

market participants with a turnover of less than \$4 bn can meet today's competitive requirements and challenges.

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### ВПЛИВ ІННОВАЦІЙ НА РОЗВИТОК ГЛОБАЛЬНОГО РИНКУ КОСМЕТИЧНИХ ПРОДУКТІВ

*Здійснено аналіз стану глобального ринку косметичних продуктів, розкрито ключове значення інвестицій у дослідження й розробки в забезпеченні високих темпів зростання провідних компаній значеного ринку. Розкрито тенденції у сфері інноваційного розвитку, яких дотримується індустрія, на основі даних компаній-лідерів: L'oreal, Estee Lauder, Unilever, Shiseido, Procter & Gamble та Coty. Окреслено основні виклики середовища й охарактеризовано вплив інновацій на здатність ефективно функціонувати та розвиватися косметичним компаніям в умовах високої конкуренції. Дослідження ґрунтується на оприлюднених матеріалах провідних компаній індустрії, зокрема їхній нормативній документації, фінансових і річних звітах тощо.*

*Ключові слова: інновації, інноваційний розвиток, конкурентоспроможність, ринок косметичних продуктів, штучний інтелект.*

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### ВЛИЯНИЕ ИННОВАЦИЙ НА РАЗВИТИЕ ГЛОБАЛЬНОГО РЫНКА КОСМЕТИЧЕСКИХ ПРОДУКТОВ

*Проведен анализ глобального рынка косметических продуктов, раскрыто ключевое значение инвестиций в исследования и разработки в обеспечении высоких темпов роста ведущих компаний этого рынка. Показаны тенденции в сфере инновационного развития, которым следует индустрия, на основе данных компаний-лидеров: L'oreal, Estee Lauder, Unilever, Shiseido, Procter & Gamble и Coty. Определены основные вызовы среды и охарактеризовано влияние инноваций на способность косметических компаний эффективно функционировать и развиваться в условиях высокой конкуренции. Исследование базируется на опубликованных материалах ведущих компаний индустрии, в частности их нормативной документации, финансовых и годовых отчетах и т. д.*

*Ключевые слова: инновации, инновационное развитие, конкурентоспособность, рынок косметических продуктов, искусственный интеллект.*

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## EXPLAINING POLITICAL CHOICE: PROSPECTS FOR ECONOMIC THEORY

*The article explores the contribution of economic theory to the analysis of political choice. The study shows that political choice is characterized by its inherent irrationality, which allows a space for different ways of externally influencing voter preferences. The author demonstrates that economic voting is not present in the Ukrainian political context.*

*Keywords: economic vote; imperfect information; political choice; rational ignorance; theory of public choice.*

**Introduction.** In recent decades political choice has become the subject of research not only of sociologists, political scientists but also of economists. It appeared that the political choice of an individual can be explained using tools of economic analysis, especially the utility maximization approach. Nowadays a choice of an individual in the political market has become a significant subject of the theory of public choice, in the framework of

which an analysis of the individual's actions in the political sphere is carried out.

An important result of political choice is shaping the political, social, and economic institutions. That is why analyzing the political choice (within some social context) can give significant clues about the way the institutions are formed and in what way they affect other important spheres of social activity.

Economic institutions play a decisive role in affecting economic development; failure to establish viably functioning institutions will not allow the society to be a success in securing economic efficiency, along with high social and economic dynamics as was shown by Mancur Olson [1, 2]. However, economic institutions are highly dependent on political institutions prevailing at a specific period in society. Inclusive political institutions resulting from the democratic political process tend to enhance forming inclusive economic institutions.

The formation of inclusive political institutions is an essential prerequisite for the creation the effective economic institutions that predetermine the economic development of a nation as was proven by Ağemoglu and Robinson [3]. Their formation occurred in course of free elections allowing forming the representative public bodies of different levels. The election of certain politicians will have a significant impact on the development of the state and its economy, both positive and negative depending on how the elected politicians govern the society. Thus, it is very important to analyze the collective choice of individuals in the political market, performed through voting for parties and individual politicians, and reveal underlying reasons making people cast their votes.

The goal of this article is to demonstrate the potential of the economic theory in political choice as opposed to market choice.

To reach this goal, the following research objectives were set: (a) to highlight the development of the modern economic theory with regard to such important field as a political choice with special emphasis on studies dealing with transition nations; (b) to demonstrate relevance or irrelevance of economic voting concept under conditions of modern Ukraine; (c) to find out how the information imperfectness and its comprehension by consumers in the political market affect the resulting choice.

Thus, the scope of this study extends for individual's choice within the political market, and a subject is its peculiarities under conditions of transition society.

**Review of the literature.** It is widely believed that the political choice of certain individuals and social groups is determined by the desire to satisfy their interests. At the same time, it is obvious that even if, in the course of market choice, an individual is not inclined to act rationally in many cases as presented in a vast bulk of studies by modern behavioral economists starting with Daniel Kahneman and Amos Tversky, then for the political sphere the choice of the worse alternative is a common case. One of the ontogenetically formed reasons for this is that, unlike an animal, a person does not feel the connection of his participation in collective choice with possible consequences, and therefore feels not responsible for achieving the socially optimal outcome.

It is proven in the literature that some animals, in case of making a collective decision, usually make their choice among different available options very carefully and "thoughtfully". The reason for such responsible behavior is a mere fact that in case of a wrong decision the animal community can just not survive, so the unanimous decision would have severe consequences for each member of the animal community, having at stake individual and collective survival [4]. However, in case of the human society, a wrong decision not necessarily will bear negative consequences for an individual because he is inclined to believe that his choice does not mean much while choosing among social alternatives.

Already in the 18th century, Marquis de Condorcet drew attention to the contradictory results of human collective choice under democracy, and in the middle of

the 20th century, they were generalized by a Nobel Prize winner Kenneth Arrow who developed a theory of social choice.

Many economists, starting with Adam Smith, expressed doubts about the ability of individuals to act rationally in the public sector of the economy. *E.g.*, James Stuart Mill, pointing out that the individual's competence in evaluating private goods is rather limited, noted that individual choice regarding public goods and the future consequences of it cannot be properly assessed by the economic agents. Joseph Schumpeter believed that individuals are not inclined to trouble themselves with a well-considered political choice, their thinking becomes associative and affective: "Thus the typical citizen drops down to a lower level of mental performance as soon as he enters the political field" [5, p. 262]. A Nobel Prize winner James Buchanan, one of the pioneers of the public choice theory, noted that the individual's market choice differs greatly from his political choice, which is manifested in the degree of certainty, the degree of social participation, the degree of responsibility, the nature of alternatives presented, the degree of coercion, and power relations among individuals [6, p. 334]. These differences are responsible for the stochastic outcome of the political choice due to its multi-agent nature, the individual's low responsibility in voting and the results of the election, the subsequent coercion to consume an undesirable alternative, which initially questions the rationality of the voter's choice: there is no connection observed between the preferences and the results of the voter's actions [7]. Geoffrey Brennan generalized the mainstream approach of the economic theory to political choice in the following way: a person as *homo economicus* and *homo politicus* demonstrate differences in behavior since political choice bears relatively small individual consequences compared to the market one; so incentives for responsible behavior in politics are fewer [8].

Awareness of this fact led to the emergence of a radical concept of "rational irrationality", the essence of which is that the individual is systematically irrational about political choice, which can explain the frequently observed unsatisfactory results of the functioning of democratic institutions [9]. At the same time, many researchers still remain within the framework of the rational voter and rational political choice paradigm, although numerous problems have been identified in explaining the behavior of *homo politicus* that do not have a consistent theoretical explanation [10].

The fundamental issue that casts doubt on the rationality of political choice is the so-called "paradox of voting" first mentioned by Condorcet and described in detail by Anthony Downs [11]. The paradox is that, based on the principle of rationality, it is impossible to explain why the individual participates in the elections since the probability that his vote becomes decisive is close to zero; therefore, his benefits adjusted for this probability cannot be comparable with costs associated with making a choice. To resolve this paradox, the researchers proposed various deviations from the principle of rationality: additional factors were included in the calculation of the voter's benefit, due to which a positive value of the net benefit of his participation in the vote was achieved. These include, for example, social responsibility; obtaining additional utility from participation in the process of the performance of a civil debt (so-called "process utility"); manifestation of relevance to a particular society; altruism; voter's illusion; expressive voting (joy for the victory of your candidate); imperfections of information, as a result of which the voter is not able to correctly assess the benefits and costs of voting, *etc.*

However, the main problem that researchers directed their efforts at was the analysis of how the voters specifically cast their vote, *i.e.* factors that determine or explain the political choice in course of the election. To date, there are two main approaches to this issue: social-psychological and issue voting.

As part of the first, which arose in the USA in the 1950s [12], the voter chooses the party (a candidate) for which he will vote based on membership in a particular social group and his own socio-economic and psychological experience. Issue voting suggests that voters cast their vote basing on some set of political issues presented by political agents. It is described in the literature as three approaches: (a) the linear position model, (b) the spatial model, and (c) the salience model.

In the first approach, scholars apply a modified utility function, assuming that the electoral result of the party (candidate) may be described using the function of voting/popularity, the *VP*-function, the value of which is determined by sets of economic and political variables [13, 14]; the *VP*-function is mostly used to test the hypothesis of so-called "economic voting" (*EV*). Economic voting is understood as a choice done with special regard to economic factors, such as GDP, unemployment rate, inflation rate which belong to those affecting social welfare, as well as factors affecting private welfare (personal incomes).

The generalization of numerous studies conducted in recent decades [15, 16], gave the foundation to highlight some *EV* empirical regularities. These include reaction to the dynamics of unemployment and inflation; sociotropic/egotropic factor (thus reflection to development of social welfare versus personal welfare); voter's myopia (systematic underestimation of more distant events); retrospectivity (voters react slightly more strongly to past events than to those expected in the future); lack of economic knowledge; the grievance asymmetry (voters punish governments for bad results more than they reward them for commensurate good ones); cost of ruling (the incumbent loses in the next election regardless of its results). As can be seen from this list, researchers note that the choice of the voter is largely determined neither by political nor economic factors, but by cognitive effects (illusions, distortions); this means that motivated individuals and institutions enjoy significant opportunities for choice manipulation through designing an illusionary world in the minds of voters.

The foundations of the spatial approach were laid by Duncan Black and Anthony Downs. Based on an analysis of Hotelling's spatial competition model, they suggested that when choosing spatially localized public alternatives, the one that matches the preferences of the median voter wins. The practical application of this approach is limited to voting held on one issue (referendum). If we consider presidential or parliamentary elections, then candidates and parties offer programs that address a wide range of socially significant issues, and this approach is hardly relevant. Economists have justified doubts on the practical significance of this approach since the amount of public spending in practice is determined not so much by the preferences of the median voter, but by institutional factors, in particular the degree of bureaucratization of institutions. At the same time, the analytical value of the median voter model increases significantly, taking into account the fact that the preferences of voters regarding public goods can be interdependent: if someone is a supporter of a particular party, then it is easy to predict his preferences regarding many issues without asking.

A modern version of the spatial approach is most fully described in the studies by Enelow and Hinich [17], Hinich and Munger [18], Schofield [19], and was also applied in practice to the analysis of voter behavior in a number of countries, including Ukraine [20]. It involves the use of a probabilistic model in which the voter makes his choice based on how much the party programs match his preferences, determined by his socio-economic characteristics.

The third option, the salience model, is based on the assumption that voters give preference to candidates who more adequately reflect their ideas about the salience of the issue.

We can conclude that the economic approach to analyzing political behavior has developed to three important strains of issue voting, leading of which is a linear position model basing on the construction of the *VP*-function depending on a set of economic and political variables. The major goal of this approach is to define to what extent the actual vote cast for a certain politician or party depends on the state of the economy.

**Testing the relevance of economic vote: methodology and application.** Since the individual's preferences regarding political choice should be in a certain relation to his needs, the economic factor logically should first of all influence his choice. This *EV* concept has been reflected over the past few decades in hundreds of papers on issue voting, beginning with a pioneering study by Gerald Kramer [13]. The results achieved in the economy, as suggested by most students, must be one of the decisive motives that determine the political choice: the voter is inclined to support a politician (party) during whose governance the economy showed (or is highly likely to show) positive results, and, conversely, refuse to trust him in case of negative dynamics. The significance of economic factors can be weakened or strengthened by some institutional factors. However, certain researchers did not find a significant relationship between generalized macroeconomic indicators and election results [21]. These doubts are constantly fueled by the mixed results of modern research.

There are two *EV* dimensions, depending on the aspect taken into account by the researcher. There is "egotropic voting", when individuals evaluate the achievements of the economy through the prism of their well-being, and "sociotropic voting", when individuals take into account the development of the economy as a whole. In most empirical studies, the dominant motive of the voter appeared to be sociotropic [15; 22], although this statement seems to contradict the main premise of modern economic theory – methodological individualism. According to the methodological individualism concept (which is actually one of the cornerstones of the mainstream economic theories), "it is necessary to base all accounts of economic interaction on individual behavior", as Kenneth Arrow put it [23, p. 1]; in application to *EV* it must be suggested that egotropic motive has to prevail, which is not supported by empirical findings.

Depending on which state of the economy the voters evaluate – past or future – retrospective voting, which is incumbency-oriented, and prospective voting, respectively, policy-oriented, could be distinguished. The voter that retrospectively evaluates the economy implements the "punishment-encouragement" strategy for politicians, encouraging them to implement a "good" economic policy in the future. In the case of a prospective vote, individuals vote for candidates based on their associated expectations regarding the future development of the economy [11, 24]. In countries with stable democracy,

most researchers have found that retrospective voting prevails, which is also found in local elections.

In general, the findings of the researchers regarding retrospective/prospective voting are mixed; the conclusion often depends on whether the study was conducted at the micro or macro level and on the institutional features of the election. "Voters appear to be Downsian, looking to the future, but grounding assessments in retrospective evaluations: both prospective and retrospective evaluations matter to the voter" [25, p. 383]. The prospective *EV* is most pronounced in groups of voters interested in a particular policy, for example, in receiving social assistance or relaxing the taxation.

Researchers conclude that the role of national *EV* factors is weakening as global institutions strengthen [26]. In the context of globalization, the concept of a "reference point" also emerged: voters, while casting the vote, evaluate the effectiveness of their national political power against the background of other countries [27]. It was found that *EV* can be distorted by some subjective factors like commitment to a particular party (partisan effect), differing perceptions of development data, and government performance depending on whether the voter is a supporter of a party in power or opposition [28, 29].

The observations mentioned above were made basing on analyzing voter behavior in mature democracies. *EV* in transition countries has a certain specificity associated with the fact that they undergo radical economic reforms, during which a significant part of the population suffers economic losses from the reforms. Since the majority in post-socialist society suffered losses during the reforms, radical reformers in many cases did not receive social support during the next elections, which led anti-reform forces to power [see 30]. It follows that the economic voter in post-socialist countries should be more prospective than retrospective. When analyzing *EV* in transition countries, factors that are not of great importance in developed countries should be taken into account, namely, perceptions of the level of corruption and the degree of uneven distribution of income [31]. At the same time, as democracy matures, the role of *EV* should increase, which is associated with growing awareness of citizens of the functioning of public institutions and increased confidence in them [32]. Overall, "the economic vote works pretty much the same way, regardless of the nation's level of economic development" [29, p. 258].

The weak point of *EV* research is that allocative, rather than distributive, aspects of economic development are taken into account [25, p. 391]. This means that if a small minority of the population benefits from economic development, then with positive macro trends, the public assessment of the situation may turn out to be negative, and voters may not support the incumbent, voting for a challenger who will promise a fairer distribution alternative.

#### **Distortion of economic vote: the case of Ukraine.**

The degree of manifestation of subjective factors in a political election is directly associated with the imperfection of information. Information issues arise not only as a result of the lack/incompleteness of information, objective imperfection of human information perception, cognitive biases, or as a result of manipulation, but since the voter does not wish to exert sufficient effort to improve its quality, so the Downsian rational ignorance is here at play. Although IT development creates the preconditions for an increase of public awareness in politics, the tendency to minimize effort in obtaining and processing information does not disappear. Therefore, individuals are inclined to

react to the signals given by participants of the political process, utilizing (not "digesting") information coming from "experts" who participate in their favorite political talk-shows, relatives/friends, *i. e.* those whom they are eager to trust. This situation is used by intermediaries in the acquisition of information – media, which, while playing on the side of one candidate or another, can persuade the voter to cast the vote for him. Economists have long recognized that "...voter preferences... can be manipulated and created through the information and misinformation provided by interested pressure groups..." [33, p. 392].

This predisposition is described in the context of heuristics of political behavior. One of the first was the heuristic of partisanship and ideology: instead of studying the programs of candidates and parties, the voter makes his choice based on the affiliation of the electoral participant or the officially proclaimed ideological doctrine of the candidate/party. Heuristics of a group (class), race and religion, political principles, approval by politically influential individuals, groups, or the media, heuristics of public opinion polls (these polls may provide information on how likely a victory is for a candidate) are also noted. In a context of rational ignorance concept, it might be noted that "Heuristics often produce the same decisions, albeit with significantly less effort, as full processing of all of the information" [34]; heuristics provide the voter with a signal that allows him to identify candidates which are close to his preferences at no extra effort. The action of the heuristics mentioned above is enhanced in the case of an individual participating in a formal or informal organization.

At the same time, relying on heuristics can lead to the fact that the voter becomes biased, and therefore unable to rationally, taking into account his interests, make a political choice.

Having in mind the peculiarities of an individual's behavior in the political market mentioned above, it would be useful to understand, to what extent the Ukrainian voter relies on objective information or heuristics. In order to approach this problem, the last presidential elections 2019 could serve as useful material for a case study. In this election, the incumbent president lost to a novice in politics who had no political experience and no political weight before. A reasonable question arises here: was it an economic performance that was responsible for the outcome of the election, or maybe some other, subjective factors, relating to imperfect information and heuristics? Basing on *EV* concept it would be rational to relate the objective trends in the Ukrainian economy to the actual outcome of Ukrainians' political choice.

First, what is important, is the evaluation of the Ukrainian economy performance during the incumbent presidency (2014 through 2019) in terms of personal well-being and economic development towards which the voter should have some reflections while casting the vote. We decided to analyze the dynamics of the most important economic indicators like GDP, unemployment, consumer prices, and real disposable income. These measures are commonly used in most econometric studies while modeling the *VP*-function. The dynamics of these measures is depicted in Table 1. The data give reason to conclude that the economic performance looked rather modest within the period between elections, although the reasons for this were largely due to external factors (war with Russia), *i.e.* were beyond the influence of the Ukrainian government and the president as a top public official.

**Table 1. Indicators of social and personal well-being in Ukraine, 2014–2018**  
(in percent to the level of the preceding year)

Economic indicator	2014	2015	2016	2017	2018
Gross domestic product index	93,4	90,2	102,4	102,5	103,3
Unemployment rate	9,3	9,1	9,3	9,5	8,8
Real disposable income index	88,5	79,6	102,0	110,9	110,9
Consumer price index	124,9	143,3	112,4	113,7	109,8

Source: compiled by the author based on data of the State Statistics Service of Ukraine.

According to official statistical data, significant negative trends in the economy were observed in 2014–2015 when the Russian aggression was on the march. This sharp deterioration in the general state of the economy must be assigned to the aggressive actions of the Russian Federation, including the military ones, in which the nation suffered significant economic losses due to the destruction of the economy in the occupied territories (Crimea and parts of Donetsk and Luhansk regions) and the economic wars through which Russia sought to economically weaken Ukraine [35]. However, in 2016–2018 the negative trends gave way to positive ones which allowed to practically restore the 2013 level of social and personal well-being by the beginning of the year 2019.

As the actual economic situation in Ukraine in the pre-election period looked not as bad as it might be with regard to the unsolved issue of military aggression, the question could be logically raised: why the voter did not take this fact into account? One of the possible answers to this question is the imperfectness of information and insufficient voter's eagerness to overcome it which goes in line with the Downsian rational ignorance concept.

The Ukrainian voter did not take into account the achievements of the incumbent president and the government on which he relied. These include the restoration of the army, the introduction of a visa-free entry to the countries of Europe, the stabilization of the national economy after the recession caused by the Russian aggression, the restructuring of foreign economic relations towards Europe, the elimination of energy dependence on the aggressor, reducing the level of corruption, the implementation of several reforms in public administration and other spheres of public life, among which the most successful is believed to be decentralization, etc. The reforms initiated during Poroshenko's presidency were not appreciated because the voters did not have (or maybe did not want to have) some pieces of essential information. A poll conducted in 2018 (just before the election year) by the Razumkov Center showed "an insufficient awareness level of Ukrainian citizens concerning reform content and expected results" [36]. It turned out that on average only 2-10 percent of citizens were well informed about reforming activities. Remarkably, it appeared that Ukrainian citizens were least informed about the reforms in the economy: 72 percent "knew nothing" on the reform in the financial sector, 66 percent in public asset management, 64 percent in deregulation, 62 percent in public administration reform, 57 percent in taxation reform, 56 percent in the energy sector reform. Assessing the impact of the reforms on their well-being, the vast majority of respondents (60–75 percent) did not see any link.

The poll data indicate significant problems with information on the activities of public institutions in Ukraine: this information was generally incomplete; in addition, in many cases, it turned out to be deliberately distorted by the media to form a negative attitude towards the incumbent and create an impression that he failed in most spheres that are important for the public.

Another explanation for the absence of *EV* manifestation throughout the 2019 election year could be the following: some non-economic factors outweigh the economic ones. *E.g.*, the situation of a lasting military conflict with Russia obviously generated significant social grievance because this conflict was associated with high moral and economic losses (both on social and individual levels). This fact is very important because human beings, as the social psychologists demonstrated, are mostly loss-averse [37]. That is why the improved economic performance could not compensate for the losses which made people feel worse. And this negative balance in minds could be responsible for underestimating the positive economic trends and respective casting the vote. There have been lots of similar cases in human history, like Prime Minister Winston Churchill's defeated in the first postwar election in the United Kingdom, the reason for which was explained in a way that his personality was associated with high human and economic losses of British nation during WWII.

We suppose that rational ignorance played also some role in the observed election outcome. Immunity to information gives rise to a simplified perception of reality. "When people decide whether to devote mental effort to the dry facts vital for intelligent political choice, or to irrelevant fluff, they choose the latter" [9, p. 96]. Voters did not want to know what the politicians did or plan to do and preferred not to think about the possible negative consequences of their choice. This especially enhances the role of heuristics in political choice; not least important is personal information about the candidate to construct his narrative, *e.g.* his appearance or mode of communication, and not at all his experience and political credentials. Relying on heuristics, the voter is not inclined to make a rational choice that in turn can have negative consequences for society as a whole and an individual as well.

The low awareness of the voter participating in the year 2019 election extends even to the knowledge of the contenders' future intentions concerning reaching basic social goals. This statement can be proven by some polls carried out just before the Ukrainian presidential election 2019 as presented in Table 2.

**Table 2. The degree of voter awareness in the 2019 presidential election of the main aspects of their candidate's policies (percentage of highly informed) [38]**

Issue	Poroshenko's voter	Zelensky's voter
How to reach peace in the East	40,1	20,8
Policy towards Russia	50,8	18,0
Reforming judiciary and law-enforcement agencies	27,8	14,1
Reform of Armed Forces	47,6	10,2
Fight against corruption	35,8	30,3
Social reforms	45,5	20,4
European integration	61,5	21,1
Entry to NATO	62,0	16,2
Land reform	25,1	9,9
Economic growth	41,2	21,8

The data above demonstrate that most voters intending to cast their vote in favor of a specific president office seeker acknowledge that they had not much knowledge about the intentions of their favorite even concerning the most important issues of social concern like war with Russia and reforming the economy.

If the voters do not know much about the future intentions of their favorites, then a logical question could be raised: why do they want to vote for a specific candidate. The answer might be: they rely on heuristics and images generated by modern media which are very influential in Ukrainian society.

**Conclusion.** Thus, the research conducted by us gives the conclusion that economic theory, in particular the theory of public choice, made a significant contribution to the study of consumer behavior in the political market. Already in the works of the economists of the classical school, we find guesses that an individual cannot act rationally in the political market. Since the middle of the 20th century, beginning in particular from the fundamental study by A. Downs, the number of studies devoted to this issue has grown rapidly, which led to the crystallization of various alternative approaches to the analysis of political behavior, the leading of which became a linear-position approach. The essence of this approach is building an econometric model of a VP-function, an explainable variable of which is a certain candidate (party) in elections, and explaining variables – various political and economic factors. The VP-function allows finding out how important are the economic factors for individuals when making a political choice.

The practical application of the VP-function showed that the political choice is largely due to the degree of completeness of the information received by the voter and his ability to process it and use it.

An attempt to analyze the role of the economic vote in Ukraine on the example of the 2019 presidential election showed that the hypothesis of the economic vote in Ukraine does not work. The explanation for this may be the imperfectness of information, partly artificially aggravated by media, and voters' relying on heuristics, which led to a distortion of their preferences.

Such a conclusion requires further verification through econometric modeling, that is, the construction of a relevant VP-function. It is obvious that such a task is encountered with a number of difficulties. Firstly, due to the lack of information about the political preferences of voters (in many countries, the data of mass detailed surveys of electoral vote intentions for certain political figures and parties are available for a researcher, while in Ukraine such polls include a very small sample, which in addition are not available to researchers), and, secondly, the absence of mass polls in Ukraine on the perception of the economic situation and the action programs proposed by the politicians that would be tied to political preferences of a particular voter.

However, despite these difficulties, we consider as productive attempts to construct the VP-functions for using available data on the observed political choice in the

regions, especially since official statistics provide data on time series for basic economic variables in the regional cross-section (gross regional product, unemployment rate, inflation rate, real incomes, etc.) at least from the end of the 1990s, which allows assessing the influence of relevant economic factors.

Conducting such studies will fill the lacunae in the analysis of political choice in Ukraine and will provide a more accurate toolkit for predicting the development of the domestic political market.

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### ПОЯСНЕННЯ ПОЛІТИЧНОГО ВИБОРУ: ПЕРСПЕКТИВИ ЕКОНОМІЧНОЇ ТЕОРІЇ

*Досліджено внесок економічної теорії в аналіз політичного вибору. З'ясовано, що політичний вибір характеризується ірраціональністю, що дає простір для різних способів зовнішнього впливу на думку виборців. Продемонстровано, що економічне голосування не присутнє в українському політичному контексті.*

*Ключові слова: теорія суспільного вибору, економічне голосування, недосконала інформація, політичний вибір, раціональне невідання, теорія суспільного вибору, ірраціональність.*

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### ОБЪЯСНЕНИЕ ПОЛИТИЧЕСКОГО ВЫБОРА: ПЕРСПЕКТИВЫ ЭКОНОМИЧЕСКОЙ ТЕОРИИ

*Исследован вклад экономической теории в анализ политического выбора. Выяснено, что политический выбор характеризуется иррациональностью, что дает простор для различных способов внешнего воздействия на предпочтения избирателей. Продемонстрировано, что экономическое голосование не присутствует в украинском политическом контексте.*

*Ключевые слова: теория общественного выбора, экономическое голосование, несовершенная информация, политический выбор, рациональное неведение, теория общественного выбора, иррациональность.*

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### FACTORS INFLUENCING SOCIAL CAPITAL IN RURAL COMMUNITIES IN NIGERIA

*Social capital has become an important aspect of most rural communities in developing nations. But, the dimensions of social capital vary across rural regions while little is known about the factors influencing it in rural areas. This study aimed to identify the prevalent social capital dimensions in rural areas and examine the factors determining rural people involved in those dimensions. A field survey which consists of structured and self-administered questionnaire was carried out with rural households. The information of the survey was obtained from 220 rural households in the study area between August and October, 2019. The descriptive analysis identified social networks (3.875), norms (societal values) (3.390), trust and solidarity (4.115), and cooperation and group action (4.139) as the prevailing social capital dimensions in the rural communities. The results further suggest that cooperation, trust and solidarity, and networks are respectively the dominating social capital dimensions in the rural areas. The results from probit model estimates show that the factors that are more likely to be associated with social capital in rural areas include education, access to credit and ownership of farm (cash crop). Since social capital is becoming a prerequisite for rural development, our findings lead to the suggestion that cooperation, build-up of networks should be facilitated for people in the rural areas. Furthermore, policy direction towards access to education, credit provision and development of primary occupation in the rural areas should also be enhanced. Economic policy makers and rural development agencies are invited to continuously work on the identified factors to promote the individual, community and national development on equitable basis.*

*Keywords: cooperation, social networks, norms, rural development.*

#### Introduction

The importance of social capital as a strategy for the development of rural areas has attracted interest in recent years. Increasing rural-urban migration in most developing

countries, poverty and the decline of agriculture which form the base of most rural economic activities are part of the reasons for the renewed call on ways to strengthen the base of rural areas [1, 2, 3]. Also, the ineffectiveness of various