from empirical testing of the aforementioned hypothesis.

2. Terminological clarification

The term "public administration" has been a subject of scholarly discourse within the realms of economics and law for quite some time. However, its doctrinal nature inherently invites diverse interpretations, potentially posing challenges for scientific inquiry in this domain. Consequently, a comprehensive elucidation of this pertinent concept becomes imperative to foster clarity and coherence in research endeavors within this field.

For instance, while some scholars contend that public administration encompasses the outward-facing endeavors of authorized bodies aimed at formulating and executing political directives (Melnik, 2013), others argue that it constitutes a service-oriented function organized within the public sphere (Yakovlev, 2016; Skvіrskii, 2015). Despite the variances in these interpretations, they converge on highlighting the external nature inherent in administrative activities. This common thread underscores the indispensability of a defined object or entity as the focal point of administrative direction. Such external orientation underscores the essence of management across various domains, including the realm under scrutiny in this study.

In the context outlined in the proposed article, the term "public management of economic activity" refers to the orchestrated efforts of governmental bodies, both at the central and local levels, directed towards overseeing and supervising economic operations within a nation or specific geographic area. This multifaceted process relies on an array of tools, including legislative frameworks, regulatory mechanisms, oversight mechanisms, and the provision of public services. The overarching objective of public administration of economic activity is to cultivate an environment conducive to robust economic progress, uphold stability, safeguard consumer interests, and foster equitable resource allocation within a socioeconomically oriented framework.

3. Conditions for effective public administration of economic activity: literature review

An effective public administration of economic activities in the context of a military-political crisis presupposes the fulfillment and adherence to a set of prerequisites that have been thoroughly studied in both domestic and foreign literature. Therefore, let's now turn to the analysis of these prerequisites.

3.1. Quality of legislation

High-quality legislation serves as a linchpin in the adept governance of economic operations, shaping the landscape and providing a sturdy framework for diverse economic pursuits. Its primary function lies in fostering predictability by delineating clear guidelines for the functioning of the economy (Obolenskii, 2013). By establishing transparent rules, legislation enables all stakeholders in the market to discern lawful actions, fostering confidence among businesses and fostering a conducive environment for long-term planning and investment (Nyitrai, 2017).

Furthermore, top-tier legislation extends its reach to regulating market dynamics, encompassing aspects such as consumer protection, competition policy, and corporate governance. This serves to cultivate an equitable arena for all players in the market, fostering fairness and efficacy within economic frameworks. Within the realm of spurring economic advancement, robust legislation can foster an environment conducive to innovation, investment, and safeguarding property rights. Laws that uphold intellectual property rights and incentivize research and development efforts can act as catalysts for innovation and technological advancement (Sheremirov & Spirovska, 2022).

According to Souters, legislation stands as a cornerstone in the resolution of conflicts and disputes within economic realms (Souters, 2020). The framework provided by legislation for resolving disputes ensures equitable and transparent conflict resolution, thereby nurturing stability and bolstering trust in the system (Zagorodniuk, 2012).

Moreover, as emphasized by Shereminov, & Spirovska (2022), legislation serves as a mechanism for safeguarding social interests, encompassing areas such as labor regulation, environmental protection, and the pursuit of social justice. It acts as a safeguard to ensure that economic progress aligns with social advancement, contributing to the overarching goal of stable and sustainable societal development.
3.2. Transparency and openness

Transparency and openness serve as cornerstone principles in the effective governance of economic activities (Moroz, 2013). These principles foster an environment where government actions are comprehensible and accessible to various stakeholders, including citizens, businesses, the media, and other institutions (Mikolyuk, 2022).

As highlighted by Melis et al. (2007), transparency facilitates ongoing scrutiny of governmental actions, rendering them accountable to the public. Moreover, transparency enhances the efficiency of public administration by diminishing opportunities for corruption and the misappropriation of public resources. When authorities are obligated to divulge information about their activities, it becomes more challenging for them to exploit their positions for personal gain.

Conversely, openness entails the accessibility of government-related information to citizens (Mikolyuk, 2022). An open government actively facilitates access to information and collaborates with the public. This fosters opportunities for public involvement in decision-making processes, bolstering democracy and enhancing the legitimacy of governmental decisions. Moreover, an open government serves as a catalyst for innovation by enabling businesses, academic institutions, civil society organizations, and other stakeholders to leverage open data for the development of new products, services, or research initiatives (Massoud & Magee, 2012).

In summary, transparency and openness stand as indispensable elements for the effective governance of economic activities, ensuring accountability, efficiency, public engagement, and innovation.

3.3. Responsibility

Accountability serves as a cornerstone in the realm of proficient public administration of economic affairs. Upholding elevated benchmarks of professionalism, integrity, and ethical conduct among civil servants and governing entities is paramount. Accountability fosters transparency and systematic oversight of governmental operations, enabling the detection and rectification of deficiencies, errors, or misconduct (Mamonov, 2012). As highlighted by Leshchenko, this approach can engender more judicious resource allocation and bolster public confidence in governmental institutions (Leshchenko, 2015).

Furthermore, accountability incentivizes governmental bodies to prioritize the interests of both citizens and businesses in their decision-making processes (Lazor, 2015). It has the potential to spur greater public engagement in policymaking, thereby enhancing the quality and legitimacy of governmental initiatives. Responsibility also nurtures a culture of continuous refinement and advancement within governmental structures. Through systematic reporting and evaluation mechanisms, administrations can scrutinize their performance, pinpoint areas of weakness, and devise strategies for improvement (Hu, 2019). Lastly, as astutely observed by Dargay, accountability fosters enhanced coordination and collaboration across various governmental sectors and echelons. By holding each governmental agency accountable for its actions and outcomes, this fosters a more integrated and comprehensive approach to economic management (Dargay, 2019).

Hence, accountability stands as a cornerstone in guaranteeing the efficiency of public oversight over economic endeavors, fostering exemplary governance standards, energizing civic engagement, fostering perpetual refinement, and facilitating seamless coordination and collaboration among diverse governmental entities.

3.4. Efficiency and effectiveness

The success of overseeing economic activities hinges on the pivotal benchmarks of efficiency and effectiveness. These metrics gauge the government’s proficiency in attaining predefined objectives and outcomes while optimizing the utilization of resources, encompassing time, finances, and human capital, thereby ensuring prudent management practices.

Efficiency, as highlighted by Delphgaya and Doer (2010) pertains to how adeptly a government utilizes its resources to fulfill its objectives. A government’s efficient resource allocation enables the provision of superior services at reduced costs, which is crucial for fostering economic stability and advancement. Assessing efficiency entails evaluating the impact of governmental endeavors on desired outcomes, necessitating tangible evidence of positive transformations like enhanced living standards, economic prosperity, and societal equity (Bodrov, 2016). Moreover, efficiency and effectiveness fortify transparency and openness in governmental functions (Jinmin & Lijun, 2017), fostering public trust and engagement by showcasing prudent resource utilization and the attainment of desired results.

Efficiency and effectiveness serve as pivotal mechanisms for upholding elevated governance standards, fostering a deeper comprehension and execution of public duties, and thereby bolstering citizens’ confidence in governmental institutions.

3.5. Strategic planning

Strategic planning serves as a linchpin in the realm of public economic management, guiding the identification of priority areas, goal setting, and strategy formulation. It lays the groundwork for the development of actionable plans, programs, and initiatives.

By honing in on critical objectives, strategic planning enables public entities to judiciously allocate resources while ensuring coherence across various spheres of activity, thus fortifying alignment with overarching objectives and strategies.
Moreover, it fosters transparency and inclusivity within public administration by actively engaging stakeholders, including the public, in the decision-making process.

This collaborative approach facilitates the incorporation of diverse perspectives, culminating in the selection of optimal strategies. Furthermore, strategic planning enhances the efficacy of public administration by facilitating the ongoing monitoring and evaluation of policies and actions, allowing for adjustments based on attained results, thereby enhancing governance efficiency.

In essence, strategic planning stands as a cornerstone of effective public administration, facilitating streamlined organization, transparency, stakeholder engagement, and continual refinement of activities in tandem with achieved outcomes.

3.6. Professionalism and competence of the administrative staff

The proficiency and expertise embodied within the managerial framework stand as linchpins in ensuring the efficacy of public economic governance. Professionalism epitomizes a reservoir of knowledge, skills, and competencies indispensable for executing managerial functions with finesse. It encompasses the upholding of norms, values, and standards of conduct that underpin reliability, objectivity, and a steadfast dedication to excellence. Administrative prowess encompasses not only technical acumen but also critical thinking, decision-making process, leadership finesse, adept communication, and adept conflict resolution. Competent managers exhibit a penchant for adapting to dynamic shifts, forecasting trends, and discerning optimal strategies to realize objectives. Endowed with responsibility, expertise, and professionalism, public administrators can elevate the caliber of decision-making, augment public confidence, and enhance productivity and efficiency. They possess the acumen to navigate diverse management methodologies, adeptly engage with diverse stakeholder cohorts, and deftly steer through complex and evolving scenarios (Bartosova et al., 2023; Lewytska et al., 2020). The professionalism and competence intrinsic to administrative personnel thus emerge as pivotal factors shaping the efficacy of public economic governance. They underpin the public sector’s capacity to realize its objectives, uphold the public interest, and furnish high-caliber services.

3.7. Involvement of the public in the decision-making process

Active public participation stands as a cornerstone of effective public economic governance, facilitating a comprehensive grasp of people’s needs, priorities, and challenges, thus ensuring the targeted resolution of pressing issues.

Primarily, public engagement fosters heightened transparency and impartiality in governance, as citizens become integral witnesses and contributors to the decision-making process. This engenders a surge in confidence in governmental bodies and bolsters their standing. Moreover, public involvement nurtures a nuanced understanding of citizens’ authentic needs and concerns, furnishing policymakers with invaluable insights into on-the-ground realities and averting missteps and misconceptions in policy formulation. Lastly, public participation cultivates a culture of reverence for human dignity. When individuals perceive that their voices are valued, they are more inclined to adhere to regulations and policies, actively participate in their execution, and oversee their implementation.

Consequently, public involvement in decision-making emerges as a pivotal facet of sound public administration, fostering enhanced transparency, inclusivity, and trust, while concurrently enhancing the caliber and pertinence of decisions made.

4. Challenges of the military-political crisis to the public administration of economic activity

While extensive research exists on the management of economic activity by public authorities, particularly in Ukrainian and foreign literature, the same level of scrutiny has not been applied to understanding this phenomenon during times of war. This discrepancy is understandable, as the public administration of economic activity in peacetime is typically analyzed within the context of a relatively stable and well-defined system of determinants, as noted by Caruso and Di Domizio. However, the onset of wartime introduces a myriad of situational factors and variables into the equation (Domizio, 2016). Not all conflicts are the same, for example, the Russian Federation’s armed aggression against Ukraine has resulted in an unprecedented level of destruction of civilian infrastructure, including airstrikes on civilians and other egregious human rights violations. These atrocities extend beyond the conventional understanding of warfare and render traditional public administration theories inadequate for addressing the complexities of wartime economic management.

The imposition of martial law introduces a plethora of novel and complex challenges to the realm of public administration concerning economic activities. Chief among these challenges, as underscored by Brauner, is the imperative to mobilize resources effectively amid the exigencies of war (Brauner, 2012). This entails the judicious allocation and utilization of diverse human, material, financial, and informational assets to bolster military endeavors and maintain domestic stability (Conflict Management, 2009).

A delicate balance must be struck between addressing military exigencies and meeting civilian needs, as articulated by Gyarmati (Gyarmati, 2015). Huang further highlights the perils of prioritizing military requirements at the expense of neglecting civilian welfare, warning of the potential for social discord and instability (Huang, 2012). Moreover, the swift and efficient
The mobilization of resources is imperative, with any lapses in coordination or instances of corruption risking wastage and diminishing the efficacy of resource utilization (Military Management, 2020).

Navigating the complexities of wartime resource mobilization demands meticulous planning and strategic oversight, as emphasized by Huang (Military Management, 2020). The inherent unpredictability and instability of military conflicts underscore the need for agile and adaptive management approaches to ensure optimal resource deployment and utilization.

Amidst the exigencies of war, an arduous challenge emerges: the efficient retooling of production facilities to meet wartime demands. This endeavor entails the redirection of civilian manufacturing infrastructure towards the production of military essentials or goods vital for sustaining civilian livelihoods under martial law. However, the intricacy lies in the fact that not all civilian facilities can seamlessly transition to military production. Specialized equipment, technologies, or expertise may be lacking, and the process of conversion itself can be protracted and capital-intensive (Bondarenko et al., 2021).

Moreover, striking a delicate equilibrium between military and civilian production is imperative. Overemphasis on military output risks precipitating shortages of essential civilian goods and services, engendering social upheaval and internal destabilization. Public authorities are thus tasked with the formidable responsibility of identifying and prioritizing enterprises for retooling. Considerations must encompass factors such as industrial specialization, geographical location, potential for conversion, and the socioeconomic ramifications for employees and their families.

The imperative of stabilizing the economy amidst the turmoil of war underscores a pivotal challenge for the public administration of economic affairs. As aptly articulated by Smith, “A military conflict has the potential to precipitate profound economic disruptions, unsettling the customary cadence of markets and engendering a litany of repercussions such as inflation, currency volatility, heightened unemployment, diminished output, and waning investment” (Smith, 2009). Indeed, the reverberations of war extend across the entire economic spectrum, exerting influence on production, trade, investment, employment, and consumption. Addressing these multifaceted concerns mandates meticulous planning and decisive action from public administrators to effectuate economic stabilization and facilitate post-war recovery.

Confronted with an array of concurrent challenges, public authorities are compelled to navigate a labyrinth of quandaries. Chief among these quandaries are:

- The conundrum of financing military expenditures;
- Ensuring the sustenance of adequate living standards for the populace;
- Sustaining production levels and economic vitality.

Ensuring macroeconomic stability, which encompasses inflation control and exchange rate stabilization, stands as a paramount imperative. Achieving this mandate demands meticulous planning, judicious resource allocation, adept budgetary oversight, and agile responsiveness to swiftly evolving conditions. Moreover, the establishment of a robust monitoring and evaluation framework is imperative to detect emergent issues promptly and enact remedial actions (Kruhlov et al., 2023).

Another formidable challenge pertains to supply chain management, a linchpin in economic stabilization efforts (Military Management, 2020). This entails not only provisioning the military with the requisite resources, but also guaranteeing the uninterrupted flow of essential goods and services to the civilian populace. Striking a delicate balance between military requisites and civilian needs amidst the exigencies of war underscores the complexity of this task.

One of the foremost considerations revolves around sustaining the “military apparatus” (Military Management, 2020). Military endeavors entail substantial requisites spanning weaponry, ammunition, logistical support, fuel, sustenance, medical provisions, and more. In protracted conflicts, these demands can escalate exponentially, straining the nation’s capacity to furnish its military requisites. Another critical facet pertains to provisioning for the civilian populace. Warfare disrupts trade routes, diminishes production capacities, and precipitates shortages across various commodities. Concurrently, certain essentials witness heightened demand, such as medical services, sustenance, and energy. Governments, including those in Ukraine, deploy diverse strategies to grapple with this challenge, encompassing price controls, rationing, incentivizing essential goods production, and establishing strategic reserves (Kryshtanovych et al., 2022; Novak et al., 2022). Effective execution of these strategies mandates meticulous planning, harmonized coordination, and stringent oversight – central tenets of proficient public administration.

Beyond the myriad challenges outlined, maintaining societal equilibrium amidst wartime emerges as a paramount concern for the public administration of economic affairs. Warfare precipitates profound social upheaval, encompassing coerced displacement, infrastructure decimation, exacerbated poverty and unemployment, and encroachments upon fundamental liberties. These adversities often foment civil unrest, criminality, and political volatility, further exacerbating the milieu. Navigating business operations amid such turmoil necessitates a judicious equilibrium, prioritizing both military imperatives and civilian welfare. Remedial measures may encompass social welfare provisions, employment-bolstering initiatives, the facilitation of essential services (education, healthcare, and housing), safeguarding human rights, and fostering avenues for social discourse. Achieving this delicate balance mandates adept governance and deft policy execution to mitigate the deleterious effects of conflict on societal cohesion.

Preserving economic stability is paramount to sustaining the functional prerequisites for an economy amidst the throes of conflict. Imperatives encompass production incentivization, price regulation, currency stabilization, and inflation mitigation. In essence, fostering societal equilibrium during wartime necessitates adept administration catering to both military exigencies.
and civilian requisites. It entails ameliorating the war’s adverse societal and economic ramifications while actively involving the populace in decision-making processes (Kuzior et al., 2023).

The specter of war often shrouds governance in heightened secrecy, confidentiality, and centralized power dynamics. This milieu engenders diminished transparency in governance and dwindling oversight over resource utilization. Consequently, this fosters a breeding ground for escalated corruption, misallocation of resources, social discord, and destabilization.

The intricacies of public administration are accentuated during times of conflict, demanding a delicate balance between responding to military exigencies and upholding democratic values such as transparency and oversight. This entails devising robust mechanisms to regulate resource utilization, ensure transparency in decision-making processes, and foster public engagement.

Such mechanisms may encompass regular resource utilization reports, independent audits, the solicitation of public feedback, and citizen involvement in monitoring governmental activities. Upholding legislative frameworks, regulations, and procedural norms even in wartime is imperative to thwart malfeasance and corruption. Consequently, safeguarding transparency and oversight in managing economic endeavors during conflict emerges as a linchpin for effective governance, stability, and bolstering public confidence in governmental institutions.

5. Conclusions

The practice of public administration in economic matters shifts significantly in times of peace compared to periods of conflict or war. These distinctions arise from the unique exigencies of each situation and the evolving needs of society. During peacetime, the primary objectives of public administration encompass fostering a stable economic environment, facilitating economic expansion and progress, and nurturing conducive conditions for business, investment, and employment opportunities. Moreover, attention is directed towards upholding social welfare, environmental preservation, and overseeing production processes.

Conversely, in times of war or military strife, the imperatives of public administration undergo a profound transformation. Paramount among these is the imperative to safeguard national security and uphold the military readiness of the state. This may entail mobilizing resources, reorienting production towards military requirements, and exploring alternative measures to sustain societal functionality amidst conflict. Additionally, ensuring economic stability and preserving social cohesion have become imperative priorities amidst the tumult of war.

During wartime, the state assumes an augmented role in economic affairs, wielding greater control over pivotal sectors necessary for sustaining the conflict. This expanded sphere of influence often encompasses critical industries such as arms manufacturing, logistical support, transportation, and communication networks. In such exigent circumstances, the state may resort to measures like nationalization or coercive redirection of private enterprises towards the production of essential military supplies.

Adaptability and agility emerge as indispensable virtues amidst the fluid dynamics of war. The ability to swiftly pivot and reallocate resources in response to evolving military exigencies becomes paramount. This may entail rapid reconfiguration of production facilities, mobilization of labor forces, or restructuring of logistical frameworks to align with shifting tactical imperatives on the battlefield.

Nevertheless, amidst the exigencies of war, the state must remain steadfast in its commitment to its citizenry. This entails the provision of vital social services, extending support to those adversely affected by the conflict, and ensuring transparency in disseminating information to the public regarding the prevailing situation.

Ethical considerations

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Conflict of Interest

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