



V. Fedosenko, A. Krysomaiyya
V. Olyanin, E. Neklyuchenko

**MODERN UKRAINIAN
FINANCIAL SCIENCE:
THEORETICAL, INSTITUTIONAL & PRACTICAL
CONCEPTS OF CURRENT DEVELOPMENT**

V. Fedosov, A. Krysovaty, V. Oparin, P. Yukhymenko

**MODERN UKRAINIAN
FINANCIAL SCIENCE:
THEORETICAL PARADIGM &
PRACTICAL CONCEPT OF
PUBLIC FINANCE**

Draft2Digital Publishing House
Oklahoma City 2018

Reviewers:

Ihor Lyutyy, Doctor of Economic Sciences, Professor, Head of Department of Finance, Taras Shevchenko National University of Kyiv;

*Wilfried Trillenber*g, Candidate of Economic Sciences, DAAD Associate Professor, Director of the Research Institute of IWVWW e.V., Berlin;

Elena Seitz, Vice-President and Programs Director, American Association of College Educators.

ISBN 978-0-692-07396-4

This is the original work by the national economic and financial scientists on the evolution of the modern Ukrainian financial science.

The first chapter deals with the Ukrainian concept of financial theory and financial architectonics. It clears up theoretical fundamentals of financial science, institutional approaches in financial theory and essentials of financial system structure. In the light of the national and world financial doctrine, a great number of items connected with dialectics of origin and development of public finance in Ukraine have been considered in the second chapter. National governmental bureaucracy, fundamentals of formation and implementation of budget doctrine and policy in Ukraine, problems of budget social expenditures and pension reform in Ukraine have been cleared up as well.

The interpretation of prospects of controlling approaches in macro-level financial management is realized in the work. The analysis helps the authors highlight both theory and practice of tax and debt policy in Ukraine. A considerable attention is paid to the risk dialectics for tax system development in Ukraine and conceptual fundamentals to develop tax state in our country.

It has been proved by research and practice that branch development of financial system is a treatment instrument for public finance. The authors reveal the significance of the financial restructuring in Ukraine and its results, investigate the development of stock market, insurance market and reinsurance.

This book will be invaluable to scientists, teachers, post-graduates and to all those, who need to know more about public finance, its theoretical paradigm and practical concept, variety of scientific schools, approaches and methods.

Draft2Digital Publishing House, Inc. 2018
5629 SE 67th Street
Oklahoma City, OK 73135

Introductions.

FINANCIAL SCIENCE AND THE CHALLENGES OF THE TRANSFORMATIONAL ECONOMY

At the turn of the second and third millennia, in the modern world, there came the time for the global changes that include the collapse of the administrative-command economy, which was based on communist ideology. Undoubtedly, scientists, politicians, ordinary citizens and society as a whole will take a long time to adopt history lessons. In particular, it is worth noting that the certain drawbacks of the capitalist system, with its extremely cruel ideology, which were related to the unjust and, consequently, inappropriate distribution of the national product were the underlying foundations for the emergence and attempts of human practical realization. The successes achieved in the twentieth century by countries with a developed, socially oriented market economy took place mostly because of the factors aimed at ensuring social harmony, and their practice proved that this particular way of smoothing the contradictions in the society is more rational and productive.

The rejection of communist ideology in the post-socialist space led to the need for changes in the economic environment, the key point of which was to return to market mechanisms. Thus, there existed two variants of the administrative economy transformation. The first one, *revolutionary*, implies the rapid, radical reformation of social relations based on the so-called "shock therapy". The experience of countries that have followed this path, Poland, for example, and the assessment of their results, shows that this way is generally positive. The second one, *evolutionary*, envisaged the gradual reformation of the economy, and this was the way Ukraine chose. But in reality, it turned into an endless delay in reforms or their replacement by pseudo-reforms, when the changes took more external character instead of integrating into the internal content of certain areas of the economy and the financial system. This resulted in more than a quarter century without any achievements. Now, in fact, the same "shock therapy" is taking place, but, firstly, the time is lost. And secondly, if in Poland the «shock therapy» was carried out at the beginning of transformational processes at roughly equal starting conditions for all citizens, then, in Ukraine, it not only takes place under the conditions of significant stratification of society, but it also deepens them, which only complicates the situation and prevents the positive perception of the reforms on the part of the population.

At the initial stage of evolutionary transformations in the 90s of the last century, a large-scale financial restructuring was carried out in Ukraine. This process was thoroughly investigated by the authors¹. The positive results of restructuring involved the formation of the organizational and institutional framework of the financial system. This was an important result because, without such restructuring, it would not be possible to move further. But, again, we emphasize that this was a result rather in the form, than in the content since all the changes were very small and insignificant.

A little has changed in state finances, and most importantly, there are virtually no steps to transform them into public finances. Continuous and insufficiently substantiated tax reforms under the declarative slogan to reduce the tax burden in order to stimulate economic development, that is essence of the evading the oligarchy from taxation on the basis of planned "gaps" in the legislation and administration of taxes, did not give, do not give and cannot give positive results. The country does not have a clear budget strategy (as well as economic as a whole) on the basis of defined priorities of the development. The structure of budget expenditures is inefficient. Thus, the growth of expenditures on the implementation of managerial functions and the bureaucratization of the country are unjustified for the poor country. There is excessive socialization (in the form – the specific weight, not the content – the level of expenditures per capita) of the budget, for a long time, the complete disregard for defense spending has been taking place. There is also no clear and well-considered policy in the area of government loans. The structure of the budget system is extremely irrational – the never-ending talk of fiscal decentralization was constantly accompanied by an increase in centralization both in terms of volume of resources and in terms of authority in managing them. The current stage is the same imitation of reforms, and in certain cases, the deterioration of the situation when transferable powers are transferred, not backed up by corresponding revenues. Practically there is no real, rather than fake local taxation, the system of financial equalization. The newest, long-established technologies and tools tested in developed countries have not been introduced.

Virtually no solid corporate finance is formed. Privatization of state-owned enterprises in the form of corporatization has in fact led to the formation of privately individual property under the protection of joint-stock companies. This has given rise to the development of an oligarchic model of the economy. By this time, the privatization of state-owned enterprises,

¹ Федосов В., Опарін В., Львовчик С. Фінансова реструктуризація в Україні. проблеми ті напрями: Монографія / За наук. ред. В. Федосова. – К.: КНЕУ. 2002. – 387 с.

which have become a source of illegal profits, are being brought to bankruptcy and sold for nothing. There is no real protection of property rights because of the hostile takeovers movement both in the sphere of economy and in relation to private property of citizens. Formally, the corporate sector seems to have been formed, but so far from the standards of modern corporate governance.

A significant problem is the formation of a powerful and reliable banking system, securities market, and insurance. The development was carried out on a quantitative rather than qualitative basis – by the number of banks, stock exchanges, insurance companies Ukraine is in the leaders, while the strength of the financial sector is inferior to almost all. A key problem is the low level of income of citizens who can not generate savings for investments. This is accompanied by financial illiteracy of the population and distrust to financial institutions. The following situation hinders the development of financial markets, and, as a consequence, an economy that does not have sufficient and affordable resources.

Specificity of the market transformation of the economy and the financial system of Ukraine puts complicated and extraordinary tasks in front of the financial science, which today has formed as a leading branch of economic knowledge. The history of the formation, evolution, and development of the universal and special (national) architectonics of financial science is also in the sight of Ukrainian scholars². In the abovementioned article, the classification and scientific limitations of the current dominant branch of finance due to the division of their development into two stages – classical and neoclassical financial theory are defined. The criteria for a new periodization of formation, evolution, and development of financial science are determined and justified, in accordance with five stages of its historical development. The defining characteristics and features of the concept of finance at each stage of its development are explored by the leading economic and financial science representatives. The emphasis is on the need for a clear definition of concepts such as "financial thought", "financial science", "financial concept", "financial theory" and "scientific financial school".

It is argued that the *financial concept* is a positive and regulatory interpretation of financial phenomena and processes, as well as financial policy, based on a certain regulatory principle and a set of ideas of their system coverage (for example, liberalism, conservatism, socialism, the "third way"). Namely, it is a system of confirmation of a particular position or

²Лисененко П. Фінансова наука: генеза, еволюція та розвиток / П.Леоненко, В.Федосов, П.Юхименко // Ринок цінних паперів України – 2017 -- № 1-2. – С. 3-30.

system of views on a particular financial phenomenon, which are based on adopted theories of a particular scientific school or authors and discover personal theoretical considerations of the researcher. In any case, the set-out provisions should be logically grounded, but not an artificial set of separate versatile statements. According to this fact, conceptual importance is the definition of content, essence, the meaning of what is being discussed. Financial concepts are a determined feature of the scientific stages (periods) of the development of financial thought.

Financial theory is understood as a complex of facts explanation and comprehension of the financial validity of the world of finance united by a single internal cognitive logic, interconnected in its parts, completed at one point. The financial theory is distinguished by the diversity of views. Quite often, certain financial theories are detached from real-life practice, and therefore reflect financial practice only in an idealized way. Based on financial and economic views, justifications, approaches, concepts and theories, a financial principle is formed as a justification of the system of steps, vector and ways of the country's financial development strategy. The financial principle acts as the dominant and priority component of the economic doctrine.

The concept of "*financial opinion*" is understood as a set of views, judgments, statements, ideas, wishes, etc. concerning financial issues, which exist in the public consciousness in specific historical conditions from a hypothesis to reliable knowledge and make up a paradigm base of the financial science. The diversity of its views covers certain historical epochs in temporal and various spatial boundaries (world, country, region, etc.), characterized by heterogeneity of social consciousness, the existence of various economic interests of social groups and classes, different cultures and traditions, etc.

As to science, in general, at one time J. A. Schumpeter defined it as any branch of knowledge that has developed a specialized technique for the research and interpretation (analysis) of facts. Based on this instrumental analysis of science, there is every reason to assert that the *financial science* is an ordered process of research of knowledge and phenomena in the field of financial relations by applying a special analytical scientific apparatus, which develops, improves and acquires a new quality in comparison with the previous one. The level of knowledge about the ramified and complex world of finance at the present stage of its development gives the opportunity to raise and solve the question of financial science in a broader and in a strict sense. In our opinion, the criterion of differentiation between them should not be based on either the differences between formational and civilizational

approaches to the study of the historical process of the development of financial relations in society, terms of the subject and method of science, or in terms of the degree of development of commodity-money relations in society, presence or absence of a market system. From a meaningful point of view, generic notions of the subject and method of study in financial science over time have not actually changed (although their interpretation can indeed be and really is different). Another thing is the object of the research, which continuously undergoes quantitative and qualitative changes, structural, sectoral and other transformations in close connection with changes in national and world economies, and that is why it can be the fundamental premise for allocating financial science in the broad and in the strict sense and identifying the differences between them.

In the narrow sense, financial science is a science dealing with separate structural components of finance. Financial science in the broad sense includes also a set of knowledge about the laws of financial relation development on the global scale of all human civilization, all national states, which are functioning and are interacting on a planet-wide scale since some period of time.

Consequently, the distinction between financial science in the narrow and broad sense is the difference between financial thought and financial science and, at the same time, substantially enriches this distinction. In particular, the limitations of the financial science development are overcome only within the framework of a market paradigm, depending on which the possibilities for interpreting the development of the national financial science are expanding. Financial science in the broad sense in connection with globalization, its tendencies, laws, and consequences are in the unity of the national and supranational factors.

By its content and time of existence, the broadest notion is financial thought. Previously, the only (synthetic), which existed at the level of common sense, it begins to develop in its various forms in three different ways with independent flows: a) thoughts at everyday level; 2) ideas at the level of concepts and theories in conjunction with financial policy; 3) thoughts at the level of financial analysis (financial science). It is important to understand the certain conditionality between these elements of the conceptual-categorical apparatus structure, their intersection, and hence the difficulty of considering them in a "pure" form. From the above concepts, there are some conclusions.

First, taking into account the community (object, facts) and the distinctions between the above concepts of financial thought and financial science one brings the basis to the concept of "progress" in financial science. It is believed that the latter is unlawfully applied to economic and financial policies since in this case there is no basis for comparison. In the field of

financial science, the concept of "progress" means the improvement of the techniques of analysis and the increasing degree of mastery of factual material (the discovery of new facts, new aspects of old facts, new relationships between the facts).

Secondly, the division into periods of the formation, development, and evolution of financial science must fully take into account and reflect the general features and differences in the above concepts used to reveal the problems of the evolutionary and revolutionary advancement of financial science as a special, relatively independent branch of human knowledge.

Thirdly, there are certain analytical studies (ie, analysis) in financial concepts, though perhaps not related specifically to attempts to improve the conceptual apparatus of science. Therefore, their search and selection from the general flow of financial thought are necessary. The analysis is synonymous with scientific research in general, as well as the theory of knowledge and methodology of science, one of the methods for obtaining new research results, the growth of scientific knowledge.

With the existing scientific thought of many generations it is possible to extract such a consistent pattern: the very concept of "finance" appeared simultaneously with the emergence of the state and money economy, it has been altering along with their development and improvement. The content of the finance and its interpretation within the thought have undergone changes under the influence of the tasks and functions that society has been requiring by the state. The conditions of their development were marked by a variety of political, economic and social aspects. The formation, evolution, and development of financial thought, including at the stage of its functioning as a financial science, are influenced by the development of economic thought and economic science. Of course, in its turn, financial thought, interacting with the economic one, influences the development of financial science. As a result, their mutual enrichment takes place. However, it had its own peculiarity depending on the acquisition by financial knowledge of increasingly autonomous development as an independent science. Proceeding from such a problem formulation, the question on the correlation of the main stages in the development of the economic and financial sciences naturally arises. In contemporary economic and financial literature, there is no researchers' unanimity of views concerning this issue. In our opinion, in the most general form, this issue is solved by means of the concept of scientific revolutions, first of all, the substantiation of theoretical paradigms (or competing for scientific-research programs) and their changes at certain stages of social and economic development and the development of science itself. Generally, the emergence of these concepts refers to the 60-70s of the

XX century and is associated with the scientific works of famous scholars T. Kuhn (1922-1995) and I. Lakatos (1922-1974).

At the same time, certain clarifications are needed here, since T. Kuhn and I. Lakatos concepts of scientific revolutions have a predecessor, primarily in the form of the concept of "classical situations" (or "classical states") suggested by the famous Austro-American scientist J.A. Schumpeter. He substantiated the concept of the classical period and the "classical state", applied them in his studies and pointed to the difficulties associated with periodization in economic, financial and other sciences. J. Schumpeter singled out and analyzed three classical situations that make up the core of the chronologically and substantially broader classical periods: 1) the second half of the XVIII century (between 1750 and 1790); 2) the end of the XVIII century – the beginning of the second half of the XIX century (between the 1790s and the end of the 1860s); 3) the end of the XIX century – the first decades of the XX century (between 1890 and 1914). We should note that all the scientist's views on periodization, their chronology, classical situations, etc. were supplemented by many reservations, which have a general methodological significance, considering that the latter can be attributed to any attempt of periodization.

It should be emphasized that the problem of the periodization of any science requires the justification of the criteria by which it is carried out. Regarding economic and financial thought, the criterion of taking into account the differences in their maturity is quite popular in the past and in modern conditions, which was firstly grounded by K.H. Rau (1792-1870). According to this world-famous German scientist, financial science passes three periods in its development: an unscientific state, a transition to a scientific processing of the material, a scientific (rational) state.

Modern financial literature uses various criteria to determine the periodization of financial thought development like alterations of social and economic conditions, general scientific and particular historical context, diversification of theoretical approaches and paradigms due to scientific breakthroughs and others. Leaning on these criteria and close connection between economic and financial thoughts concerning mentioned-above periodization piles up remarkably the list of its stages (periods) and their constituents. It enables concerning of both 'old' and 'new' phenomena in social financial welfare. Practical experience is still an important factor as it is being continuously enriched with the newest knowledge, skills, competencies, and data, social financial definitions linked to the development of governmental functions, market monetary-commodity, and financial economy. All mentioned-above derive by means of combined criteria to determine the following stages of development of financial thought.

Main Stages of Development of Financial Thought

Period	Features	Essence	
Preconditions of origination	#1. 16 th century BC – 12 th century AD	The pre-scientific genesis of finance. Beginning of 1 st Classic Period	Emerging of finance on the level of 'common sense' without its scientific analysis
	#2. 13 th century – first half of 18 th century	Skip to scientific analysis and processing of financial phenomena. 1 st Classic Period, preconditions of 1 st classic situation	Macro-level research of governmental financial regulations to aggregate and redistribute monetary resources; formation of system financial knowledge
#3. Second half of 18 th century – beginning of 20 th century	Scientific (sustainable) period of financial thought. Termination of a 1 st Classic period, 1 st classic situation. 2 nd and 3 rd Classic Periods and corresponding situations	Emerging and development of Classic and Neo-classic thoughts. Diversification of economic and financial concepts. Orthodoxy and Heterodoxy in financial science	
#4. 2 nd half of 4 th decade – 1 st half of 8 th decade of the 20 th century	4 th Classic Period and situation	Emerging and development of Keynes' economic and financial theory. Keynes'-Neoclassic synthesis. Monetarism	
#5. 2 nd half of 8 th decade of the 20 th century	Conglomerate of financial scientific trends (Neoclassic, institutional-informational, neo-institutional, new Keynes' theory, post-Keynes' theory and others)	Development of newest options of Neoclassic, neo-institutional, post-Keynes' and other non-orthodox theories of finance	

During the first stage, the conceptualization of finance and financial thought was influenced by the following principle factors: 1) the development of economic relations, mediated by their money form; 2) the statehood signs occurrence and the formation of first states, and, as a consequence, there appeared the necessity for the monetary form of state-functions providing (infrastructure development, communications, military, medical, and social costs), which still exists now at the current stage of social development; 3) institutionalization (development of rules, norms, and legal foundations) of financial relations functioning, bearing the imperative form. Some prime historical sources (long-term ones, which are more than 2000 years old and

which remain preserved) indicate that financial practice has deeper roots than financial science. There were many different financial economic units, that were founded and developed, but then they collapsed and disappeared. Financial science didn't exist at that time. Concurrently, this was the period of the formation of the first states marked by the emergence of financial practice and some rudiments of financial science.

As opposed to the first stage in the development of financial thought, all subsequent stages "contracted" their duration (especially after the second one) and further enriched their works with representatives of various theoretical schools and areas of the national financial science. Interconnection and interaction were intensified among the theoretical orientations, as well as the struggle for the influence on the development of science and practice in order to gain rewards and various incentives. Due to the formation of state financial institutions and the institutionalization of monetary relations, the formation and expansion of structural units of the financial system took place, and it occurred in some countries in Western Europe. During the period of the twelfth to the fifteenth centuries the most educated class, the clergy, tried to comprehend and systematize the rules of their state economy, which created the real preconditions for the financial science development. That period was characterized by the beginning of financial architectonics, the emergence of financial and banking institutions in order to conserve and transport values, financial funds management, accumulated from religious and secular sources, which were intended to finance the Crusades, and the provision of loans. In contravention of the existing biblical ban on usury, Italian bankers implemented promissory notes performing at least one of the functions of money. Thus, they created the basis for the emergence of new money, contributed to the development of monetary circulation, and the gradual displacement of metallic money, which was inconvenient for transactions and had spatial constraints.

During that period financial thought was looking intensively for the meaning of the phenomena and processes in the financial system, which were an expression of the needs of countries socio-economic development. The emergence of new institutions in the financial system has led to an understanding of the category of "finances". In the fifteenth century, significant foundations of the public finance science were laid in Western Europe. In this period, as being noted in the present literature, there is a close relationship between studying the problems of taxation (especially excise taxes) and the development of foreign and domestic trade. The first generalizations of the mercantilists ideas based on their practice appeared. D. Karaph carried out a broad study of the economic problems of national states in Western Europe. N. Machiavelli, J. Boden, J. Botero and others should be mentioned here as well. The ideas of D. Caraffa

were further reflected in the works of M. Palmiere, F. Guichardini, J. Botero, which were united by J. Schumpeter in the same heading of "consultant-administrators" and noted that in German literature this term coincides with the meaning of the term "kameralisti" (from "camera" – "room-treasury"). It should be admitted that contemporary public and state finances and understanding of them are based on the theses of kameralists, whose scientific direction is connected with the formation and management of the state treasury. It turned out that the peculiar of a particular country had a decisive influence on the formation of the category "finance" original version.

Consequently, we can conclude that at the second stage of the financial science development the connection between financial theory and practice has strengthened since the XV century. Science begins to gain more visible impact on financial practice. Mercantilists have made the first steps in determining the financial sector as a combination of income and expenditure. The category "finances" was treated differently, but its understanding depended, first, on the dominant factors: political economy, laid in the foundation for the study of finance; the institutional environment of the country; national peculiarities of the economy and historical traditions of the developed country. First of all, the diversity of the development of relations at various stages of civilization development is the main reason for the theorists and practices different understanding of the key concepts of "finance", "financial economy," etc. The well-known Ukrainian scientist-financier Professor M. Mitiľino (1875-1930) in the late 20s of XX century reflected these circumstances as follows: "The word finances" (in French – finances, in German – Finanzen, in Italian – finanza), according to some scholars, comes from the Latin word finis (end, term) and is combined with the concept of "payment term". In the Middle Ages, the words "finatio", "finare" and "finantia pecunaria" were used in the language of the XIII and XIV centuries defined as "payment", "amount of money", etc. According to other scholars, the word "finances" of Anglo-Saxon origin is from the word fin (cipher), or "finden" (find), or "fein" (smart, cunning). The last mention is confirmed by the fact that in the Middle Ages in Germany the word "Finanz" meant "trick", "insidiousness", "usury". In France, almost at the same time, the word "finances" meant: "state profits", "state economy". In this sense, this word has acquired the right to exist on the entire globe, and now, the word "finance" is understood not only the state economy but also the economy of various public associations and legal entities.

Within the historical context, the emergence and development of public finances and households' ones are almost parallel. The main conditions of their genesis include: 1) the emergence and establishment of real money (both golden and silver); 2) the appearance of paper carriers, in which the necessary

information is fixed, including financial and economic one; 3) the presence of the monetary value established by the state at the national level; 4) forming an analog of money, such as a receipt and bills on the basis of general agreement.

The formation and expansion of household finances, especially the finances of enterprises, were stimulated by the development of the stock market, the emergence of securities in the 16th – 17th centuries in Western Europe. The emergence of exchanges in the countries of Western Europe, which carried out sale transactions of securities (stocks, bills, notes, including government ones), contributed to the formation of the world and national financial architectonics. The democratization of social relations under the influence of bourgeois revolutions in the sixteenth and seventeenth centuries, completes the process of establishing national financial systems. New financial relations emerged and developed due to the distribution: first, the fields of satisfaction of needs and economic activity; secondly, the spheres of state and private economy; thirdly, the separation of monarch's funds from the resources of the state treasury. A dominant of public finance is a new concept of "budget", which expresses other concepts than the existing one of "treasury", purpose, methods of formation and directions of the use of financial resources. The fundamental nature of the influence of political economy and state law on the formation and development of financial science was recorded in the XVIII century in the literature. It conditioned the formation, development, and evolution of various scientific financial schools, which had the same names as schools in political economy, but they differed in a conceptual categorical apparatus, a methodology for researching financial categories and institutes, a social orientation of analysis and a number of other system-forming features.

At the third stage of the development of financial science – the formation and establishment of a scientific (rational) approach to the study of finance, the formation of financial science as an independent field of knowledge – there was a new significant phenomenon. Within the boundaries of financial science, the history of financial study and financial history, financial management is emerging, and in the future successfully developing as separate scientific disciplines.

Under the influence of practice financial thought has been occurring into the level of science. There has been the formation of national directions (or lines) of financial thinking at the same time – Italian, German, French, Spanish, English. Representatives of financial science in Ukraine also took an active part in this pan-European scientific process. In other words, the formation and development of financial science were carried out by the representatives of different countries of Western and Eastern Europe in the XVIII – beginning of the XX century. It is characterized by the completion of the first classical period and the first classical

situation oncoming between 1790 and 1800, and in the future – the finding of financial science in the second and third classical periods and their classical situations. Consequently, in contrast to the traditional (dominant dichotomous) periodization, which divides the development into stages of classical and neoclassical financial theories, in our case it is a question of their close connection within the framework of a single (third account) stage of development. Thus, the connection of universal (general) and national (special) in the economic and financial scientific knowledge in the pan-European space and dimension is formed. Of course, such an approach does not reject the concept of so-called phased socio-economic development of the countries of Western and Eastern Europe.

The third stage of financial science development which lasted quite a long period of time was also characterized by significant changes in the content of the science itself. Such a course of development is quite logical if we take into account a number of important circumstances:

a) this stage of development encompasses all three classical situations, therefore in each of them the science undergoes a series of transitions from "crisis" to "normal" position, from "revolutionary" to "evolutionary" type of development;

b) in each of the classical situations there is a different domination of theories and their coexistence, and also there are changes in the "national lines" of the development of financial science;

c) the core of this stage of economic and financial sciences development is the victory of the marginalist scientific revolution and the endorsement of marginalism with its key concepts of marginal utility and marginal productivity, which after the 70s of the XIX century became the theoretical and methodological basis of economic and financial orthodoxy.

The general situation in both the financial and economic science of this period was characterized by the domination of the neoclassical direction represented by a number of academic schools (Austrian, Cambridge, Luzon, Stockholm, American, etc.).

The second half of the eighteenth century was marked by the beginning of the allocation of finance as an independent science and its complete separation from political economy and management within the system of economic sciences, which began to be actively formed. The foundations of financial science are the study of representatives of late mercantilism – German cameralism scholars, English publicists, and practitioners, transitional from mercantilism to classics (N. Barbon, T. Maine et al.), as well as representatives of the classical political economy – the French physiocrats and English classics. The most notable figures in the German financial thought of the second half of

the eighteenth century, which made it possible to reach an independent level, distinguished from other knowledge, of financial science, were J. G. Yusti (1717-1771) and J. Sonnenfels (1732-1817). In his essay "Basic Principles of Police, Trade, and Finance" (1765), which was translated into almost all European languages, J. Sonnenfels defines financial science as a set of rules for collecting state revenue more profitably. In his work "The System of Finance" (1766), J. Y. Justice examined the essence of financial science in a broader perspective. The author analyzes not only the doctrine of incomes and expenses but also the management of office affairs (i.e., public administration), as well as credit and its influence on the development of the state. It is these two works that laid the foundations of financial science. However, since J. G. Yusti in his work built a general system of financial science by systematizing existing financial concepts. So the famous Ukrainian financier, academician I. I. Yanzhula called him "father of financial science".

By the end of the eighteenth century, financial issues have developed thoroughly, not only from a practical point of view but also from a theoretical perspective. This was facilitated, first, by the emergence of new theories in the field of philosophy, law and state. S. Montesquieu, J. Russo, I. Kant, and secondly, the development of a new science of the national economy, which is associated with the names of the Physiocrats, and thirdly, radical changes in the political, social and economic spheres under the influence of bourgeois revolutions and scientific and technological progress. The French school of Physiocrats F. Quesnay, A. Turgot, V. Mirabeau should be mentioned because its ideas had a significant impact on the development of financial science. The presentation and justification of the issues of the fairness of taxation, translation, sources of income, the size of each participant in state expenditures and other issues of the theory of taxes had a decisive influence on the expansion of the range of concepts of financial science. The predominantly skeptical attitude to the concept of a single tax of Physiocrats is clearly outweighed by the recognition of their priority in the consideration of income issues, the relationship, and interdependence of finance and the economy. In his famous "Economic Table" the founder of physiocrats F. Quesnay first put and opened the question of the organic relationship between taxation and economic process. The Physiocrats were the first to start an analysis in the field of the relationship between costs and income and their balance.

Within the framework of political economy, certain provisions on finances are represented by scientists, in particular on the unproductiveness of expenditures connected with state managing and the inadmissibility of violations of the "natural order", that is, the rights to liberty of activity, property, and competition. At the same time, they gave impetus to scientific understanding of

the economic basis of financial management. In particular, A. Smith's fifth book of his work "The Study of Nature and the Causes of the Wealth of Peoples" (1776) is devoted to the financial economy and the doctrine of finance. It was in this part that he gave to the financial science not only the valid natural and economic substantiation, but also presented the doctrine of finance, which was corresponded to the conditions and views of that time.

In the work of A. Smith, there are no categories of "finance" and "financial economy," but this did not prevent the scientist from discovering the relationship between finance and national economy, the dependence of the financial economy on national. Unlike his predecessors, he includes to the national wealth not only one, but three sources – land, labor and capital, and corresponding incomes, which provide the state economy with financial resources. The three parts of this work were devoted to finances, and to the detailed analysis of public expenditure, public revenues, and public debt. The scientist considered functions of a state in the market economy in the context of a) maintaining order in the country; b) providing external security; c) the implementation of financial activities. To his opinion, only those expenditures are permissible for the public interests, and public loans can only be used during the wartime. A. Smith formulated more clearly the principles of taxation (the basis of which were laid by J. G. Yusti), considered taxes on land, labor, and capital in their interrelation. These ideas will become the analysis center in the works of prominent Ukrainian economics scientists of the second half of the XIX-early XX centuries (M. H. Bunge, M. M. Alekseyenko, M. I. Tugan-Baranovsky, M. M. Sobolev, etc.).

In the process of analyzing of the state expenditures, A. Smith divides them into expenditures of general significance for the society (defense and maintenance of state institutions), which are covered by social revenues, and expenditures that ensure the interests of individuals. Hence there was appeared the scientist's idea about the division of state and local financial economy and the injustice of imposing expenditures on the whole society while serving interests only to a part of it. The A. Smith's division of state revenues for tax and non-tax, that are the incomes from the capital of economic entities and the proceeds from the use of property owned by the state, has not lost its scientific reputation to this day. The above-mentioned ideas have fundamentally influenced on the economic and financial life of European countries, and the science of finance has become of an independent value. Some scientific recommendations were the basis for the formation of the different countries financial systems institutional context.

The outstanding representative of the English classical political economy, D. Ricardo (1772-1823) continued the creative development of its main principles and at the same time financial science. Especially popular in his economic and

financial sciences was the publication "On the Principles of Political Economy and Taxation" (1817), in which he laid the foundation for a new theory of taxes. Its principles were the doctrine of labor value, rent and wages as a source of fiscal. It should be noted that already the last representatives of classical political economy and finance realized the inconsistency of the so-called "invisible hand of the market" to ensure the solution of all problems and the impossibility of the state to limit itself to the role of "night watchman". In particular, J. St. Mill (1806-1873) stressed that without the fulfillment of a number of additional functions by the state, social and economic progress is impossible.

The English-language direction of the financial school gave a broader definition of finance and, apart from state revenues and expenditures, capital, its accumulation, and movement, and the monetary system began to be included in finance. In the sphere of finance, speculation in securities was also introduced. A wide range of opinions on the terminology of finance, without clarification, designation target functions, and formation methods, was, as noted by modern researchers, a consequence of metonymy. According to representatives of the English school of finance, metonymy – the logical proximity of a complex of concepts (income, profit, capital) with finances – opened the opportunity to characterize them as financial definitions.

The third stage of development in Germany, as in other European countries, is characterized by a combination of general and special in the field of economic and financial sciences. First of all, the general is the development of financial thought which has consistently passed the periods of all three classical situations and, thus, received the inherent common effects. On the special, there were peculiar attitudes first, to the teaching of English classics, secondly, to the definition of the financial science place in the knowledge system, and thirdly, to the consideration of institutional elements. First, in the first half of the 19th century, it was "critical Smithianism" (G. Hufeland, Ludwig Heinrich von Jacob, Karl Heinrich Rau, etc.), then in the second half of the 19th century – "critical Ricardianism" (A. Wagner, H. Dietzel, K. Dil, etc.), and in the last third of the 19th – beginning of the 20th century, in connection with the dominance of a new (young) historical school led by G. von Schmoller and others, – "peculiar anti-classics" (our term – the author). This involves the extensive use of institutional elements in the scientific research of representatives of the German historical school, especially a new one (according to Schmoller's terminology – the historical-ethical school). So, by choice, this school is considered the forerunner (or one of the theoretical sources) of institutionalism, as a direction in economic and financial science, was formed in the USA in the late 19th – early 20th century, and in Europe – somewhat later.

According to the classification of economic science and its place in financial science, German scholars are represented by two groups. The first group constitutes those that separated the science of finance into a particular third independent part of economic knowledge (K. G. Rau, Y. Soden, K. Egeberg, J. Lotz, and others), reflected in the structure of financial textbooks. The most popular among these is the textbook by K. G. Rau "Fundamentals of Financial Science" (1832; 7 editions) and the one by K.T.Egerberg "The Course of Financial Science" (18 editions in German, 2 editions in Russian). It is important to note that the structure and logic of the issues under consideration in the field of finance reflected the content and the development of financial science, its place in the classifications of economic sciences, not only in German but also in other national directions – English, Italian, Ukrainian, Russian, etc. The second group of well-known scholars (K. Baumstark, C. Malchus, I. Schoen, S. Neyform, K. Umpebach, L. Jacob, etc.) considered the science of finance as a special independent science, even contrasted it to political economy. In his writings on finance, L. von Stein (1815-1890) for the first time includes local finance. He attempted in the system of financial science to create a complete scientific system of self-government doctrine. The scientific achievement of the scientist is determined the place of the state financial management in the management system. L. Stein comprehensively examines the relationship between financial science and the doctrine of the state economy its principles as well as the importance of self-governing entities (public unions) in the social economy.

The third stage of development in financial thought in Germany and Austria ended in the late nineteenth and early twentieth centuries appears in works on finance by A. Wagner (1835-1917), G. F. Knapp (1842-1926), G. von Schmoller (1838-1917), and G. Ditzel (1857-1935). In the writings of the prominent German scientist A. Wagner, the problems of financial science are clearly identified and disclosed: organization of effective and proper financial control; supervision of the principles of economy; establishing a proper balance between the needs of the state, national product, and taxation. The scientist introduces the category of "financial economy," which is understood as the state budget (this is significantly different from its modern interpretation). He stresses the need for state intervention in distribution and redistribution processes through the implementation of tax policy in the interests of the majority of society. In domestic and foreign literature the special merit of A. Wagner is rightly distinguished, namely through the addition to A. Smith's principles of taxation in a conceptual plan and laying them on the basis of tax policy, that is, of financial practice. Even under the Soviet conditions in the early 1920s, the need for the

proper construction of the tax system was emphasized and corresponded to the principles of taxation of A. Wagner.

A. Wagner is also known in the economic literature by the discovery of so-called "growing volume of state activity" law. He discovered, explored and substantiated the new regularity on the example of financial analytic. The growth of public spending in developed countries rises much faster than the national product. In turn, the growth of national income consumption per capita as a consequence of industrialization causes more rapid expansion of state activity. It was called the Wagner's Law. Consequently, A. Wagner (long before D. Keynes) brought the economic theory and practice to understand the new, growing role of the state and the objective need for state intervention. He was called the German D. Keynes.

Thus, a holistic theory of public finance was formed within the financial concept of the German financial school representatives. This theory substantiated the relationship between the financial (budget) policy of the state and institutional factors, and presented the institution of state financial control in the complete form.

The third stage of the development of financial science, which includes three classic situations with the domination of classical and neoclassical financial schools and directions, ended in the early 30's of the twentieth century. The transition to a new, fourth – classical situation began, the content of which consisted in the formation of Keynesianism as a new independent trend in the economic and financial sciences and fundamentally new financial and economic policies, which occupied a decisive place in the theory and practice of the United States and almost all Western countries. The milestones on this path were radical changes in socio-economic development, caused first of all by the world economic crisis of 1929-1933 ("Great Depression"), "New Course" written by D. F. Roosevelt, by the works of the prominent English scientist J. M. Keynes (1883 – 1946) – "The treatise on money" (1930), "The General Theory of Employment, Interest and Money" (1936), "The Theory of Employment" (1937) and his followers, and hence the emergence of Keynesianism and its various variants. On the basis of his idea of "effective demand", the entire financial theory was revised. It began to be regarded as an integral part of the theory of employment and income, and financial policy as an integral part of economic policy.

D. Keynes considered government spending as the main level of government intervention in the economy, the level of the "effective demand" formation and crisis overcoming. Provided with taxes and loans, it should contribute to the implementation of national income. The new position in the Keynesian theory, which was first introduced into the scientific circulation, was the position of

"taxes – embedded stabilizers". It is based on the functional dependence between national income and taxes: the higher the level of national income, the greater the amount of taxes should flow to the budget. Such kind of taxes, according to D. Keynes, provides automatic flexibility of the economic system. The new provision introduced for the first time in the theory of public finances was the idea of increasing public expenditures "financed by loans". Followers of D. Keynes called it "scarce funding", that is, debt financing and since then the concept of "healthy finances" of the classical school was finally accomplished.

The English economist J. Keynes in his famous book "General Theory of Employment, Interest, and Money" doesn't provide the definition of the term finance, though some attention is paid to fiscal policy, so-called "social investments" and "borrowing-related expenditures". His initial idea of the need for government interference for achieving "effective demand" refers to public finance and fiscal policy. After all, finance is the main instrument of state interference into economic life. The theory of the outstanding English economist has made a huge impact on the development of finance science and fiscal policy in most developed countries of the world during the late 1940's through the early 1970's. This approach has determined the development of financial science for years.

Despite the domination of the Keynesian approach in the economic and financial sciences (1930-1960s) the transition of science and the scientific community to the dominants of Chicago school of monetarism and the influence of Professor M. Friedman's innovative ideas have been significant. Four decades later, the new global financial and economic crisis, the responsibility for which was placed on the market fundamentalism of the neo-conservative interpretation, gave an additional impetus to the subsequent process of "reconstruction" of Keynesianism, thus specifically confirming the optimistic expectations of its representatives. The economic and financial concepts of the representatives of the New Keynesianism were distinguished within the framework. J. Stiglitz refers them to two main trends. The first one is in line with most of the neoclassical assumptions, but with one important exception: wage and price stickiness which means they do not adjust instantaneously to changes in economic conditions. They consider the opposite assumption, that is, greater flexibility of wages and prices, the economy would be effective, and its participants would behave in accordance with the standard neoclassical model.

Followers of the second concept in the New Keynesianism may have approached the views of Keynes and considered the problems of a market economy more profound. Reductions in wages and the strengthening of the economic downturn are associated with the cause and the consequence because of the reduction of consumers' expenses. Deflation or even a slowdown in

inflation compared to the expected ones can lead to bankruptcy as a result of a shortage of income for repayments on loans. From this perspective, the problems in the financial markets are partly due to the lack of indexation of debt contracts taking into account the level of prices.

The neoclassical school proceeds from the priority of monetary policy. Modern neo-classicism focuses on monetary policy, as the development of inflation threatens the formation of the rules of accumulation and profit. The glorious representative of modern monetarism is M. Friedman, the head of the Chicago School. His monetary theory is called "conservative counterrevolution". According to M. Friedman, state intervention should be limited to the monetary sphere. In his opinion, it is necessary to carry out such a monetary policy that would create favorable conditions for economic activity.

The current fifth stage of the financial science progress concerns the development of the corporate finance theory, which started to spread in the early twentieth century. It was formed until the middle of the twentieth century. And its basis was the theory of a new direction in economic and financial sciences – neo-institutionalism. The impact for the appearance of this new direction in financial science within the limits of the neoclassicism was the publication of the work "The Nature of the Firm" by the future American laureate of the Nobel Prize in Economics R. Coase in 1937. In the 70s of the twentieth century neo-institutional theory penetrated the sphere of finance in the United States, and later in Western Europe. Today it is a leading branch in almost all areas of the world financial theory, which gives us the reason to distinguish it among others at this stage of the development of financial theory as one of the alternatives. In financial science, this stage was marked by the further development of the theory of so-called behavioral finance (D. Kahneman and A. Tversky) and neo-institutional finances (R. Merton, J. Law, R. Schiller). They had a common single theoretical and methodological interdisciplinary approach. Generally, this theory is a symbiosis of psychology and finance. It justifies irrationality in making individual financial decisions under fundamental uncertainty. The authors reveal the extremely large influence of subjective (psychological) factors in the process of making financial decisions, which may affect their objective character. According to the authors, there is a decrease in the efficiency and expected utility of solutions that are implemented.

From the point of view of the representatives of neo-institutionalism, unlike neoclassical and behaviorist theory, the neo-institutional approach is closer to practice. Acting as intermediaries on behalf of individuals these institutions create an effective market environment. The task of non-institutional financial theory is to find opportunities to use existing financial institutions or create new ones in order to mitigate risks and increase the effectiveness of the financial

activity. According to R. Merton, the innovations, offered by profit-oriented institutions, can reduce and even completely eliminate the consequences of behavioral anomalies and market inefficiencies that are created by individual investors in the real economy. J. Law sees finances as the only part of the economy that really works. He believes that institutions act as a central part of the financial sector, arise and change as a result of conscious decisions of those players who use them, as well as in response to the effects of evolutionary factors. R. Schiller presents finances as an instrument that allows the financial side of people's lives to be more secure.

Thus, the main feature of the neo-institutional direction in the development of financial science is that finance is explored as a social phenomenon considered through the behavior of an individual as an independent subject of financial activity. Financial institutions make rules of conduct in the financial environment. They are created and vary mainly as a result of trial and error of financially active individuals. The innovations and other factors of the evolution of society make a direct impact on the improvement of financial institutions.

There is no doubt that the considered findings of global studies in finance as well as best practices from the developed countries and successful post-socialist countries should be evaluated in terms of applying the knowledge and practices in Ukraine. However, simple copying is not acceptable; all attempts in this area have not yielded positive results. It is also impossible to start everything from the beginning because the situation has changed radically. Therefore, it is necessary to develop and put forward new and non-standard ideas and proposals, on which Ukrainian scholars in finance have worked, and are still working. In Ukraine, the essential part of studies in finance is carried out by the KNEU (Kyiv National Economic University named after Vadym Hetman) scientific school, which has a lot of disciples and followers in all regions and, above all, in Ternopil National Economic University. Although the core of their research is the issue of public finance, they pay considerable attention to the issues of corporate finance and growth of financial markets.

In Ukraine, the modern scientific school in public finance was introduced in the Department of Finance at KNEU in the 1960-1970s of the 20th century. The formation of a powerful research group in the Department has made it possible to substantially contribute to studies in finance and to receive a reputation for being leading in Ukraine. All these have served as the basis for training financiers for agencies of state administration. One can hardly find another department in Ukraine that has managed to educate so many Ministers of Finance (H. L. Sakhnoskyi, A. M. Baranovskyi, I. O. Zabrodin, P. K. Hermanchuk), Deputy Ministers of Finance, heads for offices and departments of the Ministry of Finance, and heads for local financial

institutions. In addition, V. F. Garbuzov, who was the Minister of Finance in the former USSR, graduated from the Department of Finance and for several years worked as the rector of this educational institution. Over different years, the graduates of the Department (O. I. Kireiev, A. I. Brezvin, S. V. Buriak) worked as the Head of the State Tax Service of Ukraine (now the State Fiscal Service of Ukraine).

Vadym Hetman, whose name has been used as the namesake of the university since 2006, was also a graduate of the Department of Finance. During the transitional period needed for proceeding towards market-driven economy, he worked as the Chairman of the Supervisory Board of the National Bank of Ukraine, the Head of the Interbank Exchange and a member of the Verkhovna Rada (Ukraine's Parliament). A lot of candidates and doctors of science, thousands of highly-skilled professionals for Ukraine's financial sector, hundreds of experts and dozens of candidates of economics for foreign countries are among graduates of the Department of Finance. A number of foreign professionals have become heads of financial authorities of their countries and have worked as ministers or deputy ministers.

The modern scientific school in public finance primarily owes its success to numerous research studies published from the second part of the 19th century to the beginning of the 20th century by Ukrainian academic financiers, namely, M.M. Alekseenko, A.Ya. Antonovych, M.Kh. Bunge, S.I. Illovaitskiy, A.O. Isaiev, P.L. Kovanko, Y.F. Kulisher, P.P. Mihulin, M.I. Mitilino, I.I. Patlaievskiy, H.F. Sydorenko, I.T. Tarasov, V.M. Tverdokhliebov, M.M. Tsytyovych, I.I. Yanzhul, M.P. Yasnopolskiy, and many others. It was during that time that the initiation and formation of Ukrainian financial thought took place. In the papers by Ukrainian academic financiers of that time, the general genesis of public finance functioning was thoroughly described with due regard to the development of a market environment and observance of social priorities, as well as a conceptual framework for budget system functioning, taxation, and state credit was developed.

Along with systematic research for the development of financial theory paradigm foundations, Ukrainian scientists-financiers of the late nineteenth-early twentieth century also played an important role in the origin and popularization of university financial science and economic education, including its staff. The systematic theoretical reflection and scientific research of world heritage, mainly Western financial thought, were first carried out from the standpoint of historical, economic and financial analysis. Some areas of the issues of public finance investigated, in particular, the optimization of the taxation system in the context of reducing the tax burden of the population, increasing the level of publicity of the budget and the level of public control over its implementation,

strengthening the role of local budgets and ensuring their financial autonomy, optimizing the debt burden in accordance with the financial needs of the state, remain extremely relevant at the present time.

By the way, universities, in those days and now, have become centers of scientific schools formation, both throughout the world and in Ukraine. The concentration of scientific potential permits to implement a breakthrough from the quantitative accumulation of knowledge to qualitative changes in the scientific world outlook. Nowadays, university science is the leading form of scientific research organization and the implementation of the results. Due to the creative contact of university researchers with talented student youth, new ideas and innovative products are being developed. This unique environment allows us to maintain the main thing in science – the heredity in the accumulation of knowledge. Therefore, the current need for research activities revitalization in universities is so important and requires proper state attention.

The key features of modern Ukrainian academic school of public finances are two aspects of the study. First, deep penetration through methodological approaches based on the fundamental principles of philosophy and economic theory, in the essential characteristics of the key categories of public finances (government revenues, public expenditures, taxes, budget, state credit, local finance, etc.). This allows to create a solid theoretical and methodological foundation for an effective system of public finance. Secondly, theoretical and applied research on the problems of the state's fiscal policy development and implementation, are aimed at ensuring macroeconomic and macro-financial stability and promoting sustainable economic growth. In this context, Ukrainian problems and the problems of developed market economies experience are thoroughly investigated, which determines the tasks and directions of the financial strategy and tactics of the young Ukrainian state development.

Taking into account that the key role in the system of public finances belongs to taxes, the main efforts were focused on studying the problems of optimizing the taxes by scientific school representatives. It is proved that the state-owned part of the national product value acquires, to a certain extent, a specific independent movement within the financial system and is further used in the process of implementing state fiscal policy. At the same time taxes, as well as finances in general, are characterized by a clearly expressed contradictory relationship among payers, state, and consumers of public goods. Accordingly, it is concluded that the decision of forming a balanced tax system should be based on the coordination of the interests of all subjects of financial relations. Resolving problems in the tax area or on the basis of an unjustified reduction in the general level of taxes in order to promote economic development (as has been a past recovering theme in Ukraine), either by increasing the tax pressure in

crisis periods, do not have the expected declared results. It is necessary to take into consideration the democratic mechanism of contradictions and balances, which provides the maximum possible harmonization of interests of all parties for solving the tax problems.

An important place in the development of scientific school is the problem of optimizing the system of expenditures of state and local budgets. Since the beginning of the 2000s, the scientific publications of the representatives of the scientific and educational school have repeatedly drawn attention to the unjustified growth of expenditures in Ukraine for the implementation of the state's administrative functions, the gap between the declarative social orientation of the budget and the real financial capabilities of the state, the unacceptable decline of the active role of the state through the investment process, which is aimed at the development of the economy. In order to optimize the structure of expenditures, the financial strategy of Ukraine has been repeatedly proposed, with the definition of relevant priorities in economic and social policy. In the part of the deficit financing of public expenditures, it was emphasized that it should be balanced in accordance with current needs and risks. At the same time, fundamental indicators of the budget deficit level and the state debt to GDP should take into account the restrictions adopted in the world practice (2-3% and 60% to the previously mentioned), as well as the realities of economic development and financial condition in Ukraine. Regarding the sources of debt financing, the necessity of public state loans (primarily from international financial institutions), which contribute to the growth of financial capacity, has been substantiated. The usage of domestic loans is feasible only within limits that do not allow diversion of resources from the real sector of the economy.

Considerable attention in research on the problems of the scientific school is given to the financial problems of local self-government on the basis of finance development, optimization of the budget system structure and rationalization of inter-budgetary relations. One of the reasons for the current political crisis in Ukraine was an overly centralized budgetary system. Moreover, the problem was not focused mainly on unjustified proportions between state and local budgets as in the gap (up to 20 percentage points) between their own and powers of local authorities and secured revenue sources of local budgets. The excessive centralization of funds in the state budget influenced per 90% of local budgets to become subsidized, and the subsidy level reached 60, or even 80%. The system of budget regulation, which was based on equalization grants, in fact, formed the ideology of «budget communism», in which the local authorities did not have any opportunities or incentives for rational management and promotion of regional development. The treasury system replenished both state and local

budgets with a concentration of funds on a single treasury account turned out to be extremely harmful, substantially limiting the rights of local authorities and administration, which also impacted budget fund managers.

Thus, according to the representatives of the school, there were all reasons to state that in the part of the budget system construction and the formation of local finance, the reforms that carried out with acquiring of independence, had anti-market character and were aimed at strengthening of the central government. It should be noted that even in the condition of an administrative economy, the level of financial autonomy and responsibility of local authorities was much higher. This was precisely what caused the inhibition of the implementation of the budget technologies at the state and local level into the budget process, without which it would be impossible to form a modern system of public finances.

The prominent Ukrainian scientists-financiers V.M. Sutormina and V.M.Fedosov became the founders of the modern Ukrainian school of public finance and among their followers and students are well-known scholars V.L. Andrushchenko, O.O. Gamankova, A.I. Krysovaty, S.V. Lyovochkin, V.M. Oparin, S.I.Yuriy and many other scholars. It was in their scholarly works that the dominant postulates of this scientific school were determined, a galaxy of students was developed with the help of their efforts, that deepen the creative work on public finance. In general, a broad range of school scientists counts more than two hundred people.

Formation of a scientific school is a rather complex creative process, which combines both the comprehension of the achievements of world financial science and the production of new ideas and approaches. There are all grounds to assert that the ideology of the modern Ukrainian scientific school of public finance is based on the achievements of the abovementioned Ukrainian financiers from the nineteenth and early twentieth centuries – representatives of the Ukrainian classical school of finance, and the creative work of modern theories of public finance, presented in the works of prominent scholars. The laying of the foundations of the modern Ukrainian scientific school of public finance, which occurred in the 1960s and 70s of the last century, was first and foremost based on an understanding of new phenomena in the economy and finances of the Western countries. It was during this period that the publication of the founders of the given school was dedicated to this problem.

In particular, in the monograph "Taxes in the system of state-monopoly capitalism of the West Germany"³ it was substantiated that state interference in

³ Федосов В.М. Налоги в системе государственно-монополистического капитализма ФРГ. М.: Финансы, 1969. – 89 с.

the processes of social production through taxes became vital for its existence. It was concluded that tax issues crossed the number of fiscal limits and turned into important and dominant political, economic and social problems in all countries. Thorough research of the financial theory and practice of the Western countries (the edition of the first textbook "Finance of the Capitalist States" in Ukraine in 1970 was presented⁴). In this work for the first time, V.M. Sutormina substantiated the original concept of tax as the initial category, "financial cell", scientifically proving that the whole complex system of sequestration, distribution, and consumption by the state of GDP part develops from the initial category – the tax. In addition to an analysis of general approaches to the nature of state finances, the financial system of a number of developed countries – the USA, Great Britain, France, Germany, and Japan – was thoroughly characterized in the textbook.

A constructive understanding of Western theories of public finances marked the beginning of the creation of a modern Ukrainian scientific school of public finances, which has been developing rapidly since the independence of Ukraine. In scientific terms, the publication of the monograph "State – Taxes – Business (based on the Global Experience of Fiscal Regulation of a Market Economy)" in 1992 has been an important milestone of the formation and development of the ideas of this school.

The issue of the tax system development in the world has been thoroughly examined, the principles and areas of fiscal policy implementation in our country under the conditions of formation of the bases of a market economy have been determined.

The publication of the monograph "Financial restructuring in Ukraine: challenges and directions"⁵ in 2002 contributed greatly to the development of the ideas of the school. In this monograph, the efficiency of the financial reforms carried out in the 1990s was shown and the strategic tasks of the development of the financial system of Ukraine aimed at ensuring the sustainable economic growth were defined. A modern Ukrainian scientific and educational school of public finances was created in 2002 with the publication of the monograph "The Financial Thought of Ukraine" (in three volumes)⁶. Another important step was

⁴ Федосов В.М. Налоги в системе государственно-монополистического капитализма ФРГ. М.: Финансы, 1969. – 89 с.

⁵ Федосов В., Опарін В., Львовчик С. Фінансова реструктуризація в Україні: проблеми та напрями. Монографія / За наук. ред. В. Федосова. – К.: КНЕУ, 2002. – 387 с.

⁶ Фінансова думка України: монографія / П.І.Юхименко, С.В.Львовчик, В.М.Федосов, С.І.Юрій; за наук. ред. В.М.Федосова. – Київ: Кондор; Тернопіль: Економічна думка, 2010. – У 3 т. – Т.1. – 687 с.; Т.2. – 584 с.; Т.3. – Ч.1. – 471 с.; Т.3. – Ч.2. – 734 с.

the publication of a collective monograph "Innovations in the financial sector"⁷ in 2013. In this monograph, the tasks, preconditions, and problems of introduction of new financial tools and technologies into the management of public finances were defined. In addition, a collective monograph "The financial infrastructure in Ukraine: the current state, problems, and prospects"⁸ was published in 2016. The processes of formation of the institutional and organizational environment which should ensure the mobilization of resources for sustainable development of the country were examined and highlighted in this work.

The educational value of the creative achievement of modern Ukrainian scientific school of public finances is determined in the textbooks and manuals, issued by its representatives. In general, three stages of development can be distinguished in the creative achievement of the school. The first stage is characterized by issuing the manual "Public finances"⁹ in 1991. It was the first manual on public finances, published on the territory of the former USSR, in which the main ideas and provisions of the scientific school, developed at the first stage of its creation, were highlighted. The second stage is presented by the development of a new curriculum for training specialists majoring in Finance and Credit in the mid of the 1990s due to the economic transformation towards a market economy. Consequently, new academic disciplines appeared and corresponding programs were developed including: "Tax system", "Tax Management", "Budget System", "Budget Management", "Local Finances", "Public Debt Management" and others.

During this period, such textbooks as "Tax system of Ukraine"¹⁰ and "Budget management"¹¹ were published by the Department of Finance of KNEU. The theoretical foundations and practical aspects of the development of the tax system were given (the essence and functions of taxes were determined, the taxes were classified, the scientific bases of the tax system development were

⁷ Інновації у фінансовій сфері: монографія [В.М.Опарин, Т.В.Пасентко, В.М.Федосов та ін.], за заг. ред. В.М.Опарина – К.: КНЕУ, 2013. – 444 с.

⁸ Фінансова інфраструктура України стан. Проблеми та перспективи розвитку: монографія / [В.Опарин, В.Федосов, С.Львовичкін та ін.]; за заг. ред. В.Опарина В.Федосова. – К.: КНЕУ, 2016. – 695 с.

⁹ Государственные финансы учеб. пособие / В.М.Федосов, Л.Д.Бурак, Д.Д.Буцаков и др., под ред. В.М.Федосова, С.Я.Огородника, В.Н.Суторминой. – К.: Либидь, 1991. – 276 с.

¹⁰ Податкова система України: Підручник / В. М. Федосов, В. М. Опарин, Г. О. П'яченко та ін.; за ред. В. М. Федосова – К.: Либідь, 1994. – 463 с.

¹¹ Бюджетний менеджмент: Підручник / В. Федосов, В. Опарин, Л. Сафонова та ін., за заг. ред. В. Федосова. – К.: КНЕУ, 2004 – 864 с.; Бюджетний менеджмент Практикум Навч. посібник / В.М.Федосов, С.Я. Кондратюк, Л.Д.Сафонова та ін.; За заг. ред. В. Федосова. – К.: КНЕУ, 2005. – 420с.

characterized, the mechanisms for tax collection in Ukraine were revealed); the principles of the budget management were determined (the essence, purpose, and role of the budget management, its components, tasks and functions of the financial authorities in the budget process, the procedure and methodology for drafting the budget, its consideration, approval and execution, accounting and execution reporting, budget control). The special attention in these books is paid to the experience of the developed countries in the formation of tax and budgetary systems and the use of the innovative management methods and techniques.

The third stage is the formation of a set of fundamentally new innovative educational disciplines. For the first time in Ukraine in the beginning of 2010 on the basis of the scientific research results "Financial Thought of Ukraine", "Fiscal Policy", "Microfinance Analysis", "Management", "State Financial Control", "Financial Infrastructure" appeared. It meets modern requirements for the management of public finances. In this period, two editions of the fundamental books "Finance"¹², "Theory of Finance"¹³, "Budget System"¹⁴ and a complex of training courses on the issues of public finance¹⁵ were published.

The process of studying this complex problem is associated with the development of new areas in the financial thought of Ukraine. Thus, in the 90s of the last century and in the early 2000s, the main focus was on the financial system restructuring in the transition to market relations and the rationale for the financial strategy and budgetary doctrine of Ukraine. Formation of the tax power and the optimization of the tax system and fiscal space still remain crucial. There are the following important and new fields for the national science as the study of the government bureaucracy influence on the public finances functioning, macro-financial control, macro-financial analysis and macro-financial planning and forecasting.

¹² Фінанси: Підручник / [С. І. Юрій, В. М. Федосов, Л. М. Алексєнко та ін.]; за ред. С. І. Юрія, В. М. Федосова. – К.: Знання, 2008. – 611 с.

¹³ Теорія фінансів: Підручник / [Юхименко П.І., В. М. Федосов, Лазебник Л.Л. та ін.]; під оп. ред. В. М. Федосова, С. І. Юрія. – К.: Центр учб. л-ри, 2010. – 573 с.

¹⁴ Бюджетна система: Підручник; за наук. ред. В. М. Федосова, С. І. Юрія. – К.: Центр учб. л-ри; Т.: Екон. думка, 2012. – 871 с.

¹⁵ Бюджетна система України: тренінг-курс / за заг. ред. В.М.Опаріна. – К.: ДННУ «Академія фінансового управління». 2012. – 390 с.; Податкова система України (тренінг-курс): навчальний посібник – К.: ДННУ Акад. фін. управління, 2012. – 656 с.; Бюджетний менеджмент: тренінг-курс / заг. ред. Є.О. Малік. – К.: ДННУ «Академія фінансового управління». 2012. – 400 с.; Тимченко О.М., Бондар М. І., Опарін В. М. Бюджетна і податкова системи України у запитаннях і відповідях: навчальний посібник. – К.: ДННУ Акад. фін. управління, 2012. – 333с.

The definition "financial infrastructure" became an innovative field of study with the justification of its essential content, organizational structure and instrumental support. The state, problems and the development prospects of all the financial infrastructure components are analyzed in detail. The scientific study of the areas: financial problems of corporate sector development and financial markets, as well as household finances, which are the main potential investors in the development of the economy, has been carried out.

The results of the creative search of the scientific school's representatives in public finance, aimed at the development of financial science in Ukraine, are presented in this monograph. Mostly it is formed on the basis of personal and joint publications of the authors. Separate paragraphs (1.2, 1.5, 2.2, 2.3, 2.5, 3.1, 3.3, 4.2, 4.3, 4.4, 4.5) have been prepared for printing on the basis of the creative work of other representatives of the scientific school, with their consent, with the corresponding references to published works, for which the authors express sincere gratitude to V.L. Andrushchenko, O. Hamankov, V.G. Demianyshyn, O.M.Desyatnyuk, T.O.Kizyma, O.V.Kneysler, T.V.Paentko, N.S. Ryazanova.

1. UKRAINIAN CONCEPT OF FINANCIAL THEORY AND FINANCIAL ARCHITECTONICS

1.1. Theoretical Fundamentals of Financial Science

There is a certain lack of unified view upon definition of finances, their essential characteristics, structural constituents and functional fundamentals in modern global economic science. Simultaneously, the assessment of the fact, how basic and considerable the differences in the determination of finance are, is extremely important as well as the factors stipulating them and the way they affect their application and management. The intrinsic feature of modern domestic investigations in the sphere of listed-above issues, being associated with public finance, is a complex system approach that is widely reflected in the latest publications¹⁶.

Within the proposed monographic research project one could hardly ever embrace deeply and substantially enough all the aspects of theoretical approaches to finance i.e. philosophic & political-economic (quality-contents) and material (quantitatively defined), institutional and legal, managerial and infrastructural ones. By the way, different starting points of their investigation stipulate the major bulk of differences in both general and particular definitions of finances. To be more precise, it even depends on the dominating aspects as one can scarcely present purely political-economic, legal, institutional or any other definition of finance. Most definitions contain the combination of the approaches, although there are some unique ones focusing on the single aspect. At the same time, in order to secure the complex approach to studying of problems concerning the financial infrastructure, one has to take into consideration all the range of mentioned aspects due to their importance.

Philosophical & political-economic aspect (from the viewpoint of philosophy and economic theory) involves the research of finance as an economic category, idiosyncratic scientific abstraction reflecting certain public relations, comprising special purposes and performing the corresponding functions. Simultaneously, the financial science determines their contents i.e. identifies the nature of such relations and their special features. This aspect is predominant for the functioning of finance in basic

¹⁶ Інновації у фінансовій сфері: монографія [В.М.Опарін, Т.В.Ласенко, В.М.Федосов та ін.]; за заг. ред. В.М.Опаріна. – К.: КНЕУ, 2013. – С. 31–51; Фінансова інфраструктура України: стан, проблеми та перспективи розвитку: монографія [В.Опарін, В.Федосов, С.Пшоноткін та ін.]; за заг. ред. В.Опаріна, В.Федосова. – К.: КНЕУ, 2016. – С. 21–45.

scientific investigations in the sphere of theoretical fundamentals. It is a keystone of financial science as it provides the objective image of complex financial processes in society. Having taken into consideration this aspect, one can clearly define the contents and fundamentals of financial infrastructure's functioning, its aim, and role.

Material aspect of finance definition aims at finding out the quantitative parameters of financial relations i.e. cash, resources, revenues, funds etc. This aspect is prevailing in financial practice. Any agent like an individual, a businessperson, an authorized official or a politician is mainly interested in the potential of finance, which is determined by the volume of available resources and possibilities to use them. Hence, the scholars have to elaborate the active instruments to mobilize and efficiently apply the financial resources. This aspect also determines the financial parameters and activity range for economic agents and corresponding business entities within the financial infrastructure.

Institutional aspect implies the studying of finance from the viewpoint of public institutes and institutions. The individual system of certain rules has been formed in finance like in other spheres of public welfare and economics. Both finances in general and certain financial phenomena are an aggregate of legal relations. The violation of legal regulations can misbalance the financial system either of a certain nation or entire world community. For example, the saying "each debt should be reimbursed" can be regarded to be basic in finance (from the viewpoint of both formal and informal institutes). It is not only a simple decency in a relationship between two agents but also a sustainability of the whole financial system and economy. It should be also mentioned that the last global financial crisis started from the failure to pay off the mortgage debts in the USA.

The legal side of finance lies in its features as an aggregate of formal public institutes from the viewpoint of financial law (regulations). The essence of finance, both general and separate financial phenomena and categories is an objective substance, which depends neither on location nor time of their usage. But due to the fact that finance is a regulated relationship primarily in legal form, the organization of financial relations is sometimes quite different in various countries. Correspondingly, these differences can change considerably the character and result of their action. For instance, lots of problems appeared in Ukraine with value-added taxes levied on ventures' income that are likely to be quite effective both within the fiscal and regulated sense.

It should be mentioned that the action of certain financial instruments is determined both by the quality of legal regulations and their practical

implementation. The process of institutional securing of an economy and financial functioning on the basis of adhering to all accepted rules is likely to be complex and long-term enough especially under conditions of the transitive economy. According to V.D. Yakubenko the latter is "an inter-conditional of three constituent parts: 1) during short-term period it is declaration of certain behavior rules & norms for business agents on legislative level; 2) during long-term period – their legitimization and public recognition; 3) cementation of this recognition in unwritten code and within individual and public behavior"¹⁷. Such difficulty of the institutional securing process indicates the fact that one can never obtain positive results within transitive economy very fast as the construction of legislative and regulative basis looks like the good beginning, which is not even half a battle.

Managerial aspect interprets the fundamentals of financial management considering both its essential features and practical tasks.

Finance is extremely complex public phenomenon being focused on by numerous interests and contradictions. Having neglected it, one is to fail running financial management. Whithin the managerial process, it is necessary to have certain instruments to accomplish financial operations being followed by permanent and large risks. The managerial aspect is interpreted as a separate sphere of financial science – financial management. It should be also mentioned that the latter is both theory (procedure of operation) combined with practice (current conditions to carry it out) and, to some extent, an art. Having compared the managerial aspect with financial infrastructure, one has to admit the former's definition as a manager of financial flows providing public regeneration or construction of managerial instruments inside the mentioned-above infrastructure.

Infrastructural aspect deals with the innovative scientific concept of finance via the prism of its supplying purpose. It allows clear definition of modern civilization problems resulted by certain differentiation between finance and economics itself. Though, as it was theoretically asserted before, any financial operation either currently or further should be associated with social regeneration but, in practice, under conditions of diversified and developed financial market there emerged the situation when financial resources turnover inside the market itself instead of being forwarded into the economy. So-called "financial economy" was formed where the business profits would be aggregated into the financial market. The financial sector

¹⁷ Якубенко В.Д. Базисні інститути у трансформаційній економіці. Монографія – К: КНЕУ, 2004 – С. 24.

scientific investigations in the sphere of theoretical fundamentals. It is a keystone of financial science as it provides the objective image of complex financial processes in society. Having taken into consideration this aspect, one can clearly define the contents and fundamentals of financial infrastructure's functioning, its aim, and role.

Material aspect of finance definition aims at finding out the quantitative parameters of financial relations i.e. cash, resources, revenues, funds etc. This aspect is prevailing in financial practice. Any agent like an individual, a businessperson, an authorized official or a politician is mainly interested in the potential of finance, which is determined by the volume of available resources and possibilities to use them. Hence, the scholars have to elaborate the active instruments to mobilize and efficiently apply the financial resources. This aspect also determines the financial parameters and activity range for economic agents and corresponding business entities within the financial infrastructure.

Institutional aspect implies the studying of finance from the viewpoint of public institutes and institutions. The individual system of certain rules has been formed in finance like in other spheres of public welfare and economics. Both finances in general and certain financial phenomena are an aggregate of legal relations. The violation of legal regulations can misbalance the financial system either of a certain nation or entire world community. For example, the saying "each debt should be reimbursed" can be regarded to be basic in finance (from the viewpoint of both formal and informal institutes). It is not only a simple decency in a relationship between two agents but also a sustainability of the whole financial system and economy. It should be also mentioned that the last global financial crisis started from the failure to pay off the mortgage debts in the USA.

The legal side of finance lies in its features as an aggregate of formal public institutes from the viewpoint of financial law (regulations). The essence of finance, both general and separate financial phenomena and categories is an objective substance, which depends neither on location nor time of their usage. But due to the fact that finance is a regulated relationship primarily in legal form, the organization of financial relations is sometimes quite different in various countries. Correspondingly, these differences can change considerably the character and result of their action. For instance, lots of problems appeared in Ukraine with value-added taxes levied on ventures' income that are likely to be quite effective both within the fiscal and regulated sense.

It should be mentioned that the action of certain financial instruments is determined both by the quality of legal regulations and their practical

implementation. The process of institutional securing of an economy and financial functioning on the basis of adhering to all accepted rules is likely to be complex and long-term enough especially under conditions of the transitive economy. According to V.D. Yakubenko the latter is "an inter-conditionality of three constituent parts: 1) during short-term period it is declaration of certain behavior rules & norms for business agents on legislative level; 2) during long-term period – their legitimization and public recognition; 3) cementation of this recognition in unwritten code and within individual and public behavior"¹⁷. Such difficulty of the institutional securing process indicates the fact that one can never obtain positive results within transitive economy very fast as the construction of legislative and regulative basis looks like the good beginning, which is not even half a battle.

Managerial aspect interprets the fundamentals of financial management considering both its essential features and practical tasks.

Finance is extremely complex public phenomenon being focused on by numerous interests and contradictions. Having neglected it, one is to fail running financial management. Whithin the managerial process, it is necessary to have certain instruments to accomplish financial operations being followed by permanent and large risks. The managerial aspect is interpreted as a separate sphere of financial science – financial management. It should be also mentioned that the latter is both theory (procedure of operation) combined with practice (current conditions to carry it out) and, to some extent, an art. Having compared the managerial aspect with financial infrastructure, one has to admit the former's definition as a manager of financial flows providing public regeneration or construction of managerial instruments inside the mentioned-above infrastructure.

Infrastructural aspect deals with the innovative scientific concept of finance via the prism of its supplying purpose. It allows clear definition of modern civilization problems resulted by certain differentiation between finance and economics itself. Though, as it was theoretically asserted before, any financial operation either currently or further should be associated with social regeneration but, in practice, under conditions of diversified and developed financial market there emerged the situation when financial resources turnover inside the market itself instead of being forwarded into the economy. So-called "financial economy" was formed where the business profits would be aggregated into the financial market. The financial sector

¹⁷ Якубенко В.Д. Бизнесні інститути у трансформаційній економіці: Монографія – К.: КІФДУ, 2004 – с. 24.

was transformed from servicing infrastructural constituent of the economy into a kind of self-sufficient system. Simultaneously, the mentioned profit is of speculative, not productive nature i.e. fictitious one.

Despite the fact, the fundamentals of the market economy have been already formed in Ukraine and there are no remarkable differences in financial instruments compared to developed nations, the definitions of finance often vary. Moreover,

these differences are stipulated predominantly by prevailing research techniques rather than different comprehension of financial nature. Foreign scholars prefer the material and managerial approach to finance that indicates their pragmatics. It does not mean at all they investigate financial problems deep enough: they just aim at reaching the practical goal while applying financial instruments and levers.

It is expedient to note the simplified (but not insane) definitions of finance in e-dictionary¹⁸, which contains the alternative definitions from Merriam-Webster and other fundamental and specialized English dictionaries:

a) material aspects:

- money and other current assets of a state, business entity, individual or group of individuals;
- monetary resources, funds especially those belonging to a state or corporation;
- stock or fixed assets (capital) supply;
- acquisition of funds or fixed assets (capital);
- a system comprising cash turnover, loans, investments, rendering of bank services;

b) managerial aspect:

- commercial activity associated with selling stocks or shares;
- monetary, loan, banking operations and investment management;
- branch of economic science that investigates monetary and other assets management;
- a science of stock management;
- a science of monetary and other assets management.

The material approach assumes finance to be money, monetary and other resources, stocks and capital assets as well as cash turnover. Such simplified approaches to finance cannot provide the relevant image about their essence as it is extremely complicated phenomena. Nevertheless they reflect the understanding of finance and their sustainable destination. At least, what the

¹⁸ Dictionary.com/finance. – <http://dictionary.reference.com/search?q=finance>

authorities, business entities, and individuals are interested in is the sum of money (assets or stock) being at their disposal to satisfy their demand.

A managerial approach to a definition of finance, as it was shown above, is likely to be very similar to material one but it describes finance as a monetary, assets and stock management. It is really important because every agent should know where and how it can be taken and used i.e. be aware to manage the cash turnover. However, such approach results in homologation between finance itself and its management system (financial management on different levels). For the same reasons, one could hardly ever define finance as a science of money, stock and assets management.

Generally, the simplified definition of finance reflects the intention to reach the final goal but does not reveal the mechanisms of collection and usage of money and stocks. One has to make a decision here what understanding of phenomena featuring finance is. If the notions of money, cash, and capital assets have clear and in general eloquent definitions, the definition of stock is rather amorphous. There's no particular definition what it is: either a certain or considerable sum of money belonging to an agent or separate sum for a special purpose. Obviously, having not clarified the situation with stocks, one can never clearly define what finance is. Besides, when homologating finance with money, monetary and other assets there appears a question what is the reason to use two terms with the same meaning? Such approach is inappropriate as there are the differences between notions 'money' and 'finance', 'finance' and 'monetary assets' or 'funds'. These differences are well-known and can be further ignored, so we will use only the simplified definitions of finance as one can hardly identify its infrastructural contents.

Some specialized encyclopedic issues are also lack of full and proper definitions of finance. Thus, the famous McMillan Dictionary of Modern Economics says: "finance in narrow meaning means 'capital assets' in the form of money that are lent or borrowed by financial markets or institutions usually to make equity contributions or investments. This term is also used to indicate any funds to cover any expenditure"¹⁹. Almost under the same slope angle finance is mentioned in Oxford Dictionary: "finance: 1. The practice of manipulation with money and their management. 2. Capital assets participating in a project; first of all the capital to be obtained in order to start a new business. 3. A loan for a special purpose that especially lent by finance

¹⁹ Словник сучасної економіки МАКМІЛЛАНА / пер. з англ. – К.: АртЕк, 2000. – С. 566-

house"²⁰. As we have seen, material aspect prevails in the listed above definitions of finance as the latter is associated with money, capital assets, and financial management. However, there is also available the institutional aspect in the form of references to financial markets, institutions, companies.

Nevertheless, there are more general definitions. According to Encarta e-Encyclopedia "finance is a branch of economics dealing with supplying of funds to individuals, business entities, and governments. Finance let these economic units use loans instead of cash to purchase merchandises and invest projects. ... Various finance aspects are studied separately. Corporate finance is focused on better ways to raise and spend funds (capital assets). Public finance concentrates on financial activities of federal and local authorities"²¹.

A bit different definition presents US Columbia Encyclopedia: "finance – theory, and practice of gross public and private monetary agreements. Important institutes of private finance include insurance, banking, equities, obligations and other securities. The development of national states resulted in great political and economic weight of public finance as a key factor for an organization of revenues, expenses and state debts. The most important source of state revenues is taxes, sales of public property and licenses as well as security equity interests"²².

Thus, the definitions from American issues are more clear and particular. To some extent they, especially the last one, exceed purely material content of finance as they are not about money, monetary assets and funds themselves but about public and private monetary agreements. They also reflect the supplying nature of finance that is of certain interest to us. Finance is considered to be the whole entity at one hand and an aggregate of corporate and public ones at other.

British Encyclopedia (1911) claims that "financial research projects contain issues about money market or stock exchange; they can also deal with bank and credit operations or public revenues and expenses. Anyway, the term is widely used. Financial contents comprise all spheres associated with business, particularly the balance between efforts and feedback"²³. Modern Britannica revises this definition: finance is a process (underlined by authors) of formation of funds or capital assets to reimburse any expenses. ...

²⁰ Финансы. Толковый словарь. Англо-русский. – М. ИНФРА-М, Изд-во «Весь мир», 1998 – С.154

²¹ MSN Encarta – Finance – <http://encarta.msn.com/encyclopedia/761564452/Finance.html>

²² Finance – <http://www.bartleby.com/65/fi/finance.html>

²³ Finance – <http://32.1911encyclopedia.org/F/FI/FINANCE.htm>

Finance is a process that directs these funds as loans or capital investments to those economic entities requiring them or being able to use them efficiently. The institutions transferring funds from saving to utilizing entities are called financial intermediaries. The latter include commercial and savings banks, savings and credit associations as well as such non-bank institutions as credit unions, insurance companies, pension funds, investment and financial companies. Three wide spheres of finance assume the availability of specialized institutes, procedures, standards, and goals, particularly in business finance, personal finance and public or government finance. The developed countries faced the thorough elaboration of financial markets and institutions structure that is designed to satisfy demand in mentioned spheres both in general and in each one particularly.

The last definition of finance is one of the most complete. There are three main aspects: first, there are characteristics of finance as a process i.e. dynamic, not static phenomenon, it is not simple funds or capital assets but the process of their formation and application. Secondly, they present both definition of finance and a summary of their contents: business, personal and public finance as well as financial markets and institutions to render services both in general and in each one particularly. Thirdly, they indicate both supplying roles of finance and its infrastructure (financial intermediaries transferring funds from saving to utilizing entities).

The definitions of finance in foreign scientific issues and manuals are also focused on its material and managerial features. Z. Bodie and R. Merton, having investigated the functioning of financial market, described finance as "the science about management of expenditure and revenues of deficit monetary assets during the certain period of time"²⁴. They pointed out the limited nature of monetary assets and assumed that financial decisions are marked with time diversification of expenses and revenues and usually cannot be precisely predicted either by decision-makers or anyone else.

The similar approaches are intrinsic to public finance experts. For example, C.S. Shoup presented the following definition: "public finance science describes and analyzes its functions from the viewpoint of monetary donations, social payments and their financing at the expense of taxes, loans, foreign aid and currency emissions"²⁵. D.Swain suggested the following definition: "public finance and budget are public monetary assets being at disposal of authorities, managed by executive bodies, spent on publicly

²⁴ Bodie Z., Merton P. Финансы.: Пер. с англ. Уч. пос. – М.: Изд. дом «Вильямс», 2000. – С. 18

²⁵ Shoup C.S. Public Finance – London: Weidenfeld & Nicholson, 1969. – P. 3.

approved purposes, accountable to donating taxpayers"²⁶. D.N. Hyman was briefer: "public finance is a sphere of economic knowledge studying governmental operations and alternative sources to cover public expenditure"²⁷.

National scholars focus their attention on the philosophical & political-economical definition of finance as it arguably considered to be the key to the substantial study. For example, the authors of fundamental manual 'Finance' stated: "theoretical revision of finance is a complicated and creative process as one can identify the agents of influence only on the basis of deepened cognition of phenomenon or process, investigate cause-and-effect relations and use obtained knowledge in practice"²⁸. Correspondingly, such philosophical notions as 'essence' and 'phenomenon', 'substance' and 'form' should be accepted as a basis of conceptual approaches to finance definition.

Thus, "according to *essence* finance is an objective economic category. They reflect the aggregate of economic operations that is linked to distribution and redistribution of GDP, in some cases even national treasure in order to form monetary assets and use them to sustain public socio-economic development, according to *phenomenon* finance as objective economic category and under legal conditions acquire material image within movement of distributed value both by means of particular revenues, income, expenses, expenditure, etc and general movement of financial resources." The *substance* claims "finance reflects the final goal for distribution and redistribution processes i.e. aggregation and usage of funds", which are the material substance of finance; the *form* of the latter "revenue, income, expense, expenditure i.e. the elements featuring the movement of monetary assets funds"²⁹.

It is necessary to mention that such complex approach to a definition of finance in national manuals was used for the first time. It contains the whole range of mentioned above aspects. Though certain moments require extra efforts and are disputable (e.g. forms of finance that look more like forms of financial operations), the presented above interpretation of finance is quite complete and reliable. The authors insist that "having taken into consideration the fact finance is important institutional constituent of public economic infrastructure and its features (monetary form, distribution and

²⁶ Swain D. *Managing Public Money* – Lanham. University Press of America, 1987 – P. 3.

²⁷ Hyman D.N. *Public Finance*. – Chicago etc.: The Dryden Press, 1990. – P. 2.

²⁸ *Фінанси: Підручник / За ред. С.І.Юрія, В.М.Федосова*. – 2-ге вид. переробл. і доповн. –

К. Знання, 2012. – С. 19.

²⁹ *Ibidem*, p. 19–21.

redistribution status) are intrinsic to every sphere of economy, finance is homologated with currency flow, which mediates the movement of gross domestic product at every stage of regeneration process: production, distribution, exchange, and consumption³⁰.

The analysis of approaches to the definition of finance essence can go on due to a number of Ukrainian and foreign scientific issues and educational materials in political economics. But though the worldview on the essence of finance is identical, there were spotted some differences. At the same time establishing of essential substance of finance is very important for research of financial infrastructure as one has, first of all, to determine the contents and subject of the activities to lean on and then identify the authorized individual, what instruments to use, the operation schedule etc.

Generally speaking, the analysis of views to the definition of finance's essence in historic retrospective allows determining three conceptual approaches due to its key feature: distributive, stock and stream. Sure, it is rather conventional as various authors use all or particular dominating approaches.

The distributive concept in financial theory, which was dominating in the Soviet period, states that finance shows the relationship between distribution and redistribution of the national output value. The followers of this concept insist finance does not exist behind distribution and redistribution. Besides, finance is only associated with those relations where currency turnover is separated from goods and services turnover. Moreover, they point out the process of collection and usage of monetary assets as an inherent feature of finance. For example, one of the main manuals of that period says finance is "a sphere of monetary relations on-going during distribution and redistribution of social product and national income". They also suggested only that monetary relation is finance if it "reflects the activities of public and economic bodies in the sphere of step-by-step aggregation and expenditure of monetary assets"³¹.

A stock concept in financial theory was more widespread abroad through its elements were present in Soviet economics as well. It is based on the postulate the aggregation and expenditure of monetary assets is the key feature of finance. Here the mentioned operations are not necessarily associated with distribution and redistribution of national product. O. M. Birman used to say "finance is economic (monetary) operations carried

³⁰ Ibidem, p. 22.

³¹ Финансы СССР Учебник для вузов. Авт. кол. под рук. проф. И. Д. Злобина – М.: Финансы 1967. – С. 6.

out by means of money turnover that result in the creation of centralized (public) and decentralized (venture) monetary assets³². The stock concept has been also developed in Ukraine. O.D. Vasylyk determined finance as an economic category that "describes aggregation, distribution, and expenditure of financial resources for running economic activities, rendering public services to society, securing state functions"³³.

Stream concept (currency flow) is based on dynamic features of finance. The first one to investigate it in the former communist empire was G.M. Tochilnikov: "finance is an economic process of monetary assets turnover"³⁴. He was convinced financial constituent of production is nothing more than accomplishment by the money of their inherent functions – the measure of value and turnover instrument in the relationship between an employer and his/her employee, the measure of turnover and payment instrument in the relationship between business ventures.

Modern Ukrainian scholar V.P. Kudriashov follows with: "finance deals with operations of mobilization, distribution and usage of financial resources by economic agents to accomplish the given tasks"³⁵.

Assessing the mentioned concepts one has to point once more out their conventionality as, obviously, finance has both distributing and redistributing functions as well as is associated with accumulation and expenditure of monetary assets or currency flows. One can hardly ever establish their efficient management system without clear understanding of financial operations.

Distribution and redistribution due to K. Marx is a constituent of productive relations and stages of public regeneration including production itself, distribution, exchange, and consumption. The distribution cannot be done in natural or monetary forms as finance is the main instrument of value distribution that complies with public welfare. However, does it really restrict financial sphere? What is really distributed and redistributed – the value of the national product, primary and secondary incomes of business agents, individuals and a state, financial resources and investment or loan portfolio? The thing is the value of national product according to a number of national scholars. But as the latter does not include the capital assets, it will be quite reasonably not to associate the distribution and redistribution of national product with finance.

³² Бирман А.М. Очерки теории советских финансов. Сущность и функции финансов – М.: Финансы, 1968. – С. 8.

³³ Василюк О.Д. Теорія фінансів: Підручник. – К.: НІОС, 2000. – С. 7.

³⁴ Тоцильников Г. М. Вопросы советских финансов. – М.: Госфиниздат, 1962. – С. 126.

³⁵ Кудряшов В.П. Курс фінансів: Навч. посіб. – К.: Знання, 2008. – С. 14.

Such interpretation of the object of financial operations badly narrows the sphere of finance and functioning of the infrastructure as well as substantiates defining a loan as the separate economic category. According to M.I. Savluk "loan is public relationship emerging between economic agents after mutual transfer

of free monetary assets with further voluntary reimbursement. This relationship due to some features can be separated into the independent economic category – loan"³⁶. If one links finance GDP and financial resources value fluctuations (loan is its important type), it quite reasonably expands its sphere.

One more question concerning the distributive concept deals with the comprehension of distribution of resources (including finance), commodities and services. There are techniques to implement it: market and non-market (administrative) ones. The market one assumes purchase and sale, exchange; non-market is based on swap operations via direct distribution. The non-market techniques were inherent to the administrative economy. In some senses, they were stipulated by certain problems (consumer's deficit cards) or social privileges (special supply for the communist elite), free public accommodation. Distribution of financial resources than was really administrative and budget-based. Even loans were issued under a special plan. Although such distribution was mainly supported by relevant payments for goods and services, the distribution instruments prevailed – money itself was of no importance. So, one has to discuss only distribution and redistribution of financial resources under conditions of the administrative economy with such non-market instruments.

The market economy is rather different, where the financial resources (assets) are also commodities, and financial market is a sphere of their exchange, which operations can be dually defined. Firstly, it can be an exchange with a delegation of contemporary (corporate stock) or temporary (loan) ownership. Secondly, it can be a redistribution of these resources among certain agents. However, this redistribution deals only with loans that are rendered just on a short-term basis without delegation of ownership i.e. such redistribution rather conventional. The corporate stock is not associated with distribution and redistribution at all as any share either personal or bearer one always belong to a particular shareholder, who is a co-owner of the corporation. When it is sold to another shareholder it is called

³⁶ Гроші та кредит Підручник. – 4-те вид., перероб. і доп. / М.І.Савлук, А.М.Мороз, І.М.Дівченко та ін.; За заг. ред. М.І.Савлука. – К: КНЕУ, 2006. – С. 444.

redistribution of ownership. The resources themselves retain in operation reserve of the same corporation.

Thus, the operations on financial market are nothing more than purchase and sale ones or contemporary or temporary delegation of ownership. But one has to associate them with finance as it is strictly defined to be distribution or redistribution of GDP value and financial market has nothing to do with finance itself. Then one has to admit that finance is wider notion than distribution operations, and the latter is a restrictive variation of finance and can be slightly associated with public finance. But everything is ineloquent in this sphere as modern financial science links public finance to social welfare. Hence, taxes paid are nothing more than a refund of this welfare i.e. taxation is of dual nature and comprises both features of distribution/redistribution and exchange. The similar features can be found in a plenty of other financial relations.

Investigation of economic context of finance under stock exchange concept is the most popular both in Ukraine and abroad.

Consequently, one has to keep in mind one peculiarity concerning aggregation and expenditure of monetary assets, which are considered by a number of national scholars as an instrument to mediate distributive and redistributive relations. The stock exchange concept is based on financial contents that are defined as aggregation and expenditure of monetary assets, which are their material basement. Obviously, such definition, being contrary to distributive function, expands considerably the sphere of financial relations if the monetary assets are interpreted as the certain sum of money.

At the same time understanding of funds' quality is a weak point of this concept. From an organizational viewpoint, any fund is monetary assets for a special purpose that are separately accounted and/or kept. Each fund has individual sources and regulated order of expenditure. Having accepted such interpretation, one has to admit finance loses a part of operations that are not mediated by aggregation and expenditure of funds. Correspondingly, some authors introduced rather idiosyncratic abstract funds in theoretical analysis. For example, O.D. Vasylyk wrote: "a businessman creates a fund of financial resources in the form of fixed assets both for economic activities and use of its results; they are funds of amortization, payroll, and social payment, current assets etc. They create funds for development after getting revenues to satisfy social demand, payment of dividends on shares, budget payments funds etc"³⁷.

³⁷ Василюк О.Д. Теорія фінансів: Підручник – К: НІОС, 2000. – С. 10.

In real life, such definition does not have anything common with financial practice. When some of listed-above funds are financially substantiated (fixed assets, amortization, and payroll), the other ones cannot be logically proved (social payments, budget payments, payment of dividends on shares). The latter absolutely of no use as they would complicate extremely the financial activities of business ventures.

One more issue of stock concept in financial theory appears in concern of the financial market. If aggregation of monetary assets in the sphere of public finance on macro-level is reality and reflects the essence of state financial activity and the micro-level faces the tiniest connection to the funds, one can hardly ever notice the existence of such funds on the financial market. The volume of trade operations on the stock market or commercial debts on loan cannot be interpreted as monetary assets anyway. If certain elements within distribution and redistribution during operations on financial market are likely to be found, there're no chances to search for funds.

As we can see, the stock concept of financial theory, like distributive one, does not reliably substantiates the investigation of financial infrastructure. Both result in a discrepant interpretation of finance, so if their followers had tried to explain financial phenomena through established initial principles they would have tripped over a number of problems. For example, where are distribution and redistribution if there is only pure exchange? And who can answer what funds are aggregated?

The concept to study the essence of finance through currency streams has become more popular lately. Even those followers of distributive or stock concept point out that financial operations are mediated by currency streams, by the way, here the difference between terms 'money' and 'finance' is clearly seen.

Money under still conditions stays being money when finance is an exclusively dynamic phenomenon. The followers of stream concept suggest the main feature defining substance and form of finance is turnover of currency streams. These are they to be that universal entity, which unites all functions of financial aspects and entire financial system. The currency streams always reflect the relations between two items: inflowing streams are associated with either aggregation of monetary assets (revenues from equities, loans, budget submissions etc) or getting income (payments for goods, jobs, and rendered services); out-flowing streams are associated with either expenses or redeployment of financial resources (allocation of temporarily free resources on financial market).

The stream concept eliminates the disputable issues of financial essence emerging in distributive and stock concepts. Currency streams also explain

the relations of exchange, distribution, and redistribution. Apparently, one can go on the dispute if an exchange has financial substance. But the question is absurd for practicing financial experts as there is no corporate finance management without revenues from the sale of goods and services as well as payments of expenses. But why the income from rendered services and purchase and payroll expenses are included in the budget of public institutions? The fact budget is a financial paper is out of the discussion. Then every item included in it has financial contents. Obviously, if one can still highlight certain stages of regeneration process theoretically, in practice they are so mixed it is not worth trying to diversify financial and non-financial relations.

The stream concept also eliminates the disputable issues concerning the financial approach to the definition of its essence. There is no reason to invent virtual funds as one can produce two practical organization forms of financial relations: stock and direct (channel). The first one assumes the currency streams are mediated by aggregation and expenditure of trust funds, and direct form dispatches the available monetary assets to accomplish the given task. Each form has its advantages and disadvantages. The stock one secures expenditure, and direct form accelerates it. Correspondingly, the efficiency of financial activities assumes the optimal combination of these two forms both in terms of money supply for payment operations and time-saving.

Concluding the express-analysis of basic concepts in financial theory it should be mentioned that public practice has always been the only trustful criterion to verify them from a philosophic point of view. The stream concept, as it was displayed above, is the closest to real practice. No doubt, the correlation between theory and practice is rather complicated and ineloquent. On one hand, a financial practice hardly ever coincides with theory. Practical violation of theoretical requirements very often results in negative output, though they could be a consequence of faulty theories. In any case, certain theoretical constructions are original landmarks for practical experts. But the theory itself, at another hand, cannot be segregated from practice when trying to create excessively abstract, unreal and unreachable milestones. It should answer on particular on-going questions and help define strategic goals.

Besides, the conception of currency flow determines the causes of the origin and deepening of the latest global financial crisis, because distributive or stock concepts cannot do it efficiently. According to the experts, its origin should be sought in government efforts aimed at countering the slowdown in economic growth, based on the policy of "cheap" money which appeared at

the beginning of this century in the leading economies of the world. For example, the US Federal Reserve reduced the discount rate to 1% in 2003, compared with 6.5% in 2000. The over-supply of money, firstly, quite naturally led to an increase in inflation, and secondly, to the surplus of credit resources, which, in turn, prompted commercial banks to expand lending volumes, including the mortgage. This positively influenced the development of the construction and related industries, and the economic dynamics. But the credit boom was accompanied by an increase in volumes and shares of excessively risky deals with customers that did not have sufficient solvency. Realizing the situation, banks have started to ensure their risks more accurately, resulting in a strange metamorphosis: essentially problematic loans have been turned into high-quality ones because the rating agencies classified them as the most reliable. The market was flooded with the mortgage securities which, due to high ratings, gained popularity among investors and speculators.

It is obvious that both supply and demand were artificially created. Sooner or later, such market would have to collapse. Since 2005 the property prices have started to fall in the United States, Great Britain, and Japan; in mid-2006 this process has been fallen so much that the market value of housing has become smaller than the amount of bank loan debts for its buying or construction. Since a significant part of the borrowers was in fact investors who had invested in real estate for the purpose of its profitable resale, it was easier for them to refuse payment of loans by giving the mortgaged property to banks. But under the crisis of the real estate market banks were not able to sell it. They were forced to write off such bad debts at the expense of their reserves, which quickly became exhausted. First and foremost, investment banks suffered, because such fancy assets significantly exceeded their own capital. Moreover, it came about the most powerful banking institutions that were the main players in the global financial markets.

This period is considered to be the beginning of a full-scale financial crisis. By this time there had been a certain surplus of resources in the world financial markets, so the problem was to find out where to invest them (by the way, due to

this investment they were directed to the new markets, including Ukraine), then, as a result of the mortgage crisis in the USA, the situation instantly changed to the fundamentally opposite, i.e. financial resources were sorely missed. In exchange for the unlimited and unjustified confidence of the banks to any borrower, it has come suspicion to all of them. This was accompanied by panic in the stock markets, as investors tried to get rid of

securities, not only questionable ones but reliable securities as well. Therefore, the volume of lending began to decrease as a result of resource constraints and a general lack of confidence. In turn, it negatively affected the activities of enterprises and the solvency of citizens. Having reached Ukraine this "chain reaction" led to a deep financial and economic crisis.

Let us try to consider the causes of the crisis and the appropriate mechanisms for minimizing its consequences and ways to overcome it in the context of the above concepts of the theory of finance. To identify the causes of the crisis, to find and take proper measures to overcome it is merely impossible from the point of view of the distribution concept. The basic question should be asked: "What violations in distributive and redistributive processes have caused such a global and deep crisis?" One can find problems in the fiscal policy of individual states, there is always some deficiency in their tax and budgetary systems, etc. But were they so big to cause such a large-scale crisis at that time? No, they weren't. In any case, no publication in the world press and scientific literature dealt with problems of this nature.

A more complete and clearer picture is given by the analysis from the standpoint of the stock concept. It was noted above that as a result of the crisis there was a problem of resource shortages, as well as their impairment due to collapse in stock markets. Consequently, this caused the problems in the economy, which had rather interdependent nature: limits of resource led to a reduction in production, it caused the increase in unemployment and drop in incomes, which even more negatively affected the production due to the lower solvency of legal entities and individuals. But the stock concept does not explain why the money suddenly became scarce, where they disappeared altogether. These explanations are precisely given by the streaming concept. The normal functioning of the financial system is ensured by a stable circulation of financial resources, and any distortions in circulation affect the economy very negatively. As a result of the mortgage crisis in the US, a kind of "thrombus" arose which blocked the movement of cash flows. Taking into account the role of the country in the global economy and the international financial system, one can imagine what the threat was. The pessimistic forecasts were fully confirmed by the following events. The system of non-payment of debts and liabilities began to spread over the world on a "domino" principle. But it should be noted that in fact, the resources have not disappeared, but they have ceased to move and there is a key issue.

The experts say that the recent global financial crisis is unequivocally comparable to the Great Depression in the 30s of the twentieth century. But if that crisis had been initiated by overproduction, then the current one began

with the financial sector. It should be noted that the methods of dealing with the crisis were similar in content but different in focus. In both cases, the governments have resorted to peculiar money injections aimed at restoring the flow of financial resources, which has led to the insolvency of individuals. But in order to overcome the effects of the Great Depression, the authorities resorted to public funding for so-called public works (based on the Keynesian recipe for stimulating aggregate demand and the multiplier theory), in the second case its efforts were aimed at supporting institutions of financial infrastructure, i.e. commercial and investment banks, insurance and other financial companies. In fact, the crisis was being tried to curtail where it appeared, but, as the following events showed, it was not completely successful.

In the context of the infrastructure purpose of finance, the definition of their functions is also important. In general, this question is rather controversial, both in Ukrainian and foreign literature. The most common approach among Ukrainian scholars is the allocation of two functions, which reflect the public purpose of finance, i.e. distribution and control. In particular, such opinion is adhered to by the authors of the mentioned above fundamental textbook on the theory of finance³⁸. The mechanism of the distributive function of finances is that they are the target instrument for the distribution and redistribution of the micro and macro equivalents of the value of the gross domestic product created in society. The views of individual economists regarding the understanding of this function are almost the same. Interpretation of the control function is rather ambiguous. Mostly it is defined as the control of "compliance with the proportions in the distribution of the gross domestic product, the correctness of the formation, distribution, and use of financial resources of the state and economic entities."³⁹ But under this approach, it turns out that finances control themselves because they are these processes themselves. We suggest that the nature of the control function is that finances are tools for monitoring compliance of all subjects of financial relations in their activities with the established norms and rules that are implemented in the movement of cash flows.

At the same time, it should be noted that while distinguishing distribution and control functions as the main ones, it limits the characteristics of finance to a certain extent, especially from the point of view of their provision

³⁸ Фінанси: Підручник / За ред. С.І.Юрія, В.М.Федосова. – 2-ге вид. переробл. і доповн. – К.: Знання, 2012. – С. 26.

³⁹ Ibidem, p. 28–29.

purpose. Investigating at the time the problems of the formation and functioning of the financial system, we drew attention to the expediency of the allocation of a reproductive function, "the nature of which is the financial provision of the lengthy process of social production."⁴⁰ A. Chukhno notes that "finance is a necessary element and a powerful factor in expanded reproduction. Therefore, one of their main functions is a reproduction as funds and methods of depreciation, accumulation fund, accumulation fund, social development funds, state budget, etc relate to the processes of reproduction and economic growth directly. And underestimating this role would be wrong not only theoretically, but practically as well."⁴¹

In general, as we see, science treats finances quite variable and widely. Finance is so complex, multifaceted and dynamic phenomenon that any attempt to characterize in one definition all its essential features, forms, and sides of manifestation, elements, principles, and specificity of functioning is simply impossible. Each conceptual approach has certain achievements that are important for financial science. At the same time, there are many reasons to suppose that the basis of financial infrastructure issues studying should be the concept of cash flow. Just as the transport infrastructure, ensuring the movement of goods, creates the conditions for the continuity of production, the financial infrastructure through the relevant entities provides the movement of financial resources with the help of certain instruments, forming a solid foundation for the economic and financial system of the country.

1.2. Institutional Approaches to the Theory of Finance

The current stage in the development of science suggests that more productive researchers are based on interdisciplinary approaches. This is particularly clearly observed in financial research, where the combination of financial instruments, econometrics, sociology, psychology provides an opportunity for a holistic view of the behavior of economic agents and their response to macro-financial challenges.

The problems of fiscal policy, its impact on the redistribution of financial flows, are central to research for the scientific school of public finance. One

⁴⁰ Опарін В. Фінансова система України (теоретико-методологічні аспекти): Монографія – Вид. 2-ге, без змін. – К: КНЕУ, 2006. – С. 110.

⁴¹ Чухно А.А. Економічна теорія: [у 2-х т.] / А.А. Чухно. – К.: ДНУ АФУ, 2010. – Т. 2, с. 376.

of its comparatively new directions is the study of the institutional theory potential in financial research. In particular, a representative of this school T. Paientko proves the necessity of applying institutional approaches in the methodology of studying of the financial problems in the monograph "Institutionalization of fiscal regulation of financial flows"⁴³. The combination of methodological developments in different trends of institutionalism and the results of the study in the practice of financial functioning gave the author an opportunity to formulate a number of conceptual ideas.

First, it has been determined in the book that in economies with the significant influence of institutional deformations, the efficiency of the functioning of finance would always be lower than it was expected, due to their institutional nature. Ignoring the institutional nature of finance leads to the emergence of territorial and sectoral imbalances in the redistribution of financial flows, which negatively affects the financial security of the economy.⁴³

Secondly, it has also been proved that the efficiency of finance is achieved when there are effective formal institutions (fixed rules of conduct and mechanisms for their implementation), which operate on the basis of cooperation with informal institutions. If there is an existing confrontation of formal and informal institutions in a society, then there are institutional deformation (inefficient informal institutions), which include the shadow economy, corruption, bureaucracy, etc., and as a result, the effectiveness of fiscal measures is being reduced.⁴⁴ That is why, for example, a purely technical approach to reforms of the tax system (changing the list of taxes, their rates, scale, tax base) does not give the expected results without taking into account the institutional factor. Moreover, the institutional component and behavioral factors play a decisive role not only in taxation but also in the entire financial system. Any anomalies that arise in financial relations are not only due to mistakes in the mechanistic use of financial instruments, but also because of ignoring the expectations of economic agents and their behavioral responses.⁴⁵

⁴² Паентко Т. В. Інституціоналізація фіскального регулювання фінансових потоків [монографія] / Т. В. Паентко. – К.: ДКС центр, 2013. – 294 с.

⁴³ Паентко Т. В. Фіскальне регулювання фінансових потоків в інституціональній економіці. Автореф. на здоб. наук. ступ. док. екон. наук. – К.: 2014. – 33с.

⁴⁴ Паентко Т. В. Інституціоналізація фіскального регулювання фінансових потоків [монографія] / Т. В. Паентко. – К.: ДКС центр, 2013. – С. 86-90.

⁴⁵ Paientko T. (2015). Behavioral Aspects of Financial Anomalies in Ukraine// CEUR [Електронний ресурс]. – Режим доступу: [http://ceur-ws.org/Vol-1356/SciVerse_Scopus by Elsevier](http://ceur-ws.org/Vol-1356/SciVerse_Scopus_by_Elsevier)

Thirdly, it has been proved that fundamental changes in the theory and methodology of finance have always been associated with significant changes in the economy (particularly in finance), as a result, the researchers face a lack of tools within separate methodology to answer the question how to achieve the optimum in financial relations. That is why the increasing attention of Western economists is focused on the role of individuals in financial relations, formal and informal rules, etc.⁴⁶ Representatives of the Western economic theory are trying to solve the problem of limited methodological tools by synthesizing achievements of various economic theories and related sciences, i.e. sociology, political science, psychology and more. The current methodology for researching financial problems should be based on a harmonious combination of the best achievements of different economic trends, which can provide an institutional approach.⁴⁷ For expediency of institutional and finance theories' synthesis, it has been suggested the term "institutional economy", which concerns the economic system with the existing institutional matrix that includes both formal and informal institutions which interaction determines the degree of fiscal regulation effectiveness of financial flows. It allows the institutional economy to explain the qualitative economic dynamics, including peculiarities of institutional transformation in the financial system, and evolutionary processes in the economic and financial systems. This is achieved by taking into account the historical factor and the inclusion of the instruments of related sciences in the economic analysis. Considering past events can explain why borrowed financial institutions prove to be ineffective or nonfunctioning at all, and why there is so low efficiency in the functioning of the institutions which are not the result of socialization. Therefore, the financial system suffers from such phenomena as shadow movement of financial flows, money laundering, tax evasion. The methodology of the institutional economy enables us to understand the underlying causes of these problems and to eliminate the preconditions for their occurrence.

Fourthly, it has been established the necessity of studying of the institutional deformations in financial relations. Institutional deformation is a persistent inefficient institution, the functioning of which reduces the

⁴⁶ Паєнтко Т. В. Роль інституціональної теорії як методології дослідження економічних процесів / Т. В. Паєнтко // Економіка і держава. – 2009. – № 5. – С. 42–44, Паєнтко Т. В. Передумови використання інституціонального підходу в теорії фінансів / Т. В. Паєнтко // Актуальні проблеми економіки. – 2008. – № 11. – С. 12–20.

⁴⁷ Паєнтко Т. В. Методологія інституціоналізму у теорії фінансів. В кн. Інновації у фінансовій сфері: за заг. ред. В. М. Опарина – К: КНЕУ, 2013. – 444 с.

efficiency of formal institutions (i.e. tax evasion reduces the efficiency of the tax system; the existence of shadow economy reduces the effectiveness of investment flows regulation, etc.). The reason for the formation of institutional deformations is the discrepancy of formal institutions with the living conditions of economic agents, especially when the state continues to force the introduction of such norms into society. The formation of institutional deformations is preceded by the emergence of institutional asymmetries. Unlike institutional deformations, insignificant institutional asymmetries do not have the features of a stable institute; they can be practically asymptomatic and disappear under the influence of market regulators without special state intervention. The increase of information asymmetries, which will be promoted by unbridled state policy, leads to their transformation into institutional deformations that reduce the effectiveness of the use of regulatory tools.

In the process of the research, it has been stated that all elements of the financial system are characterized by institutional nature, so the use of the methodology of institutionalism in financial research is proved. The institutional nature reveals itself in taxation most of all. The peculiarity of the organization of taxation is the presence of formal and informal norms. On the one hand, the tax is a mandatory payment in favor of a state, which must be paid by each economic entity for performing the functions by the state. The payment of taxes is necessarily fixed by law, and the law suggests the appropriate penalties for non-payment of taxes. This is a manifestation of formal tax institutions. But on the other hand, high efficiency of taxation is achieved only when the tax is perceived as a moral obligation of citizens. The payment of tax as a performance of moral obligation concerns one of the informal tax institutions.⁴⁸ The informal tax institution forms the norms, rules, and stereotypes of behavior that regulate the tax relations of economic agents, they have been developed before and they are actually working in practice.⁴⁹

The presence of informal tax institutions is not a sign of the inefficiency of the tax system. It depends on the aspects of the tax behavior of economic agents which are regulated by informal institutions. If informal tax institutions are positive fiscal traditions and norms of tax culture in the payment of taxes, then such informal institutions naturally support the functioning of formal institutions. If informal institutions are traditions and

⁴⁸ Паентко Т. В. Институціональні основи налогу і податкової системи / Т. В. Паентко // Бизнес Информ. – 2007 – № 12. – С. 12–15.

⁴⁹ Податкова політика: теорія, методологія, інструментарій [навч. посібник] / Під ред. д-ра екон. наук, проф. Іванова Ю.Б., д-ра екон. наук, проф. Майбурова І.А. – Х.: ВД «ІНЖЕК», 2010. – С.62.

customs of tax evasion, this is an evidence of the conflict between formal and informal tax institutions,⁵⁰ which are formed in the process of taxation evolution, and the outcome of the functioning of tax institutions depends partly on the duration of the evolution process.

Taking into account the institutional peculiarities of taxation, T. Paientko proposes to apply the theory of games to the study of taxation problems. She believes that taxation can be seen as a kind of game.⁵¹ In the case when the game is repeated or there is a likelihood of its restoration, the possibility of reaching a co-ordinated decision becomes much more obvious. However, the critical condition is that such a game must be infinite. If the game is ending or the economic agents anticipate its approach, then the decision on how profitable it is to continue cooperation is affected by the discount rate. The less probability to continue the game for one round, the more expensive it will be to maintain equilibrium. Similarly, the higher the probability of short-term winnings, the more expensive it will be necessary to pay for such a game. In taxation, this situation arises when there is a probability that in the future, one of the participants in the process (a state or a taxpayer) will behave unfairly. The application of the theory of game apparatus in the methodology for the studying of taxation processes will enhance the quality of decisions taken in the field of tax reforms. This is achieved due to the possibility of taking into account the behavior of the state and the taxpayers, as well as considering transaction costs.⁵²

While making a decision to amend the mechanism of calculation and payment of taxes, as well as the level of responsibility for violation of tax laws, it is mandatory to take into consideration not only legal and economic consequences but also behavioral ones. It is possible to influence on the behavior of the taxpayer in order to reduce the amount of tax evasion in the form of:

- reduction of tax rates with the simultaneous expansion of the tax base (by the time of the establishment of an institutional trap);
- ensuring the irreversibility of punishment in case of detection of the tax evasion fact;
- the formation of such a correlation between the amount of the maximum sum of tax payable and the maximum amount of penalties for tax evasion, in which the maximum amount of penalties will be higher.

50 Паєнтко Т. В. Інституціоналізація фіскального регулювання фінансових потоків [монографія] / Т. В. Паєнтко – К: ДКС центр, 2013. – С. 132-133.

51 Паєнтко Т. В. Теорія ігор в методології дослідження проблем налогообложення / А. Д. Данилов, Т. В. Паєнтко // *Бізнес Інформ* – 2011. – № 7 (2). – С. 126–128.

52 Паєнтко Т. В. Теорія ігор в методології дослідження проблем налогообложення / А. Д. Данилов, Т. В. Паєнтко // *Бізнес Інформ*. – 2011. – № 7 (2). – С. 126–128.

It has also been developed the proposals for taking informal tax relations into account in calculations of the tax burden. Based on calculations of the tax burden by various methods, T. Paientko substantiates that the consideration of formal and informal tax relations is extremely important, since ignoring the informal aspect of taxation may lead to disproportions in the redistribution of financial flows in favor of the informal sector of the economy. The results of author's calculations of the volume of financial flows that are redistributed in favor of the informal sector of the economy in the form of unpaid taxes have shown that they have a predominantly tendency to increase, which is amplified during periods of crisis. The existence of institutional deformations in the financial regulation of such financial flows is evidenced by their low elasticity to changes and level of the tax burden. This is especially true for shadow incomes of citizens and business entities since further lowering of income tax rates will result in a reduction of revenues from these taxes and will not facilitate the removal of such income from the shadow. The scientist notes that maintaining the general tendency to increase the degree of tax evasion by increasing the tax burden is an indicator of the possibility of overcoming existing institutional deformations and reducing the redistribution of financial flows in favor of the informal sector of the economy.

The functioning of institutions requires the establishment of certain institutional limits and the development of a mechanism for their compliance. Institutional restrictions cover both the prohibition for individuals to do something and the conditions under which they sometimes are allowed to carry out certain activities. They form the basis where human interaction takes place. However, only the threat of sanctions for breaking this prohibition is not enough for everyone to act honestly. Firstly, there is a probability that sanctions will not be applied. Secondly, they can be applied differently, for example, certain economic entities will be able to avoid them because of some informal relations. Thirdly, restrictions should be perceived by economic agents as equitable ones, i.e. not only limiting the freedom of their activities but aimed at the prosperity of society. Establishment of institutional limits is also part of the process of institutionalization.

Imperfect institutions are the cause of ineffective transactions and high unproductive transaction costs for activities within the legal framework, which are proposed to be divided into the following groups:

- economic (deterioration of the macroeconomic situation, contractual nature of economic relations, competition, low efficiency of financial intermediaries);
- legal (right to conduct economic activity, related expenses, unofficial expenses, changes in legislation);

- technological (high power consumption of production, low innovation of production, the structure of costs);
- organizational (lack of complete information, large regulatory burden, lack of necessary experience in coordinating decisions with controlling organizations).

The greatest source of transaction costs is the necessity to overcome the administrative barriers that arise in connection with the need for changes in property rights, changes in legislation or access to certain resources. There is a direct connection between the size of the bureaucracy, the number of bureaucratic procedures, the level of corruption, and the volume of transaction costs. The higher the level of bureaucratization and corruption, the greater the transaction costs, the higher the risk of the formation and development of informal institutions, the greater the sector of the informal economy. In cases when inefficient economic institutions are automatically superseded by the effective ones, transaction costs are very low, but this situation is far from reality. Any formal financial institution requires legal registration, and the abolition of its activities should also take place on the basis of legislative procedures. The entire legislative procedure is the source of transaction costs, thus the longer it lasts the greater the transaction costs are. In case of delay, when a formal ineffective institution is not abolished or attempted by the state, it is superseded by an informal institution that does not always function within the legal framework or becomes an institutional trap.

Transaction costs associated with the functioning of the financial system include:

- costs for the development and implementation of institutional foundations for its formation and functioning (costs of institutionalization);
- expenses for implementation of the mechanism of its functioning;
- compliance costs (costs of financial control and enforcing rules).

The efficiency of the financial system functioning as an institution and the creation of prerequisites for minimizing transaction costs on the interaction of the financial system with other economic systems, including the processes of structural modernization of the economy, depends on saving all of these costs.⁵³

These costs can be calculated and analyzed using public information. However, there are some transaction costs at the micro level, the official statistics of which are not simply absent, but impossible. These are some

⁵³ Пасенко Т.В. *Методологічні підходи до інституціоналізації фінансових відносин // Фінансовий механізм структурної модернізації економіки України/ За ред. С.В. Онишко, В.П. Учинеш-Ходаківської. – Ірпінь: в-во НУДПСУ, 2013. – 606 с.*

costs associated with the opportunistic behavior of taxpayers and the alternative time waste of economic agents for verifying information flows (for example, whether the contractor falls into the category of suspects in suspicious transactions and fraudulent schemes). It is impossible to estimate such costs reliably.

Public transaction costs are "rationing costs" i.e. complex decision-making methods when the initiative comes from the one party and the decision is made by the other party. These include the costs associated with the development of formal fiscal rules or the implementation of the mechanism and the costs associated with the activities of the financial intermediation sector. The main flow of financial flows and their redistribution occurs within this sector.

As a result of the conducted study, it has been developed the proposals for a method of estimating transaction costs based on the introduction of new indicators: transaction costs per 1 UAH of GDP and the cost of public administration institutions. Their calculation makes it possible to determine the degree of institutionalization of fiscal regulation (formal or real) and the effectiveness of the functioning of the financial regulation institutions.⁵⁴

The main problems of the financial system institutionalization in Ukraine are the dominance of formal institutionalization over the real one, as well as a large number of sources and factors of transaction costs. This is one of the main reasons for the inappropriate redistribution of financial flows, which led to most failures in the implementation of reforms in the financial system of Ukraine. The formality of institutionalization in Ukraine leads to the emergence of institutional asymmetries in the field of public finances, primarily in the area of government expenditure formation, accompanied by an increase in expenditures for financing public goods and services without expanding their own funding base. Deformations are deepened by the underfunding of many budget programs, including the provision of public goods and services, which not only damage the budget but also increases the level of social tension in the country. This situation does not work for the image of the state and creates the basis for the formation of the opportunistic worldview of the taxpayers.⁵⁵

⁵⁴ Паєнтко Т. В. Трансакційні витрати фіскального регулювання фінансових потоків / Т. В. Паєнтко // *Фінанси. Облік. Аудит. Зб. наук. праць*. – К.: КНЕУ, 2013. – № 1. – С. 129–137.

⁵⁵ Паєнтко Т. В. Інституційні асиметрії бюджетних видатків і перспективи їх подолання в Україні // *Проблеми економіки*. – 2015. – № 4. – С. 144–149; Паєнтко Т. Optimization of Government Expenditures for the Economic Development of the State. The Case of Ukraine // *International Journal of Economics and Management Systems*. Vol. 1, 2016. PP. 49–53

There are several institutional deformations in the field of public finances in Ukraine.

1. The budget deficit, the growth of which for a long time was due to an increase in expenditures on the provision of public goods and services, rather than economic development, i.e. the budget deficit has remained passive. This is an institutional trap that a protracted debt crisis can turn into an institutional collapse. The budget deficit in Ukraine is characterized by significant institutional disproportions, which are formed mainly due to insufficiently effective ways of balancing the budget. The greatest threat to the transformation of the budget deficit into institutional deformation is the unconstrained debt policy of the state. Further debt financing of a budget deficit can be safe only if it is transformed into an active deficit. Thus, the financing of the economy should be aimed not at covering current costs, but at financing those industries which can provide an increase in budget revenues as soon as possible.⁵⁶

2. Public debt management. It has been proved that in order to prevent the deepening of institutional deformations it is necessary to determine the optimal limits of the debt burden on the economy of the country. Traditionally, only a mathematical instrument is used to justify the optimal ratio of debt finance and tax financing. However, formalization with the help of mathematical methods does not take into account the institutional properties of taxes and duties. Absolute limits of public debt cannot be determined. Therefore, they can always be achieved or exceeded if the goals of macroeconomic policy are at stake.

3. The institutional deformations in taxation, i.e. inappropriate distribution of the tax burden among taxpayers; distortion of the fundamental principles of taxation; instability of the legislative framework; complication of the procedure of paying taxes; complication of tax administration; violation of the balance of rights and responsibilities between taxpayers and the state; large rate of tax evasion; formation of negative attitude to the tax system; insufficient use of regulatory tax mechanisms, etc. In general, the level of the tax burden in Ukraine is lower than in most OECD countries. However, taking into consideration the low GDP output per one citizen, a mechanical increase in tax burden can lead to economic collapse. On the other hand, the low level of accumulation of tax revenues leads to low level of social benefit financing, which significantly limits Ukraine's ability to ensure stable social and economic development. The described situation is an institutional trap,

⁵⁶ Пасярко Т. В. Інституціональна природа дефіциту бюджету та державного боргу в Україні / Т. В. Пасярко // Економіка промисловості. – 2013. – № 1–2. – С. 181–187.

which can not be avoided only by reducing or increasing the tax rates. The elimination of an institutional trap, in this case, can be achieved through the natural expansion of the tax base due to increased business activity and the revival of the sector of non-financial corporations.⁵⁷

4. Institutional distortions in the structure of budget expenditures. There are three main reasons for the institutional asymmetries of budget expenditures. The first one influences the overall dynamics of budget expenditures and concerns the "manual" management use of the expenditure distribution. The second one is the increase of the volume of social trend financing (until 2013) under low GDP growth and recession in the non-financial corporation's sector, i.e. under the lack of an own basis for financial support for these processes. The third reason is the increase in budget expenditures for state functions and the low institutional capacity of public administration, resulting in budget allocations being distributed and used inefficiently, with minimal utility for society.

Thus, there are several alternate ways out of the current situation:

1. Reducing expenditures for state functions to the level of economically developed countries. According to the world experience, the expenditures for state functions can be reduced to 2.5% of GDP at the current stage of Ukraine's economic development. At the same time, the proper measures should be taken to increase the level of institutional capacity of public administration by reducing the size of the management apparatus and increasing its responsibility for the ineffective use of budget funds.

2. Maintaining a high level of budget expenditures, including state functions support, and focusing on increasing the institutional capacity of public administration. Under this option, the high share of the public sector and the relatively high tax burden will become the priorities of the development of society. The risk of implementing such an option is a sharp decline in aggregate demand, which adversely affects the GDP dynamics, therefore the implementation of such an option involves additional measures to prevent the decline in aggregate demand (for example, the fall in public procurement may be offset by an increase in investment and consumer demand).

3. Gradual reduction of budget expenditures for state functions, increase of the state administration institutional capacity, control over the growth rates of budget expenditures in other spheres within the GDP growth rate. This option is moderate, but the positive effect of its implementation will not

⁵⁷ Пасенко Т. В. Інституціоналізація фіскального регулювання фінансових потоків [монографія] / Т. В. Пасенко. – К.: ДКС центр, 2013. – С. 145.

be seen more than a few years after the economic stabilization. Under this option, the priorities of social development are the gradual reduction of expenditures for the financing of public goods and services to maintain the current level of a tax burden. The risk of the implementation of such a scenario is the growth of society's discontent due to the decrease in the volume of public goods and services, and the implementation of such an option should include measures to optimize the financing of public goods and services for those in need.⁵⁸

1.3. Principles of Financial System Structuring

Considerable attention was given to the issues of the financial system structuring with the definition of the place and role of public finance in it by the representatives of the modern Ukrainian scientific school.⁵⁹ Establishing the foundations for the formation of the financial system requires identifying first the relationship between such concepts as the composition of finance and the financial system. The composition of finance is an *objective* phenomenon that does not depend on the peculiarities of a particular country and the specifics of economic and financial policies pursued by a particular state. To determine the components of finance, it requires neither legislative nor any other regulation, since an axiomatic feature of entities of financial relations is taken as a basis for their allocation. At the national level, it is citizens, corporations and the state, and at the supranational level – international organizations and international financial institutions. Accordingly, finances include four components: household finances, corporate finances, public finances and international finances. Each of these components of finances provides the specific needs of these entities which vary significantly. Each of them has its own specialized institutes, procedures, standards, and goals that characterize the features of their organization and functioning which have significant differences.

In the historical context, the most developed component is public finances, which in fact initiated the emergence and development of such a

⁵⁸ Паєнтко Т. Оптимізація витраток бюджету інституціональна спроможність держави та зрілість суспільства / Т. В. Паєнтко // Модернізація публічного сектору в Україні: можливість, виклики та обмеження фіскальної децентралізації зб матеріалів Міжнар. наук.-практ. семінару, Київ, 11-14 квіт. 2016/ ДВНЗ «Київ. нац. екон. ун-т ім. Вадима Гетьмана», каф. фінансів; редкол. – В. Федосов (голова) [та ін.]. – Київ: Аграр Медіа, 2016. – С. 68–71.

⁵⁹ Опарин В. Фінансова система України (теоретико-методологічні аспекти): монографія. – К.: КНЕУ, 2005. – 240 с.

complex social phenomenon as finance. They are considered primarily from the point of view of their security purpose – the realization of state functions. Initially, the provision of these functions was carried out on a tangible basis (tribute, taxes, dues, labor obligations, etc.), which became the prototypes of financial relations. With the development of commodity and money economy, there was a gradual transformation into a monetary form (taxes, fees). As a result of the evolution, which has been lasted for several millennia, there was formed a rather ramified and complex system of relations that characterize modern public finances.

The buildup of finances of business entities and households is connected with the formation and development of commodity production and monetary relations. The rapid development of entrepreneurship in the industrial and postindustrial society has led to the accelerated development of these components and at present, corporate finance by the level of development is in many ways inferior to public finances. The development of world economic relations and the processes of globalization of the economy have led to the emergence and accelerated development of international finance, which in the modern world are becoming more and more important.

Being the components of a single holistic phenomenon, individual components of finances have significant differences at the same time. The organization of finances of business entities depends on the nature of their activities. Business entities that are commercial entities operate on the basis of mobilizing a certain amount of financial resources (own, borrowed and debt capital), on the basis of which their production activities and income generation are ensured. Non-profit enterprises and organizations operate on the basis of non-profit activities or estimated funding. Household finances are characterized by income from the productive activities of their members, from property and property rights, from financial transactions and receipts in the form of state transfers and benefits, as well as by the costs associated with their livelihoods. Public finances are primarily based on the principles of tax redistribution of legal entities and individuals income, which are therefore defined as a fiscal sector. International finances are characterized by the centralization and redistribution of resources and revenues by certain international organizations and institutions, but unlike public finances mainly on a voluntary basis (each country is independently determined by membership in these organizations and institutions).

If the components of finance in their essence are objective phenomena, peculiar scientific abstractions, then the financial system, like any other system, is a totality of somehow organized (state, international) agreements and agreements between individual entities) and interacting elements.

Actually, through the financial system, there is a realization of public purpose and functions of finance. In practice, finances do not exist either in their overall scientific treatment or relatively separate entities – they exist like an abstraction. Instead, the financial system is a reflection of concrete forms of financial activities organization of individual entities. In this way, we have a classical relation between two philosophical categories: abstract – finances – and concrete – finance system.

In the philosophical encyclopedic dictionary, it is given the following definition of the system: "a set of defined elements between which there is a regular connection or interaction. ... For objects that are characterized as a system, the most important features are internal dismemberment and functional integrity"⁶⁰ In another philosophical dictionary, we find a similar definition: "a set of elements that are in relations and relationships between themselves and form a certain integrity, unity"⁶¹ It is noted that the concept of the system is organically connected with the concepts of integrity, element, subsystem, communication, relations, structure, etc. A characteristic feature for it is not only the existence of relations and relationships between the elements that make up it (certain organization) but also the inextricable unity with the environment in which the system manifests its integrity.

According to the "Economic Encyclopedia," the system in its general sense is the "complex of elements and their properties, the interaction between which leads to the emergence of a qualitatively new integrity"⁶² 4. In complex systems, which include economic systems, subsystems can be formed that characterize individual complexes of elements. In their turn, within the limits of certain elements, separate components can be singled out – the simplest structural formations. On this basis, an expanded definition of the system is given: "a complex of subsystems, elements, and components and their characteristic properties, the interaction between them and the environment determines a qualitatively or essentially new, integrative integrity" In addition, it is noted that the concept of "system" can be considered in the ontological (a certain set of interconnected and interacting components) and epistemological (as an instrument of the essential knowledge of complex material systems) aspects. As we see, there are all bases to consider the financial system as a complex economic system in

⁶⁰ Філософський енциклопедичний словник. Редкол. В.І.Шинкарук, Є.К.Бистрицький, М.О.Булатов та ін. – К.: Абрис, 2002. – С. 583.

⁶¹ Філософський словарь / Под ред. И.Т.Фролова – 7-е изд., перераб. и доп. – М. Республика, 2001. – С. 513.

⁶² Економічна енциклопедія: У трьох томах. Т. 3 / Редкол.: ... С.В.Мочерний (відп. ред.) та ін. – К.: Академія, 2002. – С. 361.

which subsystems, elements, and components are allocated. The subsystems in it, from our point of view, are separate spheres of financial relations, the elements of which are relatively independent components – links and components – concrete forms of financial relations. It is these relations, which are mediated by the flow of cash flows, reflect the connection of this system with the external environment and internal interrelations in the financial system, both inside and within the individual spheres and links. Accordingly, they will act as components of two components at the same time. For example, taxes are components of corporate finance and households on the one hand and public finances (budget or social insurance funds) on the other hand.

The structuring of the financial system requires the establishment of a certain initial provision, which must be directly related to the finances itself. If we proceed from the assumption that finances have a security purpose in relation to social production (which serves as the environment in which the financial system operates), then it follows that GDP is at the heart of the functioning of finance as a social institution. At the same time, based on the relationship of finance with GDP, there are two possible options for interpreting the financial system – expanded and narrowed. The extension system proceeds from the fact that it forms, on the one hand, the financial basis for ensuring the production process by mobilizing, accommodating and providing on various conditions financial resources to production entities, and, on the other hand, ensures the distribution and redistribution of the value of the created GDP. Narrow interpretation can be of two variants: either the financial system includes institutions and institutes that function in the field of resource provision of the economy or those public institutes that mediate the distribution and redistribution of GDP.

In Western financial science, the narrow interpretation of the financial system prevails in the context of the resource needs of the economy. For example, Z. Bodie and R. Merton (1997 Nobel Prize winner in economics) describe the financial system as "the aggregate of markets and other institutions used for financial transactions, asset, and risk exchanges. This system includes equity markets, bonds, and other financial instruments, financial intermediaries (such as banks and insurance companies), firms offering financial services (such as financial advisory companies) and bodies regulating the activities of all these institutions."⁶³ At the same time, they note that "the financial system provides the means for moving economic resources in time, from one geographic region to another, as well as from

⁶³ Боди З., Мертон Р. Финансы / Пер. с англ. – М.: Изд. Дом «Вильямс», 2000. – С. 38.

one branch of the economy to another⁶⁴. In the same context, G. Gabbart considers the financial system, describing it as a network of "markets and institutions that are intermediaries between savers and borrowers"⁶⁵. Paying attention to the mediating role of the financial system, he notes that "as an individual saver you can find potential borrowers by yourself, but it will be burdensome and costly"⁶⁶.

Although such an interpretation of the financial system, which is primarily related to the functioning of the financial market and prevails in Western financial science can be found in the literature. In particular, P. Rose and D. Fraser consider it fairly widely, referring to it a network of financial markets, financial institutions, business structures, household finances and government⁶⁷, that is, in fact, we are accustomed to defining the financial market, the finances of entrepreneurial activity entities, public finances, and household finances. Although they focus on financial institutions, the fact remains that the resources are partially deployed in specific areas (family, business and public finances), and they are partly redistributed through financial markets and institutions.

Investigating the problems of financial restructuring in Ukraine, we proceeded from the fact that it is expedient to examine the financial system according to two features: substantive and organizational. According to an essential feature, it "represents a set of various forms and methods of financial relations in society at different levels of the economic system and covers: the finances of business entities; state finance; financial market; insurance; international finance".⁶⁸ "According to an organizational basis, the financial system is regarded as a set of financial bodies and financial institutions that provide the organization and implementation of financial activities of various entities"⁶⁹. This approach allowed us to explore the content and directions of the restructuring the financial system comprehensively.

The authors of the above mentioned national fundamental textbook in finance interpret financial system quite widely. They also indicate that it can be viewed from two sides: theoretically and methodologically. According to the organizational and institutional structure, it represents a "set of financial

⁶⁴ Ibidem, p.65

⁶⁵ Габбарт Г. Гроші, фінансова система та економіка: Підручник / Пер. з англ., Наук. ред. пер. М.Савлук, Д.Олесевич. – К.: КНЕУ, 2004. – С. 34.

⁶⁶ Ibidem.

⁶⁷ Rose P., Fraiser D. Financial Institutions. Plano, Texas Business Publication, 1988. – P. 6.

⁶⁸ Федосов В., Опарін В., Львовичкін С. Фінансова реструктуризація в Україні: проблеми і напрати: Монографія / За наук. ред. В.Федосова – К.: КНЕУ, 2002. – С. 52.

⁶⁹ Ibidem, p. 53.

bodies and institutions that manage cash flows and money funds," and in its internal structure, it is "a set of separate but interrelated spheres (a component generalized on a certain basis) and links (an isolated component of financial relations that have certain features in the mobilization and use of financial resources, as well as the corresponding management and regulatory framework"⁷⁰. At the same time, the approach to its consideration by the substantive content is deepened by distinguishing three features of structuring: according to the forms of ownership, the main subjects of financial relations and levels of the economic system. A combined approach is added to this, taking into account all the features, but it is not classified by the authors in this form.

According to the forms of ownership, there are two components: state and non-state finances. The state finances include the state, the finances of the state-owned entities and the finances of the communal ownership entities, and the non-state finances include finances of private enterprises, the finances of collective enterprises, the finances of business associations and enterprises based on a mixed form of ownership and household finances.

According to the business entities there are three components: household finances; finances of business entities which include such links: finances of commercial enterprises of all forms of ownership, finances of social institutions, finances of civic organizations and charitable foundations; finances of the state whose links are consolidated budget, state credit, state trust funds, household finances. There are the following levels of the economic system: sub-macro-level finances of business entities (enterprises) at the micro-level and state finances at the macro level; international finances at the level of the world economy; the financial market as a separate component.

At the same time, in the future, considering the financial system of Ukraine, the authors point out another – combined variant of its structure – but without indicating the feature of structuring. They distinguish five areas: state finances, finances of business entities, household finances, financial markets, international finances. As part of the state finance, there are three levels: state and local budgets, state trust funds, state and communal loans. The finances of business entities are made up of two parts: finances of commercial enterprises and organizations of all forms of ownership and finances of non-profit institutions and organizations. As the financial market links, there is securities market (stock market), credit market, currency

⁷⁰ Фінанси. Підручник / За ред. С.І.Юрія, В.М.Федосова. – 2-ге вид. переробл. і доповн. – К. Знання, 2012. – С. 29–30.

market, financial market, services, the market for gold and other precious metals. International finances include finances of international organizations, finances of international financial institutions, finances of transnational corporations, finances of other subjects of foreign economic activity and the international financial market.

This approach, of course, broadens the scientific understanding of the financial system. At the same time, there are some issues that require clarification and argumentation. For example: Why are some parts of the finance of economic entities and the state allocated according to the subjects of financial relations but in a generalized form, other parts are allocated? One can not agree with the classification of the finances of international organizations and international financial institutions as well as the finances of multinational corporations to the financial system of Ukraine, as they are part of the world financial system. It is also unclear where insurance disappeared – it is not reflected in any of the schemes.

An overview of the approaches to structuring the financial system can be continued and continued. Just as there is no unity of scientists in the matter of the nature of finance, exactly, as regards the composition of the financial system, their views differ substantially. But if the differences in the definition of finance are stipulated, as it is shown earlier, not so much their essential content but the aspects of the functioning finance, which are taken as the basis by individual authors, then the differences in the definition of composition of the financial system are characterized by a rather subjective perception of individual scientists. At the same time, from the point of view on the problems of the development and segmentation of financial infrastructure, it is necessary to carry out a clear and well-founded structuring of the financial system. We will try to deepen the approaches to this on the basis of the theory of institutionalism, which explores the economy from the standpoint of the functioning and development of public institutions and institutes.

There is no doubt that finances are quite rightly regarded as a public institution, since the state, on the basis of legal regulation of monetary relations, establishes certain rules of the game and the motivational behavior of certain subjects and forms the tools of its influence on their activity. From the point of theory, the finances are considered to be an economic category that reflects certain relationships in the society. At the same time, within this general phenomenon, there are separate structural elements – financial categories – corporate finances, budget, state credit and others. Accordingly, there are all reasons to consider them as financial institutions – the form of public order in finance. Thus, financial institutions are associated with

categorical notions in finance, which are nothing but scientific abstractions. In the same context, institutes are considered by representatives of institutionalism. As one of the classics of the institutional theory D. Nort remarks, "we can not see the institutions feel them, touch with the hands, or even measure: they are the structures of the human brain"⁷¹. Currently, there is a certain terminological inconsistency and a dispute between scientists about the definitions "institute" and "institution". In some cases, they are essentially identical, in other ones their interpretation is exactly the opposite: the institute means certain rules, and the institution is some certain organizations that function within the established rules or vice versa. Other sources can be found in literary sources. Without going into this terminological dispute, which is not the subject of our monographic research, we need to distinguish between these concepts. From our point of view, the definition of "financial institute" is a starting point, while the notion of "financial institution" is derivative. If financial institutes, whether formal or informal, are scientific abstractions, financial institutions are entirely permissible to be considered from the point of the organization of financial activity view: they are real legal entities – institutions which operate in the field of finance. Thus, financial institutions provide in essence the reality of the existence of certain financial institutes, since both the adoption of certain rules and their consolidation in the legislative form is worthless without adequate organizational support.

Financial institutions, as a rule, are business entities that operate on a commercial basis with a view to obtaining profits in the financial market and insurance, as well as internationally – international financial institutions. It is necessary to distinguish between their own financial activities (revenue generation and implementation of expenses) and the performance of the financial institution functions – mobilization, transfer, and investment of financial resources. In this context, they are considered as intermediaries which provide financial services. Certain financial institutions may function as non-profit organizations acting as trade organizers, thus creating the right conditions for all financial market participants (stock and currency exchanges, trade and information systems).

Consideration of the financial system for its content as a combination of areas and units that reflect specific forms of financial relations is based on the essence of the allocation of individual financial institutions. Each of the spheres of the financial system which was considered by us when

⁷¹ Норт Д. Институції, інституційна зміна та функціонування економіки. Пер з англ І Дзюбка, К.: Основи, 2000. – С. 137.

investigating the problems of financial restructuring (finances of business entities, public finances, insurance, financial market and international finance) has all the features of a public institute: the established rules and limits that organize the relationship between people; a system of measures that ensures their implementation; structure of motives. Each of these spheres, and, consequently, the links, is indeed a stable set of formal and informal rules, values, norms, attitudes and other inherent regulatory institutions that mutually harmonize the forms of activity and relations between people. Thus, there are reasons to argue that the structuring of the financial system in terms of content reflects the totality of financial institutions.

Although the financial system, in its essential content, is closely linked to the components of finance, the differences exist between these concepts. On the one hand, the composition of the financial system is wider than the composition of finance, because it includes the financial market and insurance. Here, the relevant procedures, standards, and goals that characterize the specifics of financial resources' trade and providing insurance protection for citizens and business entities are created and they operate. On the other hand, the composition of the financial system can be considered narrower for the composition of finance, since the discussion is about the inclusion of household finances in this system. The positions of individual authors, in this case, vary according to the analysis of scientific and educational literature. At the same time, this is more likely due to the fact that in the vast majority of cases they do not have a clear distinction between the concepts of "composition of finances" and "financial system". The allocation of household finances as a component of finance

is an objective reality, as one of the subjects of financial relations are citizens who, like all other entities, carry out the relevant financial activity. But it does not mean that they are part of the financial system because it is not just a set of certain forms and methods of financial relations. It is a complex organized by a state appropriately (otherwise it can not actually be a system because it will not be possible to ensure its coherent functioning).

The organization of financial relations is carried out in two directions. First one is according to their regulation in the legislative, contractual and statutory forms. In the finances of households, not all the relations can be regulated. Secondly, in the financial system, a certain institutional infrastructure is formed, which corresponds to its composition on the meaningful content of financial relations. The operation of each link is provided with the specific financial authorities or institutions. The composition of these bodies and institutions may be different, as well as the

delimitation of functions and powers between them, but it is absolutely clear that without them the financial system can not function. Both corporate, state and international finance, the financial market, and insurance have adequate institutional support, while household finance is not even foreseen. On this basis, we believe that household finances are not part of the financial system.

By the way, there is one more question related to the terminology used in determining this component of finance. Along with the term "household finances" the terms "family finances", "finances of the population" and "personal finances" are often used. Although the scientists do not give special explanations on this subject, essentially in the literature all of the above terms refer to the same phenomenon. However, if to deepen their content, it turns out that these definitions are different. Personal finances refer to an individual, while household finances and family finances are more generalized. At the same time, the last two concepts are not identical. The finances of the population as a whole are the reflection of the general resource potential of citizens. Of course, all these aspects should be investigated by financial science, but in relation to the economic system, it is expedient and reasonable to allocate exactly the finances of households as the basic concept that characterizes the composition of finances.

An important task of structuring the financial system in the context of its relationship with the formation of financial institutions is the allocation of the relevant parts (from the point of the system approach – subsystems) the appropriate units (elements) within separate spheres. Now, this issue is too controversial, and therefore it needs to be given due attention since the formation of financial infrastructure is based on the need to provide concrete forms of financial relations.

In the field of business entities finances individual components are often distinguished either according to the form of organization of financial activity (for example, finances of commercial enterprises and organizations and non-profit institutions and organizations⁷²), or according to the ownership form (finances of individual, private, collective enterprises⁷³, or state, municipal, private, joint-stock companies, public organizations⁷⁴), or sometimes according to the branches of economics (finances of industrial, agricultural, transport, etc. enterprises and organizations). The question arises how much it is necessary from the point of the management

⁷² *Фінанси: Підручник / За ред. С.І.Юрія, В.М.Федосова. – 2-ге вид ререрабл і доповн. – К: Знання, 2012. – С. 33.*

⁷³ *Кудряшов В.П. Курс финансов: Навч. посіб – К: Знання, 2008. С. 23.*

⁷⁴ *Государственные и муниципальные финансы: Учебник – Изд. 2-е, доп. и перераб. / Под общ. ред. И.Д.Мацуляка. – М: Изд-во РАГС, 2007. – С. 25.*

organization view and the formation of financial infrastructure and it is appropriate in terms of significant differences.

Of course, all of the above factors affect the organization of financial activity of enterprises. Thus, the ownership form, as well as the organization of business is reflected in the processes of capital formation which differ in the state, joint-stock and private enterprises, in the implementation of financial management and in the distribution of income. Branch factors have a significant impact on the processes of income generation, composition and cost structure. The organization of finances of commercial and non-profit enterprises and organizations has differences in the purpose i.e. to ensure profitability in one or the provision of certain services (production of certain goods) on a non-profit basis in others. In addition, there may be features related to the nature of public finance policy, especially in the field of taxation. However, in our opinion, the indicated differences are rather peculiarities in the organization of financial activities of business entities. The essence of this activity is the same: to mobilize financial resources and to optimize their placement; to make expenditures in order to ensure the process of production and sale of goods, works and services; to ensure complete income generation in time; profit (or to ensure financial resources to be saved from non-profit organizations). Actually, this specificity of financial activity of business entities gives grounds to allocate their finances, which have material content in the volume of financial resources, income and received profit, into independent, relatively separated sphere. But from our point of view, there are not any reasons for the allocation of individual units in this area either in the form of ownership or on organizational or branch features.

In the field of public finances, their division into centralized components (budget and trust funds) and decentralized (public-sector finances) will be sufficiently justified, as different methods of organizing financial activities are used here. At the same time, the finances of state-owned enterprises also belong to the previous sphere – according to the organization of financial activity, and to public finances – according to the ownership on resources and received income and the financial result. In order to structure the financial system more clearly, we consider referring the classification of state enterprises finances to the sphere of business entities finances.

In the organization of centralized public finances, in general, there are two options which are used in practice: the unification of all funds in the budget, or the formation of a separate general fund (state budget) – to ensure its basic functions and funds of intended purpose – to finance especially

important expenses. Both options have their own positive and negative moments.

The first option allows using public funds and savings on the management apparatus more maneuverable. The second one gives more guarantees of the target use of funds. In this way, there are all grounds for allocating two parts of the public finances – the state budget and the funds of the target destination.

In the theoretical perspective, the most important issue is the allocation of public finances as a separate component of public credit. Just as an independent link it is characterized by the overwhelming majority of domestic scientists. At the same time, it is not part of the principles in structuring this sphere, since it does not foresee the formation of a separate fund of funds and does not have the appropriate organizational support. Indeed, for the state, this is a rather specific form of financial relations, since it does not fit into general terms in the scheme of its financial activities: income – expenses. In the field of public finances there is no circulation of financial resources, as in the business structures, and therefore there is virtually no source of debt repayment. Borrowing money, the state relies primarily on the growth of its future earnings, and in practice, it can resort to both spending cuts and refinancing of debts.

However, despite the specificity of relations with the state credit, we believe that there are no valid grounds for allocating it to a separate section of public finances. State credit can be considered and treated as a special form of financial relations (that is a component of the financial system). But this is not a separate link, because the funds, received on its basis go either to the budget, or under the targeted projects, or to the formation of currency reserves of the central bank, and they do not function separately. Operational management of borrowings is carried out by a special unit of the Ministry of Finance, rather than a separate financial authority. Therefore, in our opinion, it should be discarded to allocate the state credit, as a separate part of the financial system.

There is a very important separate link of the financial system between the micro and macro level – insurance, which is a system of formation and usage of collective insurance funds on the basis of joint liability.

Such place is due to the fact that, on the one hand, insurance companies are ordinary subjects of entrepreneurship, and therefore belong to the level of microeconomics within the financial sector. However, on the other hand, the funds formed by them cover a very wide circle of insurers and insured, and therefore close to the macroeconomic level.

The structuring of international finance is rather complicated. It is difficult to find a certain sign, which could cover the entire population. Therefore, we state that they should be considered in two dimensions: broad and narrow. In the broad sense, they cover the whole set of international cash flows, and in the narrow dimension – international centralization of funds and financial resources. When considering international finance in their broadest sense from the standpoint of ensuring the implementation of international settlements, there are all grounds for the allocation of their currencies market as an independent branch, which has appropriate institutional support in the form of currency exchanges or interbank foreign exchange market. But one more question arises: where it should be attributed to – to international finances, or to the financial market as the most domestic and foreign scholars do. In our opinion, it is an integral part of international finances, because it has the purpose of ensuring the possibility of conducting currency exchange transactions, not for the purpose of generating resources, but for conducting the international settlements.

There are certain problems in allocating the constituent elements of international finances in their narrow sense. With the regard to the finances of international organizations, there are no questions – they are mediated by the formation and usage of the budgets of these organizations. This link is similar to the state budget, and not at the national level, but at the international level. Difficulties arise in the institutional determinants of the links associated with the international centralization of credit resources carried out by the international financial institutions – the International Monetary Fund, the World Bank and the regional banks for reconstruction and development. These institutions are primarily credited ones, and therefore they are sometimes referred to the sphere of international loans. But, on the one hand, this phenomenon is wider, as it covers activities at the international level and national lending institutions. On the other hand, the activities of these institutions are not limited by lending. Taking into account the content and direction of the activities of these institutions, this component of international finances can be defined as the term "globalized" finances.

The most controversial at present is the structuring of the financial market. There are so many different approaches in the academic and scientific literature, so it requires a separate analysis. Therefore, we will try to identify the components of the financial market, based on the following theoretical and methodological provisions. First, this market is the area of financial resources (assets) trading. That is why those operations which are not related to the transfer of resources and rights to use them from one

subject to another (the currency market as we have already mentioned) cannot be related to it. Secondly, these resources can take different forms. Thirdly, resources trading can be carried out on a variety of organizational principles. This means that it is impossible to structure the entire market on one single feature – they are quite numerous. At the same time, these features to a certain extent have hierarchical dependence, and therefore it is necessary to allocate original ones among them. In our opinion, it is the form of financial resources and the organization of trade.

According to the form of financial resources, the entire financial market is divided into the money market and the capital market. The money market covers the short-term debt market (up to one year), while the capital market consists of financial instruments that reflect equity rights (equities) and long-term debt obligations. At first sight, the feature of their delimitation is quite formal – the term of the use of resources. But from a financial point of view, it is very important because in the first case the money comes only for temporary use and is used primarily or—as a means of payment (money as money), and in the second case – for permanent or long-term use, that it gets signs of capital (money as capital).

According to the organization of trade, the financial market is also divided into two parts: credit and securities market. The credit market operates on the basis of a direct agreement between the creditor and the borrower, and the securities market is mediated by the issuance and circulation of securities. Such structure creates alternative variants of problems solving of financial resources attraction – to take a loan in a bank or issue bonds and if so, it creates a competitive environment at the financial market which contributes to its efficiency. In the context of financial infrastructure, the classification according to trade organization is very important.

Thus, as the basis of the study of the financial infrastructure it is worth taking the following structuring of the financial system for its content which reflects the operation of financial institutions (Table. 1).

The organizational structure of the financial system is derived from its structuring according to the terms of content. It can also be considered in the institutional aspect because it is a set of financial agencies and institutions that operate their activity in selected spheres and links of the financial system, providing the implementation of the functions of finances, which reflect their public purpose. Since there are significant differences in the actual filling of certain spheres and parts of the financial system, then their organizational and institutional provision varies considerably. In the sphere of public finances, commercial bases of activity are virtually impossible, and

therefore the management of them relies on specially formed and empowered with appropriate authority state bodies. On the contrary, in the financial market and insurance business, business principles are not only feasible, but they are also necessary in order to ensure effective efficiency in the mobilization and use of financial resources. That is why financial institutions are predominantly functioning here.

Table 1

The internal structure of financial system

Spheres	Links
Corporate finances	—
—	Insurance
Public finances	State budget Fund of recognition
International finances	Currency market Finances of international organizations Globalized finances
Financial market	Credit market Securities market

Financial bodies are part of the public administration system and are financed either from the budget or from tax receipts (Pension Fund and Social Insurance Funds). In the system of national accounts, they relate to the general government sector. Some financial bodies (the Ministry of Finance, the State Fiscal Service, the State Audit Office, the State Treasury, the Accounting Chamber and State management bodies) ensure the functioning of public finances, the international financial relations of the state and control the movement of financial resources at the level of macroeconomics. Other financial bodies (the National Commission on Securities and Stock Market, the National Commission that performs state regulation in the field of financial services markets) carry out regulatory activities of the state in relation to the subjects of the financial and insurance markets.

Financial institutions are legal entities that provide the flow of financial resources – mobilization, transfer, and investment. They are usually business entities that operate on a commercial basis in the financial market (banks and non-bank lending institutions, joint investment institutions, factoring and leasing companies, etc.) and insurance (insurance companies, non-state pension funds) as well as at the international level – international financial

institutions. Certain financial institutions may function as non-profit organizations acting as trade organizers and thereby create the proper preconditions for the activities of all entities in the financial market – stock and currency exchanges, trade information systems.

All entities, formed as part of the organizational and institutional structure of the financial system can be considered as components of the financial infrastructure of the society. At the same time, financial infrastructure is not just a certain profile

of the financial system or a certain part of it – it is another substance. Of course, it is closely linked, as indicated above with the essential content of finance and the structural structure of the financial system. But at the same time, it is an independent phenomenon that requires a separate study. In this case, let's consider the issues of determining the essence and principles of structuring the financial infrastructure more detailed.

1.4. Financial Infrastructure of Society

At present, the term "financial infrastructure" has not yet been widely accepted though it is sometimes used in Ukrainian and world scientific literature. The study of this concept as an integrated holistic phenomenon and innovative approach in the theory of finance was initiated by the scientific publications in leading Ukrainian journals⁷⁵ and a collective monograph⁷⁶.

The use of this term by some authors was still of a random nature and was not supported by appropriate explanations and justifications. This occurred mainly when considering the financial system but in various interpretation. For example, the authors of the textbook on the fundamentals of economic theory identified the financial infrastructure as a set of legislative, normative, scientific, methodological and personnel provision of financial institutions⁷⁷ within the financial system of Ukraine. We find it difficult to agree with this approach, at least because the highlighted

⁷⁵ Львович С. Финансова інфраструктура ринкової економіки: концептуальні підходи / С. Львович, В. Опарін, В. Федосов // Економіка України. – 2008. – № 11. – С. 57–71; Федосов В. М. Інституційна фінансова інфраструктура України: сучасний стан та проблеми розвитку / В. М. Федосов, В. М. Опарін, С. В. Львович // Фінанси України. – 2008. – № 12. – С. 3–21.

⁷⁶ Фінансова інфраструктура України: стан, проблеми та перспективи розвитку: монографія [В. Опарін, В. Федосов, С. Львович та ін.]; за заг. ред. В. Опаріна, В. Федосова. – К.: КНЕУ, 2016. – 695 с.

⁷⁷ Основи економічної теорії: політ економічний аспект: Підручник / Г. Н. Климко, В. П. Нестеренко, Л. О. Канищенко та ін.; За ред. Г. Н. Климка, В. П. Нестеренка – 2-ге вид., перероб. і допов. – К.: Вища школа – Знання, 1997. – С. 373.

elements are too different in terms of content and purpose to be united into one, and some of them, for example, the personnel, are non-financial in nature (the authors rejected this approach in subsequent editions).

Some other scientists consider financial infrastructure as one of the key areas of finance – the financial market – and the system of financial management⁷⁸. Of course, this interpretation makes some sense, as the financial market is a kind of provision, that is, an infrastructure component of finance. If other components provide specific social needs (e.g. public finance provides implementation of state functions, insurance enables formation of collective insurance funds on the basis of joint liability, finances of subjects of management provide production process, household finances satisfy citizens' needs, international finances ensure world economic relations), then there is neither production of financial resources nor their use for specific needs in this area. The financial market is the sphere of trade of financial assets (resources). In this context, the infrastructure is not the market itself, but its professional participants who, while performing certain functions and realizing their own interests, provide the transformation of the savings of citizens and the enterprises' accumulation into investment and resources that promote their effective use. However, it is inappropriate to combine the various terms – the "financial market", which is a financial category from the viewpoint of economic theory, and the organizational component as financial management bodies, under the general term "financial infrastructure".

The terms "financial market infrastructure", or "securities market infrastructure", are quite clearly defined at present. The subjects of the securities market include its main (issuers, investors, and financial intermediaries) and infrastructure (exchanges and trade information systems, clearing centers, registrars, custodians, depositories, information and rating agencies, etc.) participants⁷⁹.

Infrastructure players do not participate in the mobilization and allocation of financial resources but actively contribute to these processes by providing certain services. Such an interpretation is well-founded and is generally accepted. But this is just a certain segment of the financial infrastructure, while we try to consider it as a coherent phenomenon in the close interconnection of its components.

⁷⁸ Фінанси: Навч. посіб. / О.П. Близнюк, Л.І. Лачкова, В.І. Оспішев та ін.; За ред. В.І. Оспішева. – К: Знання, 2006. – С. 25.

⁷⁹ For example, Шелудько В.М. Финансовый рынок: Навч. посіб. – 2-ге вид. випр. і доп. – К: Знання-Прес, 2003. – С.14

From our point of view, financial infrastructure is a rather complex and broad concept that needs detailed research. First of all, it is necessary to dwell on the general meaning of the term "infrastructure". The special differences are not observed in its interpretation regarding the economy. Thus, the Economic Encyclopedia defines "infrastructure" as "a set of the national economy branches (spheres of material and non-material production), serving industry and agriculture"⁸⁰. It includes two components: productive infrastructure such as transport, communications, energy supply, sanitation, etc.; non-productive (social) infrastructure such as housing and communal services, education, healthcare. As you can see, the financial component of economic infrastructure is not outlined by the authors of this encyclopedia.

The authors of another encyclopedic publication The Economic Encyclopedic Dictionary determine not only the essence and components of the infrastructure (generally identical to the previously mentioned encyclopedia), but also its functions: 1) the supply of various types of resources (material, labor, financial); 2) the purchase and sale of various goods; 3) providing information to market players; 4) increase the efficiency of the subjects of regulated market relations as a result of their specialization; 5) organizational and legal registration of regulated market relations; 6) reflection of the economic situation in general, the most important types of markets in particular; 7) promoting the process of state regulation of the economy and control of market processes⁸¹. Although some of these functions require additional explanations and clarifications, as a whole this approach may also be used in studying the problems of financial infrastructure. For example, the authors have identified the financial component of resource supply, the purchase and sale function includes transactions in the sale of financial assets, an important component of information provision is financial information. That is, the role of finance in the infrastructure is quite obvious.

In the above mentioned dictionary, in addition to the general notion of "infrastructure", the term "market infrastructure" is defined as a set of enterprises, institutions, organizations that ensure the stable development and functioning of the market mechanism of regulation, the continuous movement of goods, services and different values in various spheres of

⁸⁰ Економічна енциклопедія: У трьох томах. Т. 1 / Редкол.: ... С.В.Мочерний (відп. ред.) та ін. К.: Академія, 2000. С. 702

⁸¹ Мочерний С.В., Ларіна Я.С., Устенко О.А., Юрій С.І. Економічний енциклопедичний словник. У 2 т. Т. 1 / За ред. С.В.Мочерного. Львів: Світ, 2005. С. 294.

social reproduction"⁸². In this case, the authors identify its components: human, material, scientific and informational resources are defined due to the structure of productive forces; technological and economic resources – due to the structure of economic relations; marketing services, management structures at the micro level — in accordance with the structure of organizational and economic relations; banking and insurance companies, credit and savings institutions depend on the structure of economic property. At the macro level, the structure of the economic mechanism (but it is a question of infrastructure) includes ministries, departments, committees, etc.

As we see, the financial infrastructure, as part of the overall infrastructure of a market economy, is not determined by the authors, although some of the components of the financial elements are included. For example, for some reasons, all types of exchanges (both stock and currency) are included in the informational component. Of course, the indicative function of stock exchanges is very important, but above all, it is an intermediary in the trading of financial assets. For unknown reasons, banks, insurance companies, and credit institutions are determined due to the structure of the economic property.

The specifics of these institutions is not the structure of the economic property, but their financial activities. They can be of the state, private, collective, or the joint-stock form of ownership. From our point of view, the lack of a financial component in the list of elements of market infrastructure is unjustified. Let us ask a question whether a market economy can function without it. The answer is obvious, "No", and this is primarily due to increased interest in finance from the society as a whole.

It is necessary to consider finance component as a separate component of the economic infrastructure based on the essence and functions of finance. After all, the main social purpose of finance is, first of all, to create the appropriate prerequisites for the reproduction process, which is the basis of society's life. Or whether it is possible, for example, to manufacture and consume goods and services without such an element of economic infrastructure as the transport industry. Certainly not, because it provides the movement of goods to the consumer or the consumer to goods and services (it is not by no means that in many countries of the world the path to accelerated economic development began precisely with the development of road infrastructure, strategy and tactics of development which unfortunately there hasn't been in a defined and completed form by this time in Ukraine). Similarly, in a market economy, social reproduction is impossible without

⁸² *Ibidem*, p. 295.

finance, which mediates the processes of production, distribution, exchange, and consumption, based on the movement of money. For example, the authors of the above-mentioned textbook on the basics of economic theory, distinguish the economy of market infrastructural subsystems (banking, financial, tax, monetary, etc.) considering the levels of the economic system⁸³. The list clearly shows their financial essence.

A. Chukhno, a prominent Ukrainian scientist-economist, highlights the market infrastructure, which includes the system of "banks, exchanges, trade and intermediary institutions, employment services, wholesale and supply-marketing organizations that provide the flow of goods and services, money and securities, labor force"⁸⁴. As we see, part of the identified components (banks and exchanges, which include stock exchanges) are infrastructural financial institutions, the economic system cannot function properly without them. As it was stated in subsection 1.1, such an approach is based on the reproductive function of finance, which is considered to be the main function in finance by the scientist.

It should be emphasized that finance plays a role in the provision of the economy. Moreover, this applies to all its components, and not only economic entities. Household finance is based on consumer processes that provide simple reproduction, and the formation of savings, which is the basis of the investment, and, therefore, expanded reproduction. Public finance through the public procurement system and public services essentially satisfies the same needs by mediating redistributive processes. Such essence and role of finance entitle us to consider it as an element of economic infrastructure. The purpose of finance is to meet the needs of citizens, enterprises and the state. Any financial transaction in one way or another, at the moment or in the long run, is connected with social reproduction. On the one hand, the basis for incomes of all subjects is GDP, and on the other hand, their use is associated with its production. Based on such understanding of the provisioning role of finance, the characteristics of the financial infrastructure can be done in two dimensions.

First, in the *external* (relative to the economy) dimension, namely, regarding finance as one of the fundamental components of economic infrastructure. From these positions, financial infrastructure is closely linked to the structure of the financial system in terms of its content.

83 Основи економічної теорії: політекономічний аспект. Підручник / Відп. ред. Г.Н.Клишко 5-ге вид., випр. К. Знання-Прес, 2004. С. 60.

84 Чухно А.А. Економічна теорія: [у 2-х т.] / А.А.Чухно. – К.: ДНУ АФУ, 2010.—Т. 1, с. 459

That is, it is a set of spheres (subsystems), links (elements) and separate components of the financial system, with the help of which financial relations (payments, contributions, deductions, taxes, fees, payments, transfers, investments, etc.) are mediated, the flow of cash and the needs of social reproduction are provided. In the meantime, the consideration of some components can be studied from the viewpoint of financial transactions (budget transactions, relations with banks, insurance companies, institutional investors, etc.), as well as factors of influence. In this dimension, financial infrastructure is a reflection of a set of public institutions formed to meet the needs of individual players.

Secondly, in the internal (concerning the finance itself) dimension, financial infrastructure can be studied as a set of different institutional entities that ensures the functioning of the finance, as a whole, and separate areas and parts of the financial system. On the one hand, finance is an objective phenomenon. Processes of social reproduction are impossible without finance in the market economy. On the other hand, the functioning of finance does not happen automatically on its own, but it is provided by the appropriate infrastructure, which is formed in each country and internationally. This financial infrastructure has a subjective basis. It has the general laws of formation and development, as well as its specificity in each country, in terms of structure, structural relations, legislative regulation and other features. In the meantime, it is constantly evolving, and new financial institutions and instruments are constantly emerging, which satisfy more and more needs of citizens, enterprises, state and interstate structures.

In general, both dimensions of the financial infrastructure are closely interconnected. After all, the infrastructure of finance, ensuring its functioning, satisfies the needs of social production. That is, the financial infrastructure can be considered as a whole integral phenomenon. The study encourages the harmonization of such concepts as financial system, financial sector of economy, financial market and financial services market.

It should be noted that all these concepts, unlike financial infrastructure, are widely used in scientific literature and in financial practice. They are closely interconnected, although they are not clearly subordinated. Having a lot in common, they intersect each other, but only in a particular segment.

The broadest concept in the theory and practice is the concept of "financial system", which definition and functions were analyzed in the previous chapter. As finance system reflects the set of forms and techniques of financial relations and their organizational and institutional provision, therefore it is closely connected with financial infrastructure. The latter may go beyond the financial system since it includes different organizations and

institutions, which cannot be financial but perform some functions that contribute to the proper functioning of the financial system.

The concept of *the financial sector* is also quite widely used. In the system of national accounts, there are five sectors: non-financial corporations; financial corporations; general government sector; household sector; nonprofit organizations sector. Financial corporations form the financial sector of the economy. It includes financial institutions that carry out activities and take part in the processes of social production, producing value added. Accordingly, the share of financial institutions in the GDP has been slightly more than 10% in Ukraine recently. In this context, the financial sector belongs to the economic system and can be regarded as a phenomenon to a certain extent broader than finance, because it is represented by service providers. Since these services are financial in nature, there is every reason to consider it as part of the financial system.

However, this problem does not attract researchers' attention with the exception of some publications⁸⁵.

So, the financial sector is dualistic. On the one hand, it is part of the economic system and its role is constantly growing. On the other hand, the financial sector is an integral part of the financial system in terms of the activities of its institutions. These institutions are, of course, an infrastructure component both an economic (along with other infrastructure sectors) and financial infrastructure.

A financial market in a market economy is one of the most important components of economy and finance and reflects dualistic nature too. It is equally a part of the market economy (along with the markets for goods, services, labor, etc.) as well as the financial system. Institutions that relate to the financial sector are functioning in its field. In addition, its organizational structure also includes trade organizers, non-institutional intermediaries (broker and dealer offices), service organizations (registrars, depositaries, etc.). Therefore, regarding its meaning and organizational structure financial market is larger than the financial sector. In this case, it stands to reason that all institutions and organizations of the financial market are part of the financial infrastructure, providing the transfer of financial resources in time and space or facilitating processes.

The financial services market is closely related to financial infrastructure. Unlike the previous scientific definitions, this concept is defined in the legislative act – Law of Ukraine "On Financial Services and

⁸⁵ For example, Коваленко Ю.М. Інституціоналізація фінансового сектору економіки: [монографія] / Ю.М.Коваленко; НУДПСУ. – Ірпінь, 2013. – 608 с.

State Regulation of Financial Services Markets". According to it, the financial service is considered to be "a transaction with financial assets carried out on behalf of third parties at own expense or at the expense of these persons, and in cases provided by law, – at the expense of borrowed financial assets, in order to get profit or preserve the real value of financial assets"⁸⁶. The market of financial services is defined as the area of activities in order to provide and consume certain types of financial services (banking, insurance, investment, securities transactions and others that provide the flow of financial assets)⁸⁷.

These definitions show that the financial services are closely connected with the financial market and insurance, that is, financial institutions (the term of the law), such as banks, credit unions, pawnshops, leasing companies, trust companies, insurance companies, institutions for accumulation of pensions, investment funds, and companies – are providers of relevant services. In the meantime, the financial market to a certain extent is a broader phenomenon than the market of financial services, as its securities market segment operates on the basis of direct interrelations between two entities – the issuer and the investor. According to the law, financial services include only mediation in the flow of financial resources in the financial market and insurance. But, for example, brokerage services are possible in the areas of insurance and lending. Similar services of a financial nature are not considered by law, but it is quite obvious that in their meaning they relate both to the market for financial services and to finance infrastructure.

In general, it should be stated that the concept of "financial service" is quite complex and multifaceted. First, one should distinguish between financial services and services in the financial field. If financial services reflect financial transactions (that is, the processes of mobilization and allocation of resources and their flow), then the services in the field of financial activity are not directly connected with financial services but contribute to them. Such services include financial consulting, collection activities, audits, information and rating services, financial analytics, etc. Organizations providing similar services are not financial in nature. But at the same time, they play an extremely important role in the functioning of the financial system and financial activities of entities. Secondly, the understanding of the concept of services in the field of financial assets

⁸⁶ Закон України "Про фінансові послуги та державне регулювання ризиків фінансових послуг" // Відомості Верховної Ради України. 2002. № 1. Ст. 1, п. 5.

⁸⁷ *Ibidem*, ст. 1, п. 6.

transactions is quite complicated. In the modern world, the flow of resources can be mediated by many entities, and all of them can be considered as providers of financial services, that is, there can be direct services and a kind of services for services (for example, the activities of insurance and credit brokers). In addition, the question arises, and who provides the service to whom, for example, a bank, while taking money for a deposit, to a customer or a bank, giving resources to a customer? The answer to this question should be sought for the purpose of the functioning of separate entities, that is, the bank itself was created for the purpose of providing banking services.

By the way, there is also some confusion over the term "financial assets" which is used in this law and in modern literature, while we consider it as a subject of trade in the financial market. At first sight, the purpose of their use is to receive a certain income (in the form of interest, dividends, discount, exchange rate differences, etc.), there is no difference between them. But, if we proceed from the list of financial assets provided in the law (funds, securities, debentures and debt claims that are not attributed to securities), one can see that such an understanding of assets does not come from their meaning, but from the accounting approach – they are the financial components of the balance sheet asset. From the viewpoint of financial activity, finance (more precisely, cash balances in cash and bank accounts) as one of the constituents of assets is unlikely to be recognized as assets, because they usually do not generate income. It is rather the potential assets that they can become after investing. It is not substantiated to combine different financial meanings into one concept.

Thus, as we see, all these concepts are different in meanings. Accordingly, it is unreasonable, for example, to define the financial market as an infrastructure component of the financial system, or to identify the financial sector with the financial system. It is inappropriate to define the market of financial services as a component of the financial market, or as unambiguous concepts. Once again we emphasize that each of the above definitions describes a certain area of financial relations and various types of activities in the financial sector, with specific interconnections within the financial infrastructure. The latter is characterized as a set of such components that ensure the functioning of the financial system and the implementation of public finance.

The financial infrastructure is a rather complex and branched system, its structure and interconnection with the financial system and the sectors of the economy are presented in Figure 1. Its functioning is based, firstly,

on the development and implementation of legal mechanisms, and secondly, on the formation of an extensive network of various institutions (organizational financial infrastructure) and, thirdly, on the effective use of the appropriate instruments that provide realization of functions of finance. Such systematic approach makes possible obtain relevant results and achieve the goals set. The inadequate level of efficiency, or the absence of any of the components, significantly reduces the efficiency of the functioning of financial infrastructure.

Legislative framework of financial infrastructure is a set of laws which regulate the functioning of financial institutions. Financial infrastructure cannot fully perform its functions without proper legislative provision. In addition, the high level of financial legislation is an important factor in its functioning. Ineffectiveness of legislative acts, the unclearness of certain rules of laws, the inconsistency of some provisions in various laws has a negative effect on financial practice. It is important to enforce the implementation of the current legislation. The current challenge is not due to imperfect laws and their implementation, but because some laws are not recognized by citizens as rightful.

Organizational financial infrastructure is a set of institutional structures that ensure the functioning of finance both in separate segments of the financial system and beyond it. It is a derivative of the structure of the financial system. According to the profile and activities of entities, it includes three components: management, institutional and service infrastructure.

Management financial infrastructure is represented by a set of financial bodies that perform functions of operational management in the field of public finance and regulatory activities related to institutions of financial and insurance markets and the market of financial services, as well as financial services of ministries and departments, enterprises, organizations, and institutions. By its structure, management financial infrastructure is broader than the organizational structure of the financial system, since, it includes financial services of business entities and management structures in addition to financial bodies. The totality of financial institutions of the state depends on two factors: the type of the structure of public finances (the concentration of all funds in the budget, or the formation of the budget and trust funds) and their management system (granting all powers to the Ministry of Finance, or the formation of specialized financial bodies).

Finance of business entities	Public Finance	Insurance	Financial Markets			
			Credit market	Securities Market		
the market for financial services						
Organizational Financial infrastructure						
Managerial Financial infrastructure		Institutional Financial Infrastructure (Financial Institutions)			Financial Service Structure	
Financial services of enterprises and management structures	<ul style="list-style-type: none"> Ministry of Finance State fiscal service State Treasury Service State Audit Office Accounting Chamber Pension Fund Social Insurance Funds National Commission on Securities and Stock Market National Commission for the State Regulation of the Financial Services Market 	<ul style="list-style-type: none"> Insurance companies Non-state pension funds 	<ul style="list-style-type: none"> Central Bank Commercial banks Non-bank lending institutions Leasing companies Factoring companies 	<ul style="list-style-type: none"> Joint Investment Institutions Asset Management Companies 	<ul style="list-style-type: none"> Intermediary Services Stock exchanges Currency exchanges Brokers Dealers Registrars Depositories 	<ul style="list-style-type: none"> Financial Services Audit firms Consulting firms Information agencies Rating agencies Analytical companies Credit history Bureaus Collecting firms Deposit Guarantee Funds in banks
Non-financial Sector	FISCAL SECTOR	FINANCIAL SECTOR			Non-economic agents	
Financial Infrastructure Instruments						
	<ul style="list-style-type: none"> taxes and fees contributions and deductions government loans state transfers public investment pensions and benefits 	<ul style="list-style-type: none"> insurance insurance indemnity pensions 	<ul style="list-style-type: none"> the money issue deposits loans leasing factoring 	<ul style="list-style-type: none"> shares bonds derivatives bills 	<ul style="list-style-type: none"> terms of trade listing quotes stock indices 	<ul style="list-style-type: none"> information collections ratings analytical reviews

Fig.1. The components of the financial infrastructure and its interconnection with the financial system and the sectors of the economy

In general, approaches to the formation of managerial financial infrastructure in different countries are quite unified, although various options can be used for both the structure of financial institutions and their interaction. For example, the issue of interdependence between the main financial bodies – the Ministry of Finance, the State Fiscal Service, the State Treasury Service and the State Audit Office is of great relevance in Ukraine. Recommendations to transfer the last three financial bodies to the Ministry of Finance certainly make some sense since such an association would contribute to the greater coherence of their activities. However, there are certain advantages in the independence of each body as it forms a system of checks and balances, which plays an important role in a democratic society.

Also, there are some recommendations to create a state regulator for the activities of all financial market institutions based on the combination of the functions of the National Bank of Ukraine, the National Securities and Stock Market Commission, and the National Commission that performs state regulation of financial services markets. In the meantime, it should be noted that the choice of a type of managerial financial infrastructure is determined by specific tasks that are solved in a particular country at a specific time.

The main problem of organizational financial infrastructure is the lack of interest of politicians and government personnel in ensuring adequate efficiency in the management of public funds. Although modern theory and practice have developed a variety of modern technologies, such as program budgeting, budget auditing, etc., their use will only have the effect on the condition of creating a system of appropriate incentives and sanctions, a well-established mechanism of public control. This is possibly the only subject to the principle of transparency of the processes of formation and use of budget funds and endowments. Thus, the main thing in the formation of managerial financial infrastructure is not so much the optimization of the structure and functions of financial institutions, as the introduction of mechanisms that ensure the effectiveness of their activities.

Institutional Financial Infrastructure is a set of financial institutions that operate in the financial market and financial services market, and perform functions of mobilizing, moving and investing resources. It is these institutions, as shown above, that form the financial sector of the economy. In contrast to the subjects of managerial infrastructure, they are directly interested in ensuring the rational and efficient use of financial resources. But there is another problem – the coordination of the interests of financial institutions with the interests of the owners of these resources.

Although they largely coincide (each subject wants to get as much profit as possible), any controversy may arise. Considering such specificity of financial institutions, their activities are to be compulsorily regulated by the state.

The main task of forming institutional financial infrastructure is to create the appropriate conditions to satisfy the needs of citizens, enterprises and the state in financial services. Accordingly, the number of subjects of this infrastructure is regulated by market mechanisms, and can neither be limited nor artificially formed by state authorities. As in the entire market economy, there is a tough competition for resources and investment markets. This competition can push some institutions to excessively risky actions that may eventually lead to bankruptcy and, in some cases, trigger a financial crisis. Thus, institutional financial infrastructure is a powerful source of financial energy and a potential crisis generator. That explains its extremely important role in economics and finances.

The **servicing financial infrastructure** includes the entities that act as intermediaries in the financial market (stock exchanges, brokerage and dealerships, etc.) and auxiliary functions on the securities market (registrars, depositaries, clearing centers, etc.), as well as those that are not being financial in the sense of their activities, provide services to various entities in the field of financial activities (audit, consulting and collecting firms, information, rating and analytical agencies, real estate offices, guarantee deposits funds, credit history bureaus, etc.). The main purpose of this component is to create the appropriate prerequisites for the functioning of the main infrastructure actors. Although such intermediaries perform auxiliary functions, modern financial infrastructure is impossible to imagine without them.

Instrumental financial infrastructure reflects the mechanism of its functioning. It represents a set of financial instruments used by the entities of the organizational infrastructure in their activities.

Since the directions and areas of activity of subjects, their tasks, powers, and functions differ significantly, and then the instruments are different too.

As it was stated above, financial instruments can be used in the financial policy to make the certain influence on some subjects. Modern financial theory and practice are characterized by dynamic changes, which are primarily related to the development of financial instruments – the one who can offer something new wins the market.

The totality of financial instruments is divided into two groups: financial instruments established on a legislative basis and financial instruments

determined on the basis of agreements between two entities. The first group includes instruments of fiscal and monetary policy. Fiscal policy instruments are used in the area of public finances and include taxes and fees, contributions and deductions, government loans, public investment and transfers, state pensions and benefits. The instruments of monetary policy used in the activities of the central bank include the discount rate, reserve rules, open market operations. Public financial authorities use these instruments, based on the rules and regulations of the current legislation. Of course, having the power of legislative initiative, financial authorities can to some extent influence it in the development of certain bills. But after their adoption, they, like all other actors, must adhere to the rules of law. In this context, it should be stated that, on the one hand, fiscal policy instruments when used do not have the proper mobility. But, on the other hand, it provides some stability in the functioning of the financial system and gives a possibility for business entities and households to clearly organize and plan their activities.

The second group includes instruments of a market type, which are established on the basis of an agreement between two entities: insurance premiums and payments, non-state pensions and allowances, bank deposits and loans, leasing and factoring, securities (stocks, bonds, promissory notes, derivatives, etc.).) The financial legislation defines only general principles of their use, and the specific conditions are established by an agreement between the two entities. This agreement reflects the coordination of the interests of both parties as well as the situation on the relevant market, that is, market instruments are quite mobile and effective.

According to A. Drobyazka, financial infrastructure, as an extensive set of various elements, should also be considered at the levels of its formation: finance as a whole – as a provision component of the economy; financial market – as a provision component of finance, which mediates the processes of mobilization and movement of financial resources, ensuring the transformation of savings in investment; the infrastructure of the credit market and securities market (Fig. 2)⁸⁸. The bodies of state financial management (the Ministry of Finance and specialized agencies, as well as the central bank) and the bodies of state regulation of financial markets and financial services markets are proposed to include into the superstructure of the economic system.

⁸⁸ Дробязко А. Інфраструктура банківського сектору: питання визначення, структуризації та розвитку // Вісник Національного банку України – 2012. – №7. – С. 14 – 17

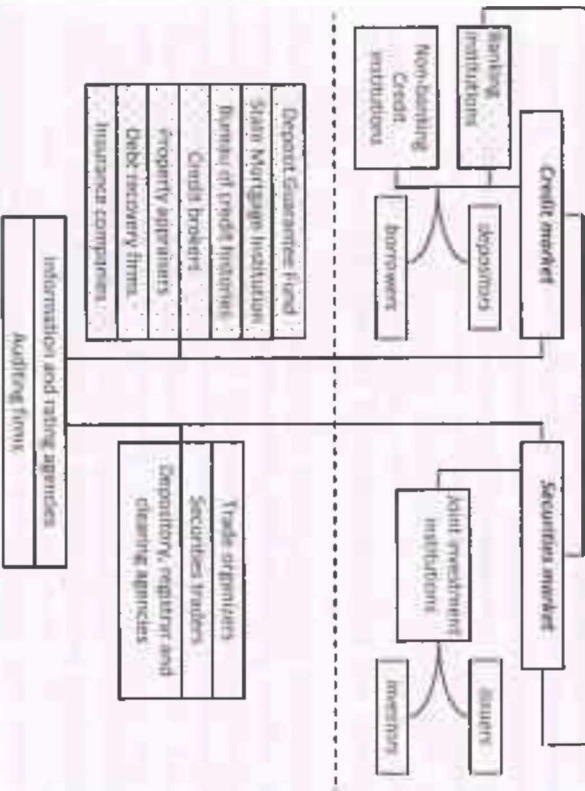
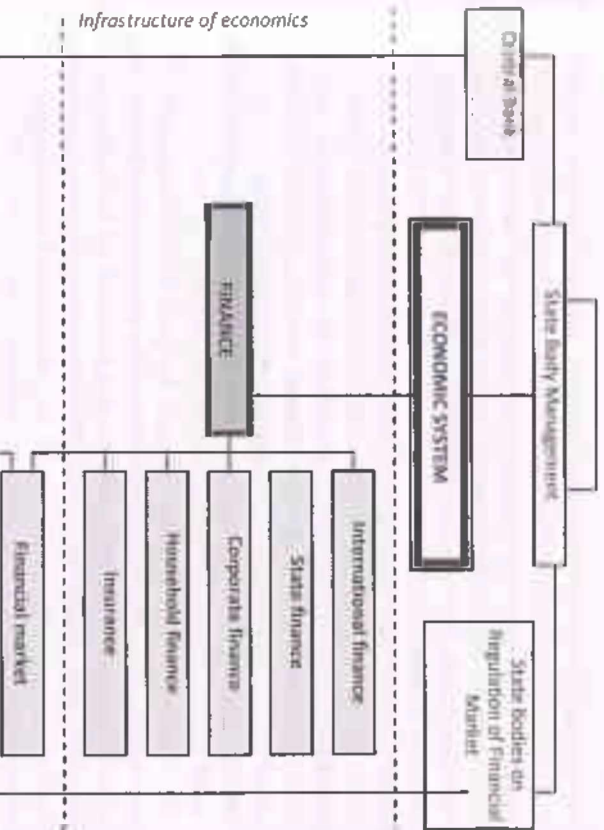


Fig. 2. Subordination of financial infrastructure levels

Infrastructure of economics



In general, from our viewpoint, such a proposal is quite reasonable. Mutually subordinated internal components can be distinguished in the structure of finance as a provision component of the economy. Certainly, characteristics of the financial market, as the infrastructure of finance could be debatable (although such approaches are found in the literature). The functioning of finance as a public institution is provided by a whole set of institutions, which also make up its infrastructural provisioning. That is, the concept of the infrastructure of finance is broader. However, it is the indisputable fact is that in today's conditions the use of financial resources, their flow, distribution, and redistribution are taking place through the financial market on the basis of the sale and purchase of rights.

In this context, there is every reason to consider the financial market as the basis of the financial infrastructure.

In addition, certain attention should be paid to two segments of the infrastructure of financial market: the securities market infrastructure, which is quite defined in the literature, and the infrastructure of the banking system, which hasn't been studied yet. This affected the public practice – the issues of the functioning of the credit bureau and, in particular, collecting firms are extremely elusive.

In general, financial infrastructure is a fairly branched complex social phenomenon, which includes different essence and purpose elements. In the meantime, the component, which determines the financial meaning of its functioning, is instrumental filling, which requires a more thorough coverage of it.

1.5. Institution of Financial Accounting

Effective functioning of the financial system and full implementation by the entities of the financial infrastructure of the respective functions are largely determined by the availability of complete and reliable information. Representatives of the scientific school of public finance made an important step in the study of the theoretical foundations of the information institute of modern finance – financial accounting. It is a systematic activity in identifying, collecting, processing, analyzing and preparing for users open (unrestricted access) necessary for the information in the form of relevant information products and services.

From the standpoint of the institutional finance concept financial accounting represents one of the components of the information subsystem of finance. For the first time in Ukrainian scientific literature, the problems

of financial accounting have been reflected in a series of publications "Financial accounting as institutional infrastructure component of the information economy", "Financial accounting information and infrastructure subsystem of modern microeconomics and Financial accounting as information and infrastructure subsystem of modern macroeconomics" (2017). For the first time in the Ukrainian scientific literature, the issues of financial accounting were reflected in a series of publications «Financial Accounting as Institutional and Infrastructure Component of the Information Economy», «Financial Accounting as Information and Infrastructure Subsystem for Modern Macroeconomics»⁹⁰ and «Financial Accounting as an Information and Infrastructure Subsystem for Modern Macroeconomics» (2017)⁹¹. For the first time in the Ukrainian financial science dedicated financial accounting information as a special institution of society, its essence has been studied.

The current development of economics and finance is accompanied by the increasing role of financial information. The rapid expansion of new technologies, mobility, accessibility, and globality of information communication contribute to this.

Economic science and practice, learning more about the nature of information as a phenomenon and its purpose to be perceived and used, clearly come to the conclusion that precisely the information uncertainty, which is a result of lack of relevant, reliable and understandable information for users is a factor of numerous risks.

Despite this, in real life, mechanisms to minimize financial and economic risks are largely aligned on the basis of restricting access to information. In all countries, legislation divides it into open and closed (that is, with restricted access). In Ukraine the latter belongs to the confidential, business and secret information, its disclosure is prohibited by law, and access to it is restricted to a limited number of people⁹². The contradiction lies in these processes. Its solution is the transition to such mechanisms for minimizing the risks that lie in the field of wide informing of all business entities, the truthful provision of the necessary data and raising their level of financial

⁸⁹ Рязанова Н.С., Федосов В.М. Фінансове рахунництво як інституційно-інфраструктурна складова інформаційної економіки – Фінанси України, 2016, №. 3, С. 55-85.

⁹⁰ Рязанова Н.С., Федосов В.М. Фінансове рахунництво як інституційно-інфраструктурна складова інформаційної економіки. – Фінанси України, 2016, №. 3, С. 55-85.

⁹¹ Рязанова Н.С., Федосов В.М. Фінансове рахунництво як інституційно-інфраструктурна складова інформаційної економіки – Фінанси України, 2016, №. 3, С. 55-85

⁹² Про інформацію Закон України від 2.10.1992 р., Ст. 21. – [Електронний ресурс], – Режим доступу: <http://zakon3.rada.gov.ua/laws/show/2657-12>

literacy, that is, in the development of the social institution of public information, including financial, on the basis of transparency.

Dissemination of open information is necessary for attracting investors and conquering markets, providing competitive advantages. In this regard, the German philosopher and sociologist Jürgen Habermas in «The Information Society Theory» (1995) states that in the information age, understanding of the role of information grows in society and there are significant changes in business priorities: function of public relations – that is the aspect of openness of information – comes to the fore.

Today, such actions on the part of banks, oil companies, international chemical concerns, insurers and other businesses are already typical, and management through information becomes constant and acquires features of the system.⁹³

It can be stated that in the society of the XXI century the growth in demand for high-quality, clear and up-to-date financial information from both corporations and other economic agents is observed. At the same time, they are interested in data not only in the form of standardized basic statements of financial reporting (balance sheet and reports on financial results, cash flows and changes in equity, as well as notes and explanations to them) but also a wide range of other financial information. It is represented by a variety of analytical, predictive and reference materials related to finances of separate corporations, branches of the economy, stock and other segments of the financial market, economy of territorial communities, local and state authorities, as well as other components of market economy at the national, international and global levels.

At the same time, financial information can be formalized in the form of absolute amounts of certain monetary units, indexes, coefficients, percentages, ratings, rankings, formulas, financial models, tables, charts and graphs (including modern infographic that allows you to provide complex information quickly and clearly), a text description and other forms. Such materials are presented both in visual and audio forms, which are easily provided with modern information technologies, including computers, the Internet, the World Wide Web and mobile communications.

Growing interest in financial information is accompanied by processes of formalization of requirements for the collection, processing, preparation and submission of such information to users. Requirements of coverage, periodicity,

⁹³ Уобстер Ф. Теория информационного общества. / Френк Уобстер; Пер с англ М.В.Арапова, М.В.Мальхиной, Под ред. Е.Д.Варгановой. – М.: Аспект Пресс, 2004. – 400 с., С. 257-269.

and timeliness of data submission, reliability, and quality of disseminated data, access to them by all users are being standardized. Lots of examples prove it, in particular: standardization of financial reporting rules of corporations for external users in accordance with international financial reporting standards (IFRS), in Ukraine the process of joining to them began in the late 1990s⁹⁴; dissemination of financial and economic information by the government in accordance with the standards of the IMF regarding the Special Data Dissemination Standards (SDDS), which Ukraine also officially joined in early 2003⁹⁵.

The described processes are the manifestation of the gradual formation in the society of the Institute of open (with unlimited access) financial information, which is an element of the financial infrastructure of the economy. Austrian and American sociologists Peter Ludwig Berger and Thomas Luckman, studying institutionalization as a dynamic process of the emergence, establishment, and consolidation of social order, consider the term "institute" in the historical context and distinguish three stages of development of social institutions – typing, their objectification, and legitimacy. In the work "Social construction of reality. Treatise on Sociology of Knowledge" (1966), they note that at the stage of emergence typification of activity occurs, while the rudiments of institutionalization exist in every social situation that lasts for some period of time⁹⁶. Being typified, the activity is denoted by the term "institute". There is also mutual typification of activity and adoption of the Institute by all members of society. At the second stage – formation or establishment of the Institute – its objectification (objectivation) takes place when it is historically fixed due to the ability to be reproduced in future generations. At this stage, institutions are transformed into an objective social reality, because of their reproducibility in generations and historicity. The third stage of institutionalization – consolidation, that is, legitimation of social order, it is explanation and grounding. It is observed when institutional order expands beyond the life of one generation. The need for legalization of the institute appears because historical reality is inherited by the new generation as a tradition. At the third stage, knowledge about one or another institution and its place in society is crystallized, understanding of social reality is established.

In time dimension, all three stages of institutionalization do not necessarily follow strictly sequentially one after the other, but they may coincide in time

⁹⁴ International Financial Reporting Standards – [Электронный ресурс]. – Режим доступа: <http://mstz.minfin.gov.ua/en/Pages/default.aspx>

⁹⁵ The Special Data Dissemination Standard: Guide for Subscribers and Users. – Washington D.C. International Monetary Fund, 2013. – 113 p., P 12.

⁹⁶ Бергер П., Лукман Т. Социальное конструирование реальности. Трактат по социологии знания. – М.: Медиум, 1995. – 323 с., С. 80-120.

partially or occur in parallel. Based on this approach, an institution of open financial information can be considered as one that is now a part of the second stage, when its objectification takes place, and at the same time, it is on the way to the third stage – legalization. Financial accounting is such an institution.

Using the notion of "financial accounting", it is important to emphasize that the meaning of the word "accounting" in this case is not identical to accounting, which – according to the Law of Ukraine "On Accounting and Financial Reporting" (1999) – is the process of detection, measurement, registration, accumulation, generalization, storage and transfer of information about the activities of the enterprise to external and internal users for decision-making⁹⁷.

When studying the Institute of Open Financial Information, Accounting is considered in its meaning as "reporting" (from English – reporting, to be translated into Ukrainian as reports, notes, messages, expertise), presenting for users, in a convenient and understandable form, relevant information obtained as a result of analysis and generalizations. Thus, the focus of the accounting is emphasized on the analysis and interpretation of information, its presentation to users incomprehensible and convenient forms. This interpretation of accounting is provided in the Western scientific literature, encyclopedic publications, practical manuals and reference books⁹⁸. For example, Belverd E. Needles, a professor of finance and economics at the University of Illinois (USA), describes accounting as a process: while preparing the data necessary for users scientists are looking for important cause and effect links in information, are interested in trends and results of researchers on alternative projects that are not typical of accounting.

Financial accounting is the activity of collecting, processing, analyzing, preparing and providing users with information describing the financial relations of economic agents in a variety of understandable and convenient forms for them. At the same time, accounting is inseparable from financial accounting. An example is that accounting materials, including standardized financial statements and notes and explanations, serve as an important but

⁹⁷ Про бухгалтерський облік та фінансову звітність в Україні Закон України від 16.07.1999р. N 996-XIV. – [Електронний ресурс], – Режим доступу: zakon2.rada.gov.ua/laws/show/996-14

⁹⁸ See:

- Belverd E. Needles, Jr. Financial Accounting. Houghton Mifflin Company, Boston, USA Third ed., 1989. 791 p., P. 4.

- Collins English Dictionary and Thesaurus – HarperCollinsPublishers, 1998. – 1378 p. P. 9.

- Encyclopedia Britannica – [Електронний ресурс], – Режим доступу: <http://www.britannica.com/EBchecked/topic/3044/accounting>

- Investopedia – [Електронний ресурс], – Режим доступу: <http://www.investopedia.com/terms/a/accounting.asp#axzz28FgC9K00>.

not the only source of data in financial accounting, which also uses a wide variety of other information – official statistics, surveys, information and indicators on normative documents, estimated analytical indicators, expert assessments and other available sources. In addition, mandatory financial statements which are prepared in accordance with National Accounting Standards or other standards operating in different countries, are extremely important, but not the only component of open financial information – that is, the product of financial accounting.

At the present stage, the standardization of financial reporting has covered all national stock markets: some of them develop national standards that correlate with international ones, and many countries implement directly international standards. Having been started in large corporations, the process of standardizing financial statements were applied to medium-sized companies, as well as enterprises owned by the state and local authorities. The role of standardization of financial reporting cannot be overestimated, and this process is accompanied by widespread popularization, which to some extent led to the identification of many concepts of financial accounting with accounting and mandatory standardization of financial reporting. But, as noted, financial accounting as an institution of open financial information is not accounting. Its subject is open financial information of all economic agents, and not only those who provide mandatory standardized reporting, and information provided by them is presented not only in the form of this standardized reporting.

Despite the importance of financial accounting as an open information institution and relevance of its development for Ukraine as an infrastructure component of the information economy, this topic has not been investigated in the Ukrainian scientific literature yet, with exception of the manual "Financial Accounting" (2002)⁹⁹.

At the same time, there are many substantive developments on issues of compulsory financial reporting of corporations and their standardization

⁹⁹ Рязанова Н.С. Финансове рахівництво: Навч. посіб. / передмова – В.М. Федосов – К.: Інформа-Прес, 2002. – 266 с. – (Вища освіта ХХІ століття).

¹⁰⁰ See

- Безлерский К.В. Інформаційний комплекс облікової системи та звітність в Україні: монографія / К.В. Безлерский, Т.В. Бочумя – К.: Центр учбової літератури, 2014. – 184 с.
- Голов, С. Ф. Бухгалтерський облік та міжнародними стандартами: монографія / С.Ф.Голов, В.М. Костюченко. – К.: Експресс, 2000. – 384 с.
- Голов, С. Ф. Финансовий та управлінський облік / С. Ф. Голов, В. І. Єфіменко. – К.: Либінтерсервіс, 1996. – 554 с.
- Ловинська Л. Г. Організація бухгалтерського обліку та фінансового контролю в сучасних умовах господарювання в Україні / Л. Г. Ловинська, І.Б. Стефанюк – К.: НДФІ, 2006. – 240с.

Foreign scientific financial literature includes works where the globalization of the reporting standardization process in accordance with IFRS and the implementation of these standards in some countries are studied as an example of institutionalization¹⁰¹, but in the broad sense, the aspect of institutionalization of the institution of open financial information has not been studied yet.

The retrospective analysis of financial accounting formation as an institution of open financial information indicates that it largely occurred in response to the development in the market economy of an inquiry on the informational openness of finance of legal entities and households and at the same time with progress in information technologies. And if earlier financial accounting was associated only with business activities, then at the present stage it also covers public finances.

Development of the financial accounting institute is a vivid example of the fact that at each stage of the development of society, the formation of those institutions that are relevant to certain stage objectively takes place. Information Institutions that are aimed to provide and disclose information for public characterize information society. Financial accounting is fixed as a type of activity related to providing users with open financial information, is formalized in the legal acts of separate countries and internationally.

Being an institution of open financial information in the composition of the financial infrastructure of the modern market economy, financial accounting plays a key role in the socio-economic development of information society, helping its participants to make effective decisions, minimize risks and create added value.

In the early 1970's, the topicality of information content issues increased in all financial markets. It happened on the wave of rapid development of the international stock market, due to the weakening of state restrictions on cross-border capital movements. It became obvious that growth of investment activity, increase in the market value of issuers' assets and minimization of financial and economic risks are directly linked to the availability of appropriate information. In this situation, all agents of economic and financial relations, who provide necessary information about themselves, attract money capital, new customers, and suppliers more easily. Under these circumstances, in 1973 the Securities and Exchange Commission (SEC) set up a non-governmental and non-profit organization –

¹⁰¹ The Global Institutionalization of Financial Reporting: The Case of the United Arab Emirates Irvine, Helen J (2008) Accounting Forum 32(2): pp 125-142. – [Электронный ресурс]. – Режим доступа <http://qps.ru/ql3f9>

the Financial Accounting Standards Board (FASB), whose goal was to improve already existing generally accepted principles of accounting and development new standards. It was the beginning of the rapid development of financial accounting on the part of obligatory financial statements of issuers.

At the end of the 1970's leading corporations in developed economies used computers rapidly processing large volumes of information and improving quality of their financial management. Such processes were accompanied by displacement of their priorities in determining the purpose of their activity: from simple "growth in profits" to "prosperity by increasing the market value of corporate assets and welfare of its owners" that was embodied in raising dividends and market price of equity securities of the corporation. The adoption of business decisions became increasingly dependent on the position of investors, which, in turn, was based on information about finances of the corporation.

In 1978 on the wave of such processes, the American Institute of Certified Public Accountants (AICPA) revised its interpretations of accounting. It was determined that henceforth accounting, not being limited to the internal information needs of business, but is intended for external users either, would be focused only on financial information¹⁰². Financial accounting gradually became a link between business and external users of information and acquired the status of a financial hub of the general information system of economy, as financial information is a top priority in the market economy.

In 1978 «Conceptual Provisions No. 1 on Financial Accounting» of FASB stated that financial accounting information products, having the same purpose, are divided into two groups: standardized financial statements and financial analytical materials (financial reporting). The latter are informational products that contain data which directly or indirectly relate to resources of the corporation, its obligations, revenues and other things. It is noted that there is information that can be presented only in a form which differs from the standardized reports¹⁰³. An example of this is general annual corporate reports, prospectuses and annual reports for the Securities and Stock Market Commission, in which issuers provide a wide range of information about themselves. In particular, the prospectus contains

¹⁰² Objectives of Financial Reporting by Business Enterprises. Statement of Financial Accounting Concepts No.1. Stamford, Conn: Financial Accounting Standard Board. 1978, par 9.

¹⁰³ Statement of Financial Accounting. Concepts № 1. November 1978. – FASB of Financial Accounting Federation. Par. 5-7. – [Электронный ресурс]. – Режим доступу. <http://goo.gl/SnKsMV>

characteristics of the issuer, a list of permissions for activities, data of participation in other associations (holdings, corporations, associations, etc.), information about legal entities in which the issuer owns more than 10% of the authorized capital (or assets), data about subsidiaries, branches and representative offices, a detailed description of current activity and prospects, information about products, markets, industry features, risks, details of issued securities, as well as information about officials and earnings of members of the executive body.

Informational products different from standardized financial reports are also analytical materials such as corporations' reports for the press, estimates, forecasts, and descriptions of management plans, reports and other informational materials on the environmental and social aspects of corporations that have a direct or indirect impact on finance. «Conceptual Provisions» also notes that standardized financial statements should normally be audited by independent agencies. But such auditing is not required for the rest of the information material.

During the 1980's the intensification of globalization processes was accompanied by the formation of a new configuration of the world economy, due to the emphasis on financial issues and the appropriate mechanisms of market regulation. It also contributed to the growth of the role of financial accounting as an open financial information institution in national economies and international market¹⁰⁴. At the same time, the continuation of the computerization process in large corporations also involved small and medium-sized businesses, which contributed to deepening of financial analysis, developing financial solutions based on large amounts of information, the building of financial accounting to overcome the information gap between business managers and potential investors.

A powerful motor of financial accounting has also become corporate governance system, which ensures effective business management and is controlled by owners and other users of information. That is, it is about a higher level of management of a corporation, and not about its management.

Having started in the late 1980s in developed economies, in the late 1990s corporate governance spread to other countries including the former socialist camp. In Ukraine, this system was called "corporate governance". Disclosure of information is one of the main ones in proper corporate governance, has become an important organizational factor for the

¹⁰⁴ See:

- Adda J La mondialisation de l'économie (t. I Genèse, t. Problèmes). Paris, 1996. P 15;
- Мовсисян А. Информационные аспекты глобализации/Мировая экономика и международные отношения. 1998. №2. С. 121-129

development of the Financial Accounting Institute and its information products.

In the 1990s with the rapid spread of the Internet and formation of the World Wide Web, information exchange reached a new level. It became global, mobile and covered enormous amount of information. The users of financial information received an opportunity to obtain necessary data from different sources quickly, that increased competition in the market for financial accounting services. 1995 is considered to be the year of birth of the global information bank, and therefore the milestone in the development of the Institute of Financial Accounting. Then a group of economically developed countries launched a global information network of massive service of economic agents based on the integration of global and regional information and telecommunication systems, as well as digital television and radio broadcasting systems, satellite systems and other types of communications. Such a global information infrastructure constantly changes, expanding, updating and becoming more affordable. As a result financial accounting rapidly develops primarily in the area of the latest information technology.

Since 2001, the World Economic Forum defines the Networked Readiness Index (NRI) each year for each country, according to which in 2016, among 140 countries, the first ten places were occupied by Singapore, Finland, Sweden, Norway, the United States, the Netherlands, Switzerland, the United Kingdom, Luxembourg, and Japan. Ukraine took 64th place (compared with 71 in 2015)¹⁰⁵.

This index is a unique benchmark for countries in identifying their strengths and weaknesses in the development of information and communication technologies (ICT) and to some extent reflects the dynamic of development in the country the Institution of Open Information.

At the beginning of the XXI century, the establishment of the Institution of Open Financial Information continues in unison with the global processes of the development of the Information Society, the principles of which were consolidated by a special declaration at the Geneva Summit of the United Nations at the end of 2003¹⁰⁶. The document stated the necessity of development of information institutions of society, recognition of the principle of priority of the information component of social relations and

¹⁰⁵ The Global Information Technology Report 2016. Innovating in the Digital Economy. – World Economic Forum and INSEAD. – Geneva 307 p – [Електронний ресурс]. – Режим доступу: http://www3.weforum.org/docs/GITR2016/WEF_GITR_Full_Report.pdf

¹⁰⁶ Декларація принципів. Побудова інформаційного суспільства – глобальне завдання у новому тисячолітті. 12.12.2003.

obligation to develop information infrastructure as a basis for ensuring the sustainability of the economy. The Financial Accounting Institution, with its financial activities, considers them as the basis for identifying, collecting, analyzing and providing users with the necessary financial information in the form of certain information products and providing relevant information services.

The trend of the development of the open financial information institution of the XXI century is to spread it not only on the micro but also on macro levels, in particular on public finances. It is an objective logical process, since information about state and local finances, which covers at least one-third of the world's GDP, is extremely important for the whole society. Science states that, at the turn of the XX and XXI centuries, after several decades of lack of financing and a series of reforms in the public sector, governments in the world's leading countries try to launch an ideology of public finance management that is close to the entrepreneurial scale of values, which is considered the standard of rationality of decisions. For example, to manage budget resources, it is proposed to move to the management of budget results, that shows the greater transparency of the budget¹⁰⁷.

Progressive politicians of the present in their programs raise the issue of transparency of government structures activities, their information openness, and transparency. For example, David Cameron on the eve of his election as prime minister of Great Britain (early 2010), stating that business has long been enjoying the opportunities of the information and Internet revolution, while state and local authorities are only taking the first steps in this direction, promised to use informational achievements for policy reorganization, country governance and public service delivery, as full transparency of government will have a great impact, and the UK will achieve greater welfare gains¹⁰⁸.

Transparency of local self-government activity, its accountability to civil society and the possibility of wider choice of the latter are based on the openness of information of local authorities, and the official site of the state of Missouri (USA) serves as a vivid example of such openness¹⁰⁹. Here, on a single portal, anyone can track every dollar spent by the government of this

¹⁰⁷ Бабич Т.С. Макрофінансове бюджетування / Т.С. Бабич, Т.В. Жибер, за наук. ред. д-ра екон. наук, проф. В.М. Федосова – К: КНЕУ, 2011 – 311 с., С. 6, 8.

¹⁰⁸ TED Девід Кемрон. Наступаючий ера державного управління. [Електронний ресурс] – Режим доступу http://www.ted.com/talks/david_cameron?language=ru

¹⁰⁹ Transparency & Accountability – Сайт штату Міссурі (США) [Електронний ресурс]. – Режим доступу <http://www.mo.gov/government/transparency-and-accountability/>

state, analyze its expenses, evaluate the results achieved.

The Institution of Open Financial Information – Financial Accounting – has certain specific initial characteristics, public purpose (tasks) and forms of manifestation which taken as a whole distinguish it among other institutions and determine its place and role in the general institutional architecture of society.

The initial characteristic of financial accounting is that the result of its activities is open financial information. Information products and financial accounting services are intended for a wide range of users – all economic agents, including households, corporations, local and state authorities and international organizations. In this regard, British economists Berry and Jamie Elliot in «Financial Accounting and Reporting» (2008)¹¹⁰ point out that financial accounting is primarily aimed at external users providing them with the appropriate data for independent assessment of the financial performance of the corporation. At the same time, this information is often used by managers and owners of the corporation. As a sustainable activity of collecting open financial information, it is processing, and analysis, preparation and presentation to users in understandable and convenient forms for them. financial accounting in the information society become an effective information disclosure institution.

If financial accounting deals with open financial information, the financial information with limited access is operated by another component of accounting – managerial accounting, the content and regularity of data provision are determined by its owner (owners) and, to a certain extent, by law, and their confidentiality is a criterion for assigning data to closed ones. At the same time, relations related to the legal regime of confidentiality are regulated by law. At the end of the twentieth century, with the development of the corporate governance system, identification of users to those who were entitled to obtain data from the management accounting became tighter. Currently, the list of such persons is established by the internal normative documents of the corporation, for example, the Regulations "On Access to Information", or the Regulations "On Insider Information", approved by the Supervisory Board or the Board of the Corporation. Not all corporate executives have access to information management accounting: these are usually only executives (Supervisory Board members) and top managers. For bank lending and direct investment, certain information from the management accounting can also be provided to creditors and investors. The

¹¹⁰ Elliot Barry and Elliot Jamie: Financial accounting and reporting. 12th edition. Prentice Hall, London 2008, 879 p.

management accounting provides information that has limited dis as it answers questions such as the following: what the cost of prod what components products are made of, and if it is possible to r cost of production; what amount of money and what kind of agree concluded with the suppliers; what plans for the development markets or exit from the market are; what salary individual employe

The specific feature of financial accounting – to be an a providing open financial information – leads to the affiliation of accounting to the financial and informational spheres, that is, to the of infrastructural institutions of the economy. In addition to the Inst Finance and Information, among the infrastructural ones are those r the organizational and legal formulation of market relations and speed and efficiency of economic agents (for example, the inst mediation). Infrastructure institutions are the bricks of the foundatio institutional architecture of society and, by providing its internal and integrity, form the peculiarities of the stage of developme economy and society as a whole. In particular, the peculiarity of th market economy is largely determined by the state of its own in institutions. Fig. 1 presents the structural and logical scheme of the financial accounting in the general architecture of the institutes d and economics. The Institute of Financial Accounting is an integr the financial infrastructure and, at the same time, plays an importa all its segments – corporate, state, local and international finance, in the financial market.

Being a social institution, financial accounting is a system segmented according to the circle and specificity of economic rela information aspect of which is the subject of its consideration. Th on the classification of economic relations of society at the macro a levels, this information institute is accordingly divided into the accounting of macroeconomic and microeconomic levels. If the fir considers financial relations at the level of society as a whole, global markets, their interconnections, national and local econom and local finances, then the second one examines financial relatio level of producer and consumer, households, separate corp industries and specific markets.

The financial accounting is segmented according to the cate economic agents, the data on the economic relations of which are th of its consideration. Here are the following five segments: accounting of the state, territorial communities, corporations, house international structures. There are also sectoral, regional and

features in the economy, and relevant segments can be distinguished in financial accounting. For example, financial accounting of corporations in the financial sector includes financial accounting of the banking sector, the insurance services sector, the stock market sector and other components of the financial industry.

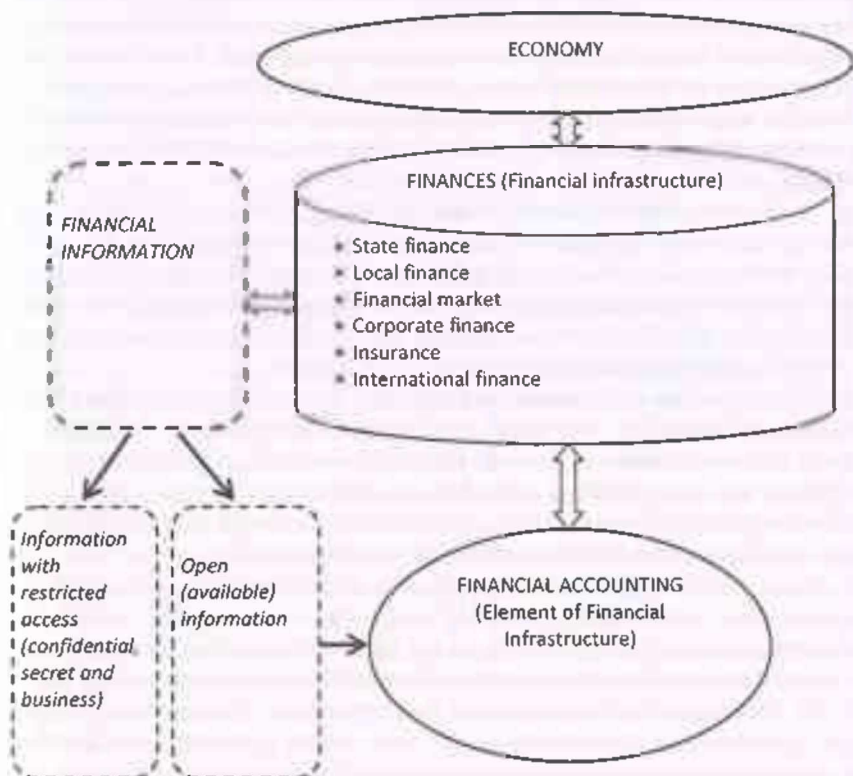


Fig. 1 The place of financial accounting in the architecture of finance

It should be noted that all segments of financial accounting are closely interconnected, and taken in general, financial and economic information forms a single information field, which is the source of data for financial accounting. The manifestation of using a wide range of information by financial accounting in the preparation of data on a particular object serves, for example, the process of preparing of analytical information related to the state of banking institutions in a particular country. When preparing such an

information product, the financial accounting expert may not be limited only to data concerning the operating activities of banking institutions. For example, working with information on the dynamic of their assets, liabilities, equity and interest rates, an expert can compare them with information about processes occurring throughout the financial market of the country, region or globally; relative data on banking sector can also be compared with dynamic of macroeconomic indicators around the country, such as inflation, exchange rates, budget deficit, balance of payments, growth of gross domestic product. The result of such analytical work is a high-quality informational product of financial accounting, which provides the user with the necessary, maximally complete data, on the basis of which effective management decisions can be made.

With the further development of the information society and institutionalization of financial accounting, the development of this open information institution is accompanied by two interrelated processes: on the one hand, its segmentation becomes more and more detailed, but at the same time, on the other hand, the information interdependence of all segments, as a reflection of tendencies of a single information field.

The Institution of Financial Accounting is a social institution, the public purpose of which is revealed in the course of realization of its objective tasks. In the realization of its tasks, financial accounting provides users with relevant and true financial data that are properly perceived and can be effectively used. The tasks of the Institution of Financial Accounting are to disclose information, minimize uncertainty and knowledge.

The essence of the first task – disclosure of information – is that products of financial accounting, providing users with unrestricted access to information, duly informed them about all the financial issues they need. Financial information, representing data on cash flow, is a determining factor in the exchange of information, and its inappropriate disclosure may cause profound problems. For example, the basis of the prosperity of oligarchic groups, corruption, crimes, economic and military aggression is always the lack of openness of information about cash flows that feed on such phenomena. Humanity is witnessing the following phenomenon: in the information society characterized by a well-developed mobile and global information network and where a huge amount of information can be easily spread around the world, there is a lack of proper disclosure of information, including financial information. As a result conditions for manipulation, distortion and misleading of society are created. Thus, information weapons appear taking advantage of the benefits of the information society and serving interests of oligarchic criminal circles. The acuteness (severity) of

the financial, economic, political and military challenges facing humanity lies in the field of manifestation of this very phenomenon. And, if earlier, the aspect of the disclosure of financial information was considered mainly in the key to corporate finance, then at the present stage it became relevant to the finances of state and local governments.

The significance of the implementation by the financial accounting institution of the disclosure task is enhanced by the rapid development and dissemination of the latest information and communication technologies. One can expect that in the next 5-10 years the tendency of disclosure of financial information with the use of such information technologies will be a characteristic feature of the development of the entire market economy because, without this, the global financial space will not be able to function effectively. The proof of it is the results of researches by professors at the University of Myongji (Seoul, South Korea) – Changka Choi and Dong-Yen Ree. Having studied data on international trade and capital flows in more than 110 countries around the world for eighteen years (1990-2008), they came to the conclusion that the role of the Internet was uniquely identified as a powerful and effective channel for disclosing financial information¹¹¹ [47].

The researchers stated that thanks to the Internet a mechanism to mitigate information asymmetry was launched, resulting in increased investment flows on the international stock market, as well as direct investment, and there were positive changes in macroeconomic indicators such as inflation, economic growth, international trade in goods and services. Assessing the prospects of the international movement of money capital, they came to the conclusion that the difficulties of information exchange are key deterrent factors in this process. Only through the development of information disclosure on the basis of the latest information technologies, we can achieve rapid growth of international investment flows, which will stimulate further international integration and the development of financial markets. There will be strengthening of the link between information technology and finance, which will require much more careful tracking and analysis of financial technologies related to the Internet.

The second public task of financial accounting – minimizing uncertainty – lies in the fact that this Institution of Open Financial Information, providing users with data relevant to their financial issues, increases the reliability of their expectations, contributing to the effectiveness of managing

¹¹¹ The Global Institutionalization of Financial Reporting: The Case of the United Arab Emirates Irvine, Helen J. (2008) Accounting Forum 32(2): pp. 125-142. – [Электронный ресурс]. – Режим доступа: <http://qps.ru/qj3f9>

financial and economic risks. Due to financial accounting, agents of economic relations – corporations, households, representatives of state and local governments, as well as international organizations make informed decisions in risk management. Challenges due to the need to manage risks and minimize information asymmetry face our society more powerful. Such processes are the drivers of the development of financial accounting in terms of ensuring openness and a clearer understanding of the situation for financial and economic agents. By providing effective information exchange and reducing information asymmetry, the financial accounting institution reduces information uncertainty in financial relations and thus minimizes financial and economic risks, which contributes to the creation of added value.

The essence of the third public task of financial accounting is in such process of informing users, in the result of which their knowledge on finances increases as well as the financial literacy of society. The effectiveness of disclosure of information and risk management depends on the readiness of users to perceive financial data. Paraphrasing the famous saying about the force of knowledge, we have that any economic participant can do as much as know, and the information is the basis of knowledge. The quality and nature of the perception of information (which is chosen from received messages as information) depend to a large extent on the host system (the receiving party), as far as it is aware, is technically equipped and tuned for the perception of the relevant information. The phenomenon of information asymmetry depends directly on the awareness and willingness of the perceiving party, depends on what information it can capture and use. The level of readiness of users to perceive financial information is an important factor in economic progress. That is why in the financial accounting a great deal of attention is paid to the aspect of the comprehensibility of information.

Information products and financial accounting services should be accessible to users and respond to their inquiries and, even be ahead of their needs, educate financially literate participants of the economy of the information society, and promote financial knowledge. A striking example of this is financial information that is sometimes advertisement by its nature and relevant information services used by corporations to promote their products and business success in the markets of real goods and capital, encouraging in this way the demand growth of consumers and investors. Such informational activity contributes to the growth of corporate income and the market value of their assets.

Each social institution is the result of the social consolidation of a certain interaction between members of society, and the state of its development

depends on their general awareness and professional training. Considering the issues of training users of information and improving their financial literacy, it is important to remember those who prepare financial information products and provide relevant information services. The quality of the products of financial accounting and its services is directly determined by the professional preparedness of the providers of such services, since the selection of information, its further processing and the results of "output" or "on the way out" depends only on them.

Those countries where the state and the whole society, realizing the importance of information – in particular, open financial – as a resource for value creation, implement the policy of science development, professional growth, the formation of an appropriate information infrastructure and raising financial and economic literacy, have achieved world economic benefits. At the present stage, China is a striking example, which, according to McKinsey & Company, shows high rates of development that is the result of the idea of a technological breakthrough proclaimed by the official Beijing.

Since 1999, by increasing annual spending on R & D on average by 20%, China overtook Japan in 2006 and became the second largest investor in innovation after the United States. By 2020, this country plans to spend 2.5% of its GDP on R & D yearly, as well as to encourage R & D with subsidies, tax incentives and support for young scientists both in national higher education institutions and those returning from abroad¹¹². Such processes contribute to the development of society and understanding that for the effective decision making and minimization of financial and economic risks it is necessary to have the appropriate qualitative financial information capital (resource), which in particular is the result of the activity of financial accounting.

All components of public services of the financial accounting institution are interconnected and implemented simultaneously, but they can be built into a certain logical sequence for each particular user. In particular, the implementation of the cognitive task contributes to formation prepared users for the perception of financial information and formation of their requests for this or that information. A good example of realization of the public purpose of financial accounting can be the institution of open financial information of the banking market. Banks, being in all countries by the key players in the economy and the main representatives of financial corporations, despite the

¹¹² McKinsey Global Institute. [Электронный ресурс] – Режим доступа: <http://www.mckinsey.com/insights/ngi>

need for further improvement of their activities, are at the present stage an example of transparency of financial information. Trying to get market participants interested in their financial products, they provide information, for example, concerning the magnitude of their deposit rates.

Some users of such information are guided only by this fact, while others, being financially literate and understanding the direct relationship between the magnitude of such rates and risks (higher rate – higher risk), are more interested in other deposit conditions, general financial information about the bank and its reliability. In particular, they review the ratings and rankings of banks, study expert assessments, which at the present stage can be quickly and easily made using the Internet. More educated users, not paying attention to the above factors, study: a) annual reports; b) standardized annual financial statements of banks; c) indicators of financial activity of banks – their financial stability, profitability, and liquidity. And, finally, there is a category of "advanced" users who go further and explore more relevant quarterly reporting data of not only one, but also the rest of the banking institutions of the country's banking system. Such information should be placed on the official website of the bank regulator.

Information about the financial statements of all operating commercial banks in Ukraine, for example, has been provided quarterly on the website of the National Bank of Ukraine (hereinafter – NBU) since 2002 in the form of the summary file in Excel. Users, who are familiar with the capital and liability structure, equity capital and financial results of banks, have the opportunity to analyze the financial condition of some banking institutions in detail and compare them. They can also find out the place and role of one or other bank in both the whole of operating banking institutions in Ukraine and the specific group. There is available a lot of useful financial information about banks on the website. It can serve in a sense as the orienting point of where to move in the development of the Institute of financial accounting when collecting, processing and presentation to users of financial information on other types of the economic activity.

Special public tasks of financial accounting are realized in the context of the activities of the relevant institutions which create information products, provide financial accounting services, which are the forms of manifestation of this open financial information institute. It can serve as such institutions specialized informational and analytical ones as well as those in which information products and services are only accompanying to the main type of activity. Accompanied by the development of information society the role of informational activity is growing however in the last-mentioned institutions.

Institutions which prepare and present information products and financial accounting services include, in recent times such as specialized international agency for financial information (Reuters Group, Bloomberg, Cbonds etc.); newspapers with a special emphasis on economic news (Financial Times, Wall street Journal, Finance of Ukraine etc.); international credit rating agency (Fitch, Moody's, Standard & Poor's etc.); audit and consulting firms ; specialized information and analytical departments of the non-financial and financial corporations (exchange houses, banks, non-bank financial institutions etc.); specialized informational and analytical departments of state and local authorities; industry association; research institutes etc.

There are also independent analysts and scientists play the important role in the process of delivering to the users of the necessary financial information in the convenient and understandable manner. They consider in their speeches and research work fundamental processes of functioning and development of finance, substantiate the predictions and problems of development of the world, regional and national economies, as well as analyze the industrial practice and the condition of one or other corporations.

Specialized informational and analytical institutions Specialized information and analytical institutions are an extremely powerful driving force of economic and financial development in the modern world, due to the fact that they influence the supply and demand generation on financial markets, the development of one or other corporations, economies of whole countries and regions. Their information is extensively studied by politicians, executive bodies, professional participants of financial and other markets, managers of corporations, scholars and everyone who is interested in financial aspects of the financial aspects of the social activity. George Stigler, winner of the Nobel Memorial Prize in Economic Sciences (1982), in the "The Economics of Information" (1961) emphasizes that with the growth of the market, there are necessarily appear institutions that specialize in collecting and selling of information. There is a tendency at the same time, towards monopolization in the providing of information¹¹³. The reason for this finds J. Stiegler's in the fact that expenses for collecting and processing of information depend in a minor way on its use, while the expenses for information dissemination depend on it¹¹⁴.

So the dissemination of information is becoming an extremely profitable business in the information-oriented society. Widely known British news agency

¹¹³ Stigler G.J The Economics of Information. «Journal of Political Economy», 1961, Vol. 69, №3, June.

¹¹⁴ Ibidem.

and provider of financial market data – REUTER is a strong example of it. The share of the agency turnover on the London Stock Exchange and are the part of FTSE 100 stock index (Financial Times Stock Exchange Index). The agency was established in 1851 for transmitting of the stock news to Paris using electric telegraphy. In 2007 Canada's The Thomson Corporation, which was the largest in the second half of the twentieth century, acquired Reuters. The new company was named Thomson Reuters. Offices of REUTER are represented in almost 100 countries of the world today. The staff consists of more than 14 thousand employees including analysts, journalists, photocopiers, and representatives of other professions. They provide with collecting, processing, and presentation of the necessary to users information quickly and in a convenient manner. There are more than 1 billion people every day. More than 90% of the profit the agency gets from selling of information about the financial and commodity markets. The agency provides data about the financial condition to corporations and to their corporate governance, emerging news about competitors among all of the stock market, banking market, government and local borrowing, as well as many other issues.

Bloomberg Corporation is another well-known informational and analytical agency which was founded by Michael Rubens Bloomberg, the American businessman and former Mayor of New York. When Bloomberg paid up 20 percent of Merrill Lynch's shares, another shareholder – one of the leaders of investment banking of Merrill Lynch Corporation, he became the shareholder of 88% of the shares. Bloomberg provides a wealth of informational and analytical products for finance and other related issues carry out research projects on request. It appears new specialized information and analytical agencies. For example, the information and analytical agency Cbonds Group started its activity in 2000 on the territory of the former Soviet Union. Cbonds Group is focused on financial markets of Ukraine, Kazakhstan, and Russia.

An important role in the implementation of financial accounting plays the information units of financial corporations by providing information and educational and analytical and advisory work, and by promoting the popularization of a corporation and its financial products on the market. Modern stock markets are a strong example of a powerful area of open financial information. Information exchange is carried out by means of the Electronic Data Gathering, Analysis, and Retrieval system – EDGAR, particularly the US Stock Market. EDGAR is supported by Securities and Exchange Commission.¹¹⁵. All of the securities issuer news is sent through

¹¹⁵ U.S. Securities and Exchange Commission (SEC). Official site. – [Electronic resource], – Available at: <http://www.edgar-online.com/>

one of the eight authorized agencies in the UK. If put it these agencies together, they represent a Primary information provider. Non-financial corporations have also subdivisions where financial aspects of the activity of these corporations are highlighted. They also often provide information about selected products, market segments, and the economy as a whole. It is for necessarily strong companies present on their official sites annual and other reports, showing their openness to the society.

The state and its institutions are crucial in the implementation of the financial accounting institute. It is actually in this regard the determination of the informational exchange of an ideally organized public sphere characteristics (state and local authorities) that was made by Jurgen Habermas, the well-known German scientist in the field of the philosophy of communication. He thought that there are the following three characteristics: 1) the presence of capable and committed employees who honestly collect the necessary information; 2) all events are displayed in official publications in an honest manner; 3) it is provided free access to these publications.

Jurgen Habermas places emphasis upon on the existence of a close connection between the publicity of information and a democratic mode of governance. He notes that it is only the state in the face of government is that institute which can collect and process information about everything that surrounds us systematically and continuously, because solving of such an extremely difficult task requires huge financial costs¹¹⁶. In addition to the existence of traditional state statistical agencies, it is increasing the tendency of the information activities development in state and local authorities, at the present stage. This is the result of the growth of the powerful community request to the transparency of state and local finances in all countries. There are income and expenditure of the state and local authorities, purchasing programme, the state investment programs and a lot of other issues.

An important segment of the Institute of Financial Accounting is the accounting on the macroeconomic level. Financial information which refers to macroeconomics¹¹⁷ – that is, economic relations represented as a single entity at the level of countries and their regions, interstate community,

¹¹⁶ Jurgen Habermas. *The Structural Transformation of the Public Sphere: An Inquiry into a Category of Bourgeois Society*. – Lviv: Litopys, 2000. – 318 p.

¹¹⁷ The term «macroeconomics» was introduced into the science in the year of 1934 by Norwegian economist Ragnar Anton Kittil Frisch, 1895-1973, who was awarded the title of laureate of the Nobel Prize in Economics (1969) for the development of dynamic models of analysis of processes in the economy. At the same time, John Maynard Keynes, 1883-1946 is recognized as the founder of macroeconomic theory. He wrote about its basis in his fundamental work "The General Theory of Employment, Interest, and Money" (1936).

separate geographic areas and at all the world – plays a special role, in the modern economy. If to characterize the macroeconomic which refer to the money capital movement, such type of information becomes a unique economic resource, commodity, a factor of the added value creation, and thus this information is the subject of the focused attention of all economic agents and occupies a special place in the information space. Gregory Mankiw, professor of Economics at Harvard University notes that macroeconomics, dealing with factual data, historical experience, and analysis of factual materials, sheds light on facts or events of current reality, explains the economic phenomena and processes which is necessary for the economic policy improvement¹¹⁸. Objectively, this unique role of macroeconomic financial information is accompanied by the development of the relevant institute of financial information in the society – that is a financial accounting of macroeconomics.

Macroeconomics is a more complex aggregative economic mechanism in contrast to microeconomics, which is represented in the economic activity of corporations and households. It can be considered at the level of a separate country, its regions, interstate associations (for example the European Union), separate geographical areas (for example Africa, the Caribbean, Eurasian continent, Oceania) and globally. Usually, macroeconomics is associated with such generalized phenomena as economic growth of the country and the region, their foreign commerce, inter-sectoral proportions and connections (for example, in the agro-industrial complex), state and local budgets, inflation, unemployment, market conditions and many others. It is characterized by aggregative parameters, the study of which allows to identify causal relationships and dependencies in the economic relations of society, to trace their tendencies and patterns, to predict the general development of macroeconomics of a particular level and its influence on microeconomic processes.

The relevance of the financial accounting development at the macro level is increasing in the society at the beginning of the 21st century; it is caused by challenges related to lack of transparency in finance at the macro level, the necessity of maintaining the financial and economic security of the countries and ensuring the sustainable development of their economies. These challenges exist in Ukraine too and the response to them lies in the civilized formation in its society of the Institute of Open Macro Financial Information.

It is possible to assess the relevance of financial accounting at the macro level even by means of scanning the names of articles and various modern

¹¹⁸ Mankiw G. N. *Macroeconomics* / translated from English by the S. Panchishin. – K.: Osnovy, 2000. – 588 p.

media. Daily, there bring up questions about economic growth, inflation, exchange rate, actions of the Ministry of Finance and the Central Bank, the budget deficit, external debt etc. Macroeconomic events may seem abstract but they make an influence on lives of everyone. When management of corporations makes predictions about products selling, the dynamics of consumer demand, inflation and exchange rates should be taken into account. People of retirement age should be guided by the state pension policy and the dynamics of prices in the markets. Young professionals need to be knowledgeable in finding of new working places, in a finding of important data on economic growth predictions in certain sectors of the economy and regions. Macroeconomics financial issues are generally centered in the political polemics and play an important role in international relations. When studying the financial data of the macroeconomic level of different countries and regions, it is possible to explain the mechanisms of functioning of their farms, to predict trends in their development.

The topic of financial accounting as an information and infrastructure subsystem of macroeconomics is extremely relevant for Ukraine in the 21st century. It is necessary for the effective management of corporate and household living, adequate treatment in the markets, the proper implementation of functions by state and local authorities, ensuring of the financial and economic security and sustainably developed of society. The attraction of foreign and domestic investments into the Ukrainian economy, structural reforms, the development of modern science, the introduction of new technologies into the economy and other breakthrough processes that determine the success of its economy and civilization development are directly connected with the transparency of public finances and minimizing of their information asymmetry, in other words on the development of the Institute of Macroeconomic Financial Information.

Issues of the development of the Institute of macro-financial information are reflected in the policy of influential interstate structures, which also emphasizes the importance of this topic. The example of it is the International Monetary Fund provisions, which evidence of the indispensability of easily accessible, complete and timely macroeconomic and macro-financial information in the development and implementation of well-reasoned macroeconomic policy and the adoption of effective investment decisions¹¹⁹ When implementing these approaches, the IMF

¹¹⁹ General Data Dissemination System. A guide for participants and users. – International Monetary Fund. – Washington, 2007, 83 p., Chapter 1

established the IMF Data Standards Initiatives (DSI)¹²⁰, which should promote transparency and the development of a quality statistical system in member countries in the mid-1990's. Affiliating with the Initiatives is voluntary, but their relevance was confirmed by the financial crises of the second half of the 1990's and early 2000's, and today more than 97% of the member countries have signed up to the Initiatives. Ukraine affiliated with the Initiatives in 2003.

Together with the IMF, the UN states in the "Fundamental Principles of Official Statistics" (1994-2013)¹²¹ that generalized statistical information, providing data on the administrative structures of states, economic agents, and society as a whole, serves as the necessary basis for sustainable development in the economic, demographic, social and environmental spheres. The European Statistics Code of Practice (2011)¹²² also emphasizes the crucial importance of providing the European Union's economic players with independent, high-quality information about the economy and society at the pan-European, national and regional levels, making this information public for users with the aim of making decisions, for research purposes and for debate, in addition to these themes.

Its concept was developed and proposed to the society in 1947 by the Economic Commission for Europe¹²³, and is currently applied in more than 150 countries. If it is told about Ukraine, the SNA was started to form at the beginning of the 1990's.¹²⁴

¹²⁰ IMF Standards for Data Dissemination. – International Monetary Fund, – [Electronic resource]. – Available at <http://www.imf.org/external/np/exr/facts/data.htm>

¹²¹ Fundamental Principles of Official Statistics (1994-2013). – [Electronic resource], – Available at <http://unstats.un.org/unsd/dnss/gp/fundprinciples.aspx>

¹²² Refers to:

- European Statistics Code of Practice. For the National and Community Statistical Authorities. – Adopted on September 28th, 2011 by the European Statistical System Committee. – Eurostat, 2011, 11 p.

- European Statistics Code of Practice. For the National and Community Statistical Authorities. – Eurostat Committee, September 28th, 2011 – Publications office, 2011. – [Electronic resource]. – Available at: <http://ec.europa.eu/eurostat/documents/3859598/5921861/KS-32-11-955-EN.PDF/5fa1ebc6-90bb-43fa-888f-dde032471e15>

¹²³ Measurement of National Income and the Construction of Social Accounts. – Report of the Sub-committee on National Income Statistics of the League of National Committee of Statistical Experts. – United Nations, Geneva, 1947, 59 h/ – [Electronic resource], – Available at: <http://unstats.un.org/unsd/nationalaccount/docs/1947NAreport.pdf>

¹²⁴ On the Concept of building a Ukrainian national statistics system and program of transition to international accounting and statistics system. – Resolution of the CMU from May 4th, 1993 with the No 326. – [Electronic resource]. – Available at: <http://zakon5.rada.gov.ua/laws/show/326-93-%D0%BF>

It is an objective phenomenon, the existence of a uniform, indivisible into parts, Macroeconomic Financial Accounting Institute on the basis of which lies the existence of a common information field. The Macroeconomic Financial Accounting Institute integrity ensuring the free flow of information between its members. For example, analytical materials of financial accounting in the part of public finances (particularly, information about taxation, public borrowing, and purchases) are necessary and used for financial management of various state ministries and departments, information about the financial markets conditions, particular industries is important and applied in determining the directions of the finance development at the state and local levels, as well as the finance of interstate community.

The development of the information society provokes interpret in a new way the phenomena and processes that seem to have already been well studied. Financial relations of the macroeconomic level are among such phenomena, first of all, it is financial relations at the level of state and local authorities – that is, public finances. Information is the property (attribute) of everything that exists in the material world, according to the attributive concept, and all the interaction in nature and society is built on the information¹²⁵. It may be affirmed, that it is natural for the macroeconomics financial relations to contain information inside. Informational attribute (property) always existed in the public finances, but it appeared itself with special emphasis and became relevant only after the beginning of the information age. Institute of Public Finances in Ukraine becomes more informatively open only in the conditions of the information society. It becomes more and more obvious that the dialectic relationship between financial accounting and public finance has also appeared in the fact that the financial accounting is one of the forms of appearing of the information attribute of public finance.

Economies of countries and their regions, interstate community and separate geographical areas are characterized by deepening of integration processes, the interpenetration of economic relations over geographical boundaries, which ensure the dynamic equilibrium of these economies, in the third millennium. The financial indicators of such processes are, particularly, the volumes and the share of GDP of countries of their exports, imports, external debt, foreign direct investment, etc. For example, the average annual export share in GDP was almost 51%, imports were almost 56% in Ukraine

¹²⁵ Demin A. I. Economics Information Theory: Macromodel / A. I. Demin. – M.: Palev, 1996. – 347 p., P. 66.

during 2010-2015, the ratio of external debt to gross domestic product increased by 45% over this period, and the debt reached almost 119 billion dollars at the beginning of 2016 is as follows.¹²⁶. These are examples of financial flows that characterize openness of the economy of a particular country.

The monetary capital movement and the accompanying information exchange takes place within the scope of national economies permanently. These phenomena occur between their regions and particular economic entities thereby demonstrating the openness of modern economies. Cash flows and information exchange integrate regional and national economies in a common macroeconomic integration (common economic space) more and stronger, in spite of geographical boundaries, determining the state of dynamic equilibrium of the economy of the country and its regions, interstate communities and particular geographical areas. This is an objective process. The economy of the information age cannot exist in the autarky conditions. Such processes determine the relevance of the study of financial accounting from the standpoint of macroeconomics as an open system.

The Theory of Open Systems (also known as the "General Systems Theory") was formulated for the first time in the work "The Theory of Open Systems in Physics and Biology" (1950)¹²⁷, by Ludwig von Bertalanffy, an Austrian professor of Theoretical Biology. This theory was expanded later in the work "An introduction to cybernetics" (1956)¹²⁸, by William Ross Ashby, an English cybernetic. According to the theory of open systems, the vital processes of these systems are supported by functioning in them and with the surrounding environment of the real, informational and (or) energy flows, through which the dynamic equilibrium of this system is ensured. Each open system can ensure its dynamic equilibrium (stability) only through the proper interaction and exchange with the environment by means of such input and output flows. It is important that this postulate is relevant not only to the biological and physical systems but also with the economics and finance.

¹²⁶ Financial portal of the Ministry of Finance – [Electronic resource], – Available at: <http://index.minfin.com.ua/index/gdp/>

¹²⁷ Ludwig von Bertalanffy The Theory of Open Systems in Physics and Biology – Science, 13 January 1950, Vol. 111, 23-29 p. – [Electronic resource], – Available at http://vhpark.hyperbody.nl/images/a/aa/Bertalanffy-The_Theory_of_Open_Systems_in_Physics_and_Biology.pdf

¹²⁸ W. Ross Ashby. An Introduction to Cybernetics. – Second Impression – Chapman & Hall, London, 1957., 156 p. – [Electronic resource], – Available at: <http://pespmc1.vub.ac.be/books/introcyb.pdf>

Macroeconomic financial information is necessary for a sustainable development of society, and the financial accounting of macroeconomics aimed at providing it to users. The IMF emphasizes also that it is necessary to share the macroeconomic information properly and to provide the users with unlimited access to it¹²⁹. States-members of the IMF, recognizing the importance of macroeconomic information, accept voluntarily long-term obligations to improve the quality of public information. The UN General Assembly adopted the Ten Fundamental Principles of Official Statistics¹³⁰, in early 2014 when developing a policy to support the development of activities for the preparation and providing the public financial and general economic information of the appropriate quality. The first of them was proclaimed the Impartial of the official statistics in the information system of a democratic society.

Financial accounting of macroeconomics designed to ensure the state of dynamic equilibrium in the macro-level system of economic relations. The uniqueness of this problem is that the important aspect of dynamic equilibrium of the economy appears sizeable at the present stage of social development at the macro level of the economic life of society most notably.

Karl Marx¹³¹ gave much attention to the problem of economic equilibrium and finding out of the most general conditions for its formation in a simple and expanded reproduction still in his works. He also formulated a general methodological principle according to which the economic downturns are the result of deviations from equilibrium, and the constant tendency of different production field to equilibrium is a reaction on the constant violation of this equilibrium. General Equilibrium Theory was further developed in scientific research of the economists of the XX century. Some American economists, in particular, John Richard Hicks and Kenneth Joseph Arrow won the Nobel Prize (1972) for pioneering contributions to general equilibrium theory and welfare theory. They determined the condition of general equilibrium in the economy as one which helps to reach the equilibration, mutual balancing of its phenomena and processes¹³².

¹²⁹ General Data Dissemination System. A guide for participants and users. – General Data Dissemination System. A guide for participants and users. – International Monetary Fund – Washington, 2007. 83 p., paragraph 2.3.

¹³⁰ Fundamental Principles of Official Statistics (A/RES/68/261 from 29 January 2014) – [Electronic resource], – Available at: <http://unstats.un.org/unsd/dnss/gp/fundprinciples.aspx>

¹³¹ Karl Marx, Friedrich Engels. Capital: Critique of Political Economy, volume II. Works, second popular edition, T.24.

¹³² Arrow K. J., Debreu G. The Existence of an Equilibrium for a Competitive Economy. – *Econometrica*, 1954, 22 (3), P. 265 – 290.

Economic equilibrium is a dynamic and multifaceted phenomenon in the information society. It is relevant for ensuring of the state of dynamic equilibrium in the market economy of the information society, balancing and mutual balancing not only bipolar phenomena and processes related to production and consumption, demand and supply, resources and needs. The multiplicity of the state of dynamic equilibrium of the modern economy appears in the fact that the process of production and consumption, demand and supply, resources and needs should be considered not only in the general economic plan but in the financial and information plans as well. The reason for this is that the incredible development of such a segment of macroeconomics as the financial market, because its annual volumes are vastly larger than combined GDP of all countries, and also that the role of information as an economic resource, commodity and the factor of the creation of added value is growing.

State of dynamic equilibrium can be determined in the modern economy as the state when it is possible to reach simultaneously: *firstly*, balancing and mutual balancing of cost (money) phenomena and processes with the rest of the economy as a result of which it will be impossible to create so-called bubble economy; *secondly*, there is a proper exchange of information on financial relations in the society, it minimizes information asymmetry of finance; *thirdly*, on the basis of the first two factors there is a balancing and mutual balancing of production and consumption, demand and supply, resources and needs in the economy. So, the state of dynamic equilibrium is achieved only with the proper exchange of financial information, in the information economy.

Key factors of the destructive financial crises in some segments of financial markets (particularly, the securities market) of the last decades are the lack of proper information exchange and the dramatic information asymmetry. Michael Monroe Lewis, an American well-known financial journalist, a regular correspondent of such authoritative financial and economic editions as The New York Times Magazine, The Wall Street Journal, Bloomberg, the author of the bestseller about the causes and development of the US mortgage crisis in 2000, "The Big Short: Inside the Doomsday Machine" (2010), notes in this regard that the most dramatic information asymmetry that existed in the financial markets of the late 1990s – early 2000s, especially in the debt market, actually made possibly the greatest global financial crisis¹³³ in human history.

Financial accounting at the macro level plays an important role in the practice of the state management and local government, the realization of the

¹³³ Lewis Michael. The Big Short: Inside the Doomsday Machine. – USA: W. W. Norton & Company, 2010. — 266 p.

state and local authority functions, achievement of the national financial and economic security. *Firstly*, products and services of financial accounting are a source of the necessary to society information about public finance, so they are an effective tool for state and local government. *Secondly*, the macroeconomics financial accounting data is a source of information which is necessary to governing bodies. For example, received budgets are formed with an account of macroeconomic expectations, represented by indicators of GDP growth, inflation, exchange rate, the maximum amount of public debt, the minimum wage. Specifically, it is detected in Ukraine by the Budget resolution of the year 2016¹³⁴ the indicative estimated figure of the macroeconomic development of the country on the year 2017-2019 that is the basis of its budget of the year 2017. Using of the estimated macroeconomic figure for the three years during the planning of the state annual budget shows that the management efficiency by public finances depends on the proper vision by the authorities of the medium and long-term perspectives of the macroeconomic development of the national economy.

Thirdly, the system of the financial macroeconomic information is necessary for the information exchange between the authorities, because of determining the effectiveness of coordination of their actions and the state security. Therefore, in early 2015 in Ukraine by the presidential decree was formed the interagency body represented by the Financial Stability Board (FSB)¹³⁵. The main tasks of the FSB are the follows: (a) information interchange, early recognition of the current and potential external and internal threat and systemic risks; (b) the preventive control coordination and coordination of the rapid response measures (crisis management) if it is strong indication of the fragile financial condition of the banking system and also the conditions which threaten the stability of the banking and/or financial system of the state. The FSB consist of heads of the NBU (National Bank of Ukraine), the Ministry of Finance, the National Securities and Stock Market Commission which performs the state regulation in the area of financial services markets and the Deposit Guarantee Fund. The FSB interacts as well with leading international organizations such as the European Systemic Risk Board, the Bank for International Settlements, the IMF, the World Bank, the European Central Bank, the International Association of Deposit Insurers, the European Forum of Deposit Insurers etc.

¹³⁴ The main directions of fiscal policy on 2017. – Government portal - [Electronic resource], – Available at: http://www.kmu.gov.ua/control/uk/publish/article?art_id=249146433&cat_id=244276429

¹³⁵ About the Financial Stability Board Decree of the President from March 24th, 2015 with the No 170/2015. – [Electronic resource], – Available at: <http://zakon2.rada.gov.ua/laws/show/170/2015>

Financial accounting at micro and macro levels is closely interrelated and designed to provide the coordination of private and public interests and flatten out existing contradictions. The corporate policy on tax optimization can be an illustration of such contradictions, but essentially of the financial selfishness. For example, 40% of the Multinational corporation international trade carried out within the scope of their structures¹³⁶ and they optimize taxes towards their reduction by means of using a transfer pricing system. They also widely use the tax haven of offshore territories, strong confirmation of it is the publicity made by "Sueddeutsche Zeitung", the German newspaper in the year of 2016. They published materials of the "Panamanian archives" that are documents of "Mossack Fonseca & Co.", the Panama law firm which deals with the registration and support of offshore¹³⁷ for the period from the year of 1977 to 2015. The expert's rough estimates show that it settled in the offshore territories from 117 to 167 billion dollars, that equivalent to 1,5 – 2 of the annual volumes of GDP of Ukraine¹³⁸. Data of the European Parliament says that the countries of the European Union don't receive in addition receive from 50 to 70 billion euros potential tax revenue annually in the result of different optimization mechanisms. Experts estimate that corporations in Germany are underpaid to the state budget on average from 60 to 100 billion euros per year. As a result of such actions, more than 100 the most strong corporations, paper holdings of which are in the listing

on the London Stock Exchange, annual wastes in the budget are estimated at 840 million sterling, in Great Britain. Conservative calculations show that the state budget loses 38 billion dollars¹³⁹ as a result of tax

¹³⁶ Markus Henn. Tax Havens and the taxation of Transnational Corporations – Friedrich Ebert Stiftung. June 2013. 17 p. [Electronic resource], – Available at <http://library.fes.de/pdf-files/iez/global/10082.pdf>

¹³⁷ Refer to:

• Panamas Staatsanwaltschaft leitet Ermittlungen ein – Sueddeutsche Zeitung, 4.04.2016, – [Electronic resource], – Available at <http://www.sueddeutsche.de/politik/offshore-geschaefte-panamas-staatsanwaltschaft-leitet-ermittlungen-em-1.2933353>

• The Panama Papers: how the world's rich and famous hide their money offshore. – TheGuardian April 2016. [Electronic resource], – Available at: <http://goo.gl/cWlPFI>

¹³⁸ Кораблін С. Офшорне виснаження – Зеркало тижня, 13.05.2016. [електронний ресурс], – Available at: http://gazeta.dt.ua/macrolevel/ofshorne-visnazhennya_.html

¹³⁹ Refer to:

• Markus Henn. Tax Havens and the taxation of Transnational Corporations. – Friedrich Ebert Stiftung June 2013. 17 p. [Electronic resource], – Available at: <http://library.fes.de/pdf-files/iez/global/10082.pdf>

• Transnational Corporations Vol 18, №2 (August 2009), p. 113-174, p.120.

• Interfax-Ukraine. Information agency. – [Electronic resource], – Available at: <http://interfax.com.ua/news/economic/336791.html>

evasion by the banks and other multinational corporations, in the USA. So, a lot of corporations don't pay necessary taxes to the state budgets because of using by the mechanisms of taxes optimization in the conditions of their non-transparent activity, but at the same time, they use costs of these budgets with the maximal for them benefit. It is hard in to overestimate the macroeconomic financial accounting role as a source of available and clear information to everyone, which is necessary for providing of the transparency of the corporative finance and control over them, including by the public, in such conditions.

The macroeconomic financial accounting role is also important when solving the main financial and economic contradiction because the strengthening of this contradiction becomes a challenge and a source of risk for the whole society in the first decade of the XXI century. This is the contradiction between the economic agent's selfishness (particularly of corporations) which was mentioned above and the process of globalization of the financial and economic integration.

An indicator of the dynamics of the share of world trade in the gross world product (the GWP) is the evidence of the growth of the financial and economic integration on a global scale. Data of the UNCTAD (United Nations Conference on Trade and Development) said that the volume of international trading of goods and services has increased fourfold during the last twenty-five years (1990-2014) and is more than 24 trillion dollars for today. These rates were with that higher than the GWP growth rates and the share of international trade in the GWP has increased as a result of this from 20% in the early 1990's to more than 30% in our day¹⁴⁰.

The appearance of the «value-added chain» concept in the late 1990's is the result of the globalization of financial and economic integration process. This concept is widely used today in different branches of economic science and mass media practice. It arose in the area of business management and was formed at first in the work "Competitive Advantage: Creating and Sustaining Superior Performance" (1985)¹⁴¹ by the Michael Porter, Professor at Harvard Business School. The concept is a reflection of the fact that the value in the modern economy is created not in one specific area (branch) but in a lot of different areas. These areas are in a chain of close and simultaneously variables and dynamic interconnections at the same time –

¹⁴⁰ Key Statistics and Trends in International Trade 2015. – UNCTAD, United Nations Publications, p. 30, P. 11 [Electronic resource]. – Available at <http://goo.gl/SVrX9a>

¹⁴¹ Porter M. Competitive Advantage: Creating and Sustaining Superior Performance — New York: The Free Press, 1985. – 592 p.

and in addition, the new one information resource added to the traditional factors of value creation.

Imbalances and crises in finance and the economy of society are the results of the strengthening of the contradiction between egocentric financial interests of corporations – especially Multinational Corporations – and the increasing of the globalization of the financial and economic integration. A strong example of this is the recent global financial crisis, the consequences of which are seriously experiencing to this day by the society. Solving of such contradiction centers around of the information institutes development and, first of all, of the microeconomics financial accounting, data of which helps to identify possible manifestation of corporations financial selfishness not only to each economic agent but to society as a whole. This is the key to preventing and correcting of the imbalances that arise in the financial and economic relations of the modern market.

Shadowing of the economy is the difficult challenge for the financial system of society, for the public economy and security, at the beginning of the XXI century. Its scale is impressive and the OECD evaluations show that when there are more than 1.2 billion official individual working places in the global economy, more than 1.8 billion people worked in the illegal sector¹⁴², as early as in the beginning of the 2000's. We calculated that this number is more than 2 billion for today. World Economic Forum(the WEF), which meetings regularly held in the Davos (Switzerland) predicts that the widening of the shadowing of the economy together with the macroeconomic and macro-financial imbalances and resource constraints will be the key global risks in the coming years¹⁴³.

Experts from the National Institute for Strategic Studies (NISS) indicate that Ukraine's economy has quickly integrated into the system of shadow financial flows, using standard tools for manipulating by the export and import prices, as well as financial instruments. The cumulative outflow of shadow capital from Ukraine run at 82 billion dollars in the period from 2000 till 2008, and after the crisis, the situation became even more tragic. These are essentially unused investment resources for the national economy, and they are almost twice as much than the volume of epy foreign direct investment in Ukraine¹⁴⁴. Foreign economists investigated that the shadow

¹⁴² Jutting J., Perlevliet J., Xenogianni T. Informal employment re-loaded / OECD Development Centre – Paris: OECD, 2008.

¹⁴³ Global Risks 2011. Sixth Edition. An initiative of the Risk Response Network. – Geneva Switzerland. World Economic Forum. January 2011 - 56 p.

¹⁴⁴ The shadow economy in Ukraine: the extent and direction of overcoming – Kyiv: National Institute for Strategic Studies, 2011 – 31 p.

economy in Ukraine run to 52, 8% of the official GDP¹⁴⁵. Institutionalization of the microeconomics financial accounting is in connection with it the attack on the shadow economy because involves the development of the system of disclosing to the public as much information about the finances of its members as possible.

An important issue of financial accounting is ensuring the usefulness and quality of financial information. The IFRS Advisory Council provides the basics for achieving of the specified characteristics¹⁴⁶ in the normative documents which called "Conception Frameworks for Financial Reporting" at the beginning of the XXI century. It is singled out particularly two groups of characteristics of the financial information usefulness, there are fundamental and reinforcing. Reinforcing is relevant for all of the financial information, but not only for financial reports. It is stated the existence of a hierarchy between them. Fig. 2 shows a structural and logical scheme of the overall architecture of these characteristics.

The fundamental characteristics of financial information are its relevance and faithful representation. It is recognized as useful only that information which agrees with two characteristics simultaneously. For example, if information agrees with the characteristic about faithful representation it is not the fact that this information is useful. Financial information will be considered as useless and a user will not able to reach an effective decision in the case of the faithful representation of the irrelevant phenomenon. It is necessary to obtain specific sequence when using fundamental characteristics, however for providing the suitable uses of financial information. This process will be the most effective and the most productive when obtaining the following sequence: at first, to identify economic phenomenon which can be potentially useful for users of financial information, than – type of information about this phenomenon, it determined which information will be the most relevant if it is available and can be faithfully represented, and finally, it determined is this information available and can this information be faithfully represented. If it is possible to determine the most relevant type of information and it is available and can be faithfully represented, the process of providing the basic qualitative characteristics ends with it. If in contrast, it should be repeated for other the most relevant type of information.

¹⁴⁵ Schneider F., Buehn A., Montenegro C.E. New Estimates for the Shadow Economies all over the World. – *International Economic Journal*, 2010, volume 24, Issue 4, 443-461 pp.

¹⁴⁶ Conceptional Frameworks for Financial Reporting. – [Electronic resource]. – Available at <http://www.iasplus.com/en/standards/other/framework>

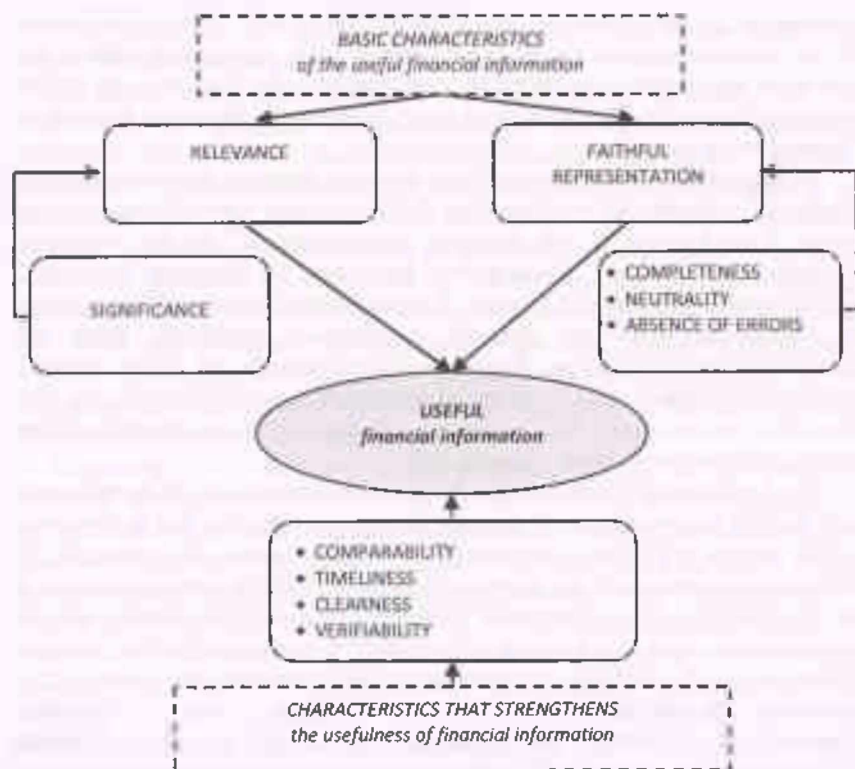


Figure 2. Interconnection of the characteristics of the usefulness of financial information

Each fundamental characteristics of the information user have own specific characteristics in its basis. The significance is a characteristic aspect of the information relevance, particularly. However, it is stated in the "Conceptual Frameworks that to set the marginal quality value of the relevance or determine what can be relevant in a specific situation in advance is not possible. If it is considered characteristics which determinate the faithful representation of financial information, financial data describe in this case economic phenomena in words and numbers, and the perfectly faithful representation of information is characterized by the completeness, neutrality, absence of errors. The complete is considered such feeding of financial data which covers all information, necessary to a user for the understanding of the described phenomenon, including all necessary descriptions and explanations. It can be a description of the nature and

numerical characteristic of the assets of an enterprise, their original cost value, adjusted value or fair value, explanations of important facts about quality and nature of financial reporting articles, factors and circumstances and also processes used for formation of a numerical description. The neutral is that information which is selected and represented without any prejudice. Neutral information should be single-minded and free from manipulations focused on the formation of users of the approving or disapproving of perception. The concept of "absence of errors" is not identical, at the same time to the concept of "perfectly accurate in all aspects" financial information, because with it is understood absence of errors or omissions in the description of the phenomenon, in the selection and application of the corresponding process of its evaluation forming.

Usefulness of financial information can be exacerbated by the following characteristics: *Firstly*, if it is considered the traceability, it is an important possibility to users to compare financial data of one or several financial and economic agents for different time intervals. It is necessary to distinguish at the same time the concept of the comparability and traceability of financial information because they have a different essence. The comparable is information for registration, accumulation, and processing of which used the same methods. If the traceability considers as the aim, the comparability helps to achieve this aim.

Secondly, the oldest is financial information the less its usefulness. The oldest information can be used with it, for example in the case of the necessity to evaluate the tendency of financial process development. Practice and researchers state that financial information became old not because the time goes but because the new information comes, relevant information which specifies, completes or rejects the preliminary data completely or partly. Information aging accompanies usually with it by the decreasing of its value.

Thirdly, criteria for the financial information usefulness correlate essentially with the level of the financial literacy of users. It is important that users have the desire, opportunity, and ability to learn financial information carefully. Financial literacy of users should be at a certain level for an understanding of that such information: for example, they should know enough about economics and business, finance and accounting. Even if some information can be difficult for understanding to users, this information should not be removed, because other users can use it effectively.

Fourthly, if it is considered the ability to verify financial information, this verification can be direct and indirect. An example of the direct one is the verification of some financial sum by means of counting of its components. An indirect one is a verification by means of checking of corresponded input and output data.

2. DIALECTICS OF FORMATION AND PUBLIC FINANCES DEVELOPMENT IN UKRAINE



2.1. Imperatives of Theories in Public Finances

Financial restructuring¹⁴⁷, carried out in the 90-s of the last century in the process of transformational variations laid the foundations for the formation of a market-based financial system in Ukraine. The transformations that were of evolutionary character have been still taking place in all spheres. Meanwhile, it should be noted that at present it is hardly possible to recognize the formation of new architectonics of the national financial system and the principles of its functioning, both in general and in certain areas, brought to a logical completion, which caused by various factors of objective and subjective nature.

One of the factors of a subjective nature is a certain inconsistency between financial science and practice that has different manifestations, in the use of financial terms and concepts in particular. Changes in the financial environment require from scholars the adequate and synchronous response to them. Although in general, national financial science has been developing in line with market transformations, some inconsistencies still exist today. First of all, this concerns two leading spheres of the financial system at the micro and macro levels.

Concerning the micro level, it should be stated that in the Ukrainian literature, the field of enterprises finances (or finances of business entities) has been defined in the structure of the financial system for a long time, although the issues of financial management in corporations, financial analysis, budgeting, etc. have been also investigated. Even though at present, the curriculum of higher education institutions provides the study of corporate finances, as in the whole world, there are still many problems and in most cases they concern a practice. Its key problem is a rather specific nature of joint-stock ownership in Ukraine, which, firstly, was largely formed on the basis of privatization processes through corporatization, and secondly, it is still far from accepted standards in the field of corporate management. However, these are the problems of the transition period, and therefore the vector of development of national financial science for the research of corporate finances is true and justified. We should also add that

¹⁴⁷ Федосов В. Финансова реструктуризація в Україні: проблеми і напрями монографія / В. Федосов, В. Опарин, С. Львовичкін; за наук. ред. В. Федосова – К.: КНЕУ, 2002. – 387с.

this is not a simple transition to modern terminology – it is a complete transformation of scientific approaches and conceptual bases of research.

At the macro level, despite the individual attempts¹⁴⁸, the allocation of the sphere of state finances dominates, whereas the public finances are considered (by the way, the term “public finances” has not yet been introduced in the Ukrainian encyclopaedias) in the developed countries. Meanwhile, the issue of the interrelation between state and public finances is not as simple as it seems at first glance, therefore a special article by representatives of the scientific school was devoted to¹⁴⁹.

So, in some cases, these terms are considered essentially as synonyms, while publishing translated scientific works¹⁵⁰. In other cases, public finances are considered more widely – as a set of state and local finances¹⁵¹. But sometimes these issues are considered not in the light of their structural framework but from the position of ensuring the principles of their functioning – publicity, transparency, clarity. To start investigating the relationship between the categories of “state finances” and “public finances” thoroughly, it is advisable to make a journey into the history, discovering certain regularities in the development of national scientific thought.

In this context, it is appropriate to mention the etymology of the origin of the general term “finances” in its relation to “public finances”. As Tiktin G.I. notes, one of the most prominent representatives of the Ukrainian classical school of finances, referring to the work of Fr. Yu. Neumann¹⁵², “in different historical epochs, this or that meaning of this term prevailed”¹⁵³. At first, it

¹⁴⁸ Бойко С. Публічні фінанси у контексті генези та еволюції понятійно-категоріального апарату фінансової науки / С. Бойко // Економіст – 2015. – № 10. – С. 31-35; Дрогопольський О.В. Суспільний сектор економіки і публічні фінанси в епоху глобальних трансформацій: монографія. – Тернопіль: Економ. Думка ТНЕУ, 2011. – 632 с.; Тропіна В.Б. До питання про публічні фінанси. / В.Б.Тропіна // Фінанси України – 2009. – № 12. – С. 28–34.

¹⁴⁹ Опарін В.М. Публічні фінанси: генеза. Теоретичні колізії та практична концептуалізація / В.М.Опарін, В.М.Федосов, П.І.Юхименко // Фінанси України – 2017. – № 2. – С. 110–128.

¹⁵⁰ Бланкарт Ш. Державні фінанси в умовах демократії: Вступ до фінансової науки / Пер. з нім. С.І.Терещенко та О.О.Терещенка. Передмова та наук. редагування В.М.Федосова. – К.: Либідь, 654 с.; Державні фінанси: Теорія і практика перехідного періоду в Центральній Європі / Пер. з англ. – К.: Основи, 1998. – 542 с.

¹⁵¹ Тропіна В.Б. До питання про публічні фінанси. / В.Б.Тропіна // Фінанси України. – 2009. – № 12. – с. 34

¹⁵² Fr. J. Neumann. Finanz und Finanzwissenschaft. Zeltschr. fed. Ges. Staatswiss, 61, 1908. p. 472-506.

¹⁵³ Тиктин Г.И. Очерки по общей истории публичных финансов. Опыт построения теоретической фінансової науки на публично-економической основе / Тиктин Г.И. – Одесса, 1926. – С. 3.

was used primarily to denote money payments. These payments (or rather the reluctance to pay them) were associated with dishonest actions, then for a certain period in the Middle Ages finances were often associated with a negative meaning – cunning, deception, meanness, exploitation, usury, etc. And from the Middle Ages, the understanding of finances was formed through the prism of state revenues and expenditures and the state economy. G.I. Tiktin also distinguishes the extended interpretation, in which the finances include revenues, expenditures and the economy not only of the state, but of other public unions – local, internal and interstate.

In general, it should be noticed that for a long time the finances in general were considered solely from the point of view of the functioning of public unions represented by the state and local authorities, so finances and public (state) finances were identified in fact. In particular, the outstanding Russian financial scientist I.K. Ozerov noted that “financial science studies the financial economy, that is, the aggregate of relations that arise on the basis of obtaining material means by unions of a public nature: it studies the methods with the help of which these unions get the necessary means for themselves, and how these methods are reflected in other aspects of being, why during one epoch one methods predominate, and during the next epoch – there are the other methods¹⁵⁴”.

The study of the creative achievements of Ukrainian scientists shows that the use of the concept “public” to finances begins in the national economic and financial literature from the works of S.I. Ilovaiskyi. Defining the term “finances”¹⁵⁵, he connects it with the concept of “publicity” of those phenomena about which they arise as a kind of social relations. That is why, he submits the concept of “finances” and “public finances” as identical concepts. At the same time, he links finances not only to the economic activities of the state, but also to the activities of “compulsory unions in the state” (communities, districts and other local entities”, considering local finances as a component of public finances in the state¹⁵⁶.

Thus, the term “public finances”, firstly, was actually identified with finances in general, and secondly, it was associated with the economic, and

¹⁵⁴ Озеров И.Х. Основы финансовой науки : Учение об обыкновенных доходах. – 4-е изд. / И.Х. Озеров. – М.: Типография т-ва И.Д. Сытина, 1910. –С. 6. Озеров И.Х. Основы финансовой науки : Учение об обыкновенных доходах. – 4-е изд. / И.Х. Озеров. – М.: Типография т-ва И.Д. Сытина, 1910. –С. 6.

¹⁵⁵ Иловайский С.И. Учебник финансового права. 5-е (посмертное) издание доп. и перераб. Г.И. Тиктиным / Под ред. Н.Л. Яснопольского. – Одесса, 1912. – С.219.

¹⁵⁶ Иловайский С.И. Учебник финансового права 5-е (посмертное) издание доп. и перераб. Г.И. Тиктиным / Под ред. Н.Л. Яснопольского. – Одесса, 1912. – С. 246.

rather, financial activities of unions of public nature, more simply – public unions (state and local authorities). As the researches have shown, the concept “public finances” got deeper content analysing the financial sector.¹⁵⁷ The reason for this was the progress of social development since the XIX century was a period of the unification completion of states into large political bodies, which, as M. Weber stated, required a “staff of humans” and appropriate material resources in order to perform their functions. “This implies a reliable opportunity to provide certain actions of the controlled object for the implementation of arrangements and specific orders¹⁵⁸”. Accordingly, scientific thought began to analyse public interests, public needs, the production of public benefits, which had a determining influence not only on the establishment of public authorities' institutions but also on the evolution of financial relations within society.

Since this period, the state with its democratic institutional architectonics, has gradually acquired the qualities of a clearly expressed public union, whose features are subordination to society, the service of its good, which is realized in the activities of all its institutions, including financial ones. This union is strengthened by the people's trust in the government institutions and the formation of its new institutions at the local level, which were formed in the structure of a democratic state for more perfect solution of growing public problems and the state transferred the part of its functions to them. Together with the delegation of these functions, the state transferred part of the money for their successful implementation. Of course, as such theoretical postulates are not always realized and not fully realized in practice, it is not necessary to idealize state institutions and establishments. But the undeniable fact is that the progressive development of human civilization is moving exactly in this direction.

In the context of this historical approach to the interpretation of public finances, some structural and substantive characteristics will require some clarification. As it has been noticed above, the scientists of the XIX and early XX centuries and modern scholars refer the state and local components to public finances, that is, the state (state budget and national purpose funds) and the local finances (local budgets and corresponding local funds in case they are formed). In this approach, it seems obvious that the identification of public and state finances was wrong. But it is not correct. The fact is that within the administrative economy and, to a large extent, nowadays in

¹⁵⁷ Бойко С. Публічні фінанси у контексті генези та еволюції понятійно-категоріального апарату фінансової науки / С. Бойко // Економіст. – 2015. – № 10. – С. 34

¹⁵⁸ Вебер М. Хозяйство и общество / Макс Вебер, пер. с нем. Л. Юнвина. – М.: ГУ ВШЭ. 2010. – С. 171.

Ukraine, based on the realities of practice, it is quite legitimate to consider state finances as an integral sphere with the allocation of two levels – national and local¹⁵⁹. This is explained by the fact that local finances in Ukraine were and are still underdeveloped in the context of local self-government authorities rights. In essence, they represent the state-owned funds transferred to the local level, which at the same time are largely controlled by the central authorities. There is no full local self-government like Magdeburg Law and no real financial authority at the local level. No wonder, one of the key directions of reforms in Ukraine is the decentralization of power and resources.

It is important to mention that in any case we can not reduce fiscal decentralization to a mechanical increase in the share of local budgets in the consolidated budget of the country (as, unfortunately, it is interpreted in recent years in the national policy). As the representative of the country, which has achieved notable success in reforming the local self-government, the Polish professor E. Rushkovskyy notes that financial decentralization should envisage both the availability of its own financial and material resources, as well as full rights to own, use and dispose of financial resources that are owned by the communities¹⁶⁰. In order for local finances in general and local budgets, in particular, to become a full-fledged element of public (and not state) finances, it is necessary to expand the financial powers of local authorities substantially without resorting to intricate manipulations, such as inclusion of certain types of amendments to the Tax Code of Ukraine of particular types of taxes to local taxation, delegating essentially all the rights to establish and enforce them to the central authorities. It is also unlikely that the establishment of an updated version of the Budget Code instead of subsidizing the equalization of a certain list of targeted subventions and the so-called basic subsidy will add financial independence to local authorities and management¹⁶¹. These are purely arithmetic, but not the essential changes that Ukrainian society needs so much. And in general, it is impossible to speak about autonomy and independence if this code provides for the so-called reverse subsidy – withdrawal of a certain part of the funds from local budgets to the state budget.

¹⁵⁹ Опарін В.М. Фінанси (Загальна теорія): Навч. посіб. –2-ге вид., доп. і перероб. – К.: КНЕУ, 2002. – С. 113.

¹⁶⁰ *Finance publiczne i prawo finansowe / pod red. Cezarego Kosikowskiego i Eugeniusza Ruńkowskiego, aut Teresa Augustyniak-Gyma [et al.]*. – Wyd. 2. – Warszawa: Dom Wydawniczy ABC, Oddział Polskich Wydawnictw Profesjonalnych, cop. 2006. – S. 163.

¹⁶¹ Опарін В.М. Домінанти та пріоритети фінансового вирівнювання в Україні. / В.М.Опарін // Фінанси України. – 2015. – № 6. – С. 33

There are also some problems concerning their limits in the part of the structural content of public finances. Are there only the finances of the centre and local authorities? Shall the finances of another kind of public unions (trade unions, public, creative and professional associations, etc.) be referred to? Concerning the last one, the term "finance of public organizations"¹⁶² is often used in the scientific and educational literature. At the same time, they are referred to the sphere of finances of business entities, which, of course requires various questions, since their purpose is to provide the needs of the public, but limited to a certain range of subjects, nature. In this context, the activities of such organizations have a clearly public character. Another thing is that these organizations and associations, as well as state and local authorities, can create and establish commercial and non-commercial enterprises and organizations that are business entities.

Based on the logic of the derivation of the term "public finances" (as it was stated above) from the economic activities of unions of a public nature, there are grounds for including the finances of public organizations and associations to the sphere of public finances. Indeed, these organizations and associations are unions of a public character, and, unlike the state and bodies of local self-government, with a fully-fledged legal status on the basis of the approved charters and legal relationships with their members. Neither the state nor local communities can be de jure considered as a full-fledged union. However, de facto these are still full unions, since obtaining citizenship can already be considered as legal registration of membership at the state level as a whole, and as the residence in a certain settlement – at the level of the local community. Being a citizen of a certain country one or another person accepts the rules established in it by signing the so-called social agreement secretly.

Having considered the explanation of public nature unions context, there are reasons to assert that not only state and local finances, but also the finances of public organizations and associations should be included in the sphere of public finances. Of course, there are certain organizational and essential differences in the organization of their financial activities. Thus, state and local finances related to the general government sector are based on compulsory redistribution in favour of the state and local self-government of legal entities incomes and individuals through taxes and compulsory payments established on a legislative basis. In public organizations and associations, a similar role is played by membership fees determined by their

¹⁶² Фінанси підручник / С.І.Юрїя, Л.М.Алексєєнко, В.Г.Дем'янишин та ін., за ред. С.І.Юрїя, В.М.Федосова. – 2-ге вид, перероб. і доп. – К: Знання, 2012. – С. 31.

charter. State and local finances provide for public needs, while the finances of public organizations and associations are the collective needs of a particular group of people. Meanwhile, it is more distinct in form and coverage than in terms of content and purpose. In the end, the finances of public organizations and associations are much closer to public finances than to the finances of business entities.

Another aspect of the public finances structural framework concerns a global level. By its content and purpose, such a component of international finances as the budgets of international organizations and unions (for example, the UN and the EU can legitimately be regarded as public unions) have all the features of public finances at the world or regional level.

The described theoretical collisions in determining the components of public finances give grounds to consider them in a broad and narrow sense. In a broad sense, they may include activities of all types of public unions at the national and international levels. Their traditional narrowed meaning limits the scope of public finances to the economic activities of state and local authorities and government, that is, the allocation of public finances is tied to the macro level of the national financial system. Although the issue of the structural framework of public finances, as we see, is quite complex and ambiguous and requires proper justification, the problem of their content is much more complicated. This concerns, firstly, the interpretation of the concept “public” (Ukr. – “публічний”), which has a fairly wide range of understanding, and secondly, its relationship with such related concepts as “social” (Ukr. – “суспільний”) and “civil” (Ukr. – “громадський”).

The etymology of the term “public” comes from the Latin word *publicus* – social, folk. The Ukrainian linguist and lexicologist Yu. Kobylanskyu in his Latin-Ukrainian dictionary, published in the early XX century, translates the word *publicus* as “people, folk, civil, state”¹⁶³. “Dictionary of Foreign Words”, published in the Soviet period, defines the term “public” as open, evident, social¹⁶⁴. The lexicographer V. Dahl deduces the meaning of the term “public” from the notion of “community” (Ukr. – “публіка”) (Latin *publica* – society, nation, people) and defines it quite thoroughly and

¹⁶³ Латино-український словар для середніх шкіл / зладив Юліан Кобилянський, ц.к. професор ІІ Гімназії в Чернівцях – Відень (Друкований у Кароля Горішека у Відні), 1912. – VI, [2]. С. 461.

¹⁶⁴ Словник іншомовних слів / за ред. чл.-кор. АН УРСР О.С. Мельничука. – К.: Головна редакція УРЕ. 1977. – С. 560.

diversely – nationwide, proclaimed, folk, common to all the people, universal, all common, belonging to everyone¹⁶⁵.

The modern Ukrainian expert on the analysis of state policy O. Kiliyevych translates the English word public into Ukrainian as “громадський, публічний, державний” (“civil, public, state”)¹⁶⁶. Specifying the institutional features of publicity, T.B. Sholkova characterizes it as a public ownership of an object of great importance to society as a whole, the state, the administrative-territorial unit or a certain set of people whose legal relations are governed by rules of an imperative nature and protected on the initiative of the state or local authorities¹⁶⁷. “The new explanatory dictionary of the Ukrainian language” provides in a slightly different perspective several meanings of the word public: 1) which occurs in the presence of the public of people; not private (Ukr.–“прилюдний”), public (Ukr. – “привселюдний”), evident, open; 2) which is intended for use; public, general, generally available; 3) it concerns the public¹⁶⁸.

From the definitions and interpretations of the term “public”, we can conclude that it can be considered in two sections. Firstly, it is seen in the context of openness, transparency, and accessibility of phenomena, institutions, and processes. For example, public discussion, public defence, public library, etc. This context of the term is most clearly and fully reflected in the definition above from the “The new explanatory dictionary of the Ukrainian language”. In Ukraine, compliance with the principle of transparency is facilitated by the Law “On the transparency of using public funds”¹⁶⁹, adopted in 2015, which provides for the disclosure of information on the use of public funds in the Internet on the relevant resource. Secondly, the term “public” in the context of its social meaning (from the original concept “public – society, nation, people”) reflects a certain part of the resources belonging to all people (public ownership), for example, according to V. Dahl, “public” is a nation-wide, universal, common for all people.

Public finances are considered primarily in the second context, as relations concerning the formation and use of public funds, which are aimed

¹⁶⁵ Даль В.И. Толковый словарь живого великорусского языка: в 4 т. / В.И. Даль. – Рус. яз., 1999. – Т. 3: П. – 1999 – С. 535.

¹⁶⁶ Кілієвич О. Англо-український глосарій термінів і понять з аналізу державної політики та економіки / О. Кілієвич – К.: Вид-во Соломії Павличко «Основи», 2003. – С. 292.

¹⁶⁷ Шолкова Т.Б. Місцеві бюджети як публічний фонд грошових коштів: теоретичний аспект / Т.Б. Шолкова // Підприємство, господарство і право. – 2006. – №4. – С. 116.

¹⁶⁸ Новий тлумачний словник української мови: у 4 т. 42000 слів / уклад. В. Яременко, О. Слугушко. – К.: Аконіт, 2000. – Т. 3 (О-Р). – С. 843.

¹⁶⁹ Про відкритість використання публічних коштів / Закон України від 11.02.2015 № 183-VIII / Електронний ресурс – Режим доступу: <http://zakon4.rada.gov.ua/laws/show/183-19>.

at meeting the needs of the entire nation. However, it should be noted that with respect to public finances, both meanings of publicity are inextricably linked, since, without proper openness and transparency, there are no real grounds for using the term "public finances". In due course, under the conditions of a totalitarian regime under socialism, the administration of socialized funds by state bodies without due transparency and openness of the budgetary process determined the formation of the state, rather than public finances. At the same time, it was constantly emphasized that the state provides for citizens so-called free education, health care, housing and much more. Since most of the socialized funds were not taxes, but the so-called incomes from the socialist economy, the illusion that the state itself makes the necessary funds and then directs them to the needs of the society was formed. That is, formal grounds for the use of the term "public finances" were formed, although in one way or another it was stressed that their purpose is to satisfy public needs.

Based on the above-stated principles of understanding the term "public finances", it can be noted that not only under socialism, but in the early and medieval states there were precisely state finances, or rather their prototypes. However, over time, as A.A. Nechai has shown in his study, during the period of the existence of the great empires (XVII-XIX centuries), the expenditures of the rulers of states for public needs (defence, construction and maintenance of communications, the construction of religious buildings and other public needs) are gradually being separated from purely private spending by the rulers, turning into public expenditures as an element of objectively existing social relations, objective necessity¹⁷⁰. In the future, the formation of appropriate public institutions, as forms of public authority and the formation of an appropriate institutional environment, creates full-fledged conditions for the functioning of public unions.

Accordingly, public finances are inextricably linked with the existence of the state, although they do not coincide at the moment of origin with the latter in the time-space. The state, taking into account social needs, which is always determined by the development of the productive forces, provides financial relations with adequate institutional forms and the sphere of regulation of multi-faceted public relations. The development of democracy and democratic institutions creates legal forms of their organization that are adequate to public relations, which in turn relied on a completely institutional environment and economic freedom, an attribute of civil society

¹⁷⁰ Нечай А.А. Проблеми правового регулювання публічних фінансів та публічних витатків: монографія / А.А. Нечай – Чернівці: Рута, 2004 – С. 29.

and a market economy. On this occasion, a Ukrainian scientist-financier of the XIX century D. Sydorenko noted: "The needs of the state, that is, the needs of the government in economic means, and, accordingly, the state's expenditures are connected, first, with the state's goal and, secondly, with its relations to other social unions that are part of the state. As for the purpose of the state, it changes with the development of people's life, as people's life develops, the range of tasks of the state is expanding more and more"¹⁷¹.

F. Nitti distinguishes two main reasons for the growth of the public element in public activity during the XIX century and mainly in its second half: 1) large public (social) works related to the development of production on a fundamentally new basis; 2) the dissemination of people's participation in public life, as a result of which the government and local institutions were forced to assume the performance of many services that had not previously been identified as socially useful or were simply despised¹⁷². In turn, as M. Tsytovykh notes that such an action becomes the need for a public union because of the fact that it is "recognized by the body that expresses the will of this union and takes measures to meet them"¹⁷³.

The modern interpretation of public finances essence is clearly outlined by the prominent scientists J.M. Buchanan and R.A. Musgrave, who consider them as a material basis for the functioning of the public sector. They also focused on the procedures of public choice and their impact on the volume and structure of the state budget¹⁷⁴. The formation of an appropriate institutional environment in its turn has created the basis for the practical implementation of the economic doctrine of the public sector, public benefits, and public choice. In the same context, some individual modern national scientists consider the theoretical foundations of public finances. In particular, Długopolskyi A.V. states that it is due to the development of the so-called third "sector of the economy" that provides public benefits, works and services and implements projects for the benefit of the whole society

¹⁷¹ Сидоренко Г.Д. Конспект лекцій по руському фінансовому праву / Сидоренко Г.Д. – Житомир: Типогр. и литого. наслед. С. Бродовича, 1888. – С. 17-18.

¹⁷² Нитти Ф. Основные начала финансовой науки: Пер. с итал. И.Шрейдера / Под ред. и с дополн.: А. Свиршевский – М., Изд. М. и С. Сабашниковых. – 1904. – С. 85

¹⁷³ Цитович М. Місцеві видатки Пруссії у зв'язку з теорією місцевих видатків / М. Цитович // Фінансова думка України. Хрестоматія / автори-упорядники : С.І. Юрій, С.В. Львович, В.М. Федосов, П.І. Юхименко, авт. передм. П.М. Леоненко; за наук. ред. проф. В.М. Федосова. – Київ: Кондор, 2010. – У 3 т. – Ч. I. – С. 450.

¹⁷⁴ Б'юкенен Дж. М. Суспільні фінанси і суспільний вибір: Два протилежних бачення держави / Дж.М. Б'юкенен, Р.А. Масгрейв – К.: КМ Академія, 2004. – С. 105.

(social, environmental, humanitarian, etc.), public finances have become so important¹⁷⁵.

We consider it is necessary to emphasize that, from our point of view, it is on the basis of the formation and development of a ramified public sector that modern public finances are being formed and functioning in modern conditions both in the context of reaching public needs and in the context of ensuring their transparency and dependence on society. That is, the problem of public finances is not confined to purely structural issues – treating them as a combination of state and local finances, but reflects the essential transformations in the financial activities of the state and local government, which are based on objective factors of the progressive development of the public sector in order to ensure completeness and quality of public benefits. It should be noted that, firstly, historically, the public sector has recently been originated – in the second half of the XIX century and gained full development in the XX century, and secondly, it has significant distinctive features in different countries in terms of coverage and sources of financial security. As F. Nitti mentioned, "the goals pursued by the state in its own activities are in some way the cause of public expenditures, and the limits of the latter are stipulated, in part, in particular, by public opinion about their usefulness and even greater level of wealth, political form and the existing way of organizing these people"¹⁷⁶.

In the historical dimension, the origin and development of the public sector are the results of the gradual expansion of the state's functions, which, in our point of view, can be divided into two groups – state and public – in the context of the study of public finances problems. The state ones involve ensuring the sovereignty of the state, both on the internal and external level. The specificity of these public services is their depersonification – each citizen receives them not personally but as a member of the corresponding public union (state or local self-government). Public functions of the state are determined by the needs of its intervention in the economy in order to eliminate certain imbalances caused by some imperfection of market mechanisms, or, as it is still determined, by the "failures" of the market. On the contrary, public services that characterize the implementation of these functions are personified because they are provided to specific legal entities and individuals.

¹⁷⁵ Длугопольський О.В. Суспільний сектор економіки і публічні фінанси в епоху глобальних трансформацій: монографія. – Тернопіль: Економ. Думка ТНЕУ, 2011. – С. 28-29.

¹⁷⁶ Нитти Ф. Основные начала финансовой науки. Пер. с итал. И.Шрейдера / Под ред. и с дополн.: А. Свирщевский. – М., Изд. М. и С. Сабашниковых. – 1904. – С.17.

Since the establishment of the state as a social institution, and until today, it has two functions of a state nature – protective and managerial. They reflect the corresponding public interest of a collective nature, which at the same time has no other alternative, since only state institutions have enough resources and opportunities to ensure the country's defence, law, and order and the management of society. There is no point in proving the absolute truth about the importance of proper management and defence functions in the modern world. So, despite the bloated administrative apparatus in Ukraine, the productivity of its activities, based on the results of twenty-five year experience in the development of statehood, can hardly be considered satisfactory, which has been still determined by an insufficient level of professionalism. Each new government promises to bring specialists to the country, but each time it remains only promises and empty declarations. As for the defence function, there is no need to say – everyone knows what caused the collapse of the Armed Forces in Ukraine and its defence industry. Unfortunately, external threats has been still taking place and are likely to remain quite appreciable for a long time, and therefore the introduction in due time of Ukraine's defence doctrine of the absence of such threats can be quite reasonably qualified as treason-felony.

Extremely negative situation has developed in the sphere of law and justice in Ukraine before the Revolution of Dignity. Even the use of the term "Revolution of Dignity" emphasizes the extent to which human rights were violated, and precisely on the part of those social institutions that would have protected them. Since without proper performance of these functions, there can not be a democratic civil society, and accordingly of the effective public sector and public finances, then without real completed reforms, the Ukrainian state cannot move forward. Yes, these reforms of law enforcement agencies and the judiciary, as well as the defence sphere, have begun. Realizing the complexity of their conduct and resistance from certain forces, we understand that it is hardly possible to expect quick results. But it would be important to know the strategy of carrying out these reforms and the so-called "road map" of their implementation: what, when and with what results. Without such specifics of reforms implementation, it is often substituted in conversations with talk about reforms. In any case, there are all reasons to assert that the process has moved on for the better, which unfortunately does not occur in the managerial sphere, where until now reforms are replaced by endless changes in the structure of the Cabinet of Ministers, and "their" people work there instead of experienced specialists.

The social, economic and environmental functions are referred to the public functions of the state, the implementation of which is carried out by

means of public finances. Unlike the state ones, these functions became important in the last century, the objective basis for which was the change in the economic environment. Among these functions, the social function of the state became the most significant, both in its importance and in terms of funding. Yet, it should be stated that there has always existed and continues to exist a fairly wide range of alternative sources of financing the social goods – citizens' own funds, social insurance, corporate profits, charitable funds, contributions and donations, mutual support of citizens, and related activities of the church. The latter one, by the way, has been playing a significant social role for a long time not only in material support for disadvantaged people but also in the provision of social services in the educational and medical sectors through a special church tax. Therefore, quite logical questions arise: a) why and to what extent must the state take on the financing of social expenditures because of the public sector? On what principles and in what part should the social responsibility of business work; b) what is more appropriate to provide on the basis of insurance relations and how to stimulate charitable activity; c) how to create prerequisites for minimizing the need for state social assistance and support on the basis of the corresponding policy of income and employment of the population?

The presence of an extensive network of social expenditures' financing sources determines the availability of various types of the social policy of the state, which in its turn affects the filling of public finances. At the same time, in any financial model characterized by the level of tax nationalization of GDP (the minimum – 25-30%, the average – 35-45%, the maximum – 50-55%), the state accepts a part of social obligations, which are realized through public finances. At the same time, in some countries, the budget is preferred (the Scandinavian model), in others – social insurance funds (Western European model).

A growing role of state social insurance in public finances has been one of the characteristic features of the present since the second half of the XX century. Accordingly to it, the social contributions in the structure of tax systems of the developed countries currently reach 40-45%. In fact, this process is a kind of individualization of public consumption, since social payments are sufficiently correlated with the contributions of individual citizens (or their employers). With budget financing, there can not be any relationship between paid taxes and received public benefits. On the basis of these changes, a peculiar transformation of social policy took place in the direction of strengthening individual interest of citizens in obtaining the corresponding social benefits. Secondly, while not depriving itself of social functions, the state in every possible way stimulates the attraction to the

implementation of social policy of the corporate sector on the basis of public-private partnership and the strengthening of the social responsibility of business, both on the basis of its participation in financing social programs, and by establishing an appropriate level of wages, relieves stress from public finances.

Since the state, in one way or another, always leaves a certain part of social expenditures, a legitimate question arises – what exactly and in what limits should it be financed? Examining the problems of public finances in the countries of Central Europe in the period of transition to the market, Western experts referred to the statements of one of the greatest politicians of our time, M. Thatcher, who mentioned that “the correct economic policy depends critically on the correctness of the assessment of which activities belong to the state, and which ones to belong to people¹⁷⁷”. And although the transitional period in Ukraine finished a long time ago, in the context of practical conceptualization of social policy, there were any changes in the state and it is going on to live on the principles of the socialist model. So, the endless tightening of the pension reform only deepens the problems in this sphere, as the ratio between working citizens and pensioners only worsens (apparently soon there will be more pensioners than workers). Absolutely groundless for the preservation of the solidarity pension system was a decrease in 2016, on average, more than double the rate of a single social contribution. This only led to an increase in the level of deficit in the Pension Fund of Ukraine. It is unclear whether there is a permanent delay in the introduction of insurance medicine. In the end, the state must conceptually determine the basics of its social policy, based on an objective assessment of needs in the relevant benefits, taking into account the available resources for their provision, and also to approve and bring to society a plan for reform in the social sector.

Concerning the criterion for determining the boundaries of public finances in financing social expenditures, it can be stated that, in our opinion, it is the relationship between the individual and public interest in obtaining certain benefits and services that underlie the distinction between individual and public consumption. The state should finance those expenditures in which the public interest is clearly defined and dominant. For instance, it concerns the expenditures for secondary education, which in most countries of the world is obligatory, since, from the moment of an industrial society

¹⁷⁷ Державні фінанси: Теорія і практика перехідного періоду в Центральній Європі / Пер. з англ. – К.: Основи, 1998 – С. 18.

formation the economy and all spheres of life can fully develop only with the full literacy of the whole population.

In the context of the post-industrial and information society, the role of higher education is greatly enhanced, as a result of which the role of the state in its financing has increased. It is likely that eventually it will also become mandatory, but so far the ratio between individual and public interest in obtaining these social benefits is approximately parity. Accordingly, funding is provided both from private and public sources. In this context, we consider there is no sense to talk about free and affordable higher education in Ukraine. Firstly, the state does not have such a universal social responsibility, but provides funding at the level of public needs, forming a state order. Of course, there will always be questions about the extent to which this order is correctly identified and distributed, but in one way or another, it reflects the public interest. Secondly, free higher education can only be for a particular person, and not for society as a whole. Moreover, for taxpayers, it will be simply not clear why their own account does not provide social, but individual needs.

Considering the relationship between the social function of the state and public finances, it is important to take into account that it reflects the redistribution of incomes in society (with the vector – from the rich to the poor), eliminating certain gaps in market mechanisms. The need to smooth the imbalances in the incomes of citizens and the formation of the middle class is not necessary to be proved – it is an obvious and recognized fact. So the question is how practically is this task being implemented in Ukraine? The instruments of such redistribution are, on the one hand, progressive taxation of citizens incomes (with a moderate scale), and, on the other hand, personalized state transfers to poor citizens.

In the early 2000s the refusal in Ukraine from the progressive scale of personal income taxation has essentially led to a reciprocal effect, since the severity of tax burden on low-income citizens is much greater (miserable, so-called social privilege does not solve the problem in any way) than on citizens with high incomes. In the context of ensuring social justice in Ukraine, it is clearly necessary to restore the progressive scale. However, it should not again turn into a burdensome taxation of small and medium incomes. We should remember that in the 90-s of the last century the maximum rate of 40% was applied to income exceeding 100 non-taxable minimum – 1700 hryvnias per month (by that time it was about 300, and at the moment it is just over 55 Euros), and this level could not have been recognized as super-high incomes. When restoring the progressive scale of taxation as a basis for its construction, it is quite justified to accept the

subsistence minimum and the ranges of application of rates that were before the transition to a proportional scale.

With regard to the use of personalized transfers in the form of subsidies for utilities and fuel, it should be mentioned that the abolition of budget subsidies for suppliers of these services and energy suppliers is a correct, albeit belated step, because in the previous approach, in essence, all citizens – both poor and rich – were subsidized. And since the rich men consumed more, then they received more hidden subsidies, which contradicted the very essence of public finances. In addition, we cannot forget that a significant redistribution from the poor people to the rich ones moved through various abuses in the budget sector, in particular, due to unjustified tax breaks and preferences and mechanisms for state procurements. The transition to a new model based on the system “Transparent” is also an important step in the development of real public finances.

Two other public functions of the state – economic and environmental, in terms of their implementation through the system of public finances in quantitative terms play a significantly smaller role. But they cannot be considered as insignificant. The economic function is to interfere with the state through fiscal policy in economic processes. The predominant levers of this influence are tax incentives, which in theory are defined as reverse transfers. In general, the problem of these benefits in Ukraine is quite painful, since in the conditions of chronic budget deficits, any loss of tax revenue is tangible and undesirable. Therefore, for a long time, the fiscal policy in Ukraine is conducted under the slogan of fighting tax exemptions, however with miserable results.

From our point of view, there was a substitution of concepts in this problem, because different privileges are used in practice and they need to be evaluated in different ways. When it comes to directly or indirectly personalized benefits, then, of course, they are often unacceptable. But the incentives that stimulate the development of certain areas of activity, branches of the economy or regions are extremely necessary for the domestic economy in order to promote its development. And although proposals for active use, for example, investment privileges and accelerated depreciation, which have proved to be true in many countries around the world, have been repeatedly introduced by scientists and practitioners, they have been introduced in Ukraine. Instead, the thesis about the need to reduce the number of taxes and reduce their rates is infinitely exaggerated. Another aspect of preferential taxation is the effectiveness of incentives since they are provided not to increase the incomes of certain entities, but to solve the corresponding tasks and achieve the proper effect. If the expected

effectiveness of the provision of benefits is not met, then they should be abolished, and their amounts returned to the budget.

Another direction is the implementation of the economic function of the state through public finances – the implementation of investment projects, especially in the infrastructure sector. Of course, investment primarily is the prerogative of business. However, the state has no right to completely eliminate this activity, because there are always projects of a nation-wide, including social nature. Even foreign experts have repeatedly noted that the Ukrainian state has unjustifiably almost completely withdrawn from financing investment projects. As a positive, it can be mentioned that in recent years there have been some improvements for the rehabilitation and reconstruction of the road infrastructure. But the pace of these works could be acceptable twenty years ago, but today, when the situation improves on some paths, the others will collapse to the end. It is clear that this is not the only effort by the state to do, and it is not obligatory. Credits of international financial institutions are actively used; public-private partnerships are developing, prospects for attracting citizens' funds on the basis of issuing targeted loans. But with a relatively small share of government investments in investment projects, it should have an initiative and a coordinating role.

Environmental problems, which have become particularly acute in recent decades due to climate change and global warming, are also of social significance and require immense expenditures. The implementation of ecological functions through public finances is carried out on the same principles as the economic one. First of all, the state by means of fiscal policy should stimulate rational use of natural resources and preservation of the environment in order to prevent problems. But in many cases, certain problems (for example, domestic waste and drinking water) are outdated, accumulated over the years in significant volumes and further delay with their solution is impossible. Therefore, they can and must be solved by the state and local self-government bodies, involving all possible sources of financing.

Thus, as we can see, the functions of the modern state, which determine the principles for the formation and public finances functioning, are quite diverse and rich, which defines the responsibility of central and local authorities and the management of the proper social sector functioning in the economy. However, the state should not assume the maximum obligations in the provision of public benefits and services, but carry out a coordinating and leading role. It is most likely that the period that began with A. Vagner's famous law regarding the growth of the state role and the level of tax

nationalization of GDP ends, and the state in its activity goes from quantitative to qualitative growth of the public sector.

In general, Ukraine has taken important steps in the development of modern architectonics of the national financial system and its integration into the world financial area, having formed the appropriate institutional environment. Now the key tasks for further development are the completion of reforms in the macro environment based on the transition from organizational to substantive changes – the introduction of the ideology of public, rather than public finances. With all the similarity of these definitions between them, there are the significant differences between them, both in terms of structural framework and details.

The solving of the following tasks must be the key areas for further development of public finances in Ukraine: a) the formation of full local finances on the basis of fiscal decentralization and, most importantly, the expansion of financial credentials of local authorities and management; b) further deepening of the transparency of state and local finances and ensuring greater participation of citizens in determining budget priorities, in particular, based on national and local referendums; c) clarification of the role of public finances in the implementation of state functions (although the above directions of practical conceptualization of public expenditures are generally well known, they are often ignored in our country).

2.2. Ukrainian Government Bureaucracy: Loss and Benefits for Society

The effective functioning of public finances depends considerably on both rational structure and bureaucratic efficiency. The term *bureaucracy* is often used in everyday life negatively. The true origin and essence of the word are difficult to guess because it entered the lexicon so long ago. However, despite strong criticism of bureaucracy as a phenomenon, some think bureaucracies as public institutions are integrally connected with state functions. It is the subject of study in many sciences like Philosophy, History of State and Law, Management, Political Science and Sociology, and Economics. It is unlikely that such a scientific interest would be caused by exceptionally negative bureaucracy features. Primarily it is associated with the fact that the bureaucracy is a peculiar and specific phenomenon in a public administration system, objectively peculiar for the state.

The development of Ukrainian society is currently experiencing a stage during which it is important to prevent an unreasonable bureaucratic essence

spoofing. It is important to understand both the historical context of the phenomenon and its diversity as including philosophical, political and sociological, legal, administrative, and economic elements. Regarding the ambivalence and contradictions of bureaucracy, the representatives of the Scientific School at the Department of Finance consider it is necessary to ascertain its essence and its place and role in the social organization as a whole and the role in financial relations in particular.

The first publication, devoted to Western theories of bureaucracy, was presented by V. Andrushchenko and V. Fedosov in 2003^[178]. They investigated the evolution of Western economic thought on problems of bureaucratic functioning.

They stated that in their classic forms bureaucracies arose in Western Europe at the same period when state power strengthened. During this process of political competition with the feudal aristocracy, central authorities together with the bourgeoisie demanded a separate administrative caste of loyal government officials regardless of their status or regional origin. Generally, in conceptually and dogmatic terms the modern system of administrative management in western countries is quite close to theoretical ideas and behavioral imperatives stipulated by Max Weber because bureaucracies in Western countries were more effective with money being spent justifiably within society.

The authors structured both conceptual interpretations of the socio-political nature of bureaucracies and the study of bureaucratic motivations (including competition for rent). They also offered recommendations concerning the development of modern Ukrainian bureaucracy. Their work substantiates that the nascent Ukrainian democracy has faced the same problem, which Western democracies dealt with years ago according to circumstances presented in different eras. It concerns the choice of appointed principles to public offices under conditions of pluralistic democracy with its usual periodic change of a ruling party or coalition according to election results. Such choice is possible in cases with two alternative approaches, political or apolitical, where the first one is based on political loyalty, and the second on the level of qualification and professional competence of appointees to the state apparatus^[179]. It is unrealistic to consider a command and administrative apparatus, even if it is disrespectfully named "bureaucracy" or "officialdom", as exclusively a parasitic and destructive

¹⁷⁸ Андрущенко В. Західні теорії бюрократії/ В. Андрущенко, В. Федосов// Ринок цінних паперів – 2003. – №9-10. – С. 3-18.

¹⁷⁹ Ibidem, p. 15.

socio-political entity. It is a mistake to believe that management structures and civil services personnel can be indifferent toward societal interests or the source of all national economic problems. Bureaucracies are at the epicenter of modern state functioning, and socio-economic life. The administration is impossible without bureaucratic institutions. On the other hand, the image of bureaucratic status and its administrative rage are among the most potent negative stimuli. It is necessary to state an alarming symptom of the formation

of the so-called administrative capital that arose as a result of a personal union and joint "business" interests of representatives of the state bureaucracy at all levels of private business, including the criminal enterprises.¹⁸⁰

According to the results of this study, the following reasonable practical recommendations concerning Ukrainian bureaucracy functioning improvement have been formulated:

- Separating of departmental functions as for legalization from services (construction, household, medical ones, etc.), since the correlation of which encourages abuse as well as expands opportunities for inappropriate use of budgetary and extra-budgetary funds.

- Limiting the power of government officials to make decisions on their own in such a way that their actions could express legal rules of the depersonalized power of state institutions, but not statements or wishes of a governor personally.

- Getting rid of staff extra powers, particularly in the area of small and medium business.

- Issuing a ban on conflicts of interest, providing for the inability to hold the position at which officials can make decisions, or directly or indirectly they are able to provide personal benefits for them or their families and having profitable connections.

- A voluntary moratorium on bribes to curtail corruption.

The authors concluded that to ensure effective bureaucratic functioning it is important to prevent abuse of authorities by means of laws and official regulations. Parliament, as a tool for certain interests implementation, can block them in a democratic way. Parliamentary intervention transforms the source of strength and influence of governmental structures (public finances) into effective means in order to keep the executive power under control. Western standards of democratic, legal, and civic awareness should be taken as a model. The rules of the West state that economic development, to the greatest extent, depend on the social and cultural level of the population,

¹⁸⁰ Ibidem, p. 16

organizational and managerial skills of the national elite as well as on moral and ethical society values, democracy and policy in the decision making process¹⁸¹.

T. Payentko and V. Fedosov in their scientific works define the role of government bureaucracy in the state functioning, its importance for society, as well as interrelations with public finance issues. The article "Bureaucracy as a Social Institute of State Management"¹⁸² states that one of the key differences between bureaucracy and company management lies in the fact depending on the officials activities funding and those who control their activities. If management activity is funded by the owner at the level of an enterprise and they totally control its activity, bureaucracy is funded by taxpayers (society) and they must control the results of bureaucracy.

Currently, this aspect of bureaucracy is investigated by economists, who view the bureaucracy as a particular organization that is financed by taxpayers and does not respond to market challenges. The economic aspect of the phenomenon emphasizes the fact that the bureaucracy is held by society forces (by reducing well-being, and as a result, the society expects the effective bureaucracy functioning and lack of the response to the signals of the market defines its inflexibility and restructuring complexity. This inflexibility is the main source of the risk of bureaucracy abuse using its possibilities because it can actually have the unlimited access to the process of the state control of the national product. That is why the economic trends of the bureaucracy study should be aimed at the following problem solving: how society costs to maintain bureaucracy are justified.

Bureaucracy is an example of clearly-defined agency concerns. Every level in the government can be considered as a principal-agent relationship having their own information problem. The simplified general view of a society is the society and the government that rely on a combination of vertical contracts which solve (more or less easily) a lot of agency problems. The control loss occurs in case of motivation penetrating into the hierarchy via delegation. However, the government is based on both vertical linkages and peculiarities of its multiprincipled nature¹⁸³. That is why bureaucracy has all the agencies problems – information asymmetry, high transaction costs, and opportunistic behavior. If they are ignored, it reduces the efficiency of government bureaucracy and discredits it.

¹⁸¹ Ibidem, p. 18.

¹⁸² Пасентко Т.В. Бюрократія як суспільний інститут управління державою/ Т. Пасентко, В. Федосов// Ринок цінних паперів – 2016. – №7-8 – С. 11-22.

¹⁸³ Пасентко Т. В. Інституціоналізація фіскального регулювання фінансових потоків [монографія] / Т. В. Пасентко. – К.: ДКС центр, 2013. – С. 259.

At the modern stage of society, development bureaucracy has changed into a complex hierarchical social relations system, which in institutionally developed societies should provide an equivalent exchange of society payment and public services. In institutionally immature community bureaucracy has the features of deformation due to absence or immaturity of certain public institutions. Having access to the mechanism of social resources redistribution and lacking efficient restrictions, bureaucracy starts its own enrichment, creating hierarchical relations not with society in general, but with groups of influential politicians and businessmen.

Bureaucracy is an institutional and hierarchical system of social relations between the authorities and society regarding the movement process management of the state part of the national product value in order to ensure its functions executed by the state¹⁸⁴. By its nature and purpose bureaucracy is neither absolute goodness nor absolute evil. It is a mechanism that provides functions executed by the state. From the point of view of a society, the efficiency of bureaucracy is determined by the relations basis as "society – bureaucracy – state" (fig. 1).

If the institutions of the state (political, economic, and legal ones) do not have signs of institutional deformation, they are able to provide prerequisites for rational bureaucracy formation. On the other hand, there occurs the subjective side of bureaucracy in a social life – as a group of people who have the power and authority to resources distribution, and they will rather use the power on behalf of a limited number of people, than of the society.

At the present stage of the development of the Ukrainian statehood its main institutions are characterized by institutional deformation that have a negative impact on bureaucratic functions. First of all, in some political institutions, there is no single ideology to unite society, and public administration institutions are not strong enough. This depends on big business and results in lobbying the interests of certain people or groups with no regard to the needs of society. This contributes both to the weakening of economic institutes and the nominal existence of market relations at a high level of property monopolization. Due to the process of privatization during the 1990s, the monopoly on economic resources has spread and transformed into an information and political monopoly. As a result, bureaucracy functioning in Ukraine was based mainly on informal rules that often contradict formal laws.

¹⁸⁴ Паситко Т. В. Бюрократія як суспільний інститут управління державою/ Т. Паситко, В. Федосов// Ринок цінних паперів – 2016. – №7-8. – С. 11-22.

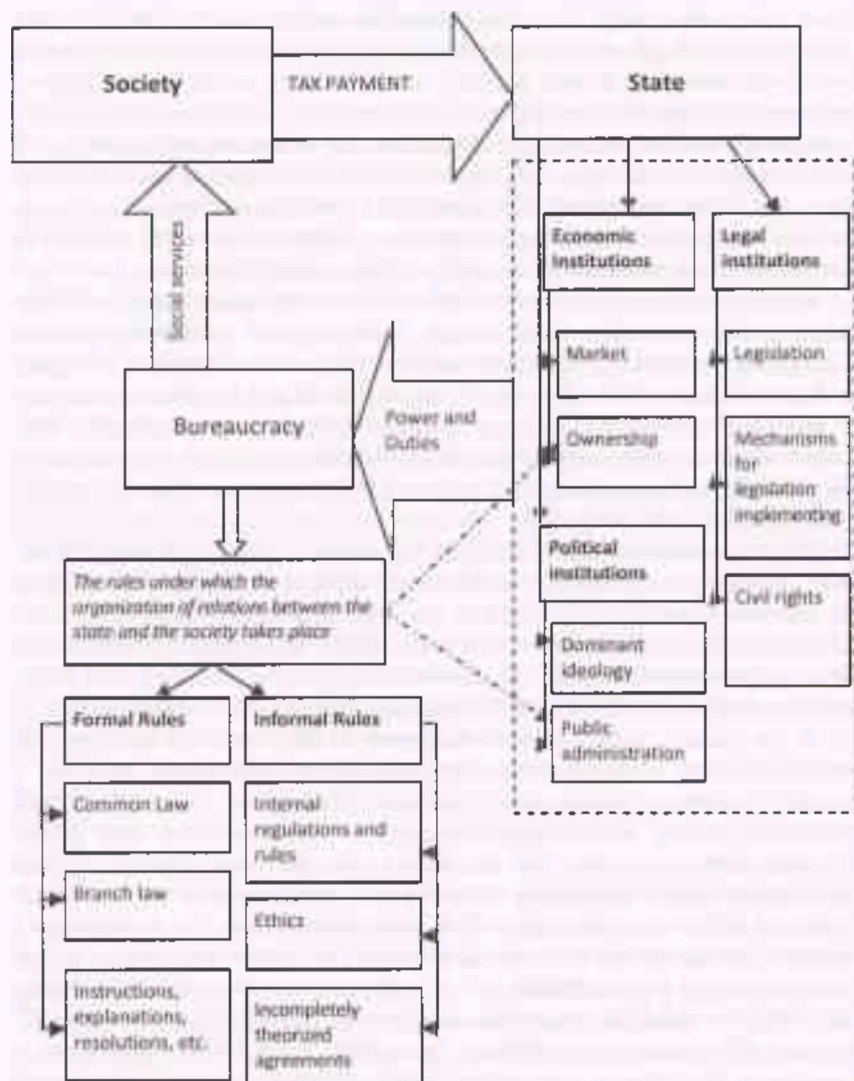


Fig. 1. INSTITUTIONAL AND HIERARCHICAL STRUCTURE RELATIONSHIP "SOCIETY - BUREAUCRACY - STATE" (Source¹⁴⁵)

¹⁴⁵ Пасітко Т.В. Бюрократія як суспільний інститут управління державою/ Т.Пасітко, В. Федосов// Рінок цінних паперів – 2016. – №7-8 – С. 16

bureaucratization increases when basic principles of bureaucracy organization and functioning are violated. There are the following basic principles of bureaucracy:

- **Determination and mandatory compliance with the rules.** This allows unifying and formalizing the state management tasks as well as ensuring the efficient implementation of a number of tasks with less cost. As bureaucracy is a hierarchical system, the following principle is hierarchy and responsibilities sharing. It involves both division of duties and taking responsibilities for its fulfillment. This responsibility is not selective by nature and it should concern all without an exception. If a person violates ethical principles at work placement he should be deprived of the right to be appointed in the bureaucratic system.

- **The principle of supervision and a limited number of subordinates who work under one leader.** Bureaucracy can expand, creating a situation where officials start working for one another, rather than for the society. Unfortunately, in Ukraine, this situation is obviously apparent. Quite often, proclamations of reforms in the public sector lead to personnel layoff (the number of officials does not decrease) or the elimination of old services and the creation of new ones (officials simply move from one office to another one). This principle compliance is one of the most difficult and requires the development of a clear strategy for social development, and understanding the number of public servants who could implement it, and the expenses necessary for their maintenance that the society, not the government can spend and further follow this strategy, but do not change it every year according to desires of a certain political power.

- **The principle of professionalism** – when people who are appointed to the positions should possess appropriate qualification skills and they are promoted in accordance with their professional achievements, but not political preferences or family relations. Public authorities have to hire those people, whose knowledge, personal data, and ethical norms make them suitable for fulfilling public responsibilities¹⁸⁷. Consequently, the control over the activities of these bureaucracy representatives should be carried out by professionals of a lower level. The assessment of the professional level should be as transparent and independent as possible, excluding the influence of subjective factors (for example, affiliation).

- **The principle of minimizing the direct communication of a recipient of bureaucratic services with officials.** It is widely implemented into

¹⁸⁷ Андрущенко В. Західні теорії бюрократії/ В. Андрущенко, В. Федосов// Ринок цінних паперів. – 2003. – №9-10. – С. 3-18.

administrative practice in the European Union and the United States. The principle reduces the risk of corruption (it is difficult to offer a bribe without contacting a bureaucrat or find oneself in a situation where a bribe is required), as well as it reduces transaction costs, increasing the economic efficiency of bureaucracy functioning. Using information technology in the sphere of administrative service saves both time and money for those who receive it, and promotes maximum transparency within the process.

- The principle of the impartiality of bureaucracy, when bureaucracy, big business, and politics do not correlate. This increases both the risk of bureaucracy politicization and public interests substitution by private ones.

- The principle of ethics compliance. Scientists state that there are no ethical norms of bureaucratic behavior in Ukraine, and politicians lack ethical behavior as well. It is possible and necessary to develop a code of ethical rules, introducing the knowledge of the code as one of the conditions to be appointed in the government structure. However, at the same time, they should provide legal liability for breaking the norms.

Modern research works on bureaucracy focus on four basic concepts: Weber's, Eastern, Marxist, and Contemporary Theories. Among the basic concepts of bureaucracy, we should mention a totalitarian (Soviet) one, which had its own specific features, different from the Eastern concept. The special characteristics of the Soviet bureaucracy were the merging of the party leadership with the state administration, and the state was mainly controlled by economic and political power, as well as state control through the bureaucracy of all aspects of the society.

Two main approaches have been developed to bureaucracy such as critical and the idealistic. According to critical approach, bureaucracy is not able to reflect public interests. The idealistic approach emphasizes the high professionalism and efficiency of bureaucracy. The criticism of bureaucracy is based on the idea of subjectivism and the desire of bureaucrats to implement their own interests. According to the contradictions between the approaches, conceptual interpretations of the reasons for the formation of irrational bureaucracy have emerged. Among them are the following ones: the theory of conflicts of interest, the theory of oligarchy, rent-oriented behavior, the theory of revolution of managers, the theory of social choice, and behavioral and transactional approaches. They are based on the development of modern theories of bureaucracy that without denying the objectivity of the phenomenon of bureaucracy, focus on finding the causes of bureaucracy failure and the possibilities of their prevention.

In Ukraine, a peculiar phenomenon of bureaucracy has occurred under the influence of two main factors. The first phenomenon is the Soviet-style

tradition to hold posts due to relationships without considering professional qualities. The second one is the traditions of the modern history of Ukraine when it is possible to be appointed to key posts in public administration due to membership in the leading political party and/or oligarchic clan. It gave a possibility for nonprofessionals to have access to power, as well as has created such type of the system as "politics – bureaucracy – big business", which works in its own interests. This system has a self-supporting character and, because of systemic corruption, blocks radical changes in the political and economic life of the society. This long-term failure is caused by the lack of society activity and information concerning state bureaucracy activities. This kind of bureaucracy is not interested in serious monitoring of its activities and tries to hide some facts about it. Therefore, one of the main steps towards creating a rational bureaucracy in Ukraine is transparency of information and separation of bureaucracy from politics and business.

Nevertheless, the differences in government bureaucracy development in Ukraine are neither good nor evil, but its presence is an objective necessity for governance organization. If the concept of nihilism is revived and researchers agree to liquidate bureaucracy and there will be a question what it is replaced with. High levels of development in information technology do not guarantee self-organization of societies, which require mechanisms to ensure state functioning. A group of people is needed who know how to govern (and it is important not to substitute such concepts as knowledge how to rule, be able to rule and have a great desire to rule). Accordingly, one can not deny bureaucracy, because it is necessary to optimize it. Modern theories explain the reasons for bureaucracy failures while substantiating the necessity and ability to control its activities. This control must be aimed at the public expenditures to bureaucracy functioning¹⁸⁸.

The efficiency of bureaucracy is provided where the government represents the interests of the whole society and bureaucracy can promote the implementation of these interests as an independent mediator, the effectiveness of which is under the control of the society. These conditions are not practically followed in Ukraine, since the activity of the government often contradicts social interests. The lack of a clearly defined strategy of the state development makes impossible the effective control over state policy failures that leads to favorable conditions for the opportunistic behavior of bureaucracy. As a result, the idea of serving the society becomes a profitable

¹⁸⁸ Пасенко Т.В. Теорії і концепції розвитку бюрократії: ретроспективний аналіз/ Т. Пасенко, В. Федосов// Ринок цінних паперів України. – 2016. – №9-10 – С. 17-33.

deal and meets the needs of mercenary interests, and thus the needs of society become insignificant.

The facts about bureaucracy failures do not exist because of utopian ideas of M. Weber and American theorists, but due to imbalances in relationships within bureaucracies, governments, and societies. Bureaucracy is an impartial intermediary between a society and a state, and it has to fulfill such responsibilities professionally. However, this balance is violated in cases when bureaucrats' duties and responsibilities are undefined, the functions can be duplicated, and they do not take into account professional skills of the staff, but their personal relationships. Despite the significant risks of bureaucracy failures, it is obvious that Western bureaucracies can effectively work and solve social problems.

Bureaucracy development is special in each country, caused by history, culture, and mentality. From this point of view, Ukrainian bureaucracy is one of the most complex phenomena to study, because the territory of modern Ukraine was occupied by different countries, their cultures and traditions greatly differed from each other, and that, accordingly, influenced on bureaucracy development during the pre-Soviet period. Actually, Ukraine developed at the turn of two civilizations – European and Asian – each of which had an impact on the peculiarities of bureaucracy development. Moreover, the Soviet government made significant adjustments for bureaucracy development, combining pre-Soviet traditions in different parts of Ukraine with its own features. Large parts of the territory of Ukraine has remained as a part of the Russian Empire for a long period of time, and so influenced the bureaucracy development and its specific features. Russia considered the government as private property, contrary to purely Ukrainian traditions (for example, during the Ukrainian Cossacks period).

These historical factors, however, are not the main causes of bureaucracy failures. Certain people are responsible for bureaucratic system, and their behavior determines the efficiency of its functioning. In Europe at all times service in the bureaucratic apparatus provided certain privileges (formal and informal). The privileges list was different in different times (this could be a guaranteed employment with sufficient wages, state social guarantees, the right to use the state residential real estate, privileged pensions, special services, etc.). Under hidden benefits we mean access to financial flows distribution as well as to natural resources, informal sources for increasing officials' personal welfare. In most cases, high-level officials have access to the above-mentioned benefits; however, their opportunistic behavior creates negative images of bureaucracy in general. An example of this is declaration of Ukrainian deputies' wealth, which was one of the most scandalous issues

in recent history. People wondered how men, who had to live on salaries, could declare seven-digit foreign currency cash funds.

Most of the problems of bureaucracy in Ukraine are obvious, such as a great number of officials, the high expenditures on their salaries (compared to those in other European countries), a low level of their professionalism, an excess of high bureaucracy and corruption. However, the most dangerous problem involves bureaucracy merging with political authorities and oligarchic businesses. Bureaucracy is the center of public-wealth distribution in economic life. The merging of the authorities and businesses in Ukraine began in early 1990s and became the basis for strengthening of clan-corporate relations in the system of state government. In the Soviet period, the party nomenclature was characterized by merging of authorities and politics. Nowadays, clan-corporate formation is a combination of authorities, businesses, and politics. After the collapse of the Soviet Union, the formation of modern bureaucracy was based on the voluntary decisions of high officials without the previous research on the effectiveness of appropriate institutions establishment or public discussion. In fact, society paying for bureaucracy services was deprived of its formation and controlling its activity and the citizens did not have any access to this, because the approach to bureaucracy formation and its activities control had not changed. Theoretically, bureaucracy must fulfill government orders; nevertheless, it often has a possibility to make political choices. This is caused by information asymmetry, and the relationship between the government and bureaucracy is based on this principal.

In Ukraine, bureaucracy is consolidated by optimizing personal interests and a close "cooperation" with political power and big business. This collaboration has created a hybrid formation, in which big business interests are provided with political and bureaucratic support, and, on the contrary, membership in any political party or governmental bodies.

Specificity of modern Ukrainian bureaucracy can be also considered as the special psychological perception of authorities, which is defined as the "thirst for power", that is the government power is treated as unlimited. The problem is how to achieve power, and after achieving it is considered as absolute power. Under these conditions, such perception of power is a characteristic feature both for management and for subordinates. After getting power, the manager considers his power to be unlimited and any legitimate resistance is treated as a riot. Alternatively, the subordinate becomes a voluntarily victim, obeying all the orders of his boss instead of seeking for legal methods to resist them.

In Ukraine, the typical practice involves transferring such models to "bureaucracy-society" relationship. Becoming a part of a bureaucratic system and receiving at least minor power, people try to implement it with the greatest benefit for themselves, but citizens who have to deal with the bureaucratic machine, do not seek justice in a court system, but try to adapt to it by forming informal relationships, solving problems by the use of affiliation, bribery, or kickbacks.

Furthermore T. Payentko and V. Fedosov substantiated that such processes became possible because of both the society unwillingness to seek radical changes and a new social order, following the ancient historical traditions of the pre-Soviet period. In Rus, then in imperial Russia, "feeding system" was developed according to which princes allowed the rulers who collected the tribute, and later taxes, to take a part of the collected funds for their living, as payment for the work. Quite often those who were empowered to collect the tribute and taxes abused their powers, taking most of what was collected or even levying extra taxes. During that period any judicial system didn't exist or it existed formally. Dissatisfied people could complain only to their feudal or prince. According to historical facts, they could kill a person who was guilty of taking too much tribute. Such relationships had been forming for centuries, they obviously showed the lack of judicial branch without which it was impossible to prevent the tyranny of other branches of power and make the bureaucracy serve the society.

With the increase of the number of officials, public authority revenues increase too, and the power of executive bodies replaces democratic traditions. Gradually, the democratic control decreases and the bureaucratic system is formed independently without the participation of the citizens and can be successful due to the symbiosis of politics and big business. The desire of oligarchy to dominate is the natural instinct of the political elite in any country. However, there are restrictions and sanctions for those public servants who use power for their own enrichment in democratic countries. This is achieved due to effective work of anticorruption bodies, political culture, and independent courts.

A bureaucrat is a person who serves the interests of a society, not a party. Accordingly, appointments to positions due to party quotas are impossible in the public authorities. In Ukraine, key posts in the public authorities depend on belonging to political parties and the parties are dependable on big business. As a result, high level of bureaucracy created a triangle

¹⁸⁸ Т. Паситко Т.В. Українська бюрократія: концептуальні засади та особливості функціонування/ Т. Паситко, В. Федосов// Ринок цінних паперів – 2016. – №9-10 –С. 3-16.

"bureaucracy – politics – big business" and, above all, they work to satisfy their interests and the interests of big business, and that has caused many problems.

First, in Ukraine the system of informal agreements and bribes dominates. There is a large number of political parties with almost identical, unfocused programs that essentially illustrate the lack of clear functional guidelines and goals. This prevents from implementation of democratic traditions, and leads to the prosperity of oligarchic power. In Ukraine, political parties or politicians' failures do not mean that they will leave the political arena. The political parties, supported by oligarchs, change their names, and politicians change parties. Modern Ukrainian bureaucracy depends on big business. It is characterized by clearly defined rent-oriented behavior without any attempt to enforce the social interests. In the triad "politics – bureaucracy – big business", the political rent is formed on the basis of which economic competition is eliminated by means of an administrative resource and economic rent is formed due to society.

Secondly, officials want to obtain as many informal privileges as possible. It is typical for the officials to hold such a position that would provide an appropriate income corresponding to the status of an educated person, as well as career promotion. Bureaucracy by its nature is not adapted to solving political tasks of the society. Therefore, all attempts to assume the functions of non-governmental officials lead to negative consequences. Officials and politicians are quite different social types of participants in social relations. Any official must act in accordance with formal rules in his field of competence, without expressing his personal views and preferences. Any politician must achieve goals in honest competition, attracting his supporters. However, in Ukrainian, due to the ideological weakness of politicians, they are not able to find support among the citizens, but they gain the power supported by the oligarchs and the bureaucracy. In such case, bureaucracy representatives, who are closer to the political power, always have the temptation or the opportunity to act in their own interests contrary to the interests of the society.

Thirdly, bureaucracy politicization occurs especially in countries with low levels of economic development which need a powerful mechanism to allocate scarce material resources. Then, the leading political party needs support from bureaucracy, but bureaucracy, having privileges (e.g., minimum holidays guaranteed by law, perks for accommodation, medical care in specialized health institutions, or sanatoriums), will try to keep the power of the current political force in order to have these privileges. Bureaucracy politicization is often caused by willingness to be in

comfortable conditions, but not by the political beliefs of bureaucrats. This is one of the factors that slow down the reforms in all spheres of social life.

Hence, this system of benefits and privileges for bureaucracy should be abolished, and the only source of income for bureaucrats should be salary. Bureaucrats and ordinary citizens should live under the same conditions. Personal interests of officials should coincide with the interests of ordinary citizens. In addition, the control over efficiency of the lifestyle of bureaucrats and their families to their level of their income is necessary.

Finally, Ukraine lacks professional experts, because the majority of Ukrainian experts serve the interests of certain political parties. That is why, their professional judgments often differ from reality and are aimed at the formation of public opinion before future elections. As there is a lack of professional experts, the professional level of bureaucracy reduces, and the main principle of rational management is violated. If authorities hire non-professional staff, this will lead to the elimination of bureaucracy.

Bureaucracy failure is caused by three major factors. The first is the objective tendency of a person toward opportunistic behavior and the attempts to satisfy his own interests. The second is external motivational influence such as material or status incentives from political authorities, which motivate bureaucracy to act in the interests of the government, but not in the interests of society. The third is the social environment of formation and development of bureaucracy, institutional maturity of society. Reasons for failures of the Ukrainian bureaucracy are caused by the balance violation of the relationship among bureaucracy politics, business, and the society. In Ukraine, bureaucracy serves politicians and oligarchs, and their interests are so closely connected that they have formed a single system of "policy – bureaucracy – big business".

Big business in Ukraine owns powerful economic resources or information (media), political parties, parliamentary factions, and main governmental posts. Bureaucracy, politics, and big business ignore public interests, as well as gradually reduce the number of professionals in all these three areas. The decrease of professionalism in bureaucracy is caused by nonprofessional staff holding key posts in the public authorities. Politicians' dependence on big business makes them like "puppets" rather than political figures. Moreover, in Ukraine big business cannot exist in the conditions of competition, it needs constant "recharge" due to illegal distribution of financial flows.

In order to assess the losses/gains of the government bureaucracy functioning in Ukraine, it is appropriate to use a mixed approach. First of all, you should add the standard evaluation indicators of bureaucracy

effectiveness, which are used by international organizations, which are significant for developing countries. These indicators should include: corruption, bureaucracy (red tape), the justice quality, shadow economy, the science quality, the mortality rate of newborns and the life expectancy. Secondly, it should identify the relationships in the following areas: the ratio of bureaucracy financing expenses and the economic growth rate; the cost increase for one employee of the ministries, other central executive bodies and subordinated to them territorial bodies and its economic growth (based on indicators of marginal costs); comparison of activity results of bureaucracy to state development in international ratings. Thirdly, it is necessary to estimate the losses of the state due to the low efficiency of the government bureaucracy functioning. Therefore, as a result of corruption over the past eight years, the Ukrainian state has lost about \$3.751 billion of GDP.

The key to an effective bureaucracy is its ability to represent public interests. There are no doubts that the effectiveness of bureaucracy is not associated with the features of a society. If the society is democratic, developed and civil, and the government represents the will of the people, the bureaucracy will be effective. In societies such as the Ukrainian one, in which democratic traditions are more declarative and rarely used, the development of efficient bureaucracy is possible only due to the activity of society, but this process is longer. The lack of society activity and its unwillingness to solve vital problems of state development is the most influential factor, which promotes the government and bureaucracy merging, which acts in personal interests, paying no attention to social interests. The problem of bureaucracy transformation is moral. Bureaucracy functions are connected with public wealth, with the social interests, but not politicians' and oligarchs' ones, and it is important to understand. Being a part of the state power, bureaucracy is objectively related to the concept of serving the society. Consequently, transparency, open access to information, clarity, and accessibility contradict the bureaucracy¹⁹⁰. Under such circumstances, the costs for bureaucracy will be transformed into benefits for all members of society, not just for the group "bureaucracy — politics — big business".

¹⁹⁰ Паснтко Т.В. Українська бюрократія: концептуальні засади та особливості функціонування / Т. Паснтко, В. Федосов // Ринок цінних паперів – 2016. – № 9-10. – С. 13-14.

2.3. Principles of the Budget Doctrine and Budget Policy Formation and Implementation in Ukraine

If the efficiency of the public finance functioning largely depends on the efficient financial management, then the purposefulness and performance can be achieved when the budget doctrine is substantiated and the sound budget policy is carried out. This is due to the fact that the state and local budgets can be considered as the core of public finances. It should be mentioned that during the years of Ukraine's independence the strategic goals of the budget policy have not been identified. This led the scientists to the substantiation of the general financial strategy and the budget doctrine¹⁹¹. V. H. Demianyshyn, a professor of the Ternopil National Economic University is one of the representatives of the modern Ukrainian scientific school of public finances, researching this problem. He published a number of articles on this issue and a fundamental monograph "Theoretical Conceptualization and Practical Implementation of the Budget Doctrine in Ukraine"¹⁹². He notes that the lack of the strategic state documents such as the budget doctrine, revealing the directions of the budget policy, and its theoretical substantiation, influences negatively on the choice of the model and new directions of the social development, as well as the means of achieving strategic goals. Therefore, the problem of a profound scientific analysis of the interrelationship and interdependence of the budget doctrine as a phenomenon of financial science and the budget policy is acute.

The harmony and positive dynamics of social and economic development of society are ensured by the dialectical unity of economic theory, politics, and practice. As the most important tool of the state regulation of social and economic processes in a market economy is the budget, high efficiency of social-economic development can be achieved under the conditions of close interrelationships and interdependency of financial science, budget policy, and financial practice. As financial science involves different concepts and categories, the budget doctrine can be considered as one of the most important components of scientific knowledge that shows the highest level of the knowledge and allows to explain thoroughly the essence and peculiarities of the state budget functioning. Along with the various concepts

¹⁹¹ Оларін В. Концептуальні основи фінансової стратегії економічного зростання в Україні / Оларін В., Федосов В. // Економіка України. – 2002. – № 2. – С. 10-20.

¹⁹² Демянишин В.Г. Теоретична концептуалізація і практична реалізація бюджетної доктрини України: Монографія. – Тернопіль, 2008. – 496 с.

of the state budget, different budget studies and budget theories, the budget doctrine is given a special place and role in the financial science and practice. This is due to the fact that the budget doctrine involves theoretical conceptualization of the budget, budget policy, budget mechanism and budget practice. According to its universal nature, the budget doctrine allows to combine the objective and subjective principles, determine optimal limits for a particular stage of the social development, direct budget relations for strengthening the economic potential of the country and improve the welfare of its citizens. Despite this fact, the financial science does not pay much attention to the budget doctrine. The term "doctrine" is widely used in different fields of public activity while working out the strategic directions of the social development. However, it is not often used in the Ukrainian financial science and practice and this negatively affects the financial science and leads to low efficiency of the budget policy and practice.

In the system of financial scientific knowledge the budget doctrine can be considered as a set of principles, provisions, ideas, a holistic concept, a systematic study, a complete set of scientific explanations, interrelated objective and subjective principles of the state budget functioning, budgetary phenomena and processes of the society with the results shown in the state document of strategic importance. As the term "budget doctrine" consists of two important components ("budget" as an economic category and "doctrine" as an element of the system of scientific knowledge), according to the point of view of V. H. Demianyshyn, it is advisable to combine formulation of the conceptual approaches to the interpretation of the budget doctrine as a scientific and practical concept with the study of the meaning of this concept.

A philosophical doctrine is understood as a systematic political, ideological or philosophical study, a conception, a set of principles, or a system of theoretically substantiated views on important socio-political, moral, religious and other issues. In economic science, a doctrine is considered as a set of principles, provisions, and ideas which serve as foundations of economic theory. Thus, a doctrine involves a set of ideas, principles, and provisions, a holistic concept, and a systematic study.

An idea is defined as a form of mental comprehension of reality, which involves an understanding of the purpose and the ways of gaining further knowledge. It combines objective knowledge of reality and the subjective purpose, aimed at changing the reality. A set of ideas is the highest form of theoretical knowledge about reality, in which the finance coincides with the forecasts about financial changes including budget changes. This set of ideas is considered as a promising, specified and comprehensive financial

knowledge that can be implemented in practice. It allows us to summarize the experience of previous development of knowledge about the state budget and can be the basis, synthesizing knowledge into a holistic system and serves as the heuristic principles of searching new ways for solving budget problems and gaining knowledge about the budget.

Principles are considered, on the one hand, as the source or the basis for a certain set of facts, theory or science. The principle is a basic concept of a system of financial knowledge or the fundamental idea of this knowledge. Within the framework of theoretical knowledge about the state budget, the principle can be considered as the requirement for developing a system of knowledge in which all theoretical provisions are logically interconnected and affect each other in some way. On the other hand, principles can be regarded as internal beliefs and theoretical rules which are kept by a person in different fields of human activity.

A conception is understood as a system of concepts about certain phenomena and processes; a way of comprehension; an interpretation of certain phenomena or events; the main idea of any theory. The state budget conception is considered as a certain way of budget comprehension and interpretation, the main point of view on it, the main idea that determines the strategy for implementation of the budget reforms, programs, and plans.

A systematic study is the last component of the doctrine. It is represented by a set of theoretical provisions of the field of finance (budget) and a system of the scientists' views on the state budget.

The budget doctrine, which involves a number of components of scientific knowledge, is the most conceptualized form of approach to the interpretation of the state budget. It is directly focused on practice, implementation, and political compliance. Unlike all its components, the doctrine is used during researching or discussing the scholastic point of view, dogmatism or the influence of the subjective factor. The budget doctrine has much in common with the budget theory as a complete set of facts explanations and budget phenomena and processes comprehension for a certain period of time. These components are interrelated and interconnected with a single internal cognitive logic. They are peculiar, on the one hand, due to the diversity of authors, variety of their points of view, and on the other hand, due to the methodological approaches and directions.

Besides common features with the budget theory, the budget doctrine differs from the theory due to the impact of the subjective factor and the possibility of documentation. If theoretical views can be formalized as conclusions and generalizations in monographic, special, periodical literature, conference proceedings or other types of scientific literature, then,

in addition to the above mentioned forms, the budget doctrine can exist as a specific strategic document, approved according to the established procedure, and can serve as the basis for the implementation of the relevant internal and external budget policy.

In general, the budget doctrine is a set of principles, provisions, ideas, a holistic concept, a systematic study, a complete set of scientific explanations, interrelated objective and subjective principles of the state budget functioning, budget phenomena and processes of society. Its results are shown in a specific government document of strategic importance. Thus, the budget doctrine is a form of synthetic knowledge, within which certain concepts, ideas, principles, conceptions, studies, laws and all other components of the system of financial scientific knowledge lose their former autonomy and become the components of a holistic system. Consequently, due to its construction, the budget doctrine is an internally differentiated and integrated system of knowledge. It is characterized by logical dependencies of some components on others, by the possibility of removing the content of specific provisions of the doctrine in accordance with certain logical and methodological rules.

The process of the budget doctrine formation consists of several interconnected stages. At the first stage, the scientific approaches to the substantiation of the budget doctrine and its principles should be formulated. On this basis the government document, determining the most important parameters of this doctrine, is developed. Such a document should be approved by the Verkhovna Rada (Supreme Council) of Ukraine and used by public and local authorities and public administration. The attention of Ukrainian scientists should always be focused on the scientific part of the doctrine in order to improve it at any time, and due to this, corrections can be made to the government document.

With the principles of the budget doctrine, developed and substantiated by the science, it is possible to move to the second stage of the budget doctrine formation, that is, the formation of the budget policy, its strategy and tactics. The budget policy should be the most important environment for implementing the budget doctrine of Ukraine. In the process of developing the budget strategy on the basis of the budget doctrine, an integrated system, aiming at achieving the goals, objectives and implementing the priorities of the long-term budget policy of the state activities, should be envisaged.

The third stage should be connected with the formation of the budget mechanism according to the principles of the budget doctrine and budget policy. The budget mechanism shows the external nature of the budget. It is defined as a system of forms and methods of organizing the budget relations.

The development of an effective budget mechanism is connected with the creation of an economic structure which can show the consistency, forms, and methods of action of the relevant public authorities while mobilizing and spending the budget funds, using the sufficient number of forms, methods, and tools for this purpose. In the process of the budget mechanism formation, it is recommended to provide a set of appropriate effective organizational forms, budget support forms, methods and tools of budget regulation, budget incentives, and sanctions.

The fourth stage is connected with the budgeting process, during which the principles of the budget doctrine and budget policy are implemented in practice by means of the budget mechanism. The budgeting process as an activity of public and local authorities and public administration is a means of the state budget doctrine implementation. It involves the budget drafting, budget consideration, and execution, control over budget implementation, making report reviews on the execution of the budgets, constituting the budget system of Ukraine. Therefore, this stage is the most complicated, contradictory and important, since it shows the real efficiency of the budget doctrine and the ways of its implementation in practice.

In the opinion of V. H. Demianyshyn, a government document, containing the principles of the budget doctrine, should be created for a long-term perspective (no less than 25 years) which is divided into periods of ten or five years. In addition to the general principles of the budget strategy, this document shows the following indicators:

- GDP forecast total, including GDP per capita, average annual growth rate of GDP;
- a share of GDP, centralized by the state for the fulfillment of its functions;
- the ratio of fiscal measures to non-fiscal measures of mobilizing GDP to the state budget;
- the ratio of direct taxes to indirect taxes, its changes;
- the correlation between the subjects of taxation (proportions of the taxes paid: rich people, people with an average income, poor people, legal entities, individuals) and the level of the tax burden;
- the correlation between the objects of taxation (production, income, profit, property, capital, land, resources, etc.);
- the ratio of the state taxes to the local taxes;
- the correlation between the state and local budgets, their own and fixed income;
- types and nature of inter-budgetary relations;

- distribution of revenues and expenditures between separate parts of the budget system;
- the number of expenditures of the state and local budgets per capita, including the expenditures on education, science, culture, health care, social protection of the population, etc.;
- a share of expenditures on administration, defense, economy, education, science, culture, health care, social protection of the population, etc. (% of GDP and % of total expenditures);
- minimum and average wages;
- the cost of living;
- a share of the average wage of an employee for consumption (taxes, utility services, food, clothing, housing repairs, fare, etc.) and savings or for the expansion of labor reproduction;
- a number of years that an average wage employee can save money to buy a house, a car, and other basic necessities;
- an inflation rate;
- the ratio of the growth rates of wages to the prices;
- the most important pension rates and indicators of social protection of the population;
- the correlation between the forms of ownership (state, communal, private, etc.) and a number of sectors referring to the state form of ownership;
- other rates and indicators.

All components of the doctrine should be closely interrelated. Thus, a set of principles, provisions, and ideas allows us to formulate a concept of the budget policy strategy, to show the role of the state in implementation of its principles and make strategic forecasting of specific budgets. These forecasts are also closely interrelated. In addition, the financial power of the society depends on the volume of GDP and the rate of its growth that has been forecasted. The determined proportions of GDP distribution and redistribution will make it possible to optimize the volume of the budget fund in key areas of its spending. Since the most important task of the state is ensuring maximum satisfaction of the material and cultural needs of its citizens, the ultimate goal of the budget strategy is forecasting indicators referring to social guarantees.

The validity and reality of the strategic principles determined by the budget doctrine depend on their interrelationships with the socio-economic doctrine of the state, as they should be interdependent and interrelated. Thus, the indicators of the budget doctrine (for example, the number of revenues, the budget expenditures) depend on certain forecast indicators of the socio-

economic doctrine (for example, GDP volume, wages, cost of living, inflation rate, etc.) and, on the contrary, forecast indicators of the socio-economic doctrine depend on the forecast indicators of the budget doctrine, but social guarantees forecast indicators should be common for both doctrines. Despite the close relationships and common indicators, it is advisable to formulate the budget and socio-economic doctrines as the separate government documents.

The central categorical concept of the budget doctrine is the state budget, which, according to the dialectical method of its study, is considered from the theoretical (by its essence) and practical (by the phenomenon, content, form, organizational structure, legal peculiarities, role in society) points of view. Interpreting the budget by its essence as an objective economic category, which shows different monetary relations referring to the distribution and redistribution of GDP and the national wealth of the country for the purpose of creation and spending of the main centralized monetary fund that is aimed at the fulfillment of the state functions, V. H. Demianyshyn, on the one hand, determines the budget role among other distribution categories, and, on the other hand, shows the peculiarities and limits of budget relations, their role in distribution and redistribution, as well as their ultimate goal. The above mentioned and the knowledge of the nature of the budget as a component of the budget doctrine allowed the scientist to formulate an optimal model of GDP distribution and redistribution on the basis of budgetary relations, and, correspondingly, an optimal model of the main centralized monetary fund of the state, called the budget fund.

This theoretical optimal model should be the basis for the development of the state budget policy and budget doctrine as a strategic government document. Thus, the content, quality, purposefulness, and efficiency of the budget policy of society depend on the depth of knowledge of the categorical essence of the state budget, the understanding of the peculiarities of the distribution processes, and their ultimate goal. Therefore, the persons who are responsible for the development and implementation of the state budget policy should meet the requirements for their positions and understand the essence, goal, and role of the budget in society, have knowledge of special terminology, financial theory, methodology and practical experience. In the most generalized form, the theoretical model of GDP and the state budget fund distribution should ultimately meet the needs of all participants in distributive relations, namely, the state, legal entities, and individuals. The budget policy should correspond to the specific goal.

Summarizing all above mentioned, we can conclude that the budget doctrine as a component of financial scientific knowledge, on the one hand,

reveals the essence of the budget in the system of objective economic categories, as well as, principles, ideas, a holistic concept, a systematic study, a complete set of scientific explanations, interrelated budgetary phenomena and processes that allow us to formulate an optimal model for the distribution of GDP, and on the other hand, specifies the budget as an objective economic category due to its specific types, that is, its material expression: as a phenomenon – a number of real cash flows in the context of their different types providing the creation and spending of the budget fund; according to the material content – as the main centralized fund of the state funds; according to its form – as the main financial plan of the state; due to the organizational structure – as the central link of the financial system of the state; according to its legal nature – as certain legal acts; due to its role in society – as one of the most important tools for regulating socio-economic processes in the country. Thus, the budget doctrine, being a scientific substance, lays the foundations of the budget policy without which this doctrine as a strategic state document cannot be real and efficient. Consequently, the theoretical conceptualization of the budget doctrine contains the fundamental principles of the state budget policy, which determine its content, objectives and ultimate goal. It is the basis for the formulation of the principle.

Developing the budget doctrine as an important political document, public authorities and public administration should, first of all, determine the strategic directions of socio-economic development of the society, choose the model of society that the state wants to build. However, this model should not be changed by the political force that came to power, despite any individual political preferences. The unchanging strategic course is a guarantee of economic stability and prevents deviations from the ultimate goal that may negatively affect the dynamics of economic development and welfare of the population.

In Ukraine, there were attempts to develop certain strategic programs, such as "Welfare reforms", "Strategy for poverty reduction", "Ukraine: Entry into the 21st century", "European choice", etc. Most of these programs were declarative by nature without specific indicators and specified periods for their implementation, scenarios of development, and without specifying sources of financial support. The efficiency of these programs was minimal. Under the conditions of frequent changes of governments, the lack of proper consolidation in society and the inability of the state to establish control over their implementation, the specified goals were not achieved.

In 2004, scientists and specialists of the National Institute for Strategic Studies, Institute of Economics and Forecasting of the National Academy of

Sciences of Ukraine, Ministry of Economy and European Integration of Ukraine, using the elements of the balance method of the strategic forecasting and mathematical models, substantiated the forecast calculations of the development of the socio-economic situation in the country due to the basic, pessimistic and optimistic scenarios. On the basis of these calculations, they formulated the strategy of economic and social development of the country for the period 2004-2015 "The way of Ukraine's European integration". In this strategy, the objectives were set out, relating to the prospect of Ukraine's integration into the European Community. Among the objectives of the budget policy, this strategy identifies the following ones:

- the budget system reform, in particular, the tax mechanism, its transformation from a purely fiscal tool into an effective means of a social and economic strategy of the state;
- reduction of the consumption share of the state in the structure of GDP;
- strengthening the investment component of the state and local budgets, creating a development budget;
- centralization of budget funds in areas where this mechanism has no alternative;
- gradual transition to long-term budget planning, etc.

As long-term economy management experience shows, the stated objectives and priorities remained declarative intentions. In order to solve these problems, the Cabinet of Ministers of Ukraine in 2017 approved the "Strategy for the Public Finance Management System Reform for the period 2017-2020", based on such strategic documents as the Agenda for Sustainable Development for the period up to 2030, approved at the Sustainable Development Summit, held on September 25, 2015 in New York, the Strategy for Sustainable Development "Ukraine 2020", approved by Decree of the President of Ukraine on January 12, 2015, № 5, Coalition Agreement, the Government Priority Action Plan for 2016 and the Strategy for Public Administration Reform in Ukraine for the period 2016-2020, approved by the order of the Cabinet of Ministers of Ukraine on June 24, 2016, № 474 "Some Issues on the Public Administration Reform in Ukraine."

The goal of this Strategy is to build a modern and efficient public finance management system, which can provide high-quality public services, efficiently accumulate resources and allocate them in accordance with the priorities of the state development in the medium and long-term.

The main objectives of the Strategy are the following ones:

- full implementation of the strategic and medium-term budget planning that allows to allocate resources in accordance with the state's priorities and strengthen fiscal discipline;
- introduction of an efficient system of planning and estimation of the execution of the state budget, increasing the role and responsibility of the budget fund managers in determining priorities of their activities, the efficient use of these funds;
- increasing efficiency of public spending due to a comprehensive analysis of cost-effectiveness and feasibility, applying different approaches to the expenditures, providing quality public services;
- improving the quality and efficiency of administering taxes and fees and increasing the level of compliance with the tax laws;
- strengthening control over fiscal risks and taking measures to minimize them, in particular, regarding state-owned enterprises, state guarantees, and other contingent liabilities;
- ensuring of strategic distribution and monitoring of state investments;
- supporting the process of budget decentralization by ensuring a clear separation of powers and allocation of resources, as well as ensuring local budgets accountability;
- increasing the level of managerial accountability and efficiency of internal control and audit of the public and local authorities.

The state strategy of socio-economic development of society and theoretical conceptualization of the budget doctrine, developed and approved in the established procedure, could serve as the basis for developing the budget policy, formulated as a strategic state document i.e. the budget doctrine of Ukraine for the long term. Due to the lack of such a document, it is advisable to begin its development determining the structure and content of each section.

It is proposed to include the following units in this structure:

- a resume in which general characteristics and the goal of the doctrine are defined;
- principles of developing the doctrine and the documents for governing these principles. In this section, international and national principles can be determined;
- the scope of application of the provisions and standards defined by the budget doctrine, including the list of fields and areas in which the provisions of the doctrine can be applied;
- those who are responsible for the implementation of the provisions of the doctrine and the nature of this responsibility. This unit should contain a list of organizations and individuals who are directly responsible for

implementing certain provisions of the budget doctrine and specific measures of influence on the subjects that violate the provisions of the doctrine;

– levels of application of the doctrine; four levels can be defined in this unit: international, national, local, basic;

– the main goals of the doctrine; the following ones are proposed to be focused on: achievement of the most important macroeconomic indicators; the principles and proportions of distribution of GDP; the budget volume; the principles of distribution of revenues and expenditures between separate parts of the budget system; the principles of inter-budgetary relations; approaches to allocating the budget expenditures; the most important indicators of social guarantees; other goals;

– the main results that should be obtained while applying the provisions of the budget doctrine. These results can be shown as separate groups, for example: political, economic, social, etc.;

– standards of the budget policy for specific sectors and different levels.

Taking into account the experience of developing sectoral doctrines, V. H. Demianyshyn proposes to determine three groups of standards of the budget doctrine: fundamental, institutional and current. Fundamental standards refer to the standards which should be followed at all stages of the budget doctrine without evaluating their feasibility and efficiency. Institutional standards should have adhered at the end of the certain stage of the doctrine. Current standards are being followed for a certain time before a certain stage of the doctrine is completed;

– the content of the budget doctrine. This is the main unit, in which in the context of each level of the doctrine application, means and indicators are shown in a certain future period, which is divided into every 5 years (for example, 25 years);

– the procedure for public monitoring of the budget doctrine application and the use of its certain standards;

– the order of the periodic evaluation of the results of the application of the provisions and standards of the doctrine;

– the procedure for preparing and making decisions on amendments to the budget doctrine and its certain standards.

According to this approach, the budget doctrine as the state strategic document will show specific directions of the state budget policy, indicators of economic and social development, the welfare of the population and budget support for the future due to specified terms and responsibilities, and a system of monitoring the implementation of the doctrine.

The reality and efficiency of the budget policy, developed and formulated in the budget doctrine, is based on the financial theory which has been formulated in the theoretical conceptualization of the budget doctrine as the highest level of financial scientific knowledge. In this case, we can talk about optimal interrelationships and interdependencies of financial theory, budget policy and budget practice due to the scientific approaches to organizing and managing socio-economic processes in the country.

In the process of development of the indicators for the state doctrine as a political document, it is important to choose a model of society that the state wants to build in the future. Among the world's models of socio-economic development, most Ukrainian economists prefer the German model, as it provides a moderate level of centralization of GDP (40%), the functioning of a socially oriented economy, a sufficient level of social guarantees, an extensive network of paid services, a high level of social insurance. Having chosen a socially oriented model of society, public authorities and public administration can formulate a theoretical model of distribution of GDP, taking into account the subjective factors (historical traditions, mentality, geographical and environmental conditions, and other internal and external factors), and develop a practical model of distribution of GDP, taking into account the economic interests of all the subjects of budgetary relations. This initial stage of development of the budget policy and budget doctrine is the most difficult and crucial, as it involves the interests of the state, different regions, local communities, labor groups, a large number of legal entities and individuals. Their economic interests, as a rule, do not coincide, and in some cases, may be completely different. So, society has to apply special approaches in order to solve this problem. A key to this solving and, in general, to conducting efficient budget policy is policymakers' prudence.

The budget policy outlines the state budget relations for the achievement of specific political goals. First of all, these relations refer to the creation and spending of the main centralized fund by the state and are shown in the budget revenues, methods of their mobilization, budget expenditures and budget fund spending for public needs. In accordance with the budget policy, the state takes a set of measures aimed at fulfillment of its functions through the budget. For this purpose, the state uses its powers and specific institutions that make it possible to manage the relations with citizens, business entities, subnational state and municipal entities, as well as with foreign states and intergovernmental institutions.

Solutions to the problems of the budget policy are closely connected with the budget mechanism and the budget process. It is with the help of the budget mechanism that the principles of the budget policy are implemented,

all distributive and redistributive processes are carried out; in practice, budgetary relations are materialized, acquiring certain material forms such as taxes, revenues, transfers, expenditures, outlays, reserves, etc. There is a close relationship between the budget policy and the budget process.

Today, in the economic literature there are no common approaches to the interpretation of the content of the budget policy and the development of the most important directions of its implementation that lead to inefficiency of the budget policy implementation. In many cases, the term "budget policy" is interpreted as fiscal-budget, budget-fiscal, financial-budget, fiscal, etc., and this is typical both for foreign and national scientific literature. According to V. H. Demianyshyn's point of view, the budget policy is an integral part of the financial policy. Therefore, in addition to its own particular features, the budget policy has some common features with the financial policy.

Similarly, the financial policy is an integral part of the economic policy, and the economic policy is an integral part of the state policy. Thus, all the components of the state policy will have, on the one hand, common features as the components of a single phenomenon, and on the other hand, specific features, which are inherent only in this type of policy. The scientist made an attempt to highlight the common features of all types of policies, including the budget policy.

In general, the policy is defined as an act of the state (objectives, means), regulating the relationships among members of a society. This activity is aimed at achieving specific goals and includes:

1. Scientific substantiation of the concept and formulation of the strategic goal, definition of long-range goals and objectives, taking into account the needs and interests of the main productive force, i.e. a person.
2. Justification of the means and methods for achieving the goal (including the balance of goals and means of their achieving), as well as the development of the optimal forms of social activity and organization due to which the strategic goal can be achieved.
3. Through selection, training, and placement of personnel that is able to achieve this goal.

An important place among the diversity of the state policies is given to the economic policy. Despite the fact that various definitions of the economic policy can be found in the scientific literature, the basic definition can be interpreted as a set of economic goals and measures of the state and government that allow to achieve long-term (strategic) and short-term (tactical) objectives of the economic system development due to the interests of the country and are implemented in the economic program. Among the main kinds of the economic policy, the following ones can be determined:

financial, credit, monetary, pricing, scientific and technical, innovative, agrarian, regional, foreign economic policies. In addition, anti-cyclical, anti-inflationary, anti-crisis, employment policies can also be distinguished. The most important task of the economic policy can be determined as building and ensuring the efficient functioning of the national economy.

The theoretical conceptualization of the budget policy, which is the basis of the implementation of the economic policy in general, is considered as a form of human conscious activity. Developing the budget policy, the state is obliged to take into account the requirements of all objective economic laws and regularities of the society development; study and consider the previous experience of economic, financial and budget development; study and take into account the experience of other countries; take into consideration the specific stage of the society development, the peculiarities of national and international environment; follow the integrated approach to the development and implementation of the budget policy measures, as well as with the financial, pricing, credit, wages policies, etc.

In practice, fiscal policy needs legal clearance. The state determines methods, amounts, and forms of the budget fund formation reflects them in legislative and regulatory acts. The state financial apparatus, bodies of local self-government on the basis of current legislation develop and issue normative documents, which make it possible to establish common rules for the formation and use of the state budget resources. The quality and completeness of legal regulation depend on the successful implementation of the budget policy.

An important area of practical conceptualization of fiscal policy is defining its tasks, which should include:

- developing a scientifically grounded concept of budget development as an important instrument of socio-economic processes regulating. It is formed on the basis of studying needs of social development, a comprehensive analysis of the state economic development and the social sphere of global trends in socio-economic development and strategic priorities of the state;

- defining the main directions of mobilization and use of budget resources for the future and the current period based on the ways to achieve the set goals, provided by the economic policy, taking into account external and internal factors, the possibility of budget resource growths;

- practical actions aimed at achieving the set goals.

The budget policy is influenced by a number of factors, which in the economic literature are divided into internal and external. External factors include the dependence of the state on economic relations with other states, the export possibilities of the state itself, its integration with the world

economic systems. Internal factors include the state of the economy, social sphere, money circulation, stability of the monetary unit, the situation with crediting, etc.

The budget policy has objective and subjective principles. Objective means that fiscal policy functions in real economic processes, caused by objective economic relations. The subject of the policy cannot avoid it. Therefore, when the policy is formed the subject is to get acquainted in detail with the nature of the distribution processes, to learn their features, to develop a virtual model of such a policy, which would be based on objective processes. Without such work, practical budget policy work will be ineffective or harmful. The subjective principle of fiscal policy is to develop specific priorities, trends, objectives, and means of implementing fiscal relations in practice. Objective and subjective principles are, on the one hand, important interrelated components of a single fiscal policy, and on the other hand, independent elements, the first of which functions as the basis, and the other as the superstructure. Ignoring these constituents can cause negative consequences both for the subject and for the society in general.

Conventionally in financial science, a fiscal policy is subdivided depending on the period and the nature of the tasks solved the budget strategy and budget tactics. The budget strategy is a promising fiscal policy.

It determines how to solve big strategic tasks. Thus, the purpose of the budget strategy is to establish the main directions of the budget policy and its focus on the development of appropriate economic instruments. V.G. Demyanyshyn argues that the fiscal strategy is an integral system of the state influence aimed at realizing the goal, objectives, and priorities of a long-term fiscal policy that focuses on resolving the global challenges identified by the economic strategy. The budget strategy, taking into account the above, should be an integral part of the economic strategy and correlate with the political, social, humanitarian, military and other strategies of the state. The goal of the strategy should be to ensure the corresponding goals of the state, despite the intervention of external forces or circumstances. Otherwise, the strategy can be reduced to a specific action plan or a sequence of their implementation, which will not allow such a document to be called strategic.

Development of a budget strategy is a complex creative process, which should include such components as the potentiality of budget system (defining realistic objectives and compliance with existing resources); taking into account and defining the features of internal and external links between elements of the system (defining real causation and reserves); determining the current threats of fiscal policy and its objective limits. A strategic decision should be based on what can be done with the object of the strategy,

on what its subjects can perform, on what they express desire and political will to do and on what they should do under the influence of external factors.

The budget strategy is implemented through the budget forecasting and budget programming. The budget forecasting should be understood as the development and preparation of scientifically proven hypotheses about the probable budget system condition and relevant parameters that characterize this condition; scientifically grounded proposals on trends and directions of budget development for the near and far perspective, alternative ways and terms of achieving the main goals.

Budget forecasting is based on the study and application of economic laws, the laws of the society identify the most likely alternative ways of development and are the basis for the selection, motivation of the fiscal policy.

Unlike budget forecasting, budget programming is a specific area of the budget strategy implementation related to the development of a system of interconnected and coordinated measures, action plans aimed at achieving a single (concrete) goal, solving a single (specific) problem. Budget programs are focused on the economy, the social sphere, development prospects, for the long-term or medium-term period, on the one hand, and the necessary budgetary resources for this, on the other, to achieve the strategic goal. The number of such programs depends on the strategic objectives and the society socio-economic level. As one of the forms of the economic regulation, budget programming should be considered as a process of directing the economy and social sphere from the state by regular and integrated influence on its structure by means of budgetary resources in accordance with the social and economic development within the framework of a market mechanism.

While the budget strategy is related to solve promising tasks, the budget tactics refer mainly to current issues. It is aimed at solving the problems of a social development at a definite stage by changing the budget relations, redirecting the budget mechanism, redistributing financial resources. Budget tactics should be understood as a form of a budget strategy implementation, a complex of adaptive measures of the state's influence on specific budget relations functioning in order to provide them with the parameters specified by the objectives of the budget strategy. The main functional characteristic and criterion of tactics is adaptability. The boundaries and benchmarks for such an adaptability are set by the strategy.

While the strategy is normally defined under the influence of political and ideological principles, tactics depend on the state policy and may be independent. In this case, tactics become a brake of the budget strategy or

limit it, causing inconsistency in certain institutions of state power, public administration, and local self-government functioning.

State tactical policy is reflected in the budget laws, normative acts of the Cabinet of Ministers of Ukraine, other bodies of state executive power and local self-government, annual budgets, budget programs (short-term). Such normative acts and documents specify the content of the budget policy and the mechanism for its implementation. In general, tactical policy should be flexible, in line with the changes in current socio-economic conditions and tasks.

In general, the fiscal strategy and the budget tactics form the state budget policy. Thus, the state budget policy is the activity of state public authorities, state administration, and local self-government to determine the strategic goal, directions, tasks, and priorities of the budget relations developing, resources of budgetary tactics for their achievement and application. At the current stage of the Ukrainian society, the problem of optimizing budget policy is very complicated. Such an optimization means to completely achieve the goal using the cheapest means.

A characteristic feature of the modern fiscal policy is its versatility, which concerns different interests, values, and goals of the subjects of state power, state administration, local self-government, taxpayers and tax collectors, budget funds managers etc. It is therefore particularly important to balance the interests related to the formation and use of budget resources.

One way to solve such problems, according to V.H. Demianyshyn may be to use modern evolutionary paradigm and related systemic ideology based on the synergetic paradigm. Synergetic paradigm refers to the imaginative range of evolutionary trajectories of complex systems, which makes it possible in every situation to postulate and check a principle of future ambiguity, the possible existence of instability points associated with ways of further development. If the synergetic images are successfully implemented ineffective concepts of fiscal policy synergy can provide both general guidance and practical results of the forecast models of complex systems development.

In theoretical and practical aspects, it is very important to specify types of fiscal policy. In modern economic literature, there is no common opinion on these issues. Taking into account the scientific achievements, it is proposed to classify budget policy into types, among which are these four components:

- policy in the field of budget revenues, which includes tax policy and the policy of mobilizing non-tax revenues;

- policy in the field of budget expenditures, which includes a policy of estimated financing, investment and budget policy (budget investment policy), budget lending policy (due to expenditure part of budgets), budget subsidy and subsidy policy (granting subsidies and subventions to legal entities and subsidies to the population), budget reservation policy;

- policy in the field of budgetary regulation and intergovernmental fiscal relations (budget regulation policy in the process of balancing income and expenditure parts of budgets and intergovernmental fiscal relations in the process of budget execution), which includes the policy of granting and using transfers;

- policy in the area of budget deficit and public debt, which includes a policy to justify budget deficit, sources of deficits, and policies for managing internal and external public debts.

The proposed classification of budget policy will make it possible to structure the measures and the most important directions, optimize its components in accordance with the principles of construction, goals, tasks, subjects, and objects, taking into account the efficiency of conducting and obtaining the expected results.

The fiscal policy formation is a very complex process since its role in a society is specific, contradictory, and multidimensional and depends on objective and subjective factors, in particular, the level of socio-economic development, chosen the model of the economic system, etc. The most important problem of a fiscal policy is a combination of contradictory but interrelated functions of budgetary regulation in the context of limited resources and the specific interests of various social groups. Problems can be solved when the goals, tasks and priorities, and, most importantly, principles of budgetary policy are set definite. In modern economic literature, there are no common approaches to the interpretation of the principles of fiscal policy development. These issues are considered superficially, thus not ensuring the unity of theory and practice in such an important sphere of the society functioning.

The principles should be understood as the basic, initial ideas of the theory, the basic rules of action, as well as the established, generally accepted, common rules of economic actions and properties of economic processes. Thus, the principles of fiscal policy are the basics, ideas that are the guidelines, requirements for its implementation, reflect the essence of the state budget. The principles should be both versatile and abstract displaying the laws of budgetary relations development. These principles are the synthesizing, unifying ties, ideological basis of the emergence, formation, functioning and prospects of the budget system development closely

connected with all the components of the socio-economic system of the society. The importance of the correct selection and use of such principles is conditioned by the fact that they determine the basis of budget relations, norms of budget law, elements of the budget mechanism, they are the criteria for evaluating the most important decisions of the state, activity of legal and natural persons, cultivating financial thinking and financial culture, molding the budget system of the country.

Since the principles of the fiscal policy are of great importance, it is proposed to group them into general and special ones. Common principles include those reflecting the use in politics of the system of values inherent in a society. These are domination of universal values over the interests of classes, nations, social groups, separate territories, etc., the unity of personal and social interests, humanism, the equality of legal and natural persons before Law, democracy, legality, mutual responsibility of the state, legal entities and individuals.

Unlike the general, special principles of the fiscal policy specify the first and define basic parameters of the fiscal policy. They are specified in laws and other regulations, codes, awareness of professionals and the society in general and are the evaluation criteria of the policy outcomes, the experts' professional culture, the basis of their professional thinking. They provide effective, value-directing, informational, psychological impact on socio-economic processes taking place in the society. Special features include the following principles: unity of theory and practice in developing rules and implementing the fiscal policy; interconnection; objectivity; development; efficiency; regularity; social justice and impartiality; vertical and horizontal justice; comparability; historicism; materialism; Occam's principles; coevolution, stability; directivity, obligation; continuity; completeness; reality; planning and proportionality; scientific substantiation; intuition and predictability; democracy; competence; flexibility; concordance; priority; economy; material interest; material liability; publicity and transparency; budgetary control; moral and ethical.

The importance of these principles in shaping the fiscal policy should be as follows:

1. The principle of theory and practice unity in shaping the basics and implementation of budgetary policies indicates that theoretical positions should be based on practical results, and practical activity – on theoretical elaborations.

2. The principle of interconnection implies the development of a fiscal policy in close connection with all types of the economic policy of the state

(external interconnection) and with all internal structural elements (internal interconnection).

3. The principle of objectivity means considering all possible factors that affect quantitative and qualitative indicators when developing the most important directions of the fiscal policy.

4. The principle of development involves identifying the main driving forces of budgetary relations and the budget system evolution, their subsystems and elements, as well as the course of the evolution, considering the laws of dialectics.

5. The efficiency principle means ensuring that all subjects of budget relations achieve the intended goals of the budget strategy and tactics and maximize the result while attracting a minimum amount of budget funds.

6. The principle of regularity refers to the dependency of fiscal policies adjusted to the relations between all its components.

7. The principle of social justice and impartiality points to the fair and impartial distribution of national wealth, GDP between citizens, territorial communities and other subjects of budgetary relations, equal access for citizens of the country to basic budget services, social guarantees and the application of differentiated taxation.

8. The principle of vertical and horizontal justice is that subjects in unequal conditions must be interpreted differently by budgetary laws and subjects in equal conditions – equally.

9. The principle of comparability means the application of comparative conditions, the comparison of absolute and relative indicators, according to which they should be brought to an adequate form of measurement, as well as the establishment of close or equal conditions for the formation and use of budgetary resources for subjects of budgetary relations having similar qualities and attributes.

10. The principle of historicism refers to the study and consideration when developing the fiscal policy of the budget and budget system genesis, the main stages of evolution, laws, and patterns of development and functioning (including contradictions), quantitative, qualitative and essential transformations.

11. The principle of materialism is eliciting among the totality of budget relations and in the budget system, their individual subsystems and elements of the determining parties, factors whose development determines the evolution of other parties and factors, with subsequent consideration of their reciprocal influence.

12. The principle of co-evolution means knowing the budgetary relations and the budget system, the laws of their development according to

the interdependent change in natural or social systems and elements within the whole.

13. The Occam principle implies the need to use a minimum number of assumptions or abstractions in the process of economic modeling of certain areas of the fiscal policy.

14. The principle of stability indicates that the policy and tactics of fiscal policy remain unchanged during the period determined by the state.

15. Liability principle concerns application by the state of mandatory (established by regulatory legal acts) rules and norms in the process of implementing tactical measures aimed at achieving strategic objectives.

16. The principle of continuity means the unity of strategic and tactical measures, stability of planned and predictive indicators at the achieved level.

17. The principle of completeness implies including all revenues and expenditures in the state budget while preserving the targeted use of budgetary funds.

18. The principle of reality indicates that all budget policy measures, projections, and targets should be realistic.

19. The principle of planning and proportionality involves the development of strategic forecasts and programs, as well as annual budgets, with all necessary proportions in the course of budget planning, programming, and forecasting.

20. The principle of scientific substantiation means the use of scientifically proven technologies in the development of strategic forecasts, tactical actions, as well as indicators of annual budgets and budget programs.

21. The principle of intuition indicates that the formation of strategic guidelines should be carried out not only on the basis of specific models and calculations but also through the use of intuitive methods, based on the goals set by the society.

22. The principle of democracy implies the involvement of a wide range of people, political parties, movements, and other public associations into developing the fiscal policy.

23. The principle of competence means that the relevant competent authorities adopt of laws, norms regulating budgetary relations and determine the directions of budget policy.

24. The principle of flexibility shows that the tactical actions are changed according to specific situations at a certain stage of the social development.

25. The principle of systemacity indicates that the fiscal policy is a certain system of interconnected elements forming its strategic guidelines and tactical approaches to their achievement.

26. The principle of priority implies defining the main vectors of fiscal policy and concentrating budget resources on their implementation.

27. The principle of economic rationalization means the objective need for the most rational, saving the use of funds belonging to the society in the process of formation and implementation of budget policies.

28. The principle of material interest reflects the need to establish a dependency between the results obtained by the contribution of each subject of budget relations to achieving strategic goals and implementation of tactical measures of the budget policy and their material remuneration.

29. The principle of material liability determines the need to establish a dependency between the negative results of budgetary relations in the process of the budget policy implementation and the sizes of financial sanctions.

30. The principle of publicity penalties and transparency indicates the availability of information on the formation, course, implementation of the budget strategy and tactics, which is provided at all stages of the budget process, as well as in budget programming and forecasting.

31. The principle of fiscal control serves as a prerequisite for the formation of fiscal policies and as a means of its continuous regulation, control, revision, timely detection of negative trends, prevention of negative phenomena.

32. The moral and ethical principles presuppose that the subjects of budget relations in the process of formation and implementation of the fiscal policy convey assessments, emotions, behavioral skills in line with the requirements of morality and ethics, as well as a system of moral and ethical values. They serve as the main criterion for the choice of a model, purpose, means of behavior, the dominant motive when outlining the directions of the budget strategy and tactical approaches to its implementation.

General and special principles of fiscal policy should be used when drafting laws, normative acts of the Cabinet of Ministers of Ukraine, other bodies of state power and administration, bodies of local self-government on this policy, in particular, the functioning of the budget system, organization of the budget process, budget setting, Budget planning, budget forecasting, budget programming, taxation, budget financing, budget control, budget reporting, budget regulation etc. Thus each direction of fiscal policy should take into account, on the one hand – general and special principles of fiscal policy, and on the other – based on specific (complimentary) principles emphasizing specific features and distinguish this area from the fiscal policy in general. It is positive that in some of the legislative and regulatory documents such principles are accentuated, although they are controversial.

Among these acts are the Budget Code of Ukraine, the Tax Code of Ukraine and others. However, in most of the basic documents, there are no principles. From theoretical, methodological and practical points of view, these documents are of poor quality, causing more problems than positive issues.

Budget policy is closely connected with functioning and progression of the state. On the one hand, the state is the organizer and coordinator of budgetary relations, and on the other – their active participants. Hence, to optimize the model of fiscal policy it is essential to consider the factors that influence the content of such a policy. Current realities indicate that some factors are not fully accounted for in Ukraine, therefore the results in fiscal policy are the subject to sharp criticism. When molding and implementing a fiscal policy, it is very difficult to take into account all of its possible negative factors. The interests of different social groups, which are often controversial or antagonistic, intertwine in it.

As a result, it is very important for the subjects of budgetary relations to consider them when developing the fiscal policy directions, to determine their place in the order of priority, to fully take into account possible deviations, unwanted circumstances that can negatively affect the efficiency and quality of budget policy.

It is known that an objective assessment of any phenomenon can be given only using universally recognized criteria and indicators. V.G. Demyanyshyn, like most Ukrainian economists, in different interpretations suggests applying the following criteria for the effectiveness of fiscal policy:

- the rate of budget revenues in general and taxes in particular;
- the rate of budget commitments fulfillment;
- the budget deficit, its parameters and the rate of public debt growth;
- financial resources that are diverted to servicing public debt;
- level of the budget deficit monetization;
- currency reserves used to finance the budget deficit;
- GDP dynamics;
- unemployment rate;
- legal acts on the budget implementation degree;
- various money surrogates issue by the government;
- the budget debt owing to the existing non-paid tax liabilities;
- overdue wage arrears due to the lack of budget financing;
- overdue debt for the state order payment;
- overdue debts of budget institutions due to their lack of financing;
- legislative and equivalent acts of the budget execution.

In general, the criteria listed can be used to assess the effectiveness of budget policy, in particular, at the stage of budget execution or after the end

of the fiscal year. However, these are not acceptable at the planning, programming or forecasting stages for performance evaluation; therefore, it is advisable to use a different set of indicators and specific methods that would respond to the needs for optimizing approaches in the process of choosing the course of the budget strategy. Efficiency means the ability to create the effect, the efficiency of a process, a project, etc., which is determined by the ratio of the effect (result) to the costs that provided this result. The efficiency of a fiscal policy is a substantive content and a social form. In general, the content is expressed by the achievement of the highest results for acceptable costs. The social form of this policy is in reducing the conflict, antagonism and sharp forms of contradictions between different social groups in a society.

Generally, the efficiency of fiscal policy is suggested to be understood as the ability to create a socio-economic effect as a result of the activities of state authorities, public administration and local government to determine the strategic goal, directions, tasks and priorities of the budget relations for their achievement, the use of these funds, and the efficiency of income generation processes, the use of budget funds, budget regulation and intergovernmental fiscal relations, public debt management using specific criteria and indicators. The efficiency of fiscal policy is appropriate to compare with the socio-economic optimality involving the implementation of such a macroeconomic policy (through taxation, financing, including social expenditures, monetary policy, etc.). This would not, on the one hand, inhibit incentives to labor, entrepreneurial activity, etc., and on the other hand, it would not support the desire to live only at the social expense.

The ultimate goal of fiscal policy, as well as socio-economic policy in general, is to meet the needs of society, the needs of all social groups of the population and individuals. Accordingly, under the effective budget policy, distribution processes in the society should be organized optimally. That is, as a result of the distribution and redistribution of GDP through the budget, all participants in the distribution relations (state, legal entities, and the population) would be satisfied.

Budget policy can be considered effective when all its components are effective, in particular:

- budget revenue policy, including tax policies and non-tax revenue mobilization policies;
- policy in the field of budget expenditures (budget estimates, budget investment, budget lending, budget subsidies and budget reservations);
- policy in the field of budgetary regulation and intergovernmental fiscal relations;

- policy in the area of budget deficit and public debt.

Depending on the stage of the budget process, it is proposed to define the following types of budget policy efficiency:

1. The following (retrospective) efficiency – is calculated on the basis of reporting data on the implementation of budgets and data on the results of socio-economic development in the reporting period, and provides an opportunity to assess the actual results of the budget policy. The data can be used to make managerial decisions, develop activities, plans, and programs for the next period.

2. Current efficiency is calculated on the basis of operational data on the income, use of funds from the expenditure part of the budgets, intergovernmental fiscal relations, state debt and operational data on the implementation of socio-economic forecasts and indicators. The results obtained are operational and can be used for making operational management decisions, aimed at eliminating bottlenecks, making adjustments to specific actions, operational plans.

3. Expected efficiency is calculated on the basis of expected data on the implementation of budgets and indicators of socio-economic development for the current year (they include reporting data at the latest reporting date and the expected indicators by the end of the year). The results obtained can be used in drafting budgets, annual programs and defining the guidelines for socio-economic development for the planned year.

4. Planned efficiency is calculated on the basis of budgets and socio-economic development indicators for the planned year. It should correspond to the main course of the budget policy for the next year and be aimed at their implementation.

5. Strategic efficiency is calculated on the basis of strategic development indicators (macroeconomic indicators) and used in the optimal choices of budget forecasts and strategic budget programs. The methodological principles of this policy in Ukraine have not been developed, which in general has a negative impact on socio-economic processes, the choice of the economic course and its implementation.

The choice of the criteria for various aspects of the fiscal policy effectiveness depends on its goals and objectives. Regarding the revenue part of the budgets, these criteria should include different areas of work related to the mobilization of tax and non-tax revenues, as well as the impact of taxes on the state of the economy, social sphere and the level of the population welfare.

Problems and disadvantages in the budget policy of Ukraine, connected with objective and subjective factors, determine the necessity to find ways to

improve the organization, development, and optimization of this policy. Priority tasks related to the budget strategy formation are:

- development of a strategic model of the future society, defining its goal for the future (25-50 years) and strategic tasks, calculating the corresponding forecast indicators to be implemented by means of the budget system;
- distribution of gross national product optimal scheme with the help of budgetary relations according to the strategic model of the future society;
- preparation of specific long-term national programs of economic and social development, where the concentration of budgetary resources is necessary for their implementation, as well as determining the criteria for evaluating the effectiveness of these programs;
- budget restructuring and transformation of budgetary resources into an effective factor of effective socially oriented economic growth, reorientation of all the budget mechanism components, a transformation of this mechanism into an effective instrument of the social and economic development strategy;
- ensuring favorable conditions for the development of the domestic market and the real sector of the economy, promotion of the formation and growth of national capital, significant strengthening of the state role in the investment process, a formation of the development budget and creation of the State Bank of development as specific institutional units;
- optimal proportions between individual and public consumption, an optimal ratio of income and employment policies. On the one hand, the necessary level of economic growth can only be achieved on the basis of real incentives, which are, first of all, the income of legal entities and individuals, and on the other hand, the increase in the welfare of the people, which is achieved owing to the growth of income, is the goal of social development;
- the basis of the budget strategy in Ukraine is proposed to be predicted to increase the GDP per capita within 25 years by 10 times which will require an annual rate of economic growth of 7-10%;
- a concentration of the state efforts and the budget resources on the development and growth of human capital (development and modernization strategy implementation in the system of education, health care, improving their quality to EU standards, restructuring of the social protection system, substantial increase of the population welfare, significant growth of social investments);
- reviewing and fundamentally improving the science funding (theoretical and applied), developing a national strategic model of the scientific institutions functioning, testing scientific hypotheses to the introduction of the results into practice;

- transition to long-term and medium-term budget planning, programming and forecasting, development of their scientifically grounded methodological principles;

- developing an optimal structure of farms in all regions, which would guarantee their integrated growth, an introduction of a highly effective system of financial equalization of territories, state-guaranteed social standards;

- developing and adoption of laws and other regulations that reflect the strategic objectives of the state. Such documents include the Social Code, the updated Budget Code, the Tax Code of Ukraine, and others.

The following steps can improve and develop the budget tactics in Ukraine:

- reform the budget planning system, current budget programming, and budget control according to the scientific principles and the objectives facing the society at a particular historical stage of its development;

- develop an effective system for assessing budget risks, budget commitments;

- organize legislative and normative acts regulating budget relations and provide a logical relation between the separate provisions of these documents; unify, consolidate and simplify the regulatory framework;

- develop and implement effective tactical steps aimed at institutional reforms, structural adjustment of the economy, strengthening the state economic power;

- review the methodology for collecting budgets of all levels of certain types of income;

- develop and implement tactical mechanisms of state long-term and short-term lending at the expense of budget funds;

- apply various investment instruments of privatization, promotion of financial leasing development, use of state incentives for small and medium business development;

- encourage the development of knowledge-intensive production and industries;

- specify the roles, responsibilities of all participants in the budget process, eliminate duplication and contradictions;

- optimize and stabilize the number of people managing budget funds, the State Budget of Ukraine;

- form an effective system for assessing how well budget funds are used by the state, local self-government bodies, and by the budget funds managers, clearly establishing common criteria for assessing the efficiency

of budget expenditures; mechanism and methodology for assessing the efficiency of using budget funds;

- achieve full transparency in the formation and execution of budgets at all levels;

- review and improve the mechanism for organizing inter-budget relations, in particular, strengthen its own local budgets revenue base by decentralizing state budget resources, substantially improving the system of financial equalization of territories, etc.;

- expand the practice of mutually beneficial bank lending to local self-government bodies;

- improve information supply of budget policy, in particular, the introduction of perfect budget statistics, which would make it impossible to obtain distorted information on the state of budget execution;

- reform the budget control system according to the international requirements, principles and standards.

2.4. The Problems of Budget Social Expenditures and Pension Reform in Ukraine

The issues of a financial assurance of citizens social guarantees and financing of the social sphere are among the most urgent ones and those which require the immediate decisions at present in Ukraine. Meanwhile, they are so complex and multifaceted, outdated and so interrelated with the problems of the economy that there will be no simple recipes for their solution. The transition to the market economy incurred certain problems, concerning not only the organization of the activities of enterprises but also causing significant social problems as there appeared a certain stratum of the population with financial difficulties. First and foremost, it concerned pensioners, since the solidarity pension system actually collapsed and the amount of the pensions could not fully meet their needs. Accordingly, the expenditures on the social protection of the population were included in the budget, with their share being 13-15% in 1990s, and currently accounting for the quarter of all expenditures. Similar trends in the dynamics of these expenditures are of concern to the society as the need for these expenditures should have decreased in the result of these market reforms. Since this hasn't happened, it is actually a sign of a significant delay in the implementation of reforms. In perspective, these expenditures should be minimized not because the state will abandon the social security system, but because it will be no need in its current volume. Stabilization and development of the economy

might result in a considerable growth of income, which will cause the elimination of the need for social protection.

The modern Ukrainian school of public finance has paid a great attention to the issues of social insurance and pension. In particular, two articles concerning these issues were published in periodical journals¹⁹³. So, in the late 1990s the attention was drawn to the need to accelerate pension reforms through the introduction of an accumulation system that would both raise the level of pension provision for citizens and take away the current total equalization. Today's discussion of the liquidation of the so-called "privileged" pensions (for civil servants, academics and other categories of employees) is, in fact, an attempt to facilitate this equalization, since it does not even raise the question whether this pension has been earned or deserved. Instead of focusing on raising the level of pensions (minimum pensions that are received by most Ukrainians barely exceed one thousand hryvnias which is less than \$ 40 or € 35), politicians and government officials are looking for options for reducing "high" pensions of 200-300 dollars, reducing them by 15%, as well as levying taxation on them.

The complexity of social problems requires a well-grounded and clear 10-15-year strategy of reforming the ideology of the social protection system and financing the social sphere considering the state financial capabilities and the formation of appropriate mechanisms for its implementation. First and foremost, there is a need for a clear reform directions and ways to carry them out. In general, there are two possible options for reforms from the standpoint of the organization of financial relations in society.

The first one is to strengthen the role of the state in providing social guarantees and financing the social sphere through the budget, pension fund, and social insurance funds. This option, while establishing a sufficiently high level of social guarantees, requires a proper financial base, which depends on the level of economic development achieved (measured by GDP per capita) and the current state of the economy. The second option is based on strengthening the individual social needs provision on the basis of achieving an appropriate level of income of the population. The first option is of particular importance to the fiscal policy, aiming at the redistribution of incomes in society using the tools of progressive taxation of incomes of wealthy citizens and establishing various transfers and privileges for the poor. Hence, the second option pays more attention to the policy of income

¹⁹³ Опарін В. Реформування системи соціального страхування в Україні / В Опарін, С. Львовичкін // *Финансовые услуги*. – 1999. – № 1–2. – С. 61–64, Львовичкін С. Особистий інтерес плюс індивідуальна відповідальність // С. Львовичкін, В. Федосов, В. Опарін // *Вісник Пенсійного фонду України* – 2013. – № 4. – С. 18–22.

and employment of the population and focuses on a sufficient level of individual financial capacity of each member of society. The need to give priority to revenue policies was mentioned by the authors in the early 2000s¹⁹⁴. What are the potential opportunities to solve social policy problems in Ukraine at present?

A realistic assessment of the situation shows that none of the options can be realized on its own at present. Thus, the current state of the economy in the post-crisis period affected by military aggression causes considerable problems in the formation of the state budget and the pension fund. Of course, the economy avoided collapse and was stabilized to some extent.

But the consequences of the rapid collapse of the economy in the early 1990s and in the mid-2010s were impossible to overcome, taking into account the fact that the fall was due to a rather low level of GDP per capita, which was formed in Soviet times (there is no exact statistics, but according to our estimates, this indicator was at the level of 2-2.5 thousand USD). This index dropped below \$ 800 in crisis years, and reached \$ 3-3.5 thousand US dollars of GDP per capita in the period of economic growth.

It was a considerable improvement in the economic situation, but given that the richest countries in the world have made up to 100 thousand dollars of GDP per capita and more, and the western neighbors (Poland, Hungary, Czech Republic, Slovakia, and others) have made up to 15-20 thousand dollars, one can understand how difficult Ukraine's problems are. Moreover, due to the political, economic and financial crisis and military aggression, the collapse of the national currency took place, and it affected this figure in a negative way: about \$ 1,500 per annum. Since GDP as the main source of budget and pension fund formation is considerably limited, the adequate solution of social problems through public finances seems impossible in the near future.

Also, the social problems based on individual incomes of citizens can't be resolved. The average wage at the end of 2012 amounted to only 2988 UAH a month that equaled 374 USD and, by the beginning of 2017, it equaled 6008 UAH 35 copecks which was about 220 dollars. The minimum wage at the beginning of 2013 amounted to only 1133 UAH per month (142 USD), respectively, at the beginning of 2017, it reached 3200 UAH (\$ 120). The latter figure plays an important role in implementing the state income policy and the state can and should influence the growth of the level of remuneration. But in fact, it became a hostage to the former economic

¹⁹⁴ Опарін В. Концептуальні основи фінансової стратегії економічного зростання в Україні / В Опарін, В Федосов // Економіка України – 2002. – № 2. – С. 12.

system of the branched social sphere, because the costs of its maintenance are also calculated based on the minimum wage.

Accordingly, this index is determined not by the necessity of facilitating the growth of citizens income, but the state financial capacity to maintain the social sphere. It is unacceptable to establish two indexes for the private and public sectors separately, since the possibilities of revitalizing the state income policy in order to solve social problems are extremely limited.

Nevertheless, in 2017, the government doubled the minimum wage, trying to increase revenues to the Pension Fund, which were decreased significantly in a result of cutting down by half the rates of a single social contribution. By the way, the reduction of the single social contribution for employers aimed at reporting real income did not happen. Moreover, it caused another type of equalization: the wage gap between unskilled and skilled workers. No significant increase in revenues to the Pension Fund is also observed, that is, the idea of a positive effect of reducing the tax burden on the economy has collapsed.

In this context, it should also be recalled to apologists of the reduction of the tax burden on the economy, that the Ukrainian state has constantly reduced the level of taxation since 1991, e.g. VAT rate of the universal excise taxation was 28%. Meanwhile, there was a branched list of excisable goods, which included even food vinegar. In the mid-1990s, an enterprise income tax rate (wages and profits) of 18% and a profit tax rate of 35% were applied. In the late 1990s a progressive tax scale with a maximum rate of 40% of income exceeding 100 non-taxable minimum (1700 UAH per month) was imposed in the area of corporate income tax. In the result of reducing the tax burden the contributions to various trust funds (the Chernobyl disaster fund, innovation fund, road construction fund, etc.) were canceled. Finally, simplified tax regimes for small businesses were introduced.

It should be mentioned that the necessity of reducing tax burden was usually justified by the need of intensification of entrepreneurial activity and unshadowing of the economy. It was reported that such a decrease will necessarily lead to an increase in budget revenues. The following practice has proved that neither significant activation and unshadowing of the economy nor any increase in tax revenues occurred. It is resulted in unbalancing budget, increasing the debt burden and the complete failure of social policy. Therefore, it is necessary to switch from declarative approaches to financial realities, taking in consideration the following axioms: everything must be paid exactly as much as it costs; taxes should be collected exactly as much as is necessary to provide state functions; taxes

must be paid by everyone according to their capabilities and business is not an exception in this context.

Of course, there are still many problems in taxation in Ukraine, but they do not relate mainly to the tax burden, but rather to tax pressure, in particular, the practice of imposing taxes in advance, corruption and abuse, both by fiscal authorities and taxpayers. We are violating the fundamental principles of taxation – simplicity, convenience, comprehensiveness, and universality. Ukraine remains last in world rankings not by the level of taxation, but by the confusion and complexity of tax legislation. State and local budgets are gradually being transformed into an instrument for redistributing income from the rich to the poor, as it should be in a socially oriented market economy. Therefore, it is absolutely obvious that there is a need for a radical change in tax policy guidelines.

Thus, we can see that the Ukrainian society needs special approaches for solving social problems. In this context, it is appropriate to refer to the experience of the countries that have solved such social issues. In our view the experience of post-war Germany both in theoretical and practical aspects is of particular interest to our country. This country declared the development of a social market economy as the main vector of reforms in difficult economic, social and political conditions. It's worth paying attention to a special aspect of the direction of reforms, which is often overlooked by the national politicians and academics. The chief ideologist of the German reforms, the former German Chancellor of FRG L. Erhard stated " The turn from the controlled economy to a market one, which was implemented in economic policy, meant much more than just an economic event in the narrow meaning of the word, because we put our social and economic life on a new foundation and pointed it a new way forward."¹⁹⁵

We believe that the course of Ukraine on the development of a social market economy is justified. The idea of this model of the economy lies not in the expanded system of social protection, but in the fact that the state creates all prerequisites for a high level of self-sufficiency of citizens. Few years ago, while investigating the issues of financial restructuring at the initial stage in Ukraine, we pointed that "the state should create economic and social conditions to ensure freedom and the right for individual development and individual responsibility"¹⁹⁶.

¹⁹⁵ Erhard L. Wohlstand für all / – Dusseldorf, 1957; Deutsche Wirtschaftspolitik. Der Weg der Sozialen Marktwirtschaft – Dusseldorf – Wien, 1962 S. 171.

¹⁹⁶ Федосов В., Опарин В., Львовчик С. Финансова реструктуризация в Україні: проблеми і напрями: Монографія / За наук. ред. В. Федосова. – К. КНЕУ, 2002. – С. 15.

Regarding the state financial assistance, we assume that it should be provided only to those who need it, and social problems should be solved not at the expense of the state (in fact, taxpayers), but on the basis of improving the efficiency of the economy by ensuring its high internal and international competitiveness. Further we will try to assess whether there have been positive changes in the system of financial provision of social expenditures towards a socially oriented market economy in Ukraine.

At present, the main direction of budget expenditures is the funding of the social sphere (education, healthcare, culture) as well as it was 10-25 years ago. Along with the expenditures on social protection of the population, now they make up about 60%, whereas in 2001 their share was 45%. Thus, there is a reverse tendency to the ideology of a socially oriented market economy. Of course, such a trend of "socialization" of the budget has an objective basis, but it should be remembered that these expenditures are a major threat to financial stability. The constant strengthening of the social direction of the budget, due to a kind of competition of politicians and government officials under the motto "whose budget is more social?", has intensified the tension in balancing public finances. During the period of economic and financial crisis, it became obvious that the state was not able to ensure the social guarantees and commitments declared in the Constitution of Ukraine (they also were provided at a low level during the period of relative economic prosperity). Attempts to preserve the actual socialist system of so-called free services, without indicating that they are provided at the expense of taxes of the citizens, are not prospective. The situation in all sectors of the social sphere is deteriorating year by year, and therefore the profound reforms are needed. Their postponement only exacerbates the situation. If those reforms, which had been under discussion for more than twenty years, were timely implemented, then there would be no such problems in the state budget and in the social sphere itself.

First of all, it is implementation of insurance medicine. For a long time, the Ukrainian politicians are more concerned with finding the reasons why this cannot be done, arguing that Ukraine has not yet formed the necessary preconditions. Under this approach, health care problems will not be resolved in the near future: there are not enough funds in the budget and there will not be enough of them for a long time, and insurance medicine is still out of time. We believe that the arguments in favor of the model of budgetary insurance medicine, which has been recommended by scientists and specialists, are well-grounded. Under this model, responsibility for health risks should be shared between the state and citizens. In the meanwhile, the state's insurance contributions (within the current budget

expenditures on health care) should provide only a certain minimum of medical services, and the rest of them should be funded by voluntary contributions of employers and citizens. Accordingly, every person will have a guaranteed basket of services, and the right and opportunity to determine independently the level of their own insurance health care.

Also, it should be stated that the reforming of financial mechanisms of the social sphere is closely interconnected with the issues of pensions. Most pensioners are currently the main component of the socially vulnerable population who need state support. For this support, the state is forced to spend considerable funds instead of funding education, and culture. Meanwhile, the state has minimized its participation in the investment process and financing of basic scientific research. It is very difficult to provide the declared investment and innovation direction of economic development without increasing the role of the state in these processes. And without the development of the economy it is impossible to increase the financial provision of the social sphere.

Assessing the current situation, it can be stated that the young Ukrainian state actually became a hostage of the model of social policy formed during the period of socialism with its predominance of social over an individual consumption. Of course, this model had some advantages, providing equal access to social benefits for citizens. As long as the state had sufficient funds to finance the social sphere, this model was quite effective. Without overwhelming critique of the "achievements of socialism," it is worth reminding that the social sphere has always been funded by the state on the residual principle, and its financing can hardly be considered sufficient. According to the Soviet ideology the labor was classified into productive and unproductive, and social production was defined as manufacturing and nonmanufacturing spheres. Socialist economists considered the work of teachers, doctors, and cultural workers as unproductive, and therefore their salary couldn't have been high. Moreover, their salaries were determined as a result of the redistribution of the value created in the manufacturing sphere through the budget for the nonmanufacturing sphere thus emphasizing that the latter is funded at the expense of the manufacturing sphere, without producing anything. Such an ideological approach resulted in the extremely low payment of doctors and teachers in our country. However, these are extremely respected and highly paid professions in the countries with a market economy (and Ukraine is already assigned to this category).

While evaluating the current system of pensions in Ukraine everyone can conclude its crisis situation. A quarter of the Pension Fund expenditures was subsidized from the budget even when in 2016 the reduction of a single

social contribution to 20% resulted, on the one hand, in the extraordinary high aggregate contributions of employers and employees (more than 40%), and on the other hand, extremely small pensions for the overwhelming majority of citizens. The reason for this situation is the collapsed solidarity pension system, based on the fact that the current generation of workers funds the current pensioners. It is this approach that causes the disproportions that appeared in the provision of pensions.

Firstly, it is a disproportion between the number of workers and pensioners. In the 1990s the ratio was 2: 1, at present it's about 1.1: 1. The underlying reasons for this situation are due to the economic, demographic, and financial factors. The problems, related to economic factors are caused by the deep economic crisis in the early 1990s, the consequences of which have not been overcome by this time. Before that period of time, almost full employment in Ukraine was stated, though the significant number of workers were employed in the military-industrial complex, which almost collapsed after the disintegration of the USSR. Thus, on the one hand, the number of employees decreased. On the other hand, the demographic factors showed that the aging population resulted in constantly increasing proportion of pensioners. This did not happen because of increasing the life expectancy, but due to the disproportions in the age structure of the population, which is characteristic of a country that has survived world wars and famines. Financial factors have proved reducing the income of citizens, which makes impossible to collect enough taxes. It is obvious that under such proportions between the structure of population and income of citizens, it is almost impossible to provide a reasonable rate of contributions to pension insurance (18-20%), as well as decent pensions.

Secondly, due to the high rate of contributions to social insurance, both employers and employees have resorted to and continue to resort to concealment of income. With regard to the interests of employers, they do not understand why they have to pay such significant contributions to someone else's pension, and therefore the official salary, on which contributions are imposed, is paid at the established minimum wage. The other, unofficial part is envelope or backdoor salary. This is a violation of the law, but it has a certain logical explanation (but not justification – everybody must obey the law). It is more difficult to assess such behavior of hired workers because they should be interested in larger official earnings, which will provide a bigger pension. But in reality, the current pension system does not provide such direct dependence, and therefore most workers do not care about this issue. In addition, in underemployment situation, workers are under pressure from the employer and solve issues from today's wages,

rather than tomorrow's pension. Accordingly, even those limited opportunities in the formation of the Pension Fund are not realized.

The question of reducing the level of a single social contribution to 18-20%, as established in countries with a developed market economy, has been discussed for a long time in Ukraine. In early 2010, the only social contribution included contributions to the Pension Fund and all social insurance funds. For employers, the differentiation of tariffs was established (depending on the level of risk from contributions to insurance against accidents at work and occupational diseases) ranging from 36.76% to 49.7% of labor costs, while for budget institutions, the standard was 36, 3%. For hired employees, the base rate was set at 3.6%. Proposals for reducing the level of a single social contribution were motivated primarily by the tasks of further reducing the tax burden on the economy, including with the aim of disdain it. However, even then, experts and scholars should find answers on the following questions. First, how realistic is withdrawal of income from the shadow, secondly, is it possible to reduce the level of a single social contribution while maintaining the solidarity pension scheme?

The answer to the first question involves several aspects. First of all, will the tax relief inevitably stimulate the withdrawal of income from the shadow? The experience of tax reforms in Ukraine testifies that hopes for this are largely unfounded. So, the transition in the early 2000s to the taxation of individuals' incomes from the progressive tax scale rates (from 10 to 40%) to a proportional system of the single tax rate of 15%, which with the adoption of the Tax Code was supplemented by the rate of 17% of income exceeding ten minimum wages, was argued precisely by the need to counteract concealment of incomes.

At the moment, there are all reasons to assert that this has not been achieved. The latest tax innovations in Ukraine provide a single rate of personal income tax of 18% and the abolition of wage subsidies by social workers, which appear to be included in the increased tax rate. This approach looks rather strange, as the tax goes to the budget, and not to the Pension Fund and social insurance funds. Also, under such an approach, the responsibility for the future pension of an employee is unreasonably reliant on employers. Such understanding contradicts the ideology of pension insurance.

It is worth noting that for an employer, social tax is nothing more than the tax burden that he tries to minimize without realizing why he should be responsible for both wages and pensions of his employees. Under the solidarity pension scheme the majority of employees are not interested in paying taxes, both by their own and employers, as there is no direct

dependence of the size of the future pension from the paid taxes. Consequently, they simply do not care about pension insurance taxes issues.

Regarding the second problem reducing the level of social security tax payments, we can state that there was not enough money for pensions payments even before the reforms. Under the solidarity pension scheme, the amount of taxes to pension insurance is conditioned by the ratio between the amount of money needed to pay pensions to present pensioners and wage funds of working employees. To establish pensions at a relatively decent level, it was necessary to either increase the rates of taxes twice, or raise the level of work payments at least twicely. Instead, in contrast to the financial logic, the rate of a single social tax was reduced more than twicely, and subsequently, after disbalance increasing the minimum wage was . Such decisions could be considered as alogic and unreasonable, if they were not followed by the business structures desires which are in power in Ukraine, to reduce the tax burden for themselves.

Talking about international comparisons, which apologists of reducing the level of a single social tax often refer to, it is true that, in the developed countries, taxes to social insurance funds account for 18-20% of wages. But, evaluating this level, several points should be taken into account. Firstly, the level of wage payment, which is much higher than in Ukraine. So, there is a possibility to fill a pension fund that would provide a real living wage, deduct a smaller part of the wage. Secondly, in many countries, there is either an exclusively accumulative pension system or a combination of solidarity and accumulation ones. The amount of payments to the accumulation system is determined by the ratio of length service to the average term of pension. If we consider that on the average this ratio varies within three or four years of work per one year of retirement, then it is easy to calculate that each year the future pension must be deducted from 33.3 to 25%. In addition, on the one hand, the costs on the pension fund functioning should be taken into account, and, on the other hand, income derived from investing funds stored in personal pension accounts. Taking into account the long terms of funds accumulation, they can be invested in long-term projects, which may increase the number of future pensions almost twice, or decrease the size of payments to pension insurance at two times.

Thus, in many countries, pension insurance payments make up on average 18-20% determined by grounded economic calculations, rather than wish to decrease the tax burden. It is also worth noting that both pension systems and the size of contributions to pension insurance vary considerably from one country to another. In addition, in most countries of the world, unlike in Ukraine, insurance liability is distributed at least in proportion to

the employer and employee, and often most of it relies precisely on the hired employee.

Therefore, supporting the idea of reducing the tax burden in our state in terms of pension insurance payments, we would like to state that it is possible only in combination with the pension system reform. The practice of recent years shows that in isolation from this reform, such a decline can only deepen the problems of filling of the Pension Fund of Ukraine.

Considering the essence of the problems of pension maintenance in Ukraine, there are the reasons to assert that their solutions are possible only on the basis of the introduction of mandatory state pension insurance of the accumulated pension system. It is connected with considerable difficulties, but, according to the authors' view, only such a step can create a direct interest in paying higher taxes, as each hired employee forms his future pension himself. At the same time, he is not interested in avoiding payment of these taxes by employers (now, in fact, there is an acquiescence between the employer and the employee on concealing real wages). Without the introduction of accumulative pension system, or appeals to wage removal from the shadow, or attempts to reducing the tax burden are doomed to failure.

The question of the introduction of the accumulated pension system has been raised not only by academics and government officials. However, unlike social reforms in social sphere that are delayed due to lack of determination and lack of a clear strategy for their implementation, the introduction of accumulative pension insurance is restrained by an extremely difficult problem – by which means to pay pensions to present pensioners who were involved in the solidarity pension system? Moreover, the more the reform delays, the more problems will appear.

In the late 1990s, we drew attention to conducting the pension reform on the basis of its accumulation scheme¹⁹⁷. Then it would be cheaper and would be less noticeable in the context of economic growth. Unfortunately, the time has been lost, the global financial crisis and the latest adversities have aggravated the situation in Ukraine. But it should be noted that the problem of pension maintenance will not disappear and will not decrease – it will only become more complicated in terms of unfavorable demographic situation. Therefore, no matter how difficult the decision on the introduction of the accumulated pension scheme is, it must be adopted as soon as possible.

¹⁹⁷ В.Опарін, С.Львовичкін Реформування системи соціального страхування в Україні // *Финансовые услуги*. – 1999 – № 1–2. – С.61–64.

Taking into account domestic realities, it is advisable according to the laws, to introduce the three-level pension maintenance system, preserving in part its state solidarity form, and introducing the state accumulation form. Turning to the world experience of pension systems formation, we will see that there are different options, including the above mentioned one. But a solidarity pension system, from our point of view, is advisable to be saved only for present pensioners and citizens who have not more than ten years left before retirement. All employees, who have not more than ten year work experience, are fallen under the accumulation system with a corresponding decrease in the number of payments to pension insurance. The funds of the accumulative pension system should not be used for the solidarity pensions system, otherwise, they will not be invested and contributed to the economic development. In this context, it is worth to mention that one of the financial factors, of the so-called "Chilean miracle" – accelerated economic development, was the transition to a mandatory state accumulation system.

The key problem with the introduction of the accumulation system is the question of how the solidarity system funds will be formed. It is a difficult question. But pension reform needs an adequate, real funding. Firstly, payments of working citizens who have less than ten years before retirement. Secondly, it will be payments of employers, which should be divided into two parts: the first (up to 5%) to the accumulated pension insurance for those workers who have less than ten years of service experience; the second (10-15%) to the fund of solidarity pension insurance. the third, money received from the introduction of targeted taxes for pension reform, for example, the luxury tax, which was debated a lot, but without making any decisions, and it is not accepted, taking into account the oligarchic nature of the Ukrainian authorities. Fourthly, it may be money received in the form of World Bank loans for pension reform (it is quite logical that requiring pension reform from Ukraine, this international financial institution may also help in its implementation). Fifthly, increasing the retirement age will be a source of pension funds income. Despite the complexity of this problem, one cannot but notice that our state is simply unable to hold such an army of pensioners. By the way, the question of raising the retirement age has become crucial at the present time in the developed countries.

Another aspect of the pension reform related to the introduction of the accumulation system is the financial readiness for it. Taking into account its complexity and loss of a certain part of the funds that will be sent to the accumulation system, for the stability of the solidarity system, it is necessary first to accumulate funds in a special reserve fund for a certain period (2-3 years) and continue to use it to balance the fund of solidarity pension

insurance. Fundamental pension reform, which it is necessary to be carried out in Ukraine, should be properly prepared and secured both organizationally and financially since failures are to be happend.

With regard to non-state pension insurance operating solely on a acumulative basis, it should be noted that for various reasons, it does not have a significant impact on solving the problems of retirement provision.

It is obvious, as non-state pension insurance is voluntary, and low level of citizens' income limits their possibilities for additional insurance. The non-state pension insurance is an addition to the state pension scheme, it should not replace it. Another important factor hampering the development of this form of pension provision is the lack of citizens' confidence in non-state pension funds. It will be extremely difficult to compete with it. Therefore, it is still worth considering its development from the standpoint of further prospects for increasing the level of pensions of citizens.

Although the main task of radical pension reform is gradual proof of citizens pension maintenance to the European standards, it is equally important to form an adequate level of responsibility of every citizen in the society for his provision in old age. Our approaches to such a reform are largely dictated by these motives. None of the best suggestions for improving the pension system will produce proper results until a straight line is formed, and we emphasize the direct interest of each citizen in his future pension. It is the acumulative form of pension insurance with personal accounts and the respective rights of citizens to the funds savings in these accounts. Therefore, it is high time to act.

2.5. Prospects of Controlling Approaches Application in Financial Management at the Macro Level

The current stage of Ukrainian economy development stipulates the relevance in the formation of the new approaches that establish the relationship between the society and the government. The methods inherited from the Soviet Union that were based on the idea of the state's domination in all spheres of public life, no longer meet the requirements of the present. Objectively there is a need to find the new forms and methods for organizing the fulfillment of state functions. Accordingly, a qualitatively new approach requires the organization of relations between the state and society on the mobilization of financial resources to finance these functions. Taking into account the flaws of the institutional environment and the dysfunctions of the Ukrainian government bureaucracy, implementing the ideas of macro-

financial control of public financial management in practice is extremely relevant.

Financial control as a management technology has been applied at the micro level for a long time, and economists have no doubt about its effectiveness. At the present stage of Ukrainian economy development there is no single ideology for controlling, some of its elements are used by a number of economic entities in their activities, mainly by large corporations with foreign capital, but there is no single methodology, clear systematization of tools and tasks, which significantly reduces the effectiveness of controlling, and sometimes even brings it into discredit.

The best practices, dedicated to various aspects of macro-financial control, are presented in the writings of T. Pazenko, N. Ryazanova, V. Fedosova, the representatives of the modern Ukrainian scientific school of public finances. In particular, they substantiated the use of controlling approaches at the macro level, taking into account the need for the significant improvement of public finance management in Ukraine.¹⁹⁸ The main flaws of macro-financial management at the present stage of economic development is the lack of consistency, lack of transparency of financial information, formal accountability to the government, which not only affects the quality of public financial management but also provides the basis for corruption deteriorating the image of Ukraine in the world community. As it is seen from the foreign experience, such negative phenomena have been successfully overcome in Germany, the United States, and Denmark through the introduction of controlling approaches at the macro level.

The development of controlling technologies in the field of public finance management involves the implementation of the following range of tasks:

- Articulating the issue for effective supervision of services responsible for managing public financial flows;
- defining the goals, functions, tasks of controlling;
- substantiating the principles of organizing controlling ;
- developing methodological and informational support, as well as applied methods for solving managerial problems;
- defining the complex of tools for the implementation of controlling functions;
- determining the parameters of initial information, control, and analysis of deviations, developing the ways of responding to deviations.

¹⁹⁸ Paientko T. Public Debt in Ukraine: Irrational Management and Risk Leading to Corruption// Research Papers of the Wrocław University of Economics / Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu 2016, Issue 439, p265-273

The controlling approach involves identifying clear benchmarks, selecting the most optimal tools for achieving goals, analyzing the results achieved and controlling the deviations. The very idea of a controlling approach is based on the maximum transparency of government activities, the availability of financial information for all the members of society.

Further formulizations of the representatives of the school deal with the investigation of components for macro-financial control. One of the most significant results of the scientific research was the development of the tax control subsystem at the macro level. The strategic goal of tax control is the complex development of fiscal technologies and decision support technologies in the area of tax management based on knowledge, that is, the creation of a peculiar management system that will focus on civilized cooperation between taxpayers and fiscal authorities.

The end result (product) is the creation of an integrated system of tax control on the basis of the integration of methodological and information support, information monitoring, tax accounting, tax logistics, risk management, decision analysis and support, planning and forecasting, control with the aim to solve a wide range of tasks concerning government cooperation with taxpayers in the field of taxation management.

Tax Controlling is a system for developing fiscal technologies and decision-making support technologies in the area of tax management aimed at civilized cooperation of taxpayers with the state, represented by government bodies involved in tax administration, as well as optimizing the work of these government bodies. The development of ideas for tax control at the macro level is based on the concept of optimizing the interests of the parties concerned. The main idea of controlling according to this concept is to balance the interests of the business entity (in the case of tax control – taxpayers) and the interests of the most influential institutions (in the case of tax control – the state). Controlling guides the management process to achieving operational goals that are derived from the main goal. At the same time controlling makes transparent the results of the state's activity, and, therefore, makes it possible to determine the degree of achieving the goals and the effectiveness of the process as a whole. It was substantiated that the constituent elements of tax control as a system at the macro level are:

1. The subsystem of forecasting and planning. Its work is focused on creating high-quality, real information support for forecasting and planning of tax payments, performing operative management on the basis of budgeting. Unlike Controlling approach, the current system of forecasting and tax planning in Ukraine is focused primarily on the needs of government and is reduced to determining the preferred amounts of mobilized taxes with

further directing the supervisory authorities to achieve the targets, even at the expense of unwarranted overpayments from the side of individual taxpayers. First of all, the pressure from the fiscal authorities is felt by large taxpayers who provide most of the tax revenues to budgets at different levels. That is, in Ukraine, tax forecasting is a process-oriented towards achieving short-term goals without taking into account the impact of such actions on the future economic environment. Such an approach negatively affects not only the quality of forecasts, since it does not take into account the potential reaction of taxpayers, but it virtually partitions off the state from taxpayers.

2. Tax accounting is an accounting system that provides the creation of an information base concerning the number of taxpayers, their conditions of operation, tax base dynamics, etc. In Ukraine, tax accounting is being formed at present, and its main function – the maximum disclosure of information on tax collection – is not fully met.

3. Tax Logistics means management of the flows of finance charges in economic systems based on synergistic links and operational information exchange in economically adaptive systems. Tax control, by its very nature, is a fiscal charge management system, and finance charges are one of the varieties of macro-financial flows; therefore, the application of the logistic approach in tax administration and differentiating tax logistics in the tax control system is substantiated. The logistic approach involves studying the flows of finance charges on a system basis. The specificity of the application of the logistic approach is that each state of the investigated object is viewed in relation with the sequence of development of other elements of the system, transition to a qualitatively new state. In this case, complex objects are investigated as the hierarchical unity of open systems, any decisions that relate to the change in one of the elements of the system require taking into account the consequences of such a solution for adjacent elements.

4. The subsystem of analysis and monitoring, the work of which is focused on the designating a set of target rates and indicators, constant monitoring of their changes, analysis of deviations, identification of their causes. The subsystem of analysis and monitoring is focused on the definition of a set of target indicators and indicators, constant monitoring of their changes, analysis of deviations, identification of their causes. Monitoring is the basis of the formation of an information base for the entire system of macro-financial control. The subsystem of monitoring includes information, normative and methodological support; directions, methods, and indicators of monitoring; monitoring functions; monitoring tasks. The monitoring tasks include monitoring not only the dynamics of fiscal charges but also the development of the macroeconomic environment. Unfortunately,

in Ukraine, predominantly post-factum monitoring is used, which consists only in stating the fact of the volume of tax revenues and their structure without proper analysis of the reasons for the current situation. Such monitoring elements are applied by the Ministry of Finance of Ukraine, and the State Fiscal and Treasury services during the preparation of operational reports on budget execution. However, such reports are not always available to the general public, and the information provided in them may not always be compared with previous periods because of its heterogeneity. That is, the basic principles of presenting information – its timeliness and relevancy – are not adhered to. The results of the information processing should not only state the facts of tax revenues and their deviation from the planned parameters but also evaluate their changes in space and time, to identify the patterns of changes in volumes and structure of tax revenues, to determine spared taxable capacity, etc. Qualitative monitoring and analysis of macroeconomic indicators can improve the quality of the information base for forecasting and tax planning.

5. The audit, control and consulting subsystem. Its task is to provide control over the completeness and timeliness of payment of taxes and fees, prevention of tax offenses, the provision of quality advisory services to taxpayers, as well as servicing large taxpayers. Focusing on large taxpayers is due not only to their role in shaping the tax base and budget filling but also their importance for the formation of economic systems of individual regions (budget-creating and city-forming taxpayers). The supporting subsystem for audit, control and consulting is tax assessment (tax due diligence), the task of which is to provide a qualified judgment on the controversial actions of taxpayers in the field of taxation.

6. A risk management subsystem is aimed at identifying, assessing and managing the risks of the tax system, individual transactions, taxpayers, etc. The peculiarity of the Ukrainian business environment is high political and institutional risks, which are conditioned by the tendencies of politicizing the government bureaucracy, merging the interests of big business and politics¹⁹⁹. This creates additional risks from the side of large taxpayers who can abuse the informal links of their owners and apply aggressive tax planning schemes. Such a situation is also the basis for additional risks on the part of the state, including opportunistic behavior in terms of providing tax preferences to individual taxpayers. The controlling approach involves studying the risks generated by taxpayers (risks of tax breaches (tax default

¹⁹⁹ Паснтько Т.В. Українська бюрократія: концептуальні засади та особливості функціонування / Т. Паснтько, В. Федосов // Ринок цінних паперів – 2016. – №9-10 – С. 3-16.

risk), aggressive tax planning risks, risks of deteriorating financial status of taxpayers) and risks generated by the state (risks of tax legislation violations by fiscal authorities, high tax collection costs, risks of unprofessionalism of employees of fiscal authorities). It is also necessary to investigate separately the risks of legal and natural persons, large and small taxpayers.

Scientists argue³⁰⁰ that the objects of tax control are as follows:

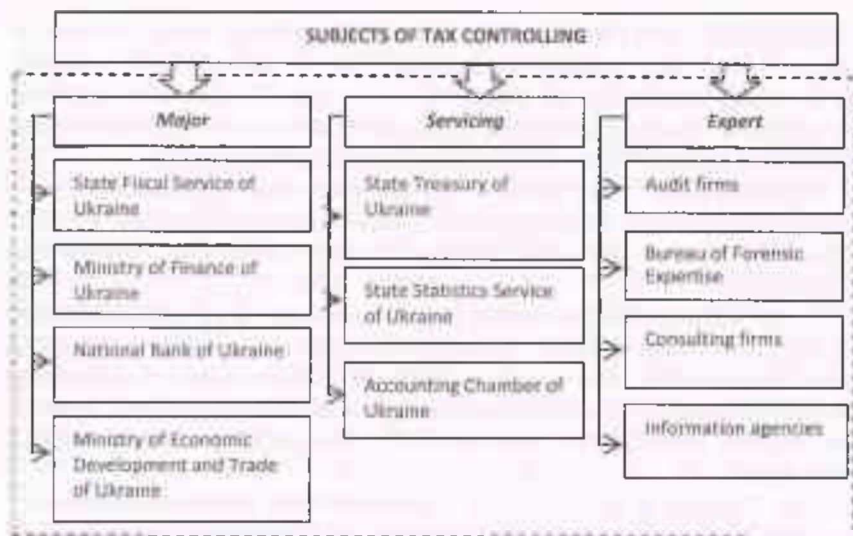
- the actual flows of tax payments, all places of their occurrence, which is dictated by the need to identify "bottlenecks" and "reserves for improvement of the targets";

- information flows that enable to record and assess the macro-financial situation as a whole, the financial status of individual taxpayers, the potential of tax revenues, etc.;
- an activity of taxpayers whose control is carried out not only in order to meet the fiscal interests of the state in the short term but also in order to ensure the observance of public priorities in the long-term perspective.

Tax Controlling deals with the question of how efficiently the central executive body that provides the formation and implementation of the state tax and customs policy ensures achievement of the goals and how efficiently it allocates and uses the resources. However, not only this body (now DFS) acts as the sole subject of tax control at the macro level.

The peculiarity of controlling management is its dynamism based on the constant exchange of information between different lines of management and control systems. In the area of taxpayer management, the entities that have the necessary information and participate in the development of financial policies that affect the dynamics of the tax base and tax payments are the Ministry of Finance of Ukraine, the National Bank of Ukraine, the Ministry of Economic Development and Trade, the State Fiscal Service. Therefore, at the current stage of development of the Ukrainian economy, they should be considered as the main subjects of tax control at the macro level. Also, among the entities of tax control, there should be subdivided such organizations that perform maintenance and control functions – the State Treasury Service, the State Statistics Service, and the Accounting Chamber. Independent expert organizations that ensure the transparency of the relationship between the state and taxpayers play an important role in providing the effectiveness of tax control functions (Fig. 1).

³⁰⁰ Пасєнко Т.В. Податковий контролінг на макрорівні як основа організації взаємодії великих платників податків і держави/ Т. Пасєнко, В. Федосов. В кн. «Держава, податки, великий бізнес».



Pic. 1. Subjects of tax control at the macro level
Source²⁰¹:

Establishing cooperation between the organizations represented in Pic. 1, will create the necessary preconditions for the construction of tax payment management on a controlling basis and performance of the controlling functions. There has been formed a matrix of tax control tasks, that takes into consideration the functions of tax control and the objectives of tax management²⁰¹. The matrix of tasks assumes the coherence of each of the tax control task with its corresponding function – planning, accounting, analysis or control, and the final result of such matrix “resolution” is the development of recommendations for each of the investigated problems of controlling. Thus, one of the tasks of tax control at the macro level is to ensure rational forecasting and planning of tax revenues.

The realization of this task on the functions of tax control at the macro level involves:

- forecasting the necessary macroeconomic indicators (planning function);

²⁰¹ Пасенко Т.В. Податковий контролінг на макрорівні як основа організації взаємодії великих платників податків і держави/ Т. Пасенко, В. Федосов. В кн. «Держава, податки, великий бізнес».

²⁰² Пасенко Т.В. Теоретико-організаційні засади податкового контролінгу// Бізнесінформ. – 2016. – №12. – С. 214-221

- organization of collection, systematization, analysis, and interpretation of accounting information (accounting function);
- analysis of the tax base and trends in its development (analysis function);
- control of indicators of development of separate sectors of the economy, control of the volume of the shadow economy (control function).

Making recommendations on the results of this task can include two directions. The first, which concerns controlling technologies, provides for the development of recommendations for the improvement of forecasting and tax planning technologies. The second, which concerns the actual object of controlling, may stipulate, for example, the development of recommendations for identifying reserves for increasing the tax base.

Such task as ensuring the minimization of tax avoidance risks by the functions of tax control is disclosed as follows:

- planning measures concerning risks minimization (planning function);
- collection of accounting information on aggressive tax planning and tax evasion (accounting function);
- analysis of budget losses due to aggressive tax planning and tax evasion (analysis function);
- control over tax evasion and aggressive tax planning (control function).

The formulation of recommendations based on the results of such task involves the development of measures on preventing tax evasion, including the prevention of the use of aggressive tax planning tools. It should be noted that controlling technology involves the constant updating of relevant information concerning its specified tasks, therefore the developed recommendations, in the case when any changes in the identified indicators occur, should be reviewed.

The structure of applied tasks of tax control is conditioned by its features, that's why it should be detailed including the following:

- control over the correctness of the definition of the tax base and charging tax liabilities. Comparison of the tax base with average values, the usual prices, by comparing arrays of primary information;
- application of methods of "mirror statistics" – comparison of import data with the data of the customs authorities of the country of export;
- control of timeliness of receipts of deferred customs and tax payments;
- Identification of the facts of the use of import operations as a cover for the export of capital abroad;
- Forecasting the consequences for the budget and national economy of changes in tax legislation and currency regulation rules;
- monitoring of tax burden and its distribution among taxpayers and regions;

- monitoring of controlled operations, including transfer pricing;
- forecasting volumes of smuggling and volumes of illegal transportation of currency values, etc.

Tax control over managerial functions is close to financial, and therefore the organization of its system provides for the use of both general methods of financial control (benchmarking, cost and portfolio analysis, SWOT analysis (analysis of strengths and weaknesses), ABC analysis, XYZ analysis, etc.), so and specific ones – creation of special accounting systems, monitoring systems, etc. A system of managerial recommendations was developed with the use of tools and methods of control (Table 1).

Table 1

The system of management recommendations for application of the instruments of controlling

Instruments of controlling	Tasks	Methods	Management recommendations
Determining the system of controlled indicators	Determine the actual state of the tax base and trends in its development	Analysis of relative values, SWOT analysis, trend analysis, correlation analysis.	Objective assessment of the tax base in general and in terms of its components, identifying strengths and weaknesses
Determining the system of indicators of operational prevention of the problem	Identify key indicators, which can quickly track problems	Factor analysis, regression analysis, analysis of deviations	Forming conclusions on controllability of the situation based on indicators change
Benchmarking management of tax payments	Conduct a comparative analysis of the efficiency of the tax system in more successful countries	ABC analysis, XYZ analysis, correlation analysis, taxonomic and cluster analysis	Determining the best results and prospects for their adaptation in Ukraine, eliminating drawbacks
Monitoring of the tax base and tax payments	Rapid detection of deviations and their causes	Correlation analysis, taxonomic and cluster analysis	Detection of the degree of influence of the deviation of each controlling component on the result of the system as a whole

Source: ²⁰³

The specificity of tax control at the macro level determines the need for its division into strategic and operational. The purpose of strategic control is to ensure the long-term functioning of the development of the potential base of payment of tax payments. This is based on the analysis of information on the external and internal conditions of the organization of taxpayers' activities. An important role in the strategic control stage is played by the forecast and strategic planning, the development of a risk-management system, aimed not only at preventing tax violations but also in preventing the attraction of large taxpayers to schemes for the legalization of proceeds from crime.

Operational Controlling provides for the establishment of a management system to achieve current goals, as well as making timely decisions on optimizing the processes of information exchange between the components of the tax control system. If Strategic Controlling uses similar approaches and tools at all levels of its organization, the operational control measures differ depending on the key area of its organization. In particular, the creation of functional control systems at the level of the fiscal service is aimed at servicing customers, which, due to improving the quality of which will be formed by the constant flow of fiscal charges.

An important scientific significance is the justification of the principles of tax control at the macro level, which includes the following:

1. The principle of constancy and stability. Controlling is an integral system that must function continuously. Violation of this principle (for example, suspension of the functioning of one of the components of the control system) leads not only to the reduction of the efficiency of the system of tax control but deprives sense of the introduction of such a system in general. Thus, it is impossible to ensure the full functioning of the tax control system in the absence of qualitative macroeconomic forecasting and planning, or if there is a practice of selective application of sanctions in the implementation of tax control.

2. The principle of timeliness and flexibility. The introduction of tax control system requires an environment that can ensure the full functioning of all its elements. So, without the conditions for creating the necessary information, such controlling functions as planning and analysis will not be fully executed.

3. The principle of strategic thinking. Controlling is a management system, its purpose is to implement strategic management, and not only in the post-fact finding of errors and their correction. Tax control is also focused on the implementation of preventive measures, in particular, the prevention of the imbalance between the interests of taxpayers and the state.

4. The principle of documenting. The functioning of the control system is based on the processing of large arrays of current and historical information, therefore the implementation of this principle involves the creation, maintenance, and storage of large amounts of data for information and analytical support for the functioning of tax control.

The need to use controlling technologies at the micro level is often associated with the introduction of crisis management. The researchers concluded that the need for the organization and development of tax control is due not so much to the need for crisis management, but with the need to organize the management of tax payments in a state of constant uncertainty and stress conditions. Among the main stress factors are the following:

- the growth of the shadow economy;
- increase in the level of distrust of taxpayers to the state and its ability to effectively collect collected taxes;
- risk of opportunistic behavior of taxpayers and the state;
- the popularization of tax evasion and aggressive tax planning;
- strengthening the influence of oligarchic groups and their ability to lobby for their own tax interests;
- the decrease in the quality of analytical and informational support for forecasting and planning of tax payments;
- reduction of efficiency of tax control;
- negative attitude in the society to the process of payment of taxes and to persons responsible for collecting taxes, etc.

The introduction of a system of tax control, which focuses on cooperation between taxpayers and the state, will enable in the future to build civilized relations between payers and taxes and the state on the basis of balancing their interests. However, the full implementation of ideas for both macro-financial control in general and tax control at the macro level, in particular, requires the development and development of a subsystem of macro-financial accounting and accountability of the government.

In the article "Financial accounting as an institutional and infrastructural component of the information economy" N. Ryazanov and V. Fedosov consider the place and role of the financial accounting institute as an infrastructure component of the information economy¹⁰⁴. First of all, scientists focus on the growing importance of financial information, emphasizing that the availability of appropriate open financial information is important both for corporations and for households, state and local

¹⁰⁴ Рязанова Н. Финансове рахівництво як інституційно-інфраструктурна складова інформаційної економіки/Рязанова Н., Федосов В.// *Фінанси України* –2016. – №3. – С. 55-85

authorities, and international organizations. They use it when planning their activities, the adoption, and implementation of business decisions, risk management.

Transparency of information about government activities is not only one of the hallmarks of a democratic society, but also a key feature of its successful development. The basis of modern economic development is the effective exchange of information and the development of information organizations, whose activities are aimed at providing users with the necessary and high-quality information.

Opaque financial information about government activities, poor quality or incomplete information can cause deep social problems. An example of such problems is the situation in Ukraine, where the lack of high-quality financial information, the lack of transparency of the government's activities have become the basis for the prosperity of oligarchic groups, corruption, criminal offenses in the area of finance, economic and military aggression. Scientists emphasize that many post-communist countries have faced common problems with the lack of information. In particular, there is a paradoxical situation when it is difficult to find qualitative information in the information society. It is the basis for information manipulation and deception of society. Information can also turn into a kind of weapon, which in countries with low transparency serves the interests of oligarchic groups or mafia. Modern economic, political, military conflicts are a manifestation of this phenomenon. Scientists also argue that in the developed democratic societies, institutions for disclosure and government accountability have been formed and continue to improve.

The purpose of the financial accounting at the macro level is not only the accounting of the financial flows of the state, it is the basis of effective public administration since it is the financial accounting that underlies the financial accountability of the government. Scientists note that in post-communist countries that implement the principles of government accountability and transparency of information already achieved the best results of economic development (for example, Poland, the Czech Republic). Countries that continue to follow the traditions of incomplete or poorly disclosed information about government activities have worse financial results (Romania, Serbia, Ukraine). The basis of accountability of the government, the completeness of disclosure of information about its activities is the effective organization of financial accounting at the macro level.

A retrospective analysis of financial accounting reveals that its development has mainly taken place in response to growing demand from a

market economy and the advancement of information technology. If in the middle of the twentieth century, financial statements were related exclusively to the disclosure of information about business activities, at the current stage of development of the world economy, financial reporting also covers the field of public finance, and, in general, all information on the activities of the government.

Unlike business information, financial statements of government activities may contain information on monetary metrics, indexes, ratios, rating indicators, etc. But, unlike the information contained in the corporate sector reporting, financial information about the government's activities should be presented in a format understood not even by a specialist economist. A good example of transparency of information about local government activities and its accountability to the public is the official Missouri (US) website. Using this site, every member of the community can observe how each dollar of paid taxes is used, can analyze government expenditures, check the state of budget execution, etc.

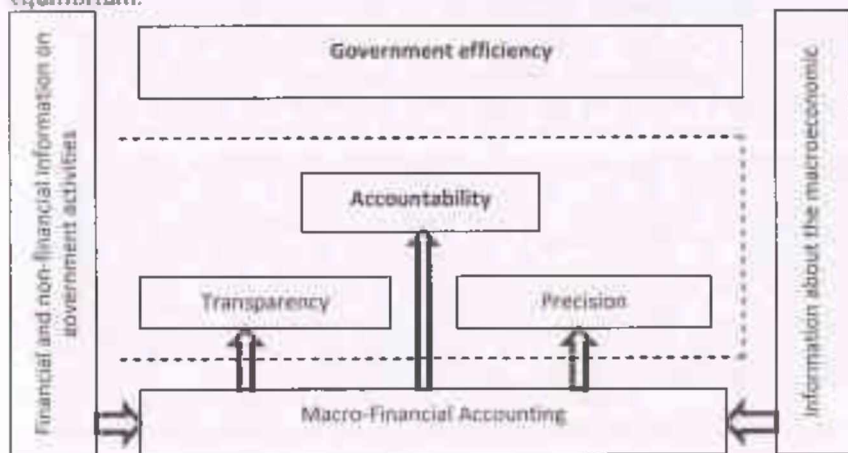
In Ukraine, ideas for the development of financial accounting and full accountability of the government are at the stage of initial registration. The first steps towards increasing transparency in Ukraine were made in 2003 when Ukraine joined the rules that oblige public authorities to disseminate financial and economic information to the IMF transparency standards (special data dissemination standards). An initial indication of the effectiveness of the development of macro-financial accounting is the openness of financial information about the activities of the government. Unfortunately, such information is not fully disclosed in Ukraine. For example, information on state expenditures is not detailed, and even the format for presenting information about general dynamics and the structure of government expenditures is not available for understanding by a specialist. Unlike the developed countries of the West, the idea of disclosing information about the financial status of those involved in government administration is slowly being implemented in Ukraine. What has long been the norm for a civilized society in Ukraine is only being introduced under the pressure of the international community.

Lack of high-quality financial information is the basis of uncertainty and distrust of the government, and therefore one of the prerequisites for the development of shadow economic activity. Speaking about the government's accountability, scientists point out that the results of macroeconomic accounting are important not only from an economic point of view but also from a social one. Government financial accountability not only involves the disclosure of government information, providing users with access to the

necessary information, which helps minimize uncertainty. This means that by revealing to the public information about its activities, the government minimizes uncertainty, increases the trust of society, which promotes effective management of financial and economic risks. The social aspect of macroeconomic accounting and financial accountability of the government manifests itself in the creation of a special type of knowledge. If the society is ready to raise the level of financial literacy, it is ready to accept financial information, which is published on a regular basis, this shows not only the efficiency of macro-financial accounting but also macro-financial control in general.

Macroeconomic accounting and government accountability are key to the high efficiency of public administration (Figure 2).

In modern society, government accountability is not only the disclosure of income and expenditure information. Society is not only interested in total income and expenditure, but also in the costs of tax collection, the efficiency of using budget funds, alternative sources of government revenues and alternative spending directions. This means that accountability to the government increases its responsibility for the sustainability of economic development. The society will be satisfied with the government's activity if it is aimed at activating the strengths of the economy and maintaining financial equilibrium.



Pic. 2. Macroeconomic accounting and government accountability as the basis for the effectiveness of activities Source²⁰⁵:

²⁰⁵ Fedosov V. and Paitenko T. (2017). Government Financial Accounting and Accountability: Key Problems and Main Trends in Post-communist Countries

A high level of financial accountability can be achieved if it becomes an integral part of the political program at the national level. Scientists note that the Ukrainian government bureaucracy is not interested in building accountability. The main cause of this problem is the legacy of the communist regime. That is why post-communist countries need EU assistance in implementing democratic principles in government activities. The level of accountability of the government is always higher in those countries where citizens have more opportunities to engage in government processes through legitimate elections, participation in public discussions, expert evaluations of state programs, etc. In post-communist countries, governments are mostly not interested in disclosing information about their activities, but citizens do not show enough activity to force the government to act transparently. Many citizens still believe that they will not be able to understand the publicly disclosed information about government activities, and therefore will not be able to influence its further actions. Controlling approaches involve involving in a certain way all members of the society in the process of governance of the state. Under this condition, citizens do not feel stranger to their country and understand that their taxes are spent in their interests.

In general, the implementation of the ideas of financial control at the macro level will provide prerequisites for increasing the effectiveness of the financial policy. First of all, this will be achieved through improving the quality of information, its transparency, and accessibility for all economic agents, which will be the basis for making managerial decisions in the field of public finances. Given the high level of transparency of information and accountability of the government, prerequisites for effective management of financial flows at the micro level are created. The probability of manipulating information in the interests of individuals or groups of individuals is reduced. The development of realistic macro-financial forecasts and plans provides optimization of financial flows moving through logistics, and the use of controlling approaches in the analysis and monitoring processes reduces the risks of both the inefficient use of financial resources and the risks of financial crime.

3. TAX AND DEBT POLICY IN UKRAINE: THEORY AND PRACTICE

3.1. Conceptual Fundamentals to Develop Tax State in Ukraine

The implementation of European Union values and methods in Ukraine can't be accompanied by the dissemination of ideas, concepts and theoretical representations of Western science. The concept of a tax state is one of the concepts in the sphere of taxation. Taxes refer to the critical existential conditions necessary for the existence of states and the life of societies. The state and taxes are linked inextricably. Statehood and taxation are inseparable and inter-dependent from their beginnings.

The challenge of developing a modern and efficient tax system in Ukraine is one of the key goals of modern scientific school of public finance representatives and is reflected in many publications. There are two fundamental monographs among them. The essence of the problem is quite unique. During the time of the administrative economy, the budget was mainly funded (up to 90%) through revenues from state enterprises, which in their turn were formed as a result of low wages. That is, there were almost no formal taxes, but in reality, they existed in a modified form. Market transformation of the economy required significant changes in all areas, including the rejection of the hidden taxation and the transition to an open one. In this context, it is important to consider the evolution of the tax state formation.

At a certain historical stage, non-tax sources of state maintenance like military food, domains, regalia, state monopolies, are replaced by taxes and loans. In this way, there's a transformation from a non-tax state into a fiscal one. The concepts of "taxes" and "state" merge; the term "tax state" acquires its dual logical meaning. The word "tax" expresses the hidden meaning of the concept and the phenomenon "tax state" like the word "law" expresses the essence of a legal state, the word "democracy" is the essence of a democratic state, etc. These pair of concepts are organically and functionally interrelated.

The scientific concept of the tax state comes from Western Europe where the taxing state itself was originally developed, at least in its mature form. The extensive scientific literature on this subject was also developed there, where the tax state has long been explored under different foreshortenings. In the last decade, there have been several studies and fundamental monographs in the West.

Let's name some of them: 2005 – "Der Deutsche Steuerstaat" by Hans-Peter Ullmann; 2006 – the work of Sabina Christiansen with the same title; 2008 – "Charitable Status of the Tax State" by Michael Droege; 2010 – "The rise of the Japanese Fiscal State"; 2012 – "The Rise of Fiscal States: A Global History 1500-1914"; 2013 – "Paths toward Modern Fiscal State: England, Japan and China"²⁰⁶; 2014 – "Making the Modern American Fiscal State, 1877-1929". The author of the latter is a well-known person in the US on taxation issues A. Mehrotra. This book explains how and why the new fiscal policy has appeared²⁰⁷. In faraway Australia, in 2015, the working paper "The tax state, benefit and legitimacy" was published by Miranda Stewart, the professor of the Australian National University²⁰⁸. In 2016, "The U.S. Fiscal State and the History of American Philanthropy"²⁰⁹ was issued.

At the funeral of the founder of the German "economic miracle" Ludwig Erhard (1897-1977), a lecture "Economic Freedom and the Tax State" was given.

We consider this fact particularly eloquent proof that the combination of a free market economy, and an effective tax state, is a necessary condition for successful development. With respect to budgetary sources for running a state, there isn't a more expressive and meaningful conception of the state than the concept of a "tax state" in Western financial and economic science.

Outside of the West, authors like He Wenkai from the University of Hong Kong, also actively study the phenomenon, and develop the concept of a tax state from all possible points of view.

Whereas Ukrainian financial science seems to be avoiding this topic. Apparently, the reason is to instill beliefs of neoclassical theoretical dogmas like "the miraculous power of the market" in domestic economists, which supposedly are capable of "putting everything in its place". Neither Colbertism nor Keynesianism and Neo-Keynesianism could overcome the

²⁰⁶ He Wenkai Paths toward Modern Fiscal State: England, Japan, and China. [Электронный ресурс] – Режим доступа: <http://www.hup.harvard.edu/catalog.php?isbn=9780674072787>

²⁰⁷ Making the Modern American Fiscal State. Law, Politics, and the Rise of Progressive Taxation, 1977–1929. [Электронный ресурс]. – Режим доступа <http://www.cambridge.org/us/academic/subjects/history/economic-history/making-modern-american-fiscal-state-law-politics-and-rise-progressive-taxation-18771929>

²⁰⁸ Stewart M. The tax state, benefit, and legitimacy [Электронный ресурс]. – Режим доступа: <https://taxpolicy.crawford.anu.edu.au/publication/tpri-working-papers/7567/tax-state-benefit-and-legitimacy>

²⁰⁹ The U.S. Fiscal State and the History of American Philanthropy [Электронный ресурс] – Режим доступа: <https://histphil.org/2016/11/30/the-u-s-fiscal-state-and-the-history-of-american-philanthropy/>

arguments of the neo-classical. It seems that it was the market euphoria on the part of domestic scientists that held back the

fiscal interpretation of the state, that actually exists along with a democratic, constitutional-legal, social state.

And now the theoretical dominance of the methods of (neo) institutionalism, the arguments renaissance of the German historical school, the methodological eclecticism of the worldview of the postmodern era, which are characteristic of modern scientific views, open the way to an interventionist interpretation of the nature of the tax state.

But, before direct tackling the research of the Ukrainian tax state, it is necessary to comprehend the distance already passed by Western scientists and on this basis to formulate the concept of a tax state.

The genesis of the doctrine of the tax state. In historical retrospect, the tax state is not an accident, but a natural result of the development of statehood in the context of a private entrepreneurial market economy, and the democratic legal-political order. The capitalist tax state can be identified by the opposite, it grew from a pre-capitalist non-tax state after non-tax sources (domains, regalia, state monopolies) were privatized and replaced by taxes.

The concept of "tax state" is due to Joseph Schumpeter (1883-1950) from his work "The Crisis of the Tax State" (1918). It is not by chance that in our time the renewed interest in the tax state is called "new Schumpeterianism." German economist Karl-Heinz Schmidt notes that it is unlikely that Schumpeter, under the crisis, understood the bankruptcy of the tax state. The tax state remains a convenient cognitive concept for analyzing the social consequences of the long-term development of the economic system, and especially for the interpretation of the welfare state formation²¹⁰. The state, the existence of which is based on tax revenues, is the most necessary and convenient to ensure universal prosperity.

However, up to now, even in the West, not all state finance textbooks have defined the concept of a tax state. Why?

As a student, Nobel laureate Paul Samuelson (1915-2009) listened to Schumpeter's lectures and heard about the tax state. Nevertheless, as an influential scientist and laureate, through his scientific authority, he supported the neoclassical direction of scientific development in the area of public finance. The concept of a tax state, by default, provided unconditional

²¹⁰ Schumpeter and the Crisis of the Tax State. [Internet Resource]. – Mode of access: https://www.researchgate.net/publication/227047753_Schumpeter_and_the_Crisis_of_the_Tax_State

intervention in socio-economic processes, which does not fit into the context of the neoclassical analysis of financial and economic phenomena. According to this, the concept of a tax state could not be used in the works written from the standpoint of neoclassical theory. Since the times of lesser fair, the classical scholars and later the neoclassical treated the state with skepticism, reduced its role to the "night watchman", and considered it an inert, unproductive bureaucratic structure which hampered the free development of a business.

Unlike Western "bourgeois" scientists, Soviet economists did not believe in the omnipotence of the market. They worshiped the ideas of the classics for ideological reasons – as one of the scientific sources of Marxism. Taxes are almost unnecessary in the absence of private property, with total state power. There was no point in interpreting the tax state in a socialist "tax-exempt" ("non-tax") state.

Consequently, the scientific achievement of the founders of a tax state concept and their followers, first of all, is the following: in the form of a tax state they created an analytical tool for the fiscal realities that could not be deeply explained within the dominant neoclassical economic theory.

The tax state is not just a state existing at the expense of taxes, which follows from the content of the term itself. The tax state is a kind of property of all its citizens, at the same time taxpayers and voters. That is why the use of budget funds to meet private needs in Western countries is considered an unacceptable encroachment on the money belonging to all taxpayers. The whole set of citizens-payers-voters contains the state at their own expense, and not vice versa. They are held by the state except for a relatively small number of certain categories of people. A mature tax state provides a near-absolute tax literacy, proper tax culture, the fiscal loyalty of the population and tax morale.

In historical retrospect, tax states arose and transformed from non-tax ones. Some researchers push the creation of tax states too far into the depths of centuries. Thus, the Chinese author, ahead of time and simplifying the situation, attributes the medieval China of the Song Dynasty (960-1279) as featuring a full tax state. He writes that "The Song State was the first permanent tax state in world history, and manifested itself in three aspects: monetization of the economy; the dominance of indirect taxation; centralization of professional administration of taxes."⁷

Let's pay tribute to the ancient, uniquely highly developed Chinese civilization. These features really refer to the characteristics of the tax state. The political system, the monarchy, is not a hindrance to the existence of a tax state. But some important signs are lacking. After all, nothing is said

about the basis – private property and the market, on the whole, about the mature bourgeois-capitalist system as indispensable conditions for the formation of a tax state of a modern type. Obviously, in the time of the Song state, conditions for the development of bourgeois legal forms of taxation, above all income tax, could not be developed yet. Indirect taxation has always remained a fairly inert social stimulus. The creation of a tax state is more obligated to tax revenues and profits. It is no coincidence that it is precisely with the introduction of the federal income tax in accordance with the 16th Amendment of the US Constitution, adopted in 1913, that the modern fiscal state began in the US. The latter depends on two critical factors: (1) a stable tax base; (2) a sufficient market for loan capital.

In neighboring China, and close by the level of development Japan, the creation of a tax state in its modern sense took place almost a thousand years later. It is associated with the political and socio-economic transformation of the era of so-called reconstruction, known by the emperor's name "Meiji revolution" (1868-1889).

So, in fact, only a capitalist type of tax state is known, that is, one that receives income from a monopoly power opportunity to tax the private sector of the economy. In addition, according to Prof. Joachim Lang, besides income from the "tax-obligated"⁸ like those liable for military service, receipts can also come from voluntary creditors whose debts are guaranteed by the state's right to collect taxes.

In the absence of non-tax sources for servicing the public debt, in fact, there is a reservation of tax receipts to pay the debt (the anticipation of taxes). Debt-based public finances function only under the condition of a guarantee from the functioning of the taxation system.

State power, in principle, separates the right to tax the state economy from the households of private economic agents, being either individual or corporate ones. It should be noted here that in the classical work, the recognized scientific masterpiece of Richard Musgrave (1910-2007) on the theory of public finance, the notion of "public finance" is the concept of "public economy."⁹ This is a theoretical view of the state of things that individuals and/or economies create and earn their resources, and the state allocates resources and appropriates with the subsequent fiscal exchange of goods and services to society on its part.

In a similar interpretation of the famous German scientist Prof. I. Lang, taxes in the submission from the payer is the form of the price paid for protection provided by the state (V. A.: one must understand – the price of security, law, and order, comfort of living, etc., provided by the state). For

the state, tax is a form of social solidarity, which the government rightly requires of citizens.¹⁰

These arguments lead to the conclusion that the state, with its modern economic and democratically legal state, can be a tax state. Taxes are a fundamental fiscal prerequisite of its existence.

In 1918, due to the historical circumstances, and under the impression of the simultaneous collapse of the four empires (Austria-Hungary, Germany, Russia, and Turkey) after the First World War, J. Schumpeter originally foretold the crisis of the tax state.

However, over the past hundred years, a full-blown crisis has never occurred. There were only partial, conjectural, episodic, non-fatal crises. And, did the time not come for the tax state *memento mori* with the beginning of the XXI century? Similar thoughts are brought about by some initiatives in the social and humanitarian sphere.

R. Musgrave, one of the recognized scholars of Western financial science, distinguished four substances of the tax or fiscal state in the form in which it began to form in Western Europe at the end of the XVIII century under the influence of socio-economic and political transformations of the French Revolution. Firstly, the tax state consisted of an institution, a service state, designed to correct imperfections, undesirable or harmful consequences of a market economy. Secondly, the tax state gradually evolved into a distributive welfare state – a state with a developed social security system with a claim to social justice due to redistribution of income. Thirdly, the tax state was formed as a communal state in the understanding of the social environment in which both private and public interests coexist and are realized. Fourthly, from the very beginning, the tax state would have been defective, initially defective, a flawed state, which is doomed to constant distraction of the attention to government functionaries from purely state-political affairs to economic problems.¹¹

In the XVII-XVIII centuries in Western Europe, special types of fiscal-militaristic states (Austria, Prussia, Great Britain, France, and Sweden) emerged. In the East of Europe, Russia was this type of state.

Against the backdrop of interstate contradictions of that time, the UK displayed a typological sign of this group of states, which, thanks to the formation of a full-fledged tax state, won wars with the revolutionary and Napoleonic France.

The mission and functions for most of the identified typological varieties of the tax state do not cause questions. The tax state is controversial and problematic enough and it may be threatened with dismantling.

Following the typology proposed above, let us consider some possible or far-fetched alternatives to the tax state.

Variations and alternatives to the tax state. The first official signal about the intention of creating a welfare state as an analog of the social state was voiced in 1942 when US President Franklin Roosevelt (1882-1945) and British Prime Minister Winston Churchill (1874-1965) signed the Atlantic Charter. The Charter states that the allies "strive to achieve full cooperation among all countries in the economic field with a view to ensuring a higher standard of living, economic development, and social security for all" and to achieve a situation in which "all people in all countries can live their lives, knowing neither fear nor need."²¹¹

A more concrete "roadmap" for a better life was developed in 1944 by English economist and politician William Beveridge (1879-1963). The "Beveridge Report", better known as the Beveridge Plan, is considered the first project of the welfare state. This type of state was based on the idea that the government's first task is to improve the social position of the masses. In general, the measures taken should provide social guarantees to all citizens "from birth to death."

From the very beginning, the first role in the welfare state was assigned to redistributive processes through taxation. Thus, according to the Beveridge project, annual income, which reached 750 pounds had a rate of 12%, on income above 225 thousand pounds – 92.5% (!).²¹¹

For comparison, for the 2016/2017 fiscal year in the UK, the personal income tax rate is set at four levels: 10, 20, 40 and 45%. The maximum rate is on income, above 150 thousand pounds a year.²¹²

So, a real and bright example of a redistributive tax state should be the welfare state. Prof. I. Lang remarked rightly and aptly that over time, welfare state policy in economically developed countries caused reconsideration in social bounty, and caused "abuse of well-being".²¹³ The drama of redistribution in the welfare state sometimes acquires the features of a melodrama in understanding the politicized, sentimental, hypocritical attitude of society and governments towards applicants for social benefits. A striking example is a situation with Asian-African migrants in Germany.

The truth that redistribution is addictive to unearned and undeserved bounties causes dependence on the granted bestowals. Help and need for it

²¹¹ Marginal income tax rates and the UK economy. [Internet Resource] – Mode of access: http://elid.isu.edu/docs/Rum_dis.pdf – P 14

²¹² Key Data on World Tax [Internet Resource] – Mode of access: <http://www.worldwidetax.com>

²¹³ Ланг Й. Проект кодекса налоговых законов. – С. 6.

are interdependent, but their interaction can create a rattling social mix. The adherents of capitalism pretend to discover the law – the more people are helped, the less becomes their ability and desire to help themselves. They expect the stronger help in the future and seek to ensure that the right to be helped as a permanent and legitimate one. The American philosopher and sociologist Herbert Marcuse (1898-1979) wrote in this regard that redistribution spoils the character of the recipient, "the individual harms himself, strengthening his own dependence on the welfare state."²¹⁴ It becomes increasingly difficult to give up help, rely on one's own strength, and to act autonomously.

Indeed, redistribution, the very nature of which contributes to the sense of reliance on the other, triggers a process of change in people's behavior and the attitudes of governments. The famous American businessman Henry Ford (1863-1947) warned that "charity paralyzes the effort". He believed that privileges and assistance developed only the spirit of "social begging."²¹⁵ Therefore, where is the limit of benevolence from those who earn, to those who do not earn? Redistribution in the interpersonal, public, state, the even interstate scale is indispensable and necessary social, political, moral and ethical value and necessity. But in the final analysis, in the purely economic terms, redistribution remains a zero-sum game, because as a result of something that one loses, the second gets without changing the total amount of resources.

Modern Western authors give examples that the state support of motherhood causes the disintegration of families. An incomplete family is difficult to survive because it requires increased care. It is no secret that in order to receive social assistance, unmarried women have children. The subsidized from the budget by means of taxes, i.e. the benefits of one at the expense of others, reform of the health insurance system in the US, known as Obama care, causes serious protests of American society.

A similar pattern of interaction and interdependence of aid and the need for it is demonstrated by the state support of the elderly – the fact that it frees children from caring for their parents, shifts responsibility to the state, i.e. to the entire mass of taxpayers. In general, the increase in the number, diversity and amount of benefits from the budget leads to the fact that gratuitous

²¹⁴ Marcuse H. *An Essay on Liberalism* / Herbert Marcuse. – Boston: Beacon Press, 1969. – X, 91 p. [Internet Resource]. – Mode of access: kikass.to/herbert-marcuse-an-essay-on-liberation-1969.pdf – P. 10.

²¹⁵ Форд Г. *Сегодня и Завтра* / Генри Форд: Пер с англ – Л.: Издательство "Время", 1927. – С. 252, 253.

assistance, – Anthony de Jasay states – people at first simply accept, then demand and, at last, consider their guaranteed right.²¹⁶

Thus, on the verge of collapse, the state of universal prosperity was paradoxically set by its success. Thus, the Israeli historian Martin van Creveld presents data that for 20 years (1952-1972) in the US the number of children increased by 43%, while the number of those who were granted privileges on financial assistance programs increased 4.5 times! The average number of days spent on treatment is doubled.²¹⁷ The generous funding of health interventions has led to a significant increase in life expectancy in Western countries. For several decades the quantitative ratio between workers and pensioners changed towards the latter. As a result, the burden on pension funds increased.

With demographic and financial problems increasing, the International Institute of Public Finance held a congress under the eloquent title "Redesigning the Welfare State for Aging Societies" (Lugano, Switzerland, August 2014).

In welfare states, a situation has arisen that, under the pressure of cohesive social groups, parliamentary lobbyists, amateur public well-wishers, as well as demagogues and populists, new demands are being made. Through the growing redistribution of resources, the state has stimulated new needs and growing demands. The process ended with the fact that some Western states were forced to turn back toward the circulation of social assistance programs. Even the question of creating the least redistributive "minimal" state has been raised.

So, the social attractiveness and popularity of the welfare state have caused its partial defeat. Paradoxically, states of this type aggravate those social problems that they were called upon to solve. Since the late 70s to early 80s, the mood of frustration and mistrust of the welfare state, caused by its exaggerated generosity, as well as rising taxes and inflation, was spread. So, in 1977, the British government refused to build concessional public housing. In the US, 1980 was marked by a "tax revolt" in the state of California. The rebels achieved a limitation and constitutional fixation of the taxation of real estate.

In the West, the curtailment of the welfare state is gaining strength. Harsh previous checks of real means of subsistence for applicants for state

²¹⁶ Ясай Э. де. Государство / Энтони де Ясай; Пер. с англ. – М.: ИРИСЭН, 2008. [Internet Resource] – Mode of access: marsexxx.com/it/jassy_the_state.htm

²¹⁷ Кревельд М. ван. Расцвет и упадок государства / Мартин ван Кревельд [Internet Resource] – Mode of access: marsexxx.com/it/martin_van_creveld-the_rise_and_decline_of_the_state.htm

benefits have been introduced everywhere, which should reduce the number of recipients. Immediate transfer payments on hand are basically replaced by acting indirectly tax privileges. Social payments are transferred to the rank of taxable income. The programs of providing free educational services, housing, medical services are reduced. The age of retirement is increased. In general, numerous subsidies and assistance are questioned, canceled or reduced.

By the end of the twentieth century, the idea of a given income is increasingly replaced by the idea of earned and/or deserved income. Accordingly, there is a turn in theory and socio-economic policy. Being fraught with a fiscal crisis, that excessive generosity on the part of the authorities at the expense of the mass of taxpayers and state creditors has obviously become vicious.

The mission of the welfare state is increasingly limited to protection from the unexpectedness of life and misery, such as injury, unemployment, serious illness, refusing to unconditionally ensure a standard of living not below a certain established standard. Already in the 1980s, in most Western countries, a partial financial insolvency of the welfare state was recognized. At that time economic doctrines revived. They preached a balanced budget, private entrepreneurship, free competition as a means of survival of both states and people.

At the level of the population of whole states and regions or individuals, the perception of redistribution depends on its double vision – as a noble without hypocrisy sympathy for the deprived resources and selfless aspiration to help them; or as vulgar parasitism or as the fiscal exploitation of some people, regions, states by others. In the first case, the redistribution of resources and the benefits derived from them consolidates society, in the second case, it destroys trust and demoralizes. Doubts, reasons, and problems of this kind undermine the welfare state.

The tax state and the welfare state are related to the immediate conceptual, resource and functional interconnection – without the former, there would not be the latter and vice versa. At the same time, with the financial crisis of the first, the second one suffers. The causes of the welfare state crisis are explained by the doctrine of liberal economists. For them, the higher social value lies in the ability to create and produce, and not to share and give.

At the same time, welfare state adherents do not surrender, they do not agree that the state of this type has exhausted itself. Thus, the French economist Thomas Piketty, the superstar because of his bestselling monograph "Capital in the Twenty-First Century", convinced, "It is better to

modernize the social state than to dismantle it."²¹⁸ By the way, Thomas Piketty's book is referred to by presidents, Nobel laureates, public figures, politicians, scientists.

Thus, since the second half of the twentieth century, in developed countries, the tax state has adopted the format of the state of "general prosperity" due to the large proportions of the redistribution of the burden of taxes and structural changes in the expenditure side of the budget towards the increase of social costs. Over time, hyperbolization and redistribution have led to crisis phenomena in the financial sphere of such states.

With the maximum of reliance on one's own forces in conditions of social stratification of the population and resource differentiation of countries and their territories, it is still reasonable and justifiable that the strong come to the aid of the weak, whether in the interpersonal, interregional or interstate aspects. This corresponds to the natural law of intraspecific solidarity of the human race. One of the resource sources for the realization of such a goal is taxation. But assistance should be provided with such calculations and limitations in order to correct the position of the recipient, and not turn it into a chronic petitioner and parasite. Without these conditions, it is impossible to ensure the stability of society, to guarantee social peace, to achieve national unity.

The above reasoning mostly refers to a rather limited circle of the most economically developed countries in the world. The future of the Ukrainian welfare state is yet to come. Ukraine still has to go through the "vaccination of Americanism"²¹⁹ in the best sense of the word – to instill a cult of work, efficiency, creativity, responsibility.

The minimal state. The role of an alternative to a tax state is the so-called minimal state. By default, the minimal state is the antipode of the welfare state. During the first decades of the XXI century, in the United States, European Union countries, etc., governments committed serious measures to reduce budget spending on social programs, for savings on the maintenance of state structures. Not by chance in the category of best-selling books was an American Professor Michael Mandelbaum's book "The Frugal Superpower" (2010) with the eloquent subtitle "In a Cash-Strapped Era." These events and publications are a clear signal about some revision of the role of the state. For a long time, state intervention in the economy and social sphere has had a little intense, splitting politicians and scientists into two

²¹⁸ Piketty Th. *Capital in the Twenty-First Century* / Tomas Piketty – Cambridge (Mass), London. Belknap Press of Harvard University Press, 2014. – P. 481

²¹⁹ Озеров И.Х. *Что делать?* / И.Х. Озеров. – М.: Универсальное книгоиздательство Л.А. Столяр, МСМХIII (1913). – С. 370.

camps: some insist on the feasibility of a large-scale intervention, some find it necessary to reduce it to a minimum.

At one time, the adepts of unhindered entrepreneurship threw out the famous slogan: "Laissez faire, laissez passer". The expression must be understood as an appeal so that industry and trade are required of themselves, and the government minimally interferes in the economy. From this point of view, the purpose of the state is reduced to ensuring individual freedom, free enterprise, and protection of private property. Accordingly, the scope and form of taxation should be limited to the performance of the functions of the financial provision of public tasks with the volume and number of the reduced composition.

(True, supporters of state intervention in the economy turned the meaning of *laissez-faire* differently: let misfortunes continue, do not try to improve the destiny of mankind. In that case, it turns out that the state of mankind can be improved by rational government activity).

Here it is worth recalling that in the works of Western theorists on the themes of state and taxation there is always a reference to the English philosopher and political scientist John Locke (Locke, 1632-1704). He is considered to be the founder of the doctrine of the constitutional state on the basis of the "natural" rights of people to personal freedom, happiness, prosperity. Up to now, the ideas from Locke's book "Two treatise on government" are vital: (1) the government has no right to alienate property from anyone, because the property at the disposal of the government is used worse, with less public benefit, than in private, (2) the state power has no right to collect taxes without the consent of the majority of the people or their representatives.

So, "natural" rights place the border of the state's activities, and at the same time, people entrust the state with the right to defend compliance with the laws established by John Locke, solely for the preservation of individual freedom and private property. Meanwhile, the functions of the modern state are much broader.

What is more expedient: the activity of the state in all spheres of life or limiting its role to a minimum? The idea of minimal intervention, even complete non-interference, was embodied in the image of a minimal state. The name *minimal state* is still a hypothetical state with extremely limited functions, adapted mainly to protect private property and perform administrative tasks, with a corresponding reduction in tax revenues and a narrowing of redistribution processes.

The concept of "minimal state" is a modern metamorphosis of the former name of a state of this type – "state-night watchman" (in German

Nachwchterstaat). The German socialist Ferdinand Lassalle (1825-1864) called an ideal state, which the bourgeoisie wanted, which is responsible only for internal and external security.

It seems that Ferdinand Lassalle relied on the logic of the taxation doctrine of British classics of political economy, whose relationship to taxes was as a "necessary evil." Logically: since taxes are evil, it is necessary to reduce it to a minimum.

The creation of a minimal state is the dream of the last adherents of economic liberalism, the so-called libertarians. For them, it is unbearable interference of the state in economic life. They call the forced redistribution of someone else's property under the guise of securing the common good as interventionism. For them, the state "is a public apparatus of restraint and coercion"; it is an institution, whose "mission is to preserve peaceful relations between people"²² and no more. Therefore, the role of the state should be narrowed down to these functions. Accordingly, tax revenues must be reduced to the amount necessary to meet these needs. Special rejection of libertarians causes taxation on progressive income and inheritance rates, which they consider as a form of discrimination and a method of disguised expropriation of incomes of successful people and incomes of effective entrepreneurs.

There is a sympathetic attitude to the effects of redistribution among many domestic economists, but western politicians and economists are alarming, defining sharply the problem of redistribution. From their point of view, as a result of attempts to share the cake evenly, its size is reduced; ultimately, everyone gets a smaller part. The question is as follows: is it permissible for the state to organize generosity in favor of one person, the social strata, and regions at the expense of the interests of others? The answer to such questions would be the creation of a minimum state.

The essence of the minimum state was described by the American philosopher Robert Nozick (Nozick, 1938-2002) in the monograph "Anarchy, State and Utopia" (first edition in 1974), which we had already addressed²²⁰. At the center of the study of Nozick is the image of a just state with ethically justifiable, and therefore legitimate functions: "Our main idea is reduced to the type of the minimal state, limited by a narrow circle of legitimate functions regarding the guarantee of compliance with treaties, the fight against violence, theft, deceit; a more functional state violates and

²²⁰ Андрущенко В.Л. Фінансова думка Заходу в ХХ столітті: (Теоретична концептуалізація і наукова проблематика державних фінансів). / В.Л. Андрущенко. – Львів: Каміляр, 2000. – С. 49–51.

restricts certain human rights which is unfair; the actions of the minimum state cannot be wrong.²²¹" Hence the conclusion: the state apparatus should not force some people to help others or impede people's activities aimed at securing their own interests.

Insisting on these really challenging ideas, the author develops his own ideas. "The minimum state treats us as almost intact persons who cannot be used in a certain way by others as means, tools, instruments or resources; it treats us like people with personal rights and inner dignity. Treating us with respect for our rights, the state allows us in person or with whom we want to choose a way of life to achieve our goals, express ourselves, because we have the opportunity to cooperate freely with other people with the same level of dignity as ours²²²." The quote reveals the program of the author's vision, obviously, for him the state which is focused on redistributive processes is immoral.

The new intensified surge in interest to the conclusions and recipes of Nozick was brought about by the events of the beginning of the 21st century: the global financial and economic crisis, the phenomenal growth of budget deficits and public debts, the closing of the social programs, the controversial reform of the health care system in the USA, the direct growth of public protests. In a series of similar phenomena, we also put the "tax maidan" in Ukraine.

Some even believe that the era of prosperity and wealth has ended; the time to tighten belts has come. The questions to which Nozick was seeking the answers are now of primary importance: the optimal volume of state functions, the limits of powers and tasks of the authorities, and in this regard – the permissible levels of taxation, the scope of redistributive processes. According to Nozick, the government of a minimal state should not deal with transfers of property or income from one person to another without the extreme need, provide financial support or treat some people at the expense of taxation of others. According to Nozick, the state destroys private interests, he considers redistributive processes to be illegitimate, immoral and unfair. Accordingly, imposing taxes on some people for the sake of securing the interests and benefits of others is a manifestation of social injustice. On the contrary, taxes become fair only within the limits of the state, the needs, and functions of which are minimized. He argued that people should be free from the need to share through the tax system with somebody else.

²²¹ Nozick R. *Anarchy, State, and Utopia* / Robert Nozick – New York: Basic Books, 1974. – P. IX

²²² *Ibidem*

Intolerant attitude towards redistributive taxation was also maintained by the theorists of the extreme forms of liberalism, such as Ludwig von Mises (1881-1973), Murray Rothbard (1926-1995), Milton Friedman (1912-2006). Similar views are shared by their followers and epigones. According to Rothbard, the state arose historically through violence, conquest, and exploitation. Hence, the taxes imposed by the state with violent origin are of the same enforced nature.

Nozick denied the very opportunity to achieve redistributive justice; he stated that attempts to improve the condition of one social group at the expense of another eliminate the overall growth of the welfare of the entire society²²³. Countering social injustice by means of progressive taxation is useless, since, according to Nozick, taxes are analogous to forced labor, a kind of exploitation, when taxpayers work in favor of non-payers. The unjust taxation also means that the payers are forced to spend part of their money not like they would like to.

The radically irreconcilable position of Nozick and Rothbard, who are the representatives of the ultra-liberal direction of economic thought and passionate adherents of the minimal state is clearly unrealistic. To consider the money in the budget stolen (theft, robbery), to equate taxation with the exploitation and theft by the state, to equalize taxpayers to the participants of a major criminal scam – all these allegations are unlikely to be criticized, they are not supported by the vast majority of Western economists.

Adherents of a socially generous state of general welfare deduce the moral justification of the tax state for its activities in providing public goods and services at the expense of redistributive taxation. In their focus, there are mainly the interests of non-taxpayers. On the contrary, supporters of a minimal state which are guided by ethical arguments claim to protect the interests of taxpayers. They see their rightness in a radical reduction of state functions, especially in the narrowing of redistributive processes to the extreme limits. "Minimalists" perceive taxation as a form of expropriation of a part of private incomes and profits, as a restriction of individual rights and opportunities of people by the state. It is recognized that alienation is legal, but it is ignored that it is carried out due to national (public, state) interests.

Both options for tax policy are supported on the part of the electorate. It is obvious that state employees, low-income people, national minorities, immigrants, etc., support the policy of redistribution of income.

²²³ Nozick R. *Anarchy, State, and Utopia* / Robert Nozick. – New York: Basic Books, 1974. – P. 231.

Entrepreneurs, self-employed and highly paid categories possess opposite motivations, they doubt the goal and expediency of redistributive policies.

The idea of a minimal state found its followers. Thus, John Hasnas from John Mason University (USA) sees the reflection on the concept of a minimal state in one of its kinds which is the so-called remedial state. The traditional state provides the society with exclusive goods and services (legislation, legal proceedings, power structures, etc.), which cannot be provided by the market, which morally justifies the activities of the state, and the payment of those goods at the expense of taxes. According to Hasnas, *the market failure* is not yet the evidence that the provision of public goods is a state monopoly²²⁴. It is possible that by not linking itself with the supply of indivisible to individual shares benefits of collective consumption, the state can be a guarantee of the general availability of these goods. If the remedial state will guarantee and regulate the provision of public goods by the private sector, then it will be a genuine minimum state.

The concept of Hasnas is not very convincing. After all, the private sector is not capable of lawmaking or legal proceedings. It turns out that the power structures remain to be privatized: the army and the police, which also seem not very realistic. The remedial state remains a regular tax state with sovereignty, the constitution, which is funded by the tax function. However, it differs considerably from the remedial state by the fewer amounts of competences and powers, and it is completely released from some functions. Hence, Hasnas makes a terminologically confusing, obscure statement that the remedial state is a non-state state. In scientific circles, this project is likely to be supported only by extremist liberals.

It seems that radical projects of functionally trimmed minimal or "remedial" state have no real prospects.

The theory of minimal state draws ideas from several sources. In his time, the founder of voluntarism, the English philosopher Auberon Herbert (Herbert, 1838-1906), promoted a voluntary state (a voluntary organization), the existence of which, instead of coercive taxes was intended to provide voluntary contributions from citizens. Later, the leading role in the theorizing of the minimal state went to the libertarianism (libertarianism), which was discussed above. One of the representatives of this trend, David Bergland marked taxation as a theft and called for the creation of a free state.

Eventually, the adherents of the so-called Minarchism took the baton. Minarchism is a concept that preaches the consolidation of government

²²⁴ Hasnas J. Reflections on the minimal state / John Hasnas. [Internet Resource]. – Mode of access: http://faculty.msb.edu/hasnas/GTWebsite/06_Hasnas.pdf

functions and government powers to a minimum, limited by guarantees of contract performance, protection of citizens from external aggression, violence, theft, fraud with appropriate reduction of tax payments and reduction of financial obligations of the state. The term "minarchism" is a neologism that was introduced into scientific use by American economist Samuel Konkin (Konkin, 1947-2004).

Robert Lefevre (LeFevre, 1911-1986) – the author of the theory of autarkism (autarchism, from gr.autarkeia – complacency) is also involved in the doctrine of the minimal state. If the more widespread concept of autarky means the economic self-isolation of a particular country in order to create the national economy which will be independent of external markets and effects, then according to Lefevre neologism autarchism means confidence in self-governance (belief in self-rule).

Scientific and practical interest to the ideas of monarchism and the minimal state is reinforced by the current tendency to reduce the public sector and save budget funds. In this regard, Western countries are reviewing social paternalistic practices. People should minimize the transfer to the state, which means for the taxpayers to be responsible for themselves and their families. Therefore, those who are unable to cope with their own problems themselves must first of all be assisted by the family, neighbors, the staff at the place of work, charitable organizations, the community, and the state should intervene in the last turn. Social behavior on the principles of self-help and mutual assistance, reducing the financial obligations of the state is in line with *the principle of social solidarity and social subsidiarity*.

In contrast to the general welfare state, supporters of the minimal state fight against social egalitarianism, protect and idealize institutions of private property, property inequality, business and intellectual meritocracy. Redistributive taxation for them is only a disguised form of tax theft, a power crime that destroys private interests. According to their belief, poverty and unemployment are not necessarily reduced to the social evils inherent in capitalism. Their sources are also laziness, senselessness, the fate of unlucky misfortunes, illiterates, idlers. It is unfair and, in the end, it is harmful to transfer maintenance of such social categories to successful citizens.

The state has to "nationalize", take on the budget the people of the poor and unhappy on their own free will and blame. German economist and historian German Meyer (1839-1899) once wrote prophetically that the famous Roman political philanthropists Tiberius and Guy Gracchi giving the bread to the plebs in the 2nd century BC threw a burning flame all over the world, which has never faded ever since. "This torch is a striving for state

maintenance of the poorest classes.²²⁵ The draft of the brothers Gracchus failed, and they themselves perished. But for the contemporary statesmen who want to substantially dismantle social conquests, such an attempt may become equivalent to political suicide.

However, on the side of the minimum state on the part of its supporters are not only arguments "for", there are weighty arguments "against".

The adherents of the minimal state appeal to a convincing at first glance, but essentially superficial thought: "Who knows better how to spend your money – you or the government?" On this basis, a substantial reduction of tax payments, a reduction in budgetary expenditures and a return of funds to private orders are made. In this case, the second question arises: how individually protect public goods and values – from the foundations of democracy, law, and order, national culture to border security, counter-terrorism, control over the state of infrastructure, and much more?

Even scientists of radically liberal trend recognize that in addition to its own primary functions (protection of sovereignty, justice, etc.) state must be involved in ensuring socio-economic development. Authorities, on the one hand, declare the need of the freezing of the level of government expenditures and on the other hand, they recognize the need for investment in education, infrastructure, alternative energy resources, space exploration, which is impossible without appropriations from the budget. The supporter of Nozick Rothbard didn't even believe in the possibility of the existence of the minimum state because such state didn't even possess a real "warrant" for introducing taxes²²⁶.

Minimization of the functions of the state has its own objective boundaries. As for Ukraine, the reduction of social obligations will overcome the expectations of the part of the population whose material conditions of existence are lower than a certain standard of living. In this case, the gap between 10% of the most prosperous and 10% of the poorest strata will continue to grow. Such circumstances, supplemented by rising of prices and tariffs, an outrage of embezzlement and corruption, threaten demoralization and destabilization of society.

In the argumentation concerning the minimal state and its derivatives, the economic and fiscal aspects of taxation are mixed again with moral, ethical and legal aspects on the sociological basis.

²²⁵ Meyer G.-R. Development of Economic Ideas / Herman-Rudolf Meyer: Translated from German – Petrograd: Mysl, 1923. – P. 31-32.

²²⁶ Rothbard M.N. Robert Nozick and the Immaculate Conception of the State / Murray N. Rothbard. – Journal of Libertarian Studies. – Vol. I. – No. 1 – P. 56.

The budgets of rental states, (rentier states) are formed on the basis of income received from the export of natural resources; the situation is quite different in tax states. This type includes states that are uniquely rich in natural resources, especially in oil and gas: Saudi Arabia, the countries, and emirates of the Persian Gulf, Algeria, Nigeria and others. The source of the existence of rental countries is "given" to them by nature. So, in 2014, oil exports made 90%(!) of Saudi Arabia's state revenues²⁷. Certain features of the rental state are inherent in Russia.

The advantages of the tax state are proven by the fact that rental states are desperately trying to get rid of their status, tend to transform into "normal" tax states. Saudi Arabia, for example, is actively investing oil export revenues in the development of industrial production. In particular, this Arab kingdom co-operates with the Ukrainian firm "Antonov" in aircraft engineering.

There is a conviction that all the other models of the state, except tax are not viable and doomed to nothingness.

Projects of the basic income. What can the projects of the basic income mean in the context of already anticipated by Schumpeter crisis of the tax state? They have a mixed character – from real social and humanitarian initiatives to unforgettable projects and misleading social mirages. The blessing of a modern tax state such as the welfare state in favor of its beneficiaries may take various forms under the general essence of guaranteed basic income.

Conditionally, the first form under the general title of guaranteed minimum income develops further the social security system in the form of maintaining a minimum necessary level of existence of individual citizens, families, and households selected according to certain criteria (financial status, age, disability, professional suitability, etc.). For example, in the United States, additional income is provided to the blind, the disabled, the persons who are over 65. The Canadian variation – *the guaranteed income supplement* provides a supplement to a pension for those Canadian citizens who after the age of 18 have lived in Canada for at least ten years and who are over 65 years of age²²⁸.

The general aim of this model of social assistance is to prevent the extreme impoverishment of specific segments of the population, which would cause social tension and impair the prestige of the state. The Canadian

²⁷ Saudi Arabia and the End of the Rentier State [Internet Resource]. – Mode of access: <http://foreignpolicyblogs.com/2016/06/03/saudi-arabia-end-rentier-state/>

²²⁸ Benefits for seniors with a low income [Internet Resource]. – Mode of access: http://www.esdc.gc.ca/en/reports/pension/seniors_low_income.page

version also imposes certain restrictions on potential applicants from the number of immigrants who apply for a supplement to the pension.

The second form suggests *unconditional* social security for all citizens not taking into consideration whether they work or not, are elderly or young, healthy or sick by universal and direct payment to everyone without exception a fixed amount of income. This model is known under the names: unconditional main income (Germ: *Für ein bedingundshoses Grundeinkommen*); (English: unconditional guaranteed basic, minimum, adequate income); (French: *pour and income de base inconditionnel*); social dividend. Such model does not dictate the perspective of combating poverty, it provides a certain standard of well-being, accessible to all citizens of the country.

The third model is the payment of a variable surcharge, the amount of which depends on the size of the earned income to those categories of persons whose incomes are below a certain legislatively defined level. Such a model has a paradoxical name negative income tax. Sometimes a negative income tax is also referred to as tax credits partial basic income – the name that reveals more fully the merger of elements of direct taxation with social security.

Both projects of guaranteed or basic income and negative income tax remain the only social benefits within the fiscal state of general welfare and the social security system. There is the following difference between different types of social assistance: the first and third types are selectively targeted, the second one is non-directional, and it's given to all citizens. The second type replaces all other types of social security benefits. In general, all of these types of income have many features in common. All of them have a gifted character for specific individuals but not for a society (!).

Where did these ideas come from, they would seem economically not rational, impracticable, but so attractive to idealists, humanists, social reformers, as well as to demagogues and populists?

The idea of the guaranteed state allowances for the entire population, or at least for the materially defective part of it has been annoying the minds for several centuries, then fading, then flaring up again, but never completely fading away. In Europe of New Time, such a proposal is attributed for the first time to humanist Thomas Moore (1478-1535) in his famous "Utopia", in America to the philosopher, the ideologue of the separatist movement for separation from Britain, Thomas Paine (1737-1809). An employee of the Beveridge Committee, who developed the British social insurance system, Juliet Rhys-Williams (1898-1964), proposed her plan of guaranteed income in a work under the somewhat mysterious title "An opportunity to look at

something in the future" (1943). In this aspect, her name is put alongside the name of Milton Friedman²²⁹. In general, at the beginning of the XXI century, an incomplete bibliography on this topic numbered about 100 names and titles²³⁰.

Meanwhile, ideas concerning guaranteed income are not several centuries but more than two millennia old. In II century BC in ancient Rome, the brothers Tiberius and Kai Gracchi, who was elected people's tribunes, held the so-called (*lex frumentaria*) law of a cheap sale, essentially a state deal, for the sake of providing bread to the plebeians. The law shook the foundations of the existing social system. It ended tragically with an instructive warning to such reformers of all times – the reform was abolished, the brothers Gracchus along with their supporters were killed, the property was confiscated. The public resonance caused by the grace of brothers Gracchus is evidenced by the enormous literature that appeared in the ancient era.

The idea of basic income has been supported at different times and is still supported now by influential figures of Western science and politics – by numerous thinkers, statesmen, economists. The plans for smoothing social inequality were offered by Nobel Prize winners Milton Friedman, John Galbraith, Paul Samuelson, James Tobin. Friedman was the author of the idea of introducing guaranteed income in the form of a so-called negative income tax, which we already had an opportunity to write in the context of the history of ideas²³¹. In the United States, the famous preacher and fighter for civil rights Martin Luther King (1929-1968) was on the side of guaranteed income as a prerequisite of human dignity. A federal "Family Relief Plan" in the form of a guaranteed "cradle to grave" income, entitled "Demogrant" was developed During the presidency of Richard Nixon (1969-1974).

In the national literature, one of the first references to a specific project of providing guaranteed income under the scheme of negative income tax (NPP) refers to 1975²³².

²²⁹ Forget E.L. JULIET RHYS-WILLIAMS AND MILTON FRIEDMAN ON NEGATIVE INCOME TAXES [Internet Resource]. – Mode of access: <https://econ.duke.edu/uploads/assets/Conferences/HISRECO/RT-Forget.pdf>

²³⁰ History of Income Guarantees. [Internet Resource]. – Mode of access: <http://www.basicincome.qut.edu.au/documents/JTEbook9.pdf>

²³¹ Андрущенко В.Л. Финансова думка Заходу в XX столітті: (Теоретична концептуалізація і наукова проблематика державних фінансів). / В.Л. Андрущенко. – Львів: Каменяр, 2000 – С. 57.

²³² Andrushchenko V. "War on poverty" in "society of abundance": hope and disappointment / V. Andrushchenko, V. Fedosov // *Economy of the Soviet Ukraine*. – 1975. – № 2. – P. 76-82.

The authors referred to the original source – the monograph by M. Friedman under the pretentious title "Capitalism and Freedom"²³³. In this book, the project has been certified as a way of combating poverty by providing guaranteed income on the "inverted" scale of a progressive tax on the following principle: the lower the earned income, the greater the budget payment to it. Friedman acknowledges that over the past two centuries the welfare of the population has increased phenomenally (enormously) due to free enterprise. But poverty remains a relative concept even in the West. "Obviously, many people still live in conditions assessed by a materially secured majority as poverty."²³⁴

For these reasons, the way of life rooted in the laws of a market economy is proposed to be replaced by another way. Ideologists of guaranteed income raise the question about changing the paradigm of existence. For some people guarantee of a certain amount of income seems desirable and just blessing, for another it's a chimerical utopian fantasy. Resources for providing guaranteed income have become sufficient at least in the economically prosperous countries because the dream of producing more goods and services than necessary has finally come to fruition in the era of modern capitalism.

It seems that Friedman felt doubtful concerning his proposal. How else can we understand the meaning of his aphorism "Free lunches does not happen"²³⁵? He did not approve of the legend of Robin Hood as a mythical image of the Bolshevik way to "plunder the loot", to gift money of the rich to the poor.

The draft of the negative income tax (NPP) provided that individual income under any circumstances did not fall below a certain level on the following principle – the lower the income, the higher payment of income on the negative scale of rates. The idea was promptly criticized by Henry Hazlitt, a well-known economist and libertarian journalist (Hazlitt, 1894-1993). Due to the administration of a negative income tax through the tax system, the tax unnaturally seems to have turned into a "negative wage", based on the ridicule of Hezlitt. Hezlitt considers NPP to be a false idea, deception (fallacy)²³⁶.

²³³ Friedman M. *Capitalism and Freedom* / Milton Friedman – The University of Chicago Press, 1962. – P. 157–161. [Internet Resource]. – Mode of access: www.pdf-archive.com/2011/12/28/friedman-milton-capitalism-and-freedom/ pdf

²³⁴ Friedman M. *Capitalism and Freedom*. – P. 157.

²³⁵ Economist Milton Friedman: "There's no such thing as a free lunch" [Internet Resource] – Mode of access: <https://static1.squarespace.com/static/1/November+2013.pdf>

²³⁶ Hazlitt H. *Man vs. The Welfare State* / Henry Hazlitt – New Rochelle, NY: Arlington House, 1969. – P. 84 [Internet Resource]. – Mode of access: <http://www.americanrevival.org/read/books/manwelfarestate.pdf>

Apparently, the essence of the NPP is to use the mechanism of income taxation as a means of redistribution of income and wealth. It is enough to show in the tax return income which is below the poverty level in order to receive on a progressive scale of rates a compensation for insufficient income at the expense of taxes paid by more lucrative taxpayers.

The case of a gift guaranteed basic tax on income, as well as mystified to the image of the "negative" tax on income was not confined to theoretical arguments, philanthropic intentions and social reasons. The case has come to practical experiments.

Experiments concerning the basic income. It turned out to be a huge problem to realize tempting at first glance, ideal-humanitarian initiatives in a mercantile world.

The first in bourgeois Europe experience of state philanthropy was unsuccessful. Thus, in 1793, in post-revolutionary France, private charitable institutions were nationalized, and charity was declared the constitutional duty of the state. Such generosity at a stranger's expense, that is, at the expense of fiscal awards from the general mass of taxpayers turned into a bureaucratization of the system and caused the problem of isolating the real poor from insolent asocial parasites. In reality, not the latter suffer from the unfair social system; their true victim is all respectable, solvent members of society.

The historical example and experience of compulsory care for the poor indicate that the so-called Berkshire bread system introduced in England in 1795 only illusively guaranteed the improvement of the material condition of those who are in need. In fact, instead of blessings, it led to a decrease in the level of real wages and other negative phenomena²³⁷.

Local experiments on the introduction of guaranteed income have already been conducted in Alaska (1978), Namibia (2008), as well as in Iran, India, Brazil which were based on the theoretical developments of various social projects. Experiments in the Netherlands, France, and Finland are scheduled for 2016-2017, in this case, unconditional guaranteed income is offered to the population of unconditionally developed and rich countries.

In our opinion, the proposed projects and carried out experiments summarized in a generalized analytical table reveal the asymmetry of arguments. We consider the arguments not in favor of guaranteed basic income to be more convincing. We are not talking about the difficult issue of

²³⁷Gagen V.A. The right of the poor to charity. The history and the current state of the law on the compulsory charity of the poor in Germany, France, and England – V. 1 / Gagan V.A. – SPb Printing house of the society "Public benefit", 1907 – pp. 457-458.

dealing with citizens of the criminal type, delinquent and social behavior: terrorists, recidivists, drug addicts, alcoholics, idlers and the like. Should they also benefit from guaranteed income?

Table 1

Arguments "for" and "against" the guaranteed basic income

<i>Positive: "for"</i>	<i>Negative: "against"</i>
<ul style="list-style-type: none"> - Reduce the concern of citizens about their financial situation; - Promote accessibility of opportunities; - Strengthen the sense of independence and personal responsibility; - Make household more attractive, engage in volunteer activities; - Since everyone is financially supported by all, a sense of solidarity between people is growing; - The system of equal fixed income for everyone is simple and cheap in administration; - Reduce bureaucracy and administrative costs; - The idea of guaranteed income gets the features of the dominant trend (mainstream). 	<ul style="list-style-type: none"> - Encourages people to leave work; - May contribute to the influx of labor migrants; - The system of guaranteed income for everyone is too expensive, it cannot be financed; - Guaranteed income is expedient only for the extremely poor; - How to deal with illegal migrants, criminals, drug addicts, alcoholics? - The dependence of everyone from the state is growing; - Citizens are transformed into lifelong "professional" dependents; - Guaranteed unconditional income violates the principle of remuneration dependence on merit.

Source: Generated and compiled by the author on the basis of several different sources.

Taking into consideration all positive and negative features of unconditional basic income, it is obvious that its main purpose is to replace the amount of several indirect social benefits and existing aids with one direct generalized financial aid. This means the rejection of targeted social aid and the replacement of it with non-directional or all addressable social aid. When the income is allocated to all equally, then the whole bulky and expensive bureaucratic-administrative system of differentiated distribution of social material goods is dismantled as a result. So, in the United States, there are numerous federal programs of social benefits and allowances that could be closed or at least significantly reduced. According to some estimates, the continuous introduction of guaranteed income in the United States will reduce the cost of administering this form of social welfare (public welfare) by 70%.

Idealists of this approach naively expect that if there is a guaranteed income "for daily bread" one will look for work and work "in the heart", which will increase overall economic productivity.

The strongest warning not to introduce guaranteed income is its extremely socially dangerous property to invite, to urge people not to work, to turn potential workers into social parasites.

Concerns about guaranteed income are heard continuously. Thus, the German Bundestag in 2013 gave a negative response to a similar proposal from left-wing parties. The deputies believe not without reason that the unconditional distribution of basic income for working or not working citizens would require the almost complete dismantling of the current tax and pension systems. It is likely that reform will lead to a reduction in labor activity; it will intensify the wave of migration. These and other unwanted consequences can lead to unpredictable social and even political consequences.

The Swiss referendum held in June 2016 was a devastating blow to the hopes of supporters of guaranteed income. Citizens of Switzerland, whether employed or not were offered income in the amount of 2,500 francs a month (2500 dollars, 2250 euros, 60 thousand dollars in hryvnia equivalent). However, the seduction of the nation did not work, 77% of the citizens said no.

Getting a "gift" income (ironic legs because there is nothing free for the society as a whole) does not mean that people get rid of earned and rent sources of income: wages, pledges, dividends, rent, inheritance, income from the individual (family) entrepreneurship and so on. Taxation of all types of income except guaranteed is kept. It is at the expense of these tax revenues that a guaranteed basic income should be financed. So the tax nature of the state remains the same.

M. Friedman, the initiator of a guaranteed income noted the disgraceful political effect caused by his project. After all, a negative income tax (NPP) creates the order under which taxes levied on some people should be spent on the blessing in favor of others. He reminds that both those and others have the right to vote. In this case, there is always the possibility that a successful, more or less prosperous majority will not support the unfortunate minority in its votes, but will vote in their own favor. "I do not see the solution to this problem," Friedman wrote, "except for the self-restraint and the goodwill of the electorate."²³⁸ However, self-restraint and goodwill are a shaky basis in financial matters.

²³⁸ Friedman M. *Capitalism and Freedom* / Milton Friedman. – The University of Chicago Press, 1962. – P 157. [Internet Resource] – Mode of access: www.pdf-archive.com/2011/12/28/friedman-milton-capitalism-and-freedom/ pdf

Before opting out of the NPP, in different states of the USA during 1968-1980 a local experiment was conducted on the introduction of the NPP.

The results were almost totally negative: in experimental social groups there was a decrease in incentives for work, especially among women; the breakup of families grew by half; the number of extramarital children grew; the duration of inactive leisure increased²³⁹. In experimental farms productivity in crop and livestock production has decreased. Hence there was the reduction of yields, the quantity of milk, etc. However, the amount of time spent on studying has somewhat increased.

Concepts of guaranteed (basic) incomes are characterized by a complex of political, social, economic, sociological and even ideological aspects and consequences. In general, the application of the considered forms is monetization and grouping of different programs of struggle with need. A waiver of natural programs of social charity such as unemployment benefits, food stamps, subsidies for housing, communal services, etc. is at the stage of comprehension and experimentation. On the basis of the proposed projects, the total amount of aid of various types should be issued in cash. It's said about the introduction of aid which is not superfluous of those payments that already exist but it should substitute those payments that already exist. The key distribution of income through the labor market is only tried to be supplemented from tax sources and adjusted beyond market mechanisms.

Professor of Warsaw University V.O. Gagen (1874-1930) wrote about the above mentioned Berkshire bread system known under the name Speenhamland Act of 1795 the following words: "This system ceased the workers' desire for frugality, for the care of the future, made them frivolous and indifferent to the improvement of their fate and caused many other sad events".²⁴⁰ Everything can be proved by these words, the medicine turned out to be worse than the disease. According to Paul Samuelson's observation in 1970, half of Americans preferred to earn income over the humiliating for the dignity distribution of money²⁴¹. In 2016, almost 80% of Swiss citizens made a prosecution verdict to a basic income project in a nationwide referendum.

²³⁹ A Retrospective on the Negative Income Tax Experiments [Internet Resource] – Mode of access: <https://www.google.ru/#newwindow=1&q=a+retrospective+on+the+negative+income+tax+experiments>

²⁴⁰ Gagen V.A. The right of the poor to charity The history and the current state of the law on the compulsory charity of the poor in Germany, France, and England – V 1 / Gagen V.A. – SPb Printing house of the society "Public benefit". 1907 – p.458

²⁴¹ Samuelson P. Economics / Paul Samuelson. – 8th ed. – New York et al: McGraw-Hill, 1970. – P 773.

There are still a lot of contradictory assumptions, doubts, ambiguous predictions and guesses concerning the provision of guaranteed income. The valuable legitimacy of the equalizing and charitable foundations of the provision of guaranteed personal income as the dissonance of the mercantile rigor of the private entrepreneurial economy is under question. (The purely private philanthropic initiatives do not raise doubts).

Even the introduction of one or another system of guaranteed basic income will not lead to a particular triumph or to the death of the tax state. The tax state has all chances to survive the test of imaginary free incomes. It's inseparable from the taxes.

The transformation of a non-tax state in the tax-deductible and state-financed loan state is a great achievement of civilization. Great Britain, which was the first to create a full-fledged tax-paying state of the modern type dominated the world arena for a long time. Then the leading roles were passed to other states. Everywhere in the world unchangeable, institutional, fiscal and distribution platform for socio-economic development was established in the format of the tax state.

3.2. Turbulence of the Fiscal Field (Expansion Region) in the Conditions of Instability In Public Finance

Monitoring of the contradictions accumulated in the field of public finances testifies that national fiscal region did not create a single unit in which all functional elements are interconnected. The Ukrainian present realities in the fiscal region are internal inconsistencies in the integral system of budget, debt and tax relations.

It is an instability in legal regulation of fiscal relations, complication of taxes and tax payments administration, violation of economic principles, social justice and equability of the tax load, unsatisfactory resolution of fiscal problems due to distortions in both sectoral and territorial aspects, the negative impact of the political situation in the fiscal region on the national economy state, low level of tax and budgetary disciplines.

The results of the study of these contradictory trends are presented in the monograph.²⁴² The discourse on the evolution of the state institution and the perspectives of preserving its sovereignty in the era of globalization did not receive an unambiguous assessment in the scientific literature. There is only

²⁴² Fiscal space for the sustainable socio-economic development of the state: monograph / Ed. by A.I. Krysovaty. – Ternopil TNEU. 2016. – 332 pp

one thing evident – the world is changing and along with it change the idea of the state role in international economic relations⁴³ in the political, economic and social life of society; "... there a transformation of this traditional form of organization of the world society happens which turns into some new form⁴⁴ of it." Once again in the context of global development retrospective, all this will actualize the search for answers to rhetorical questions: what role is assigned to the state and what should the optimal model of its financial behavior be in the current conditions of global transformations? Does global competition mean the end of national financial policy and the welfare of state (welfare state)?⁴⁵

The relevance of this direction in research is dictated by the fact that the current practice of fiscal space transformation provides convincing evidence that the processes of scientific substantiation of the balanced reforms concept continuing bleak substitute reshuffling in the types of taxes or their individual items. The methodological error is in the fact that Ukraine came again to the necessity of patent finances reform lacking the corresponding socio-economic state doctrine. Inconsistency is manifested in the idea that, on the one hand, the requirement to improve the theoretical and methodological basis of fiscal reforms is declared, and on the other – the transformation efforts of Budget and Tax Codes are undertaken without the development of relevant concepts. In this way, the doubts about the possibilities of solving the contradictions that have accumulated in the fiscal sphere are understandable as well as prevention of their further occurrence.

⁴³ For several centuries since its inception, the state (in its specific form of the national state) has been regarded as the main subject in international economic relations. The regulation of the world economy has been associated with the activities of national governments since they have exercised legal control within their sovereign territories. The most developed nationalizations in a given period largely determined the nature, forms, and mechanisms of international relations. It is entirely justified that the world economy was viewed as a set of interconnected national economies. Trade and the movement of capital in the world economy were literally international [See: Globalization of the world economy: textbook. / Ed. by Dr. Econ. Sciences, prof. M. N. Osmova, PhD. in Econ Sciences, associate professor A.V. Boychenko. – M.: INFRA-M, 2006. – P. 270].

⁴⁴ Shishkov Y. State in the era of globalization / Yury Vitalievich Shishkov // ME and MO. – 2010. – No. 1. – P. 3.

⁴⁵ The welfare state was widespread in Western Europe after the Second World War. The organizational and legal origin of the welfare state is associated with the name of British politician William Beveridge, whose proposals (the Beveridge Plan) became the basis of a number of laws on the state system of medical care and social security in 1942. At the international level, the legal basis for registration and practical development of the welfare state became the decision of the International Labor Organization (Philadelphia, 1944) [For det. see: Андрущенко В.Л. Фінансова думка Заходу в ХХ столітті: (Теоретична концептуалізація і наукова проблематика державних фінансів). / В.Л. Андрущенко. – Львів: Каменяр, 2000. – С 32].

Firstly, the concept of reforming patent finances must clearly identify how the changes should take place exactly. First of all, it concerns fiscal region reforming. Relatively, it can be divided into an evolutionary one, which has no fundamental changes in the short-term plan, but is a further improvement of taxes, first of all, national ones; and revolutionary, which involves simultaneous, profound changes and transformations. Hence the first fundamental question that arises when correction of patent finances in the context of the fiscal region current state, defined conceptual provisions and a critical analysis of global achievements is modern fiscal policy capable of achieving the required efficiency in an evolutionary way, or whether it requires radical transformation. The answer to this question is crucial for the development and application of specific measures as the final phase of methodological design of tax reforms, due to the interdependence of all its components.

Today in Ukraine the issue of the turbulence of the fiscal region is one of the acutest in the economic, social, and political context.

The Ukrainian fiscal policy combines the principles of two fiscal regions, the most characteristic of the world practice – European and American. In this case, if in the European system the taxation of turnover in the form of value-added tax prevails, in the US it is the remunerative principle of taxation load. The complexity of national fiscal policy is determined by the eclectic combination of both these regions with the basic goal of providing the maximum level of fiscal drawings as the main component of the budgetary income part.

Ukraine has been developing experimentally, often making false steps as it does not have sufficient practical experience and scientific substantiation of the formation and implementation of patent finance. To some extent, the introduced taxes and other financial institutions were new in form rather than in content. One way or another they contained labels of an old administrative system based on excessive centralization of the formation process and distribution of state financial resources. This led to the accumulation of budgetary income on account of tax and debenture finances turned away from the process of managing the taxpayers. The unavailability of a universal methodological concept to reform the tactics and strategy of patent finances, which would allow us to calculate the optimal and acceptable level of taxing load (both for the state and for taxpayers), led to nowadays situation, where at low (in comparison with other countries) tax rates, the mess in tax administration dwarfs the provision of economic growth conditions. The main task in this regard is to fill the forms of national fiscal region with the market content, which requires a change in the scheme and in

proportions of distribution and redistribution of gross national product on the basis of a balanced and transparent tax policy that would optimally take into account state fiscal interests, economic interests of the farm business subjects as well as citizens social interests.

General considerations about the role of patent finance in the era of globalization are unproductive if not to consider multi-sides and multilevel of this

problem (it is the main trends in the state evolution in modern globally centered world, about change its functional appropriation in the era of globalization and the role in the regulation of financial processes and social relations in the society, the new role of the state as a member of international financial relations, the modernization of public financial institutions and improvement of public financial management, etc.).

Different trends and economic scientific schools place ambiguous emphasis on the issue of the subject definition of theoretical analysis within the state fiscal policy. Theoretically, the three most commonly used methodological positions can be singled out on which the attempts of a fundamental deepening of the corresponding definitions are based.

The first one concerns the understanding of public finances as an instrument for realizing the financial interests of the state treasury. In this context, public finances are related to state activities and financial decisions on how to finance state expenditures at the expense of taxes and other methods of state financial resources accumulation.

In the traditional sense of macroeconomic dependence public (social) finance is understood as governmental measures aimed at reducing unemployment or inflation through changes in state expenditures, the level of taxation or the mobilization of alternative state incomes or through the simultaneous combination of both. In this context, state incomes and governmental expenditures are the main instruments of public finance which must have a stimulating / expansion character (aimed at maintaining high rates of economic growth and achieving a high level of employment through stimulation of aggregate demand) and restraining / restrictive (focused on the reduction of aggregate demand and lowering inflation).

The fundamental position is that public finances in the broad context should be considered through the prism of making financial decisions as to treasury income and public expenditure, without neglecting the inherent determinants of this policy i.e. public debt as a tool to finance the budget deficit. In the present situation it should be said about a complete segment for the formation of state budget resources.

To outline the defining determinants of public finances at the present stage of European global transformations it is necessary to draw attention to another important methodological aspect. In particular, the fact that global European economic development as a component of a much wider socio-historical evolution is accompanied, on the one hand, by the strengthening of the unity and systemic integrity of the world economy on the basis of deepening of integration processes; on the other hand – in parallel with the processes of global integration the differentiation and disintegration are taking place in the global space. In this context, the features of patent finances are external forms of objective reality reflected in the causal forms of globalization and differentiation.

De jure public finances remain an outpost of the state's economic sovereignty. There are at least such two basic aspects. First, one of the state law principles and the symbol of national sovereignty from the Westphalian Peace time of 1648 is the right of every sovereign state to impose and levy taxes on its territory. Secondly, the basis of economic sovereignty is the budget as an instrument of providing social goods as a financial basis of the state's economic activity and the fulfillment of its core functions. And no matter how intensely the processes of globalization have taken place, as long as there is a budget there is a state, while there is a state there will be a budget. Budget policy traditionally remains a concentrated reflection of the state main functions, and the structure of the budget i.e. its priorities. On the appropriate basis, the mechanisms are implemented to manage patent finances.

First of all, important changes are provided with the fundamental restructuring of macroeconomic regulation mechanisms. If earlier the choice of target benchmarks and regulatory methods was determined solely by the national interests of the country, now it largely depends on the determining dominant of European global development.

And this requires, on the one side, the unification and harmonization of instruments and methods of managing patent finances, since globalization has reduced opportunities for arbitrary and voluntary behavior. On the other hand, in the context of global competition, "... the tax system, the rules of investment activity and budgetary policy have to react more to changes in the parameters of the European economy, which is becoming global."

At this stage of globalization the straightforward major external factors of the public finance formation of Ukraine will be:

²⁴⁶ The State in a Changing World. World Development Report, 1997 / World Bank. – Wash., September 1997. – P. 51.

- the establishment of peace in the East of Ukraine and the termination of the anti-terrorist operation;
- overcoming corruption and compliance with the requirements of the International Financial Institutions that will act as donors and lenders of the Ukrainian state;
- the level of prices for imported gas from the Russian Federation;
- expectations of the results of European integration;
- the pace of recovery of the business activity level of the countries – trade partners of Ukraine and the economic growth of the European economy and, accordingly, the demand for Ukrainian export;
- the physical volume of demand for the main goods of Ukrainian exports in the European market;
- the level and dynamics of prices for the main goods of Ukrainian exports in the European market;
- the dynamics of interest rates in the European financial market, as they determine the intensity and direction of capital flows (primarily of portfolio investment), the financial position of a country with significant external debt, and hence the availability of capital for Ukrainian borrowers;
- the level of volatility of the main reserve currencies (US dollar and Euro), in which foreign debt obligations of Ukraine are denominated.

Today, the global crisis has seized the social sphere and switches to political sphere (hybrid war, worsening of political confrontation on a global scale disruption and problems with refugees). The worst of all is that it is reflected in the society and the crisis passed into the sphere of values and ideology. It is necessary to rethink the global development goals. It is necessary to rebuild the institutions within which the world economy operates. The existing system of international institutions today promotes global chaos rather than the global order. The failure of today's economic theory to build postulates for the practical realization of its main provisions for the effective, non-crisis development of the world economy once again confirms that the future economy needs a new theoretical foundation and the construction of the newest institutions, which in a complex make it possible to coordinate worldwide economies and policies in the context of taking into account national cultural and social characteristics (informal institutions).

The presence of external factors influence and exclusively subjective factors of comparative studies of multidimensional space confirm the relevance of the current situation in a coincidence of developmental circumstances theory, which is based on the normative approach of the new pragmatism.²⁴⁷

²⁴⁷ Kolodko G.V. From the ideology of neo-liberalism to a new pragmatism / G. V. Kolodko // *Economy of Ukraine*. – 2010. – No 9 (578). – P 4-11

Reinterpretation of the concern for a new direction in economic theory to substantiate the essence of public finances in the era of globalization leads to reflection on the refusal of any dogmatism as an intellectual corset, which directs the search for answers to specific questions in a very reciprocal way.

The weakening of fiscal policy as the main instrument for managing patent finances and strengthening the situation in the context of global instability has led to the objective need to put forward new concepts of financial regulation. The issue of the necessity to introduce so-called "budget (fiscal) rules" in the financial practice is increasingly being raised (these are rules/regulations that are approved by law or adopted in the form of a "public agreement" and must become criteria of financial discipline and effective fiscal policy).

The need for adoption of these rules is conditioned by the constantly growing budget deficits, government debt and increased expenditures on public debt servicing, which clearly affects the rates of economic growth and stability of financial systems of both developed and emerging markets. The issue about the possible positive and negative consequences that may arise from the use of these rules in comparison with the flexible (discretionary) fiscal policy that responds more dynamically and adapts to the external economic environment remains set up. In other words, the subject of the debate over the last few decades is the question: which policy is more effective – unified, based on rigid rules, norms and laws, or discretionary, in which the decision on the adoption of certain measures is taken by considering both the goals of national financial policy, of institutional organization of the budgetary process and methods of fiscal policy implementation, and external economic conditions.

Table 1

Types and tools of patent finance management²⁴⁸

Types of management	Tools of patent finance		
	Budgetary taxing		Debt
	On-budget expenditures	Taxation	Borrowings
Expansion / stimulating	grow	decrease	increase
Restrictive / restraining	shorten	increase	reduce

It is becoming increasingly apparent that the budget deficit, like other fiscal parameters (revenues, expenditures, government debt) are important to be considered not only in statics but also in dynamics (such as the formation

²⁴⁸ Made by author

of budget revenues, budget expenditures, financing of budget deficits and debt servicing state obligations) since all of them represent the processes that are interconnected in the course of time with different intensity, coinciding or being different in directions.

The market-leading fiscal gap as the difference (deviation) of the actual main parameters of public finance from the potentially planned occurs as a result of the action of endogenous and exogenous asymmetric shocks/impulses, but the cyclic fiscal gap (deviation of fiscal parameters from a given trend, taking into account the time factor) is a consequence of stochastic oscillations of business activity around the trend.

Regardless the type of asymmetric shock (it can be the shock of supply or demand), as well as on what are the mechanisms of its distribution, asymmetric shocks can occur both inside the country and beyond. In the current global phase of the European economic development, the financial system of any country through trade and financial interactions is exposed to external factors and economic events occurring in other countries and regions. It is important to use econometric models for analytical purposes to calculate not only the endogenous (in the scientific literature we encounter "domestic"²⁴⁹), but also the exogenous (international) component of stochastic conjectural oscillations and cyclic impulses, accordingly. Each of these exogenous impulses or asymmetric shocks spreads in the global economy, changing the fiscal parameters of the financial policy of individual states, and the way of widening depends on the model of socio-economic development of each particular state and the structure of its financial system. Theoretically, the nature of the influence of exogenous stochastic conjectural oscillations and cyclic impulses can be interpreted in different ways:

- First, as some set of common for all countries and simultaneously asymmetric shocks affecting them;
- Secondly, as a set of stochastic conjectural impulses (shocks) that arise in certain countries and extend to other countries after a certain time lag through trading channels and financial markets.

In fact, it is difficult to make a clear distinction between these alternatives, although it is obvious that there are situations in which each of these alternatives plays a major role.

In the context of deepening global fiscal imbalances and aggravation of the financial crisis, the issue of a balanced budget and the sustainability of public finances on this basis is updated. Considering the model of fiscal equilibrium,

²⁴⁹ Saks J.D. Macroeconomics. Global Approach / Jeffrey D. Saks, Felipe Larrin B., Transl. from English ed. by S. M. Movshovich, A. A. Fridman, M. I. Levin. – M.: Delo, 1996. – P. 591.

modern financial science operates by five main concepts of budget balancing, in which the theoretical models of financial decisions are described:

1. The concept of balancing the budget on an annual basis, the essence of which is the necessity for annual budget balancing on a non-deficit basis.

2. The concept of cyclical budget balancing, according to which the budget should be balanced not in the calendar or fiscal year, but throughout the economic cycle. In this case, government borrowing serves as a tool for financing the budget deficit that appears as a result of the tax revenues reduction in the depressed phase of the economic cycle.

3. The concept of an automatically stabilizing economic policy, which involves balancing the budget throughout the entire economic cycle, but the focus is on so-called embedded stabilizers.

4. The concept of a compensation budget, which emphasizes the steadily growing stagnation of the developed countries economy and, consequently, the impossibility of reducing the ever-increasing budget deficit and the complete abandonment of government borrowing.

5. The concept of fiscal consolidation, the scientific interest in which has grown due to the influence of global crisis 2008-2009, and the aggravation of debt problems in Greece, Spain, Ireland and Portugal in 2010.

The basis of the fiscal policy of most countries for the coming years is the idea of ensuring the stability of the budget system by reducing the budget deficit under the condition of fulfilling previously accepted commitments and promoting the innovative development of the economy. Such a correction of fiscal policy is determined by at least two reasons. First, further increases in budget expenditures are contrary to the policy of ensuring financial stability and curbing inflationary processes. Secondly, the burden of social liabilities, which was accumulated in most countries in previous periods, requires their inventory and the maximum allowable reduction, which is shown in the strengthening of the fiscal rules and requirements for the allocation of budgetary funds.

As the practice of developed European countries shows, most of them apply special fiscal rules to achieve fiscal equilibrium and sustainability.²⁵⁰ Summarizing the European experience, the authors of one of the studies

²⁵⁰ Normative and methodological documents in the area of budget policy, the development of long-term budgetary strategies and the achievement of fiscal sustainability were prepared in most countries in the 1990s. For example, the United Kingdom adopted the "Code of Budget Stability" (1997), Australia – "Charter of Budget Justice" (1998), New Zealand – "Act of Fiscal Responsibility" (1994), European Union – "Maastricht Agreement" (Expanded in 1997 in accordance with the "Treaty on Stability and Growth"). [See: Timokhina E. Analysis of the Resilience of the Federal Budget of Russia during the Crisis / E. Timokhina // Issues of Economics. – 2011. – No. 1. – P. 26].

distinguish three main types of rules on this subject that impose restrictions on fiscal policy in order to achieve macroeconomic stability, strengthen financial reliability and confidence in the government's economic policy:²⁵¹

1. Rules that require a balanced budget or limitation of the peak value of the budget deficit (in particular, such forms of fiscal constraints as: full compliance of revenues and expenditures of the budget, i.e. total ban on state borrowing, or limitation of the budget deficit with a certain percentage of GDP; balancing of income and expenditure taking into account the cyclical factor (this also concerns the size of the budget deficit); balancing only current incomes and expenditures (while loans are only allowed for financing investments);

2. Policy on government borrowing (may prohibit government borrowing from domestic sources, the central bank, or restrict these loans to a certain proportion of governmental incomes and expenditures in the past).

3. Rules on the volume of public debt or reserves (may limit the amount of gross (or net) debt in percentage of the gross domestic product; determine the number of reserves of non-budget funds (most often social insurance funds) by a share of annual social benefits).

In unstable foreign market conditions the scale of global fiscal imbalances is naturally rising, but their consequences (effects) vary considerably in different countries both in terms and causes of occurrence and in the regularity and duration of their existence etc. At the analytical level, the asymmetric nature of the effects of fiscal imbalances can be explained at least from the positions of three different points of view.

First, their dynamics and forms of expression (fiscal imbalances) in countries that are largely dependent on foreign trade and external financing are different from those that exist in countries less dependent on the outside world.

In this case, one can observe a greater impact of changeable environmental factors (such as oil and gas prices, currency volatility and unstable exchange rate, dynamics of interest rates in the markets of debt, etc) on the public finances of countries with excessive levels of dependence that is largely due to high foreign economy openness including Ukrainian economy).

Secondly, exporting countries of raw materials and products with a low level of processing are affected by the other types of shocks than the exporting countries of the ready-made high-tech products. As it is known,

²⁵¹ Kopits G. Fiscal Rules / G. Kopits, S. Symansky // Occasional Papers. - 1998. - # 162. - P 20-23.

the amplitude of world commodity prices is much higher than manufacturing industry products, due to both the limited natural resources (e.g. oil and gas) and to insufficient competition in the commodity markets of oligopolistic nature. As to the prices of products with a low level of processing (for example, ferrous and nonferrous metals), their dynamics is largely determined by the world market conditions (in case of deterioration of trade terms there is a sharp decrease in prices of such products).

And finally, the main fiscal parameters (budget incomes and expenditures, budget deficits and public debt) may differ from the target benchmarks as a result of the fact that the forecasts of all major macroeconomic indicators contain a systematic mistake²⁵² that, as a rule, increases under unstable foreign market conditions. World experience shows that different countries in different periods use both conservative forecasting of public finance (in which, for example, forecasts of budget incomes are intentionally underestimated) and optimistic approaches to forecasting the public finances parameters (when the forecasts of budget incomes, on the contrary, are intentionally overestimated)²⁵³. The sustained optimistic forecasts mean that government, by providing short-term political goals or lobby groups pressure, is trying to increase public spending unnecessarily. This leads to a regular excess of statutory budget deficit indicators, that is, to financial discipline weakening.

Analyzing the asymmetric effects of fiscal imbalances, it is important to consider that they are determined by the dynamics of macroeconomic parameters that change under the influence of stochastic conjectural impulses (shocks) and are fundamentally different in their formation. It is advisable to distinguish between three categories of variables.

1. Indicators of the foreign market conditions (export and import prices, dollar and euro cross-rates, interest rate dynamics in the world markets of loan capital, etc.), which acts as exogenous supply shocks (it is important to use the prediction of international organizations and large companies' assessments).

²⁵² The alternation of an underestimation of a certain indicator with its revaluation indicates a random nature of the forecast error, while the prevalence of overestimated or underestimated forecasts indicates their systematic deviation from the actual indicators.

²⁵³ For example, A. Auerbach in his famous work showed that the forecast of federal budget incomes in the United States was systematically underestimated (conservative approach) under President Clinton (1993-1999) and was systematically overstated in 1986-1992. [For details: Auerbach A. On the Performance and Use of Government Revenue Forecasts / A. Auerbach // National Tax Journal. - 1999 - Vol. 52. - No 4].

2. Indicators undergoing a correction, the values of which are largely determined by the decisions of the government and the central bank (although it should be noted that these decisions depend significantly on the values of exogenous variables). First of all, it concerns inflation and the exchange rate. The prediction of such variables should be connected with the assessment of the authorities' reaction (political shocks) for the external conditions change.

3. Derivatives / secondary variables that are mainly determined by a combination of external variables and indicators amenable to correction (e.g., exports or imports, the value of profits and wages, etc.).

Summarizing all mentioned above, we note that the main tendencies of public finances of most states in the medium-term perspective will be determined by asymmetric effects and scenarios of the post-crisis recovery of the European economy and internal asymmetric shocks.

The transformation of macroeconomic policies within structural reforms and globalization that has taken place in the world over the last decade shows the fundamental tendency towards strengthening the institutional mechanisms for implementing a national public finance policy that focuses on efficiency, stability and reducing of vulnerability to external challenges and threats. Rebooting of formal and informal institutions of public finance management today is an integral part of the modern philosophy of state-building.

The theoretical substantiation of the success in the field of globalization of national industries leads to the spread of the experience of introducing a new institutional architecture of macro politics into the field of fiscal policy of public finances and the budget. The absence of specific theoretical postulates clearly defined coordinates for the transformation of taxation, intergovernmental transfers, expenditures, and borrowings leads to new fundamental risks.

It is the availability of new risks and threats referring to long-term sustainability of public finances that deepens the interest in fully updating the institutional design of public finance management.

The realities of modern socio-economic existence indicate that capital will not dictate the conditions to national governments, but developed state bureaucratic machines that manipulate the thoughts of millions will rule the economy. This does not mean that we are going to communism. Private property will remain as the bases of society, but the capital itself is not able to deal with the consequences of global financial crises, illegal immigration or global warming. Solving macro problems of stabilizing in public finances that affect the interests of all without exception, requires restrictions of

individual freedom. In this sense, humanity will move to the future, looking into the past and separating from the liberal dream of absolute freedom.

After the end of the global crisis, the question will not even be about the role of the state in managing the economy, but about solving the classical task of market economy: how the rich must share with the poor, since each time the beginning of a

system crisis concerned redistribution or visibility of redistribution of wealth. Roosevelt's New Course, which brought the United States out of the Great Depression, provided for the redistribution of wealth by the state – increased taxes and social programs allowed to confiscate a part of the profits from large companies and transfer them to the most unprotected layers of the population. At the same time, there was a sharp decline in profits, the companies with hundreds of dollars of profit disappeared, and the share of total wealth in the US, which was in the hands of 1% of the richest households, dropped from 35% in the 1940s to 14% in 2010. The advent of neoliberalism has created the visibility of redistribution of wealth. Against the background of the stagnation of real wages, hired workers were offered a compromise in the form of distribution of shares as bonuses to wages. This also made it possible to find workers to a share of large capital. Such a model due to the growing consumption really could have provoked the crisis decades ago. Realizing the possible threat the United States in the mid-1990s have relied on lending, which allowed to give the population a number of benefits without reducing business profits, but it turned out to be only a temporary solution.

Today, the world stands on the verge of a new round of development of a socially oriented market state. In the short term, the role of the state in managing the economy will increase, but corporations will not want voluntarily feed the workers around the world. Although it is the stable growth of demand that is the basis of a market economy, and without growth in real incomes, it is impossible to increase consumption. Thus, new technologies that allow you to keep on rising profits and salaries or a new "social tax treaty", which will still force the corporations to adapt themselves to the new conditions of redistribution are necessary.

The emergence of new crisis phenomena in the functioning of the Ukrainian economy, which coincided in time with the deepening of the global economic crisis, once again aggravated the problem of finding effective financial instruments to overcome the negative trends in socio-economic development. As it is well known, with the help of public finances, the state can, on the one hand, adjust the capital market overflows, and on the other hand, it can initiate the necessary socio-economic shifts by

providing financial support for budget expenditures. It is only necessary to balance the interests of all participants of redistribution so as to ensure maximum tax revenues with the minimum negative impact of finance on the economic activity of taxpayers. However, it is not easy to implement this in practice, even in a well-developed market economy, and there are a bit of problems concerning tax optimization in countries with just emerging market economies.

One always has to seek creative consensus, which will combine the necessary things with the possible ones, balance conflicting interests of society, and resolve conflicts between the short-term and long-term interests of specific social groups, between the fiscal needs of the center and regions, between taxpayers and recipients of budget funds, between consumers and producers. If potential conflict situations are not mitigated by political instruments, it will be more difficult to find a compromise. Moreover, all or almost all should be satisfied with the achieved results (the redistribution of GDP) approximately in the same way. Only such a compromise can serve as the foundation for building a qualitatively new, long-term social structure.

Fig. 1 will help us to understand how public finances create built-in stability. Government spending is fixed and considered to be independent of GDP. Budget revenues vary with GDP changes. The dependence between the size of state budget resources and GDP is shown by the ascending line of T.

The economic significance of the relationship between budget revenues and GDP becomes evident in the following two aspects:

- taxes reduce costs and aggregate demand;
- from the standpoint of stability, it is desirable to reduce expenditures when the economy goes to inflation and to increase expenditures during a recession.

When in the phase of growth GDP increases, budget revenues increase automatically, and as they reduce spending, they restrain economic growth, that is, if the economy moves to higher GDP, budget revenues are automatically increasing, causing changes in the budget from deficit to surplus and reducing the overall amount of expenses.

Conversely, when GDP decreases in the recession phase, budget revenues are automatically reduced, increasing spending and mitigating the decline. With a decrease in GDP, budget revenues are decreasing and the budget varies from surplus to deficit. In fig. 1 low level of GDP_1 will automatically cause stimulatory fiscal deficit; high rate and, apparently, the inflation rate of GDP_3 will automatically induce a restraining budget surplus.

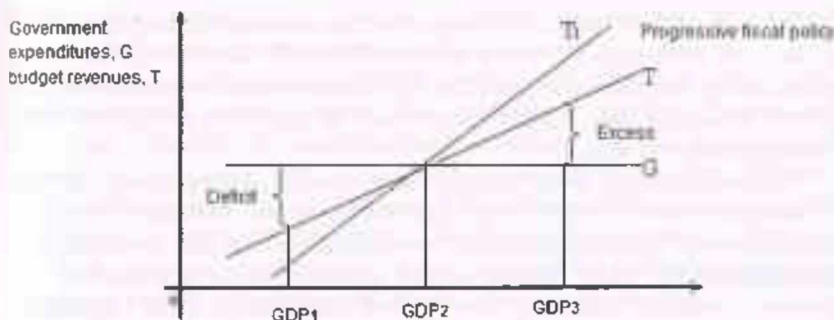


Fig. 1. Built-in stability of the economy²⁵⁴

As it is shown in Fig.1 the scale of automatic budget deficits or surpluses, and consequently, the built-in stability depends on the correspondence of changes in public finances to changes in GDP. If government revenues change dramatically with GDP changes, the tilt of the T line on the graph will be steep and the vertical distance between T and G deficits or surpluses is significant. Conversely, if with GDP changes, the slope of the T line on the graph will be steep and the vertical distance between T and G deficits or surpluses is significant. Conversely, if revenues to the budget do not change significantly in the case of changes in GDP, the slope will be flat, and the built-in stability will be insignificant.

Built-in stability makes it possible to reduce the depth of fluctuations in business activity, but built-in stabilizers can only weaken, but not adjust, significant changes in equilibrium GDP. The adjustment of inflation or recession often requires discretionary fiscal policies, that is, changes in the mechanisms of the formation of budgetary resources and in the organization of fiscal administration.

The fiscal interests are not limited only to the accumulation of funds in favor of the state (this is a narrow interpretation of this concept) since the implementation of state functions is not complete. The process of formation of financial funds provides the state with the resources necessary for the implementation of its functions. The latter one is directly related to expenditures, because it is through expenditures the state "presents" itself to society.

²⁵⁴ Крисоватий А. Податки і фінансова політика. навч. посіб. / А. Крисоватий, А. Лушук – Тернопіль, 2003. – 312 с.

The levy of taxes within the context of state revenues policy not an end in itself of state activity, but a purposeful public institution focused on satisfying the interests of society, that is, taxation should be publicly directed towards financing state expenditures related to the state's fulfillment of the functions entrusted to it.

The problem arises when the economic situation in the country combines a recession with inflation. In this case, it is necessary to apply simultaneously both stimulating and restraining financial instruments, that is, manipulating the state budget should initiate the development of the economy without affecting the growth of prices. The expression "manipulation of public revenues and expenditures" means not a constant change in the rules of the game, but a deliberate adjustment of fiscal policy instruments for achieving social welfare. Subjects to which fiscal actions are directed must have confidence in the main fiscal actions of the state taxation and tax regulation²⁵⁵.

The construction of an optimal management model for public finances requires the study of conceptual foundations, specific forms and methods of their long-term and short-term influence on the development of society. The latter ones must be determined according to the social and economic problems of the state, the possibilities of their solution through the policy of budget revenues and the policy of budgetary regulation and must be focused on historical, national, cultural characteristics, the degree of state participation in economic processes, the development of market relations.

The management of public finances in each country has its own peculiarities due to the fact that it must be influenced by the mentality of society – the centuries-formed consciousness of people. It is not that raising taxes or reducing expenditures in one country will be perceived positively, while in the other it will not.

It concerns forms and methods of manifestation of psychological reaction to fiscal actions of the state. If the national type is characterized as stubborn individualism, the economic agents of the country will resist the actions of the state, protecting their interests as long as possible. This should be borne

²⁵⁵ Strengthening the deterrent effect of tax policy in case of a fund shortage of economic agents encourages the latter ones to reduce the tax base, which leads to the ineffectiveness of fiscal actions about increasing revenues to the state budget. If we take into account that changes in public expenditures have a greater impact on public spending than the corresponding (by volume) changes in taxation, then it should be recognized that the desire to achieve certain results through tax policy requires the state to make monetary injections, and not only creation of favorable conditions for the functioning of economic units

in mind when considering possible prospects for the use of financial instruments to re-run management of public finances.

Mankind entering the twenty-first century led to a new stage in the development of society, which was determined by the dynamic and diversified character of manifestation, disturbing rapid and irreversible changes in the social geopolitical and economic dimension. Objective civilization processes have influenced differently on the parameters of the functioning of national economies, stimulating the formation of a new paradigm of social development of the state as an active participant in intergovernmental competitive interactions in a global dimension.

The processes of deepening economic cooperation between countries, regions, economic entities, which manifested themselves in the strengthening of international flows of goods, services, capital, manpower, led to the awareness of the transformation of spatial organizations in social relations and interactions in all spheres of society's life.

The versatility of the category of "space" and its methodological possibilities of analysis led to the expansion of the spectrum of the categorical essence with the allocation of certain varieties: social, economic, innovation, informational, financial, political, etc. If initially the space was determined predominantly as a homogeneous, then civilization transformations caused a dramatic shift in the understanding of spatial properties towards heterogeneity, thereby proving its ability to form other types of spatial fields and interact with them, characterized by the parameters of placement, length, dynamics and statics, multidimensionality and multi-structure.

The geo-economic space of Ukraine is also gradually shifting to new horizons of civilization development, which give it a new color and shape a new world picture, thereby changing the system of mutual relations both inside the country and abroad through the reformation of many institutions of economic space. The most transformational processes have touched the tax institutes, which, acting as the main regulator of the market economy, are the most effective method of accumulation of incomes in the state budgets, an effective instrument of state influence on the vital activity of society, a means of achieving social consent and public agreement. However, the study of tax institutions has shown that the expected effects of the introduction of their certain constituents are impossible without analyzing the general laws and trends in the functioning of their environment – their fiscal space, which is a kind of derivative, fundamental and universal category of "space", is the concept of knowledge of an important component of the society's functioning in this field.

The history of philosophical and economic thought proves that the essence of space, its nature and the mechanisms of development found its

interpretation in the scholarly works of almost all the well-known thinkers of the past and present. The great philosopher of antiquity, Aristotle understood space as the order of the mutual placement of bodies, and time as an order of substituting each other phenomena. Ancient Greek philosophers Democritus and Epicurus interpreted space as a certain emptiness, in which atoms form a plurality of physical bodies, reflecting the atomistic understanding of the world, which then was found in the works of D. Bruno, G. Galileo, R. Descartes, and I. Newton, incarnated in understanding space as a universal body movement system.

The use of the concept of "space" in an explicit or hidden form can be found in the scholarly works of many theorists, both classics, and contemporaries, who used a spatial approach to define the primary, system-forming function of the system's development. However, the philosophical categories of "space" and "time" still do not have a clear interpretation among scholars, but a common definition of them with a philosophical context was formed in the conceptual apparatus. In the materialist interpretation, "space-time" is regarded as the only form of existence of matter, which "... characterizes its length, structure, coexistence, and interaction of elements in all material systems. Space and time are inextricably linked, their unity manifests itself in the movement and development of matter."²⁵⁶ Thus, space performs a two-way function: it provides the flow of processes and phenomena in the deployment environment and at the same time actively affects them.

The use of this concept in recent years has become particularly popular in the economic literature, but the conceptualization of the economic space cannot be called completed, since the methodological basis for its knowledge and research has not yet been developed. The reason for this is the lack of scientific interest, because "... despite the recognition of the existence of such a space, it was perceived by the vast majority of economists-theorists as a given thing, but the study of its properties, functions, the essence of processes in it, the behavior of economic agents in this space remained beyond the economic theory"²⁵⁷. The precondition of such incompleteness is in understanding the economic processes as linearly defined, predicted and managed ones since orthodox economic theories relied on the following principles: resource constraints, the need for choice, the rationality of behavior, the stability of preferences, methodological

²⁵⁶ Философский энциклопедический словарь / Гл. ред. Л. Ф. Ильичев, П. Н. Федосеев и др. М.: Сов. Энциклопедия, 1983 – С. 541.

²⁵⁷ Бияков О. А. Теория экономического пространства: методологический и региональный аспекты. Издательство Томского университета – 2004 [Internet Resource]. – Mode of access: <http://vrit.kuzstu.ru/books/shelf/book7/index.htm>

individualism, and balance. However, the awareness of the non-linearity of the processes of the development of socio-economic systems, the rethinking of the ideas of entropic growth, the spread of metaphysical approaches in substantiating causal relationships determined the feasibility of finding new ontological horizons.

The elaborations of the German theorist F. von Ratzel were symbolic in the direct interpretation of economic space. In the book "Political Geography" (1897) it was substantiated the organic theory of the state as a living organism. His views were used by another Western theorist R. Chellen, in his treatise "The State as a Form of Life," where it was argued: "... states are born, develop, perish and die, that is, they are forms of life. Their existence complies with the general law of struggle for survival – the struggle for space"⁵ 258. Hence, according to the views of the thinker, the state is a definite form of the economy characterized by a physical-geographical and spatial organism. Fiscal space as a component of the economic space, has a number of properties, the schematic representation of which is given in Figure 2.

<p>Self-reproduction The ability of the system to maintain the balance of the spatial structure by optimal combining of formal and informal components</p>	<p>The recurrence The course of development, distribution and reduction of space in accordance with the phases of the life cycle (economic, political, social, civilizational, institutional transformations)</p>	
<p>Heterogeneity The presence of nonlinear processes that occur in the economic space, or determine the different degree of involvement of subjects of fisc in the system of interactions, and their concentration</p>	<p>PROPERTIES OF FISCAL SPACE</p>	<p>Fractalism The ability of one space, acting as an independent unit, simultaneously enter into other forms of space and accommodate the smaller ones of them in itself, thereby providing spatial unity</p>
<p>Synchronous correction The ongoing process of coordinating the individual and common interests of fiscal space participants with the interests of its other players with subsequent correction of behavior based on the assessment of the level of transaction costs, time and effort expended for meeting needs, access to wealth and resources</p>	<p>Hierarchy The property of the fiscal space, which reflects the complexity and multi levelness of its structure, where a higher hierarchical level has regulatory and corrective influence on the lower levels in accordance with the common principles of construction and functioning</p>	

Fig. 2. Properties of the fiscal space

⁵⁸ Снимщикова Н. К. Некоторые вопросы теории экономического пространства / Н. К. Снимщикова // Теория и практика общественного развития. – Серия: Экономические науки. – 2012. – № 7. – С. 274.

It should be noted that in the professional literature a sufficiently wide range of interpretations of the economic space and its varieties was formed, the concepts of representation of these interpretations can be classified as follows:

- geographic-geopolitical concept that determines the economic space from the point of view of the geographical context, therefore it has the right to exist, but it still looks superficial, since it restricts the concept of space to geographical boundaries, which does not promote the multifaceted interpretation. The extension of this concept was carried out by Russian scientist E. Kochetov, who interpreted the economic space and considered it as a triune substance: geopolitical, geo-economic and geostrategic;

- an information and communication concept that has evolved over the last decade and did not have sufficiently clear methodological contours. It includes the interpretation of the economic space through the information component of economic processes and communications. Proponents of this conceptual approach believe that the economic space is defined by information flows, which, circulating among economic players, determine its boundaries;

- resource concept, which in the terms of economic space pays particular attention to the issue of resource constraints. V. Radaev, an apologist for the resource concept, remarked: "... economic can occur wherever people make a sustainable choice regarding the use of scarce resources."²⁵⁹ According to a more detailed interpretation of this concept, the space is formed: "a) by individuals and legal persons (entities) who, in order to realize their economic needs and economic interests expressing these needs, enter into economic relations; b) by physical and non-physical objects that are the source of economic interests and economic relations".²⁶⁰ The resource concept of the economic space in the methodological sense is partial since it focuses only on the redistribution of resources that the subjects of economic activity have access to, thus leaving the economic process out of sight.

Unfortunately, the resource concept is dominant in the interpretation of the fiscal space, since it is based on the approaches outlined in the reports of the European Bank for Reconstruction and Development²⁶¹ and the World

259 Радаяв В. В. Экономическая социология: курс лекций / В. В. Радаяв – М. : Аспект-Пресс, 1997. – С. 32–33.

²⁶⁰ Чекмарев В. В. К теории экономического пространства / В. В. Чекмарев // Известия Санкт-Петербургского университета экономики и финансов. – 2001. – № 3. – С. 27.

²⁶¹ Налогово-бюджетная политика и экономический рост. Уроки для Восточной Европы и Центральной Азии / под ред. Ш. Грей, Т. Лейн, А. Варудакиса; The international Bank of for reconstruction and development; the World Bank – 2007. – 391 с.

Bank²⁶², in which a methodology was introduced that allowed in the medium and long-term perspective to determine the availability or absence of budgetary reserves in order to attract additional funds to promote economic development.

As a result, the widespread distribution of the given interpretation was the duplication of the approach developed by the experts of the International Monetary Fund and the World Bank. This interpretation defines fiscal space "... as a budgetary reserve that can be used for certain purposes without negative impact on financial positions and economic stability".²⁶³ This concept of fiscal space is widely used by international financial institutions in making decisions concerning the countries in need of financial assistance. As P. Heller points out that the government can create fiscal space by increasing tax revenues, obtaining external grants and credit resources, both internal and external, as well as by reducing less priority spending, under the condition of no probable damage for both macroeconomic stability and sustainability of budget with the possibility of financing state expenditures. In this case, the fundamental factors that may affect its scale are:

▣ changing cost priorities by reducing unproductive ones, which may include reducing of subsidies, military allocations, and wage cuts. At the same time, special attention is paid to production costs, whose reduction of funding may have negative social consequences associated with the unjustified weakening of a particular sector of the economy and the need to invest significant resources for its recovery;

- improving the effectiveness of program implementation, reducing corruption and improving the quality of management, reducing administrative burden and improving cost coordination;

- increasing incomes by expanding the tax base and improving the tax administration system. At the same time, an acceptable level of tax revenues is considered to be 15% of GDP for countries with low incomes;

- increasing the volume of loans, which requires an assessment of the social and economic return on investment;

- monetary- credit expansion, the use of which is the most undesirable measure because of the probable inflationary consequences. The functions of

²⁶² Створення фіскального простору для економічного зростання Огляд державних фінансів України – док. Світового банку / Підрозділ з питань подолання бідності та економічного розвитку; Регіон Європи і Середньої Азії. – 14 верес. 2006 р. – Звіт № 36671 – УА. – 185 с.

²⁶³ Хеллер П. Фискальное пространство – что это такое и как его получить? / П. Хеллер // Финансы и развитие. – 2009. – Июнь. – С. 32.

the state policy in the field of monetary-credit policy should include the creation of sufficient liquidity to support real economic development;

- receiving a large volume of foreign grants is a real instrument of receiving aid to developing countries from the international community. These foreign grants generally have more favorable and acceptable conditions compared to loans;

- a well-balanced macroeconomic policy is an additional stimulus to economic development. Instead, the inability of governments to implement appropriate macroeconomic measures leads to the reduction of IMF support programs.

The philosophical categories of "space" and "time" still do not have a clear interpretation among scholars, but a common definition of the concepts with a bright philosophical context is formed in the conceptual apparatus. In the materialist interpretation, "space-time" is regarded as the only form of the existence of matter, "...that characterizes its length, structure, coexistence, and interaction of elements in all material systems. Space and time are inextricably connected with each other, their unity is shown itself in the movement and development of matter"²⁶⁴.

Thus, the definition of space refers to the fulfillment of a two-fold function: ensuring the flow of processes and phenomena in the environment of deployment, and simultaneously making an active impact on them, does not affect the resource-reserve aspects in any way.

As Russian theorists E. Dyakova and L. Perekrestova point out, the term "capacity" is correct to use terminologically. A set of different meaningful values requires the definition of a number of subordinated concepts, in particular: budget capacity (the possibility of implementing additional costs at a constant rate of budget revenues); budget capacity (actual budget resources); budgetary, financial and tax potential²⁶⁵. The subordination of these concepts and the precise categorical interpretation makes it possible to describe the possibilities of tax revenues growth, non-tax revenues, transfers, and loans more clearly, as well as the use of efficient tools for spending budget funds.

In this context, we agree with the opinion of the national scientist T. Yefimenko: "... the origin of" fiscal space "(fiscal Space) concept is not the theoretical phenomenon, but it is rather based on the needs of the financial

²⁶⁴ Философский энциклопедический словарь / гл. ред. Л. Ф. Ильичев, П. Н. Федосеев и др. – М.: Сов. Энцикл., 1983 – С. 541

²⁶⁵ Перекрестова Л. В., Дьякова Е. Б., Сушкова И. А. Основы концепции регионального фискального пространства // Актуальные вопросы экономических наук. – 2011. – № 22-2. – С. 106-114.

management practices to determine the sources of financial resources for the purposes of development and modernization of the economy ²⁶⁶. The opinion of the Ukrainian scientist O. Laktionova is similar, who believes that such an interpretation of the fiscal space described the "original" approach, which was narrow in its essence. It was still a satisfactory tool for creating a reserve for developed countries of the world, which was conditioned by the need to finance new public investment related to technological development and new threats ²⁶⁷.

We believe that complex processes and complementary interactions that take place at different levels of the fiscal space determine its essence through social existence measurements, with which it is in constant dialectical interconnection. The fiscal space as a derivative of the economic space, in general, is a form of economic phenomena and processes realization that occur as a result of the existence of a certain type interactions carried out in accordance with the established norms, "rules of the game", status roles and interests of the participants. In this context, fiscal interactions are specific forms of interaction between individuals and their groups with the state or state institutions with the regard to the creation, allocation and redistribution of added value, implemented within tax institutions at a certain level of fiscal space, in accordance with the multidimensionality of interaction models, their forms of implementation, status roles, positions and interests of the participants.

Investigating the fiscal space essence allows us to interpret it in the following way:

- according to the ontological approach, as a form of socially-organized matter, reflecting the interaction between existing entities of risk (households – participants in the election process; taxpayers – donors and recipients of public goods; states and institutions with powers delegated on behalf of the state; interstate organizations and unions), by the order of their location in structural and hierarchical networks in accordance with the multidimensionality of status roles, positions and interests;

- according to the substantive approach as the only multidimensional space in which subjects operate and fiscal interactions occur, that are characterized by a certain duration, depth of interpenetration and frequency.

²⁶⁶ Єфименко Т. І. Формування фіскального простору економічних реформ / Т. І. Єфименко // *Фінанси України* – 2011 – № 4 – С. 3 – 25.

²⁶⁷ Лакціонова О. А. Гнучкість фіскальної політики в умовах інклічного розвитку економіки [Електронний ресурс] / О. А. Лакціонова // *БІЗНЕС ІНФОРМ* – 2014 – № 6. [Internet Resource]. – Mode of access: www.business-inform.net.

All participants in fiscal interactions can be represented in a certain classification with the allocation of groups, each of which creates networks and hierarchies, in particular:

- the first group of participants is represented by law-making bodies, which are delegated the right to determine the rules and mechanisms for implementing the Institute of Tax both at the state level, territorial one (territorial community endowed with discretionary powers to set and adjust the tax) and at the international level;

- the second group of participants is represented by individuals, households – recipients of public goods at the territorial, state and global levels;

- the third group of participants – taxpayers in the context of individuals and legal entities that may be taxed on the basis of residence, a source of income, its use, etc .;

- the fourth group of participants – tax agents involved in the process of monitoring the correctness of the calculation, completeness and timely payment of tax obligations of taxpayers (fiscal authorities); they fulfill the tax obligations imposed upon them by the standards of the institute (tax agents);

- the fifth group of participants of the territorial, state and interstate levels, which are endowed with the right to resolve conflicts of interest and tax disputes arising between the participants in the taxation process;

- the sixth group involves other participants and their groups that are indirectly involved in the processes of fiscal interactions. This group includes financial and banking institutions, credit organizations, insurance ones, etc.

Investigation of the institutional essence of taxation proves that it is one of the oldest public institutions, which, having arisen in the early stages of the development of organization social forms, is an indicator of the level of their evolution and depends on objective and subjective preconditions of economic, political and ideological nature, this institute is formed under the influence of a set of formal, informal norms and rules of conduct between participants of interactions.

We understand the formal tax law as the system of legal norms that regulate the behavior of its carriers (participants in public relations), and the mechanisms for its implementation in relation to the transaction of taxpayers' income part to different levels of centralized funds of the state's financial resources to ensure the satisfaction of the interests of various social groups. At the same time, the informal institute of tax is determined by the individual and social character of the manifestation, which, being formed at the level of

the individual in the form of basic patterns (habits, values, interests, preferences, traditions, mechanisms of decision-making, motivations and mental characteristics that determine the type of interaction and its resultant effect), determines its participation as the carrier of the institute in the interactions of a certain type, which, passing through the prism of the system of statuses and roles, are implemented at the social level in the tax behavior and culture of the corresponding type.

Institutes of Taxation can prove themselves as norms, rules of a game, behavioral stereotypes and terms of transactional exchange (fig.3).

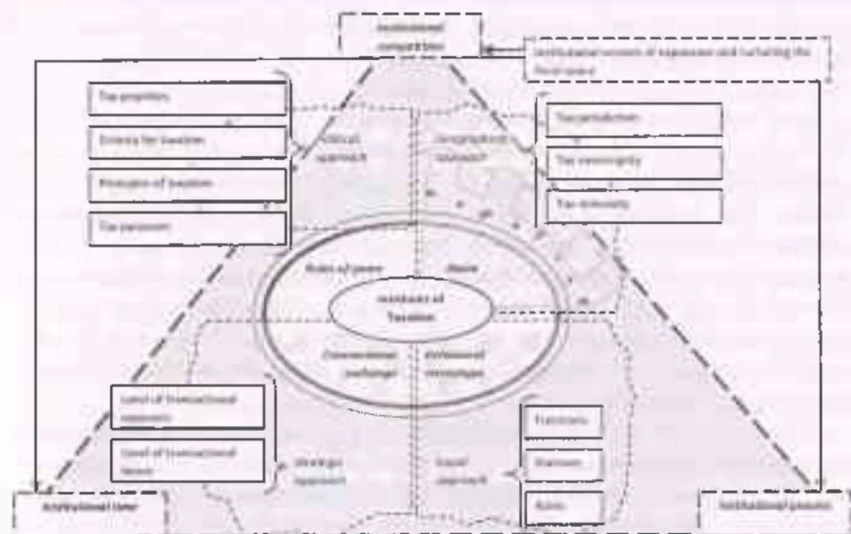


Fig. 3 Structure, elements, and vectors of expansion and curtailing the tax component of fiscal space²⁶⁸

The presentation of Institutes of Taxation as norms refers to geographical approach that predetermines a complete and indivisible right of every country, its parts or unions on establishment and application of corresponding tax laws and norms within a certain border. Principles of taxation, tax system structure and mechanisms of tax policy realization are determined independently by the state (its part or unions of states) and are obligatory on a certain territory.

The amplification of Institutes of Taxation in the country is possible due to tax jurisdiction, tax sovereignty and tax immunity of the state.

Tax jurisdiction of the state is based on sovereign, complete and indivisible right of the state with the aim of forming profitable part of the budget to set taxes and apply norms of tax law for the subjects who carry out economic activity and get profits within unified economic space of the state.

The right of a state to apply the measures of economic and noneconomic constraining in the accumulation of tax payments can spread only within the limits of territorial space of the state and on the taxpayers-resident who carry out their activity outside the state.

An international law recognizes the territorial jurisdiction of the state and the state jurisdiction for persons on the basis of territorial and resident principles. The territorial principle is based on the territorial identity of the subject, taking taxes only from profits on the territory of the state. The resident principle is based on payer's nationality who as a resident of the country, subjects to tax according to all his profits from all sources including foreign. The resident status for individuals is determined by the place of permanent residence or by other similar principles. In the case of legal persons, the resident status is determined by the place of registration, place of business, the location of the main office or other similar principles. In order to determine the person's or subject's submission to tax legislation in a particular country, the International Tax Rules apply the factor of his direct interrelationship with the economy of the state.

The tax sovereignty is shown in the adoption of norms by the state that regulates the definition and amplification of tax jurisdiction; the autonomous and full right of decision-making for the tax principles and priorities establishing; the identification of objects, taxpayers and methods of tax payments. According to the French theorist J. Boden, sovereignty is an indispensable feature of the state. The tax sovereignty can be represented in the supreme authority for determining sources of state incomes; means of coercion, which are intended to provide protection of property interests of the state and forms of state control, which ensures the timeliness of facts that violate state property interests²⁶⁹

In the global economic space, tax sovereignty is a combination of legal norms and legally established rules that govern the mutual obligations of

²⁶⁹ Орлов М. Ю. Налог как форма разумного ограничения фискального суверенитета государства / М. Ю. Орлов // Финансовое право. – 2006. – № 2. – С. 20.

Вдовічена Л. І Податковий суверенітет та податкова юрисдикція держави: співвідношення понять / Л. І Вдовічена // Науковий вісник Чернівецького університету : зб. наук. праць. Вип. 427: Правознавство. – Чернівці: Рута, 2008. – С. 89–94.

States by recognizing for each of them the right to seize legally and forcibly a part of private property for the purpose of free disposal by natural and financial resources; the pursuit of economic activity and democratic involvement into the international economic relations.

The functioning of business entities within the tax systems of several states for which taxes are the main source of financing for public needs is typical in the context of the rapid development of international economic activity. According to the Ukrainian theorist L. Vdovichena, "...due to the development of international trade and globalization of the economy, conflicts of interests of two or more states in the field of taxation is developed more often"²⁷⁰, which are conditioned by the existence of international double taxation. Meanwhile, tax sovereignty and tax jurisdiction, acting as qualitative characteristics of the state as a participant in international relations, contribute to defending their own financial interests on the international level.

Tax immunity is the contumacy to legislative, executive and judicial authorities, jurisdictional regulations on the tax questions of another country.

The interpretation of Institutes of Taxation like a behavioral stereotype conforms to a social approach and is based on a citizen's (who is a taxpayer and the recipient of public benefits at the same time) daily interaction with other citizens and various social groups. As a member of many social groups, an individual occupies a corresponding position, defined by a degree of plugging in various groups, and also a position which is based on the concepts of social status and social role.

If social status is determined by the position of a person or a group in the frame of society, that owns some specific signs for this system, in this case, social role is a model of person's behavior objectively set by a person's social position in the system of social and interpersonal relations. In other words, a social role is a behavior, which is expected from a person that occupies a corresponding social status.

In the opinion of western theorists T. Adorno and K. Khorni, a modern society requires permanent change of the behavior model from a person. Therefore the usual phenomenon in modern society is role-played conflicts that arise up in situations, when a simultaneous implementation of few roles with opposite requirements is demanded from a person, in particular, a taxpayer and a recipient of social benefits.

²⁷⁰ Вдовічена Л. І. Податковий суверенітет та податкова юрисдикція держави: співвідношення понять / Л. І. Вдовічена // Науковий вісник Чернівецького університету : зб. наук. праць. Вип. 427: Правознавство. – Чернівці: Рута, 2008. – С. 89–94.

Social status and role are definitely two parties of one phenomenon: if the status is a totality of rights, privileges, and duties, then, the role is an action within the limits of these totalities and duties. Therefore the fiscal role of taxation subject consists of role-play expectation and implementation of this role.

The presentation of Institutes of Taxation as the rules of the game makes actual the political approach. It pays great attention to the elements of tax politics realization and tax doctrine within the limits of fiscal space concrete, in particular at the level of a state, its territory (under the condition that the territorial government bodies are conferred the right to set and realize the tax politics) and the state's association.

According to above-mentioned approach, fiscal space is understood as:

1. The space of economic subjects interaction;
2. The space structured by statuses of economic agents, their groups and the order of priority of their social positions;
3. The place of economic subjects location, the place of their interaction realization, the sphere of the fight for access to the original goods and resources that are contained in this space;
4. The totality of relations (connections, interactions), in which a person enters, the persons' groups and a society, type of which determines the parameters of expansion and contraction of fiscal space.

The verification of institutes of taxation like a regulator of transactional exchange conforms largely to the strategic approach. The transactional exchange is determined by transactional expenses and transactional losses. The transactional expenses represent the necessity of funding, which is paid by economic agents for providing the functioning of the Institute of taxation; as a result, the citizens get from the state the transactional original goods: social and public goods, money system, property warrants, personal safety and others.

Transactional losses are the leakages, which economic agents suffer as a result of institutional dysfunctions existence in all their forms and varieties. These losses were caused by: the inefficiency of legislative decisions acceptance in the taxation; the stowage of unreal estimates of future tax flows; the inconsistency of functioning fiscal structures; the ineffective defense of transactions and methods of their realization by one of the agents or the abandonment from the participating in them (for example through the existence of the considerable corruption); the losses as a result of interests conflict development and others. Through the estimating of separate fiscal space efficiency, subjects of taxation analyze not only the level of

transactional charges but also the transactional losses which were caused by dysfunction of separate public institutes, including institutes of taxation.

Transactional approach due to which subjects are constantly in the process of "benefit-loss" estimation, allows forming an alternative vision of institutional transformations processes and allows explaining a choice of evolutionary alternatives of development on the basis of descriptions of choice of the most effective public standards and norms of co-operation. Exactly this approach as a methodological embodiment of the "invisible hand of the market" principle allows proving the existence of seemingly unrelated processes, which are based on the same consistent pattern. Its essence reduces the existence of fiscal space, in which "conditionally guaranteed" minimum transaction costs, time expenditures and efforts establish advantages in the implementation of benefits and interests of entities. Their guarantees of existence predetermine the deliberate changeover of economic, personal, social potential, income and resources from some levels and fields of space to others, similar to processes of diffusion in chemical or physical systems.

Similarly of physical systems, in which the transfer of fundamental particles of different nature is predetermined by the chaotic thermal motion of molecules in space, resulting in a certain concentration of them, and also in economic systems, the special activation of economic interactions is possible when institutions provide the basis for an efficient, profitable exchange. In the early primitive societies, sides exchange followed certain conditions that do not require the use of control and enforcement institutions, and transaction costs were generally absent. In a non-personalized exchange, the welfare of individuals depends on the effectiveness of the exchange in space and time, and institutional constraints determine the individual's freedom, form a system of formal and informal constraints and a set of permitted alternatives for different contexts.

The transaction exchange configurations are determined by its intensity, the scale of transaction losses and externalities, the presence of which, based on the principles of agglomeration, forms the poles and growth points of a certain type of fiscal space. Fiscal space, depending on the spatiotemporal date and the distribution spectrum, can be global, interstate, state and local, each of which is characterized by tendencies of expansion and collapse. The curtailment of fiscal space of a state is due to the institution's dysfunction; the suspension of fulfillment the established and defined tasks. At the same time, the complete elimination of separate tax institutes is impossible, as it is conditioned by the stable, long-lasting nature of existence, by the "institutional memory", which directly depends on the peculiarities of the

previous development. Even with the suspension of fulfillment a separate institution, its influence persists in the institutional space as an experience that potentially exists in it and possesses the ability to self-renewal in certain conditions.

Of course, any actions to ensure the functioning of fiscal space is a quite difficult task, even for countries with the developed market economy. The promotion of fiscal continuum processes predetermines the necessity of considering a large number of factors and the continuous monitoring of probable risks and threats, the analysis of effectiveness level of the implemented measures of influence, and the assessment of formal institutions correspondence to socio-economic development trends. Therefore, the system of measures of expanding fiscal space should focus on the qualitative improvement of fiscal interactions. It should include the system of measures to minimize transaction costs and entities' losses, the revenue from the ownership rights to assets which will ensure the growth of national wealth, the positive dynamics of macroeconomic indicators and the level of public institutions competitiveness.

The current economic theory allows engaging in a discussion about the policy of centralization or decentralization of public finances, which is carried out by the state. Entrepreneurs and their supporters in the legislature argued about the unacceptably high rates of nationalization of GDP; fiscal authorities and government representatives argued that its size is quite normal, and the further significant decrease is simply impossible due to the hopelessness of reducing the expenditures of the budget; representatives of local authorities reported about the excessive centralization of budgetary resources and the inefficiencies in the policy of intergovernmental transfers.

Is a fiscal space in Ukraine centralized? What hinders the construction of an efficient financial system in our country under the conditions of decentralization? Why can not public authorities and business find a reasonable compromise?

In the early 80s, the American economist Arthur Laffer singled out insignificant disputes about public finances. This logic was so clear, and the argumentation of the new theory was so flawless that it was adopted by the administration of Ronald Reagan. Moreover, the ideology of the Laffer curve became the theoretical basis for the new US financial and economic policy i.e. Reaganomics. However, the attempts of its practical implementation led to a negative result: the liberal financial policy was not able to solve the budget problems of the country. Of course, all these years, theorists continued to build economic models due to a fiscal factor, which were not useful in practice. Researches also understood that the main thing was to

identify the maximum point on the Laffer curve and to determine the actual level of GDP nationalization was based according to this point (left or right). Meanwhile, Ukrainian reformers carried out experiments with the national financial system.

Recently, it became clear that the concept of A. Laffer fiscal curve lacks methodological and theoretical inferiority support²¹. Now the new question arises. The producer with his attitude to the growth or decline of the GDP is the most important part of public finance. The dependence between the volume of production and the total amount of public finances is caused by the so-called production curve, which in most cases should have a parabolic form with a corresponding point of maximum.

The value of nationalization of GDP is the volume of production and tax burden, and therefore, the fiscal curve is a derivative of the received production curve. In other words, everything depends on the manufacturer's reaction, and the budget replenishment is a peculiar technological process.

Schematically this process is shown in Fig. 4.

At first glance, it seems that consideration of two curves changes Laffer's original concept. However, this is not the case. The matter is that the points of optimal nationalization of GDP on the two curves do not coincide and there are always some differences between them. This discrepancy is that a new element which is absent in the classical Laffer theory. There is a profound contradiction between the functions of the state's financial policy in this fiscal zone. Accordingly, the actual value of the indicator of GDP nationalization getting into a "zone of fiscal contradictions" means that the producer is no longer able to sustain such level of state financial expansion and goes into a production recession, and the budget, despite the difficulties of the producer, continues to "fat" increase. The real problem of any national financial policy lies in the fact that the actual value of the indicator of GDP nationalization all the time tends to fall into the "zone of fiscal contradictions."

²¹ See in details: Балацкий Е. В. Анализ влияния налоговой нагрузки на экономический рост с помощью производственно-институциональных функций / Е. В. Балацкий // Проблемы прогнозирования. – 2003. – № 2; Балацкий Е. В. Инвариантность фискальных точек Лаффера / Е. В. Балацкий // Мировая экономика и международные отношения. – 2003. – № 6; Балацкий Е. В. Оценка влияния налоговых инструментов на экономический рост / Е. В. Балацкий // Проблемы прогнозирования – 2004. – № 4.

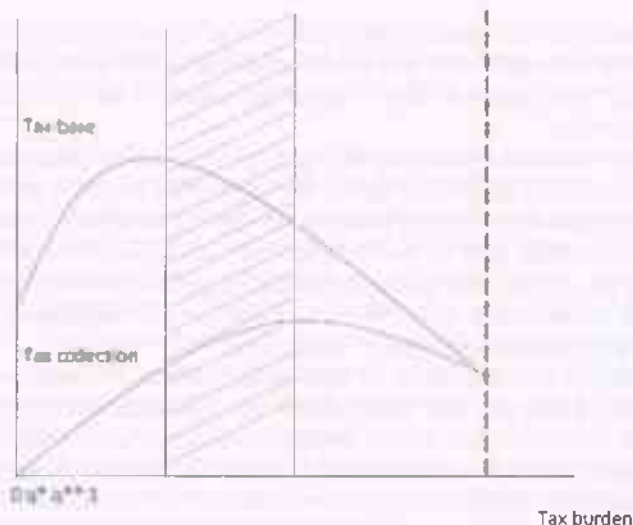


Fig. 4. Mutual location of production and fiscal curves

Note. q^* and q^{**} are Laffer points of the 1st and 2nd kind.

What does this understanding of co-operation between economic growth and fiscal removals in the nationalization of GDP mean?

Firstly, it finally dispels illusions about the possibility of creating an optimal public finance policy. This simply does not exist. The decision to change the level of public finances is taken either in favor of the manufacturer or in favor of the state or local budget. There are no compromises.

Secondly, it leads to a completely new understanding of the effectiveness of fiscal policy, an indicator of which is the width of "zone of fiscal contradictions", and is determined by the distance between two critical points on the production and fiscal curves. The larger width of this zone the greater is the antagonism between the functions of the financial system of the country, and there are less chances to eliminate this antagonism.

The world experience of state formation confirms that even the most sophisticated analysis of the state differences concerning public finances, their amount and method of exemption does not lead to the discovery of "philosophical stone" of the national financial system, understanding its successes and failures. Perhaps it makes sense to focus attention on the specificity of the mentality and the reaction of the national manufacturer,

representatives of central government and local communities on the changes in public finances.

The econometric calculations of Ukraine and the United States, excepting the actual GDP nationalization indicator, have allowed identifying two critical points beyond which the collapse of production and budget begin²⁷².

In the USA "zone of fiscal contradictions" was about one percentage point. Such a discrepancy lies within the usual statistical error. This means that the response of public finances in the USA to the GDP nationalization changes is almost entirely identical to the producer's reaction, and therefore any "overlapping of the valve" to the producer through fiscal pressure automatically worsens the country's budget positions. An example of this synchronism in two macroeconomic indicators movement is the "failed" 2008 when the US GDP growth rate at current prices amounted to 1.2%, and fiscal payments – 1.0%. However, taking into account the consumer price index, the real GDP drop was 1%, while fiscal payments were 0.7%. Thus, the US financial system has an extremely high sensitivity to production dynamics. In other words, the volume of the US budget depends not so much on the number of fiscal exemptions, but on the amount of the taxable base. So, the public finances of the country decrease as soon as, the production declines and taxable base reduces.

This fact has a great importance. The matter is that the compressing of the "zone of fiscal contradictions" into a negligible one indicates a high degree of harmonization of public finances and producers interests. Accordingly, the antagonism between the functions of financial policy is almost completely removed. In other words, there is a principle in the United States: what is bad (good) for the producer, it is bad (good) for public finances of the country. Of course, in such situation, the choice of an effective rate of GDP nationalization is greatly simplified, as the state no longer has to carry out a rather complicated "double" link between the interests of producers and the consolidated budget. The scientific postulates, which are corroborated by American experience, prove the falsity of tax reform vectors, which are based only on manipulating of tax rates. The government of Ukraine in its forecasts needs to focus only on the producers and representatives of central and local authorities' mental reaction.

The "zone of fiscal contradictions" in Ukraine was 5 percentage points, that is, 5 times more than in the United States. This magnitude unequivocally

²⁷² All data are additional to the scientific work: Балацкий Е. В. Оценка влияния налоговых инструментов на экономический рост / Е. В. Балацкий // Проблемы прогнозирования». – 2004. – № 4.

indicates a peculiar conflict between production and budget criteria for optimizing fiscal burden. This is, perhaps, a profound difference between the economies of Ukraine and the USA. If in the USA the productive interests of business and the financial interests of the state form a certain organic unity of reference points as to the optimal amount of GDP nationalization, then in Ukraine there is an irreconcilable confrontation: what it is good for public finances, it is bad for the producer, and vice versa.

It is clear that in such case it is impossible to set up a rational way of the financial system of the state. Nor manipulations with the size of tax rates, with the mechanism of tax administration and with the reformatting indicators of intergovernmental transfers will not solve the problem. This is evidenced by the size of fiscal burden, which was even lower in certain periods in Ukraine than in the USA (excluding the single social contribution), and in other years was not much higher. Thus, from this point of view, the theoretical situation with public finances in Ukraine can be qualified as quite acceptable. However, this did not change the main outcome of the development: the existence of a conflict in Ukraine between national interests represented by the state budget, centralized funds of the state, the local budgets and the interests of the national producer, which was not resolved in 2015, when the top management from business was involved to the financial authorities of the state.

All above mentioned information puts a logical question: how did the US succeed in creating such an effective financial system and, indeed, why Ukraine is unsuccessful this process? What prevents this? Who is to blame, that the business does not move from a dead point more than 20 years?

In fact, the problem is not only and even not so much in the legislative and executive power and its competence, as in the behavior of the producer himself. The matter is that the presence of a broad "zone of fiscal contradictions" indicates some inhibition of the domestic producer's mentality, which is extremely variegated: from oligarchs to small business entrepreneurs. For example, the excess of fiscal burden in the US economy that the producer is able to withstand is signaling the business about an unfavorable fiscal climate, after which such a decline in production begins, that cannot be compensated by an increase of fiscal burden. It is this uncompromising position of the American producer that does not give the American authorities any alternative in shaping a reasonable fiscal strategy. In Ukraine, a decline of output in a similar situation is easy to block by a slight increase of taxes as it is weak. It seems that even when the amplitude of the fiscal burden reaches its peak, the national producer continues to hope for something and work almost in the previous regime. And even when the

tax burden is reduced to a minimum, business always avoids paying taxes by both legally and illegally. It is hardly surprising that against such an indifferent business, the financial system of the state always has trump cards and does not dare to use them. The topic about the origins and causes of such fiscal tolerance and the mentality of the Ukrainian producer suggests a deeper analysis than an economic one as they lie in the history and psychology of the Ukrainian people, as well as in the imperfection of the property institution created in previous years.

Let's make a tiny but important methodological remark. The matter is that all the statements are based on the observation of such statistical aggregates as GDP, budget resources of the state and local budgets. However, we cannot diagnose the direct cause of GDP reduction when changing its nationalization index.

Here are two possible alternatives. The first one is the output of products which is really decreasing due to the drop of producer's entrepreneur motives. Such effect can be achieved, in particular, with the export of private capital. The second is the output of products which is reduced only on paper (in statistical reporting), but in reality, it may even growth due to the increase of shadow turnover share. To determine what exactly happened in the country, additional scales are needed for the shadow sector. However, in any case, it does not matter much about this issue – it does not still receive the corresponding tax revenues for the budget of the country.

Of course, it would be wrong to put the blame of the state fiscal failures only on the producer. The conflict is always guilty on both sides. The bodies of fiscal power, both central and local, contribute to the plundering of the Ukrainian economy. Nowadays, in the national statistics, there are indicators such as the arrears of taxes in the consolidated budget and arrears of VAT refunds. These are the money that business entities had to pay but did not do it; or the money that would have to be returned to the business to replenish working capital. These "small" financial indicators make it possible to revise radically the policy of Ukrainian financial authorities. Their addition to or subtraction from the actual level of GDP nationalization allows us to estimate the nominal fiscal burden, which gives an idea of how much the state has accumulated in the budgets as a result of the GDP distribution and redistribution.

Thus, the construction of an efficient financial system in Ukraine is blocked by ideological and psychological unpreparedness of both the producer, central and local authorities, as well as the reluctance or unconsciousness of the necessity "to narrow zone of fiscal contradictions." As public finances are simultaneously the financial, economic, philosophical

and psychological categories, this situation can only change if the mentality is socialized on the basis of awareness the necessity of the share of GDP nationalization and the perception of responsibility for the tax prices of public goods and transfer payments. It is inappropriate to hope for quick changes in this process, as ideology and psychology do not change rapidly. But if we want to carry out reforms, we need to move in this direction.

3.3. Dialectics of Riskiness of Tax System Development of Ukraine

Objective necessity of Ukraine, which has taken the path of tax reform, is a clear choice of trajectories in tax system development, which will be based on the results of risks analysis in the field of taxation. Problems of riskiness development in the tax system of Ukraine are specific. On the one hand, negative trends are related to the general model of economic development, opportunities for economic reforms and the aggravation of the financial crisis, on the other – the instability of taxation is characterized by internal contradictions of tax system formation, functioning, and development.

Conducting market transformation without clear economic doctrine in the political confrontation generates a significant increase of riskiness of tax system development. Management in the field of taxation and decision-making is carried out under conditions of conflict, the actions of destabilizing factors and their risks. Through their influence realities of using the tax, mechanism do not flatten the structural deformation of social and economic system functioning and do not help to create optimal conditions for the completion of its market transformation that has the negative impact on macroeconomic indicators.

The importance of the risks impact on the stability and efficiency of the tax system has led to the objective need for their identification, evaluation, and minimization. Then the important task of dialectic knowledge of riskiness of the tax system development and the development of the tax risks theory in the methodological and conceptual aspects was facing the financial science for an adequate solution of a set of practical tasks arising in the process of tax reform.

An important contribution to the formation of methodological conception of riskiness in the field of taxation was made by the representative of the scientific school of Public Finance, Doctor of Economics, Professor of Ternopil National Economic University O. Desyatnyuk. Her monograph "The monitoring of tax risks: Theory and Practice" and numerous scientific publications are devoted to theoretical generalization and new solution of the

scientific problem that manifests itself in determining the social and economic essence of the tax system riskiness, the development of the concept based on riskiness in the field of taxation, methodological dominant source of monitoring and management of tax risks, the formation of preventing vectors and minimization of risks of tax system development.

Social and economic point of the tax system riskiness lies in the manifestation of the dialectical objective and subjective structure of the uncertainty of its formation and development, and the characteristic features of perception by the subjects of the tax legal relations of the objectively available problems of choice and conflict, immanent processes of management, decision-making in the field of taxation, execution of tax laws burdened with possible external threats and unused opportunities. The dominant of riskiness in taxation is the category of uncertainty, whose objectivity is based on the existence of uncertainty in this area, with such features as the problem of choice and the availability of alternatives in the process of tax policy formation and implementation; the impossibility of an objective assessment of the results of functioning and prediction of the consequences of reforming the tax system through deliberate distortion of data on its real state in order to improve the reporting indicators; contradictory processes in the tax environment that manifest themselves in the conflict of interests of the state, taxpayers and citizens, collision of the opposing objectives of tax subjects and inconsistencies in the management system; threats and dangers that violate the balance state of tax security, which is defined as the protection of tax entities' interests at all levels of tax relations and the provision of the state with tax revenues sufficient to meet their own needs and fulfill their existing obligations to society; the lack of comprehensive and objective information at the time of evaluation and decision-making through the existence of asymmetry of information, as well as the concealment of its share in the conditions of economic shading and tax evasion. The subjective aspect of uncertainty is a differentiated attitude to the risks of government bodies' representatives, taxpayers, and citizens, which affects their psychological and professional ability to make specific decisions. These features of dialectical objective and subjective structure of risk manifestation in the tax environment, the author sees as the basis for creating social and economic nature of tax system riskiness (fig. 1).

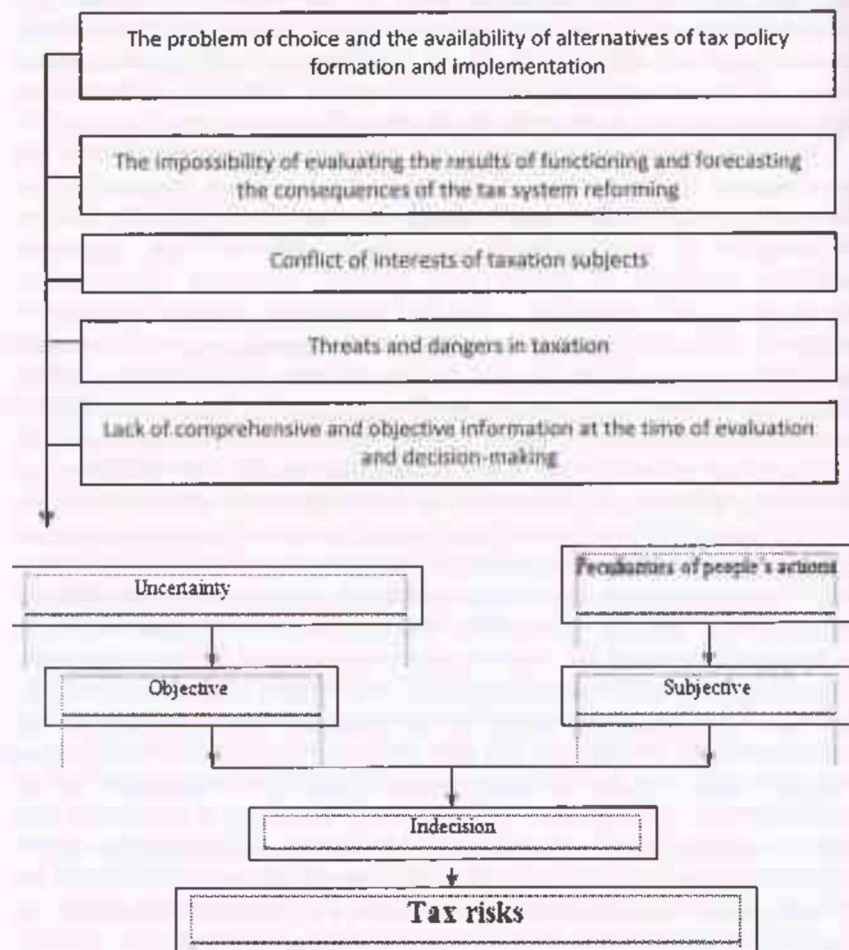


Fig. 1. Signs of the taxation risk

Therefore, it may be suggested an essentially generalized definition of risk assessment as the possibility of negative economic and social consequences because of the inefficiency of tax area construction and operation under the influence of objective and subjective factors of its development in conditions of uncertainty of environment, which makes it possible to form a concept of any specific risks in the tax environment by going through from general to specific ones. This definition is based on

dialectics of ontological, epistemological and etymological areas for "risk" category and knowledge of the scientific paradigm of tax theory formation. The basis for intellectual knowledge of ontological content of this definition, the author considers the approaches of the classical theory, according to which risks are defined as the probability of receiving the losses and unforeseen expenses as a result of the chosen decision or strategy of activity, and, to establish its etymological origin – the approaches of neoclassical theory, because the risks of taxation exist in those situations of uncertainty that are accompanied by negative consequences. To clarify the epistemological methods of research, the scientist considered two features of identifying the tax risks: first, the existence of the possibility of calculating the probability of obtaining a particular result in the tax environment and, secondly, the manifestation of uncertainty in which this probability cannot be determined. As tax risks have the ability to simultaneously exist in both of these situations, their content is defined as a possibility.

In each component of the tax mechanism, the risks that simultaneously increase its riskiness and affect the growth of the risks of the tax system functioning may be there, the tax policies implementation and the activities in the field of taxation, as well as and, therefore, the risk of the latter as a whole. This process is reversible and, moreover, the tax sector riskiness is influenced by external risks that are independent of it, and caused by uncertain economic, political and social conditions in which tax activities are carried out and the dynamics of which it takes into account.

This approach allows us to simulate the mutuality and interdependence of the taxation risks (Fig. 2).

The classification of tax risks is proposed to be carried out in quantitative and qualitative criteria, which allowed to form a functional feature of the classification, which distinguishes the general social risks caused by exposure to the tax system factors beyond its social and economic life risks, and tax risks related to the activity or inactivity of economic entities in this area and the tax mechanism functioning, which create in their own environment only inherent for the variety of risks.

As in the field of taxation, risks are caused by the activities of all participants in the tax legal relationship, the scientist made their further distribution by the subjects of risks. The isolation of the functional feature of the classification allowed forming the social and economic content of tax risks, as the possibility of the emergence of rejection for the tax sphere economic consequences due to the ineffectiveness of tax mechanism

construction and functioning, tactics or strategy of tax activities and the committing offenses in the field of taxation. This definition takes into account the nature of this phenomenon and the possibility of its detection, both at the micro and at the macro level.

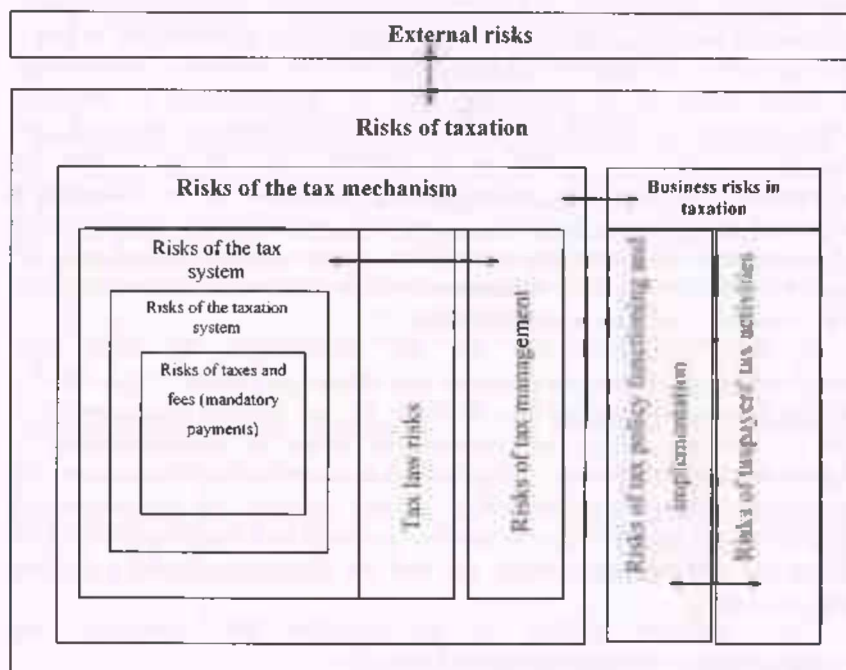


Fig.2. Model of risks mutuality and interdependence in taxation

The substantiation of the philosophy of dependence and the causal relationships of the tax system and risks enables to form the theoretical foundations of the riskiness concept in the field of taxation. Its basis is the theoretical model construction that takes into account the in-depth nature of all the components of this science and their interaction with the tax environment. It is based on the formation of initial positions for determining the sources, the nature and methods of studying the taxation risks, the conceptual apparatus for the interpretation of their objects and subjects, the systematization of the features of classification and scientific postulates on the riskiness of the tax environment (Table 1).

**Theoretical model of riskology formation
in the field of taxation ***

Components of riskology	The essence of taxation
<i>Etymological source of taxation risks</i>	Situations of uncertainty that are accompanied by negative consequences
<i>Ontological essence of taxation risks</i>	the possibility of negative economic and social consequences for the tax sphere due to the ineffectiveness of its construction and functioning under the influence of objective and subjective development factors under conditions of the uncertainty of the external environment
<i>Epistemology of the study</i>	General methodological positions of the theory of measurements taking into account probabilistic processes occurring in the field of taxation
<i>The object of tax risk</i>	The sphere of taxation, the effectiveness of the construction and functioning of elements which cannot be foreseen in advance in exhaustive completeness and with the necessary exactness
<i>Subjects of taxation risks</i>	Subjects of tax relations (state, state tax service, and taxpayers) and other bodies, each of which has the appropriate competence regarding the object of risks
<i>Sources of taxation risk</i>	Factors of external and internal character, together with moral and psychological peculiarities of subjects of tax legal relations, which cause uncertainty and conflict in the field of taxation
<i>Signs of classification</i>	Quantitative criterion: - acceptable risk; - critical risk; - disastrous risk. Qualitative criterion: - for the effects of the risk; - by the time of occurrence; - by functional features

The conceptual approach is that the most common aspects of the tax system riskiness are considered and learned on the basis of materialist dialectics as a whole and directly through the interconnection and interaction with the risks inherent in all elements of the taxation sphere.

The clarification of the causal relationship between the tax system and the risks and their interdependence allows forming a system of postulates concerning tax risks:

1. All the elements and structural components of taxation are covered by risks, they are typical for all subjects of tax legal relationships without exception. The tax risks are not an accidental consequence of the activity, but the objective reality of the tax system functioning, which is being developed in an environment that is constantly being transformed.

2. The objectivity of the tax risks manifestation is based on the existence of uncertainty in the tax area caused by the problems of selection, the availability of alternatives, the impossibility of evaluating the reform functioning and consequences, conflict of interest, threat and danger, lack of comprehensive information at the time of evaluation and decision making, etc.

3. The subjectivity of the tax risks manifestation is related to the goals and decisions of the subjects of the tax legal relations, whereas the risks do not exist without regard to those entities which have their own interest in the tax system functioning and development.

4. Risks of taxation are directed towards the future. They are burdened with planning, forecasting, foresight, expected results because the tax sector development cannot be predicted exhaustively.

Thus, it is proved that the basis of the development of the riskiness concept in the field of taxation is the study of the direct dependence of the causative relationships of the tax system and the risks.

Theoretical and methodological tools for studying the tax system risks are methods of economic analysis, which are used by the neoclassical economic theory and the theory of social choice. Consideration of the initial positions of these areas of economic science allowed the scientist to form a general model of the economic behavior of the tax risk subjects. This model is based on hypotheses: available relevant alternatives and opportunities of the state, tax authorities and taxpayers; the given changes of external conditions of activity to which they are adapted; incomplete information on evaluating your own benefits and costs; maximum personal benefit and methodological individualism, according to which each of these subjects, under conditions of uncertainty, is a capable unit that takes the appropriate optimal decision and acts in its own interests.

The systematization of sources of taxation risks allows to allocate the factor complexes that determine the risks and take into account, first, the causes of their occurrence as the inalienable objective properties of the tax system functioning, which form the basis of its uncertainty, and, secondly, factors, as changing circumstances that affect the level of this uncertainty, contribute to the emergence of risks and increase the causality of the taxation riskiness. In this context, considering the objective and subjective nature of

the tax system riskiness, the depth and reliability of the reflection of its causality depend on the level of knowledge of the ideological, legal, economic and moral characteristics of the tax environment. Factors of the same risks are the processes, actions, and events that have a corresponding effect on the level of state of uncertainty in the field of taxation. They are the factors that characterize the operating conditions of the functioning of this sphere or its external environment, which contribute to the manifestation of the causes of riskiness. Some of them operate on the general level and reflect the shortcomings associated with the crisis state of the economy, others are caused by the specific features of the tax system development and the activities of tax legal entities. Thus, the disadvantages of the social and economic, organizational, managerial and regulatory nature as a whole are those factors of the risks that affect the level of uncertainty in the field of taxation and contribute to the growth of the final riskiness. They form the factor systems that determine the tax risks and reflect the complexity of objective causal relationships between the elements of the taxation sphere riskiness, along the reasons.

A characteristic feature of the tax system risks is that, they operate with a conscious or unconscious failure or improper performance of the legal provisions in the field of taxation by the participants of the tax legal relations, regardless of the source of their occurrence. Proceeding from this, systematization of risks was carried out depending on the direction of the actions of the offenses committed: by the state in the person of the authorized bodies – against the taxation system; by supervisory authorities in the field of taxation – against the guarantees of performance of taxpayer's duties and implementation of revenue part of the budget; by taxpayers – against the order of accounting, compilation and reporting, actions of controlling bodies and the duty to pay taxes. It enables to identify risks by infringement objects, implementation subjects and the range of distribution, and also to structure them according to the types of responsibility for the committed malfeasant acts (Fig. 3).

Another important methodological characteristic of risks is that they are a necessary attribute and an important element of tax security. The creation of threats of obtaining negative results of tax activities under the influence of the danger of emergence of unfavorable effects of changes in the environment, in her opinion, leads to ineffectiveness of the tax policy formation and the tax system functioning and significantly complicates the implementation of strategic priorities of economic development and ensuring national security of the state as a whole. The greatest threats to safety in the field of taxation are the risks caused by shadow processes, in particular such

their segments as corruption and tax evasion; illegal activity of fictitious business entities; the presence of significant amounts of losses from privileges and tax debt, and conducting dubious transactions in the field of foreign economic activity. Consequences of the actions of the risks main segments that violate the balance state of security in the field of taxation, are, on the one hand, increasing the negative impact on the rate of economic growth, and, on the other hand, unjustified increasing of the tax burden on business entities who actually pay taxes.

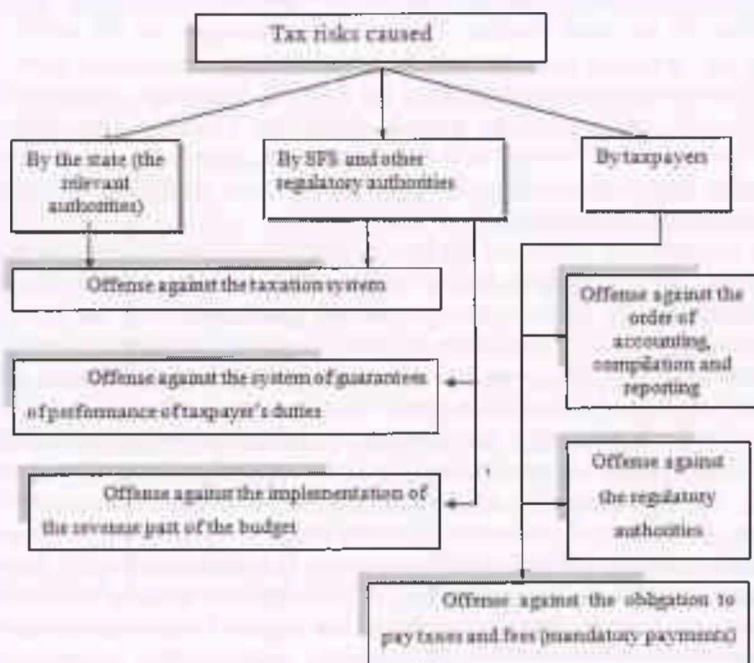


Fig. 3. Grouping of tax risks depending on the direction of the tax offenses

Identification of sources and analysis of the structural elements of the tax system risks, assessment of the threats and dangers caused by them have become the methodological basis for the development of the riskology concept in the field of taxation and the scientific basis for the formation of a step-by-step risk monitoring system. Within the context, theoretical and

organizational principles for the construction of a risk-oriented tax administration system, risk identification at all stages of administration, and vectors for the development of information monitoring equipment have been developed, which allows to predict risks on time, to assess their fiscal significance and effectively apply tax information to influence them.

The system approach to the organization of tax risk monitoring is based on identifying its essence as a process of identifying and assessing these risks, as well as identifying, analyzing and eliminating the causes that evoke their occurrence and spread. The predominant of risk monitoring development is the construction of a risk-oriented tax administration system, the essence of which is formed as a set of interacting and interrelated areas of controlling bodies management activity, which is related to the organization of counteraction to the emergence of negative financial consequences caused by tax risks for taxation.

An adequate and effective method of systematic tracking of the tax system riskiness is the use of accounting, social, analytical and control technologies for identifying risks at the accounting, mass-explanatory, forecast-analytical and control stages of tax administration.

Studies show that the most risky areas of tax administration are the mechanism for charging and paying VAT, taxes on individual incomes and corporate profits, taxation of incomes of entrepreneurship and activities of newly created enterprises and the current system of appeals.

In ensuring efficiency of the risk-oriented system of tax administration, priority is given to building a new model of tax control taking into account the risks. The proposed strategy of control is based on the changed general approaches to its organization in the direction of increasing the level of voluntary payment of taxes in the state because a significant part of tax revenues in Ukraine is enforced, and not always by lawful methods.

In order to streamline the organizational framework of control, the procedure for systematization of taxpayers based on the results of a comprehensive analysis is suggested, firstly, of the individual tax behavior of business entities, as a cumulative characteristic, that is formed on the basis of established facts verification about the level of compliance with tax and currency legislation, and factors, which indicate the existence of tax risks, and secondly, the fiscal importance of taxpayers, as the level of provision the maximum possible tax liabilities on taxes and fees to the budgets of all levels.

In the course of research, the relationship of tax control risks as a process of administration and functions of tax authorities has been established. In particular, the identification of risks of control as a process is done by the author on the basis of the assessment of inherent risk, the risk of control and

the risk of non-detection during the verificative process. It is proved that these risks create general risks of office and documentary checks, the essence of which is the possibility of budget losses due to the formation of a biased assessment of the taxpayer's activity by a subject of control, in the presence of violations of tax legislation. The components of the risks of control as a process are interrelated because they are systematized in accordance with the functional content of tax control risks, the essence of which the author has defined as the possibility of negative economic consequences for the tax area due to tax laws violation and the tax audits ineffectiveness.

In order to improve the information providing of monitoring, it is necessary to establish an appropriate sequence of stages of the implementation process of information system for administering taxes taking into account risks, which considers the testing criteria of this system, the study of alternatives and assessment of the possible risks of its implementation, and therefore is based on the need to calculate the cost and appropriateness of this process (fig.4).

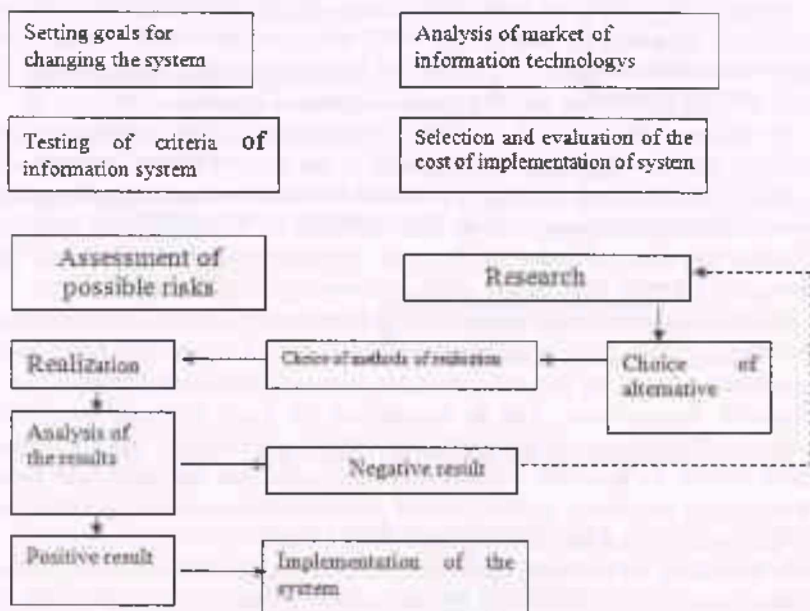


Fig. 4. Model of implementation process of information system for tax administering considering risks

It is extremely important to protect the information that is at the disposal of the tax authorities in order to ensure conditions for the development of an information system for tax administration taking into account risks. Within the context, it is necessary to use a comprehensive system of tax information protection – a set of organizational measures and software that ensure the blocking of all possible channels of its leakage (Figure 5). The effectiveness of the protection system depends on the effective functioning of its components, in particular, inventory and classification of all information resources, building a risk model, monitoring the integrity of the system, analyzing the state of the selected protection means and assessing their compliance with the guarantee criteria.

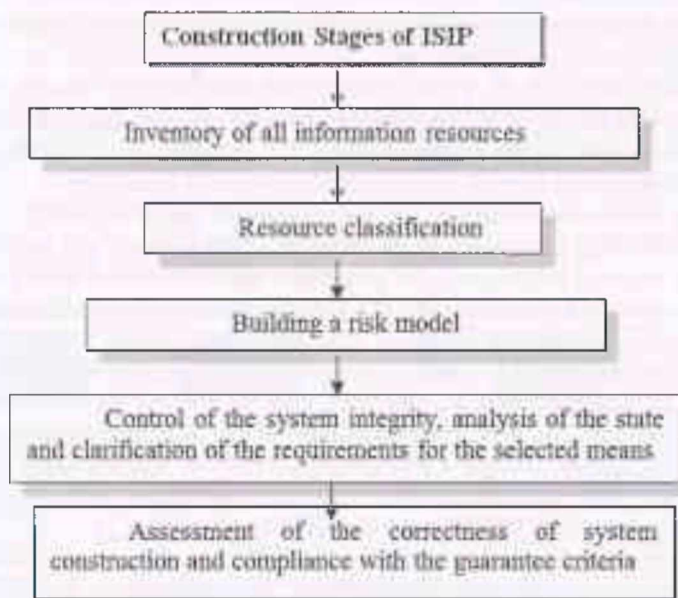


Fig. 5. Construction stages of an integrated system of tax information protection (ISIP) considering risks

The effectiveness of the operation of this system depends to a large extent on the fulfillment of conditions that will have a positive effect on its results. First of all, the process of protection system building requires the stocktaking of all information resources. For this purpose, each resource and its owner must be identified and documented. The results of the resources classification allow providing the secrets to the original data. This procedure

is necessary because not all resources need protection (transparent information).

The obtained data make it possible to construct a so-called "risk model". From the standpoint of information security, a scientist suggests considering a computer system as a set of functional services. Appropriately, each service, according to the author's approach, is a set of functions that allow withstanding a certain set of risks and their threats. These risks include, in particular:

- confidentiality (unauthorized access to information);
- integrity (unauthorized modification or destruction of information);
- accessibility (violation of the possibility of using computer systems or processed information);
- observation (infringement of identification and control of user actions, computer system management, etc.).

Constructed in such a way, the information security system requires constant monitoring of its integrity, analysis of the state and clarification of the requirements for the selected means. The information system is dynamic as the external and internal conditions are constantly changing.

The conducted researches of the mentioned problems certify, that tax risks monitoring necessarily is characterized by a system, and its efficiency directly depends on the use of a systematic approach to the management of this process. The content of the tax risk management system is defined by the scientist as a set of methods, techniques, and measures that enable to predict the occurrence of negative economic consequences for the tax sphere caused by tax risks and to take measures to prevent or minimize them. Investigation of this system elements allowed the author to form the essence of tax risk management as a process for identifying and assessing tax risks, preventing their occurrence, improving the methods of minimization and neutralizing the possible consequences of the action.

The results of the systematization of the functional and procedural characteristics of tax risk management are modeled in the form of a continuous cycle, which is based on the interconnection and interdependence of the relevant goals, tactics, and strategy (Fig. 6). The content of the developed model consists of the aggregate combination of all facts, circumstances, and procedures related to the organization of risk monitoring and the functioning of a risk-oriented system of tax administering and provides the quality of risk management in general. Goals, tactics, and management strategy are considered from the perspective of systematic monitoring of tax risks and the impact on its effectiveness.

The proposed model doesn't only affect the content of the strategy elements of the process, but the process as feedback as well as an impact on it. This process is dominated by the agglomerated combination of all the facts, circumstances and procedures relating to the risk management organization and ensure quality. The suggested approach to the essence of risk management and modeling its functional and procedural characteristics has its advantages:

- firstly, allows to direct the management actions (risk analysis, development management, etc effectively.);
- secondly, facilitates the definition of an interconnected logical sequence of actions to ensure the reliability and quality of relevant activities of the risk management organization in general.

According to the proposed model, monitoring the quality of the risk management organization is carried out at different levels. The first one is to establish the effectiveness of a particular stage in the process of risk management. At the second level, it is important to evaluate the management process based on the study of ways and means of achieving goals by tax authorities. The third level is the definition of the quality of the organization of the risk management process in general.

Tabl. 2 outlines key indicators that to some extent characterize the quality of the risk management process.

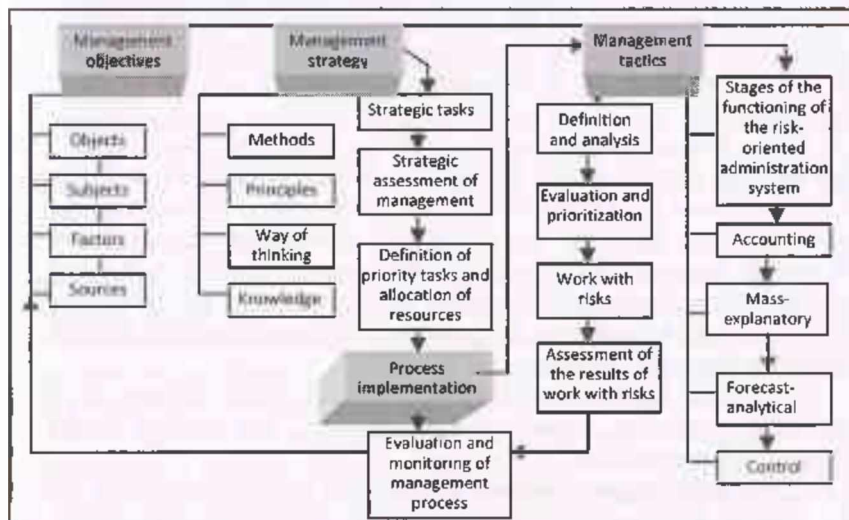


Fig. 6. Tax risk management model

Table 2

Quality Indicators of the Tax Risk Management Process *

Indicator	Characteristic
Incoming data	Resources used to get results. May be expressed in monetary units, such as costs, or physical units – working hours
Events	The main stages of the process, during which the input data are converted into a result (analysis, definition of possible methods of work with risks, etc.)
Result	The effect that is obtained through the steps taken in the management process (the number and quality of inspections, the number of reassessments or the amount of the assessed tax, other measures that are used to reduce the risk)
Incitement or influence	The result obtained through the actions taken in the management process, in addition to direct (for example, improvement of the level of tax discipline)
Productivity	The correlation between the input and the result
Efficiency	The correlation between input and impact

The considered elements of tax risk management emphasize the complication of this process and cover all functional areas of tax activity. So, on the one hand, risk management is one of the administrative processes, and on the other hand, it is the main principle of all other processes implementation.

Taking into consideration this fact, it is obvious that all tax risk management entities should be able to identify, understand and manage risks. This needs to be taken into account in the process of managing the so-called "internal risks" that are typical of corporate governance in the tax service. If external risks relate to all phenomena occurring in the field of taxation, then internal ones are within the framework of the functioning of the tax service. According to the scientist, their manifestation is possible, in particular, under the following conditions:

- the risk management process does not work because of non-identification of risks, choice of false approach, low level of quality or productivity management;
- the internal organization and management system do not work due to the lack of downloading databases, the loss of internal linkages of the management process, irrationally adjusted organization and management;

– the incorrect attitude of the staff towards the management process through corruption, fraud, incompetence, discrepancy with taxpayers, etc.

Taking into account that most of the tax system risks have the internal and external character of manifestation and more than one explanation, it is expedient for fiscal authorities of Ukraine to organize the joint management of tax risks, which involves a comprehensive study of the taxation riskiness. This approach is important for the successful implementation of the management strategy and the effectiveness of its tactics.

The effectiveness of the tax risk management system is of particular importance because it applies to all subjects of tax legal relations and affects the level of financial security of the state and the attitude of society towards the tax system. This requires a generalized description of the extent to which the goals and main changes related to the introduction of a risk-oriented tax administration system are achieved. For this purpose, it is expedient to evaluate the following indicators:

- voluntary fulfillment by taxpayers of their tax obligations;
- expenses for adherence with tax legislation by taxpayers;
- the probability of detecting the cases of tax evasion and non-payment;
- the quality of the functioning of the State Tax Service in administering taxes and providing services to payers.

Construction of a tax risk management model based on a systematic approach corresponds to the current achievements of economic theory and the main provisions of existing international agreements and standards, takes into account current trends and perspective directions of this function application in the activities of tax authorities. The use of this approach will facilitate the transformation of the domestic tax service into a leading body, accountable one to society, a highly effective state executive institute, and will create the best conditions for partnerships between tax authorities and taxpayers.

The dominant vector for assessing the tax system risk is the systematization of the identification segments of the activities risks of all subjects of the tax legal relationship. Consistent changes in the tax system and the deviation in its development are the results of the relevant tax policy of the state, the activities of tax authorities and taxpayers, and therefore their risks are used as a basis for assessing the tax system risk as a whole.

The systematization and analysis of universal basic indicators of the state's activity in the field of taxation, in particular, the indicators of the state and structure of the taxation system, tax burden, arrears and preferential taxation have been shown, that the efficiency of the tax system development decreases under the influence of the risks caused by:

- implementation of the plan of nominal budget indicators by increasing inflation;
- unequal distribution of taxes between budgets of different levels, which causes deepening of the intergovernmental crisis;
- the uneven tax burden on business entities;
- the significant influence of subjective factors on decision making in the field of taxation;
- non-fulfillment of obligations by the state to payers;
- personalization of the nature of the establishment of privileges and non-compliance with the principle of social justice;
- creation of opportunities for non-compliance with tax legislation, tax evasion and shadowing of the economy.

In order to assess the risks of taxpayers, it is suggested to take into account that, firstly, the probability of their occurrence directly depends on the existence of general tax risks and special risks of tax authorities, and secondly, the behavior of individual economic entities in a risk-taking environment is always accompanied by a wide spectrum of irrational manifestations and therefore it is corrected by the action of this phenomenon.

In order to increase the effectiveness of the methodology of risk assessment of business entities for their further distribution according to the categories of attention, an algorithm of tax behavior modeling, which is formed on the basis of expert conclusions and quantitative criteria, and involves the selection of factors characterizing the financial, economic and management activities of the taxpayer and compliance with the legislative norms under the influence of external factors, is proposed. The application of this algorithm is effective in determining the relationship and the interdependence of the individual economic behavior of an entity with a degree of tax risk.

Thus, the methodological bases for assessing the tax system risks cover a wide range of research: from the qualitative characteristics of their causes and factors, which create the possibility of negative consequences in the tax process, to the quantitative measurement of the indicators that signal the deployment of unfavorable events in the tax environment and obvious measuring evidence about the possibility of exposing the risks.

A significant role in building an effective tax system is played by the prevention and minimization of the taxation riskiness. In particular, the formation of the vector of prevention and minimization of the riskiness of the tax system development is carried out taking into account the following specific features:

- the characteristic basis for choosing the optimal anti-risk criteria for building a tax system is real and informational uncertainty in a whole;
- the overall effectiveness of the tax process in terms of risks is expressed in the assessment groups of indicators that reflect the interests of its subjects: fiscal sufficiency, economic efficiency, and social justice;
- the main information base for economic analysis of each risk-taking situation and the choice of an anti-risk strategy for the development of the tax system are the materials for diagnosing the deviations in its functional properties and economic observations of the manifestation of both tax and general social risks;
- the dialectics of the taxation riskiness is characterized by laws that manifest themselves only on the basis of mass supervision;
- the dynamism of the tax process, the variability of its parameters and structural relationships requires continuous monitoring and adjustment of information for anticipatory detection of risks;
- intentional and technical deformation of the indicators of state reporting makes it impossible to quantify the real risks of the tax system, therefore, qualitative criteria of their evaluation prevail in the development of their prevention and minimization vectors.

Anti-risk measures in the tax environment are interdependent, so their effectiveness depends on the complexity and systematic approach to implementation, as shown in Table. 3

Table 3

Systematization of measures to prevent and minimize the tax system risks

Anti-Risk Measures	The object of knowledge	Purpose and directions of development	Scope of application
Preventive	Risks of taxation	Abolishment of the risks causes	The ideological, legal, economic and moral environment of the emergence of risks
Restrictive	Risk Loss Size	Abolishment of factors contributing to causation and increasing risk	Social, economic, organizational, administrative and legal conditions for increasing the degree of risk
Compensatory	Part of the loss to be refunded	Reducing budget losses due to minimizing risks	Responsibility for tax offenses, tax debt management, and bankruptcy regulation

With such an optimization approach in the theory of tax riskology, three types of entities are distinguished for the formation of the vectors of prevention and minimization of the riskiness of the tax system development:

- the state, which, on the one hand, regulates the functioning of economic entities through the tax policy instruments and thus affects their production activity, economic efficiency and attitude to the tax system, and, on the other, forms the attitude of citizens – consumers of public goods before taxation through the implementation of the function of social justice;

- business entities whose activities are determined by the tax policy, technical and economic characteristics and market relations and affects the ensuring of the state fiscal adequacy;

- consumers of public goods, which are indirectly involved in the tax mechanism, but their actions affect the economic efficiency of economic entities and the state fiscal adequacy.

In the process of forming the vectors of reducing the risks of the tax system development, the following criteria serve as target functions:

a) absolute:

- for the state: the maximum of fiscal sufficiency, i.e. tax revenues to the budget and gross domestic product;

- for a business entity: the maximum of net profit and volume of manufactured products, the minimum of production costs and tax payments;

- for citizens-consumers: the maximum of social benefits and transfer payments, minimum tax payments;

b) relative:

- for the state: the maximum rates of the economic growth and the possibility of providing social benefits, the minimum tax burden on economic entities and the level of inflation;

- for a business entity: maximum profitability, minimum – funds and resources;

- for citizens – consumers: the maximum level of wages, the minimum – prices for goods and services.

In contradistinction the absolute criterion, the target function in relative terms has advantages that consist in the visualization of changes in some characteristics of the functioning of the tax system relative to other optimization criteria. Indeed, the assessment of relative criteria is evidence of this system riskiness and the basis of simulation of a system of anti-risk measures. Therefore, any measures to prevent and minimize the riskiness of the tax system development directly or indirectly exercise a certain regulatory influence on all subjects of tax relations. At the same time, the scope of their effective use is limited.

First, the use of anti-risk measures does not always guarantee the expected outcome. There is always a possibility of the influence of negative factors or force majeure circumstances, which may dampen the advisability of certain measures. Therefore, the system of measures preventing and minimizing the risk of the tax system development is considered not as a universal effective remedy, but as one of its dominant elements, which can provide a positive result only in combination with others, in particular on the basis of detection, assessment and further tax risks monitoring.

Secondly, theoretically effective anti-risk measures cannot always provide the expected result in practice due to the lack of a clear and unambiguous mechanism of their action. In view of this, their application needs to be carefully assessed and clearly regulated.

Thirdly, the development of measures to prevent and minimize the riskiness of the tax system development is always related to the corresponding costs, which in practice can exceed the expected result. This will also result in the ineffectiveness of appropriate measures.

Fourthly, any anti-risk measure has a certain period of application, so the evaluation of its effectiveness is based on the results and expenditures for the entire period of action, with due consideration for the different timeliness of their occurrence.

Thus, anti-risk measures are subjective for each individual subject of tax relations and for the consequences of their application. Therefore, they must be distinguished by parameters concerning which should act consciously and affect the risks not only in order to prevent and minimize, but also to compensate. Thus, there is a problem of distinguishing the acceptable level of risks from the position of applying compensatory anti-risk measures.

In this context, the main preventive anti-risk measures in the field of taxation are systematized by the author in the following directions:

- restructuring of the taxation ideology and establishing equality of rights and obligations of all participants in tax legal relations;
- national and international unification of tax legislation;
- decreasing the general level of taxation and improvement of the taxation system structure;
- raising the tax culture, strengthening the tax discipline and utilizing the tax service.

The development of ways to build a tax system in conditions of uncertainty and risk is based on the substantiation of the limiting anti-risk measures of the regulatory, social and economic, organizational and managerial nature of the taxation functioning and compensation methods, which provide optimal compensation for losses from risks.

Among the anti-risk measures of normative and legal nature, the directions of ensuring the tax legislation stability and legal regulation of contrariety and controversies on taxation are singled out.

Regarding the social and economic risks, it is proved that their reduction depends on:

- state incentives for small and medium-sized businesses;
- unemployment reduction;
- raising the fiscal solvency of the population;
- containment of inflation; state regulation of prices;
- efficient use of budget funds for national economic and social programs.

The main limiting measures of organizational and managerial nature are:

- improvement of all stages of tax administration in the direction of continuous monitoring and risk monitoring;
- raising the level of information and technical support of the fiscal authorities activities;
- further development of electronic reporting system; raising the level of legal and economic training of fiscal authorities;
- formation of the state protection mechanism of employees of this service; coordination of the actions of the controlling bodies in the field of taxation and a clear separation of powers between them;
- involvement of business entities in the formation of the base of tax law and changes to normative and legal acts on taxation.

However, in the absence of the expected result of the application of preventive and restrictive anti-risk measures in the field of taxation, it is expedient to apply compensatory methods, the effectiveness of which depends on improving the legal field of liability for tax offenses; equal use of legal liability to all subjects of tax legal relations without exception; improvement of the mechanism of tax debt management and bankruptcy institute.

In general, the reduction of the risk level of the tax sector is possible only with the comprehensive implementation of the best measures of counteracting the risks, while taking into account the interests of all taxation subjects. The formation of vectors for preventing and minimizing tax risks is based on the systematization of anti-risk measures with sufficient adequacy of reproduction of the tax system properties, which lead to its riskiness. The basis for choosing the criteria for optimizing this system is the estimated properties of the state and functioning of the tax environment that reflect the interests of taxpayers: fiscal sufficiency, economic efficiency and social justice in conditions of real and informational nebulosity.

3.4 The Problem of Luxury Tax Introducing

In general, the study of tax issues allows us to assert that according to the number of imposed taxes, fixed rates, taxation mechanisms and tax management, a modern tax system is developed in Ukraine, which is based on the world approaches. Certainly, national peculiarities are taken into account, as well as in any other country. Among these peculiarities is the lack of property tax and, in particular, wealth tax for a long period of time. The introduction of the wealth tax, the subjects of which will be only the richest segment of the population and which will be based on modern civilizational approaches allows us to reduce the budget deficit and social financial inequality due to the attraction of large taxpayers to the formation of budget revenues.

The first attempts to formulate a wealth tax law in Ukraine were represented by the bill "About luxury tax"²⁷³ in 2008. A few years later, the Cabinet of Ministers of Ukraine provided for the introduction of wealth tax²⁷⁴ among the tasks of social policy in 2012. Then, during 2012 – 2013, a number of bills on the taxation of luxury items were registered in the Supreme Council. In August, 2017 three bills on the taxation of vehicles which can be regarded as luxury goods were presented in the Supreme Council of the 8th convocation.²⁷⁵

The above-mentioned shows the inevitable national fiscal policy tendency towards the idea of the introduction of wealth tax, however, today the analysis of the existing bills, unfortunately, makes us conclude that the

²⁷³ Проект Закону про податок на розкіш № 3405, реєстрація 21.11.2008 р. [Internet Resource]. – Mode of access: http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_2?id=&pf3516=3405&skl=7

²⁷⁴ Розпорядження Кабінету Міністрів України «Про затвердження плану заходів з виконання завдань соціальної політики на 2012 рік» // Урядовий кур'єр України. – 2012. – № 67.

²⁷⁵ See: Проект Закону про внесення змін до Податкового кодексу України (щодо оподаткування окремих транспортних засобів, що можуть бути віднесеними до предметів розкоші) №1344, реєстрація 10.12.2014 [Internet resource], – Mode of access: http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=52810

• Проект Закону про внесення змін до Податкового кодексу України (щодо оподаткування окремих транспортних засобів, що можуть бути віднесеними до предметів розкоші) №1868, 28.01.2015. [Internet Resource]. – Mode of access: http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=53735

• Проект Закону про внесення змін до Податкового кодексу України (щодо оподаткування окремих транспортних засобів, що можуть бути віднесеними до предметів розкоші) №3315, 09.10.2015. [Internet Resource]. – Mode of access: http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=56792

society is not ready for it yet. Unwillingness to introduce the wealth tax in Ukraine, first of all, can be explained by the lack of a clear understanding of such things as what is wealth; what can be taxed and how to tax; how to properly select an object of taxation and calculate the tax base, identify taxpayers and other tax components; how to ensure taxation efficiency. Meanwhile, Ukraine has advantages as it was given the opportunity to build a modern system of wealth taxation, based on the "three whales": the existing best practices of other countries, the achievements of the modern information technologies, as well as the knowledge of this tax acquired by the financial science.

Wealth has always been regarded by humanity as an object of taxation, and taxes on it were among the first fiscal instruments of the state²⁷⁶. In the modern classification of taxes developed by the OESD, they have a special place among the property taxes and are divided into four subgroups according to such features as the regularity of payment, the conditions under which the property ownership is transferred, the type of property and the category of payers.

In the economic literature, in the OECD classification and in the laws of different countries, wealth tax is sometimes called "net wealth tax". In business, the concept of "net wealth" is widely used and is calculated as the difference between the aggregate assets (property) of the company and its obligations. In the domestic economic literature, this indicator is called "net assets", less often "netto assets". It shows how much of the company's property is at the disposal of its owners after payment of all its credit obligations. The cost of net assets is calculated at the certain date. According to the experience of other countries, the property of the taxpayer has always been the object of wealth tax, and the net value of such property after deduction of the value of debt obligations related to this property has been the tax base.

In Ukraine, when formulating a wealth tax law and developing its implementation mechanisms, it is advisable to rely on foreign experience and understanding of the wealth phenomenon, its peculiarities as an object of taxation, and its role in the modern economy. It should be clearly understood that unlike other property taxes, only the net value of the property (assets), which is defined as valuable (has a high ability to be capitalized) in this society and the value of which is significant, can be the wealth tax base. In Ukraine, an effective system of wealth taxation can be built and a civilized

²⁷⁶ Bird R. M. *Tax Policy and Economic Development* / Richard Miller Bird. — Baltimore, Maryland: Johns Hopkins University Press, 1992. — P. 130.

practice of tax relations between large taxpayers can be implemented only on the basis of such approaches. Unfortunately, the existing bills in Ukraine do not provide these issues.

The issues of wealth and its taxation have drawn the attention of scientists, politicians and fiscal authorities in different countries of the world during many centuries. In Ukraine, this problem has also been studied by the representatives of the scientific school of public finance of the Kyiv National Economic University. So, at the end of the last century, some aspects of wealth taxation were highlighted in the monograph "State – Taxes – Business (from the Global Experience of Fiscal Regulation of a Market Economy)". Its authors noted that wealth is the ownership of the real estate and capital, including land and land plots for mineral resource mining, as well as jewelry and artworks. It was emphasized that wealth is property and that "income in a certain sense cannot be possessed without its fixation as materialized wealth", and that income becomes a wealth in its capitalization. The concept of "human capital", which includes such individual features as strength, health, beauty, talent, acquired knowledge, is wealth in the social sense, and from a fiscal point of view it is not a wealth.²⁷⁷

The history of the development of the world economic thought about wealth is studied in detail by modern Ukrainian financial science.²⁷⁸ The initial basis for the study is an understanding of the concept of wealth in the economic aspect. This is highlighted in the works of the leading international organizations dealing with the development of statistical basis of the System of National Accounts (SNA).²⁷⁹ Today, this system is used by the UN, the European Commission, the OECD, the IMF and the World Bank Group. According to the SNA, UN member states are developing national accounts systems. Ukraine began transition to the SNA in the early 1990s. SNA documents state that the wealth of households can be represented in the form of such assets: land and buildings, *retirement accumulation* accounts and investments in financial assets, as well as claim rights to economic entities. In this case, only the net value of these assets after deduction of liabilities, including mortgages, arrears of bank loans, and others, is considered to be wealth.

²⁷⁷ Держава – податки – бізнес (із світового досвіду фіскального регулювання ринкової економіки) . монографія / В. М. Сутормина, В. М. Федосов, В. Л. Андрущенко. – К.: Либідь, 1992. – 328 с.6

²⁷⁸ Львовчик С.В., Федосов В.М., Яренко Г.М. Багатство й фіска: світова парадигма оподаткування / С.В. Львовчик, В.М. Федосов, Г.М. Яренко // Фінанси України. – 2013. – № 4 – С. 7–26.

²⁷⁹ System of National Accounts 2008 – N. Y., 2009. – P. 61.

When comparing the concepts of "income" and "wealth", the SNA draws conclusion that they are not identical. In addition, the distribution of wealth among the members of the society is more uneven than the distribution of income. For example, a family in which the main recipients of income are in the middle of their careers, have high incomes and own a house, but at the same time they have a significant mortgage debt and do not have significant retirement income yet, can not be considered as a rich one²⁸⁰. Concerning the nature of the household costs and its wealth, the conclusion can be drawn on the basis of statistical research that when household income is growing, the consumption pattern is changing: the higher the income is, the lower share of expenses goes to food and other necessities, and at the same time the costs of luxury goods are rising²⁸¹.

Besides households, wealth is also accumulated by legal entities, and, according to the SNA, the wealth of legal entities includes values that are not intended by those persons for sale or use in economic activities (raw materials, materials, means of production) and are not stored as monetary gold or financial assets in the form of unallocated metal accounts²⁸². Values include such property as precious metals, stones; antiques and other art objects (paintings, sculptures and recognized masterpieces of art, museum exhibits); other valuables (collections of stamps, coins, porcelain, books, etc., which have determined market value; highly crafted jewelry made of precious stones and metals, which have high selling price)²⁸³. The wealth of legal entities also includes the net value of such assets as land, buildings and other main assets that are not used in production. At the same time, the property has a net value after the deduction of debt obligations assumed under these assets.²⁸⁴

As it has been already noted, scientific researches show that despite the centuries-long history of wealth tax and its use in the modern practice of taxation in many countries, today there is no full definition of the essence of wealth in financial and economic science, its features, peculiarities, social purpose, function, place and role in the economy are not revealed. The research of the entire history of a concept of wealth conducted by the

²⁸⁰ Ibidem. – P. 543.

²⁸¹ Ibidem.

²⁸² Non-blocked (impersonal) metal bills are intended for the accounting of precious metals without preservation of their individual characteristics (name, sample, manufacturer, serial number and other features placed on metal ingots). This kind of accounts does not foresee the physical supply and storage of precious metals, ie the extraction and reception of metals in ingots and other forms is not carried out.

²⁸³ System of National Accounts 2008. – N. Y., 2009 – P. 243.

²⁸⁴ Ibidem

Ukrainian scholars allows us to conclude that the property, which is considered by the participants of the economy as wealth, is the embodiment of certain objective economic relations. The wealth which is shown in the relations of people, in an abstract sense, is an economic category, a system of certain economic relations, the study of which forms the theory of wealth as the object of taxation, its information model. This theory is a set of conclusions about the features and essence of wealth as the object of taxation, its social purpose, and functions. Knowledge of the theory allows you to create an effective mechanism for wealth tax, to predict the actions of its participants, to change the state of the object of taxation and the consequences of this process.

There are a lot of reasons to claim that a wealth tax has two fundamentally important basic features: firstly, value and, secondly, belonging to a particular subject of law, that is, to a natural or legal person, or to the state or local authority. Individuals and legal entities are relevant when the wealth is referred to as an object of taxation, and the state and local authorities are relevant when the national wealth is taxed. The value from the economic point of view is associated with the cost and with the capitalization of the property and the increase of its cost. The fact that any property can fully meet the needs of the participants of the economy increasing its value, or at least not decreasing it, allows us to consider this property as wealth. In addition, property value represents wealth as a part of its value, which is a net value. Considering the objects of taxation, it is necessary to distinguish between the concept of "the value of the property that is regarded as wealth" and "the value of wealth." The first one refers to the total value of the property as an object of wealth, including the value of the property, which is financed by the owner and becomes his own property, and the value of the property that is financed using borrowed funds. While repaying the debt, the first part of the value increases. The second concept refers only to the part of the property, which is classified as wealth, and is fully financed by the owner and he/she totally owns it. Belonging of wealth to a particular owner is an important feature that allows you to distinguish between the concepts of "luxury" and "wealth". For example, a person can use luxury goods, but they do not belong to him/her – he/she rents them. In this case, the person can not be a wealth taxpayer of this property.

As an economic category, wealth being a valuable property, is the system of its owner's economic relations during formation, distribution, exchange, and use of property net value, ensuring its ability to increase the value (to be capitalized) or, at least, not to decrease it. Value is the starting point for creating wealth, its essence. Considering this issue, we should admit that the

concepts of "wealth" and "value" are the most general and fundamental, and that is why, they are difficult for comprehension. A system of values of each person is individual and may include: health, family, children, communication, self-actualization at work, spiritual values, creative self-actualization, social status, material well-being, valuable and useful things and others. The concept of "value" is not absolute, but rather relative one; it is understood by each person mainly according to his/her personal attitude to it. The difference between economic value and, for example, social and spiritual value, is sometimes "blurred". Looking deeper into the concept of "wealth" in an economic context, we mean its economic value. In the context of the economic category of wealth, the essence of the concept of "value" lies in the formation of the value, which can be capitalized.

The value of wealth from an economic point of view lies in the fact that wealth can generate added value by participating in the production of goods and services, first of all. Thus, the corporation, using its own patents and licenses (these intangible assets can also be wealth), produces a unique product, the value of which includes the added value generated due to the ownership over these intangible assets. Secondly, within some time, the market value of the wealth may increase, for example, value of antiques, since their market value usually increases over the years. Thirdly, wealth can be accumulated when its total value increases, for example, after deposit account replenishment, as a result of which, the amount of funds on the account increases, that is, this deposit account accumulates higher value than it had before its replenishment. Therefore, the value is the essence of the wealth, and its cost is an external manifestation of wealth. To a large extent, every participant of the economy perceives any property as wealth due to his/her personal attitude. It should also be mentioned that the value of a thing cannot be sometimes determined because this thing is invaluable.

As an economic category, wealth is characterized by three key features: relativity, rarity, and identity. Wealth, the essence of which is presented through its value, is relative. The criteria of value, and hence the criteria of referring property to wealth, vary depending on the level of economic, social and political development of society, its consciousness, culture, historical, national and geographical peculiarities. Consequently, the concept of wealth is not absolute, but relative one. A person can consider a certain thing to be a wealth, but it is perceived as an ordinary thing by the majority of people, or a person can be considered to be rich in a certain period of time and in a particular geographical area, but in another situation he/she is not regarded as a rich person. That is, the wealth and the person who owns it, and is considered to be a rich one can be determined while comparing them to

others. The system of human values is developed and transformed during the social evolution.

The wealth is a historical category and, that is why, it is relative. Society at different stages of its development regarded what should be attributed to wealth, and from the historical point of view, this approach is relative. Certain stereotypes of value and wealth are formed in the society, which is an organized group of people, united at the certain stage of historical development due to certain relations. These stereotypes change with the cultural, historical and economic development of the society, that is, the values of the society change.

It should be emphasized that a status of wealth as property can be changed even according to the same criteria during a short historical period: the value of wealth can increase or decrease. An example of the revaluation of the assets that society refers to wealth is the situation with the gold and foreign exchange reserves. They are represented by financial assets recognized by the world community as international, and according to the SNA, they are a part of the national wealth in each country. The criterion for selecting financial assets in order to include them into the gold and foreign exchange reserves is the high liquidity of these assets, that is, they must always be highly valued in the gold and foreign exchange markets. According to the IMF and the European Central Bank data, nowadays, the US dollar and the euro are the main currencies on international savings accounts. But this was not always the case, and the situation can change. For example, SDRs (Special Drawing Rights Issued by the IMF) appeared in 1969 as an additional international reserve and payment instrument, and their evaluation techniques had been revised for several times. Currently, the cost of this international payment and reserve unit is formed on the basis of a basket of currencies, which is reviewed every five years. In addition, the Chinese economy is getting stronger today, and it is likely that the value of Chinese currency will be higher over time in the gold and foreign exchange reserves of the countries.

The relativity of wealth can also be shown by comparison. For example, when it is said that a person or a country is rich, it means that they differ from others by their own values, which ensure their development, prosperity, and growth. But, it seems that identical types of property can be evaluated differently from the point of view of their belonging to the wealth in different economies with their own social and political peculiarities caused by cultural traditions, specifics, and historical development. And this is also a manifestation of the relative and comparative nature of wealth.

The relativity of wealth also lies in the fact that its internal essence is value that can only be shown in transferring the ownership over property to the one who evaluates this thing higher. In real life, for example, when the property in the developed market economy countries is not highly evaluated, it can acquire the status of wealth after being transferred to the less developed countries.

It should be noted that today the lack of a generally accepted definition of wealth is caused by the fact that the criteria according to which a society grants the status of wealth to a particular subject are not constant. They are relative and vary depending on the level of economic, social and political development of a society, its consciousness, culture, historical, national and geographical peculiarities.

The following characteristic of wealth is its rarity. It includes a whole range of features, among which: peculiarity, uniqueness, antiquity, phenomenality, singularity, exclusivity, scarcity. Wealth is characterized by its rarity based on the limited amount of resources, the mismatch between the available amount of resources and the amount, which is necessary to fully meet the needs of individuals, community or the entire society. An overview of the evolution of the views of mankind on wealth shows that wealth in each society is always referred to resources (assets, property) that are not widely distributed but are scarce, limited, and rare.

Finally, the last feature of wealth, which should be considered, is identification. The term "identification" comes from the Latin "identifico", which means "identify", "recognize". The essence of this feature of wealth lies in the fact that wealth must always be someone's, that is, it is identified due to a particular owner. In this case, the value is determined as one that belongs to a particular person (economist or economic agent). As for the owners of wealth, they can be natural and legal persons, as well as the states and other economic agents, who own certain property values that are considered by society as wealth.

The identification of wealth makes it possible to determine the special property status of its owner that distinguishes him/her from other poor people. Always when it comes to wealth, we mean the wealth of a particular subject, for example, the wealth of the individual, the corporation, the nation, the state. In addition, the wealth can be identified in relation to a particular person and his/her connection with a certain area and time. Moreover, with their change or the change of only one component (area or time) the wealth of a certain person will not be considered as his/her wealth. For example, a resident of an African tribe can be very rich from the point of view of the

members of this tribe, but according to modern European criteria of values he is unlikely to be rich.

As an objective economic category, wealth has its own special public purpose. According to the above-mentioned, it can be asserted that the social purpose of wealth is capitalization ensuring the development and appropriate existence of its owner. The property, which is classified by the participants in the economy and the normative documents of society as wealth, is characterized by its value, which increases, or, at least, it does not decrease. Therefore, the participants in the economy are trying to purchase property or invest in it in order to ensure their proper existence and development. At the same time, the proper existence and development of the owner should be characterized by consistency, manageability, resistance to risks, predictability, in other words, by the possibility of sustainable existence, even under unpredictable external conditions. Hence, wealth allows the owner to survive (exist) at a certain level and develop for a long time, even if the external factors deteriorate.

The social purpose of wealth is achieved while performing cost and accumulation objective functions, which are interconnected. The first function of wealth lies in the fact that the value determines the wealth cost and acts as a form of its manifestation. Wealth is a source of value. The society determines and distinguishes property as wealth that can increase the value of other goods and services (create added value) and/or increase its own value. The essence of the accumulation function lies in the fact that wealth values, which represent wealth can be capitalized, creating added value and are accumulated by their owner.

Wealth tends to be accumulated by the participants in the economy who are its owners. Due to its nature, wealth can be increased, accumulated, and at all stages of the development of society, its members always try to accumulate wealth, because it is a guarantee of their existence and development. This means that the objective function of wealth is implemented. The volumes of wealth and the speed of its growth refer to the macroeconomic indicators that characterize the development of the economy and the growth of the welfare of the population. The indicator of accumulated national wealth represents the monetary value of the aggregate assets belonging to a particular country. Wealth shows a set of material values accumulated as property by a participant in an economy at a certain date.

The key indicator of the financial stability of the corporation finances is the indicator of its own accumulated capital, or more exactly, its net assets, in other words, the wealth of the corporation. The calculations of several

coefficients that characterize financial stability of the corporation are based on the volumes of the accumulated corporation net capital. These coefficients can be calculated by different methods, among which are the following ones: the ratio of liabilities of the corporation to its equity capital, the ratio of all the assets of the corporation to its equity, the difference between the number of the corporation assets and its liabilities. Regardless of the method of calculation, these indicators, based on the volumes of the accumulated corporation equity capital (net assets) at a certain date show that the corporation can pay its debts, carry out economic activities, develop, and be resistant to risks in the long run. Every investor is studying thoroughly the level of the financial stability of the investment object. For example, in the non-financial sector, corporations with a net asset value of at least 40% – 50% of the total assets are considered financially sustainable. A key indicator of the financial status of any bank is the indicator of financial stability, and that is why, in order to improve financial status of a particular bank or the the whole banking system, central national banks require for, in particular, increasing of the bank's own capital. The bank regulator sets certain indicators of financial stability, compliance with which is mandatory for banks.

Wealth can be capitalized, and, considering it as an economic category, it is also important to mention the issue of relationship between the wealth and the fundamental concept of "capital". Meanwhile, we assume that capital, being a multifaceted concept, is a self-increasing value and a property (consumer value) and a monetary value, which increases in certain conditions. Capital is realized being only in motion. Wealth and capital are phenomena and the study of their relationship is the subject of an independent fundamental research. Now, it is worth mentioning certain issues of their relationship in order to understand better the essence of wealth. The concepts of wealth and capital are similar, for example, they both are associated with the creation of value. In addition, wealth and capital are limited in space and time, as well as any other resource on the Earth. But, in contrast to the capital, only net value of the property can be considered to be wealth. In addition, unlike capital, which is realized only being in motion, wealth can become even more valuable (increase its value) when it is motionless. So, the cost of antiques is increasing over time, and at the same time, the antique thing does not have to be in motion. Moreover, some wealth becomes more valuable if it is deliberately left untouchable (for example, protected land areas).

Wealth can be in different forms, for example, as the national wealth of certain country, the world wealth, or the wealth of certain economic agents.

Wealth can be represented by various property values, which can be considered as movable and immovable property, tangible and intangible assets, financial and non-financial assets, long-term and short-term resources. For example, the national wealth of any country includes non-financial and financial assets that are created and accumulated by that country in the process of functioning of economic relations, are estimated by the market, gaining market value, can be exchanged and used, providing economic power and the potential for further development of the country.

As for the wealth of certain natural and legal entities, they also create their wealth in the process of functioning of economic relations that can be developed during creation, manufacturing, purchasing, exchanging or obtaining the inherited property that is valued by society as wealth. The owner can use this property in his/her economic activity, gaining economic benefits. In addition, being a manager of his/her property, he/she can rent it to other economic agents, gaining economic benefits.

Individuals and society tend to multiply and accumulate wealth organizing the system of production, distribution, exchange, and consumption of the manufactured goods. Society builds the appropriate system of legal relations, information system, and conducts research of the related issues. In the digital age, information is materialized as various know-how, patents and licenses and also has value, considering as wealth.

Property values representing wealth can and should be considered by society as objects of taxation. Economic relations referring to the taxation of wealth can be seen at the stage of distribution of the created wealth, in other words, in some countries, decisions are taken to tax the property of the richest people. In certain countries a person who owns the excessive wealth is obliged to transfer some of his/her funds for the needs of society, and the corresponding tax law is formulated in these countries. The list of objects that are classified as wealth at this stage of social and economic development of the country, the determined tax base and other components of this tax are highlighted in this law.

The study of the developed countries practice of wealth tax suggests that its ratio to GDP varies from 0.1% to 2.2%, and in general tax revenues from 0.1% to 5.5%¹⁰⁰. At the same time, calculations made by the Ukrainian scholars show that the lower limit of the base of this tax (tax threshold) and the value of the indicators of wealth varies (Table 2). At the same time, in

¹⁰⁰ Яренко Г. М. Оподаткування багатства: Світова практика та реалії України. Автореферат дисертації на здобуття наукового ступеня кандидата економічних наук. – К: КНЕУ, 2015. – 20с.

such countries as Spain, Iceland, the Netherlands and France there is only a tax on wealth of natural persons, and in Belgium and Italy only corporations are taxed. In Switzerland, unlike other countries, in which there is a wealth tax, the residents property is taxed only when it is located on the territory of that country.

Table 2

Indicators of wealth in certain countries and the rate of the wealth tax threshold, 2013 ²⁸⁶

Country	Wealth for 1 adult, thousand euros	GDP per adult, thousand euros	Level of population segregation	Distribution of adult population by wealth level, %				Tax rate from wealth tax for individuals, euro
				up to 10 thousand euro	10 – 100 thousand euro	100 thousand – 1 million euro	more than 1 million euros	
Switzerland	371.9	72.1	33,7	5,2	46,0	38,8	10,0	to 122 279 euro (Canton Solothurn)
Norway	276,0	96,7	25,0	19,4	32,5	40,6	7,5	104 079
France	214,7	41,4	32,7	21,7	22,9	50,8	4,6	800 000
Island	153,5	54,0	28,0	20,0	30,0	47,3	2,7	472 626
The Netherlands	134,6	45,6	30,9	23,3	30,9	43,6	2,2	21 000
Spain	46,8	27,5	32,0	17,4	52,4	29,0	1,1	700 000
India	3,4	1,8	36,8	94,4	5,2	0,3	0,0	35 210
Ukraine	2,5	3,8	27,5	97,4	2,3	0,2	0,0	—

The representatives of the scientific school of public finance thoroughly investigated the world theory and practice of the introduction of a wealth tax in

Ukraine in the context of the scientific principles development ²⁸⁷. Research shows that one of the best practices of tax management, including the wealth tax, exists

in Norway, where the SOFIE information system allows to increase the efficiency of tax collection: the annual tax revenues in the Kingdom of Norway exceed the administrative costs in 8.5 times. This system ensures the rapid flow of information to the tax authority of the country from its separate

²⁸⁶ Ibidem

²⁸⁷ Львовчик С.В., Федосов В.М., Яренко Г.М. Багатство й фіска: світова парадигма оподаткування / С.В. Львовчик, В.М. Федосов, Г.М. Яренко // Фінанси України. – 2013. – № 4 – С 7–26.

departments and other authorities, qualitative data processing and ranking of payers according to the degree of risk.

In France, there is a tax on the wealth of natural persons, which is called "the tax on great wealth". It was imposed in 1982. In 1986, it was canceled, but since 1989 it was reimposed as "Solidarity Wealth Tax" (*L'impôt de solidarité sur la fortune*, ISF). The term "solidarity" in the opinion of the French legislators and the authors of this concept is intended to reveal the essence of the tax. It means that taxpayers share responsibility for the formation of budget revenues, and they are involved in redistributing the income of the wealthiest people of society among other members. The object of the solidarity wealth tax is identical to its predecessor – a great wealth tax. The solidarity tax has been existing for more than 20 years and was revised in 2011 according to the changes in the General Tax Code of France.

It should be admitted that in addition to the solidarity tax on wealth, France has also an inheritance tax. The object of both taxation can be the same property, for example, when the property is inherited it is subjected to a single inheritance tax, and then, its new owner (heir) annually pays the tax on wealth. However, simultaneously (at the same tax period or the calendar year) these taxes are not imposed. The base of the solidarity tax on wealth is the net value of the property as of January 1 of the respective year and the tax rate is above 1.3 million euros.

Nowadays, solidarity wealth tax is imposed on natural persons property, in particular, tax residents of France; those who are not its tax residents, but who own property on its territory; underage children, provided that the above-mentioned persons have the right to dispose of the property of these children. In the case of joint residence of all these persons, the tax base is the net value of their total assets. According to the General Tax Code of France, the object of the solidarity tax on wealth are the following types of property: the net value of movable property; the net value of real estate; insurance payments to persons aged over 70 years according to the life insurance contracts as of January 1 of the respective year; property of the owner burdened with usufruct²⁸⁸, the right of use or the right of residence; the net market value of the property transferred to the trust fund or reinvested, and also the income received as a result of such operations.

The list of property that is not subject to the solidarity wealth tax includes works of art, long-term rental of suburban real estate, warehouses of wine and brandy, areas of agricultural land and forests, as well as a certain fraction

²⁸⁸ Узуфрукт – це речове право користування чужим майном з правом вилучення доходів від нього, але з умовою збереження його цілісності і господарської приналежності.

of the cost of business real estate. The tax also is not imposed on the rights of the inventor of industrial property; authors copyright for literary and artistic property; actors and producers copyright for performances, phonograms and video products; the share in the authorized capital of the company and shares of three quarters of their value (the latter only under certain conditions); bearer bonds; capitalized value of the pension plan; the capitalized value of compensation for physical injury as a result of an accident or illness; most of the financial investments of persons who are not resident taxpayers in France; shares owned by a shareholder-manager in the case that they are received as payment for his work in this company and they do not exceed one-quarter of the total share of such shareholder-manager in the authorized capital of the company. Property that is not a subject to the solidarity wealth tax can be located both in France and abroad.

Switzerland has also a tax on the net wealth of natural persons, which is set at the cantonal level. In all cantons, the list of its objects includes real estate; movable property (securities, deposits, cars); assets invested in economic activity; pension insurance and life insurance policies. The property including household goods, works of art and antiques is not subject to taxation.

The tax on property is paid by both residents and non-residents, but since 1862, the regime of the charter or lump-sum taxation has been applied to non-residents. Such a regime provides the opportunity to reduce the tax base for rich taxpayers, and is crucial in selecting the residence by rich foreigners. It is introduced when they intend to choose Switzerland as their main residence and have the wealth acquired abroad. The national government has introduced such a regime with the aim of attracting tourists to the country and developing its economy, as well as simplifying the assessment of the value of tax objects by income and the net wealth of foreign natural persons.

Lump-sum taxation is imposed on property of persons who are not permanent residents of Switzerland and are not involved in labor or commercial activities for the purpose of gaining income in Switzerland; who received tax residency in the country for the first time or returned to Switzerland after more than ten years being spent abroad; who are permanent residents of Switzerland, are going to live in it for a long period of time, have their main interests here (for example, a family, or children studying at school), live in the country for six months a year.

In Spain, at the end of October, 2012, the wealth tax was recovered after its abolishment in 2008. The tax was imposed on the property of natural persons and families of residents and non-residents. The base for taxation of natural person is a property with the value of over 700 thousand euros, and

for a family, it is 2 million euros, unless otherwise provided by the rules of the certain community of Spain.

The objects of the wealth tax do not include assets, which are classified as a historical heritage of Spain, with corresponding entry in the Common Cultural Property List of the country or in the General Fund of Private Property; assets that are classified as legacy of the autonomous communities of Spain; art works and antiques; household items; unconditional rights of the beneficiary (recipient) in the pension plan; the right to use an object of intellectual property, while the latter remains in the ownership of its author; property owned by the entity, including shares, etc.

In India, the wealth tax was introduced on April 1, 1957. Its object is the property owned by natural persons, united families and legal entities. At the same time, the taxation base is the net value of the property (total value after the deduction of the owner's liabilities for such property) at the evaluation date. The object of taxation is the property of both residents living outside the country and non-residents living on its territory. The list of such property includes:

(1) Residential, commercial and guest buildings and/or adjacent plots of land. A farmhouse is taxable only if it is within a radius of 25 km away from the local authority. In this case, a residential building and an adjoining land plot belonging to a natural person or a united family with the area of less than 500m²; a residential building provided by an employer to an employee whose annual salary does not exceed 500,000 Indian Rupees (7140 euros); a residential or commercial building that is a part of the taxpayer's inventory; the building used in business; any new residential building (which is built in the year preceding the reporting one, and after construction of which less than 300 days passed) are not subject to taxation.

(2) Cars, with the exception of those used for work by the taxpayer, represent a part of the inventory.

(3) Jewellery, precious metals, utensils, furniture and other assets, made of gold, silver, platinum or any other precious metal or an alloy containing one or more of these precious metals. However, if such property values are the taxpayer's inventory, they are not taxed.

(4) Yachts, boats, and airplanes, but only if they are not wealth taxpayer's inventory.

(5) A land plot within the jurisdiction of a municipality with at least 10 thousand people. However, it is not subject to taxation if it is built at the expense of the municipality, is not used by the taxpayer for industrial purposes for two years from the date of its acquisition, is the wealth taxpayer's inventory for 10 years from the date of its acquisition.

(6) Cash of more than 715 euros on the valuation date for a legal person or a family, for legal entities it can be any cash which is not shown in the accounting.

Studies show that in countries, where wealth taxes are introduced, taxpayers often alienate property in favor of others in order to reduce their tax liability. In India, this practice is also widespread: taxpayers transfer their property (assets) to other persons who may be interested in it, without adequate compensation. That is why, in order to minimize the possibility of reducing the tax liability for wealth taxes through the alienation of the property of the payer in favor of others, it is foreseen the mandatory inclusion of the so-called deemed assets into the list of the taxation objects. Such assets are recognized as belongings to another person, but for the purpose of calculating the wealth tax, they are included in the tax base of the tax payer (alienator).

Assets can receive the status of deemed assets when they belong to a natural person and are alienated (transferred by the taxpayer to another person) at a low price. The difference between the real value of the deemed assets and the cost at which they were alienated should be included in the number of net assets of the alienator (taxpayer). The tax base increases by the amount of such a difference. Deemed assets (property) that are included in the object of taxation are recognized as: (a) assets transferred by one of the spouse to another at a lower price, excepting when the spouse decided to live separately in accordance with the contract; (b) assets owned by a minor child, including an adopted one and unmarried daughter. If the parents are married, then the net assets of a minor child will be included in the tax base (net assets) of the parent, whose net asset value is higher. If the parents live separately the net assets will be included in the tax base of the parent who maintained the child last year. Exceptions are the assets acquired by minors using the funds received from manual labor or from activities involving the use of specialized knowledge and skills, as well as the assets belonging to a disabled child; (c) withdrawal assets, that can be withdrawn by the alienator at any time; (d) assets transferred to the son's wife at a lower cost; (e) other assets.

On the basis of the research of the theory and practice of foreign wealth taxation, the ideas of building a system of wealth taxation in Ukraine are developed and presented in the article published in the The Czech Republic.²⁸⁷ The Ukrainian scholars consider that the issues related to the

²⁸⁷ V.Fedosov, A.Yarenko. Issues of effective implementation of net-wealth tax in Ukraine. – Modern Science, Prague, #1-2015. – P.27-38.

absence of a legal definition of wealth in Ukraine and the vision of what exactly can be the object of the net wealth tax should be solved firstly. In order to make it impossible to tax the property of middle-income people, it is necessary to define the criteria for assigning the property to the category of wealth at a legislative level, which will promote compliance with the principle of social justice. It is advisable to implement such changes before the introduction of the wealth tax. In addition, there is a lack of a complete, reliable and properly structured information base related to the assets and liabilities of potential payers, in other words, residents who have net wealth both on the territory of Ukraine and abroad, and non-residents whose assets are located in Ukraine. The latter is the result, in particular, of the inappropriate collection and maintenance of statistical databases, the incomplete use of the benefits of intergovernmental agreements on the exchange of information about tax issues and only the partial introduction of modern information technology into the tax management system.

A number of criteria and their characteristics are offered, on the basis of which it is possible to distinguish among the general assets and those, which can receive the status of wealth as an object of taxation at the certain historical stage of development of Ukraine. It will ensure the principles of social justice and economic feasibility. Thus, in determining the object of the wealth tax the following should be taken into account:

- The property that acquires the status of wealth is identified as one being owned by a certain person who has the right to own, use and dispose of this property. In this case, a property can be owned by more than one person, and then a certain share of property is assigned to each of them;

- The property can be movable and immovable;

- The property has features of rarity, for example, yachts and private aircrafts today in Ukraine, can be considered as rare as a very limited number of people own them;

- Household property may be represented by land, buildings, accumulated retirement accounts and investments in financial assets, as well as claims rights to economic entities;

- Wealth of legal entities is represented by different types of values that are not intended for sale or use in business activities, and are not stored as monetary gold or financial asset in the form of unallocated metal accounts;

- The property of a payer in his country and abroad can be taxed;

- Net value tax is imposed not on a unit of property, but on the value of property. In this case, if the property is included in the list of objects of taxation determined by the legislation, only that part of it is taxed, which

represents its net value. The latter is equal to the total value of the property after the deduction of the owner's liabilities for this property;

- Net value of property belonging to one person must be higher than an average income level adopted in the country. This criterion is one of the most difficult to define, and depends on the social and economic development of the country, the level of material well-being of people.

In order to ensure the principle of social justice and avoid future disputes over unfair taxation of wealth, before the introduction of the wealth tax, it is necessary to determine the objects of wealth at the legal level. When taxing the residential property, the classification of the Ukrainian Construction Association can be used to determine the deluxe level apartment and the classifier of the European Commission is used to tax luxury cars.

It should be noted that it is possible to determine from a legal point of view the list of objects for wealth taxation if there is a complete, reliable and properly structured information base on the property and related obligations. In addition, the introduction of certain innovations in the tax system should be accompanied by an assessment of their effectiveness. Therefore, to introduce the wealth taxation in Ukraine, an appropriate information and statistical base should be prepared. Unfortunately, in Ukraine, the existing information and statistical base does not fully meet the needs for a clear identification of wealth. On the one hand, the available public statistical information does not reflect the real state of affairs, and, on the other hand, you can not find certain statistical data, or you do not have access to it. At the same time, in order to predict the potential fiscal effect of introduction a wealth tax (that is, the potential amounts of tax revenues from this tax after the deduction of the costs for administering it), first of all, it is necessary to have reliable information about objects that may be taxed.

Studies have shown that complaints of the representatives of corporations in foreign countries about increasing the tax burden on their business due to the wealth taxation of their assets are related, first of all, to their disagreement with the public authorities as for the referring some objects to those, which are not used in economic activity. In order to avoid such misunderstanding in Ukraine, it has been proposed not to introduce into the taxation legislation the demarcation of the wealth objects of legal entities used in their economic activities and those that are not used in it. It is noted that the adoption of property classifiers at the legislative level, which will guide the administering of the wealth tax in relation to its type, will help to avoid disputes about the taxation of the wealth of legal entities.

It is proposed to introduce a wealth tax only on the property that is more difficult to hide from taxation. In particular, such property can include

deposit funds that are equal to or exceed the amount according to which such property can be classified as a wealth. In addition, this may be a property that is subject to mandatory state registration in Ukraine, namely:

- Real estate (registered in the Register of property rights to real estate);
- Vehicles (registered in the United State Register);
- Civil aircrafts (registered in the State of Civil Aircraft Register of Ukraine);
- Vessels, including small-sized (small) vessels (registered in the State Ship Register of Ukraine or the Ship's Book of Ukraine);
- Corporate rights of a shareholder (shares) (registered by the National Commission on Securities and Stock Market).

Thus, in Ukraine, it is more difficult to hide from wealth taxation such objects as, firstly, money on deposit accounts, the amount of which exceeds the limit, set for a wealth category; and secondly, property that is subject to mandatory state registration.

As for such an object of taxation as residential property, it is expedient before the introduction of a wealth tax, to adopt a property tax classifier, which was developed by the Ukrainian Construction Association in 2006, according to which the housing is divided into 5 classes: social, economy, busines, premium and deluxe. In this case, such criteria as the size of the object and its location should be ordinary criteria, but not crucial ones that can help to refer a particular housing to a certain class.

As for the cars as an object of taxation, we propose to rely on the classification developed by the European Commission, according to which, the cars are classified as compact size cars (A), small cars (B), middle class cars (C) multipurpose cars (D), business class cars (E), luxury cars (F), sports cars (S), universal cars (M), sports utility cars, including off-road cars (J) due to the objective criteria. According to the International Council on Environmentally Friendly Transportation, the cost of a luxury car is the highest, and in 2014, the price of a new car was more than 100 thousand euros, including taxes.

As for such objects of taxation as civil aircrafts, yachts, summer cottages and private houses, we think that the development and introduction of classification for these assets is not urgent today. The proposed approach to determining the object of wealth tax in Ukraine fully complies with foreign fiscal practices and allows us to ensure its effectiveness in our country.

An important issue of the effective functioning of the wealth tax is the evaluation procedure of the object of taxation. In some countries, valuation is carried out by indexing the cost of an object with at least every three years. To ensure evaluation transparency, a number of countries begin to use the

market value, although this may lead to additional tax administrating costs (if the assessment procedure exercised by local authorities) or increase the liabilities of the payer, which will reduce the tax base (if the evaluation procedure is entrusted to him). Therefore, in order to determine the value of the object of the wealth tax, it is expedient to use the insured sum specified in the insurance contract.

In Ukraine, when determining the tax base of a wealth tax, it is necessary to apply rules, which have been universally recognized in the world practice according to which debt obligations related to the acquisition of wealth should be deducted from market value of the taxation objects. In this case, when the assets are alienated in favor of a related person who acquires an asset using debt funds, the obligations will not be deducted, as well as the obligations arising from transferring the wealth into a pledge.

It is expedient to determine the lower bound of the wealth tax base according to the minimum market value of the residential property of the "deluxe" class, which is located in Ukraine. In this case, it should be increased by a coefficient determined by the local authority of the administrative-territorial unit, to the budget of which the tax will be paid, and the ratio of this coefficient should be at least "1.0". This allows us to implement the principle of equity when taxing wealth.

Studies have shown that the tax rate on wealth in Ukraine should not exceed 2.5%. At the same time, conducted calculations show that a positive fiscal effect can be achieved with a proportional tax rate of 1%. According to these calculations, provided taxation on net worth of only 100 of the richest citizens of Ukraine with a tax rate of 1%, the total tax revenues to the local budgets of the country from the wealth tax in 2014 could have been calculated as almost UAH 6 billion. In the first years of the tax levy, in order to optimize the cost of its administrating, it is inappropriate to introduce a progressive tax scale. Such an approach to the introduction of wealth tax rates in Ukraine will ensure the replenishment of local budgets and at the same time will contribute to the implementation of the principle of the economic feasibility of this tax.

In this context, it should be noted that improvement of the tax system of any country is of great importance as well as the development of the structure and efficiency increasing of the tax authority activities. Thus, according to OECD studies, in the last 20-30 years in the western countries, there have been evolutionary changes in the internal organizational structure of the national tax authorities. The activity of tax authorities is developed from the model "by types of taxes" to "functional model" and to the relatively newly developed model "by types of payers."

When taxing wealth it is expedient to single out administrating of taxation of high-income persons as a separate group. This category of taxpayers is characterized by the tendency to use aggressive tax planning schemes and complex taxation. In addition, such administrating should be carried out not only in Ukraine, and this can be achieved due to the automatic exchange of information between relevant authorities and other countries. According to this, it has been proposed to conduct business tax operations in Ukraine due to the limit, set by the majority of foreign countries – 500 thousand euros of the net value of the property. It is necessary to include to this amount the market value of one's own assets as well as the assets controlled by him after the deduction of related obligations. When administering the taxes of high-income persons, it is compulsory to tax related to them persons. Such actions will increase the quality of work with these payers, as they cause a high risk of tax avoidance due to the use of aggressive tax planning schemes and the most favourable for them tax jurisdictions.

When declaring the wealth tax liabilities, it is advisable to introduce the use of the certified fiscal authority consultants services (tax intermediaries). In this case, the registration data of such an intermediary should be shown in the tax declaration of the taxpayer. Tax intermediary liabilities will allow us to reduce the risk of a lack of tax revenues to the local budgets from high-income persons.

The development of Ukrainian legislation in terms of wealth taxation, according to the recommendations mentioned above, allows us to build a system that is compliant with the best financial practices of the world and, at the same time with the realities and opportunities of Ukraine. The implementation of this must be based on the appropriate political will and the support of the large taxpayers.

3.5. Debt Risk and Its Management

Identifying and assessing the risks is an important component of improving the state debt management in the context of increasing efficiency of debt finance use. The world trend of growing dependence of state debt on macroeconomic risks and the transformation of the debt into a risk factor in the post-crisis period requires the thorough researches of this problem, in particular, to what is dedicated the publication of representatives of the modern Ukrainian school of public finance⁹⁰.

⁹⁰ Bets O. Risks of public debt: a conceptual framework and pragmatic aspects / O.Bets, A. Krisovatuy, V Fedosov // Market of Securities. – 2017. -- No. – P.

The category of risks in the sphere of public debt management in Ukraine has not become subject to consideration as an object of theoretical researchers for a long time, despite the recognition of the impartiality of the diversity risks influence on all financial and economic processes in the state²⁹¹. Only recently, as a result of the awareness of the important role of debt risks and the growth of their negative influence on the economy, scientists are increasingly focusing on this issue. According to experts from the World Bank and the International Monetary Fund, "even if there are reliable macroeconomic borders, risky methods of debt management increase the vulnerability of the economy to financial and economic shocks"²⁹². Therefore, in the second half of the twentieth century, most developed countries stepped up their efforts to improve public debt management by building up a system of debt risk management as an integral part of state financial management.

According to the Regulations on the risk management related to the state debt, endorsed by the order of the Ministry of Finance of Ukraine dated 16.06.2010 No. 461, the risk connected with state debt is the possibility of an event (circumstances) of a probabilistic nature that will lead to:

Increase of the state budget expenses connected to the increase of the amounts of repayment and servicing the state debt, or decrease of the possibilities of the state budget financing at the expense of debt sources.

The risks of the state debt contain risks connected with the sub-optimal structure of liabilities on the basis of interest rate, currency denomination of liabilities and maturity date (interest, currency risk, and refinancing risk). A separate group is the risks connected with the possibility of spending in connection with the provision of loans by the state at the expense of funds attracted by it, or with the provision of the state guarantees (credit risks).

In the researchers on the debt risks a significant value is their classification, which allows to explore them more fully and use the most rational methods for individual risks management. Types of risks in the management of the state debt depending on the level of occurrence are classified into:

- macro-level risks i.e. those that are indirectly connected with the sphere of the state debt borrowings and are influenced on 1) the conditions of a new state borrowing; 2) the cash flows of the state as a whole; 3) the rate of

²⁹¹ Kolot O.A. Financial risks related to public debt / O.A.Kolot // Market of Securities of Ukraine – 2003. – No. 3-4. – P. 40.

²⁹² Debt Sustainability in Emerging Markets: A Critical Appraisal. – IMF Working Paper No. 61. – November 2007 [Electronic resource] – Mode of access: <http://www.imf.org/ST/ESA/2007/DWP/61>

changes of the amount of debt and the level of debt burden on the economy. Among them there is the political risk and monetary policy risk, the risk of economic development, strategic and general market;

- micro-level risks i.e. those that cause fluctuations in the value characteristics of the debt liabilities. Among them there is a market (interest, price), risk of refinancing, credit, risk of liquidity, operational and judicial risks.

Most of the macro-level risks form the so-called country risks, valuation of which is an indicator of the country's solvency. Micro-level risks accompany the process of the state debt management in the process of both strategic planning and operational activity. The intensity and magnitude of the influence of the micro-level risks on the sphere of the debt are largely determined by the optimality of the state debt liabilities structure, broken down by borrowing currencies, rates, sources, borrowing terms, etc.

In the system of the risk management, quantitative risk assessment is one of the most difficult stages. Worldwide practice shows that the risk assessment can be held with the using simultaneously several measurement of risk of a country's debt portfolio, depending on the purposes of the analysis, which debt managers are aimed at, such as: the risk budget (Budget-at-Risk), risk assessment based on indicators of risk value (Value-at-Risk), Car Risk (Cost-at-Risk). Along with the traditional approaches to market risk assessment, "the stress test" (stress testing) method, which is provided for special importance after the global crisis, is widely used. The role of stress tests as a methodological tool in the debt risk management should significantly increase. Specialists of the IMF note that the traditional analysis of cost-risk, which was widely used to determine the "optimal" structure of the state debt before the crisis, may be inadequate taking into account the full set of risk factors²⁹³. In particular, most models of this analysis are abstracted from the influence of macroeconomic factors on the level and structure of debt and considering the interest rates and exchange rates as independent variables. By using such models, important interrelations between weaknesses (vulnerability zones) of the macroeconomic sphere and the structure of the state debt are lost. In addition, models, which are calibrated on the basis of historical data, cannot predict extreme events that will occur in the future. While developing new models and methods, it is necessary to take into account all potentially

²⁹³ Frankel J. South Africa: Macroeconomic Challenges after a Decade of Success / Frankel J., Smit B., Sturzenegger F. – Cambridge, MA: CID. – CID Working Paper. – September – 2006. – №133.

possible sources of risks. First of all, it should include shocks arising as a result of the reverse of capital flows or the erosion of the investor base, as well as financial shocks, caused by the transfer of non-obvious conditional liabilities of the government to the state budget²⁹⁴.

The national legislative and regulatory base define the following types of the state debt risks: budgetary, interest rate, the risk of refinancing, foreign exchange, credit risk, the risk of liquidity, rating, operational.

Today the Ministry of Finance of Ukraine carries out settlements on individual state debt risks on the basis of separate indicators, which we will have used to assess the risks of state debt for the years 2000-2016. It should be noted that the assessment of state debt risks is carried out by the Ministry of Finance of Ukraine on the direct state debt.

The budget risk is the risk of a considerable underutilization of the state budget revenue part compared to the plan, which may lead to the increase of the state borrowings and/or the failure of the debt liabilities with the state debt servicing. The indicators for assessing the budget risk are:

1. The ratio of the state debt to the gross internal product and the state budget revenues, the dynamics of this ratio.
2. The ratio of payments for repayment and servicing of the state debt in the relevant budget year to the state budget revenues this year.
3. Quotations of yields of Eurobonds of Ukraine, their spread to standard securities, quotations of credit default swaps on Ukraine's sovereign liabilities.
4. Other macroeconomic indicators.

The Ministry of Finance of Ukraine calculates the indicator of the state debt to GDP (without taking into account the debt guaranteed by the state) and the indicator of the payments ratio for repayment and servicing of the state debt to the state budget revenues. Let's characterize these indicators and explore their dynamics during the years 2006-2016. It should be noted that the indicators of the state debt ratio to gross internal product and the state budget revenues are the shares of the state's liabilities in the total income of society. GDP and the state budget revenues are indicators of the debt burden on the economy and on the budget, accordingly.

In the years 2008-2014, the irrational and conjuncture policy of the state borrowings have formed the risks of disturbing macro-financial stability in the country.

²⁹⁴ Bohdan T. Modern approaches to the national debt risk management / T.Bohdan // Edition of the National Bank of Ukraine – 2012. – No. 11. – P.14.

Starting from 2008, the amount of the state debt and its ratio to GDP is increasing in connection with the deployment of the crisis, and, accordingly, the growth of the needs of the country in the state borrowings, as well as in connection with the suppression of economic activity. The dynamics of the state debt ratio to GDP (excluding state-guaranteed debt), which, having reached the minimum value in 2007 of 9.9%, increased to 28.1% in 2012 and 30.5% in 2013, are shown in figure 1. In 2014, this indicator increased to 31.9%, and in 2015 rapidly increased to 67.4% of GDP. Trends in the field of debt was intensified during 2015 as a result of the escalation of political crisis phenomena against the backdrop of the continuation of the military conflict in the east, the continuation of the economic recession, the accumulation of problems with the functioning of the financial system in the process of declining Ukraine's credit ratings and increasing social tension in society.

In March 2015, in order to reduce the debt burden on the economy and the budget of the country, the Ministry of Finance of Ukraine began the process of restructuring external state debt. The IMF program on restructuring Ukraine's external state debt directed to reaching three goals:

1 – saving on external payments for the state debts and guaranteed by the state and public sector entities in the amount of approximately \$ 15.3 billion for the period of the IMF program;

2 – ensuring the ratio of the state debt / GDP at the level not exceeding 71% of GDP by 2020;

3 – support for the general needs of the budget's financing on the debt operations, on average, at 10% of GDP (maximum 12% of GDP per year) in the years 2019-2025.

Debt restructuring is essential, it ensures not only extending the debt but also reducing the rate and its nominal amount in order to achieve the expected results. According to the agreements reached with international creditors, Ukraine has been written off \$ 3.8 billion, the maturity of the remaining \$ 15.5 billion will be delayed for four years from 2015-2023 to 2019-2027, however, the rate of yield of new Eurobonds has been raised to 7.75% per annum. The restructuring and write-offs of the state debt part allowed reducing debt risks, reducing the debt burden on the economy, which will contribute to the gradual restoration of the country's position in the international capital market and macro-financial stabilization.

In 2016 the tendency of state borrowings continued to increase. The ratio of the state debt to GDP (excluding state-guaranteed debt) amounted to 74.4% of GDP. The budget deficit of the expanded government was financed by the increase of net internal borrowings and reduction of the government

deposits cash balance. The government plans a gradual reduction of the fiscal deficit to 2.3% of GDP in 2019, but this will require tight fiscal discipline. The quasi-fiscal deficit reduced from 8.9% of GDP in 2014 to 0.6% in 2016, due to lower expenses in support of Naftogaz of Ukraine, pre-capitalization of banks and financing of the Deposit Guarantee Fund. Since 2008, it has not fallen below 2% of GDP, and in times of crisis, it has sharply increased, which has led to a significant increase in the state debt and, consequently, a growing of state finance risks. In addition, the NBU often had to repurchase government bonds, which were financed by a quasi-fiscal deficit. This limited the independence of the National Bank and its ability to carry out an effective monetary policy, entailing significant risks to the financial and currency markets. That is, the state borrowings are still used, mainly to meet the current needs of fiscal, which leads to an increase in debt burden and rising debt risks.

Sufficiently widespread is the idea that a considerable amount of the state debt, in particular, exceeding its threshold of 90% of GDP is a major hindering factor of economic development. In view of this, the IMF has separately investigated the dependence between the amount of the state debt and the rate of economic growth. The high levels of the state debt really slow down the upward trends in the economy, but each country has its own limit and its own parameters. The total value of public debt for all countries, after which the rates of economic growth are rapidly falling, is not appropriate²⁹⁵.

IMF materials note that in the world history there were several periods when there was a rapid increase in the ratio of the state debt / GDP of many countries. And although the reverse relationship between GDP and the state debt actually occurs very often, not all countries whose public debt has significantly increased during the period under investigation, are experiencing a slowdown in GDP growth. For some countries, on the contrary, the indicator is higher than its average level. Thus, the dependence between the amount of aggregate state debt and the rates of GDP growth cannot be considered as linear one. It is expedient to investigate the relationship between the indicators of state debt and the dynamics of GDP for each economy separately, given that within the same system, this dependence has the possibility to fluctuate over time.

It should be emphasized that debt sustainability is measured not only by the indicator of state debt relative to GDP and budget revenues, as well as taking into account the level of the internal financial market development,

²⁹⁵ Fiscal Adjustment in an Uncertain World. Fiscal Monitor / IMF – 2013. – April. [Electronic resource]. – Mode of access: <http://www.imf.org/external/pubs/ft/fm/2013/04/fmindex.htm#>

the share of external debt, and the general economic situation. In this regard, the permissible level of debt relative to GDP and relative to the state budget revenues for developed countries is higher in comparison with developing countries.



Fig. 1. Dynamics of the state debt indicator ratio to GDP in the years 2006-2016, %

The growth of the state debt, accordingly, leads to increased expenses of its maintenance and repayment. The indicator of the ratio of payments for repayment and servicing of the state debt in a given budget year to the state budget revenues in this year reflects the share of budget revenues that will be withdrawn for the fulfillment of obligations under the state debt. Based on this indicator it is possible to draw conclusions about the volume of the state funds diversion from the financing of its functions in society for the needs of the state debt. In the case of a high value of this indicator, budget risks may seem high, but not when the proceeds from borrowings are close to debt repayments. In this case, the state debt is not being increased (the budget balance is close to zero), and their own budget revenues are not spent on the needs of debt. In the case of a budget surplus, which is performed by obligations under the state debt – at which level this indicator was not available, the budget risks are either missing or minimal.

It should also be noted that the devaluation of the national currency allows the government to pay for the internal debt, which is cheaper, along

with lower hryvnia exchange rate, and lower amounts of foreign currency resources, in particular, received from international financial organizations.

In international practice, the recognition of the impossibility of servicing its own debt obligations by the state negatively affects its ability to enter the international borrowing markets, and also causes a significant deterioration of business expectations, including attracting potential foreign investors, reducing sovereign credit ratings and loss of business reputation. This situation means an additional increase in the deficit of foreign currency in the internal market, and, as a consequence, a devaluation of the national currency. The announcement of a default on the state debt liabilities may have some positive effects, including reducing the expenses of servicing debt and the emergence of a stimulating factor for economic reform, including shock. It should be noted that the positive effects of declaring a sovereign default can only appear in the long run. The technical default, that is, any restructuring of the state debt liabilities, is able to cause the same consequences, but maybe on a smaller scale.

Figure 2 shows the dynamics of the payments ratio indicator for repayment and servicing of the state debt to the state budget revenues during the years 2006-2014. This indicator, from a minimum value of 1.63% in 2008, increased to 7.69% in 2012, in 2013 it was 8.58%, in 2014 9.4%. In 2015, the indicator of the payments ratio for repayment and servicing of the state debt to state budget revenues increased sharply to 18.79%, in 2016 to 19.41% due to the rapid growth of the state debt.

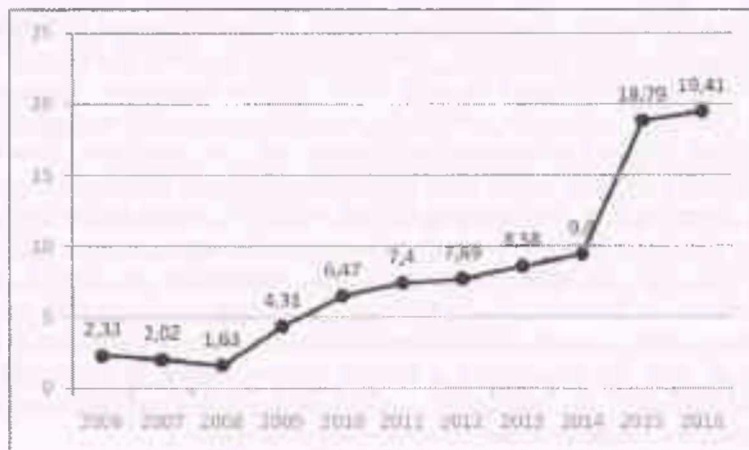


Figure 2. The dynamics of the payments ratio for repayment and servicing of public debt to the government budget revenues in 2006-2016,%

The expenses of servicing Ukraine's external debt will start to increase from mid-2017. The payment of principal and interest on sovereign and quasi-sovereign debt over the next three years is \$ 14 billion, which is almost equal to the current NBU currency reserves. Payments for external debt will reach a maximum of \$ 7.5 billion in 2019. The gold and foreign exchange reserves accumulated in past years should be further increased, and not spent. Internal sources of attracting foreign currency will suffice, therefore, Ukraine needs to raise funds on the international market and focus on low-cost financing, because debt levels have already reached threatening dimensions. The access to external financing depends on Ukraine's cooperation with the IMF.

The assessment of budget risk indicators allows us to conclude that the negative tendency of a sharp increase in government debt and the costs of its servicing and repayment, which leads to the inefficient spending of budget revenues and limitation of financing of social and economic budget expenditures. Reducing the negative impact of a high level of government debt on economic processes is real only if the restructuring is restored in the economy, the restoration of economic growth and the implementation of complex reforms in the fiscal sphere.

Interest rate risk is the risk of rising floating interest rates stipulated by the terms of current liabilities under government debt. Interest Rate Indicators:

1. The specific gravity of government debt with floating interest rates in the total amount of government debt.

2. The structure of government debt with floating interest rates in terms of these rates types.

3. The price of one percent of the annual floating interest rate (Increase in the cost of servicing government debt with an increase in the floating interest rate by one percent per annum):

$$\Delta C_D(r_i^f) = D_i^f \cdot 0,01$$

$\Delta C_D(r_i^f)$ – increasing in the cost of servicing government debt with an increase of a i -th floating rate (r_i^f) of one percent per annum;

D_i^f – the amount of government debt to which the i -th floating interest rate applies (r_i^f);

4. Sensitivity (elasticity) of government debt servicing costs to changes in the floating interest rate:

$$E_{C_D, r_i^{jt}} = \frac{\Delta C_D}{C_D} \cdot \frac{\Delta r_i^{jt}}{r_i^{jt}}$$

$E_{C_D, r_i^{jt}}$ – sensitivity (elasticity) of the servicing expenses the entire amount of the government debt to changes in the i -th floating interest rate, %;

ΔC_D – an increase in the expenses of servicing the entire amount of the government debt owing to the growth of i -th floating rate ;

C_D – the cost of servicing the entire amount of the government debt ;

Δr_i^{jt} – an increase of an i -th floating rate, % per annum;

r_i^{jt} – an i -th floating rate, % per annum.

5. The increase in the weighted average cost of servicing all government debt with an increase in the floating rate by one percent per annum:

$$\Delta \bar{r} = \frac{D_i^{jt} \cdot 0,01}{D} \cdot 100\%$$

$\Delta \bar{r}$ – an increase in the weighted average cost of servicing the entire amount of government debt with an increase of an i -th floating rate of one percent per annum;

D_i^{jt} – the principal amount of the government debt to which the i -th floating interest rate applies (r_i^{jt}); monetary unit.

D – the total amount of the government debt, monetary unit.

The Ministry of Finance of Ukraine calculates only the first indicator, which is analyzed for the period of 2006-2016. The share of floating-rate government debt reflects the level of uncertainty about the future costs of servicing the government debt in the future, and, consequently, the magnitude of such expenditures risks increasing.

Figure 3 shows the share of government debt with floating rates in the total amount of government debt in percentages (%). During 2006-2008, there was a positive tendency to reduce this share to 22.6%, in 2009 as a result of crisis events and the need to attract significant funds it has rapidly increased to 37%. During 2010-2014, the government managed to reduce the share of government debt with floating rates in the total amount of government debt to 13.9%. In 2015, this figure increased to 17.3%, and in 2016 it increased to 31.2%.



Figure 3. The share of government debt with floating rates in the total amount of the government debt in 2006-2016, %

As in the end of 2016, fixed-interest liabilities accounted for 68.85% of the total government debt, 12.73% of liabilities had a floating interest rate, deals with LIBOR; 18.42% is the rate deals with the interest rate of the IMF. It should be noted that official lenders, both bilateral and multilateral, provide loans under standard conditions with a predefined type of interest rate. The ability of the Government of Ukraine influence on the decision of official lenders to increase the volume of lending at fixed rates is limited. Therefore, reducing the vulnerability of government debt to the effect of interest rates requires a well-considered policy of attracting bonds in domestic and foreign markets. As for borrowing in the domestic market the government has recently offered only bonds with fixed interest rates to market participants. Thus, the Government minimized the interest rates of accumulated internal liabilities. However, such a policy could not neutralize the effect of interest rate risks associated with the deterioration of the domestic market of debt capital and the general level of interest rates in the economy, which inevitably leads to an increase in the cost of attracting new loans.

To save budget funds by reducing floating rates, on the one hand, the optimum for a state can be the maintenance of a certain ratio between the

debt with floating and fixed rates. According to each particular period of time, this ratio is individual, it should be determined to take into account the projected macroeconomic indicators and predictions on the dynamics of floating and fixed rates in the future. The debt structure, which includes 50% debt with a fixed rate and 50% of the fixed debt, is optimal²⁹⁶ on the long-term future. In this case, the increase of floating rates will hold back the increase in budget expenditures at the expense of fixed rates, and lower floating rates will contribute to saving budget funds. It should also be taken into account that the tendency of debt reduction with more volatile floating rates is positive.

Currency risk is the risk of a depreciation of the national currency against foreign currencies in which a government debt obligation has been nominated. The indicators of currency risk valuation include:

1. The specific gravity of government debt in foreign currency in the total amount of government debt.
2. The structure of government debt in foreign currency in terms of foreign currencies.
3. The increase of expenses for repayment of the government debt at the devaluation of the national currency per unit:

$$\Delta C_D(r_i^f) = D_i^f \cdot \Delta r_i^f \text{ or } \Delta C_D(r_i^f) = D_i^f \cdot 1$$

$\Delta C_D(r_i^f)$ – an increase in the cost of repayment of government debt with the growth of the exchange rate of the *i*-th currency (r_i^f) per unit;

D_i^f – the amount of government debt in the *i*-th foreign currency;

Δr_i^f – an increase in the exchange rate of one currency per unit.

4. The elasticity of the government debt repayment costs to changes in exchange rates is expressed as follows:

$$E_{C_D, r_i^f} = \frac{\Delta C_D}{C_D} \cdot \frac{r_i^f}{\Delta r_i^f}$$

E_{C_D, r_i^f} – the elasticity of expenses for the repayment of the entire amount of government debt to changes in the exchange rate of the *i*-th currency, %;

²⁹⁶ Management on risk indicators using and the formation of borrowing strategy The integral value of risk. The project "The development of the financial sector", [Internet Resource]. – Mode of access: <http://www.finrep.kiev.ua/>

ΔC_D – an increase of costs for repayment of the government debt whole amount as a result of the national currency devaluation against the i -th currency;

C_D – costs for repayment of the government debt whole amount;

Δr_i^f – an increase of the i -th currency exchange rate;

r_i^f – an exchange rate of the i -th currency.

The Ministry of Finance of Ukraine counts only the first indicator, which is investigated for the period of 2006-2016. Currency risk reflects the level of uncertainty about future costs of repayment and servicing of government debt in the future. It leads to the vulnerability of the national financial system to external shocks and dependence on the behavior of foreign investors. The attraction of foreign loans does not contribute to the development of a full-fledged internal financial market since, under conditions of insufficient development of the institutional environment, foreign resources cannot be used with significant efficiency. Moreover, if in the short term debt service costs are reduced (due to lower interest rates on external loans compared to domestic ones), in the long run, these positive effects will be equalized due to the growing vulnerability of the country's economy. It should be noted that the high share of foreign currency debt shows, at first sight, high currency risks. However, if a government debt with such high proportion of foreign currency liabilities is at a low level relative to GDP, currency risks are not significant. At the same time, absolute indicators will be at a low level, and indicators of sensitivity will be at a high level.

It is shown in fig. 4 the dynamics of the public debt share in foreign currency in the total amount of the government debt in 2006-2016 in%.

The share of public debt in foreign currency in the total amount of the government debt has decreased in 2006-2013, however, since 2014 there is a steady tendency of this indicator to increase. An increase of foreign currency debt is due to the restoration of the cooperation with the IMF in the credit line in 2014 and the receipt of loans from other official creditors. In April 2014, the Stand-By Agreement was signed for a term of 2 years for a total amount of 17 billion USA dollars. This is the largest loan program for Ukraine; it is divided into nine tranches. In consequence of this agreement signing, the country actually managed to avoid default. The first tranche of \$ 3.19 billion was used to stabilize the macroeconomic situation and the financial situation of the country. In 2014, Ukraine received only 4.6 billion dollars. Restoring the cooperation with the IMF has become a positive signal both for foreign investors and for the Ukrainian business environment. This

program has opened up new opportunities for wider financial support from international financial institutions and foreign countries. In 2015, the Ukrainian government approved a new Memorandum of Cooperation with the IMF, which provides for the possibility of receiving by Ukraine \$ 17.5 billion over the next four years. That is, the stand-by program was discontinued, but instead, a new one was introduced, which provided for an extended funding mechanism (EFF) and lasted for 4 years. The new program allowed Ukraine to ensure the development of the economy in critical circumstances for the country. The main risk to the program is the further development of the geopolitical situation around Ukraine, and this is precisely why the program was designed for pessimistic economic forecasts, which are a sort of "buffer" for the influence that could have a conflict on the East in Ukraine's economy. The solution of this conflict will strengthen and accelerate prospects for macroeconomic stabilization and growth. The program of cooperation with the IMF provided for the fulfillment of a number of conditions by Ukraine, but they are all in one way or another related to the implementation of reforms aimed at stabilizing the Ukrainian economy and returning it to the path of growth. The memorandum on cooperation with the IMF also envisages structural reforms, including anti-corruption reform, judicial reform, deregulation and improvement of the business climate, as well as reform of state-owned enterprises, including Naftogaz.

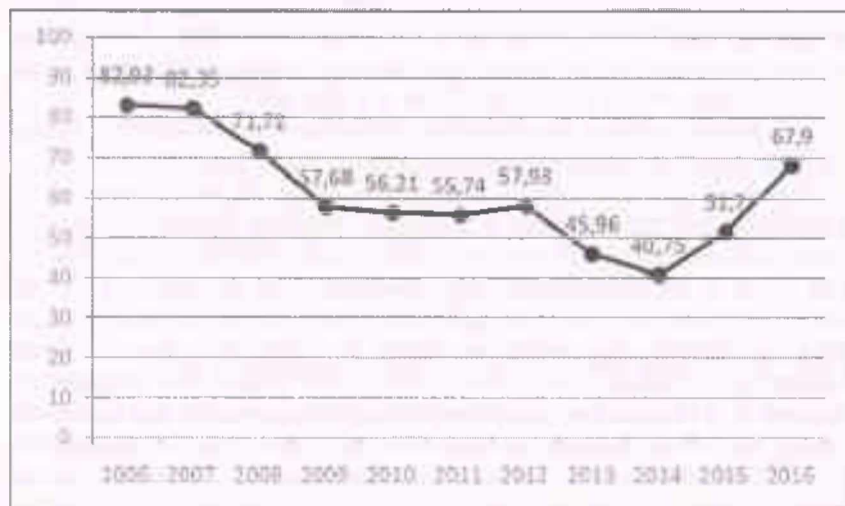


Fig. 4. Specific gravity of government debt in foreign currency in the total amount of the state debt in 2006-2016, %

In general, during 2014-2016, Ukraine received \$ 17 billion funding from official lenders i.e. the IMF, the World Bank, the US, and the EU. Macroeconomic stabilization is largely due to the substantial amount of financial assistance from official lenders. In March 2017 a new Memorandum on cooperation with the International Monetary Fund was signed, which is a continuation of cooperation program with IMF in 2015. The new Memorandum provides for further complex reforms that will improve the economic situation and stimulate investment processes. However, foreign currency borrowing, mainly from international financial institutions, increases the country's dependence on foreign investors.

An increase in foreign currency debt is also due to the emission of Eurobonds. Thus, in mid-May 2014, Ukraine placed guaranteed US \$ 1bn Eurobonds. The profitability of securities only 28 basis points exceeded the profitability of US treasury bonds and was record low for Ukraine at 1.844% per annum. Eurobonds will be redeemed on April 30, 2019. The organizers of the issue were investment banks, JP Morgan and Morgan Stanley. The Ministry of Finance of Ukraine has issued Ukraine's Eurobonds under US guarantees for \$ 1 billion, the borrowing rate was 1.847%. The United States provided Ukraine with a total of \$ 2 billion in additional guarantees in 2015. This amount is taken into account in the four-year EFF program with the IMF in the amount of \$ 7.5 billion in international financial assistance, which complements the IMF loan of \$ 17.5 billion.

In the domestic market the government has placed bonds denominated in US dollars and euros since 2012. Thus, in 2016, T-bills denominated in US dollars worth \$ 3.0 billion were placed. In recent years foreign currency borrowing in the domestic market has led to an increase in the higher vulnerability of debt to currency risk.

The structure of the government debt by currencies of repayment as of December 31, 2016, included UAH 37.1%, USD 44.58, USD 0.42% 3%, in Japanese yen 0,77%. A significant portion of the debt in one currency increases currency risks due to currency fluctuations in the world market. Analyzing the structure of debt in foreign currency, it is necessary to match the currency structure of liabilities with the currency structure of official reserves of the central bank and the currency structure of exports. It is advisable to make domestic foreign borrowings mainly in US dollars, since in the currency structure of settlements on operations of the current account of Ukraine's balance of payments the revenues are dominated by US dollars, and in the structure of foreign exchange reserves of the NBU the largest share of assets is denominated in US dollars.

An increase of the government debt specific gravity denominated in foreign currency means an increase in government spending on servicing of its own debt, which will also be denominated in foreign currency. For Ukrainian financial markets, this may be reflected in an even larger reduction in the currency supply and further devaluation of the hryvnia. Consequently, attracting funds in the foreign market is rational in the case of low profitability, in the medium and long-term, and subject to efficient use of borrowed resources. Compliance with such conditions is only possible if the country has a macroeconomic stability that determines its investment attractiveness and rather high credit ratings. Under other conditions, the yield of foreign bonds will be high, which transforms into a significant debt burden for the budget and economy of the country, leads to an increase in currency, credit risk and debt refinancing risk, which reflects the current trends of debt policy in Ukraine.

Refinancing risk is the risk of decreasing the capacity of the respective markets, which makes it impossible to borrow in volumes sufficient to refinance the debt at an acceptable price. Risk Refinancing Indicators:

1. The specific gravity of government debt is to be refinanced in a given period in the total amount of government debt.

2. The structure of government debt in terms of maturity.

3. Average weighted term to repayment of government debt.

4. Macaulay's Duration:

- for the i -th amount government debt:

$$DM_{D_i} = \frac{\sum_{t=1}^n (t \cdot CF_t / (1+r_t)^t)}{\sum_{t=1}^n (CF_t / (1+r_t)^t)}$$

CF_t – payment of interest or principal amount of debt on debt D_i at time t ;

r_t – the discount rate (NBU discount rate);

– for the total amount of the state debt:

$$DM_{D_i} = \sum_{i=1}^n DM_{D_i} \cdot p_{D_i}$$

if p_{D_i} – the share of i -th amount of the state debt in the total amount of state debt.

Price of one percent of the annual interest rate on debt, which is refinanced, (Δ the increment in the cost of servicing state debt with an increase in the interest rate on debt, which is refinanced, on one percent per annum):

$$\Delta C_D(r_i^{refin}) = D_j^{refin} \cdot 0,01$$

if $\Delta C_D(r_i^{refin})$ – the expenses increment of servicing state debt, with an increase in the i -th interest rate on debt, which is refinanced (r_i^{refin}), on one percent per annum, monetary unit;

D_j^{refin} – the main sum of the state debt with j -th term, which will be refinanced in a certain period, monetary unit.

6. Sensitivity (elasticity) of the expenses to the servicing of the state debt entire amount to a rise in rates of debt that is refinanced:

$$E_{C_D} = \frac{\Delta C_D}{C_D} \cdot \frac{\Delta r_i^{refin}}{r_i^{refin}} \cdot 100\%$$

where E_{C_D} – the elasticity of the expenses to the servicing of the state debt entire amount to changes in the i -th interest rate on debt, that is refinanced, %;

ΔC_D – the increment of the expenses to the servicing of the state debt entire amount as a result of the growth of a certain interest rate on the refinancing debt, monetary unit;

C_D – the maintenance costs of the state debt all sum, monetary unit;

Δr_i^{refin} – the growth of the i -th interest rate on debt, which is refinanced, % per annum;

r_i^{refin} – the interest rate on debt, which is refinanced, % per annum.

7. The growth of the weighted average cost of servicing all state debt with the growth of a certain refinancing debt rate by one percent per annum:

if Δr – the growth of the weighted average cost of servicing the state debt with an increment in the interest rate on debt, which is refinanced by one percent per annum, % per annum;

D_j^{refin} – state debt, which is refinanced, monetary unit;

D – the total amount of state debt, monetary unit.

The Ministry of Finance of Ukraine calculates the average weighted term until the repayment of state debt, which we characterize during 2006-2016. This indicator is an averaged abstract indicator of the maturity of the state debt, obtained by consideration of the terms for each committee on the total liabilities. It allows us to make conclusions about the approximate date, which accounts for the bulk of payments on repayment of the debt. It is

positive the increment of this indicator. Having analyzed this indicator, it is necessary to take into account the currency structure of the state debt and its structure in the context of education sources. It is worth to calculate separately the average weighted term until the repayment of internal and external debt, as well as internal and external in the context of market and non-market ones. As in the case of the vast majority of other risk indicators, the current and projected levels of the state debt relative to GDP have to be taken into account. It should be emphasized that the high average weighted term before repayment of the state debt may indicate low refinancing risks. However, if such a figure was generated by the overwhelming share of long-term borrowings from international financial institutions, and debt on borrowings in the capital markets (especially in the domestic market of government securities) has short maturities – refinancing risks are significant.

On figure 5 it is shown the average weighted term to repayment of the state debt in 2006 – 2016 years (monthly).

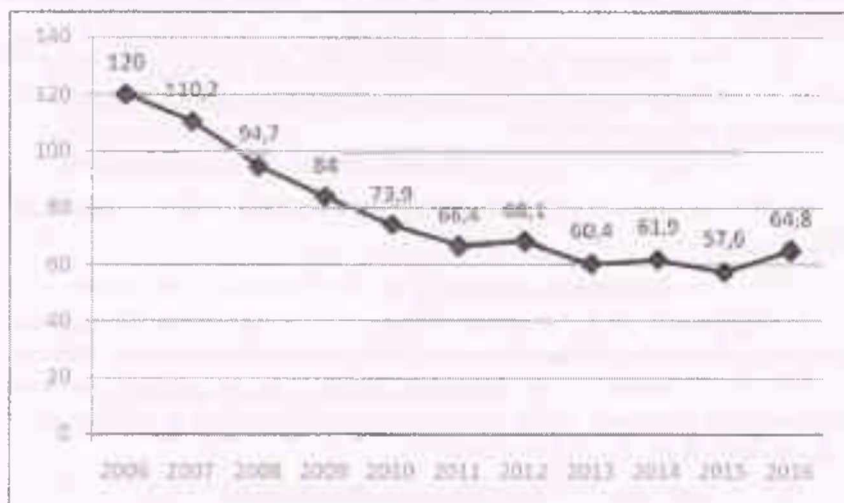


Figure 5. The average weighted term for repayment of the state debt in 2006-2016 (monthly)

During the mentioned period there is a negative trend of reducing the maturity to repayment of the state debt. If in 2006 the average weighted term before the repayment of the state debt was 120.0 months, in 2012 – 68.1 months, in 2013 – 60.4 months. In 2015, this figure was 57.6 months, and in

2016 – 64.8 months. That is, over the past 10 years, the average weighted term before the repayment of public debt has considerably decreased.

The difficult economic situation, the military conflict in the east of the country determine the low credit ratings of Ukraine, which does not allow borrowing resources in foreign markets on favorable terms – for long periods and at low-interest rates. Currently, Ukraine mainly receives funds from official creditors and issues US Eurobonds. Only an improvement of the macroeconomic situation will allow us to move towards a balanced borrowing policy in foreign markets.

Table 1

The structure of domestic debt financing instruments for deficit of the State Budget of Ukraine,% *

	2006 year	2008 year	2010 year	2011 year	2012 year	2013 year	2014 year	2015 year	2016 year
Long-term instruments	2	-	3	5,9	13,3	26,0	31,8	18,2	33,1
Medium-term instruments	95	88,8	40,3	61,4	69,8	57,8	40,1	52,7	45,7
Short-term instruments	3	12,2	56,7	33,66	24,4	16,2	28,1	29,1	21,2

* Made according to the data of the National Bank of Ukraine [Internet Resource]. – Mode of access: www.bank.gov.ua and the Ministry of Finance of Ukraine [Internet Resource]. – Mode of access: www.minfin.gov.ua

Since 2008, the government's activity on the domestic market has grown rapidly due to the need for resources to finance budget needs through the crisis. The similar process was seen due to the slowdown of economic growth and reduction of budget revenues from 2010. The structure of domestic debt instruments, through which funds are mobilized to the budget, was determined by the current needs of the government in the relevant period. Thus, in 2009-2010, the share of short-term instruments amounted to 66.2% and 56.7% due to the need to raise funds in connection with the global economic crisis and the spread of crisis phenomena in Ukraine (see Table 1). In 2011-2016, the share of medium-term instruments is the greatest. In particular, bonds denominated in hryvnias, in 2014, were housed mainly for a term of 1 year to 2 years. Their specific gravity amounted to 32.4% of all national currency attractions of the year. Also, the share of T-bills with a maturity of 4-5 years was significant – 30.6%. Government bonds nominated in US dollars dominated government bonds with a maturity

of up to 1 year and their specific gravity amounted to 99.0% of all dollar borrowings. All attractions of funds to the budget in euro took place for a term from 1 year to 2 years. In 2016, the share of long-term instruments amounted to 33.1%, and the share of medium-term – increased to 45.7%. The bulk of domestic borrowing in 2016 was securities with a maturity of over one year, which reduced the load on the budget for 2016, however, increased the burden on the budgets of the following years. It should be noted that the main buyers of government bonds in 2014-2016 were the NBU and banks. Thus, the share of T-bills in the NBU portfolio in 2014 increased by UAH 171 billion or increased from 58.3% to 69.5% of T-bills that are in circulation. It is important that the budget financing deficit through borrowing and buying government bonds by the National Bank of Ukraine in the primary market in significant volumes in 2014-2016 is, in fact, an emission source for financing the budget, which leads to further deployment of inflationary processes.

The reasons for the reduction of the term to the state debt repayment are an increase in the government's debt activity in the conditions of the insufficient level of the financial market development low credit ratings of the country, which leads to a shortening of borrowing terms. The consequence of this tendency is to limit the government's ability to refinance its debt.

Separate consideration requires the risk of contingent liabilities, which means the ability to fulfill these obligations is not by direct borrowers, and transfer them to the state budget. Among the main types of such a risk, one can distinguish:

- the risk associated with a guaranteed state debt;
- the risk associated with the obligations of the state arising from the results of operations on sub-lending;
- the risk associated with the borrowings of local authorities for the provision of which was not a state guarantee, and their obligations under the guarantees and guarantees issued by them for providing borrowings of other entities;
- the risk associated with borrowings from public sector entities for which no state guarantee was provided and their obligations under guarantees and guarantees issued by them for securing borrowings of other entities;
- the risk associated with the unsettled debt of the state;
- the risk associated with the obligations of the private financial and corporate sectors of the economy.

Risk management of contingent liabilities provides for measures aimed at preventing the conditions under which it is necessary to fulfill these obligations directly from the state budget. One of the main elements of managing these risks is a reliable system for recording and monitoring these obligations. In Ukraine, such system exists only in a relation to the guaranteed debt and debt arising from the results of sub-loan operations. It is carried out the work on accounting for the debt of public sector entities. It is done in order to evaluate the risk of contingent liabilities in domestic practice when providing state guarantees. The agreements are concluded between the Ministry of Finance of Ukraine and subjects borrowing under state guarantees on refund of the state budget expenses for performance of guarantee obligations; it is conducted the constant monitoring and control over fulfillment of obligations by economic entities for borrowings carried out under state guarantees. Unfortunately, there is no record and monitoring of implicit contingent liabilities, as well as monitoring of the financial condition of borrowers at a centralized level. In order to improve the management of contingent debt obligations of the state, according to domestic specialists, it is necessary: to introduce a system of accounting and monitoring of contingent liabilities all groups; to develop clear and transparent mechanisms for providing state guarantees and coordinating borrowings of local authorities and state enterprises; to introduce the practice of evaluating the financial condition of borrowers, their solvency, as well as the self-sustainment of projects financed by debt; carrying out of an audit, public disclosure of financial statements of borrowers, etc.

Summarizing, we note that state debt today generates considerable risks for fiscal sustainability of the country. The assessment of individual debt risks during 2006-2016 showed a significant deterioration in the indicators of fiscal and currency risk, refinancing risk and interest rate risk. Under such conditions, a growing share of state budget revenues and GDP will be used to repay state debt and pay interest. The deterioration of indicators of one type of risk leads to a negative synergistic effect on all other debt risks. Large amounts of borrowing in order to meet current financial needs in a context of gradual recovery of economic activity increase the threats and risks to macro-financial stability in the country.

An important task of debt policy is to find the optimal balance between debt service costs and state debt risks, scaling up and risk sources. The optimization of the state debt portfolio structure and the introduction of an effective risk management system should be an integral part of Ukraine's medium- and long-term debt strategy aimed at ensuring budget sustainability and economic growth. Taking into account the lessons of the global financial

and economic crisis at the international level, the principles of risk management related to the state debt have been developed, approaches to risk assessment, which should be introduced into the national practice of the state debt management, are improved. An integral part of the state debt risk management system should be the analysis and monitoring of macroeconomic risks that affect the state of public finances and the government's debt capability. The main factors affecting this ratio are the size of the state debt, are the "fiscal space" and the possibilities for adjusting budget revenues/expenditures, the flexibility of monetary and currency policy, the probability of materialization of contingent liabilities and the persistence or instability of access to market loans.

In order to maintain macroeconomic stability and ensure a gradual reduction in debt burden, fiscal policies should ensure a reduction of the deficit (to 2.3% of GDP in 2019) and the further introduction of fiscal consolidation measures. To do this, it is necessary to ensure deep structural reforms and eliminate the causes of significant budgetary risks. In particular, it is necessary to improve the efficiency of tax administration, the expansion of the tax base, the reform of the pension system, the creation of fiscal space for public investment, and the improvement of the efficiency and effectiveness of expenditures in sectors such as healthcare, education, and social protection. Without such complex reforms, Ukraine will continue to be hostage to the need increasing tax rates and reduce costs, and increase borrowing in the domestic market, which will cause the growth of debt risk, jeopardize of its debt stability and limit of its growth potential.

4. TASKS OF OTHER FIELDS OF THE FINANCIAL SYSTEM DEVELOPMENT WITHIN THE CONTEXT OF PUBLIC FINANCE RECONSTRUCTING

4.1. Financial Restructuring in Ukraine and Its Results

Under the conditions of a planned economy and administrative - command system, the financial system of Ukraine as an independent institutional unit did not exist but it was a part of the unified financial system of the USSR, which in turn was characterized by excessive state-sponsored financial resources. Banks, insurance organizations, enterprises were owned by the state. Accordingly, an independent country faced an extremely difficult task of creating its own financial system of a market type. The transformational processes that took place in Ukraine in the 90s of the last century required clear coordination of actions in all spheres and links of the economic and financial system, which had to be carried out on a proper scientific basis. A comprehensive study of financial restructuring issue was described in the monograph²⁰ published in the early 2000s, in which the experience of transformation processes in the real and financial sectors of the economy was summed up and the accumulated problems revealed and the main ways of overcoming them were identified on the basis of the development of financial strategy and tactics which the financial policy of the Ukrainian state must be based on.

One of the main instruments in the system of state regulation of economic and social development is financial instruments. The effectiveness of their use is determined by many factors, among which the leading role belongs to the coherence of the direction and the nature of actions of individual instruments. The best fiscal policy is that one which ensures the balance of interests of every citizen, business structures, and the state. We cannot even talk about the priority of someone's interests, for example, those ones of the state, as it was in the Soviet past.

The implementation of a balanced financial policy requires an approach to finance as a single institutional structure of society. There is one money supply, one set of financial resources, one volume of produced GDP in the

²⁰ Федосов В. Фінансова реструктуризація в Україні: проблеми і напрями: монографія / В Федосов, В Опарін, С.Львовичкін; за наук. Ред. В Федосова - К.: КНЕУ, 2002 - 387 с.

country. Any structural changes lead to changes in the system of interests of individual entities. In finance, it is very rare that everyone wins. Consequently, it can still be achieved but only on the basis of constant and steady GDP growth, which in fact determines the key role of ensuring economic growth in the country's economic policy. That is why the research in the field of the financial policy of the state should be of complex and systemic nature.

After the period of rethinking the outdated canons and the postulates of economic and financial science in the 1990s, research in the realm of finance was significantly intensified. There were fundamental scientific works on various areas of financial issues: state and local finance, tax system, monetary policy, banking system and the stock market, insurance, finance or business structures. But for a long time, there have been the problems of a comprehensive study of finance and the financial system left out of the attention of scientists without which coordination of positions and practical actions are impossible.

One of the most important problems of the transition economy was financial restructuring itself. As a result of this study, it was discovered that this was a rather complex and diverse phenomenon with different manifestations and consequences, including three main directions. First, it is the transformation of the structure and principles of the financial system functioning as a whole. The transition to market relations required radical changes in its construction. Secondly, this is a structural reform in certain areas and parts of the financial system, which should have been (but not always was) connected with the financial system transformation as a whole. And, thirdly, it is a radical reform of the fundamentals of the functioning of business structures finances functioning, public and international finance, and the financial market. The success of economic reforms largely depended on the complexity of financial restructuring.

The full financial restructuring was possible only on the basis of deep theoretical reflection and practical implementation of modern financial science achievements. While Ukrainian scientists have argued what is related to finance and what is not part of the financial system, and which characteristic features are of financial relations, modern financial science has developed advanced technology for managing financial flows and highly effective methods of financial activity. Financial management both in theory and in practice has reached tangible heights. For research done in the field of finance, many of the world's leading scientists have become Nobel Prize winners. In addition, it should be noted that despite the critique of outdated dogmas and ideological approaches to the economy and finances of the

socialist era, the financial practice of the 1990s and to a certain extent to this day is largely based on the old groundwork of the previous system.

On the one hand, this is an objective phenomenon, because it was not possible to change the whole system immediately, and the outlook of people. For example, you can hear statements and suggestions very often that one or another expenditure should be taken by the state. State funding of certain legal entities and individuals means financing their maintenance by the state. Therefore, it would be advisable while making such proposals to find out whether these persons agree with similar redistribution of funds. Do the relatively financially secured regions support the continuous territorial redistribution of budget funds based on subsidies of equalization, which have been in use for a long time in Ukraine? In finances, as well as in wildlife, there is a law of conservation of energy: money does not come from anywhere, and inevitably disappears nowhere. Society can fully function and develop stably only when the interests of all its subjects are in balance. It is necessary to support not only the poor but also the rich one because there will be no help for the poor persons.

On the other hand, the subjective factor remains quite weighty and has many different manifestations. First, this reluctance of a grow number of managers face the real, complete and radical reforms. Secondly, it is lack of preparation for deep reforms, because of staff problems. In many cases, financial institutions are headed by non-professionals, who can not only ensure the deep and the real transformation of the financial system as a whole and its separate segments but also ensure the efficient functioning of these structures. Thirdly, it is necessary to take into account the certain resistance to financial reforms in society. A lot of people are accustomed to the fact that money is paid to them, and they do not earn it. The conservatism of the financial world which is surprisingly precisely focused on the endless problem of various privileges is difficult to overcome. Such steady resistance to reforming finance in this part of society is supposed to exit for a long time.

In general, it should be noted that reforms in Ukraine has lasted for more than a quarter of a century. At the same time, in many cases, real reforms were not carried out. Within this context, we draw attention to the fact that financial restructuring, which is a rather complex and diverse phenomenon, has an external organizational and internal meaningful content. The external one is to change the structural relationship between the individual components of the financial system and structural changes as a consistent part of financial resources, incomes, and expenditures of the state, legal entities, and individuals. These changes are merely a reflection of the

profound reform of the substance and principles of financial relations in society, fundamental changes in the organization of financial activity, reevaluation of goals and priorities. Without exploring the essence of these changes, it is impossible to comprehend the essence of the transformational processes in Ukraine.

Financial restructuring in a transitional economy was an objective and natural phenomenon. Its direction depended on many factors that directly affected the content of the transformation processes. Many additional factors of internal and external origin influenced on the course, directions and meaningful content of financial restructuring in addition to the main and obvious factor i.e. the transition from administrative to market economy.

The main internal factor of an economic nature is a clear certainty with the type of economic system that is being formed in a certain country. An extremely important factor of a political nature is approaches of various political forces to the content of the transformation processes and the presence or absence of complete consolidation in society in relation to the tasks and directions of financial restructuring. In many ways, this is due to the fact whether the overwhelming majority of citizens understands the essence of transformational processes and realizes their necessity and the final results to the end? The lack of consolidation in society makes it possible for certain political forces to restrain real financial and economic reforms. We believe that the financial restructuring can be of full value only on the basis of a complete consolidation of society. It is possible only with the availability of sufficient knowledge and complete information.

External factors determining the meaningful content and the pace of financial restructuring are associated with objective world processes of economy globalization and integration of Ukraine into the international financial system. Our state cannot remain on the verge of globalization and, therefore, it must take into account the need to integrate its financial system into the global financial space through financial restructuring. The integration process is bilateral. On the one hand, cooperation with international financial institutions, which is the key in integration processes, involves realization of their certain requirements, both in terms of ensuring the solvency of our state and the restructuring of the financial sector. On the other hand, restructuring processes can not be considered as imposed from the outside ungrounded demands of the International Monetary Fund or the World Bank. This is an objective reality and the need of Ukraine itself. Without this full reforms the progress towards a socially oriented economy is not possible. It should be mentioned that Ukraine can solve its own financial problems by itself, but the question is what kind of efforts and when it can be

done? It is unlikely that it essentially restrains the flow of capital artificially, and thus stretches the transformational processes in time unjustifiably.

Financial restructuring in Ukraine has been going on for more than twenty-five years, beginning with the times of the so-called restructuring in the USSR in the mid-80's. This is a fairly long period of time, which provides an opportunity for a detailed analysis of transformational processes, and requires a thorough research to identify accumulated problems and unresolved tasks and ways to further deepening the reforms. Even the first glance at these processes shows that, on the one hand, quite a lot of work has been done and significant obstacles have been overcome. But, on the other hand, there are many problems that need to be addressed urgently, without which the further progress will be greatly complicated. In our opinion, in the presence of a fairly wide range of problems as a whole in relation to a financial system and in relation to its individual areas and sectors, it is necessary to distinguish five key issues.

The first one is the lack of a systematic approach to financial restructuring. Reforms in the field of public finances, primarily in the budget and tax systems, in financial markets and in the organization of corporate finance were implemented and continue to be carried out in a dispersed manner, without their general ideology and sound strategy and tactics. Quite often they take into account not only the mutual interests of individual subjects but also contradict between themselves. The reasons for this are essential reforms of spontaneous nature quite numerous ones, but the main thing is the absence of a single, coordinating body of the entire financial system. In general, the Ministry of Finance should be the body that ensures the implementation of the financial policy of the state. But in Ukraine its activities are aimed more at solving certain current problems rather than strategic goals. But its activity was unable. Extraction from its membership into independent financial structures of the State Tax Inspectorate (now the State Fiscal Service), the State Treasury (now the State Treasury Service), the State Control and Revision Service (now the State Financial Inspection) in the transitional period was unlikely to be justified. Staff problems are no less painful that have already been discussed. In general, it should be noted that quite often in the administrative reform the formal side was dominated. Thus, in the early 90's from the Ministry of Finance singled out the State Tax Inspection which was later renamed into State Tax Administration. On its basis the State Customs Service the Ministry of Income and Charges was created, which again was renamed into the State Fiscal Service. But real and radical changes did not happen in the activities of this management structure, as evidenced by the scientific study of restructuring processes.

The second problem is the slow pace of reforms. We emphasize that the given reforms were carried out with a delay. But ironically it can be argued that Ukraine has all chances to get into the Guinness Book of Records on the length, endlessness, and ineffectuality of reforms. But this time can neither be returned nor compensated. Ukraine is occurred to be felt on the edge of the global economy. At such a pace of reforms, it may turn out that when they are implemented in a high quality and it will not help, because all the niches in the world markets on which Ukraine potentially claims for.

The third problem is an unclear certainty with a concrete direction of reforms. Thus, the general direction is the transition from the administrative to the market economy was obvious and understandable. But this is not enough, because the market economy, having the same regulations, is of different types and significantly differs in many countries. It is absolutely clear that depending on the type of economic system and financial model of society the direction and nature of the financial restructuring should have been determined. Thus, if Ukraine strives to build its economic system according to the Swedish model, then there will absolutely be needed other reforms, rather than aspiring to form an economic system similar to Germany. It should be noted that the lack of thought and unsystematic use of technical assistance from different countries of the world when in one sphere, for example, the construction of the State Treasury, was mainly provided by France while Germany and the United Kingdom assisted in the reform of banking sector. But the financial systems of these and other countries that at one time provided technical and financial assistance differ significantly. As a result, what has been formed in Ukraine is a certain conglomerate of different approaches and principles that do not always bind into a single whole, which has not contributed to the formation of the financial system of Ukraine as a single whole organism.

The fourth problem concerns the control of transformational processes. First of all, we emphasize that not only in the 90s of the last century, but at present there is no clear strategy and tactics of financial restructuring that would determine its directions and components, set the sequence, stages, and timing of reforms, ensuring their ability to fit into the system and their single purposefulness. It should be noted that for the entire past period a variety of different doctrines, concepts, and programs mainly of a declarative nature have developed there. We have already talked about the lack of highly professional human resources. But even with their presence, feedback between them and the society must necessarily be ensured there, which is possible in case of transparency of financial activity and financial procedures. After that all the intellectual potential of the financial elite can

be directed also in the opposite side of the interests of society. Closeness inevitably, sooner or later, leads to as minimum ineffective use of funds, but as a maximum to financial abuse and fraud, in particular in the public procurement system. The society should have full and true information about mobilization and the use of social funds. This applies to the budget process, both public borrowing and tax discipline, and so on. It is not in vain that the IMF and the World Bank pay such attention to transparency both in the field of public financial services and in the financial sector. It is important that, through the political system, voters can influence the choice and implementation of the state's fiscal policy.

And, finally, the fifth problem was due to the lack of proper functioning of the financial system. The problem of a lack of financial resources is imposed on the extremely ineffective use of both own and borrowed funds. Ukraine received tangible financial assistance from international financial institutions, organizations, and governments of other countries. To give examples of the rational and effective use of these funds is much more difficult than the ones of clumsy administration and unsuccessful investment. Who can say, what was the effectiveness of the World Bank loan to restructure the financial sector? Where was this money invested, and what was the effect? How is the entire external borrowing procedure managed? Who is still to blame for the bankruptcy of many leading Ukrainian banks, why is the banking system in a crisis condition? There are much more questions than clear and specific answers. There are a lot of control bodies in Ukraine, and financial control is almost continuous. It is unlikely that a simple increase in their number or expansion of their powers (for example, indirect control of taxation) can improve the situation – extraordinary measures in the field of financial control are necessary.

Unfortunately, we have to state that the problems found at the time have been still unsolved. Certainly, it is possible to find enough of different kinds of objective reasons which hindered progressive reforms. This is, first of all, the negative impact of the global financial crisis of 2007-2008, which interrupted the dynamic development of the domestic economy. The negative impact on the economy of the current situation is associated with the annexation of the Crimea and external aggression in the East of Ukraine. But the main deterrent factor has been and still remains subjective motives reflecting the inability and most importantly the reluctance of the people who came to power to reform. Nowadays, in particular, three years after the Revolution of Dignity, our country faces again the problem of an effective and accelerated reform of society and economy.

The necessity for financial restructuring was conditioned by the need to create a financial system in Ukraine that would effectively address the following tasks:

- Formation, concentration and optimal placement of financial resources sufficient to produce a certain amount of GDP;
- Ensuring maximum efficiency in order to use available financial resources, that is, maximizing the volume of produced national product;
- Establishing optimal proportions of distribution and redistribution of GDP to fully meet the needs of citizens, enterprises and the state;
- Comprehensive assistance in attracting all temporarily free funds of legal entities and individuals through financial market institutions to invest in the economy;
- Formation of insurance funds to hedge various risks and reimbursement of losses of financial resources and income; and
- Ensuring the influence of finance on the regulation of the proportions of socio-economic development its macroeconomic stabilization and economic growth.

Since the financial system inherited from the Soviet period did not allow Ukraine to solve these problems completely, radical reform became necessary. First, it is a change in the financial system over the transition period and the formation of the stock market in particular. Secondly, it is a gradual improvement of the structural relations between separate spheres and branches of the financial system i.e. the balanced development of all its components should have prevailed.

Thirdly, it is a radical restructuring of financial support provision for business structures instead of social security, resources in stock and credit markets should have come instead of self-financing. Fourth, it is an optimization of the structure of the financial market based on the appropriate development of all its segments. Fifthly, this is a restructuring of the public finance system based on changes in the proportions between social and individual consumption, structural ratio in government revenues and expenditures. Sixthly, it is an improvement of the forms and methods of the subjects' financial activity of both entrepreneurship and the state. Finally, seventhly, is the formation of a capable and reliable system of financial bodies and institutions, providing optimal distribution of functions and authorities among them.

The study of financial restructuring processes in 1990s draws the conclusion that on the one hand in general in Ukraine the financial system foundations of the market type were set up at the beginning of the XXI

century. On the other hand, many problems remained there associated with both objective factors that were conditioned by the specifics of the transition economy with subjective factors, i.e. that one didn't correspond to the time requirements management for transformational processes. If these problems are not solved, it will be difficult to ensure the economic and social development stability. Therefore, we will try to assess how much and how the main problems were solved that remained after the financial restructuring.

Considering the Ukrainian *financial policy* in the early 2000s, the main problems and tasks identified as a result of the research of restructuring processes were as follows:

❖ *The financial policy of Ukraine within the transitional economy should reflect the specific tasks of socio-economic development of society and the corresponding financial capabilities of the state. With the start of positive economic dynamics, radical changes were needed both in relation to its ideology and direction and as well as using certain financial methods, tools, and instruments. First of all, there is a strong need for agreement between the areas of fiscal and monetary policy.*

We should note that no progress has been made in financial policy of Ukraine over the past fifteen years. It was and has remained unsystematic and chaotic. Regarding the economic policy, it seems that the government counted solely on mechanisms of domestic economic self-regulation, considering that economy would grow automatically after a long-term crisis. Perhaps the policy of non-interference in economic processes is not the worst alternative, but we have drawn attention to the fact that macroeconomic and macro-financial stabilization was rather unsteady. It will be a task of immense complexity to ensure stable economic grows without proper measures of financial policy. Concerning social policy it can be noted that almost all political forces, existing over certain periods in the opposition required its implementation in accordance with the state available financing. However, as soon as they came to power, they neglected that, preferring populism. The problems of fiscal and monetary policy coordination have not only been eliminated but intensified lately.

❖ *Transformation of the financial system that existed under the conditions of administrative economy to ensure the effectiveness of the implemented transformations should have been carried out in a comprehensive manner. The reforms, having been carried out until now in certain areas (budget, tax and banking systems, the stock market, and insurance, etc) remain ineffective without taking into account a systematic*

approach, because quite often their positive effect is accompanied by negative consequences in other areas.

At present, there are some reasons to assert that there is no more need to talk about the establishment of complex and systematic reforms. As a result of the realization, disparate actions and measures on a rush basis there have accumulated a lot of inconsistencies and contradictions in financial legislation, which further complicates certain problem-solving in finance management. For example, it is impossible to estimate some disorder in the field of tax legislation (otherwise, it's simply impossible to evaluate endless, unsystematic and ill-considered actions). Except unsubstantiated concerning the tax burden decreasing may lead to an increase in investments, including foreign ones. There are no arguments in favor of any changes. The thesis of the same rates of various taxes can't be considered as an argument, and which has been propagated and partially implemented with the introduction of regular amendment to the Tax Code since 2016. There should be added almost complete neglecting the necessity for the balance principle in finances, fully displayed by the unified social tax rate, which has been in decline since 2016 up to 22%, whereas by period of time the budget of the Pension Fund was subsidized by the state budget with almost a third.

❖ *A well-defined economic doctrine and a grounded financial strategy are required. A comprehensive guide to the financial strategy of Ukraine in the near future should be the comprehensive promotion of the formation and growth of the national capital. For that purpose, income and employment should be principle in the financial strategy. It is necessary to create both background for self-sufficiency of citizens and to increase motivation to work, first of all, because of the wage system reform. It is extremely necessary to reform the taxation of citizens' income, bringing them closer to the European standards.*

Concerning the definition of strategic guidelines for economic development and society it can be noted that although over a period of independence a dozen of different strategic documents have been developed, none of them were implemented for various reasons. Some of them were a set of declarations without clearly defined goals and priorities, terms and methods of implementation, expected results and other important elements of strategic documents. Others were neglected the next day after their adoption. Some were simply rejected because of the endless changes of authorities and other government institutions. To argue that the authorities did not do anything is wrong. However, all measures of economic and financial policy should be characterized by actions like "patching of holes" rather than a forward-looking movement. In the social sphere, due to the low citizens'

profits, the so-called "social focus" budget have remained as the main vector, while the income and employment policies are hardly mentioned, although the share of wages has remained insignificant. Due to these disproportions, companies receive extra profits (officially they seem to be absent, but it is hard to explain the fact that over a short period of time in Ukraine so many millionaires and billionaires have appeared). Certain progress in understanding the financial realities has become in the system of payment for housing and public utilities (indeed, everything must be paid exactly as much as it costs). However, then you have to be paid an appropriate salary which reflects the cost of workforce reproduction, which, along with other costs, includes the aforesaid payment. Herewith, instead of introducing, a progressive scale of taxation of individuals' profits (with high rates of high income), as practically everywhere in the world, within all tax reforms oligarchic clans provide inherently preferential taxation for themselves. The state budget while redistributing income from the rich to the poor in our country has become an additional source of enrichment for those ones close to it.

❖ *Resource capacity building must be carried out in all directions simultaneously. In the first place, we should facilitate the increase and productive use of financial resources of enterprises. It is necessary to eliminate "washout" through the system of taxation of working capital of enterprises and, in general, to transfer the tax burden from production sphere into consumption one. It is also extremely important to strengthen the Ukrainian banking system and create an attractive climate for foreign investment.*

Significant improvement had been observed before to the global financial crisis. First and foremost, it's worth noting a breakthrough in the banking system. Thus, during the period of 2005-2007, the authorized capital of commercial banks grew by an average of 55% annually, and the volume of attracted resources increased by 50%, which made it possible to increase the credit portfolio by 69% annually. The situation concerning direct foreign investments attraction has considerably improved. Alongside with this, the threat for the stability existed in the financial sphere as most of the resources came to Ukraine in the form of external corporate borrowings. However, at present the situation has deteriorated significantly. Foreign banks are leaving the Ukrainian market, and domestic ones are massively going bankrupt. As for strengthening the proper financial potential of the enterprises, it must be noted that Ukraine has not started applying means of investment privileges and accelerated depreciation well-known and tested in the world practice.

Altogether, it can be stated that no significant progress has been made in improving the financial potential of the national economy.

♦ *The most important component of the financial strategy of economic growth should be the intensification of the role of the state in the investment process. In a transition economy with public investment it is seen the extreme scarcity of resources. In this case, appropriate institutional support is needed through the formation of a budget for development and the creation of a public development bank.*

It should be argued that these problems are almost ignored. Although politicians and government officials have repeatedly made statements about the need for a budget that could contribute to economic development, no exact measures have taken so far. Instead, populism, which has gradually become a form of state policy, has intensified the so-called social orientation of the budget. However, taking into account inadequate financing of the social sphere it is unreasonable to talk about real social budgeting. The whole sociality is the fact that extremely limited resources were made to be equally divided between society members. Accordingly, the needs of the economy have not even been met at all. If in the context of the administrative economy, there was a point of residual approach concerning financing social sector, this can be related to our present economy. Under such conditions, neither the budget development nor the creation of a state development bank is being considered (now it has already been forgotten that in 1999 the state budget even provided 200 million UAH for the formation of its authorized capital).

❖ *To ensure the implementation of the financial strategy of economic growth, it is necessary to strengthen the coordination of actions of financial bodies and institutions. The Ministry of Finance has to turn into a think tank for the development and implementation of financial strategy and tactics rather than providing executive functions as it is being currently done.*

Assessing the current situation, one can confidently state that no significant changes have yet been made concerning the leading financial institution of the country. The Ministry of Finance of Ukraine has focused mainly on the state budget. This is, assuredly, a very important direction of its activities. But who should deal with financial issues in general? It's up to the Ministry of Finance to develop and implement the financial strategy and tactics mentioned above. If you do not change the approaches to organizing its activities, then in the future it will be infinitely engaged in "patching holes", which will constantly appear under such management financial system.

With regard to **institutional reforms** in real and financial sectors of the economy, which became the key direction of the financial restructuring, deep and meaningful structural changes have been taken place. It was first allowed to form the basis of the financial system of the market type. But even in this medium, there were significant problems addressed in the monographic study. Let's evaluate the progress of their solution:

❖ *The market transformation of enterprises' finances has created the preconditions for economic growth since 2000. This was much-delayed effect, but, finally real one of the reforms. Simultaneously, the situation with the provision of the real sector of the economy with financial resources occurs very tense, which threatens the prospects and further reforms as well as stabilization of economic growth. This is one of the key issues that must be addressed immediately. One of the most important directions in this problem solving should be the full promotion of national capital development under favorable investment conditions.*

The economic growth lasting in Ukraine from 2000 until 2008, allowed us to improve the parameters of social and economic development. However, one should not overestimate it for the present. First, it was characterized by a marked instability, for example, in 2004 it was 12.1%, and in 2005 only 2.7%. Secondly, the growth rates during this period did not allow the losses compensation over the nine-year failure that occurred at the beginning and in the mid-1990s. Accordingly, the level restoring of economic development over in the pre-crisis period has not yet succeeded according to the results of 2008, real GDP was only 3/4 of its value in 1990. Thirdly, the main driving force of economic growth was the export-oriented economy, first and foremost, in the sphere of ferrous metallurgy. The global crisis, causing the fall of the construction industry, and hence the prices for metal, in 2008 also reached our country and showed how vulnerable the Ukrainian economy was. In recent years, the export potential of the agrarian sector has considerably increased, which to some extent compensates for the losses of metallurgy, but there are also significant risks of price instability. Political crisis and external military aggression in 2014-2016 and the consequences of the global financial crisis have caused the economy to fall in 2014 by 6.8% and in 2015 by 9.9%. The main factor of such vulnerability is an extremely weak financial potential of the domestic economy. The tasks of its accumulation and promoting the development of national capital have remained, as before, extremely relevant.

❖ *The main problem of the banking system, which has the greatest impact on the functioning of the entire financial system, was its extremely weak resource base. The vast majority of commercial banks – 68%, at the*

beginning of the 2000s had insignificant amounts of paid-up share capital -- up to \$5 million. The total resource potential of the banking system was only about \$ 6 billion, which is simply incomparable to the needs of the Ukrainian economy. There were positive structural changes in resource potential. Thus, the share of individuals' deposits reached 43% in 2001, compared to 14% in 1995, reflecting the inflow of real resources that were previously outside the banking system.

In general, the banking sector developed at a rather high pace during the years of independence. However, as always, under such conditions, there were significant problems. There were many banks, but the vast majority of them were low-power and unreliable. It is undoubtedly to debate whether Ukraine needs so many banks. Commonly, the problem is not limited to a purely quantitative measurement. The main thing is how banks perform their mission to serve the needs of their clients by mobilizing financial resources and investing them in the development of the economy. Whatever critical would be their evaluation, it should be noted that largely due to the banking system that managed to maintain the functioning of the national economy, and the period of accelerated economic growth was largely possible due to a fairly active bank lending, both juridical and physical persons. This was facilitated by the attraction of resources from banks outwardly in the form of corporate borrowings and the arrival of foreign banks at the national market.

Yet, by this time, domestic banks have remained weak and vulnerable, which clearly manifested itself in 2014-2016, when mass bankruptcies of banks started. But it is extremely important while realizing the recovery of the banking system to remember that the bank concentrates the resources of its depositors and customers, and therefore its bankruptcy is primarily the problems of the latter, and not only of the owners of banking institutions. The bankruptcy of banks should be considered as extraordinary events, and therefore the incomprehensible ease with which the NBU conducts the liquidation of banks causes some surprise. It is also worth mentioning how much discussion was held about the entry of foreign banks into Ukrainian financial market in various forms. Of course, this is far from an unambiguous question: on the one hand, this inflow of additional financial resources, which contribute to economic growth, is a reflection of a certain attractiveness of the domestic economy, but, on the other hand, it also concerns the financial security of the state. But at the moment, all the discussions have lost their meaning. Unfortunately, many foreign banks leave the Ukrainian market and this is clearly a negative phenomenon.

❖ *The formation of the securities market in Ukraine during the period of the transformation of the financial system, unlike its other components,*

started almost from scratch. In spite of this for the five year period, it was possible to create both the market and the infrastructure necessary for its functioning. Of course, this market is very limited and powerless for the present, but it is constantly evolving and its role is growing. The organized securities market in Ukraine covers only 7% of its volume. It is represented by 7 stock exchanges and 2 trade and information systems. Although there should be a competition in any market, such infrastructure simply goes far beyond the small scale of the market itself.

The development of the securities market in Ukraine has been quite controversial. On the one hand, it is developing quite quickly according to volumetric indicators and infrastructure provision. However, its main problem is the limitedness, closed nature, and opacity of the market -- at present the share of an organized market has become less than 10%. Subjects of its infrastructure have not made efforts yet, as, for example, the same commercial banks, which, in a highly competitive environment, managed to establish effective work with the customers. Particularly the negative and absolutely imperceptible fact is the role of stock exchanges (their number has increased to 10), which are centers of business activity throughout the world. Moreover, it is a problem not only of financial infrastructure development but the whole economy as well.

❖ *The process of forming the Ukrainian insurance market was unsustainable. First, the rapid growth of the number of insurance companies, and then their significant reduction is so much. The financial crisis and the development of competition have led to the creation of relatively capable (as far as possible in Ukraine) insurance companies. The volumes of the insurance market are developing quite stable. At the same time, it is still one of the most limited segments of the financial market. Insurance payments relative to GDP at the end of 2001 were slightly more than 1%. In total, insurance market covers less than 10% of insurance risks.*

However, this development in the pre-crisis period was largely due to nominally voluntary, but in fact, mandatory forms of insurance, primarily insurance vehicles for their acquisition on credit, as well as property insurance for mortgage lending and insurance in the field of tourism. Accordingly, the problems that arose in connection with the financial crisis also affected the activities of insurance companies. Therefore, in the area of insurance there are many problems and they can be solved only in conjunction with the overall improvement of the economic situation.

The restructuring of the state financial economy was perhaps the most difficult direction of reforms. Therefore, it is not surprising that it was precisely in this sphere that they were extremely slow and fruitless during

the period of a deep recession of economy and actually suspended at the time of economic growth. At the same time, the financial crisis, which began in 2008, and the post-crisis period clearly demonstrated the need to deepen reforms in public finances and solve the tasks that were addressed:

❖ *The strategy and tactics of the state financial economy for themselves is in the gradual restructuring of public finances, which involves transformation of the role and place of the budget in society based on the changes in the structure of incomes and expenditures of the budget and the tax system, optimization of the budget system by the levels of administrative division.*

Structural changes in the state budget in recent years have been multi-directional. If there were positive trends in the structure of revenues, which were to increase the share of tax revenues and optimize the tax structure itself (at the moment it is fairly balanced and practically close to the indicators of developed market economies), then, as noted earlier, in the system of budget expenditures, in fact, a line was adopted to strengthen their social orientation. Accordingly, the change in the role and place of the budget in society was not even discussed. It still remains a great "feeder" for everyone and everything and it's necessary to make a lot of effects to turn as the main instrument of economic and social policy implementation. At the same time, without solving this problem, it is virtually impossible to have a solid foundation for the implementation of economic reforms.

■ *The recovery of public finance should be based on the mandatory reform of social policy. Ultimately, it is expenditures on social protection and social needs of the public that are largely responsible for a budget deficit. The key ways of improving public finance should include the implementation of a pension reform and introduction of healthcare insurance.*

Regarding social policy, one can note that Ukraine has based its policy on socialist principles. Perhaps, if Ukraine were a prosperous country, this would not be so problematic. However, the current GDP per capita is unable to ensure the appropriate level of social services provided by the state, even assuming its total nationalization. It is precisely the scarcity of financial resources in the state and the whole country, which makes us, as well as many other scholars, insist on radical reforms in financing social expenditures. At the same time, it is worth mentioning that the longer the solution is delayed, the more aggravated the problems become.

For instance, if at the beginning of the transitional period there was a real pension reform with defined contribution schemes, not a fake one we would have had a sustainable pension system and a substantial increase of financial

resources in the form of 'long-term' money in accumulation accounts for the last 20 years. Instead, there was a significant money shortage in the Pension Fund of Ukraine, which cannot withstand the pressure of the current financial burdens. Instead of implementation of national healthcare insurance, the authorities and some scholars have been searching for reasons why it is not achievable at this time. Apparently, politicians hope that the problem will resolve itself. Unfortunately, even after the Revolution of Dignity, there has been a renewed slowdown in reforms.

■ *The budgetary structure and budgetary process are being improved. However, today as well as in the past, the budget centralization prevails – the majority of revenues are concentrated in the central budget. In the budgetary process, the rights of the central authorities predominate, which are a direct result of the principle of unity followed by the budgetary system.*

The adoption of the Budget Code of Ukraine in the early 2000s and a few amendments added to it since then have served as a basis for modernization of the budgetary structure and budgetary process. All of these have contributed to certain positive changes in the operation of the budgetary system. However, the level of budget centralization has remained rather high, despite endless promises from the authorities. There is a decentralization of power among the issues on the agenda which is accompanied by the transfer of authorities and funds to local budgets. At the same time, the problem is not only with quantitative parameters of centralization but also with the rights of local authorities and their interest in sound management. The introduced framework for budgetary regulation, which until 2015 was based on equalization subsidies, has contributed to create the system of "budget communism", that presupposes egalitarianism and dependence on central authorities. The so-called problem of subsidization (over 90% of the local budgets is subsidized) is nothing but a result of unequal distribution of revenues among state and local budgets. Under such circumstances, a number of challenges may arise with the introduction of advanced budgeting techniques that could improve a budgetary process and streamline the budgetary structure based on revenues and expenditures.

The changes introduced into intergovernmental financing since 2015 have been rather technical than essential in nature. In fact, equalization subsidies have been allocated as basic subsidies and grant-in-aid to be used for funding specific expenditures delegated to local governments (education, healthcare, etc). The problem is the local authorities have not shown enough interest in sound management which is a key tool for better budgetary regulation.

■ *In general, a fairly modern tax system has been introduced in Ukraine. However, at the same time, the system is not sufficiently effective in performing the fiscal function of taxes, which bring in only 70-90% of budget revenues, as well as the regulatory function since the impact of taxes on socio-economic processes is rather limited. The development of tax system at times when the economy is undergoing market transition has taken place towards reducing the total level of taxation by removing special taxes and reducing the underlying tax rates, namely those of value added tax and profit tax.*

There has been a somewhat strange situation in the field of taxation for quite a long time. On the one hand, Ukraine's tax system does not differ significantly from those of the developed countries in terms of tax composition, taxation mechanisms and tax rates (with the exception of contributions to the pension fund and social security funds). On the other hand, the current tax system is negatively perceived by society and is being constantly criticized, even though the tax burden has been eventually reduced. For instance, in the early 2000s, the tax rate was reduced from 30% to 25%, and since 2016 it has been 18%. In the area of individual income taxes, instead of the progressive scale from 10 to 40%, a single proportional rate was introduced, firstly with the rate at 13%, then at 15%, and from 2016 at 18%. Also, since 2016, the rate of social security tax has been reduced to 22%.

Of course, the negative attitude towards the national tax system can be explained by the natural reluctance of citizens to pay taxes. Taxpayers always feel like they overpay their taxes. However, this explanation is rather simplified and incorrect, since there are a lot of challenges facing the tax system of Ukraine at the moment. Firstly, it is affected by the development gap between modern taxes introduced in the country and the current state of economy and society, which complicates tax collection. Secondly, it is influenced by frequent changes to tax legislation and its excessive complexity.

■ *The amount of the accumulated public debt for Ukraine is relatively high. In 2000, public debt per capita was particularly high and achieved \$280, which was one-third of GDP per capita. That is why, despite the fact that debt indicators are currently below thresholds, a well-functioning and efficient system of public debt management is needed.*

The level of public debt, which is one of the main macroeconomic indicators that display a degree of the national financial security, has significantly changed over the last ten years. In the mid-90s of the last century, when there was a rapid decline in the economy, it slightly exceeded

a threshold of 60% of GDP. The macroeconomic stabilization achieved in the early 2000s and progressing on the path of economic growth have significantly reduced the need for public loans, and the debt-to-GDP ratio has gradually fallen to 15%, which can be considered more than sufficient. However, the decline in relative indicators was not due to the partial settlement of public debt (since the mid-90s it has remained between 14 billion USD and 15 billion USD), but rather due to purely arithmetic data. The GDP has been growing, whereas the public debt has virtually remained unchanged. However, the global financial crisis and the current turmoil have led to a steep increase in public debt, which at the beginning of 2016 again exceeded the threshold level. At the same time, there are problems with servicing accumulated debts and maintaining cooperation with international lenders, primarily with the IMF.

Thus, it is evident that there are still a lot of unresolved problems in Ukraine's financial system. From our point of view, they can be resolved precisely on the basis of building up an extensive, efficient and effective financial infrastructure of a market economy, which is an important prerequisite for stable and accelerated economic growth. Indeed, this very infrastructure will meet the needs of the state, enterprises, and households and ensure growth of regions.

4.2. Building Corporate Finance and Improving Corporate Management

Since the second half of the 20th century, or in other words, during a rapid growth of market relations, the world's scientific schools of doctrine in economics, finance, and management have paid a particular attention to corporate finance. One of the most prestigious prizes for outstanding contributions to the field of economics, the Swedish National Bank's Prize in Economic Sciences in Memory of Alfred Nobel, has been awarded to a number of papers that addressed issues related to corporate finance and its performance in the financial markets. For example, in 1985, the prize was awarded to Franco Modigliani for his pioneering studies of financial markets, in 1990 Harry M. Markowitz, Merton H. Miller, and William F. Sharpe became Nobel laureates for their contribution to the theory of price formation for financial assets.

According to the scientific achievements of Kyiv National Economic University (KNEU) school corporations are drivers for national economic growth, especially multinationals, whose number has increased to one hundred thousand, and the number of their affiliates providing employment

for about 80 million people^{29*} around the globe, has reached hundreds of thousands. Currently, Ukraine is integrated into the global economic environment with dozens of multinational corporations (TNCs) operating in its economy. Among them are the following Western companies: *Coca-Cola, Danone, Hewlett-Packard, Huawei, Kraft Foods (Mondelez International), McDonald's Corporation, Metro Cash & Carry, Nestle, Nokia, PepsiCo, Procter & Gamble, Samsung, Shell, Siemens, SUN Inbev, Toyota, Unilever*. This list can be extended, and in fact, this indicates the importance of the corporate sector in current Ukraine's economy. These are the companies due to which Ukraine's economy attracts significant foreign investments. Multinational corporations are important for national economic growth, and when it comes to attracting direct foreign investments, this matter specifically relates to the growth of TNCs.

According to studies by international organizations, the majority of countries, whose economies represent 'young' markets or emerging markets, and Ukraine is among them, are lagging behind in economic development and are not achieving their full potential due to the inadequate development of market-economy 'players', in particular corporations and corporate finance. In the early 1990s, Ukraine began to develop a market economy. For over a quarter of a century its economy, specifically corporate finance, has been far away from what could be expected from the country's potential. This is particularly felt when it comes to the need to attract investments and develop the financial market.

The challenges that Ukraine's economy is facing, are driving Ukrainian researchers to thoroughly study theoretical basis and pragmatic issues of corporate finance operations, and thereby to effectively implement corporate finance into practice. For instance, the KNEU scientific school of science for the first time developed an integral concept of corporate finance. In particular, they explained the nature of the concept, proved that capital is the initial, or primary aspect of corporate finance, and defined its objective functions, namely, value-forming and informative. In addition, they clarified the nature of the functions as well as their inseparable interrelation which enables capital to move and value to be created.

Professor V. Sutormina was among the founders of the study of corporate finance in Ukraine. Viewing corporate finance as an economic category, she characterized it as legally defined money relations between a corporation and other market agents regarding the corporate capital formation and allocation with the aim of enhancing the welfare of shareholders. The first attempts to

^{29*} Transnational Corporations. Vol. 18, No.2 (August 2009), p. 113-174, p. 120.

carry out the case study, theoretical and methodological research of corporate finance seen as the economic category have been made by V. Fedosov, A. Krysovatyi, and N. Riazanova²⁹⁹. After considering theoretical and methodological aspects of corporate finance, they have determined the nature of corporate finance as an economic category, established its definition, and identified its features as well as objective purposes. Furthermore, the authors examined pragmatic aspects of corporate finance, its current role in Ukraine economy, and described the importance of corporate finance research in promoting Ukrainian financial studies and economic education.

The history of research in corporate finance can be traced back a hundred years, but by the middle of the 20th century, this area of economic studies had been presented mainly by writings of Arthur Stone Dewing, one of the founders of the Harvard Business School. His book titled "The Financial Policy of Corporations", which has been republished several times and served as a guide for more than a single generation, was first released in 1919³⁰⁰. It was purely instructive and pragmatic since it was largely based on the normative documents. It was only in the early 1950s that professional investors Benjamin Graham and David Dodd published a book on corporate financial operations titled "Security Analysis" where analysis of corporate stock, corporate assets, corporate income and dividends was carried out³⁰¹. The use of analytical methods and techniques, previously applied only to economic theory, proved that major changes in studies of corporate finance had taken place.

Today, new ideas related to using microfinance for economic empowerment are being developed and brought forward by representatives of the countries where corporate finance practice is highly-developed. The contributors are scholars from universities in the USA, the UK, Canada and other developed countries, who are being targeted at market needs, thoroughly examine tools for implementation of corporate finance. In addition, the priorities of modern Western studies of finance include learning how to manage the supply and use of monetary resources, the amount of which is considered to be limited in each time interval. The specific features of making financial decisions are conditioned by the fact that the supply and use of monetary resources do not coincide in time and their amounts are far from being predictable.

Крисоватий А. І., Федосов В. М., Рязанова Н. С. Корпоративні фінанси в контексті викликів сучасної інноваційної економіки. – Фінанси України. 2013 р., № 9, С.7-27.

Dewing, Arthur (1919, 1937, 1941, 1946, 1953): The Financial Policy of Corporations, Ronald Press, New York

³⁰¹ Graham, Benjamin, and David Dodd (1951): Security analysis, McGraw-Hill, New York.

That is why, according to Zvi Bodie, a professor of Boston University, theoretical advances of Western economists are represented: firstly, by the concepts that determine the approaches to studying the allocation of resources in the economy in view of the time factor; secondly, by a set of quantitative models for evaluating how essential financial decisions are³⁰². Among the key theories, concepts, and models in the field of corporate finance, the following should be mentioned:

- Portfolio theory, pioneered by Harry Markowitz, who was awarded a Nobel Prize for that. In 1952, Markowitz developed a mathematical model which shows how to distribute an initial capital across a collection of risky securities to create an efficient portfolio³⁰³;

- Capital Asset Pricing Model (CAPM), developed by William Sharpe in the early 1960s³⁰⁴. By distinguishing the notion of *investment risk* formulated in his day by H. Markowitz, W. Sharpe also contributed to the development of the concepts of *systematic risk* and *unsystematic risk*;

- Theoretical insights on corporate capital structure, dividend policy and borrowing costs, also known as M&M Theory (Modigliani-Miller Theory). Their authors, Franco Modigliani and Merton Miller, discussed these issues in a collaborative paper published in 1958³⁰⁵.

- The concept of value-based management (VBM), in other words, the management approach that ensures maximizing shareholder value. The concept emerged in the USA in the late 1980s as a response to the introduction of *corporate governance*, better known in Ukraine as *corporate management*. The concept was pioneered and thoroughly discussed by Alfred Rappaport in his book "Creating Shareholder Value: The new standard for business performance" and Stewart G. Bennett in his study entitled "The Quest for Value: the EVA Management Guide"³⁰⁶.

- Corporate management models that are backed by the system of information and analysis support of management decision making processes, also known as *control*.

³⁰² Bodie Z., Merton C. R. Finance – Prentice Hall, Upper Saddle River, New Jersey, 2000. 592 p., pp. 38-39

³⁰³ Harry Markowitz "Portfolio Selection" The Journal of Finance, Vol.7, No.1 (Mar. 1952), pp. 77-91.

³⁰⁴ William F. Sharpe "Capital Asset Prices. A Theory of Market Equilibrium under Conditions of Risk". The Journal of Finance, Vol. 19, No. 3 (Sep. 1964), pp. 425-442

³⁰⁵ Modigliani, F. and M. Miller "The Cost of Capital, Corporation Finance and the Theory of Investment" American Economic Review, June 1958, pp. 261-297

³⁰⁶ Rappaport, A. Creating shareholder value The new standard for business performance, N. Y. The FreePress, 1998, 205 p.; Stewart G. Bennett The Quest for Value: the EVA Management Guide, New York: Harper Business, 1991, 738 p.

Since modern studies in finance are primarily oriented towards market needs and are essentially pragmatic in nature, they are not concerned about considering categorical essence, functions and the role of corporate finance in society. Recognizing this, at the end of the 20th century Eugene Brigham and Louis Gapenski, professors of the University of Florida (USA) and the authors of well-known books in corporate finance and financial management, stressed that the importance of theoretical framework is obvious. However, their observations had shown that students do not usually see the practical value of theoretical treatment of the issue and do not see the point of studying theory, and therefore in-depth theoretical studies become marginalized³⁰.

With the passage of time and in response to economic calamities of the 21st century, scholars of Western school of studies in finance have begun to rethink their views on researching theoretical aspects of corporate finance. Particularly, in a paper published in 2010 by Eugene Brigham and Michael Ehrhardt, a professor of Finance from Tennessee (USA), it is pointed out that the last financial collapse has shown the importance for students and managers to understand the role of theory of finance in the economy, corporations and households³⁰⁸. Thus, the profound study of essential aspects of corporate finance is becoming increasingly urgent. In this context, Russian scholars emphasize that this very area of researching corporate finance is one of the most complicated fields of economic studies¹¹.

Researchers from the KNEU scientific school began to consider the concept of corporate finance with analyzing different interpretations of the notion *corporation* which exist in modern theory and practice of finance. Today, the international community recognizes the classification of market economy players, developed by the United Nations Statistical Commission (UNSC). This classification serves as the basis for the System of National Accounts (SNA), the most recent version of which was adopted in 2008 (the System of National Accounts, 2008). The UN member countries are developing their national classifications in accordance with UNSC materials. Ukraine began transitioning to the use of the System of National Accounts in

³⁰ Brigham E.F., Gapenski L.C. Intermediate Financial Management. Fourth edition, The Dryden Press, Harcourt Brace College Publishers, 1997, Volume 1, XXX+497 p.

³⁰⁸ Ehrhardt Michael C., Brigham Eugene F. Financial Management: Theory and Practice, Thirteenth edition, Printed in USA, 2010, 1252 p.

¹¹ Тарасевич Л. С., Гребенников П. И., Леусский А. И. Теория корпоративных финансов : учебник. — М. : Высшее образование, 2007. — 237 с.

the early 1990's³¹⁰. In 2005, guided by the provisions of the UNSC document that was in force at that time, Ukraine approved the *Classification of Institutional Sectors of Economy (Classifier)*³¹¹.

The System of National Accounts introduces the concept of "institutional unit", which represents an economic entity that is capable, in owning assets, incurring liabilities and engaging in economic activities and in transactions with other entities. The main attributes of institutional units may be described as follows:

- An institutional unit is entitled to own goods or assets in its own right; it is, therefore, able to exchange the ownership of goods or assets in transactions with other institutional units;
- It is able to take economic decisions and engage in economic activities for which it is itself held to be directly responsible and accountable at law;
- It is able to incur liabilities on its own behalf, to take on other obligations or future commitments and to enter into contracts;
- Either a complete set of accounts, including a balance sheet of assets and liabilities, exists for the unit, or it would be possible and meaningful, from an economic viewpoint, to compile a complete set of accounts if they were to be required³¹².

There are two main types of units that may qualify as institutional units, namely legal entities and persons or groups of persons in the form of households. A legal entity is the one whose existence is recognized by law or society independently of the persons or other entities, that may own or control it. Such units are responsible and accountable for the economic decisions or actions they take, although their autonomy may be constrained to some extent by other institutional units; for example, corporations are ultimately controlled by their shareholders³¹³. A legal entity engages in economic activities and transactions in three forms, such as a corporation including quasi-corporation, non-profit institution, and government unit.

In the System of National Accounts, the term *corporation* is used more broadly than in just the legal sense. As well as legally constituted corporations the term corporation is used to include incorporated enterprises, public limited companies, public corporations, private companies, limited

³¹⁰ Постанова КМУ «Про впровадження системи національних рахунків» від 28.12.1992 р. № 727

³¹¹ Наказ Держкомстат "Про затвердження Класифікації інституційних секторів економіки України", від 18.04.2005 N 96

³¹² System of National Accounts 2008, New York, 2009, p. 662.

³¹³ Ibidem

liability companies, limited liability partnership, joint-stock companies. Some unincorporated enterprises belonging to households or government units may behave in much the same way as corporations, and such enterprises are treated as quasi-corporations when they have complete sets of accounts³¹⁴.

Whenever the term *corporation* is used in the SNA, the broader coverage rather than the narrow legal definition is intended. Thus, a corporation is a legal entity, created for the purpose of producing goods or services for the market that may be a source of profit or another financial gain to its owner(s); it is collectively owned by shareholders who have the authority to appoint directors responsible for its general management³¹⁵.

More broadly, corporations include:

1) Entities that are privately owned by two or more people, whose liability is limited to the amount of their investment in the authorized capital. The owners act in accordance with the joint agreement by joining their property and performing mutual entrepreneurial / business or other activities; corporate governance is carried out through the shared administration of equity rights as well as through the bodies set up by owners for the purpose of distributing income and business risks.

In Ukraine, these entities exist in the form of cooperatives, partnerships and other enterprises, including those owned by two or more people.

2) Unitary enterprises owned by one person and having a full set of accounts, which enables to fully determine the flows of income and capital between the enterprise and the owner. This is the so-called "quasi-corporation".

In Ukraine, these ones include state-owned, communal enterprises, consumer cooperatives, private enterprises set up by sole proprietors, both residents and non-residents of Ukraine.

Consequently, within the context of studies of corporate finance, the concept of a corporation is considered broadly. Its main characteristic features are as follows: it is set up for purposes of engaging in market production of goods and services, that may be a source of profit or another financial gain to its owner(s); each corporation has a complete set of accounts which makes it possible to determine the value flows between any corporation and its owner(s); it is able to incur financial liabilities on its own behalf, to take on other obligations or future commitments and to enter into contracts; it takes economic decisions and engage in economic activities for

³¹⁴ Ibidem, pp. 61-62.

³¹⁵ Ibidem.

which it is itself held to be directly responsible; it owns goods or assets in its own right and therefore it is able to exchange the ownership with other institutional units.

By defining the concept of corporate finance as one belonging to economic categories, V. Fedosov and N. Riazanova proceed from the fact that the notable characteristic of such categories is in their ability to express certain economic value relations and to be objective in nature. Economic categories are theoretical abstractions; each of them takes its place in the system of categories and has a specific social purpose, attributes, forms of manifestation, functions and role. Considered as a whole, the above-mentioned statement characterizes the essence of each economic category. And of course, taking place under certain historical conditions, categories are mostly historical in nature.

Corporations operate in all sectors of the modern economy. In the financial sector, corporations come in many different types, namely: banks; leasing and factoring companies, exchanges, professional players on the financial market, retirement funds. In the real (non-financial) sector common types of corporations include manufacturing enterprises, agricultural enterprises, construction companies, providers of transportation, communication, education, healthcare etc. Despite such diversity, the functioning of each corporation as an institutional unit takes the form of a process that in current production conditions is carried out only through the system of economic relations of such a corporation with other entities.

It is also true, that those economic relations between corporations and other business entities, which result in satisfying a number of their social and economic needs, are made possible through the activities of corporations and, in particular, through their financial relations.

A corporation has a whole system of economic ties, including relations with its owners, lenders, suppliers, intermediaries, customers, employees, as well as the state, the public and other external partners. In addition, within a corporation itself, there are economic relations between a corporation and its employees, the parent company and subsidiaries, as well as between affiliated companies in multinational corporations.

It is well-known that the general category of *finance* expresses relations arising from the flow of monetary value. *Corporate finance*, being a hierarchically lower category in relation to the general category of *finance*, also expresses a monetary form of economic relations, particularly the flow of monetary value within economic relations of a corporation. As already emphasized, the categorical features of corporate finance are determined by purposes of partners and economic relations of a corporation.

A corporation is an institutional unit created by its owner(s) for the purpose of making a profit or another financial gain. Usually, it is financial gain or return, but in some cases, it may be a non-financial benefit. The latter may ultimately bring financial benefit to owners of a corporation. For example, a positive corporate image promoted by advertising and environmental or charity donation policy may, in the long run, contribute to the growth of corporate profit. A corporation can continue to be successful over time if it manages to take into account the interests of its stockholders, i. e. enjoying benefits of profits, as well as the interests of its staff and the society as a whole.

Market-based practices have shown that benefits of owners of a corporation come due to the increase in the value of assets. Such growth occurs in the course of economic relations, specifically relations of production, distribution, exchange, and consumption. In a broad sense, this process occurs not only within a corporation itself but also between a corporation and other participants of the market economy. Depending on the circumstances, the growth of corporate asset value may be in the form of growing book value or market value. They are closely interconnected, but nonetheless, vary. It should be noted that gaining profit is not identical with the growth of corporate asset value: the latter is a broader concept that reflects the essential aspects of the flow of capital invested in a corporation by its shareholders. The growth of corporate asset value, among other things, will result in a profit as a difference between income and expenses of a corporation.

It may be stated that the notable characteristic of corporate finance is those conditions for the growth of corporate asset value created within financial relations of a corporation and the flow of capital. If owners and other entities involved in economic relations with a corporation do not pay appropriate attention to such an approach, and under any circumstances try to gain more profits by all means, without enhancing the growth of asset value, this represents a risk of collapse to a corporation. A dramatic example of this approach is a situation that took place in privatized enterprises in Ukraine when their new owners driven by the pursuit of profits sold the assets of such enterprises (equipment, stocks) and gained considerable profits. No wonder that eventually those companies collapsed. Consequently, the social utility of corporate finance is that favorable conditions for the flow of capital are created within financial relations of a corporation, thereby enabling the growth of the value of its assets.

An important issue in the theory of corporate finance is examining functions of corporate finance. Although academic economists of Western

schools do not refer to socio-economic nature and functions of corporate finance, they specify its aims and characteristics, which in way correlate with the concept of *functions of finance*. In particular, Richard Brearley, a professor at London Business School, and Robert Merton, a Nobel laureate (1975), examining the role of corporate finance in the economy, distinguished two features of corporate finance: the first is investing in various types of assets; the second is generating resources necessary for such investments³¹⁶. It is worth mentioning that the economic essence of investing is that purchased goods are used to create value.

In Ukrainian studies of finance, Professor V. Sutormina identified three functions of corporate finance: (1) the formation of equity capital, which involves attracting capital from the financial market; (2) the allocation and use of capital i.e. the investment carried out in accordance with business plans of a corporation; (3) the control over the formation, allocation and use of capital³¹⁷.

Instead, the papers entitled "Conceptual Issues of the Theory of Corporate Finance" (2013)³¹⁸ and "Corporate Finance in the Context of Challenges of Current Innovative Economy" (2013)³¹⁹, showed that corporate finance of information economy has two functions: value-forming and informational. This position is based on a new vision of correlation between corporate finance and capital flow as well as the immanence of information.

The study of corporate finance focuses on revealing the essence of the concept by describing its value-forming function; it should be based on an analysis of the concept of *corporate finance* with due attention to its correlation with the basic concept of *capital*. In the theory and practice of economics, the concept of *capital* is used broadly and in various contexts. Therefore, it is necessary to examine the correlation between corporate finance (which expresses economic relations that involve the motion of value of a product) and capital (which being a multi-dimensional and broad concept expresses a self-expanding value as well as value proposition and exchange value). Exchange value increases in certain economic relations, whereas capital is exercised only when it is in motion.

³¹⁶ Brearley R., Meyers S. Principles of Corporate Finance. The McGraw-Hill Companies, 2003, 1012 p., pp. 3-8.

³¹⁷ Суторміна В.Н. Фінанси зарубіжних корпорацій: підручник. – К.: КНЕУ, 2004. – 566 с., С. 12-19, 20-26.

³¹⁸ Федосов В. М., Рязанова Н. С. Концептуальні питання теорії корпоративних фінансів. – Ринок цінних паперів України. 2013, № 3-4. С. 39-55.

³¹⁹ Крисоватий А. І., Федосов В. М., Рязанова Н. С. Корпоративні фінанси в контексті викликів сучасної інноваційної економіки. – Фінанси України. 2013 р., № 9, С 7-27

Today, Ukrainian studies in corporate finance widely use the term *financial resources* and consider it as the funds at a corporation's disposal allocated and used in the course of economic relations of a corporation. However, it is not the concept of *financial resources* that conveys the essence of what is happening in the course of financial relations between a corporation and other entities. The concept of *capital* can do it. The Western studies, that in a certain way provide guidance in developing the field of corporate finance, use the term *capital* rather than *financial resources*. For instance, in the paper entitled "Modern Corporate Finance. A Multidisciplinary Approach to Value Creation" by Alan Shapiro, a Professor of the University of Southern California (USA), and Sheldon Balbirer, a Professor of the University of North Carolina (USA), corporate finance is viewed precisely in the context of value-formation and capital flows³²⁰.

Integrated into the world economic and financial system Ukraine is learning from the experience of other countries and moving towards a market-driven economy, employing the economic conceptual and categorical apparatus developed by Western academic economists. For example, in today's national studies of finance a number of international terms have been employed, i.e. own capital, working capital, networking capital etc.

So, the concept of *capital* expresses: (a) a self-expanding value, and in the certain economic relations exchange value of capital increases; (b) capital is exercised only when it is in movement. In this sense, capital is a resource, which movement is mediated by financial relations of a corporation with other economic entities. The capital flow is what corporate finance exists for, thus resulting in an increase of corporate asset value, that is, growth of a corporation value. Apart from the fact that capital as a resource for corporate finance is characterized by the ability to grow in value (capitalize, accumulate), it is also a resource used by a corporation in financial relations with other entities as a means of payment. Consequently, in relations between a corporation and other entities, capital as a resource of corporate finance serves as a means of accumulation (capitalization) and payment.

The category of *corporate finance* expresses monetary relations between a corporation and other entities. These relations are performed for enhancing corporate asset value, which means that a corporation value also grows. Corporate finance as an economic category is a theoretical abstraction which generalizes the characteristic features of relations that shape the scope of its functioning.

³²⁰ Shapiro Alan C., Balbirer Sheldon D. Modern Corporate Finance. A Multidisciplinary Approach to Value Creation, Prentice Hall, 2000, 545 p.

In present market economy, capital as a resource for corporate finance is embodied in property holdings in the form of monetary assets and other assets that can be as a means of accumulation (capitalization) and payment. Regarding monetary assets and their equivalents the International Financial Reporting Standards (IFRS) adopted the following interpretation of these concepts: monetary assets are expressed in cash and bank deposits at call; cash equivalents include short-term and highly liquid investments that are readily convertible to a known amount of cash, and there is an insignificant risk of changes in value³²¹.

For the purpose of "The Economic Code of Ukraine" property means a conglomerate of objects and other valuable (including intangible assets) that have value, that are manufactured or used in the activities of economic entities and that are shown on their balance sheet or registered in other legal ways of property accounting of these entities³²². In the Civil Code of Ukraine, the property is considered in a broad sense as a separate thing, a set of things, as well as property rights and obligations³²³. In addition, a thing is recognized as an item of the material world with respect there to civil rights and obligations may arise³²⁴.

Financial relations of a corporation are manifested in the processes of formation, allocation, and consumption (use) of capital. It is within these processes that capital demonstrates its ability to capitalize and, if necessary, to serve as a means of payment. Being aware that capital can be exercised only in motion is extremely important for ensuring the sound functioning of corporate finance. The speed of capital movement is of great practical importance: the shorter its cycle, the more income a corporation generates over the same period of time. As a result, corporations rarely invest their capital in a business with a long technological cycle, but try to invest in the assets with fast capital turnover.

In practical terms, the formation of capital as a resource for corporate finance is expressed, firstly, in the formation of equity capital of a corporation, and, secondly, in the formation of borrowed funds. Therefore, when analyzing the financial health of a corporation it is necessary to focus on the financial leverage. The higher the equity capital cost, the more financially successful a corporation is.

³²¹ International Financial Reporting Standard №7 (IFRS 7): "Financial Instrument Disclosures" International Financial Reporting Standards (IFRSs) 2006. International Accounting Standards Committee Foundation (IASCF), 2006, 2387 p., pp. 615-682.

³²² Господарський кодекс України від 16.01.2003. розділ III, Глава 14, ст. 139, п.1.

³²³ Цивільний кодекс України від 16.01.2003. Книга I, розділ III, Глава 13, ст.190.

³²⁴ Ibidem, p. 179.

The equity of the corporation includes, first of all, owners' investments (i.e. partners' equity, joint stock capital, participants' equity) that can be represented not only by cash but also by other property values. For corporate finance the exchange value of such owners' investments is important. In addition, the equity capital of the corporation is formed by means of the capital which was accumulated by the corporation in the course of its activities and kept in the corporation for its further development (i.e. not distributed among the owners). It is formed of the remaining profit when all the taxes have been deducted and part of the profit has been paid to the owners. In Ukrainian financial practice it is called "undistributed profit" and in the practice of Western countries it is known as "retained income". Analyzing the state of corporate finance analysts always pay attention to the ratio of these components of equity capital of the corporation. If its share formed in the course of the corporation activity grows and prevails the share invested by the owners it provides positive characteristics of the corporation.

The corporation forms the capital that consists of borrowed resources attracting a variety of credit resources: issuing debt securities, using bank loans, purchasing raw materials, materials and fixed assets in terms of payment deferral and so on. Debt capital, depending on the borrowing period, is divided into long-term and short-term.

The capital accumulated by the corporation is distributed during the formation of its assets. The use of the same capital occurs, for example, in the process of asset management of the corporation, the acquisition of the necessary means of production, labor, and all other things that enable it to operate. Information on the distribution of accumulated capital and its consumption in a modern market economy is a commercial secrecy. The data on this can only be found in the accounting and management reporting materials of the corporation, that is, in the system of its managerial accounting. A public financial statement of the corporation, the result of its financial accounting, is extremely important for the society, yet it does not provide all detailed information. For example, according to the balance statement of the corporation, you can only get a general idea of the assets distribution and structure, that is, about the capital that, so to say, "works", creating a new value.

The analysis of the corporation assets structure to a certain extent allows us to assess how efficiently it distributes and uses its accumulated capital. For example, the use of production impedes capital flows and reduces the amount of new value creation. Financial management of the corporation, aimed at providing the increase of its assets value, must build the financial capital in order to form the stocks in volumes that exceed the needs of the

corporation relations with other participants in economic relations. In such relations the corporation forms and implements: the structure and price of attracted capital and capital represented by assets; dividend policy; the management of current assets and liabilities; a policy on the constituency and structure of production costs, as well as other aspects of financial activity related to the movement of capital and increase in its value.

Capital as a resource for corporate finance is limited in space and time, and therefore it is important to consider the financial relationship of the corporation through the prism of time and space limitation of capital. The surplus or capital shortage of an entity causes it, respectively, either to find opportunities to invest profitably or to seek additional sources of capital. The lack of capital in some economic entities and its relative temporary surplus in the other is an objective basis for the redistribution of capital. The directions of capital redistribution in a society are not chaotic, but determined by objective laws: capital moves in search of the highest profit margin. An important factor is the risks associated with making a profit; the movement of capital also reflects the patterns of proportional development.

The distribution of capital is influenced by a policy (interests of economic entities). At some stages of development, objective laws and interests of business entities coincide to some extent, but sometimes they contradict one another.

Consequently, the forms of corporate finance manifestation representing the monetary relations of the corporation with other economic agents and during which it is possible to move and increase the value of its capital, is the formation, distribution, and use of such capital by the corporation.

Summarizing the justification of the value-forming function of corporate finance it can be noted: the value forming function of corporate finance is that in the process of their financial relations there is a movement of the exchange value of capital, and in this movement the conditions for the growth of the capital value are formed.

The second function of corporate finance, from the point of view of the KNEU Scientific School representatives, is information. In today's information society, the role of information is defined in all areas of knowledge. At one time, within the context of the fundamental question of philosophy – "that the primary – an idea or matter", the attributive concept of information was formulated, according to which information is a property of matter. It is the information that determines the parameters of the motion of the material world, manifested in its orientation and the creation of orderly forms of the existence of matter as a result of information interaction. On the

information, all interactions in nature and society are built.³²⁵ Based on the attributive concept of information and awareness of the essence of corporate finance it is logical to assert that information is an attribute (property) and financial relationships of the corporation. It is the information forming the perception of the financial relations of the corporation, their purpose, participants, forms of manifestation, structure, and characteristics. Information about the processes of capital formation, its distribution, and use, including data on the capital value, its physical form, subjects of relations, time and much more makes the financial relations of the corporation.

According to the attributive concept in the surrounding world, regardless of the will and human consciousness, there is objectively a primary information. Perceived by man, using technical means and by any living creature on Earth, capable of seeing and decoding this information, it is presented as secondary one. Primary information cannot be measured, all measurements and calculations are carried out on secondary information, the actions of which does not at all mean that the primary information is measured. Between the primary and secondary information there are the following dependencies: on the one hand, secondary information, characterizing the properties of the primary, its structure, and form, depends on it; at the same time, having the property without losing content repeatedly recorded, transferred to other media and multiplied, secondary information does not depend on the original. And, finally, the appearance of new primary information occurs under the influence of secondary and other primary information, and in this regard secondary and primary information are interdependent.³²⁶

Corporate finance information is also divided into primary and secondary. Primary information, being an integral part of the financial relations of the corporation, is perceived and recorded by man and technical means, resulting in the formation of secondary information, which is presented in various accounting documents and financial statements, analytical materials. All measurements and calculations on corporate finance are carried out precisely on secondary information, which, considering the characteristics of the primary, depends on it. In corporate finance, all dependencies between primary information bearing the financial relations of a corporation and secondary information resulting from the fixation of

³²⁵ Демин, А. И. Информационная теория экономики: Макромодель / А. И. Демин. – М. : Палев, 1996. – 347 с., С.66.

³²⁶ Ibidem, С. 62-64

primary information on a variety of media (human memory, paper carriers, computer memory) are similar to those formulated by the attributive concept of information. They lie in the following:

First, secondary information about corporate finance characterizes and depends on the properties of their primary information;

Secondly, secondary information about corporate finance can, without loss of content, be repeatedly transferred to other media and multiplied, and therefore it does not depend on the primary;

Thirdly, the emergence of new primary information in the financial relations of corporations occurs under the influence of both secondary information and other primary information of corporate finance. In this case, the secondary and primary information of corporate finance is interdependent.

All financial relations of the corporation, the entire process of its capital flow contain information that affects the emergence of new relationships and information contained therein. For example, financial relations of the corporation in the process of raising capital through the issue of equity and debt securities, borrowing funds in the market of bank loans, dividends accrual and payment, investing, carrying some information, generate new financial relations, and therefore new information carried by these relationships. At the same time, the formation of secondary information on corporate finances depends on the level of economic development of society, awareness and preparedness of users, their consciousness and purpose, as well as the development of technical support. Proofs that the secondary information on corporate finance (that is, the one used by the society) is not the same as the original, there are many of them. One of the most striking examples is the financial reporting of corporations, which not only in form but also in content has changed from time to time and will continue to be refined.

Despite the fact that at all stages of development financial relations of corporations are essentially the same, covering its economic relations with other economic entities in the process of formation, distribution, and use of capital in order to increase its value, accounting of financial information on corporate finances and corporate reporting was changing. For example, the cash flow statement (known in Ukraine as a statement concerning cash flow) began to be used in countries with developed market economies only in the 1950s and appeared in Ukraine only in the late 1990s. That is in spite of the fact that information about cash flows was always a component of economic relations of corporations, only in the middle of XX century society realized the importance of assessing the financial condition of the economic entity on

the basis of the movement of capital in cash and began appropriately to record and reflect in reporting such information. There are many examples, and they all allow us to assert that objectively in the economic relations of corporations there is all the necessary information (it is the primary one), but, due to the above mentioned circumstances, the information that is recorded and is still used by users (secondary information), characterizing the primary information is approaching it but is not identical to it.

Complete secondary information gives users greater benefits and allows them to make reasonable, effective economic decisions. The problem lies in the fact that secondary information, which is the result of perception, awareness, and fixation by a person and devices of primary information, is not the same as the last. The discrepancy between them is the basis of the risks. The task is to find ways to maximize the full comprehension of the content of corporate financial relations and the adequate formation of secondary information.

In the context of primary and secondary information existence, it is appropriate to mention the concept of asymmetrical information, the essence of which is that there is an uneven distribution of information between the parties in the relationship. In 2001, the Nobel Prize was awarded to American economists George Akerlof, Michael Spence and Joseph Y. Stiglitz for developments on the topic of analyzing markets with asymmetric information. Issues of asymmetry of information were considered by them in the markets of insurance services, lending, mortgage securities, medical services and labor in the case of hired workers. As a result, scientists came to the conclusion that in markets with asymmetric information, the average price of the product tends to decrease even for products with perfect quality.

A situation of market collapse is possible, even to its complete disappearance. In such markets, unscrupulous sellers can offer fewer quality goods (cheaper fabrication), deceiving customers. The latter, suspecting the low average quality of the product, avoid buying goods, or they agree to do so only at a lower price. In such a situation, producers of quality goods, in order to preserve the market and stand out in the eyes of buyers are trying to certify the goods and establish trademarks that are signs of quality. Consumers appreciate the quality of goods, markets, and sellers.

As for corporate finance, at the present stage, there are also conditions for the asymmetry of information in the economic relations of the corporation with other economic agents. The reason for this is the following: first, secondary information on corporate finance is not the same as the primary one; secondly, existing of secondary information can be perceived

by users in different ways; and thirdly, differences in interests and human factors may lead to distortion of information by individual participants in financial relations. At the same time, with the development of society, the training and awareness of users of financial information increases, information technologies are improved, resulting in a reduction of the discrepancy between primary and secondary information. Evolution of society is objectively accompanied by the process of secondary information approximation to its original source, that is to the primary information. This process is causal and objective, that is, logical. This can testify the existence of the law of information approximation.

Users of information on corporate finance, including owners and lenders, customers and suppliers, managers and regular employees, the state, and the public, need the information to make effective decisions, and they seek the first and get the data they need as quickly as possible to reduce uncertainty (informational entropy) on corporation finance. The socio-economic purpose of the informational function of corporate finance is to reduce or eliminate uncertainty in corporate finance matters. This function is implemented by providing information about corporate finances to its users. Proper information is a guarantee of sustainability both for corporate finance and for a market economy as a whole.

The essence of the information function of corporate finance is that the financial relationships of the corporation always carry information about the movement and the increase in the value of the capital of the corporation. This function is objective: financial relations, the essence of which is the movement of capital, always carry information on the formation, distribution, and use of capital, its cost characteristics, physical structure, and so on.

The information function of corporate finance is implemented in the course of registration, accumulation, processing, preparation of information for users and their subsequent actions with the information received. Due to the unique peculiarity of financial relations of the corporations to be represented in value of terms, that is, in monetary terms, information contained in corporate finance can not only be repeatedly transferred to other media, processed and subjected to mathematical processing while maintaining its information content, but it can also be compared in space and time. It is on the bases of such a unique property of corporate finance that the analysis, control, planning and forecasting of economic relations of the corporation are being built.

The availability of proper financial and economic information and its effective exchange is a prerequisite for the sustainable development of the

corporation. Only by reducing the uncertainty of the economic relations of the corporation the risks in its activities can be minimized or even completely eliminated. By providing the necessary level of awareness among individuals interested in corporate finance, the corporation may achieve an increase in the market value of its assets.

Since the public good (goods and services are mostly considered from the point of view of the availability of information value in them), qualitative and timely information about corporate finance is valued by the market and is a factor in creating additional value. Benefit from a well-established information exchange significantly exceeds the number of resources spent on its organization. The distortion or blocking of information flows immediately manifests itself in the decline of the efficiency of the corporation. That is why the characteristic feature of the modern prosperous business is its information enrichment, the essence of which is that the winner has a more efficient system of information exchange³²⁷.

Consideration of the theoretical foundations of corporate finance makes it possible to better assess their pragmatic role in the modern Ukrainian economy. Being an economic category, corporate finance is objective and represents certain economic relationships in a society. In real life, they have visible forms of manifestation and, fulfilling the functions inherent to them, realize the purpose of their functioning.

In modern society, corporate finance, representing the economic relations of the corporation with other economic agents are designed to allow the growth of the exchange value of capital, the movement of which is inherent, that is, internally inherent to the financial relations of the corporation. Let us note that such a public purpose of corporate finance does not mean that in real life financial relations of the corporation are always accompanied by an increase in the value of capital that it manages. There are many examples when the corporation activities end in the loss of capital, bankruptcy, and losses. There are several reasons for this, but, among other things, they are always based on the risks of distortion of the primary information about corporate finances. That is why it is important to realize that the effective development of corporations, as key players in a modern market economy, and whose financial relations make it possible to increase the cost of capital, is possible only under conditions of proper information exchange concerning corporate finance.

³²⁷ Карминский, А. М. Информатизация бизнеса / А. М. Карминский, П. В. Нестеров. – М. Финансы и статистика, 1997. – 415 с., С. 320 – 330

4.3. Formation and Development of the Insurance Market and Reinsurance

Market-based transformations that have developed in Ukraine in the 80s of the last century have identified a new, or a more traditional, world-wide known, role of insurance in the socio-economic life of the society, have led to the origin and development of the national insurance market services. National science does not focus on the problems of the insurance market services, one of the most important segments of Ukrainian financial service market. There is no clear definition of the concept of this market, the definition of its institutional and sectoral structures, the economic essence of the very object of purchase and sale on the insurance service market. The correlation of the insurance market services along with other markets of financial services require comprehensive investigation and study, its public regulation. Among the few researchers of the reported issues, it is relevant to point out the adaptation of the Kyiv National Economic University school of sciences representative prof. O. Gamankova, which is presented in the system-based statement in Ph.D. thesis monograph³²⁸.

First of all, she emphasises that, despite the insurance in Ukraine has been carried out in Soviet times, the insurance market did not exist because of several factors. The main one among them is the ownership relations of the production means, where the share of the state ran up to more than 90%, and the public monopoly in the field of insurance, that has existed for 70 years. The absolute predominance of the state ("nation-wide") property has extremely narrowed the range of participants of insurance relations since it excluded all state-owned enterprises out of these relations. The theoretical justification for such approach served the idea of Soviet economists that "although socialist enterprises and organizations profit of a certain economic separation within the limits of the nation-wide property, the socialist system manages them as the only state economy. Therefore, insurance of nation-wide property is carried out, mainly, by single-sourcing part of the natural and financial resources into the corresponding reserve funds in the system of public finances, without resorting to the insurance method. The state has the opportunity to negotiate broadly through the installment of emergency funds between the industries and territories of the country, which, in conjunction with decentralized emergency funds, ensures the continuous operation of

³²⁸ Гаманкова О.О. Ринок страхових послуг України: теорія, методологія, практика монографія / О.О.Гаманкова – К: КНЕУ, 2009. – 283 с.

government enterprises³²⁹. The need for insurance in the area of state ownership has been denied as such. It artificially narrowed the circle of insurers, which included only the population and some agricultural enterprises. Insurance operations were carried out within the country from 1918 to 1990 on the basis of a state monopoly, by the only state insurance organization was the State Insurance Agency of the USSR. It was a unique economic formation. While being a strong, multidivisional structure (which in 1990, before the collapse of the USSR, included 5637 separate units, there were about 89 thousand of staff members and 144 thousand insurance agents and served 201.8 million voluntary insurance contracts with citizens and received insurance payments in the amount of about 20 billion Soviet Karbovanets and made insurance payments in the amount of about 16 billion Soviet Karbovanets)³³⁰, the State Insurance Agency of the USSR hasn't had the status of an insurance company, but had been considered one of the departments of the Ministry of Finance of the Soviet Union and took care of public finances.

The state insurance monopoly, the absence of the insurance market caused the backwardness offer of insurance services, limited types of insurance. Outside of the insurance sphere, there have been risks for all state-owned enterprises, and the private property of citizens has been limited to residential buildings and vehicles. There has not existed any kind of insurance in the country: the property of state-owned enterprises from fire and other risks; insurance of vehicles owned by state-owned enterprises; insurance of air, sea, rail transport; loads and luggage; liability towards third parties, etc.

In our country, market transformations in the early 90's of the last century, are associated with changes in property relations and the emergence of private entrepreneurship, they have initiated new social relations, including in the field of insurance. Unlike the planning and management system under the conditions of market economy, the state ceases to be responsible for compensating the losses of economic entities and citizens in the case of accidents, natural disasters, and catastrophes. Thereby, the objective preconditions for the development of the insurance market have been formed of the material independence of policyholders and their interest transferring responsibility for the consequences to the specialist financial institutions, which are insurance companies.

³²⁹ Государственное страхование в СССР: Учебник / Под ред. Л.И.Рейтмана. – М. Финансы и статистика, 1989. – С.20.

³³⁰ Государственное страхование в СССР 1991: Юбилейный стат.сб./Министерство финансов СССР – М.: Финансы и статистика, 1991. – С.5-7.

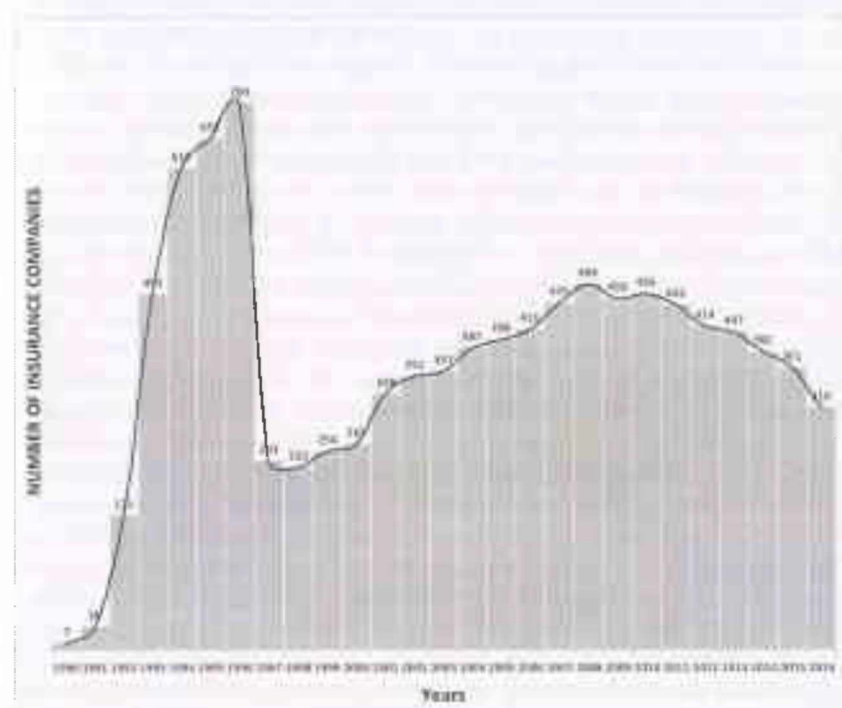
On this basis, fundamentally new *property interests* arose, and, hence, new *insurance indemnities*. Insurance indemnities have been transformed into a corresponding demand for insurance services, market uptake has generated the offer, the objective laws of the market have begun to function, and the range of participants in insurance relations has expanded. The number of policyholders has increased, respectively; the number of insurers has increased as well. The need for new market entities has developed: insurance brokers, reinsurance companies, associations of insurers, organizations of medical and technical assistance, etc. The list of insurance services has expanded, new types of insurance have been offered, competition has arisen. On the one hand, a plurality of owners who need insurance protection has appeared, and on the other hand – a set of insurance organizations able to provide such protection have appeared. An insurance business has developed; the insurance market has begun to emerge.

The rapid pace of inversion transformations, such as demonopolization and denationalization, which took place between the years 1989 and 1993, has radically changed the degree of state influence on the insurance sphere: from comprehensive state control to its complete loss. The main reason for such development was that on the early stages of market transformations (while the absence of relevant experience), public opinion has been covered by the ideas of the market's ability of development and self-regulation with minimal state interference. Later it became clear that state interference in the development of market relations in the country is an objective necessity. It turned out that with the departure of the state from the uncontrolled regulation of the insurance industry, a kind of legal organizational vacuum has been formed, favorable for the development of shadow and corruptive-criminal pseudo-market relations in the Ukrainian insurance market, which have not yet been overcome.

While investigating the formation of the insurance market in Ukraine, specialists in different ways approach to the periodization of its development and characteristics of these periods. However, it is indisputable that scholars recognize the fact that the development of the market has been subject to the degree and quality of its legislative and normative ensuring. There is some evidence that is illustrated in Figure 1, which shows the fluctuations in the number of registered insurance companies in Ukraine since the abolition of the state insurance monopoly.

Thus, the period from 1990 to 1996 is characterized as an "insurance boom": for 6 years, the number of insurance companies has increased up to 100 times: from 7 insurance companies in 1990 to 700 companies in 1996. Such rapid growth was due to the fact that in the first years of

demonopolization access to insurance activity has been completely free, and responsibility for the consequences of this activity has been absent.



Picture 1. Amount of the Insurance companies, 1990-2017

The source: ³³¹

Only in 1993 the first statutory act in the field of insurance has appeared – it has been the Decree of the Cabinet of Ministers "About Insurance", which defined the requirements for the status of the insurance company, the minimum size of its authorized capital (5000 USD in the equivalent), the procedure for licensing insurers, and also state supervision of insurance activities have been introduced. However, the Decree did not significantly affect the growth rate of insurance companies, because the limits imposed by

³³¹Гаманькова О.О. Ринок страхових послуг України: теорія, методологія, практика: [монографія] / О.О. Гаманькова – К.: КНЕУ, 2009.-283 с.; Офіційний сайт Державної комісії з регулювання ринків фінансових послуг України [Internet Resource] – Mode of access: <http://www.dfp.gov.ua>.

it have not been radical. In 1996, the number of insurance companies in Ukraine reached 700 – and narrowly dropped next year to 241 companies. This has been the result of new requirements for the minimum authorized capital of insurance companies put forward by the Law of Ukraine "About Insurance" in 1996: during the year, when the Law came into force, companies had to raise it from 5,000 USD to 100,000 EUR in the equivalent. Companies that fail to fulfill the requirements have left the insurance market. Subsequently, the requirements for the increase of the authorized capital have been raised by amending the Law (from 2001 – 1 M Euro for "Non-life" companies (this norm remains valid up to date) and 1,5 M Euro for "Life" companies, from 2005 – 10 M Euro for "Life" companies). However, these changes did not lead to dramatic changes in the number of insurance companies. The number of such companies has steadily increased to "pre-crisis" in 2008 (469 companies). After the global financial crisis, the market has not recovered in full yet. The number of insurance companies has decreased in almost one 1,5 times in the last 10 years, and by the end of 2017, according to our forecasts, the number will be about 300 companies.

The current period of insurance development in Ukraine is likely to end with the adoption of the Law of Ukraine "On Insurance" in a new version, the draft of which provides the further increase in the requirements for the minimum size of the authorized capital of insurers. Without denying the importance of other norms of the bill, it should be understood that these changes will be the most influential factor affecting the number of insurers in Ukraine and the further development of the domestic insurance industry.

The data testify that during the whole period of its development the insurance market of Ukraine was in a state of turbulence. In a historically insignificant period of time, such radical changes have taken place in this sphere, that domestic scientific doctrine was not ready not only for their prediction but also to the appropriate response to them. Not ready because of the fact that, formed in Soviet times under the conditions of the state insurance monopoly, it was torn off from the world insurance processes, it did not correspond to the new economic reality. As a consequence – the modern domestic insurance theory in some places still very weakly corresponds to the real insurance processes, lags behind them.

As a result, domestic insurance accumulated the problems of methodological, theoretical, applied nature, which required their scientific understanding and solving, without which it is impossible to move forward. The question is not just about purely scientific problems. The lack of sophisticated theory and defined conceptual apparatus has created a number of problems that accompany the practical activities of domestic insurers.

Yes, they hinder the creation of effective insurance legislation, impede the formation of a perfect market environment in this area, make effective state interference in insurance processes impossible and complicate understanding of these processes by foreign partners.

Despite the rather large number of scientific publications on insurance topics that have emerged in Ukraine in recent years, the vast majority of them are ontological and relate mainly to the quantitative aspect of insurance processes and their dynamics, without affecting the nature of insurance as a financial category. However, under modern conditions, the insurance theory, faces new tasks connected with the necessity of studying, generalizing and scientific interpretation of those processes that took place with the transition of Ukraine to a market economy model. The situation is complicated by the fact that there is no historical experience in the world connected with the transformation of the state-monopoly system of management into a market economy. The newest Western economic theories, as well as outdated socialist ones, do not make sense to mechanically adapt to the present realities. New, thorough economic research is needed because even the most advanced economic theory over time requires rethinking since scientific idea ripens on the basis of real economic life. Meanwhile, the overwhelming majority of issues in the development of the insurance sector are solved by the method of "trial and error", since the domestic financial science, as well as financial practice, largely stopped in its development at the post-socialist level with most of the old approaches and dogmas. As a result, the domestic insurance theory is a peculiar symbiosis of representations of Soviet scientific thought and western scientific concepts, mostly of an applied nature, which is not interconnected, thus making this area of knowledge even more disorderly. The main task of financial science is not only to identify individual financial phenomena but also to show their interconnectivity and interdependence, to reveal the system of financial relations, processes, and laws.

Methods of scientific knowledge, which operates the theory of finance, are universal, suitable for all financial disciplines, including insurance. The theory of finance is the core, the framework for the entire financial sciences system including its theoretical and applied directly. In this case, the finance theory and other financial disciplines are developing, mutually complementing and enriching each other. Paraphrasing the founder of the Austrian Economic School K. Menger (1840-1921), we can say that the relationship between the finance theory and other financial disciplines lies in the fact that the finance theory, on the one hand, can develop only on the basis of individual branches research, to find out the laws inherent in them (therefore, researchers of certain financial science branches must never

overlook the ultimate goal of their aspirations under the threat of loss for general financial science), but, on the other hand, the theory of finance gives the key to understanding that the financial phenomena of economic life are subject to certain laws, as well as natural phenomena. The practical significance of the theory, according to the well-known formula of the founder of O. Kont (1798-1857) positive philosophy, consists in the fact that knowledge leads to foresight, and prediction to action.

The insurance theory should answer the questions that concern both scientists and practitioners: why insurance in Ukraine did not turn into a factor of stability and well-being; why a large number of small and poorly capitalized insurance companies dominate the market; why the market is unclear and uncontrolled, and the question of protecting economic competition in it is so complicated; why the insurance market is unstable, unbalanced and so naughty to the impact of financial and economic crises.

The essence of the insurance market is based on the main dominant, which determines the processes of its formation, functioning, and development. Such dominants are insurance as a financial category and insurance serve as a form of insurance category in market conditions. In this case, insurance determines the deep economic nature of the insurance services market, and insurance service i.e. the nature of financial relations organizing between market players.

Consequently, the insurance market is a phenomenon that is derived from insurance. This thesis confirms the need to turn to the theoretical principles of insurance. After all, the very essence of insurance determines those special qualities that differ the insurance service from other goods and services and the insurance services market from other markets. Without studying theoretical and methodological questions concerning the economic essence of insurance it is impossible to fully qualify the phenomena that occur in the insurance in the new economic conditions, and those problems that accompany the formation of the domestic insurance market.

Insurance is a financial category, which has its public purpose characteristics and features that allow you to distinguish insurance relations from the whole set of financial relations, to reveal their nature and uniqueness. The specific social purpose of insurance and its socio-economic role are found in the following functions: protective, distributive, capital-forming. The objective nature of insurance relations is determined by the need of people in insurance against risks (protective function). In this sense, insurance is a unique method of money funds formation to provide such protection on the basis of redistribution of funds between the participants of these funds creation in space and time (distribution function) These funds, as

they need appropriate management, act as a capital (capital-forming function) in a market economy. Thus, all three functions of insurance according to the effect of the dialectics laws are objectively united as a whole. Each of the functions is a bearer of different aspects of insurance relations that are opposed to each other, and together represent the unity and struggle of opposites, which determine the development of insurance.

The disclosure of the public purpose of insurance, its internal qualities, features, functions, and roles enabled to formulate the definition of this specific financial category. Insurance is the sphere of financial relations that arise between the participants of the formation, distribution, and use of targeted money funds intended to provide insurance protection of property interests of members of society. Insurance, like other financial categories, has a duality: on the one hand, it has a real embodiment (acts as a form of protection against risks and conditioned by risks), on the other – the internal content: a set of specific financial relations that are related to the economic interests of the insurance subject as for the provision and acquisition of insurance cover.

The most important feature of insurance relationships is the risk. The risk stipulates their appearance, gives them specific features. However, the need to protect against possible risks becomes real only if there is a threat to the property interests of individuals and legal entities associated with the property. Shifting emphasis in the theoretical substantiation of insurance ("exclusively risk"), which, unfortunately, is inherent in modern domestic insurance theory, and ignoring the fact that the degree of maturity of insurance relations in society is conditioned, first of all, by property relations, has undesirable practical consequences, with inadequate expectations of the society regarding the development of insurance in our country. Thus, the understanding of those contradictory processes that have taken place in the insurance industry of the economy over the past decades, in which the country's insurance services market showed a faster growth rate under conditions of the real economy stagnation, low living standards of the vast majority of Ukrainians and the instability of the national currency, is possible only in the view of insurance as a financial category – the carrier of certain monetary relations, which, in turn, are conditioned by property relations.

A market form of the insurance financial category is an insurance service. Its essence is disclosed only from the point of view of it as a financial obligation to provide insurance protection. From these positions formulation of the definition of insurance serves as a specific financial service in the form of sales of legally enforced insurance coverage, which are

provided to the market insurers. Such a view is fundamental in determining the public utility of an insurance service. This expresses its economic content, which means: insurance companies that provide such services must be financially viable and monitored by the state, placing certain requirements to the insurers.

The insurance service has a strongly pronounced, risk-related, probable nature for the parties of the insurance contract. The insured person realizes its economic interest in the acquisition of insurance protection, paying the insurer a certain amount of money (insurance premium) and receiving the right to have a full or partial compensation of losses in case of an insured event. An insured event may happen or may not happen. Therefore, payment for certain types of insurance may occur or may not occur. The insured person who concluded the general insurance contract does not pretend to return the insurance premium if the event has not occurred. In this case, the insurance premium paid to the insurer turns into irreversible losses for the insured person. At the same time, it becomes an income for the insurer. If the insurance event occurs, the insured person receives an insurance payment, which is usually much higher than the amount of the premium paid. In this case, the insurance company provides the insured person with an external source of financing the consequences of the insured event (compensation of losses), while considering this payment as its own irretrievable loss. Thus, the occurrence of an insurance event is a risk not only for the insured person (as it affects his property interests), but also for the insurer, because of the fact that the insurer must make a payment, the amount of which can be incomparably higher in relation to the insurance premium received from this particular insured person. The increased riskiness of the insurance services provider in a certain way is leveled through involving a wide range of insured persons in this process. The payment for the insurance service is distributed within this broad circle of insured persons. Insurance premiums are paid by a large number of people, and only certain of them receive insurance payments – those affected by the insurance event. It is this moment that enables insurance companies to carry out such activities. According to Edward Lloyd's famous statement, insurance is the contribution of many to the misfortune of some.

The main essential peculiarity of the insurance premium is that it should ensure the equivalence of insurance relations between the insurer and the entire set of insured persons of the insurer (for each specific type of insurance). And therefore it must be necessary and sufficient to enable the insurer to form an appropriate financial basis for fulfilling his insurance obligations.

The establishment of adequate insurance premiums and their optimization is the basis for congruence of economic interests of the insurer and the insurance company, and on this basis – for the development of the insurance services market. The lower limit of the insurance premium is determined by the principle of equivalence between the receipts of insurance premiums and insurance payments. The upper limit is determined by the expenditures of an insurance company and its needs. In case the insurance premium is excessive, the insurance company may be in a disadvantageous competitive position and lose its customers. And in case the insurance premium is too low, the insurance company will risk its financial stability. Consequently, the insurance premium, as the price of insurance services, is competitively influenced by supply and demand and, moreover, should provide a financial basis for the insurer's paying capacity.

Being an object of purchase and sale on the market, the insurance service is its determinant. It also forms its sectoral and institutional structure, determines the development trends, socio-economic significance, stipulates the requirements for the financial stability of insurance companies. Clear and justified classification should be a basis for the compilation of insurance services, which are characterized by diversity. It has an exceptional value for substantive study of insurance services and insurance services market; creating opportunities for building adequate relations between market entities regarding the insurance services' purchase and sale; conducting reinsurance operations, including foreign reinsurers; licensing of insurance activity; formation of appropriate statistics of the insurance services market, providing it with transparency and clearness; providing state regulation of insurance activity.

The legally regulated national classification of insurance according to the forms of holding (distinguishing compulsory and voluntary insurance) and on objects (subjects) of insurance with the allocation of three branches (property insurance, personal insurance and liability insurance) no longer corresponds to the current level of development of the insurance services market in Ukraine and the degree of its integration into the world market. There is a need to move to the European system of classification of insurance services, distinguishing within the life insurance and general insurance services specific classes of insurance (7 – in the life insurance sector; 18 – in the general insurance sector), which is similar to the practices of the European Union countries. Accordingly, licensing should be carried out exclusively according to the list of these classes, not taking into account the form of insurance. Appropriately, it is obligatory to create specialized insurer reports. This will allow, among other things, to provide qualitatively new

macroeconomic statistics of the national insurance market. In order to achieve information transparency and comparability of the market, it is necessary not only to introduce licensing of insurance activities according to the same classes of insurance, which are licensed in the European Union but also apply standardized insurance rules, worked out and approved by the state supervision body.

Only such approaches to the ordering of insurance services form the prerequisites for a comprehensive and systematic study of the market and the mechanism for its operating, providing not only theoretical and methodological developments, but also processing specific methodological and practical recommendations to increase its transparency and efficiency.

From the standpoint of both, theory and practice of insurance, there is a need for a clear distinction between the notion of "insurance services market" and "insurance market", which lays the foundations for a more substantive study of these phenomena, finding out their essence, determining the place of insurance services market at the macro level in the financial sector of the country and increasing the efficiency of its state regulation. Relying on the study of the financial relations peculiarity that arises in the process of providing insurance services, there is every reason to assert that from a financial point of view in the macroeconomic aspect, the insurance market represents a closed cycle of involvement and rotation of insurance capital. And the market for insurance services is the initial link of this closed cycle. It covers only those financial relations in the insurance market, mediating the purchase and sale of insurance coverage services. Being an integral part of the insurance market, the insurance services market is both an integral part of the financial services market and is not included in the financial market where insurance capital is located and invested. Against this background, it is proposed to consider the insurance services market as a special form of financial relations' organization, arising in the process of its functioning between market entities regarding the sale and purchase of insurance coverage services. It is argued that it is the insurance services market that should be considered a mechanism that unites the interests of demand (consumers of insurance services) and supply (insurance companies) users. From these positions, the insurance services market is considered as the basis of the insurance market, because it is here that the accumulation of insured persons funds with their subsequent conversion into investment capital due to the activities of insurance companies in the financial market. Thus, in the process of insurance activity, all three functions of insurance are simultaneously implemented: protective, redistributive, capital-forming. Insurance companies act as financial intermediaries, by which they are

recognized throughout the world. The specified status of insurers should also be recognized and fixed in national legislation.

The concept of insurance protection should underlie the development of the national insurance services market. Only under these conditions, the market is influenced by the market self-regulation objective elements: demand, supply, price, competition. However, each of these essential elements still has peculiar, deformed manifestations in the national insurance services market. The main reason for this situation is that, contrary to the theory of insurance, the market has developed in recent years under the influence of other needs than the need for insurance protection. These needs have obtained in the special literature the term "quasi-insurance", which means that the insurance agreement is used by its parties not so much for insurance protection, but for tax optimization and shadow financial schemes, including the capital withdrawal abroad.

The problem of preventing pseudo-insurance operations is urgent not only for our country. However, in other countries, it is largely solved due to the creation by the state of such an information space that prevents the concealment or distortion of market information from insurance companies. In Ukraine, it is because of information closeness, lack of officially reliable and diverse information that the insurance services market is non-transparent and poorly controlled, which makes it impossible to conduct serious analytical studies and timely identification of weaknesses. For information support of the insurance services market, the approach defined by the Directive of the Commission of the European Communities 92/49 / CEE should be applied, due to which the member states of the EU are obliged to form statistics of the insurance services markets according to seven market segments: accidents and health insurance; automobile insurance (exception for the carrier's liability); property fire and natural disaster insurance; aviation, maritime and road transport insurance; general civil liability insurance; insurance of loans and guarantees, and other types. This will significantly increase the degree of clearness and transparency of the national insurance services market.

Informational non-transparency of the market makes it impossible to carry out state control over the processes of market competition in it. Concentration indices and the Herfindahl-Hirschman index, calculated on the whole in the market, without taking into account its product segmentation and specialization of insurance companies, can give only a very approximate image of compliance by insurance companies with the requirements of the antimonopoly legislation. Being too general, they formally indicate the competitive nature of the relationships between insurers, since the proportion

of the first 3, 10, 20 and 50 companies, in general, is acceptable not to call this market monopolized. However, these indicators are not consistent with the norms of national antimonopoly legislation, and, moreover, are poorly correlated with the real situation in the market. Moreover, in Ukraine, there is no standardized methodology for assessing the competitive environment in the insurance services market with the justification of the calculation base and the number of insurance companies that should be taken into account when calculating the relevant indicators. Such a methodology requires its further development.

Despite a great number of insurance companies, the corresponding domestic market lacks free competition. It is still rather restricted area due to limited access to it for any insurance agent willing to start any active operations at any time. The main reason is the very heterogeneous structure of the market environment, discrepant market transparency, lack of open official information about any insurance company and its portfolio. The market is rather 'cellular' and any insurance company, which operates in those 'cells' being linked to a certain financial-industrial group or authorities, is totally deprived of rivals and looks like a monopolist in its area of responsibility. It allows obtaining a huge bulk of revenues without any marketing efforts and counterparts that result in aggravation of competition between other companies on open markets. It is suggested to investigate the monopolization rate in separate segments due to statistic market segmentation in EU. Besides, the assessment of market concentration by National Commission (regulative body in the sphere of financial markets) is strongly advised to comply with competition acts of Ukraine. They assume the control over market concentration, where the market share of one (no more than 35 percent), three (no more than 50 percent) and five (no more than 70 percent of market share) companies.

Generally, the creation of efficient governmental regulations requires clear legislative specification of the notion 'governmental regulation of insurance market' and clear definition of the object of such regulation. The identification of the notions 'insurance services market' and 'insurance market' in the same way results in the focusing by the governmental regulative body on actions aiming to secure solvency i.e. the efficiency of insurance assets management and ignores the insurance marketing operations, regulations of the insurance market, and insurance pricing.

For example, this body does not yet have the instruments to contradict the fake competition on the insurance market, damping of insurance rates that under crisis conditions evokes the insolvency of insurance companies and overall failure to pay insurance claims. Thus, the relevant legislative

amendments are necessary to be adopted to really authorize the governmental regulator in control over the insurance rates as to avoid creation of financial paradigms on the market.

Legal list of competence, rights, and authorities of National Commission indicates that this body is not likely to be regulative but supervising one, which despite its name accomplishes mainly administrative surveillance over insurers instead of regulation of insurance market. There is a necessity to process the modern and efficient concept of market regulations comprising double strategic goal: promotion of domestic insurance market and control over insurance market agents (governmental insurance surveillance).

The long-term financial crisis in Ukraine has revealed the on-going discrete and evident problems on the domestic insurance market. One has to admit that timely counter-crisis measures to sustain the latter should be followed by crucial up-date changes in the governmental insurance policy. Post-crisis market development has to be focused on:

- adopting of new insurance laws;
- securing of data transparency;
- elimination of globalization consequences;
- protection of economic competition;
- elimination of fake insurance operations;
- overcoming of structural disproportions;
- public diversification via mandatory social insuring.

Governmental influence upon domestic insurance market is to be crucial. Irrelevance of governmental market regulations, neglecting of market specifications curb its development or mislead it. Obviously, the governmental regulations should correspond to and be stipulated by the market development rate.

The consequences of mentioned-above negative phenomena are long-term market stagnation, lack of self-development and prospects for recent years that have been reflected in the loss of national positions within global insurance rating (Table 2).

The data in Table 2, which was made up from annual issues of Swiss Re, indicate that domestic market in 2012 was 50th in global rating in terms of insurance premium ratings, 57th in 2014 and 65th in 2016.

Due to negative trends in economics, the value of insurance premium per capita ('insurance density') decreased: from \$57.6 in 2012 down to \$50 in 2014, and further down to \$31.1 in 2016 (in the USA the insurance density is almost \$700, EU – \$3000).

Table 2

Gross Macroeconomic Insurance Rates of Ukraine for the period from 2012 to 2016

#	Item / Year	Item value
1	Position in terms of national share of Aggregate Insurance Premium in global rating	
	2012	50
	2014	57
	2016	65
2	Value of Insurance Premium per capita, USD	
	2012	57,6
	2014	50,0
	2016	31,1
3	Share of Insurance Premium in GDP, %	
	2012	1,65
	2014	1,80
	2016	1,49
4	Share of Aggregate Insurance Premium in global rating, %	
	2012	0,08
	2014	0,05
	2016	0,03
5	Share of Aggregate Insurance Premium in global rating in other than life insurance («Non-Life»), %	
	2012	0,14
	2014	0,10
	2016	0,06
6	Position in global rating in terms of share of Aggregate Insurance Premium in other than life insurance («Non-Life»), %	
	2012	47
	2014	50
	2016	57
7	Share of Aggregate Insurance Premium in global rating in life insurance, %	
	2012	0,01
	2014	0,01
	2016	0,00
8	Position in global rating in terms of share of Aggregate Insurance Premium in life insurance ("Life"), %	
	2012	72
	2014	78
	2016	83

Source: compiled from:

<http://www.swissre.com/sigma/#inline>; <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2004rank.html>;
<http://www.insuranceeurope.eu/uploads/Modules/Publications/european-insurance-in-figures-2011.pdf>;

Swiss Re. – Sigma № 3/2014 [Internet resource]. – Available at:
http://media.swissre.com/documents/sigma3_2014_en.pdf

The insurance penetration ratio i.e. its GDP share in 2012 was 1,65%, in 2014 it skyrocketed to 1,80%, and in 2016 fell to 1,49%. In comparison, on a global scale, the average insurance penetration rate is around 7%, in EU – almost 8%, in Eastern Europe – 3%. The positive moment of such market collapse is a decrease of fake insurance operations and bankrupt ventures.

The global national rating in terms of «Non-Life» shows that Ukraine for the last five years moved down from 47th position to 57th i.e. from 0,14% in 2012 to 0,06% in 2016 in terms of Insurance Premium.

In the «Life» sector, indicators are even lower: in 2012-2014, 72-78 seats with a stable share in the world ranking of total life insurance premiums at a level of 0.01%, and in 2016 this indicator was statistically elusive and equal to zero

Thus, according to Table 2, the place of the Ukrainian market in the world insurance space does not correspond to the economic capabilities of the state, its position on the map of the world, the area of the territory and the population. Therefore, due to favorable socio-economic conditions and overcoming of crisis phenomena in the economy of our country, one can speak about the good potential of its development. These findings are confirmed by the data of the World Bank study, which has recently positively assessed the economic prospects for Ukraine's development, although it is still not as attractive to investors as it is for ease of doing business.

Thus, as data from Table 2 display, the current national position in global rating is irrelevant to its economic potential, geographic position, total area, and population. These conclusions are sustained by research results carried out by World Bank despite low rating in terms of investment attractiveness. Nevertheless, nearly all international insurance companies like AXA Insurance, ALLIANZ Ukraine, PZU Ukraine, UNIQA, Vienna Insurance Group are currently present on the national insurance market.

Currently, the share of foreign capital in the total capital stock of domestic insurers is approaching 50%. The structure of foreign capital at the insurance market of Ukraine (in view of the countries of its origin) remains changeable. For example, due to the military and political conflict between Russia and Ukraine over the period of 2014-2017, Russian capital in the Ukrainian insurance market has almost disappeared. At the same time, Cyprus and offshore-areas shares remain invariably high. Unfortunately, there is the reason to believe that after the results of 2017, as well as results over the next years, the degree of attractiveness of the national insurance market for such investors will drop even more for both economic and political reasons. This means that the market will suffer a lack of investment and enter a recession.

Considering the very limited potential of the Ukrainian insurance market, particular reinsurance relationships become especially important in enhancing guarantees of insurance protection, contributing to socio-economic stability in the society, effective entrepreneurship development, secure livelihoods, and improvement of the quality of citizens' lives. At the same time, domestic experts and scholars have been debating the prospects for the integration of the Ukrainian insurance market into the worldwide financial arena, considering both the prospects and risks of globalization.

Modern practices in the reinsurance market reveal problems that hinder the effective development of professional reinsurance, the institution of reinsurance brokers, and international reinsurance business. Moreover, market problems in crisis conditions within the national economy become vital as a result of the strengthening of integration processes in the world. Therefore, Ukrainian contemporary approaches to studying and understanding the theoretical and organizational foundations and practical problems of reinsurance functioning become necessary for the drive to develop a new paradigm of its formation. The works of Professor O.V. Kneisler (the Ternopil National Economic University) are devoted to the problems discussed above and are presented in her monograph [1]. She substantiates theoretical-methodological trends of research in the reinsurance market and identifies and analyzes the main trends of its functioning in modern realities. The author also outlines prospects for further development.

Within the context of the evolution of both economic development and scientific doctrine, there has been developed some methodological principles of scientific knowledge of reinsurance relationship. In particular, the system of scientific and methodological problems related to the study of reinsurance, which are caused by the following: the lack of a unique scientific approach to the formation of the reinsurance theory; lack of theoretical research in the field of reinsurance; and the lack of theoretical-methodological tools for the research in this area of economic relations.

The initial methodological basis for scientific research of reinsurance relations is the use of the following statements and principles: dialectics, helping understand the essence of reinsurance relationships as well as identifying problem trends and outlining the prospects of the development of the reinsurance market; institutional theory for reinsurance theory formation, since the methodological potential of institutionalism helps to modernize insurance system development reasonably; the insurance science, methods which are becoming an important tools for cognition in the context of the effective system formation of reinsurance as important areas of the system.

Both reinsurance and finance involve some dialectic contradictions which actually occur due to insurance relations nature as well as serving as the internal force and source of reinsurance relationship development. It is grounded in the sphere of reinsurance contradictions of interests that arise in both cases, such as relationships between reinsurance participants and the state (concerning payment of taxes to the budget and transferring a part of the risk abroad), and among reinsurance participants concerning reinsurance premiums and damages payment in the process of revenue and profits distribution. Thereafter, one problem involves the formation of an effective mechanism for consistency and balancing the interests of reinsurance processes and searches for differentiated approaches to the boundaries of regulation of reinsurer and reinsured according to different types of reinsurance activity.

The essence of reinsurance is revealed in its characteristics as complex economic relations that occur between members of the formation, distribution, and the use of trust funds intended to provide reinsurance protection. In such a case, on the one hand, the participants in the relationships become the insured ones, who guarantee the performance of insurance obligations achievement due to reinsurance partially transferring insurance risk and insurance premiums received from insurers according to a direct insurance contract. Thus they receive the balance of insurance portfolios, the preservation of financial stability, and the right to receive commission remuneration from reinsurers as compensation for their costs spent on insurance contracts; on the other hand, there are reinsurers, who accept a part of the insurance risk and they become responsible for it, as well as receive a part of an insurance premium (a reinsurance premium), from funding sources of loss and trust – a commission on profit according to the results of the reinsurance activity. This definition gives the opportunity to state that the internal and external forms of reinsurance relations are characterized by the optimal combination of protective signs (of risk) and distribution, and therefore the public reinsurance assignment consists in each function unity.

In order to systemize and structure reinsurance relations, the reinsurance classification has been improved according to the following criteria: the sphere of insurance activity, and insurance fields and types of insurance risks. Furthermore, the work focuses on both the scientific and practical significance of the proposed classification in reinsurance-process organizing,

³³² Кнейслер О.В. Ринок перестраховання України : теоретико-методологічні доміанти формування та пріоритети розвитку моногр / О.В. Кнейслер. – К.: Центр уч. л-ри, 2012. – 416 с..

determining the objects of reinsurance, risk transfer methods, the scope of responsibility for contracts of reinsurance, the statistical distribution of the reinsurance market, and cancelation of its structural imbalances.

The reinsurance is classified according to the following: the reinsurance activity sphere (reinsuring concerning insurance types, other than life insurance and risk reinsurance in life insurance, which belongs to personal insurance; insurance sectors or types of insurance risks of reinsurance (risks reinsurance of property insurance, personal insurance and liability insurance, which is valuable in native reinsurers practice).

The methodological basis of the reinsurance market theory is formed by original postulates of economic science, the conceptual insurance theory, scientific achievements of native and foreign scholars from a wide range of problems associated with the creation, the operation, and development of the reinsurance market. Among alternative scientific and methodological approaches to the modern reinsurance market research, the work distinguishes the following economic theories: sectoral markets, business struggle, firms, governmental regulation; institutional and evolutionary theory. It is entirely logical and appropriate to use the scientific achievements of these theories in the theory formation of the reinsurance market as their methodological potential, uniting the theoretical analysis, historical research, monitoring of a particular market environment and behavioral functions of market participants in terms of competition, and exploring the socio-economic phenomena and processes for constant change and transformation, allows modernizing the trajectory of reinsurance market environment development.

The reinsurance service is considered as a basis for the identification of the reinsurance market in the insurance segment of the financial services market, and its features are determined by the organizational and legal nature of the reinsurance activity and the presence of specific subjects, able to meet the social needs of these services.

The work proposes the definition of reinsurance services as the totality of the contractual relationship between a reinsurer and a reinsured concerning conditions and rules for reinsurance and their implementation in order to gain the valuable effect in the form of reinsurance protection and to meet the economic interests of both parties.

Considering the primary issues of the institutional area in economics the work focuses on the institutional and organizational basis for reinsurance market formation. Within the context, the institutional market environment is structured separating the institutions, which represent it, its individual segments and its functional structure. The principal components of the

reinsurance market institutional structure are characterized as follows: the institutional environment, institutional support, an organizational structure, and infrastructure of the reinsurance market.

In particular, the institutional foundations for the formation of the reinsurance market have been further developed on the basis of the disclosure of the essence of the concepts: "the institutional environment of the reinsurance market" as a set of rules and norms (political, legal, economic, organizational) that create conditions for the functioning of the market and form the basis of the transformations in the field of reinsurance; "institutional provision of the reinsurance market" is state and non-state institutions that provide the formal and informal conditions necessary for reinsurance operations in the market; "Institutional structure of the reinsurance market" as the organizational, economic and regulatory standards, which is a fundamental prerequisite for the provision of reinsurance services on the basis of reinsurance contracts (institutional environment), and a set of institutional organizations that carry out reinsurance activities, or serviced or regulated these activities (organizational structure and infrastructure). This enabled to build a model of the reinsurance market taking into account its institutional and organizational structure and its place in the insurance system, to structure its institutional environment and to identify the patterns and contradictions of the formation.³³³

Ukrainian realities show that besides the state as the main institutional regulator of the insurance (reinsurance) market, regulatory processes are intensifying by self-regulation institutions in the face of imperfect legal regulation and poor state insurance supervision, which do not interfere with the state regulation but still complement them. Therefore, when improving the institutional principles of the reinsurance market, solving the most important problems of its development, it is necessary to optimally combine the activities of state institutions and self-regulating market organizations, which will enable to take into account and realize the interests of all participants in the national reinsurance market.

Without denying business practice in reinsurance and the necessity of its application, it has been proved that contractual relations in reinsurance must be regulated in accordance with the rules of legal regulation, taking into account their functional purpose – a guarantee of protection of the insurer's interests in fulfilling obligations to policyholders. However, the

³³³ Кнейслер О.В. Ринок перестраховання України : теоретико-методологічні домінанти формування та пріоритети розвитку моногр / О.В.Кнейслер. – К : Центр уч. л-ри, 2012. – 416 с.

subordination of contractual relations in reinsurance to the rules of insurance legislation is unlawful, and their regulation should be implemented by separate provisions on reinsurance activities and reinsurance contract. Within the context, the definition of key concepts of a reinsurance contract is proposed, in particular: the subject of a reinsurance contract, that is the insurer's property interests in relation to the performance of insurance obligations to policyholders under an insurance contract; reinsurance risk – part of the insurance risk of the insurer, which for a certain fee of the reinsurance premium is transferred to the responsibility of another insurer (reinsurer); reinsurance tariff is the rate of the reinsurance premium per unit of the sum insured, which corresponds to the limits of the obligations of the reinsurer on compensation of part of insurance payments of the insurer; reinsurance premium is a part of the insurance premium, which is transferred to reinsurance and mobilized in reserves of the reinsurer; reinsurance payment is the amount of money paid by the reinsurer in accordance with the terms of the reinsurance contract.

In the course of the research it was established that for the Ukrainian reinsurance market, information imperfection is a characteristic feature, which is explained, firstly, by the methodological problems of the domestic classification; secondly, limited statistical provision of the Ukrainian reinsurance market; thirdly, the lack of a unified statistical base, built on the common methodology of structuring reinsurance services.

This, of course, negatively affects the development of the reinsurance market: it makes impossible to form an appropriate statistical distribution of the market, a real reflection of the main trends and effective regulation of processes on it, reduces the degree of its investment attractiveness and prevents integration into the world market.

In order to form a full Ukrainian reinsurance market, the directions of increasing the efficiency of its statistical support are proposed. They eliminate disparities in structural distribution and asymmetry of information on the market. The expediency of applying the classification of reinsurance on separate forms of its carrying out, methods of risk transfer and types of reinsurance contracts in official statistics and its unification with international standards is proved, which is confirmed by the practical value of detailed information for the participants of the insurance and reinsurance market, since the basis for in-depth analysis of the processes taking place and the adoption of effective managerial decisions in order to provide reliable reinsurance protection is provided.

The problems that impede the formation and development of a professional reinsurance market in Ukraine are identified.

In particular, this is the following ones : lack of capacity and capitalization of the domestic insurance market, the lack of skilled professional players in the reinsurance market, low level of its infrastructure; lack of understanding by the state of the potential of reinsurance and, consequently, ineffective decisions made by it on the creation of professional reinsurers, management and regulation of their activities, lack of interest of owners in the development of professional reinsurance business, which is characterized by low incomes and high risk.

In the Ukrainian reinsurance market, non-classical forms, methods, and schemes of reinsurance relations have been developed. This is an obvious trend since it is dominated by universal insurers, for whom reinsurance is only one of the types of insurance activity. Accordingly, contractual relations between direct insurers on the market are often complicated by the disclosure of the underwriting policy of the custodian and information about the insured; there are problems regarding the payment of insurance indemnity and maximum satisfaction of the interests of insurers in obtaining reliable insurance protection. Therefore, risks between universal insurers are transferred mainly on the principles of reciprocity, which involves mandatory bilateral risk exchange in reinsurance and generates dumped reinsurance tariffs, the lack of common standards and requirements for reinsurance contracts.

It should be noted that it is the professional reinsurance market that is able to provide the quality of reinsurance services, expand the range of reinsurance programs, increase the guarantees of performance of insurance obligations and the completeness and timely payment of insurance indemnity. At the initial stage of the formation of a specialized reinsurance market, the professionalism of its participants is advisable to increase the optimal combination of activities of domestic insurers and reinsurers. This will increase the market capacity, its accessibility, and popularity for both Ukrainian and foreign consumers of reinsurance services, within the context of adhering to the standards of the product component of the market, taking into account the customs and traditions of the domestic insurance market and the international principles of reinsurance operations.

In order to ensure the effective development of the reinsurance market, it is necessary to create an appropriate institutional environment, namely: to introduce mandatory licensing of reinsurance activities, to increase the requirements to the amount of capital of professional reinsurers and their qualification level, to expand the infrastructure of functioning of the domestic reinsurance market, to establish differentiated limits of own retention for insurance companies (cedents) who insure life, to determine the

level of minimum maintenance of insurance premiums and to limit the amount of external initial reinsurance, which will facilitate the entry of Ukrainian specialized players into the market, the increasing of the possibilities for using the internal capacity of the insurance market in general and increasing the investment attractiveness of the reinsurance business in the country.

The state should become a powerful and influential player interested in developing the reinsurance market and integrating it into the world market. At the same time, reinsurance activity in Ukraine is not regulated by law, it is not defined by legislation as a separate type of activity and is not licensed. Accordingly, in our country, there is no legal basis for the functioning of professional reinsurers with the corresponding license. Legislative unregulated reinsurance activity and the lack of its mandatory licensing generate and deepen the problems of reinsurance of life in Ukraine. Thus, in modern conditions, Ukrainian reinsurers can not reinsure risks by types of life insurance if they do not have the appropriate license for such insurance.

According to domestic practice, about 90% of premiums for the initial reinsurance of life belongs to foreign reinsurers. Consequently, virtually all reinsurance services are bought by domestic insurers from non-resident reinsurers in the absence of significant alternatives in the Ukrainian reinsurance market. This practice of transferring risks from life insurance abroad has proven its effectiveness in recent years since among the players in the market powerful foreign professional reinsurers prevail, whose rating and reputation are quite high. At the same time, most insurance companies operating in the life insurance market are companies with foreign capital. As a result, the risks of such insurers are reinsured mainly in the investor's country and in the location of the parent company.

As a result of the research it was determined that in order to increase the efficiency of the life reinsurance market functioning, it is necessary:

Firstly – to allow the domestic professional reinsurers to reinsure the risks by the types of life insurance, which will facilitate the entry of Ukrainian specialized players into the market, increase the possibilities for using the internal capacity of the insurance market as a whole, increase tax revenues from reinsurers and fill the state budget and increase the investment attractiveness of the reinsurance business in country;

Secondly – to establish differentiated limits of proper maintenance for insurance companies (ceding companies), in particular for life insurers, to determine the minimum level of insurance premiums and to limit the amount of external outgoing reinsurance, which now amounts to 90%. This will ensure the growth of the life insurance market capacity, create the

opportunities for the development of an internal reinsurance market and will allow saving a significant amount of long-term investment resources in the national economy.

4.4. Problems of State Regulation of Financial Corporations' Activity

One of the most complex problems not only in Ukraine but also in the developed countries of the world is the formation of an effective system of state regulation of the financial sector institutions functioning, which ensure the mobilization and directing of financial resources for the development of the economy. Both non-financial corporations, households, the state, and financial corporations are interested in stability and sustainability. Although today, both at the national and international levels, both in the theoretical and practical aspects, the relevant systems and mechanisms are formed, there are plenty of gaps. Their factor is not only subjective factors: non-elaboration of legislative and regulatory documents, but also objective: the strengthening of economic and financial sector dynamic development under the conditions of the information society. The end of the twentieth and early twenty-first centuries can be fully recognized as a period of permanent financial crises that are moving in one into another and is one of the factors of economic and political instability in the world. The mentioned problems were not overlooked by the representatives of the scientific school of public finance of KNEU. In particular, they are devoted to one of the units of comprehensive monographic study of the issues of the financial infrastructure of society.³³⁴

In general, the role and place of the state in financial markets, the development of effective state regulation of financial corporations, and all these issues have existed since the first financial institutions appeared and began to engage in financial transactions on a commercial basis. With the development of the global financial market, the problems of constructing scientifically based principles and the ideology of its functioning, the relationship between its separate components, the strategy and tactics of state policy in this area became of the particular relevance and took shape in an important direction of contemporary world financial doctrine. Most of the Nobel laureates' works on economics over the last decades has directly or

³³⁴ Фінансова інфраструктура України: стан, проблеми та перспективи розвитку монографія / [В.Опарин, В.Федосов, С.Львовчикін та ін.], за заг ред. В.Опаріна, В.Федосова. – К.: КНЕУ, 2016. – С. 380-406.

indirectly affected the development of financial markets, the role and place of a state in these processes, and the search for optimal limits of state regulation of financial corporations' activity.

Among the supporters of the minimum state regulation, with the use of mainly indirect methods are neo-classics, in particular, the Nobel Prize laureate in economics in 1991, R. Coase, who noted that "... direct government intervention does not always yield better results than simply leaving the problem at the will of the market or firm."³³³ Neoclassical representatives are convinced that the financial sector without state regulation and the financial sector with the state regulation differ only in the degree of efficiency (according to Pareto) of the allocation of limited financial resources, but there are no fundamental differences in the functioning of these models. In other words, the state does not add anything new and fundamental to the financial market, it only slightly increases the efficiency of its functioning, smoothing the "market failures." That is, the necessity of state regulation of the activity of financial corporations, neo-classics is conditioned, primarily, by the failures of the financial market.

The failures of the financial market, according to the ideas of modern economic science, are due to its failure to solve the four groups of integrated problems: the problem of capturing market power (imperfect competition), the external influences (externalities), and the necessity to provide financial services for public consumption («free-rider problem»), the information problems. However, the reasoning of the neoclassical school representatives about the necessity of state regulation of the financial corporation's activities due to the failures of the market is not enough, but the global financial crisis that the world economy has recently experienced shook the neoclassical position with regard to the minimal regulation of market processes by the state.

Stating his point of view on the relationship between the state and the market, the Nobel laureate J. Stiglitz notes: "For the last fifty years, economic science has not explained why and under what conditions markets function well and when this does not happen... The most dramatic failures of the market mechanism are periodic failures: recessions and depressions that have violated the prosperity of capitalism over the last two hundred years, giving up a large number of unemployed workers and a significant part of the production capacity unloaded. However, these are only the most obvious examples of the market mechanism failure. In addition, there are many

³³³Coase R. The Problem of Social Cost / R. Coase // Journal of Law and Economics, Vol 3 (Oct. 1960), pp 1-44 - 1960. - [Internet Resource]. - Mode of access: <http://home.cerge-eci.cz/ortmann/UjpcesCourse/Coase%20-%20The%20problem%20of%20Social%20Cost.pdf>.

smaller ones. In fact, the latest advances in economic theory ... have shown that the "invisible hand" functions extremely insufficiently as soon as there is an imperfection of information and incompleteness of markets, which always happens actually, especially in developing countries. Thus, the desired intervention of the state can improve the efficiency of the market mechanism³³⁶. The free market ideology should come from an analysis based on economic science, with a balanced view of the role of the state and the market, which follows from the understanding of the defects in the functioning of both the state and the market".³³⁷

The neo-institutional approach is significantly different from the neoclassical one. The essence of the views of neo-institutionalists means that market economy without state's performance of certain functions cannot exist at all. According to the supporters of this economic school, the normal functioning of the economy is based on the presence and the observance of certain "rules of the game" (moral and legal norms of behavior). These rules of the game, or the institutional environment, form a framework in which economic players interact in a market economy. It is the state that introduces a huge share of these rules, which are also called "formal". They are impersonal, universal, as they should apply to representatives of all members of society without exception, and exclude objections, as they are perceived equally by all contracting parties. The state, unlike the market, may, if necessary, apply coercive measures of influence. Moreover, the more universal rules are the lower transaction costs will be in the relationship between socially and/or geographically distant economic actors.³³⁸ The second important element of the institutional environment is the "informal" rules of conduct: customs, traditions, behavior stereotypes, value settings, etc.

However, the practice shows that the consequences of state regulatory influence are not always expected, especially in countries with "young" democracy. The theory of the public interest, which has received sufficient distribution in our country and according to which state regulation exists in order to serve the interests of public, is subject to serious doubts in modern Western scientific doctrine. The fundamental idea of this theory is that the state seeks to prevent or correct social or consumer harm caused by market failures and, ultimately, maximize its economic efficiency. This provision

³³⁶ Стиглиц Дж. Ю. Глобализация: тревожные мысли / Дж. Ю. Стиглиц [Пер. с англ.]. – М.: Мысль, 2003. – с. 98.

³³⁷ Ibidem, p. 298.

³³⁸ North D.C. Economic Performance through Time / D. C. North American Economic Review, 84(3): 359-63. – 1994. – [Internet Resource]. – Mode of access: <http://128.118.178.t62/eps/eh/papers/9612/9612004.pdf>.

stipulates that the government is able to correctly identify market failures, that the government works for the benefit of the entire society and has immunity against the general and the separate pressure of the various political and business groups' interests.³⁹ However, the realities of life, as a rule, do not confirm this and are incompatible with this theory, which makes it more related to a hypothesis than a theory that has practical implications.³⁴⁰

In addition to the theory of public interest in Western European and American economic doctrine, there are several other theoretical concepts for justifying the need for state regulation of the economy and finance. Thus, in 1971, the Nobel Prize laureate J. Stigler developed the economic theory of regulation, which basically contains the idea of mutually beneficial economic exchanges between the regulator and corporations where the state regulatory influence is directed on their activity. He notes that the key resource of the state is "force or coercion" and regulation is the use of this force to restrict selfish decisions of corporations. J. Stigler notes that regulation is carried out and intended, first of all, to satisfy the interests of "those who are regulated" and the regulator, on the contrary, receive financial and political support. In other words, well-organized and financially-secured groups with specific interests, such as financial corporations, require "regulation in their favor," and the regulatory body is created by the pre-enthusiastic groups of the legislature. J. Stigler proposes to use such regulatory mechanisms as direct monetary subsidies, control over the entry of new entrants into the market, control over substitutes and components, and control over pricing⁴¹.

In 1974 R. Posner modified the theory of D. Stigler and advanced the theory of balanced regulation. He explains that the market equilibrium is "a product of the interaction between the regulated industry and the organized group of consumers. The former receives some monopolistic profit from the regulation, and the latter receive lower prices (or better services than it would be at the unregulated market). All this is due to unorganized groups,

³⁹Croley S. P. Regulation and Public Interests: The Possibility of Good Regulatory Government / S. P. Croley – Princeton, Princeton University Press, pp. 143-44. – 2008. – [Internet Resource]. – Mode of access: <http://www.cato.org/pubs/journal/cj28n1/cj28n1-13.pdf>

⁴⁰Harrington E. S. Insurance Deregulation and the Public Interest / E. S. Harrington – AEI-Brookings Joint Center for Regulatory Studies – 2000. – [Internet Resource]. – Mode of access: <http://www.scottharringtonphd.com/Ins%20Dereg.pdf>

⁴¹Stigler G. J. The Theory of Economic Regulation / G. J. Stigler // Bell Journal of Economics, 2 (Spring):3-21-1971 – [Internet Resource]. – Mode of access: http://www.gjurpol.unimi.it/Materiali%20Didattici/Regolazione%20dei%20Mercati%20-%20Ammannati/STIGLER_economicRegulation.pdf –

mostly among the consumers." He also argues that the groups that can get the income from the regulation are characterized by the following features: have common economic interests; they lack the power to unite themselves; they are geographically concentrated³⁴².

In 1976 S. Peltzman proposed a mercenary regulation theory, known as the Stigler-Peltzman model), or the theory of maximizing political support. In accordance with this theory, regulators conduct a regulatory activity to maximize their own political support³⁴³. Under certain circumstances, they will defend the interests of the industry in order to obtain financial support from their business entities and their own political benefits. Under the other circumstances, they will defend the interests of consumers (for example price regulation) in order to secure their political support, even if the long-term effect of such actions would be detrimental to the market.

In 1988 K. Meier criticized the economic theory of regulation of J. Stigler about the existence of a mutual exchange of benefits between the regulator and the regulated institutions. According to him, not all industries seek regulation, as well as many regulatory bodies do not reflect the interests of the controlled industry. As examples, he cited some departments in the United States – the Federal Civil Aviation Administration and the Office of the Environment. Analyzing, for example, the insurance segment of the US financial market, he came to the conclusion that the industry is too segmented to achieve common goals and state regulators are not in full harmony (using different mechanisms and tools).

In addition, the federal government constantly threatens governments to apply measures of influence if they fail to cope with their direct responsibilities. In general, K. Mayer finds evidence of the existence of a political regulatory theory, in which regulation is formed as a "bidding result" between several groups with its own private interests. Within the framework of the existing political and administrative structure, it can be: a) regulated the industry, b) consumers, c) regulatory body, d) judicial and legislative authorities. Each of these four groups has its own specific objectives, and the impact of each of them depends directly on the resources that this group can mobilize. Groups do not necessarily act as a whole, but "results of auctions" directly depend on the essence of the discussed issue

³⁴² Posner R. Theories of Economic Regulation / R. Posner // *Bell Journal of Economics and Management Science*, 5 (autumn):337-52. – 1974. – [Internet Resource]. – Mode of access: <http://pascal.iseg.utl.pt/~carlosfr/ses/Posner.pdf>.

³⁴³ Peltzman S. Toward a More General Theory of Regulation / S. Peltzman // *Journal of Law and Economics*, 19 (2): 211-240. – 1976. – [Internet Resource]. – Mode of access: http://www.nber.org/papers/w0133.pdf?new_window=1

("the trading facility")³⁴⁴. Thus, the inability of politicians to implement what seems to be in the public interest is not only evidence of selfishness or unfairness of individual tendentious politicians, but rather an inevitable consequence of the activities of government institutions in a democratic society.

On this basis, the new direction of the public choice theory, being at the border between economic theory and political science started to gain support on this basis. As it was noted by one of the main founders of this trend, Nobel Laureate J. Buchanan, "it became meaningless for me to analyze taxes and social spending, regardless of the study of the political process through which decisions are taken on both sides of the financial accounts."³⁴⁵ Under the conditions of the transition period in Ukraine, rather small experience of democracy itself, the insufficient level of its institutional structuring, as well as the increased importance of the state as a "locomotive" of economic growth and structural adjustment, some influential groups have had a particularly favorable ground for obtaining their own benefits from state intervention into the economy as much as possible. The supporters of the theory of public choice proceed from the fact that the state is either a potential resource or a potential threat to each sector of the state, including its financial sector. Due to its authority to prohibit or coerce, select or give money, the state may selectively assist or, on the contrary, impose an obstacle on any sector of the economy. Therefore, the nature of state regulation is often determined not by what the market or the protection of public interests require, but because it is necessary and beneficial to certain individuals or groups of people close to the authorities at that time. This situation observed in Ukraine generates many different problems.

The imperfection of state programs on market transformations led economists to realizing the need of analysis the causes of the government failures in the process of state regulation of the economic agents' activities. By combining the respective views of famous economists such as J. Stiglitz and L. Weita, one can distinguish the following main reasons for the systematic failure of governments to achieve their goals:

- the consequences of many types of economic activity are complex and difficult to predict. In cases where there is a lack of objective data that

³⁴⁴ Meier K. J. *The Political Economy of Regulation: The Case of Insurance* [Text] / K. J. Meier – State University of New York Press: New York. – 1988.

³⁴⁵ Cited from: Barr M. *Behaviorally Informed Financial Services Regulation* / Barr M., Mullainathan S., Shafir E. – New America Foundation – 2008 – [Internet Resource]. – Mode of access: http://www.newamerica.net/files/naf_behavioral_v5.pdf.

prevents forecasting of results with sufficient reliability, as a rule it is worth to, refrain from excessive state regulation of the economy;

- the government can not adequately control the reaction of markets and counterparties to its actions. State regulation of certain sectors of the economy can have negative side effects for other spheres and the market as a whole (similar to negative market externalities);

- even if the government was well informed about all the possible consequences of its actions, the choice of a particular behavior within the context of certain political processes would cause additional complications. Government decisions affect the interests of many people, but they are adopted by a limited group of people who must take into account the diverse wishes of their voters and seek compromise solutions in the case of conflicting interests;

- the government is not able to infiltrate the bureaucracy effectively. The legislature adopts the law, but it entrusts its practical implementation to a certain state institution. This institution may spend a considerable amount of time developing detailed rules and regulations, which, in turn, can lead to a reduction in the effectiveness of the law, excessive growth of the administrative apparatus and unjustified increase in budget expenditures;

- public officials do not have direct or sufficient incentives to follow the rule of law impartially and fully. In addition, in many countries salaries of public officials are much lower than those of private sector employees. This creates the basis for ineffective work and, even for abuse;

- regulated institutions or the whole industry enter into regulatory relations under so-called "economic rent". Any payment for factors of production that is more than minimal enough for advancing or saving the business is called economic rent by some scholars. Such relations are unproductive and reduce the efficiency of the market;

- finally, in relation to economic rent, there is a problem of "taking over". Suppose that a regulated institution can have significant financial capabilities and its hidden regulatory interest. Its consumers are not well-informed and organized. The regulator, by virtue of its personal interest or ignorance, can act in favor of the controlling institution and no one will be able to withstand this system. For example, financial corporations may gratefully support the government's efforts to control the entry of new entrants strictly to the market, both domestic and foreign. These restrictions can be concealed under the guise of "consumer rights protection", but in reality, such restrictions do not favor consumers of financial services. In addition, some public officials have or plan to start their business in the future in the supervisory sector. This phenomenon was called "taking over the market power".

The manifestation of factors (mentioned by J. Stieglitz and L. White), which highlight governments systematic failures of intervening into the economy, can be fully observed in the process of the Ukrainian financial sector formation. Such understanding should be perceived as a warning against the unsuccessful and unjustified use of methods of state regulatory influence on the development of market relations in this area, which does not meet social expectations.

In order to minimize risks of unsuccessful state regulation of the financial sector and activities of financial corporations a clear tendency to differentiate regulating and supervising functions between separate public institutions has emerged in the world. It is considered that this process was initiated by the creation of the Financial Services Authority (FSA) in the United Kingdom in 1998.

According to the decision of the British Government, a large part of banking supervision functions has shifted from the Bank of England to the newly established Financial Services Authority, while all functions of the activity regulation remained with the Bank of England. In addition, the supervisory functions of the other nine specialized supervisors, which carried out supervision of financial market separate sectors in Great Britain until 1998, were transferred to FSA.

The emergence of the Financial Services Authority in the United Kingdom has become a significant event in the field of state regulation and supervision in the financial markets of the world, as it has given an example of a qualitatively new approach to such regulation: first, the separation of the state regulatory bodies from the supervisory bodies, and secondly, the emergence of a consolidated supervisory body in the financial market.

In subsequent years, the clear division of government bodies into regulatory and supervisory ones has become widespread in other countries. Regulatory authorities are responsible for developing rules and principles of regulation, and supervisory ones are responsible for their implementation. It allows achieving necessary specialization and optimizing the use of resources necessary for the activities of these bodies. In addition, such a division gives the supervisory body necessary independence from policy in decision-making. This alienation has become an integral part of the modern surveillance system and is one of its classical attributes, along with accountability, integrity, and transparency.

However, it should be noted that the UK was not the first country to introduce consolidated supervision. A similar precedent has already taken place. The Scandinavian countries: Norway (1986), Iceland, Denmark (1988) and Sweden (1991) established such consolidated bodies long before the

United Kingdom in connection with the elimination of the national financial crises effects.

However, for the first time, a large industrialized country, which, moreover, is one of the main international financial centers, entrusted supervision of the entire financial sector (banking sector, insurance market, securities market, pension funds) to a single authority different from the Central bank. There is every reason to assert that namely the establishment of the FSA has initiated large-scale reforms of supervisory systems in the financial markets of the world.

From 1998 up to the start of the global financial crisis of 2007-2008 out of 102 countries, where separate supervision over the activities of financial corporations in three sectors of the financial market (banking sector, insurance market, securities market) was carried out, 70 countries reformed their supervisory systems.

Among them, 29 countries have introduced fully unified, single supervisory bodies, and the rest have implemented a partial unification. This path was chosen by both "old", authoritative members of the European Union – Austria (2002), Belgium (2004), Germany (2002), Finland (2009) and other countries that joined to the EU relatively recently – Estonia (1999), Latvia (1998), Malta (2002), Hungary (2000), Poland (2006). In Ireland (2003), the Czech Republic and Slovakia (2006) supervisory functions were transferred to the competence of the Central Banks. Outside of Europe, unified surveillance agencies were established in Colombia, Kazakhstan, Korea, Japan, Australia, Canada, Nicaragua, and Rwanda.

The state supervision models used by these countries differ both in their coverage (banking sector, insurance market, securities market, pension funds) and powers (functions and responsibilities of the supervisory body). There are four main models of state supervision in the world:

- horizontal model (cross-sectoral), when a separate implementation body provides supervision over the activities of financial corporations in each sector of the financial market;
- vertical model (single), when the functions of the financial corporation's activities, supervision in all sectors of the financial market are carried out by a single supervisory authority;
- a model of "two vertices", when the object of supervision from the single authority is the activity of financial corporations of two sectors of the financial market, which is the most developed in each particular country;
- a mixed model (hybrid), within it some supervisory bodies control the activities of financial corporations in several financial market sectors

simultaneously, while others control only one sector, that is, elements of the above models can be combined.

The choice made of a certain model of state regulation and supervision by a country depends on the structure of the national financial sector of each particular country and is determined by a set of factors reflecting national specificity. The financial market of Ukraine is not well developed yet. It is characterized by institutional simplicity and a few financial instruments. Today, domestic financial corporations (financial intermediaries) are represented mainly by banks and insurance companies. The securities market, with the exception of the segment of government securities, has not received proper development. Transactions with derivative financial instruments, securitization, and disintermediation, as well as other innovative processes for our country, have not gained popularity. In addition, in Ukraine, so far, there has been no distinction between supervisory and regulatory functions of state regulators. State regulation and supervision in the financial market in Ukraine is carried out on the basis of the cross-sectoral approach (banking sector, insurance market, and pension funds, securities market are separately regulated).

The banking sector and activities of domestic banks are controlled by the National Bank of Ukraine (NBU). The main task of the NBU is to ensure the stability of the hryvnia and promote the stability of the banking sector (banking system) of our country. In order to achieve the targets, NBU performs the function of banking regulation and supervision. According to Article 1 of the Law of Ukraine "On the National Bank of Ukraine", the function of banking regulation is to establish a system of norms governing the activities of banks and determine the general principles of banking activity, the procedure for carrying out banking supervision and responsibility for violating banking legislation.

Under Banking Supervision, the Law considers the system of "control, active and orderly actions of the National Bank of Ukraine aimed at adherence of the Ukrainian legislation and norms established by banks and other persons (with regard to whom the NBU carries out supervisory activities) in order to ensure stability of the banking system and protect bank depositors and creditors interests". Article 67 of the Law of Ukraine "On Banks and Banking" gives a similar definition of the objectives of banking supervision. This article also states that the NBU "applies measures of influence for violation of banking legislation"³⁴⁷. Consequently, the state

³⁴⁶ Закон України "Пробанквитабанківськудіяльність" редакції від 7 грудня 2000 року (із змінами та доповненнями) № 2121-III // Відомості Верховної Ради України – 2001. – № 5-6.

³⁴⁷ Закон України "Про Національний банк України" від 20 травня 1999 р. № 679 – XIV // Відомості Верховної Ради України – 1999 – № 29.

regulatory influence on the banking sector is carried out by the National Bank of Ukraine according to two legislative directions: state regulation and state supervision.

The insurance market and insurance organizations activity are controlled by the National Commission, which carries out the state regulation in the field of financial services markets (National Financial Services Commission). The insurance market and the activity of insurance organizations are controlled by the National Commission, which carries out the state regulation in the field of financial services markets (the National Financial Services Commission). Non-government pension funds, credit unions, financial companies, pawnshops, asset management companies are also affected by it, but the share of these financial institutions in the financial services market is negligible, therefore, the main regulatory activity of the NFCS is directed primarily to the insurance market.

The conceptual foundations of the National Financial Services Commission functioning, its responsibilities and tasks are defined by the Law of Ukraine "On Financial Services and State Regulation of Financial Services Markets"⁴⁸ [19], which provides a general basis for overseeing the activities of all entities that provide non-banking financial services.

The insurance market regulation and insurance companies activities are also carried out in accordance with the Law of Ukraine "On Insurance", which specifies the purpose of state supervision, taking into account the peculiarities of insurance activity: "Ensuring observance of the Ukrainian legislation requirements on insurance, effective insurance services development, prevention of insurers' insolvency and their interests protection"⁴⁹.

The scope of competence of the National Commission of Financial Services regarding the insurance business is quite wide. It includes: maintaining a state register of insurers (reinsurers) and the state register of insurance and reinsurance brokers; issuing of licenses for insurance activity; certificates of inclusion of insurance and reinsurance brokers in the state register; generalization of practice of insurance and intermediary activity in the insurance market, elaboration and submission of proposals for the development and improvement of Ukrainian legislation on insurance and brokerage activities in insurance and reinsurance; adoption of normative

⁴⁸ Закон України «Про внесення змін в Закон України «Про страхування» від 7 березня 1996 р. №85/96-ВР зі змінами та доповненнями [Internet Resource]. – Mode of access: <http://zakon.rada.gov.ua/>

⁴⁹ Закон України «Про внесення змін в Закон України «Про страхування» від 7 березня 1996 р. №85/96-ВР зі змінами та доповненнями [Internet Resource]. – Mode of access: <http://zakon.rada.gov.ua/>

legal acts on insurance and brokerage activities; control over solvency of insurers in accordance with their insurance obligations; establishment of rules for the formation, accounting and placement of insurance reserves and indicators of reporting; participation in international cooperation in the field of insurance and mediation, studying, generalization, dissemination of world experience, organization of implementation of international treaties of Ukraine on these issues; implementation of organizational and methodological provision of actuarial cost method, etc.¹

The National Commission on Financial Services has broad regulatory powers. It has the powers to receive the insurance activity report, information about financial position and necessary explanations for the reported data from insurers; verify the correct application of the Ukrainian legislation on insurance activity by insurers and the reliability of their reporting according to the terms of insurance contracts; appoint additional obligatory auditing with the identified auditor at the expense of insurer; issue orders for insurers to eliminate violations of the requirements of the legislation on insurance activities, and in case of non-compliance, to stop or restrict the validity of licenses of these insurers or to take decisions on withdrawal of licenses and exclusion from the state register; carry out inspections of complaints, applications, appeals, on behalf of law enforcement agencies or state authorities; carry out counter-checks on the authenticity and correctness of concluded insurance and reinsurance contracts and in case of information regarding violation; receive from insurance and reinsurance brokers the reporting on their activities and information on concluded contracts, as well as the necessary explanations for these data; receive the necessary information about the circumstances and causes of the occurrence of the insured event and the damage caused; create commissions and groups for inspecting the activities of insurers and insurance intermediaries; exercise control over the reliability and completeness of information provided by the participants of the insurance market; receive free of charge information and statistical reporting required to perform tasks entrusted to the Financial Services Authority; apply to the court with a claim on the cancellation of the state registration of the insurer (reinsurer) or an insurance intermediary in cases stipulated by law³⁵⁰.

The securities market is controlled by the National Securities and Stock Market Commission (NSSMC). This commission was created in 1995 as the

³⁵⁰ Закон України «Про внесення змін в Закон України «Про страхування» від 7 березня 1996 р №85/96-ВР зі змінами та доповненнями [Internet Resource]. -- Mode of access: <http://zakon.rada.gov.ua/>

State Commission for Securities and Stock Market and in 2011 it was changed into the National Securities and Stock Market Commission. The mission of the Commission as a government collegial body is to ensure the implementation of a state policy on securities and the functioning of the stock market in Ukraine, as well as the legal regulation of relations on the securities market, protection of the interests of citizens of Ukraine and the state, prevention of abuse and violation in the stock market, coordination of activities of ministries and other central executive bodies in this area.

In accordance with the stated mission, the activity of the Commission is aimed at the promotion of the Ukrainian securities market as one of the most important segments of the national economy. The Commission performs the following main tasks: setting up and implementation of a unified state policy on functioning of the securities market and their derivatives in Ukraine, promoting the adaptation of the national securities market to international standards; coordination of activities of state bodies on the functioning of securities market in Ukraine and their derivatives; implementation of national regulation and control over the issuance and circulation of securities and derivatives in the territory of Ukraine, as well as in the field of joint investment; protection of investors' rights by applying measures to prevent and terminate infringements of the legislation, and to apply sanctions for violating legislation within the limits of their authority; promotion of securities market; generalization of the practice of applying Ukrainian legislation on issuance and circulation of securities in Ukraine, elaboration of proposals for its improvement.

The National Securities and Stock Market Commission and the National Commission, which performs state regulation in the field of financial services markets, carry out state regulatory activities in accordance with the requirements of the Law of Ukraine "On the Principles of State Regulatory Policy in the Field of Economic Activity"³⁵¹. The purpose of their regulatory activity is to improve the efficiency of state regulation in the markets of non-bank financial services of the stock market, promote the implementation of a state policy in some sectors, and protect the rights of consumers of financial services.

The main areas of activity of the NSSMC and the National Financial Services Commission in the field of regulation are the following ones: development of draft regulatory acts, adoption of regulatory acts; introduction of amendments to regulatory acts; carrying out an analysis of the regulatory influence of regulatory acts; monitoring of the effectiveness of the adopted regulatory acts. Both

³⁵¹ Закон України «Про засади державної регуляторної політики у сфері господарської діяльності» від 11.09.2003 № 1160-IV зі змінами та доповненнями [Internet Resource] – Mode of access: <http://zakon.rada.gov.ua/>.

Commissions try to adhere to the principles of consistency, transparency, openness and public opinion in the implementation of the state regulatory policy.

As we see from the list of functions and competencies of state regulators in certain sectors of the national financial market, it is too early to talk about Ukraine's perceptions of global trends regarding the delineation of regulatory and supervisory functions, as well as the trend towards supervisory consolidation. Meanwhile, the opinion on the necessity of creating a "mega-regulator" in the financial sector, which embodies the idea of supervisory consolidation, is becoming widespread in society.

The term "consolidated body of state supervision" is usually understood as a body of state supervision that has incorporated the structural units and/or functions and (or) the regulatory framework of two or more state bodies that previously operated independently. The reasons for the transition of different countries to the principles of consolidated supervision in the financial sector were not the same. In some cases, this was due to the discontent of the Governments of the countries with the work of existing separate supervisors, especially if the latter one failed to scrutinize the financial crisis. In some countries, consolidation of supervision has emerged in response to the complexity of processes in the national financial market. Modern developed markets are characterized by the emergence of complex financial conglomerates and, as a result, there is a need to create appropriate supervisory structures.

The implementation of the consolidation of supervisors may also be related to the requirement on saving financial and material resources necessary for the maintenance of public administration. Inherently, this situation is typical for small countries. That's why they are in the process of reforming supervisory systems. They may simply have no choice besides combining the scant resources of their supervisors to make them able to answer the challenges of the development of financial markets.

Due to the complexity of the problem of transition to consolidated supervision, there is a need to study the positive and negative effects of its implementation. It should be stated that advantages, as opposed to shortcomings, do not arise automatically. A complex supervisor will undoubtedly better comprehend cross-sectorial risks and improve supervision of complex financial institutions. The greater the "plexus" exists in the financial system of the country, the greater the role of large financial groups and conglomerates, the more arguments are in favor of a single financial supervision. This statement becomes especially true when these groups themselves apply a centralized approach to risk management. A strong argument for the creation of a complex body is, for example, the convergence of the insurance and banking sectors. This continuous process brings together supervision, standards, case management

and, accordingly, prompts the search for common approaches to their regulation, in particular in the area of control over solvency and financial security. For example, the Basel II principles introduced in the banking sector have become the basis for the development of Solvency II for insurance activities.

Having all the powers a comprehensive supervisory body can seize the problems of such complex organizations better, resist their institutional strength, protect their independence. However, the experience of different countries in the world shows that comprehensive convergence in this direction is extremely difficult and sometimes impossible. For example, the mentioned above British Financial Services Authority (FSA) has tried to build a model for coordinated supervision in the banking and insurance sectors. This experiment has been stopped recently because of the impossibility of working out general supervisory rules; it has been decided to carry out supervision in accordance with the specifics of each industry separately³⁵².

An important argument in favor of comprehensive supervision is saving money on the size. It can be achieved by consolidation such supervisory bodies as administrative, legal, information technology, accounting, auditing, etc. The positive effect should be further enhanced through the more rational use of qualified professionals. In addition, a comprehensive supervisory authority facilitates the cross-sectoral transfer of knowledge and skills, thereby increasing the efficiency of the division of labor, specialization of personnel and providing staff with better career perspectives. Of course, potential economies of size is particularly relevant, first of all, for small countries with a significant deficit of supervisors compared to large economies. However, in both cases, a large and strong supervisor can offer the best prospects for career growth and, as a result, attract the most professional specialists. Some countries have implemented such system of supervision. Their experience indicates that the administrative costs of maintaining a consolidated body, including staff remuneration, do not always decrease as a result of consolidation³⁵³. However, this does not mean that economies of the size have not taken place. Saved resources were additionally invested in improving the quality of the regulatory and supervisory process.

The advantage of a consolidated supervisor is to be able to provide fair "rules of the game" for the same types of economic activity in all segments of the financial sector. Thus, it will be possible to eliminate, or at least limit the need

³⁵²WorldBank [Internet Resource] - Mode of access: http://www-wds.worldbank.org/external/default/WDSContentServer/1W3P/1B/2003/08/23/000094946_03080904015686/Rendered/PDF/multi0page.pdf

³⁵³WorldBank [Internet Resource] - Mode of access: http://www-wds.worldbank.org/external/default/WDSContentServer/1W3P/1B/2003/08/23/000094946_03080904015686/Rendered/PDF/multi0page.pdf

for supervisory arbitration, reduce transaction costs for resolving conflict situations, and eliminate the risk of potentially dangerous disputes between separate branches of the supervisory bodies. In addition, comprehensive supervision is able to eliminate such a phenomenon as "diffusion of responsibility" (when it is difficult to distinguish the perpetrator of making mistakes in regulation) and to provide better communication, coordination, and cooperation between different supervisory departments, thereby increasing the overall performance of the organization.

At the national and international levels, a consolidated supervisory authority can enhance the transparency and reputation of the national financial market. In particular, there is far less reason for international regulators to intervene in the economy of a particular country if the national regulatory and supervisory authority is internationally recognized. Such recognition, among other things, is capable of ensuring that this body adopts regulatory and supervisory decisions that are treated fairly and equitably by both national and foreign financial institutions competing in the national financial market. For example, in Northern Europe (Denmark, Norway, Sweden), where comprehensive regulation was introduced in the mid-80s of the last century, the state of financial market regulation has improved considerably. The only autonomous governing and supervising body has gained much higher status in society than individual specialized regulators. In addition, the creation of such a powerful multi-profile supervisory authority has helped to overcome the selection and retention of personnel in these countries. In order to achieve such level of trust and public perception, the newly created body needs to be institutionally independent of political influence, to build its activities on the principles of transparency, accountability, and integrity. Consequently, the idea of introducing consolidated supervision may have different causes, but it has become widespread, especially considering the fact that financial globalization has made a lot of difference in the processes occurring in particular segments of the financial sector and contributed not only to enhancing the similarity between the separate sectors of the financial market of a particular countries but also between different countries in the international arena. Consequently, the current global trends in the organization of financial supervision and financial corporations' financial supervision systems should serve as benchmarks for reforming such supervision in Ukraine.

The objective of the modern system of state regulation in the financial sector is, first of all, the protection of the consumers' rights in financial services. This idea is confirmed by the works of many national and foreign researchers. It is formulated in the Law of Ukraine "On Financial Services and State Regulation

of Financial Services Markets"³⁵⁴, the Law of Ukraine "On Insurance"³⁵⁵, and other legislative acts. According to these laws, three main directions can be distinguished in the state regulation of financial corporation activity.

The first is prudential (preventive) regulation, which is related to ensuring the financial stability of financial corporations in accordance with their obligations (risks). The state seeks the prevention of their financial situation impairment. This direction of regulation is mainly due to issues of asymmetry of information and negative externalities.

The second is the regulation of the market behavior of financial corporations, which is intended to control the fulfillment of the current legislative requirements in the course of their operational activities. It arose mainly in the same way due to the lack of reliable information or its asymmetry.

The third is anti-trust (anti-monopoly) regulation, which is associated with the limiting of actions by certain financial corporations. These businesses are aimed at significantly reducing competition in the market. It arose, first of all, in connection with the problem of market power.

Among three areas of state regulatory influence, prudential regulation is the key one in the system of public supervision of operations in the financial services market. For these reasons, the regulation of the financial sector in most developed countries has begun to develop a tendency towards a more general, less intrusive type of regulation, with the help and on the basis of a comprehensive consideration of all the risks inherent in a particular financial corporation, which gives it more freedom and allows it to remain effective and competitive. The focus of regulation has shifted to ensure solvency in general, that is, the ability of the financial corporation to fulfill its obligations in a continuous mode with high probability. The main instrument was the regulation of capital adequacy and reserves, supplemented by additional supervisory rules such as investment restrictions, provisions for regular checks, etc. In Europe, this trend has been reflected in the system of regulation of financial responsibility (Basel, Solvency).

Recent developments in the regulation of financial institutions were largely due to the experience of banking regulation systems i.e. Basel. From our point of view, this is positive phenomenon since the problems and tasks of government regulation of these financial sectors are largely similar. The stability of the entire

³⁵⁴Закон України «Про фінансові послуги та державне регулювання ринків фінансових послуг» від 12 липня 2001 р. №2664-III зі змінами та доповненнями [Internet Resource]. – Mode of access: <http://zakon.rada.gov.ua/>

³⁵⁵Закон України «Про внесення змін в Закон України «Про страхування» від 7 березня 1996 р. №85/96-ВР зі змінами та доповненнями [Internet Resource]. – Mode of access: <http://zakon.rada.gov.ua/>

financial sector and the maintenance of a high level of its reputation can be considered as additional tasks of regulating the activities of financial corporations. In this regard, we should fully welcome the most important current trend in the world of regulation and supervision of financial markets i.e. the subordination of national regulatory and supervision systems regarding initiatives of international organizations.

At the moment, the Group of Twenty (G-20) is the most important source of such initiatives. The G-20 is a self-organized group consisting of finance ministers and heads of central banks from 19 leading countries and a special representative of the European Union. The organization positions itself as "... an advanced forum for international economic development that promotes an open and constructive debate between developed and developing countries on key issues related to global economic stability. By contributing to the strengthening of the international financial architecture and providing opportunities for dialogue on national policy, international cooperation, and international financial institutions, the G-20 helps maintain growth and development around the world."³⁵⁶ G-20 members represent countries where about two-thirds of the world's population lives and accounts for about 85 percent of global GDP.

The G-20 was created in response to the financial crises of the late 1990s. The main motivating factor was the general recognition of the need to attract developing countries (taking into account the growth of their economic and financial value at the international level) to discuss issues of managing global economic development in the world. Following the financial crisis of 2008, faced with the largest global financial turmoil since the Great Depression, the leaders of the countries with the largest economies in the world (both developed and developing countries) have repeatedly discussed ways to solve the problems created by the crisis on the basis of strengthening international cooperation. In the course of the discussion, the G-20 became the source of many important broad initiatives such as: the introduction of comprehensive transnational macroeconomic policies in member countries, focusing on significant and prompt improvement of international financial sector regulation (mainly in the banking sector, but also in other financial markets); strengthening of financial capabilities of international financial institutions.

Today, the G-20 serves as a source and driving force for a new wave of reforms in the regulation of financial markets. They affect the interests of not only of 20 member countries of the organization but also of many other world countries.

³⁵⁶G-20. The mandate of the G-20 – 2010. – [Internet Resource]. – Mode of access: <http://www.g20.org/>

It includes, in particular, the resolution of issues related to offshore companies that refuse to cooperate (the Global Forum on Transparency and Exchange of Information, the new rules for harmonizing the principles of the Financial Stability Board (FSB) with national legislation, the establishment of macro-prudential oversight bodies (European Systemic Risk Board (ESRB), FSB), careful revision of capital requirements (Basel III, Solvency II), creation of a global indicator of liquidity standard (liquidity ratio assets (liquidity coverage ratio)), creating market infrastructure for derivatives (CCP (Central Counter parties (CCP) and the regulation of credit rating agencies (Code of the International Organization of Securities Commissions (IOSCO), the EU rules on rating agencies). Further projects that are under development are aimed at improving the current state of financial markets. They involve: launching anti-cyclical capital buffers, over-big-to-fail reorganization projects, further development of accounting rules (IFRS 9, IFRS 4 Phase II), deeper and more comprehensive banking regulation (reserve capital and size of its mandatory rate), hedge regulation (Alternative Investment Fund Managers Directive, Dodd-Frank Law), fees for financial crisis liability and bank charges.³⁵⁷

Following the global financial crisis, the leaders of the G-20 member states set up the Financial Stability Board (FSB) in 2009, which became the focal point for initiatives to overcome the financial crisis. Today FSB brings together three groups of experts on international financial issues: (1) national authorities responsible for the financial stability of significant international financial centers, namely Treasury, central banks and supervisory bodies; (2) international industry association of regulation and supervision involved in the development of standards and codes established practice and international financial institutions entrusted with the supervision of the national and international financial sectors and monitor and promoting the implementation of new standards; (3) The Committee of Experts of the central banks that are directly associated with the infrastructure and functioning of financial markets.

The financial crisis has shown that modern financial markets lack transparency. Achieving such transparency as a basis for strengthening the protection of the consumer rights of financial services is another clear trend in modern regulation and supervision in the world financial markets. Even the most advanced regulatory and supervisory systems can be defeated without the transparency of market processes. Despite the fact that mainly the banking sector has suffered, the lessons of the crisis have value for absolutely all segments of

³⁵⁷Dodd-Frank Wall Street Reform and Consumer Protection Act signed into law in July. A comprehensive summary – United States Government – 2010. – [Internet Resource]. – Mode of access: http://banking.senate.gov/public/_files/070110_Dodd_Frank_Wall_Street_Reform_comprehensive_summary_Final.pdf

the financial market. The financial crisis and its consequences have already become the cause of many world system transformations. The crisis provoked a so-called "normative explosion", which always appears after significant "failures" in existing systems. So many reforms have never been carried out before in the modern history of mankind, which would affect not only the banking sector but also other components of the financial sector and the real sphere of the economy as a whole.

So, in the European Union, a new European system of financial supervision was created. Today the system is three-tiered and consists of the Steering Committee (Steering Committee), the three European supervisory authorities (European Supervisory Authorities (ESA) and national supervisory authorities on the lower level. Three ESAs were created from existing third-level Lamfalussy management bodies, according to the traditional sectoral division: European Banking Authority (EBA), European Insurance and Occupational Pension Authority (EIOPA), European Securities Authority (ESA).

This structure, which consists of three branch supra-national supervisory bodies, is based on a horizontal supervisory approach. So, being guided by the principle of consistency and taking into account the structure of Lamfalussy, the European Commission has chosen a conservative approach, rather than an innovation, which in the pre-crisis period was considered supervisory consolidation. The moving to consolidated supervision was a notable trend, although the reasons for the transition from different countries to the principles of consolidated supervision in the financial sector were unequal. For some financial markets, such consolidation means giving the regulator more information and, consequently, reducing the risk of financial instability. The European Union has shown neutrality with regard to the incentives for consolidation both at supranational and national levels.

Evaluating this experience, we can conclude on the need for Ukraine to improve the national system of state supervision through evolution, according to the level of the national financial sector as a whole and its individual segments. Understanding this is especially relevant for our country at present, in the period of a number of economic reforms implementation, including in the field of state regulation of the financial sector in the economy.

Despite the diversity of state regulation and supervision systems for corporations in the financial sector, in all developed countries, the state regulation mechanism was formed in accordance with the peculiarities of the national financial market, the state structure and the socio-economic development of the state. Therefore, the wrong way will be simply copying the achievements of others, it is necessary to copy the ideas and implement them, is based on economic justification and expediency. The current position of the

financial market of Ukraine requires serious changes in the existing system of state regulation of financial corporations, which must meet current market needs and economic and political processes in the state as a whole. The today's challenge is the transition from solving of tactical tasks and anti-crisis actions to the formation of a strategy for the development of the future financial sector of Ukraine.

4.5 Priorities for the Household Finance Development and the Financial Literacy Formation Of Population

One of the important tasks faced by the Ukrainian society in the transition to the market was the need to revise and change strategic approaches to the interaction of the state and citizens because these relations determine the degree of development of the country, the level of its democratization and prosperity. The fundamental basis of the life of modern society is a household: a unique socio-economic entity, which focuses on various aspects of human existence. Significant transformations in the system of social relations that have taken place in Ukraine radically changed the certain aspects of domestic households life, which in current conditions are an important subject of financial relations. This made the Ukrainian scientists to re-enter the understanding of the initial postulates of economics and its specific field of finance theory.

Doctor of Economics, professor T.O. Kyzyma is one of the first Ukrainian scientists who explores comprehensively and systematically the problem of formation and development of personal finance³⁵⁸. The conceptual and methodological problems and the pragmatic aspects of the household finances development is due to the needs to take into consideration the correlation between spheres and parts of the financial system on equal basis. It is known that the prevalence of social interests over personnel in a socialist era has consistently led to an aggravation of financial contradictions. Therefore, the formation of scientific concept of the household finance became an important theoretical basis for the further development of domestic financial doctrine, and the definition of theoretical and methodological foundations for the development of this sphere of financial system was of great importance within the context of improving the qualitative characteristics of financial relations in the state.

In foreign and domestic scientific literature the two most common definition "household finance" and "individual (personal) finances" are mainly used to

³⁵⁸Кізіма Т.О. Фінанси домогосподарств: сучасна парадигма та доміанти розвитку / Т.О.Кізіма, [вст. слово С.І.Юрій]. К.: Знання, 2010 – 431 с.

characterize the public finances. The choice of a household research object (as a specific type of socio-economic organization of people, who are mostly in a family relationships, share a common way of life, supply various resources to the relevant markets: labor, capital, entrepreneurial abilities, and make jointly economic decisions regarding income generation and spending) was caused by the fact that the structure, level and motives formation of incomes, expenditures and savings of an individual citizen quite often depended not only on the size of the individual (personal) wealth, but also on the total value of the aggregate wealth of the household, as well as it depended on moral, ethical, cultural and educational traditions and customs prevailing in relations between the members.

Therefore, within this context, the question of forming the methodological foundations of scientific research of the mentioned problem was extremely important. The central and most important approach toward which the study was constructed is the question of the relationship between person, society and market economy. Identifying the significance of each of these elements, their relationship and interdependence have shown that a person is an initial and final goal, the main subject and criterion of social development. And the purpose of finance lies in mediating the interaction of people, creating a kind of «financial atmosphere», without which the individual as a «member of society» can not exist. In addition, the abstraction from the influence of any ideological and political factors is important in the research process. The above-mentioned principles formed theoretical and methodological tools for receiving the essence of household finances through the analysis of scientific schools' and individual scholars' theoretical positions.

The philosophy of a multi-dimensional and complex relationship between a person and the state is a systemic problem, which is solved rather ambiguously at each stage of historical development. The doctrine of a person as an economically independent personality and family as the perfect element of a social organism has evolved and continues to remain relevant in modern conditions. Fundamentals of the family economy have contributed to the emergence and the development of many fields of economic study that thoroughly explore the economic activity of households. The theory of institutionalism takes a special place among these fields, which has significant advantages and strong potential for implementation in comparison with other theories. The methodological tool of the institutional theory allows the most systematic monitoring and analysing of the financial behavior peculiarities of modern households.

In the process of studying the conceptual foundations of household finance there was developed a theoretical basis that took into account the nature of the basic concepts and categories of financial science and their interaction with the

most important fundamentals of the households theory. Dialectics, as a theory and method of perceiving and transforming the world and based on the most general laws of social development, was taken as the basis of methodology of understanding the economic essence of household finance. On the one hand, practice was served as a research material which is available for studying, and on the other, as a criterion for understanding the essence, the assessing the authenticity of knowledge, a tool for verifying the validity of theoretical positions. The author applied a systematic approach to the study of financial and economic activity of domestic households, where the most common aspects of formation and development of household finances were considered and understood directly through the interrelation with other spheres and branches of the financial system. This yielded the creation of the appropriate scientific base and the development of a complex methodological approach to the study of a number of important issues in this field of financial relations. The peculiarity of methodological approach to the household finance research was the multiaspect vision of financial and economic activity of domestic households through the culture and ethics, morality and mentality, law and sociology, and the search of anthropocentric components of financial relations.

On the basis of studying theoretical foundations of household finance, the conceptual approaches to the interpretation of their essence as a complex of economic relations of households, which are materialized in cash flows, were developed through the form of income and expenditure, in relation to the formation, distribution and application of funds with the purpose of maintaining human capital development and meeting the needs of these households members and society as a whole. The above definition reflects the philosophical knowledge of essence and phenomenon, content and form of the household finances and indicates their main goal, which made it possible to systematically and thoroughly explore this important field of financial relations.

Differences between household finances, finances of business entities and public finances consist primarily of their income and expenditure structure, methods of income formation and the implementation (financing) of expenses, the nature of regulation, and the levels of socialization (individualization) of these processes, as well as the specifics of adopting managerial decisions in each of the spheres of the financial system. Taking into account the specifics of the formation and peculiarities of budget management in the household finances, it is recommended to distinguish personal finances and family finances.

An important contribution of the scholar is to provide clarity of dialectical contradictions common for the household finances, which result from the nature of financial relations and is an internal motive force and source of finance development. In the field of household finance, the financial contradictions

appear not only in the relations with the state (when paying taxes to the budget and individual social contributions for the state social insurance funds) or economic entities (when receiving income in the process of distributing the newly created value), but also within the household due to the existence of budgetary constraints (the limited household expenditure by the amount of its income) and the distribution of financial flows of family budget when it is necessary to restrict interests of some household members in favor of others.

An important form of household finance and the material embodiment of financial relations in this field are household incomes, the study of their essence which was carried out through a system of scientific and methodological approaches and a critical analysis of concept definitions of Ukrainian and foreign scientists. The systematization of theoretical and conceptual approaches to the definition of household incomes and the disclosure of the peculiarities of their formation and the tax pragmatism in modern conditions is worth attention.

From a macroeconomic standpoint approach, household incomes reflect the complexity of economic relations, through which the cost of newly created society is distributed among the owners of production factors, alongside with redistribution of primary incomes which are carried out in order to optimize the final consumption of goods and services within the society. Through the micro-level position, household income is the complex of revenues over a period of time from all possible sources (in both monetary and non-monetary forms), which increase household assets and can be consumed without reducing the real value of its property. Among the most significant household incomes of Ukraine are wages (about 42-43%), social transfers (37-39%), income and mixed income of entrepreneurs and self-employed persons (15-16%) and property income (about 3 %). As the main source of income formation of domestic households is wages (which are characterized by significant sectoral and territorial differentiation), the priority direction of improving the current system of remuneration in Ukraine should be the increasing of income level of labor activity to the level of economically developed countries of the world.

Along with wages, an important source of household income in Ukraine is income from entrepreneurship and self-employment. Therefore, the priority measures aimed at supporting and further developing of entrepreneurial activity and self-employment should be: the creation of an effective mechanism for stimulating individuals who create their own jobs and contribute to reducing unemployment in the state providing the allowances for registration, tax and credit preferences; promoting the development and self-realization of intellectual and professional potential of citizens; introducing of effective regional employment support strategies, components of which should be the preferences for priority areas of labor applying; the legal regulation of the self-employed

citizens' activity; the development of territorial programs aimed at promoting small business, and encouraging financial and credit regulations, etc.

Previously-mentioned data show, that the essential source of household incomes in Ukraine are: social welfare support and other current transfers received from pensions, scholarships, all types of government reparations received by the population, compensatory payments, and benefits, and charity. Therefore, in order to increase the system of effectiveness for social transfers system in Ukraine, it is proposed to shift the emphasis from passive forms of social protection (the using of social assistance that only facilitates the temporary solution of social problems, but can provoke negative economic consequences) to wider use of forms of active social assistance to stimulate economic independence of citizens (for example, the assistance to cover professional development costs of full or partial repayment of interest on bank loans for the organization and maintenance of small business, etc.). The methodology of using the existing social transfers in the context of solving the problem of «blurring» the criteria for acquiring the right for assistance and control of its use also needs to be improved. In order to eliminate these disadvantages, it is suggested to form a single informational database on the material condition and incomes of citizens, which will enable to minimize inefficient social payments from budgets and state allocations.

One of the potentially important sources of income formation of domestic households is property income (although their share in the total household income in Ukraine continues to be extremely low, indicating the extremely slow involvement of households in market relations and the insignificant role of the financial markets in ensuring an adequate standard of living for the population). Therefore, in order to improve the situation in this field, it is proposed to take a number of measures in order to promote the restoration of public confidence for the institutions of financial market and ensuring transparency of the stock market to increase individual operations. The most important priorities of this field include: the achievement of population definite level income, which allows to satisfy all the most important needs, save in order to invest in different assets and have additional income; ensuring the stable functioning of financial institutions abled to accumulate households savings and guarantee their preservations due to the state support system; diversification of different financial instruments; raising the level of population financial literacy and its awareness of Ukraine financial market tendencies.

Taking into consideration the complicated demographic situation and the pessimistic forecasts related to the negative changes in the quantitative and qualitative of Ukrainian families' composition, there should be a gradual transition from individual income taxation to the common family income

taxation as in the developed countries. It is proposed, to provide the taxpayer with the right to reduce the amount of taxable income by the amount of non-taxable minimum of citizens' income (defined as a level of realistic living wage), which is multiple taxpaying family members (children or disabled persons). In this context, the introduction of targeted tax incentives is more effective measure compared with social transfers, as it alleviates subjective factors in the allocation of budgetary resources, thus eliminating one of the causes of corruption. At the final stages of the reform, it is recommended to switch to the taxation of family income according to the French model (with adequate adjustment and projection of domestic specifics and economic realities) containing a system of «family factors», which take into account economic and social conditions the marital status and the payer's age.

The necessity of returning to the taxation of Ukraine citizens' income according to a progressive scale with the introduction of a regression element for the upper rate, which will facilitate the super-high income legalization, is also proved. Thus, it is recommended to differentiate all taxpayers into five groups, depending on the taxable income amount. According to the researcher, the proposed mechanism of household income taxation will respond both to the principle of solvency and principle of social justice, and will guarantee the preservation and development of one of the most important social institutions: the family institution.

The current practice reforming of income taxation should be implemented gradually. It is necessary to begin with the formation of the family taxation concept in Ukraine. It should be based on the family factor by the income taxation, and contains the following main sections in its structure: 1) the general part (the purpose and tasks of the concept, the definition of spheres and application levels of the basic concepts, the interpretation of definitions); 2) the analytical part (the analysis and assessment of the current status of income taxation and problems of the concept); 3) the main part, which combine the ways of problems solving in the field of income taxation (the criteria and principles of family taxation, the approaches to determine the procedure of family income taxation, the possible scheme description of family taxation in Ukraine) and the legal framework for the concept implementation (the legal mechanism for the realization of family taxation principles, rights and obligations when paying taxes, etc.); 4) the expected results due to the concept implementation (economic, social, financial); 5) the procedure for monitoring the application of the concept main thoughts (with the definition, if the procedure of preparing and making decisions for the concept changes is necessary). The proposed innovations in combination with other measures of an economic nature (birth and child care benefits) will respond both the solvency principle and the

principle of social justice, and will contribute to strengthening the family reproduction function of the households.

The formations of conceptual approaches to determine the tax burden on households, taking into account not only the direct taxes and contributions to the compulsory state social insurance but also the impact of indirect taxes on its magnitude have a great value in the context of the taxation theory and practice. As a result of the methodology approbation, it was found that the tax burden on households in Ukraine is moderate, with the most indirect impact on it (indirect taxes, value added tax, excise tax, and customs duties).

An important role in the economic life of society play the households' expenses. Households provide the market of goods and services formation and development by spending their income; they form the demand for financial assets and contribute to the development of the financial market by implementing savings; households stimulate the revival of economic processes by offering the productive resources: labor and entrepreneurial skills; the household members become the main consumers of social services while bringing up children, etc. The results of T.O.Kizima's research has confirmed that personal consumption, as a process of using consumer goods to meet the material and spiritual needs of people, is an essential component of GDP and plays a significant role in the development of the national economy. The consumer expenditures of Ukrainian households form the significant part in the overall structure of the population spendings and savings – more than 80%, while investment – less than 10%.

The allocation of basic principles for rationalizing the total costs is important in the field of household finance. According to the experience of economically developed countries and the specifics of Ukrainian economic realities, they should include: the cost planning, which guarantees the funds preservation from the unwarranted spendings; the competent consumption; the detailed analysis of spendings; the forming of a rational household budget model; while a large purchases carrying out the marketing research; the using of all possible tax breaks; the debts minimizing, which should be paid; the directing of a certain part of revenues for savings and investments, which will become a guarantee of future financial independence and so on.

According to T.O.Kizyma's research, the Ukrainian households try to behave rationally in modern conditions. While forming their expenses, they focus not only on the amount of current income, but also take into account the level of income and expenditure in the previous and future periods of time. Eventually, in the nearest future the population in Ukraine will move from the model of extensive cost expansion to the model of their maximum savings, which will drastically change its economic behavior in the consumer and

financial markets. Therefore, the state should influence actively on the formation of the volumes and structure of household expenditures not only through stimulation of aggregate consumer demand in the country but also through the intensification of their investment activity. And the formation of a proper culture of the proceeds earned by household members should be considered as one of the priorities of modern economic policy in Ukraine. The formed culture of spending money is directly realized in financial behavior, which refers to the household members activities associated with the receipt, distribution, and redistribution of funds resulting in the formation of appropriate directions for their use in certain purposes.

The typology of financial behavior of Ukrainian households is based on motivation as a series of interdependent cause factors that determine the nature and direction of human activity. Taking into account the most important motives and priority directions of spending (consumption, savings, investment) and the empirical patterns of the households financial behavior, there are identified three main models: consumer, saving and investment. Certain vectors of households' financial behavior for the next coming years can be predicted on the basis of an analysis and study of the population's propensity to consume and save. It will become the basis for modeling the basic parameters of the state economic development in mid-term perspective.

The success of household adaptation to the unstable conditions of the market environment depends on the ability to choose the most appropriate strategy of financial behavior that may be both active (cash savings strategy, strategy of securities, strategy of loans granted, insurance strategy, property strategy, strategy of human capital formation), and also passive strategies (survival strategy, borrowing strategy, state transfer strategy, private transfer strategy). However, households in Ukraine often are not able to make free and optimal choice from the outlined range of financial strategies because of the lack of education, qualifications, experience, as well as the scale and complexity of financial information, which requires a careful thought and detailed analysis (in addition, the to financial information in Ukraine is rather limited both informatively and materially).

One of the most important strategic tasks in Ukraine is the raising of a financial literacy level of the population, which refers to a set of ideological positions (attitudes), citizens' knowledge and skills about the effective management of personal finances and the ability to apply them competently in the process of making financial decisions. It is advisable to refer to ideological positions (installations) the traditions and culture of financial behavior formed by the citizens and their level of necessity awareness to increase financial literacy. Knowledge involves the development and understanding of the main financial

categories of the population, concepts, phenomena, and processes (for example, the essence, motives, and factors of savings, nature and functions of the financial market, the principles of financial institutions functioning, the comparison of risk and profitability, etc.). Skills include the ability to find and analyze the financial information, the habit of observing events in the financial market, the ability to compare proposals for investing in financial assets from different financial institutions, the ability to read carefully the agreements of obtaining financial services and understanding the information contained therein, etc.

The scientist emphasizes that the primarily citizens should be interested themselves in the raising of a financial literacy level because a competent consumer in financial products and services is better protected against fraudulent actions by unscrupulous sellers of such products and services. The low level of the population financial literacy leads to ineffective investment decisions, the increasing of the personal debt obligations level, the transferring of negative financial experience to the younger generation, the ineffective formation of pension savings, and so on.

All categories of citizens require mastering the basics of financial literacy. So in the children, the basics of financial education form the idea of the value of money, and create the foundation for the development of constant skills of family budget planning and savings. Unfortunately, the basics of financial literacy are not fully taught in secondary school in Ukraine. They are not concerned with the formation of an adequate level of financial literacy among young people and in high school, the disciplines related to the formation of skills for effective management of personal finances are not to be found in the work curricula of higher education institutions. The knowledge of basics of financial literacy is also needed for adult citizens to make financial decisions in the process of investing and assessing the risks associated with it, as well as for planning future retirement benefits.

As the researcher believes, the state should be interested in raising the financial literacy of citizens, because a high level of financial literacy contributes to the inflow of temporarily free funds to the financial sector of the country, stimulates the development of competition in the financial market and ensures macroeconomic stability in the society. At the same time, a low level of the population financial literacy limits the possibilities and reduces the efficiency of the state financial market regulation. In addition, the insufficient knowledge of financial services functioning means a low level of attraction of the general population to their consumption, and, consequently, limits the level and quality of savings and investments, which in general form the potential of economic growth of the country.

The financial market institutions that provide financial services to citizens should also be interested in a high level of financial literacy. The consumers' insufficient financial literacy contributes to the growth of negative externalities caused by unscrupulous financial services providers, which, of course, leads to a public confidence decrease in the financial sector as a whole. The financial institutions are not interested in financially uneducated citizens because the more financially literate customers will be, the more stable financial market will operate, and, accordingly, the share of financial transactions risky will decrease, the problem loans percentage will decrease, and so on.

Unfortunately, as the study has shown, the level of financial literacy of Ukrainian people is still rather low, and this can be explained by the lack of powerful private investors in the country.

The following factors can influence this situation:

- the lack of traditions in Ukraine to study the basics of financial literacy and make family budget planning (if they create a family budget, they will make it only for a short perspective);
- the insufficient coverage of potential financial services customers by objective financial information of high quality; this causes the inability of citizens to make balanced financial decisions and take into account the ratio of profitability and risk when investing funds;
- the inaccessibility of professional financial consultancy for most citizens due to the lack of trained specialists in Ukraine and a low level of material and financial well-being of most of our citizens;
- the extremely low demand for financial knowledge of the majority of population and the lack of understanding the practical role of financial knowledge at all stages of the life cycle (an ordinary Ukrainian, unfortunately, is not clearly aware the necessity to expand knowledge in this field, as he/she does not know the ways of improving his/her own financial capabilities).

In addition, there is neither a single centralized department for protecting the consumers rights of financial services nor the governmental foundation (at the level of the National Bank or the Ministry of Finance) and non-governmental organizations, aimed at promoting financial literacy among the population. There aren't officially approved educational programs provided for teaching young people to the basics of financial literacy under the market economy conditions. Consequently, the complexity of the problem of improving financial literacy and financial capabilities of the population of Ukraine issues an agenda for the formulation and implementation of an integrated and consistent state policy in this field. The National Program for improving the population of Ukraine level of financial literacy, which determines the main functions and tasks of each of the participants of this important process, should become a

document formulating the goals and objectives of a such policy, as well as determining the mechanism for its implementation in modern conditions.

At the initial stages of implementing this program, it is advisable for the state to focus on the following main areas:

to become the organizer of a public discussion on this topic;

to ensure that activities determined by the program are not confined to the advertising and marketing due to the efforts of certain financial institutions in order to promote their financial products and attract potential clients;

to pursue an increasing transparency policy of domestic financial institutions;

to improve the legislative framework in order to prevent unscrupulous participants from entering the market, etc.

The implementation of this program should be based on the principles of public-private partnership. The common goal of program implementation, aimed at improving the financial literacy of the population, that is, educating competent consumers of financial products and services that can resist fraudsters and dishonest businessmen, promotes the successful integration of the state and business in this field. Moreover, the active involvement of business entities in financing of such educational projects should be carried out while ensuring the strict state control over the objectivity and independence of the developed programs, evaluations and recommendations. However, the state should provide the necessary conditions for the organization and implementation of various financial and economic educational programs (surely, with the most active support of large financial organizations and business structures).

A particular attention deserves T.O. Kizyma's analysis of a number of problems related to the transformation of savings of Ukrainian households into investments. First of all, the focus is on the fact that, by nature, savings are a complex and multidimensional economic category that characterizes the relations between economic entities (households, enterprises, financial market institutions, the state) in the process of income distribution and the formation of the corresponding funds, intended for the consumption or the growth of the income of their owners in the future. As a phenomenon, household savings reflect the internal (unorganized form of savings) and external (an organized form of savings) cash flows aimed at the households welfare improving in the future. The content of household saving is money funds that households form in order to meet their future needs or provide future income. In the form of saving this is a part of the total household income, which was not consumed for the given period, and if it is organized, it can be transformed into investment costs, but if it is unorganized, it will be withdrawn from circulation for a certain period of time (that is, the population own it).

The volume of savings of Ukrainian households depends not only on the level of income they receive after making all compulsory payments but also on the psychological propensity of household members to make savings. The researcher found that the average tendency of Ukrainian households to make savings is ranging from 0,07 to 0,13 (that is, on average, from 7% to 13% of the received income are used for saving by the households). In addition, propensity for saving is typical for households of high-income decile groups. The highest marginal propensity to save 0,64 (that is, from each hryvnia of the consumed income gain, 64 kopecks of household income were aimed at increasing savings) was shown by the Ukrainian households in 2009. It was during this period that there was a sharp increase in the financial assets of the population, in general (in 3,1 times), and foreign currency savings, in particular (in 2,1 times).

When making a decision to save, the household members face the necessity to solve a complex task referring to the selection of the most effective forms, which include: cash savings in foreign and national currency; funds on accounts in banks and in non-bank financial institutions (credit unions, non-state pension funds); investing in shares and debt securities, insurance policies, real estate, precious metals, antiques, etc. In world practice, the most common forms of savings are bank deposits, securities, and real estate. In Ukraine, this list is complemented by cash currency.

The macroeconomic aspect of the household savings transformation in the investments is connected with the stability of economic development. However, a large concentration of population savings in domestic financial institutions was not observed in Ukraine even under the conditions of relative macroeconomic stability that lasted until the autumn of 2008; this can be explained by the following factors: the lack of a full-fledged civilized financial market, which can attract private investors to all market segments; the insufficient development of the financial intermediation institute (in particular, non-bank financial institutions which can consistently and efficiently cooperate with the population); a limited supply of financial services and undeveloped special investment instruments intended for a retail investor; the lack of trust to the state, in general, and the financial intermediaries, in particular, due to the negative experience of the population cooperation with these entities at the initial stage of market reforms; the insufficient level of the population financial literacy and the lack of investing savings culture in several generations of the population; the lack of understandable, accessible information for the main potential investor of the national economy – households; the immaturity of the Institute of financial (investment) counseling of individuals; the ineffectiveness of tax incentives for citizens' investing; the limited scope of the of compensatory mechanisms application in the financial market of Ukraine, in general, and the lack of the

state guarantees efficient system for the population's storing savings, in particular.

The financial well-being and the financial security of domestic households depend on the development of the savings market in Ukraine. Within this context, the activities of the state executive and regulatory authorities in providing economic and legal conditions for attracting people's savings to the financial market and transforming them into financial assets is proposed to intensify. The transformation of the household savings into the investments is proposed to understand as a mechanism for transforming temporarily free household funds into financial and non-financial assets in order to gain a return on these investments, provided that the investment risks are minimized. High risks and a low level of confidence in the financial sector make significant savings in national and foreign currency outside of the financial and credit system as the most secure in the face of economic and political upheavals.

The efficiency of the saving investment process is largely determined by the interdependence of the state income and investment policies. Only a targeted state income policy allows to reduce the differentiation of the population according to the amount of income and provide a steady solvent demand in the economy, which is necessary for the development of national production. The state investment policy should determine the formation of a proper infrastructure of the financial market and the stimulation of investments into high-tech and innovative branches of the economy as the main priorities. Traditionally, the state finances not only the promising, but the riskiest investment projects, therefore it is expedient for the government to attract corporate investors rather than private ones to finance venture projects (it would be absurd to attract pension savings to finance risky projects). At the same time, the state should not carry on regulation of private investments, and its role in this process should be legal regulation and licensing of certain types of activities, as well as providing an efficient system of state control over the safety of private savings (the lack of such control caused the creation of a large number of financial pyramids and misuse of funds created by individuals in the early 90's of the last century).

The formation of an institution of independent financial (investment) consultancy is an important issue related to the transforming of household savings into investments. In the developed countries, people can be helped in their own financial affairs by financial analytics (consultants) who provide skilled advice on the effective management of personal finances. In general, the independent financial advisers provide a wide range of consultations on the following key issues: personal income and expense analysis, personal financial planning and family budget planning, comprehensive analysis of the client's finances; comprising individual accumulation programs; consultations on

pension savings; tax planning (minimizing tax payments); selection of life insurance and property protection programs; analysis and selection of bank products (deposit programs, consumer and mortgage loans, etc.); other services. Unfortunately, special financial services that would advise citizens on the effective managing of their finances, in current conditions, have not become well-developed in Ukraine. The introduction of a financial (investment) consultancy institution should be accompanied by a requirement of licensing such activities in order to provide high quality and qualified services to the clients.

The tax incentives for the investment of the population are of particular importance in the current Ukrainian economy. Thus, in modern economic conditions the exemption from taxation of investment income for small owners will increase the return on investment and make them an attractive alternative, which is usually considered by citizens. Further, in the conditions of economic stability, and even economic growth, when the financial market in particular and the national economy as a whole satisfy their investment resource needs, it would be quite logical and fair to impose the taxation of such revenues (of course all incomes must be taxed, however, not in the context of the economic crisis).

One of the most difficult and painful problems in Ukraine is the fact that the middle class, which is the main investor in the economically developed countries of the world, has not been formed yet. When forming personal investment portfolios, some representatives of the Ukrainian middle class traditionally are cautious, spending considerable money on improving their living conditions, buying a country house, resting, treating, etc. Unfortunately, getting the return on investment as an important source of money for living and increase their cumulative wealth has not become a priority goal of the Ukrainian middle-class representatives.

The process of household savings transformation into investment is strongly influenced by the inflation. Money depreciation causes instability of the savings accumulation, increases differentiation and household income inequality, as it leads to the depreciation of wages, pensions, and benefits. However, the individual depreciation affects not only budget employees, but also the middle class (they are even less able to index their income). This is due to the fact that the representatives of the middle class, as a rule, are owners of the capital, located mainly in the banking sector. While inflation, when this capital begins to depreciate, the main benefit from the growth of prices is obtained by debtors and creditors suffer tangible losses.

A very difficult problem concerning the transformation of households' savings into investment is achieving public trust in both the state and the national

monetary unit in general, as well as in the institutions of the financial market in particular. In modern society, the category of trust has long ceased to belong only to the sphere of psychology or philosophy. The decrease of trust is always corresponding in the economy with a loss of economic benefits. As long as the Ukrainian society as a whole and the government of the state, in particular, do not realize it, the situation in the state will continue to remain extremely unstable and unpredictable.

In general, in the Ukrainian economy of nowadays, it is extremely necessary to develop and implement effective mechanisms for attracting savings of domestic households to economic processes. Among the major areas according to T.O.Kizima's research, are:

- Institutional (the formation and rapid development, except of the banking institutions network, the various non-bank financial and credit institutions: the credit unions, the non-state pension funds, the joint investment institutions, etc.);

- Instrumental (the expansion of the list of financial services and products provided to a private investor, as well as the production of new investment instruments, the creation of appropriate conditions for diversification of household investments);

- Guaranteed (the improvement of current legislation on guaranteeing the individuals deposits taking into account the advanced foreign experience, as well as the protection and support of competitive positions of the domestic financial institutions in respect of similar non-resident institutions in the Ukrainian market, since foreign owners and foreign capital entry into the national financial system complicates the forecasting process and monitoring the effectiveness of their functioning);

- Educational and Informational (the creation of appropriate conditions for obtaining necessary knowledge about the main tendencies and peculiarities of the financial market functioning, as well as sources available to the average investor for obtaining the necessary financial information).

Therefore, the above-mentioned measures will contribute to the financial behavior intensification of the domestic households and their involvement into the financial market activities of Ukraine. In return, the increase number of the retail financial market participants and the scale of its accumulated assets will contribute to the gradual exit of the national economy from the crisis.

Another important problem in the field of households is the managing mechanisms establishment of their financial activities, as practice shows that it is difficult not only to increase but also try to maintain the level of personal well-being without effective and systematic financial management. The most important priorities of the household finance management in modern economic realities include: the search and realization of the maximum possible sources of

the household income generation; the rationalizing of its costs for current consumption; the savings accumulating in the context of an optimal ratio of maximizing the return on investments and minimizing social, economic and financial risks; the calculation of economic feasibility of debt financing and expenses reconciliation of for their repayment with the size of future income; carrying out the operational control in order to ensure financial sustainability of households, etc.

It is important to take into account a number of internal and external factors that influence the process of household finances managing. The internal factors include: a level of economic activity and financial literacy of citizens, their propensity to risk, a level of household budget organization and management, etc. The external factors of a macroeconomic nature include: asymmetry of market information (because the quality and accessibility of information for a household has a significant impact on the process of financial management and, consequently, on the adoption of effective financial decisions, especially in the formation of a household investment portfolio); short-term and long-term state finance policy (as significant internal and external borrowings, improving the material conditions of the current generation, at the same time, leads to the tax burden increasing on future generations); long-term and medium-term cycles of the economic situation (because the cyclical development of modern economy affects not only the main indicators of household finances but also the overall stability of their formation and development).

It is proved that the individual preferences of household members and, most importantly, their will to risk, significantly influence the financial decision making. Taking into consideration that economic risks are an attribute of modern life, the challenge for households is to learn how to manage them as effectively as possible. The defining condition for risks management is the ability of household members to predict and minimize them after studying general and specific causes of risk, its degree, the main circumstances of its appearing, comparing benefits and risks of the household alternative activities, etc. As a level of living standards of the population depend to a large extent on a level of its income, expenses, and savings, the researcher outlines the main groups of risks the household faces: the risk of income loss, the risk of unforeseen expenses and the risk of savings loss.

The household financial potential is realized in the process of economic activity, which means a set of the household financial capabilities that can be maximally profitable in the process of providing material and spiritual needs of its members. A significant influence on the formation of households financial potential is made by human capital, which is proposed to be understood as a set of knowledge, skills, and abilities of a particular person in a definite activity, the

result of which is usually income generating. It is stated that the human capital increasing of a separate person is reflected primarily on his/her income – the basis of household finances. On the one hand, the household finances are formed under the influence of human capital, which is its objective basis; on the other hand, they have an active influence on the stock of this capital and, accordingly, determine the growth of the future total income of household members.

Thus, prof. Kizyma T.O. has formed a holistic scientific conception of the household finance development in Ukraine. It suggests the improving of domestic households financial relations with other economic entities and the increasing their role not only as the main of goods and services consumers, but also the active investors of the national economy, which, ultimately, will contribute to the raising of standards of living and the growth of public welfare. Despite certain problems in modern economy, household finances will be quite important in the structure of Ukrainian financial system in the near future and will considerably influence the development of the domestic economy, ensuring the continuity of human capital reproduction, and will form one of the foundations for further development of the national economic system as a source of investment resources.

Fundamental Works of Modern Ukrainian Scientific School's Representatives in Public Finance

1. Андрущенко В.Л. Західна фінансова думка про природу державних фінансів / В.Л. Андрущенко // *Фінанси України*. – 1996. – № 9. – С. 21–25.

Andrushchenko, V.L. (1996). *Zakhidna finansova dumka pro pryrodu derzhavnykh finansiv* [Western financial thought about the nature of public finances]. *Finansy Ukrainy – Finance of Ukraine*, 9, 21-25 [in Ukrainian].

2. Андрущенко В.Л. Фінансова думка Заходу в ХХ столітті: (Теоретична концептуалізація і наукова проблематика державних фінансів) / В.Л. Андрущенко. – Львів: Каменяр, 2000. – 303 с.

Andrushchenko, V.L. (2000). *Finansova dumka Zakhodu v XX stolitti: (Teoretychna kontseptualizatsiia i naukova problematyka derzhavnykh finansiv)* [The Financial Opinion of the West in the 20th Century: (Theoretical Conceptualization and Scientific Problems of Public Finances)]. – Lviv: Kameniari [in Ukrainian].

3. Андрущенко В.Л. Податкові системи зарубіжних держав: Навчальний посібник / В.Л. Андрущенко, З.С. Варналій, І.А. Прокопенко, Т.В. Тучак. – К.: Кондор-видавництво, 2012. – 222 с.

Andrushchenko, V.L., Varnaliy, Z.S., Prokopenko, I.A., & Tuchak T.V. (2012). *Podatkovy systemy zarubizhnykh derzhav* [Tax systems of foreign countries]. Kyiv: Kondor-vydavnytstvo [in Ukrainian].

4. Андрущенко В.Л. Морально-етичні імперативи податків та оподаткування (західна традиція): Монографія / В.Л. Андрущенко, Т.В. Тучак. – К.: Алерта, 2013. – 384 с.

Andrushchenko, V.L., & Tuchak, T.V. (2013) *Moralno-etychni imperatyvy podatkiv ta opodatkuvannia (zakhidna tradytsiia)* [Moral and ethical imperatives of taxes and taxation (western tradition)]. Kyiv: Alerta [in Ukrainian].

5. Андрущенко В.Л. Податкова держава: [монографія] / В.Л. Андрущенко, Т.В. Тучак. – К.: Алерта, 2016. – 304 с.

Andrushchenko, V.L., & Tuchak, T.V. (2016). *Podatkova derzhava* [Tax state]. Kyiv: Alerta [in Ukrainian].

6. Бюджетна система: підручник / [В. В. Бабіченко, С. В. Бойко, В. М. Федосов та ін.]; за наук. ред. В. М. Федосова, С. І. Юрія. – К.: Центр учб. л-ри; Т.: Екон. думка, 2012. – 871 с.

Babichenko, V.V., Boiko, S.V., Fedosov, V.M., & et al. (2012). *Biudzhetna systema* [Budget system]. V.M. Fedosov (Ed.), S.I. Yuriy (Ed.). Kyiv: Tsentri uchb. l-ry; Ternopil: Ekon. Dumka [in Ukrainian].

7. Бюджетний менеджмент: підручник / [В. Федосов, В. Опарін, Л. Сафонова та ін.]; за заг. ред. В. Федосова. – К.: КНЕУ, 2004. – 864 с.

Fedosov, V., Oparin, V., Safonova, L. & et al. (2004). *Biudzhetniy menedzhment* [Budget management]. V.M. Fedosov (Ed.). Kyiv: KNEU [in Ukrainian].

8. Гаманкова О.О. Ринок страхових послуг України: теорія, методологія, практика: монографія / О.О.Гаманкова. – К.: КНЕУ, 2009. – 283 с.

Hamankova, O.O. (2009). *Rynok strakhovykh posluh Ukrainy: teoriia, metodolohiia, praktyka* [Market of insurance services of Ukraine: theory, methodology, practice]. Kyiv: KNEU [in Ukrainian].

9. Гаманкова О.О. Теоретичні засади визначення ролі та місця держави на страховому ринку / Гаманкова О.О., Гаманков Д.В., Димніч О.В.// Фінанси України. –2014. – №10. – С.56-73.

Hamankova, O.O., Hamankov, D.V., & Dymnich, O.V. (2014). *Teoretychni zasady vyznachennia roli ta mistsia derzhavy na strakhovomu rynku* [Theoretical principles of determining the role and place of the state in the insurance market]. *Finansy Ukrainy – Finance of Ukraine*, 10, 56-73 [in Ukrainian].

10. Гаманкова О.О. Страховий ринок України в глобальному страховому просторі / О.О. Гаманкова, В.К. Хлівний // Фінанси України. – 2012. – №5. – С.58-67.

Hamankova, O.O., & Khlivnyy, V.K. (2012). *Strakhovyy rynek Ukrainy v hlobalnomu strakhovomu prostori* [Insurance market of Ukraine in the global insurance area]. *Finansy Ukrainy – Finance of Ukraine*, 5, 58-67 [in Ukrainian].

11. Государственные финансы: учеб. пособие / [В.М. Федосов, Л.Д. Буряк, В.Н. Сутормина и др.]; под ред. В.М. Федосова, С.Я. Огородника, В.Н. Суторминой. – К.: Лыбидь, 1991. – 276 с.

Fedosov, V.M., Buryak, L.D., Sutormina, V.N. & et al. (1991). *Gosudarstvennye finansy* [Public finance]. V.M. Fedosov (Ed.), S.Ya. Ogorodnik (Ed.), V.N. Sutormina (Ed.). Kiev: Lybid' [in Russian].

12. Дем'янишин В.Г. Теоретична концептуалізація і практична реалізація бюджетної доктрини України : монографія / Дем'янишин В.Г. – Тернопіль : ТНЕУ, 2008. – 496 с.

Demianyshyn, V.H. (2008). *Teoretychna kontseptualizatsiia i praktychna realizatsiia biudzhethoi doktryny Ukrainy* [Theoretical conceptualization and practical implementation of the budget doctrine of Ukraine]. Ternopil: TNEU [in Ukrainian].

13. Розвиток бюджетного процесу в умовах економічних перетворень : монографія / [С.І. Юрій, В.Г. Дем'янишин, О.П. Кириленко та ін.]; за ред. С.І. Юрія, В.Г. Дем'янишина. – К. : Кондор-Видавництво, 2012. – 376 с.

Yurii, S.I., Demianyshyn, V.H., Kyrylenko, O.P., & et al. (2012). *Rozvytok biudzhethoho protsesu v umovakh ekonomichnykh peretvoren* [Development of the budget process in the context of economic transformation]. S.I. Yurii (Ed.), V.H. Demianyshyn. (Ed.) Kyiv: Kondor-Vydavnytstvo [in Ukrainian].

14. Фінанси : Підручник / [С.І. Юрій, В.М. Федосов, В.Г. Дем'янишин та ін.]; за ред. С.І. Юрія, В.М. Федосова. – друге видання перероблене і доповнене, К. : Знання, 2012. – 687 с.

Yuriy, S.I., Fedosov, V.M., Demianyshyn, V.H., & et al. (2012). *Finansy* [Finance]. S.I. Yuriy (Ed.), V.M. Fedosov (Ed.). Kyiv: Znannia [in Ukrainian].

15. Бюджетна система : підручник / [С.І. Юрій, В.Г. Дем'янишин, О.П. Кириленко та ін.]; за ред. С.І. Юрія, В.Г. Дем'янишина, О.П. Кириленко. – Тернопіль : ТНЕУ, 2013. – 624 с.

Yuriy,S.I., Demianyshyn,V.H., Kyrylenko, O.P., & et al. (2013). *Biudzhetna systema [Budget system]*.S.I. Yurii (Ed.), V.H. Demianyshyn (Ed.), O.P. Kyrylenko (Ed.). Ternopil: TNEU[in Ukrainian].

16. Дем'янишин В.Г. Планування і фінансування видатків на охорону здоров'я : методологія і практика : монографія / В.Г. Дем'янишин, Н.Л. Замкова, Т.Д. Сіташ. – Вінниця : ПП Балюк І.Б., 2014. – 264 с.

Demianyshyn, V.H.,Zamkova,N.L., & Sitash,T.D. (2014). *Planuvannia i finansuvannia vydatkiv na okhoronu zdorovia : metodolohiia i praktyka [Planning and financing of health care expenditures: methodology and practice]*. Vinnytsia: PE Baliuk I.B.[in Ukrainian].

17. Фінансова політика інвестиційно-інноваційного розвитку України : монографія / [В.Г. Дем'янишин, І.С. Гуцал, О.П. Кириленко та ін.]; за ред. В.Г. Дем'янишина. – Тернопіль : Економічна думка, 2014. – 467 с.

Demianyshyn,V.H., Hutsal,I.S., Kyrylenko,O.P., & et al. (2014). *Finansova polityka investytsiino-innovatsiinoho rozvytku Ukrainy [The financial policy of Ukraine's investment and innovation development]* V.H. Demianyshyn (Ed.).Ternopil: Ekonomichna dumka[in Ukrainian].

18. Бюджетний менеджмент : підручник / [В.Г. Дем'янишин, Г.Б. Погрішук, Л.М. Клівіденко та ін.]; за ред. В.Г. Дем'янишина, Г.Б. Погрішук. – Тернопіль : ТНЕУ, 2017. – 532 с.

Demianyshyn,V.H., Pohrishchuk,H.B., Klividenko,L.M., & et al. (2017). *Biudzhetni menedzhment [Budget Management]*.V.H.Demianyshyn(Ed.), H.B.Pohrishchuk(Ed.), Ternopil: TNEU[in Ukrainian].

19. Десятнюк О. М. Моніторинг податкових ризиків : теорія та практика : монографія / О.М. Десятнюк. – Т. : ТНЕУ, 2009. – 312 с.

Desiatniuk, O. M. (2009). *Monitorynh podatkovykh ryzykiv: teoriia ta praktyka [Monitoring tax risks: theory and practice]*. Ternopil: TNEU[in Ukrainian].

20. Десятнюк О.М. Концептуальні основи ризикології у сфері оподаткування / О.М.Десятнюк // Фінанси України. – 2009. – № 10. – С. 107-115.

Desiatniuk, O. M. (2009) *Kontseptualni osnovy ryzykologii u sferi opodatkuvannia [Conceptual bases of tax risk in sphere of taxation]*. *Finansy Ukrainy – Finance of Ukraine*, 10, 107-115 [in Ukrainian].

21. Десятнюк О.М. Системний підхід до управління податковими ризиками / О.М. Десятнюк // Стратегічні орієнтири формування і реалізації фіскальної політики : моногр. / за ред. А.І. Крисоватого – Тернопіль : Вектор, 2012. –С. 116-134.

Desiatniuk, O.M. (2012) *Systemnyi pidkhid do upravlinnia podatkovymy ryzykamy [Systematic approach to tax risks managment]*. *Stratehichni oriientyry formuvannia i realizatsii fiskalnoi polityky–Strategic guidelines for the*

formation and implementation of fiscal policy. A. I. Krysovatyi(Ed.), (pp. 116-134). Ternopil: Vektor [in Ukrainian].

22. Десятнюк О.М. Теоретико-методологічні засади управління податковими ризиками // Наукові записки Національного університету «Острозька академія». Серія «Економіка». – Острог, 2013 – Вип. 21. – С.148-152.

Desiatniuk, O. M. (2013). Teoretyko-metodolohichni zasady upravlinnia podatkovymy ryzykamy [Theoretical and methodological principles of tax risk management].*Naukovi zapysky Natsionalnoho universytetu «Ostrozka akademiia». Serii «Ekonomika», – Scientific notes of the National University «Ostroh Academy». Series “Economics”, 21,148-152[in Ukrainian].*

23. Десятнюк О.М. Сутнісно-теоретичні основи податкових ризиків суб'єктів підприємницької діяльності // Світ фінансів : наук. журнал ТНЕУ. – 2014. – Вип. 3. – С. 99-109.

Desiatniuk, O.M. (2014). Sutnisno-teoretychni osnovy podatkovykh ryzykiv subiektiv pidpriemnytskoi diialnosti [Essential-theoretical foundation of tax risks of business entities].*Svit finansiv– The world of finance, 3,99-109[in Ukrainian].*

24. Десятнюк О.М. Домінанти мінімізації податкових втрат : монограф. / О.М. Десятнюк, М.М. Фільо. – Тернопіль : ТНЕУ, 2015. – 262 с.

Desiatniuk, O.M., & Filo, M.M. (2015). *Dominanty minimizatsii podatkovykh vtrat [The dominants of minimizing tax losses]*.Тернопіль: TNEU[in Ukrainian].

25. Запорозька Січ як український феномен: [монографія] / В. Л. Андрущенко, В. М. Федосов ; за ред. В. М. Федосова. – К. : Заповіт, 1995. – 173 с.

Andrushchenko, V.L., & Fedosov,V.M. (1995). *Zaporozhka Sich yak ukraïnskyi fenomen [Zaporizhzhya Sich as a Ukrainian phenomenon]*. V.M. Fedosov(Ed.). Kyiv: Zapovit [in Ukrainian].

26. Інновації у фінансовій сфері: монографія [В.М.Опарін, Т.В.Паєнко, В.М.Федосов та ін.] ; за заг. ред. В. М. Опаріна. – К. : КНЕУ, 2013. – 444 с.

Oparin,V.M., Paienکو,T.V., Fedosov,V.M. & et al. (2013). *Inovatsii u finansovii sferi [Innovations in the financial sector]*.V. M. Oparin (Ed). Kyiv: KNEU[in Ukrainian].

27. Кізіма Т.О. Фінанси домогосподарств: сучасна парадигма та доміанти розвитку: монографія / Т.О.Кізіма; [вст. слово: С.І.Юрій]. – К.: Знання, 2010. – 431 с.

Kizyma, T.O. (2010). *Finansy domohospodarstv: suchasna paradyhma ta dominanty rozvytku [Household Finance: Contemporary Paradigm and Developmental Trends]*. Kyiv: Znannia[in Ukrainian].

28. Кізіма Т.О. Фінансова грамотність населення в діалектиці сучасних освітніх тенденцій / С.І. Юрій, Т.О. Кізіма // Фінанси України. – 2012. – №2 (195). – С. 16-25.

Yuriy, S.I., & Kizyma, T.O. (2012) Finansova hramotnist naselennia v dialektitsi suchasnykh osvitynykh tendentsii [Financial Literacy of the Population in the Dialectic of Modern Educational Trends]. *Finansy Ukrainy – Finance of Ukraine*, 2(195), 16-25 [in Ukrainian].

29. Кізіма Т. Фінансова грамотність населення і фінансова поведінка домогосподарств: аспекти взаємовпливу / Тетяна Кізіма, Олена Шаманська // Світ фінансів. – 2014. – Вип. 1. – С. 16-26.

Kizyma, T., & Shamanska, O. (2014). Finansova hramotnist naselennia i finansova povedinka domohospodarstv: aspekty vzajemovplyvu [Financial literacy of the population and financial behavior of households: aspects of mutual influence]. *Svit finansiv – The world of finance*, 1, 16-26 [in Ukrainian].

30. Кізіма Т. Домогосподарства на фінансовому ринку України: поведінково-мотиваційний аспект / Тетяна Кізіма, Андрій Кізіма // Світ фінансів. – 2016. – Вип. 3. – С. 89-101.

Kizyma, T. & Kizyma, A. (2016). Domohospodarstva na finansovomu rynku Ukrainy: povedinkovo-motyvatsiyni aspekt [Households in the financial market of Ukraine: a behavioral and motivational aspect]. *Svit finansiv – The world of finance*, 3, 89-101 [in Ukrainian].

31. Кнейслер О.В. Проблеми й перспективи розвитку професійного ринку перестрахування в Україні / О.В. Кнейслер // Фінанси України. – 2012. – № 11. – С. 108-117.

Kneisler, O.V. (2012). Problemy u perspektyvy rozvytku profesiinoho rynku perestrakhuvannia v Ukraini [Problems and prospects of development of reinsurance market in Ukraine]. *Finansy Ukrainy–Finance of Ukraine*, 11, 108-117 [in Ukrainian].

32. Кнейслер О.В. Ринок перестрахування України: теоретико-методологічні доміанти формування та пріоритети розвитку: монографія / О.В.Кнейслер. – К.: Центр уч. л-ри, 2012. – 416 с.

Kneisler, O.V. (2012). *Rynok perestrakhuvannia Ukrainy: teoretyko-metodolohichni dominanty formuvannia ta priorytety rozvytku* [The reinsurance market in Ukraine: theoretical and methodological dominance of formation and development priorities]. Kyiv: Tsentr uch. l-ry [in Ukrainian].

33. Кнейслер О.В. Методологічні доміанти формування теорії ринку перестрахування / О.В. Кнейслер // Світ фінансів. – 2014. – № 1. – С. 7-15.

Kneisler, O.V. (2014). Metodolohichni dominanty formuvannia teorii rynku perestrakhuvannia [Methodological dominance of the formation of the theory of the reinsurance market]. *Svit finansiv – The world of finance*, 1, 7-15 [in Ukrainian].

34. Крисоватий А.І. Фіскальні засади соціально орієнтованої економіки ринкового типу / А.І. Крисоватий // Фінанси України. – 2000. – № 12. – С. 78-81.

Krysovatyu, A.I. (2000). Fiskalni zasady sotsialno oriientovanoi ekonomiky rynkovoho typu [The fiscal principles of a socially oriented economy of a market type]. *Finansy Ukrainy–Finance of Ukraine*, 12, 78-81 [in Ukrainian].

35. Крисоватий А.І. Гармонізація оподаткування в парадигмі загальнодержавних інтересів / А.І. Крисоватий, Т.В. Кошук // *Фінанси України*. – 2004. – № 2. – С.109-117.

Krysovatyu, A.I., &Koshchuk, T.V. (2004). *Harmonizatsiia opodatkuvannia v paradyhmi zahalnoderzhavnykh interesiv* [Harmonization of taxation in the paradigm of national interests]. *Finansy Ukrainy–Finance of Ukraine*, 2, 109-117 [in Ukrainian].

36. Крисоватий А.І. Теоретичні домінанти і практика реалізації податкової політики в Україні / А.І. Крисоватий. – Тернопіль : Карт-бланш, 2005. – 375 с.

Krysovatyu, A.I.(2005). *Teoretychni dominanty i praktyka realizatsii podatkovoi polityky v Ukraini* [Theoretical dominants and practice of tax policy implementation in Ukraine]. Ternopil: Kart-blansh [in Ukrainian].

37. Крисоватий А. Держава і податки: критерії теорії та реалії прагматики / А. Крисоватий, В. Федосов, С. Львовчкін // *Финансовые риски*. – 2006. – № 4(45). – С. 21-42.

Krysovatyu, A.,Fedosov, V., & Lovochkin,S. (2006) *Derzhava i podatky: kryterii teorii ta realii prahmatyky* [State and taxes: criteria of the theory and realities of pragmatics]. *Finansovye riski–Financial risks*, 4(45), 21-42[in Ukrainian].

38. Крисоватий А.І. Домінанти гармонізації оподаткування : національні та міжнародні вектори : монографія / А.І. Крисоватий, В. А. Валігура. – Тернопіль : Підручники і посібники, 2010. – 248 с.

Krysovatyu, A.I.,&Valihura,V.A. (2010).*Dominanty harmonizatsii opodatkuvannia : natsionalni ta mizhnarodni vektory* [Dominants of tax harmonization: national and international vectors]. Ternopil: Pidruchnyky i posibnyky[in Ukrainian].

39. Крисоватий А.І. Адміністрування податків в Україні : організація та напрями трансформації : монографія / А.І. Крисоватий, Т.Л. Томнюк. – Тернопіль : Економічна думка ТНЕУ, 2012. – 212 с.

Krysovatyu, A.I., &Tomniuk, T.L. (2012). *Administruvannia podatktiv v Ukraini : orhanizatsiia ta napriamy transformatsii* [Tax Administration in Ukraine: Organization and Directions of Transformation]. Ternopil: Ekonomichna dumka TNEU[in Ukrainian].

40. Крисоватий А.І. Новітня парадигма преференційного оподаткування : монографія / А.І. Крисоватий, Г.В. Василевська. – К. : ЦУЛ, 2013. – 260 с.

Krysovatyu, A.I., &Vasylevska,H.V. (2013). *Novitnia paradyhma preferentsiinoho opodatkuvannia* [The New Paradigm of Preferential Taxation]. Kyiv: TsUL[in Ukrainian].

41. Крисоватий А.І. Корпоративні фінанси в контексті викликів сучасної інноваційної системи / А.І. Крисоватий, В.М. Федосов, Н.С. Рязанова // *Фінанси України*. – 2013. – № 9. – С. 7-27.

Krysovatu, A.I., Fedosov, V.M., & Riazanova, N.S. (2013). *Korporatyvni finansy v konteksti vyklykiv suchasnoi innovatsiinoi systemy [Corporate finance in the context of the challenges of the modern innovation system]*. *Finansy Ukrainy—Finance of Ukraine*, 9, 7-27 [in Ukrainian].

42. Сучасна парадигма фіскальної політики України в умовах формування суспільства сталого розвитку : моногр. / за наук. ред д-ра екон. наук, проф. А.І. Крисоватого. – Тернопіль : ТНЕУ, 2015. – 460 с.

Krysovatu, A.I.(Eds.) (2015). *Suchasna paradyhma fiskalnoi polityky Ukrainy v umovakh formuvannya suspilstva staloho rozvytku [Modern paradigm of fiscal policy of Ukraine in the conditions of forming a society of sustainable development]*. Ternopil: TNEU [in Ukrainian].

43. Krysovatu, A., Fedosov, V., Yuriy, S., & Yukhymenko, P. (2014). *Ukrainian Financial Science: Genesis and Evolution – in two volumes*. Berlin [in English].

44. Krysovatu, A., Savelyev, Y., & et al. (2016). *Regionalisation in Central-Eastern European Countries: Bulgaria, Poland, Russia, Slovakia, Ukraine*. Berlin [in English].

45. Регіональні перетворення у світовому та українському вимірах : моногр. / за наук. ред. д.е.н., проф. А. І. Крисоватого та д.е.н., проф. Є.В. Савельєва. – Тернопіль : ТНЕУ, 2016. – 388 с.

Krysovatu, A.I. (Eds.), & Savelyev, Y.V. (Eds.) *Rehionalni peretvorennia u svitovomu ta ukrainskomu vymirakh [Regional transformations in global and Ukrainian dimensions]*. Ternopil: TNEU [in Ukrainian].

46. Krysovatu, A., & Syniutka, N. (2016). Transformation of Public Finances in Ukraine in the System of Decentralized Processes. *Journal of European Economy*, 15 (№1), 34-55 [in English].

47. Крисоватий А.І. Муніципальна боргова політика : теоретичні концепти та практика реалізації в Україні : монографія / А.І. Крисоватий, Н.Г. Синютка. – Львів : Українська академія друкарства, 2017. – 220 с.

Krysovatu, A.I., & Syniutka, N.H. (2017). *Munitsypalna borhova polityka: teoretychni kontsepty ta praktyka realizatsii v Ukraini [Municipal debt policy: theoretical concepts and practice of realization in Ukraine]*. Lviv: Ukrainiska akademiia drukarstva [in Ukrainian].

48. Леоненко П.М. Формування загальної та національної архітектури фінансової науки / П.М. Леоненко, В.М. Федосов, П.І. Юхименко // *Фінанси України*. – 2017. – № 6. – С. 87-108.

Leonenko, P.M., Fedosov, V.M., & Iukhymenko, P.I. (2017). *Formuvannya zahalnoi ta natsionalnoi arkhitektoniky finansovoi nauky [Formation of the general and national architectural science of finance]*. *Finansy Ukrainy – Finance of Ukraine*, 6, 87-108 [in Ukrainian].

49. Леоненко П.М. Фінансова наука: генеза, еволюція та розвиток / П.М. Леоненко, В.М. Федосов, П.І. Юхименко // *Ринок цінних паперів України*. – 2017. – № 1-2. – С. 3-30.

Leonenko, P.M., Fedosov, V.M., & Iukhymenko, P.I. (2017). *Finansova nauka: geneza, evoliutsiia ta rozvytok* [Financial science: genesis, evolution and development]. *Rynok tsinnykh paperiv Ukrainy – Securities Market of Ukraine*, 1-2, 3-30 [in Ukrainian].

50. Львовчкін С. Фінансова інфраструктура ринкової економіки: концептуальні підходи / С. Львовчкін, В. Опарін, В. Федосов // *Економіка України*, 2008, №11, с. 57-71.

Liovochkin, S., Oparin, V., & Fedosov, V. (2008). *Finansova infrastruktura rynkovoї ekonomiky: kontseptualni pidkhody* [The financial infrastructure of a market economy: Conceptual Approaches]. *Ekonomika Ukrainy – Economy of Ukraine*, 11, 57-71 [in Ukrainian].

51. Львовчкін С. Реформування фінансової моделі як основа макроекономічної стабілізації в Україні / С. Львовчкін, В. Опарін, В. Федосов // *Економіка України*. – 2000. – № 10. – С. 22-26.

Liovochkin, S., Oparin, V., & Fedosov, V. (2000). *Reformuvannya finansovoi modeli yak osnova makroekonomichnoi stabilizatsii v Ukraini* [Reforming the financial model as the basis for macroeconomic stabilization in Ukraine]. *Ekonomika Ukrainy – Economy of Ukraine*, 10, 22-26 [in Ukrainian].

52. Львовчкін С.В. Суперечності фінансової теорії і практики в контексті циклічності економічного розвитку / С.В. Львовчкін, В.М. Опарін, В.М. Федосов // *Фінанси України*, 2011, №5, с. 3-13.

Liovochkin, S., Oparin, V., & Fedosov, V. (2011). *Superechnosti finansovoi teorii i praktyky v konteksti tsyklichnosti ekonomichnoho rozvytku* [Contradictions of financial theory and practice in the context of cyclical economic development]. *Finansy Ukrainy – Finance of Ukraine*, 5, 3-13 [in Ukrainian].

53. Львовчкін С.В. Особистий інтерес плюс індивідуальна відповідальність / С. В. Львовчкін, В. М. Федосов, В. М. Опарін // *Вісник Пенсійного фонду України*. – 2013. – № 4(130). – С.18-22.

Liovochkin, S.V., Fedosov, V.M., & Oparin, V.M. (2013). *Osobystyi interes plus indyvidualna vidpovidalnist* [Personal interest plus personal responsibility]. *Visnyk Pensiinoho fondu Ukrainy – Bulletin of the Pension Fund of Ukraine*, 4(130), 18-22 [in Ukrainian].

54. Львовчкін С.В. Багатство й фіск: світова парадигма оподаткування / С. В. Львовчкін, В. М. Федосов, Г. М. Яренко // *Фінанси України*. – 2013. – № 4. – С. 7-26.

Liovochkin, S.V., Fedosov, V.M., & Yarenko, H.M. (2013). *Bahatstvo y fisk: svitova paradyhma opodatkuvannya* [Wealth and Fisk: The world paradigm of taxation]. *Finansy Ukrainy – Finance of Ukraine*, 4, 7-26 [in Ukrainian].

55. Навіщо нам Бланкарт? (Замість передмови) / В. М. Федосов // *Державні фінанси в умовах демократії. Вступ до фінансової науки : [підручник] / Шарль Бланкарт ; за наук. ред. В. М. Федосова ; [пер. з нім. С. І. Терещенко, О. О. Терещенко ; передм. В. М. Федосова]. – К. : Либідь, 2000. – С. 5–11.*

Fedosov, V. M. (2000). Navishcho nam Blankart? (Zamist peredmovy) [Why do we have Blankard? (Instead of a preface)]. *Derzhavni finansy v umovakh demokratii. Vstup do finansovoi nauky— Public finances in a democracy. Introduction to financial science.* (S. Tereshchenko, O. Tereshchenko, Trans), (pp. 5–11). Kyiv: Lybid[in Ukrainian].

56. Огонь Ц.Г. Доходи бюджету України: теорія та практика: Монографія. / Ц.Г.Огонь – К.: КНЕУ. – 2003. – 580 с.

Ohon, Ts.H. (2003). *Dokhody biudzhetu Ukrainy: teoriia ta praktyka [Budget revenues of Ukraine: theory and practice]*. Kyiv: KNEU[in Ukrainian].

57. Огонь Ц.Г. Домінанти фінансової стабільності в розвитку зобов'язань держави / Ц.Г.Огонь // Фінанси України. – №5. – 2008. с. 32-41.

Ohon, Ts.H. (2008). *Dominanty finansovoi stabilnosti v rozvytku zoboviazan derzhavy [The dominants of financial stability in the development of state obligations]*. *Finansy Ukrainy – Finance of Ukraine*, 5, 32-41 [in Ukrainian].

58. Огонь Ц.Г. Бюджет: взаємозалежність зобов'язань і фінансових можливостей держави / Ц.Г.Огонь // Фінанси України. – 2014. – №2. – с. 7-18.

Ohon, Ts.H. (2014). *Biudzhel: vzaiemozalezhnist zoboviazan i finansovykh mozhlyvostei derzhavy [Budget: interdependence of obligations and financial possibilities of the state]*. *Finansy Ukrainy – Finance of Ukraine*, 2, 7-18 [in Ukrainian].

59. Опарін В.М. Передумови та чинники розбудови ефективної бюджетної системи в Україні / В.М.Опарін // Фінанси України, 2000, № 9, с. 126-133.

Oparin, V.M.(2000). *Peredumovy ta chynnyky rozbudovy efektyvnoi biudzhetnoi systemy v Ukraini [Prerequisites and factors for development an effective budget system in Ukraine]*. *Finansy Ukrainy – Finance of Ukraine*, 9, 126-133 [in Ukrainian].

60. Опарін В. Концептуальні основи фінансової стратегії економічного зростання в Україні / В. Опарін, В. Федосов // Економіка України. – 2002. – № 2. – С. 10-20.

Oparin, V., & Fedosov, V. (2002). *Kontseptualni osnovy finansovoi stratchii ekonomichnoho zrostannia v Ukraini [Conceptual basis of the financial strategy of economic growth in Ukraine]*. *Ekonomika Ukrainy – Economy of Ukraine*, 2, 10-20 [in Ukrainian].

61. Опарін В.М. Фінанси (загальна теорія): Навч. посіб. – 2-ге вид. / В.Опарін – К.: КНЕУ, 2002. – 240 с.

Oparin, V.M. (2002). *Finansy (zahalna teoriia)[Finance (general theory)]*(2nd ed.,rev.). Kyiv: KNEU[in Ukrainian].

62. Опарін В. Фінансова система України (теоретико-методологічні аспекти): Монографія. / В.Опарін – К.: КНЕУ, 2005. – 240 с.

Oparin, V. (2005). *Finansova systema Ukrainy (teoretyko-metodolohichni aspekty)[The financial system of Ukraine (theoretical and methodological aspects)]*. Kyiv: KNEU[in Ukrainian].

63. Опарін В.М. Українська національна наукова школа фінансів: теоретико-методологічні підходи / Опарін В.М., Федосов В.М., Юхименко П.І. // Фінанси України. – 2015. – № 9. – С.19-44.

Oparin, V.M., Fedosov V.M., & Yukhymenko, P.I. (2015). *Ukrainska natsionalna naukova shkola finansiv: teoretyko-metodolohichni pidkhody* [Ukrainian National Scientific School of Finance: Theoretical and Methodological Approaches]. *Finansy Ukrainy – Finance of Ukraine*, 9, 19-44 [in Ukrainian].

64. Опарін В.М. Українська класична школа публічних фінансів / Опарін В.М., Федосов В.М., Юхименко П.І. // Фінанси України. – 2015. – № 10. – С.7-31.

Oparin, V.M., Fedosov, V.M., & Yukhymenko, P.I (2015). *Ukrainska klasychna shkola publichnykh finansiv* [Ukrainian Classical School of Public Finances]. *Finansy Ukrainy – Finance of Ukraine*, 10, 7-31 [in Ukrainian].

65. Опарін В.М. Сучасна українська наукова школа публічних фінансів / Опарін В.М., Федосов В.М., Юхименко П.І. // Фінанси України. – 2015. – № 11. – С. 56-87.

Oparin, V.M., Fedosov, V.M., & Yukhymenko, P.I (2015). *Suchasna ukrainska naukova shkola publichnykh finansiv* [Modern Ukrainian Scientific School of Public Finances]. *Finansy Ukrainy – Finance of Ukraine*, 11, 56-87 [in Ukrainian].

66. Опарін В.М. Домінанти та пріоритети фінансового вирівнювання в Україні // В.М.Опарін // Фінанси України. – 2015. – № 6. – С. 29-43.

Oparin, V.M. (2015). *Dominanty ta priorytety finansovoho vyryvniuvannia v Ukraini* [The dominant and priorities of financial equalization in Ukraine]. *Finansy Ukrainy – Finance of Ukraine*, 6, 29-43 [in Ukrainian].

67. Опарін В.М. Публічні фінанси: генеза, теоретичні колізії та практична концептуалізація / В.М.Опарін, В.М.Федосов, П.І.Юхименко // Фінанси України. – 2017. – № 2. – С. 110-128.

Oparin, V.M., Fedosov, V.M., & Yukhymenko, P.I (2017). *Publichni finansy: geneza, teoretychni kolizii ta praktychna kontseptualizatsiia* [Public Finances: Genesis, Theoretical Collisions and Practical Conceptualization]. *Finansy Ukrainy – Finance of Ukraine*, 2, 110-128 [in Ukrainian].

68. Опарін В.М. Державний фонд регіонального розвитку в системі фінансового вирівнювання / В.М.Опарін, Н.Б.Пйонтко // Фінанси України. – 2017. – № 7. – С. 25-42.

Oparin, V.M., & Piontko, N.B. (2017). *Derzhavnyi fond rehionalnoho rozvytku v systemi finansovoho vyryvniuvannia* [State fund of regional development in the system of financial equalization]. *Finansy Ukrainy – Finance of Ukraine*, 7, 25-42 [in Ukrainian].

69. Паєнтко Т.В. Інституціоналізація фіскального регулювання фінансових потоків : монографія / Т. В. Паєнтко – К.: ДКС центр, 2013. – 294 с.

Paientko, T.V. (2013). *Instytutsionalizatsiia fiskalnoho rehuliuвання finansovykh potokiv [Institutionalization of fiscal regulation of financial flows]*. Kyiv: DKS tsentr [in Ukrainian].

70. Паєнтко Т. Бюрократія як суспільний інститут управління державою / Т. Паєнтко, В. Федосов // Ринок цінних паперів України. – 2016. – № 7-8. – С.11-22.

Paientko, T., & Fedosov, V. (2016). *Biurokratiia yak suspilnyi instytut upravlinnia derzhavoiu [Bureaucracy as a public institution of state administration]*. *Rynok tsinnykh paperiv Ukrainy – Securities Market of Ukraine*, 7-8, 11-22 [in Ukrainian].

71. Паєнтко Т. Теорії і концепції розвитку бюрократії: ретроспективний аналіз / Т. Паєнтко, В. Федосов // Ринок цінних паперів України. – 2016. – № 9-10. – С.17-31.

Paientko, T., & Fedosov, V. (2016). *Teorii i kontseptsii rozvytku biurokratii: retrospektyvnyi analiz [Theories and concepts of bureaucracy development: retrospective analysis]*. *Rynok tsinnykh paperiv Ukrainy – Securities Market of Ukraine*, 9-10, 17-31 [in Ukrainian].

72. Паєнтко Т. Українська бюрократія: концептуальні засади і особливості функціонування / Т. Паєнтко, В. Федосов // Ринок цінних паперів України. – 2016. – № 9-10. – С.17-31.

Paientko, T., & Fedosov, V. (2016). *Ukrainska biurokratiia: kontseptualni zasady i osoblyvosti funktsionuvannia [Ukrainian bureaucracy: conceptual foundations and peculiarities of functioning]*. *Rynok tsinnykh paperiv Ukrainy – Securities Market of Ukraine*, 9-10, 17-31 [in Ukrainian].

73. Податкова система України: підручник / [В. М. Федосов, В. М. Опарін, Г. О. П'ятаченко та ін.] ; за ред. В. М. Федосова. – К. : Либідь, 1994. – 463 с.

Fedosov, V.M. (Ed.), Oparin, V.M., Piatachenko, H.O., & et al. (1994). *Podatkova systema Ukrainy [Tax system of Ukraine]*. Kyiv: Lybid [in Ukrainian].

74. Рязанова Н.С. Фінансове рахівництво як інституційно-інфраструктурна складова інформаційної економіки / Н.С.Рязанова, В.М.Федосов // Фінанси України. – 2016. – № 3. – С. 55-85.

Riazanova, N.S., & Fedosov, V.M. (2016). *Finansove rakhivnytstvo yak instytutsiino-infrastrukturna skladova informatsiinoi ekonomiky [Financial accounting as an institutional and infrastructure component of the information economy]*. *Finansy Ukrainy – Finance of Ukraine*, 3, 55-85 [in Ukrainian].

75. Рязанова Н.С. Фінансове рахівництво як інформаційно-інфраструктурна підсистема сучасної макроекономіки / Рязанова Н.С., Федосов В.М. // Фінанси України. – 2017. – № 1. – С. 26-51. (3)

Riazanova, N.S., & Fedosov, V.M. (2017). *Finansove rakhivnytstvo yak informatsiino-infrastrukturna pidsystema suchasnoi makroekonomiky [Financial accounting as an information and infrastructure subsystem of modern macroeconomics]*. *Finansy Ukrainy – Finance of Ukraine*, 3, 55-85 [in Ukrainian].

76. Становлення доктрини фінансової системи України: монографія / за ред. С. І. Юрія, О. М. Десятнюк – Тернопіль : Економічна думка, 2008. – 192 с.

Yuriy, S. I. (Ed.), & Desiatniuk, O. M. (Ed.). (2008). *Stanovlennia doktryny finansovoi systemy Ukrainy* [The formation of the doctrine of the financial system of Ukraine] Ternopil: Ekonomichna dumka [in Ukrainian].

77. Суторміна В.М. Держава – податки – бізнес: (Із світового досвіду фіскального регулювання ринкової економіки): [монографія] / В.М. Суторміна, В.М. Федосов, В.Л. Андрущенко. – К.: Либідь, 1992. – 328 с.

Sutormina, V.M., Fedosov, V.M., & Andrushchenko, V.L. (1992). *Derzhava – podatky – biznes: (Iz svitovoho dosvidu fiskalnoho rehuliuвання rynkovoї ekonomiky)* [State – Taxes – Business: (From the Global Experience of Fiscal Regulation of a Market Economy)]. Kyiv: Lybid [in Ukrainian].

78. Суторміна В.М. Фінанси зарубіжних корпорацій: підручник / В.М. Суторміна. – К.: КНЕУ, 2004. – 567 с.

Sutormina, V.M. (2004). *Finansy zarubizhnykh korporatsii: pidruchnyk* [Finances of foreign corporations]. Kyiv: KNEU [in Ukrainian].

79. Тимченко О.М. Податковий борг в Україні: причини, наслідки, менеджмент: [монографія] / О.М.Тимченко – К.: КНЕУ, 2009. – 228 с.

Tymchenko, O.M. (2009). *Podatkovyi borh v Ukraini: prychnyny, naslidky, menedzhment* [Tax Debt in Ukraine: Causes, Consequences, Management]. Kyiv: KNEU [in Ukrainian].

80. Тимченко О.М. Прогнозування податкового боргу на основі абсолютної та відносної оцінки податкових ризиків / О.М.Тимченко, Ю.В.Сибірянська // Фінанси України. – 2010. – №8. – С.34-43.

Tymchenko, O.M., & Sybirianska, Yu.V. (2010). *Prohnozuvannia podatkovoho borhu na osnovi absolutnoi ta vidnosnoi otsinky podatkovykh rizykiv* [Prediction of tax debt on the basis of absolute and relative evaluation of tax risks]. *Finansy Ukrainy – Finance of Ukraine*, 8, 34-43 [in Ukrainian].

81. Тимченко О. М. Податки як інструмент протидії приховуванню доходів в офшорних юрисдикціях / О.М.Тимченко, І.А.Медведцький // Ринок цінних паперів України. – 2014 – № 1-2 – С.3-10.

Tymchenko, O. M., & Medvetskyi, I.A. (2014). *Podatky yak instrument protydii prykhovuvanniu dokhodiv v ofshornykh yurysdyktsiiakh* [Taxes as an instrument to counter the concealment of income in offshore jurisdictions]. *Rynok tsinnykh paperiv Ukrainy – Securities Market of Ukraine*, 1-2, 3-10 [in Ukrainian].

82. Тимченко О. М. Фіскальні ефекти структурних зрушень в податковій системі України / О.М.Тимченко, Ю.В.Сибірянська // Економічний часопис XXI століття. – 2014 – №1-2 (1). – С. 69-73.

Tymchenko, O. M., & Sybirianska, Yu.V. (2014). *Fiskalni efekty strukturykh zrushen v podatkovii systemi Ukrainy* [The fiscal effects of structural changes in the tax system of Ukraine]. *Ekonomichniy chasopys XXI stolittia – Economic magazine of the XXI century*, 1-2 (1), 69-73 [in Ukrainian].

83. Теорія фінансів: підручник / [С. В. Бойко, С. В. Гацька, В. М. Федосов та ін.]; під заг. ред. В. М. Федосова, С. І. Юрія. – К. : Центр учб. л-ри, 2010. – 573 с.

Boiko,S.V., Hatska,S.V., Fedosov, V.M.(Ed.), & et al. (2010). *Teoriia finansiv [Theory of Finance]*. S. I. Yurii (Ed.). Kyiv : Tsentr uchb. l-ry[in Ukrainian].

84. Федосов В.М. Налоги в экономике современного капитализма: (на примере ФРГ): монографія / В. М. Федосов. – К.: Вища школа, 1977. – 192 с.

Fedosov, V.M. (1977). *Nalohy v ekonomyke sovremennoho kapytalyzma: (na prymerе FRH) [Taxes in the economy of modern capitalism: (on the example of the FRG)]*. Kyiv: Vyshcha shkola[in Russian].

85. Федосов В.М. Проблеми розбудови податкової системи України / В. М. Федосов, С. В. Львовчкін // Фінанси України. – 1999. – № 6. – С. 40-48.

Fedosov, V.M., & Liovochkin, S.V. (1999). *Problemy rozbudovy podatkovoi systemy Ukrainy [Problems of development of the tax system of Ukraine]*. *Finansy Ukrainy – Finance of Ukraine*, 6,40-48 [in Ukrainian].

86. Федосов В. Фінансова реструктуризація в Україні: проблеми і напрями: монографія / В. Федосов, В. Опарін, С. Львовчкін ; за наук. ред. В. Федосова. – К. : КНЕУ, 2002. – 387 с.

Fedosov, V. (Ed.), Oparin, V., & Liovochkin, S. (2002). *Finansova restrukturyzatsiia v Ukraini: problemy i napriamy [Financial restructuring in Ukraine: problems and directions]*. Kyiv: KNEU[in Ukrainian].

87. Федосов В. Гармонізація податків в Європейському Союзі: фіскальна парадигма / В. Федосов, Г. Яренко // Ринок цінних паперів України. – 2007. – № 1-2. – С. 9-25.

Fedosov, V., & Yarenko, H. (2007). *Harmonizatsiia podatkov v Yevropeiskomu Soiuzi: fiskalna paradyhma [Harmonization of taxes in the European Union: a fiscal paradigm]*. *Rynok tsinnykh paperiv Ukrainy – Securities Market of Ukraine*, 1-2,9-25 [in Ukrainian].

88. Федосов В.М. Інституційна фінансова інфраструктура України: сучасний стан та проблеми розвитку / В. М. Федосов, В. М. Опарін, С. В. Львовчкін // Фінанси України. – 2008. – № 12. – С. 3-21.

Fedosov, V.M., Oparin, V.M., & Lovochkin, S.V. (2008). *Instytutsiina finansova infrastruktura Ukrainy: suchasnyi stan ta problemy rozvytku [Institutional Financial Infrastructure of Ukraine: Current state and problems of development]*. *Finansy Ukrainy – Finance of Ukraine*, 12,3-21 [in Ukrainian].

89. Федосов В.М. Українська фінансова наука: генеза, еволюція, ренесанс / В. М. Федосов, П. І. Юхименко // Фінанси України. – 2012. – № 3. – С. 3-30.

Fedosov, V.M., & Yukhymenko, P.I. (2012). *Ukrainska finansova nauka: geneza, evoliutsiia, renesans [Ukrainian Financial Science: Genesis, Evolution, Renaissance]*. *Finansy Ukrainy – Finance of Ukraine*, 3,3-30 [in Ukrainian].

90. Федосов В.М. Концептуальні питання теорії корпоративних фінансів / В. Федосов, Н. Рязанова // Ринок цінних паперів України. – 2013. – № 3–4. – С. 39–55.

Fedosov, V., & Ryzanova, N. (2013). Kontseptualni pytannia teorii korporatyvnykh finansiv [Conceptual issues of the theory of corporate finance]. *Rynok tsinnykh paperiv Ukrainy – Securities Market of Ukraine*, 3-4, 39-55 [in Ukrainian].

91. Финансово-кредитные методы повышения эффективности промышленного производства: [монография] / [С. Я. Огородник, В. М. Федосов, В. М. Опарин и др.]; под общ. ред. С. Я. Огородника. – К. : Тэхника, 1990. – 238 с.

Ogorodnik, S. Ya. (Ed.), Fedosov, V. M., Oparin, V. M., & et al. (1990). *Finansovo-kreditnye metody povysheniya ehffektivnosti promyshlennogo proizvodstva* [Financial and credit methods for increasing the efficiency of industrial production]. Kyiv: Tehkhnikaf [in Russian].

92. Фінанси: підручник / [С. І. Юрій, В. М. Федосов, Л. М. Алексеєнко та ін.]; за ред. С. І. Юрія, В. М. Федосова. – К. : Знання, 2008. – 611 с.

Yuriy, S. I. (Ed.), Fedosov, V. M. (Ed.), Alekseienco, L. M., & et al. (2008). *Finansy* [Finances]. Kyiv: Znannia [in Ukrainian].

93. Фінансова думка України: у 3 т. / П. І. Юхименко, С. В. Львовчкін, В. М. Федосов, С. І. Юрій; за наук. ред. В. М. Федосова. – К. : Кондор; Т. : Екон. думка, 2010. – Т.1. – 687 с.; Т.2. – 584 с.; Т.3. -- Ч. 1. – 471 с.; Т.3. -- Ч. 2. – 734 с.

Yukhymenko, P. I., Liovochkin, S. V., Fedosov, V. M. (Ed.), & Yuriy, S. I. (2010). *Finansova dumka Ukrainy* [Financial Thought of Ukraine]. (Vols. 1-3). Kyiv: Kondor; Ternopil: Ekon. Dumka [in Ukrainian].

94. Фінансова інфраструктура України: стан, проблеми та перспективи розвитку: монографія / [В. Опарін, В. Федосов, С. Львовчкін та ін.]; за заг. ред. В. Опаріна, В. Федосова. – К.: КНЕУ, 2016. – 695 с.

Oparin, V. (Ed.), Fedosov, V. (Ed.), Liovochkin, S. & et al. (2016). *Finansova infrastruktura Ukrainy: stan, problemy ta perspektivy rozvytku* [Financial infrastructure of Ukraine: state, problems and prospects of development]. Kyiv: KNEU [in Ukrainian].

95. Юрій С.І. Антологія бюджетного механізму : монографія / С.І. Юрій, В.Г. Дем'янишин, Я.М. Буздуган. – Тернопіль : Економічна думка, 2001. – 250 с.

Yuriy, S. I., Demianyshyn, V. H., & Buzduhan, Ya. M. (2001). *Antolohiia biudzhethnoho mekhanizmu* [Anthology of the budget mechanism]. Ternopil: Ekonomichna dumka [in Ukrainian].

96. Юрій С. І. Концептуальні засади сутності бюджету / С. І. Юрій // Фінанси України. – 2001. – № 10. – С. 3-10.

Yuriy, S. I. (2001). Kontseptualni zasady sutnosti biudzhetu [The conceptual foundations of the essence of the budget]. *Finansy Ukrainy – Finance of Ukraine*, 10, 3-10 [in Ukrainian].

97. Юрій С. Фінансова парадигма місцевого самоврядування / С. Юрій // Світ фінансів. – 2004. – №1. – С.6-14.

Yuriy, S. (2004). *Finansova paradyhma mistsevoho samovriaduvannia* [Financial paradigm of local self-government]. *Svit finansiv – The world of finance*, 1, 6-14 [in Ukrainian].

98. Юрій С.І. Сучасні тенденції розвитку європейського оподаткування та новітня парадигма податкової політики в Україні: монографія / С. І. Юрій, А. І. Крисоватий, Т. В. Кошук. – Тернопіль : ТНЕУ, 2010. – 292 с.

Yuriy, S.I., Krysovaty, A.I., &Koshchuk,T.V. (2010). *Suchasni tendentsii rozvytku yevropeiskoho opodatkuvannia ta novitnia paradyhma podatkovoi polityky v Ukraini* [Modern trends in the development of European taxation and the latest paradigm of tax policy in Ukraine]. Ternopil: TNEU[in Ukrainian].

CONTENTS



Introductions. FINANCIAL SCIENCE AND THE CHALLENGES OF THE TRANSFORMATIONAL ECONOMY	3
1. UKRAINIAN CONCEPT OF FINANCIAL THEORY AND FINANCIAL ARCHITECTONICS	31
1.1. Theoretical Fundamentals of Financial Science	31
1.2. Institutional Approaches to the Theory of Finance.....	48
1.3. Principles of Financial System Structuring.....	58
1.4. Financial Infrastructure of Society.....	73
1.5. Institution of Financial Accounting	88
2. DIALECTICS OF FORMATION AND PUBLIC FINANCES DEVELOPMENT IN UKRAINE	124
2.1. Imperatives of Theories in Public Finances.....	124
2.2. Ukrainian Government Bureaucracy: Loss and Benefits for Society.....	141
2.3. Principles of the Budget Doctrine and Budget Policy Formation and Implementation in Ukraine	157
2.4. The Problems of Budget Social Expenditures and Pension Reform in Ukraine	184
2.5. Prospects of Controlling Approaches Application in Financial Management at the Macro Level	196
3. TAX AND DEBT POLICY IN UKRAINE: THEORY AND PRACTICE	211
3.1. Conceptual Fundamentals to Develop Tax State in Ukraine	211
3.2. Turbulence of the Fiscal Field (Expansion Region) in the Conditions of Instability In Public Finance	237
3.3. Dialectics of Riskiness of Tax System Development of Ukraine	272
3.4 The Problem of Luxury Tax Introducing.....	293
3.5. Debt Risk and Its Management.....	313
4. TASKS OF OTHER FIELDS OF THE FINANCIAL SYSTEM DEVELOPMENT WITHIN THE CONTEXT OF PUBLIC FINANCE RECONSTRUCTING	335
4.1. Financial Restructuring in Ukraine and Its Results.....	335
4.2. Building Corporate Finance and Improving Corporate Management	353
4.3. Formation and Development of the Insurance Market and Reinsurance	372
4.4. Problems of State Regulation of Financial Corporations' Activity	395
4.5 Priorities for the Household Finance Development and the Financial Literacy Formation Of Population.....	415
Fundamental Works of Modern Ukrainian Scientific School's Representatives in Public Finance.....	432