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Global and country-specific aspects

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Foreword

In "The world economy. Global and country-specific aspects" will be presented in 28 articles results of research by researchers from mostly university institutions in different countries. The articles of the researchers or teams of researchers dealing with theoretical and practical issues to economic development in their countries.

The publication of the article is published in the series "European Integration. Basic issues of theory and policy" Volume 35, based on the closed in December 2008, the Partnership and Cooperation Agreement in the field of scientific research and publications between the Research Institute and the Ternopil National Economic University (Ukraine). With the present volume, now is the seventh publication under this Agreement after 2008 (Vol. 15, "Östliches Europa und Visionen paneuropäischer Entwicklung - Eastern Europe and visions of pan-European development"), Spring 2010 (Vol. 19, "Dynamische Prozesse in der europäischen Wirtschaftslandschaft - Dynamic processes in the European economic landscape"), Fall 2010 (Vol. 24 "World Economy - Problems and Processes"), Summer 2012 (Vol. 28,"Globale und länderspezifische sozio-ökonomische Effekte - Global and country-specific socio-economic effects"), Spring 2013 (Vol. 32 "Platzbestimmung Osteuropas in der sozio-ökonomischen Globalisierung - Square provision of Eastern Europe in the socio-economic globalization") and Summer 2013 (Vol. 34 "Analysen und Ansichten zur Wirtschaftsentwicklung in der Ukraine. Eine Sicht ukrainischer Forscher zu Theorie und Praxis - Analysis and views on the economic development in submitted to the Ukraine. Views of Ukrainian researchers on the theory and practice.").

The coordination of the article with the authors realized Prof. Dr. Yevhen Savelyev, Head of Department of International Economics at the Ternopil National Economic University. Many thanks for his assistance in the preparation of the scientific publication.

For the content and linguistic quality of the article, the authors themselves are responsible. Editorial changes were made only for the technical design of the book. In addition to the articles in the English language there are some articles in German - in accordance with the wishes of the authors.

Wilfried Trillenberg Berlin, Januar 2014

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Andrey Krysovatyy
Anatoly Maljartschuk

Eurointegration Vektors of Ukraine; Dilemma between National Fiscal Imbalances and GAP and Public Finances Stabilization

The adherents of the realism social and economic scientific paradigm (Vladyslav Zahashvili, Grzegorz Kolodko, Jozeph Stiglitz) consider that the economic globalization does not diminish the role of the national state both at the domestic and international levels[1]. Substantiating and recognizing the fact of the global interdependence increase they prove that this happens under the consent of the most powerful states, which impose the "free market doctrine" and dictate the "rules of the game" in the global geospace.

Globalization apologists and neo-liberalism adherents (Bertrand Badie, Richard O'Brien, Zbigniew Kazimierz Brzezinski, Charles Kindleberger, Kenichi Ohmae, James N. Rosenau, Susan Strange) confirm that the globalization means the «erosion of the state regulation» and «withering away of the national state» as a sovereign actor at the international arena and the institute of the monopoly power within the framework of the own country[2]. Structuralists (Ulrich Beck, Immanuel Maurice Wallerstein, Ernest Kochetov) believe that the globalization essentially influences on the world economy, but unlike their opponents, they speak about the negative effects for the poorest countries on the periphery of the global economy; its inevitable consequence – the emergence of the «transnational block», powerful NCs and TNB, the increasing role of the international economic organizations and international entrepreneural structures, which protect and realize the interests of the most developed countries. In conditions of globalization, the «transformation of the world economy into the unified «megacorporation», which functions beyond the national-state formations»[3] is taken place. On this basis, the structuralists speak about the idea of the state sovereignity transnationalization (Ulrich Beck[4]), inasmuch as the globalization is followed by the increase of the transnational and global issues, which are solved collectively by the countries. Together with that, in Susan Strange opinion, there are those, who defending the myth about the firmness of the state, consider the globalization as a myth (P. Hirst, G. Thompson)[5].

Although the discussion around the evolution of the institute of state and the prospects of its sovereignty preserving under the globalization did not get a clear assessment in the scientific sources, it is clear, that the world is changing, and the idea concerning the role of the state in the international economic relations[6] in the political, economic and social life is changing too" ... the transformation of the traditional form of the international society in some new form of it is taken place[7]". All the above mentioned in the context of the global development retrospective update the search of the answers on the rhetorical questions: what is the role of the state and what optimal model of behavior under the current global transformations should be? Does the global competition mean the end of the national economic policy and the welfare state[8]?

First of all it should be noted that the general considerations about the role of the state in the era of globalization is unproductive if we don't take into attention the diversity and multilevel system of this issue (the question is about the main trends of the state evolution in the current centric global world; about the change of its functionality in the era of globalization and its role in the economic processes regulation and social relations in the society; about the new role of the state as the international relations participant; about the modernization of the public institutions and the improvement of the public management, etc.). Within the framework of the given study, we should consider the discourse on the economic functions of the state and its regulatory role under conditions of the global transformations. Indeed, despite of the great interest of both foreign and Ukrainian scholars[9] to the issues which consider the role of the state in the economy, the objective backgrounds of the evolution of the state economic functions in the context of the "globalization failures" are not clearly defined, likewise the vectors of changes in the forms and methods of the state regulation of economy under the centric global economy formation.

If you do not go into details (the question is about the peculiarities of the state regulation in the certain countries), later on the matter under discussion is the thesis on the fact that under the global competitiveness, the economic functions of the national states are considerably changed, which is expressed not only in view of the conceptual foundations of the theory of the economy public regulation, but also in the transformation of the trends, forms and methods of this regulation.

In the context of the global fiscal crisis, the issue concerning the ultimate withering-away of the "social" state institute, its inability to perform its obligations occured; and, on the other hand, the calls for the reconstruction of the state as a "socially responsible" institution for the "market failures" and "globalization failures" were updated. The financial crisis has demonstrated that the citizens and large corporations can rely on their government. An unprecedented wave of the banks' nationalization has proved that the world is inevitably moving towards the state capitalism. Something similar the civilization has experienced at the beginning of the XX century.

Taking into account the above noted, it is important to consider the fact that the the mechanisms of the state intervention into the economy under the influence of globalizations are essentially changed. Staying de jure as sovereign, the nation-state should de facto adapt its domestic policy to the changing requirements of the intersystem transformations and external environment dynamics.

Firstly, the state fiscal policy theotetical and methodological backgrounds should be specified, inasmuch as on the corresponding methodological background the instrument is defined, the mechanisms of its macroeconomic component are realized. Different trends and schools of economics carry the ambotious connotations concerning the subject matter of the theoretical analysis within the state fiscal policy. Three the most wide-spread methodological positions, which are the basis for the attempts of the deepening of corresponding defenitions should be pointed out. The first of them considers the understanding of the fiscal policy as an instrument of the public treasury's interests realization. In this context, the fiscal policy is connected with the state activity and financial decision-making as to the alternative financing of the public expenditures by means of the taxes and other methods of the state financial resources accumulation.

In the traditional sense of the macroeconomic relationships the fiscal policy is understood as the government measures, aimed at the reduction of unemployment or inflation through the changes in the public expenditures or taxation levels or mobilization of the alternative public revenues or through the simultaneous combination of these two measures. In this context, the public revenues and public expenditures are the main instruments of the fiscal policy, which can be of stimulating / expansion nature (aimed at the maintaining of the high rates of economic growth and the high level of employment thorough the aggregate demand stimulating) or of restrained /deterrent nature (focused on the reducing of the aggregate demand and inflation level).

In our case, we consider the state fiscal policy in the broader context in terms of finacial decision-making concerning the treasury revenues and public expenditures, taking into account the integral determinant of this policy – so called public borrowings which are the instrument of the budget deficit financing and as of today a full-fledged segment of the state budgetary resources setting.

To outline the significant fiscal policy determinants at the present stage of the European global transformations it is necessary to draw attention to another important aspect from the methodological point of view. In particular, the global European economic development as a component of a much broader social and historical evolution is accompanied, on the one hand, by the strengthening of the unity and integrity of the world economy on the basis of the integration processes deepening, and on the other side - in parallel with the global integration processes, the differentiation and disintegration of the global space is taken place. In this context, the peculiarities of the fiscal policy are the external forms of the objective reality reflection in causative-consecutive forms of globalization and differentiation.

Table 1: Types and instrument of the state fiscal policy[10]

Types of fiscal policy	Fiscal policy instruments		
	Budgetary and tax		Debt
	Budgetary expenditures	Taxes	Borrowings
Stimulating / expansion	increased	reduced	increased
Restrained /deterrent	reduced	increased	reduced

De jure the fiscal policy remains an outpost of the state economic sovereignty. The question is at least about two main aspects. Firstly, one of the principles of the legal standing and a symbol of the national sovereignty since the Peace of Westphalia in 1648 is the right of every sovereign state to impose and collect taxes on its territory. Secondly, the basis of the economic sovereignty is the budget as an instrument for the public goods financing, as the financial background of the state economic activity. In spite of the intensity of the globalization processes, the state exists for so long as the taxes and budget exist. The fiscal policy will traditionally remain the concentrated reflection of the basic state functions, and the budget structure - a reflection of its priorities. On the corresponding basis, the relevant mechanisms of the state fiscal policy are implemented.

At the same time it should be taken into consideration that de facto the state fiscal policy principles under conditions of the global phase of the European economy development are beyond the geographical boundaries of the country.

First of all, the important changes are caused by the comprehensive rearrangement of the macroeconomic regulation mechanisms. If earlier on, the targets and methods of regulation were determined by means of the national interests of the country, now it is largely dependent on the fundamental principles of the European global development. This requires, on the one hand, the unification and harmonization of the instruments and methods of the economy state regulation, inasmuch as the globalization has reduced the opportunities for the arbitrary and voluntary behavior. On the other hand, under conditions of the global competition "... the taxation, investment regulations and economic policy should respond to the changes in the European economy parameters»[11].

Secondly, the liberalization and openness of the national economies of the certain countries in conditions of globalization significantly change the understanding of the mechanisms of macroeconomic policy, which is based on Keynesian theory (especially such policy was focused on the economy with the minimal openness, fixed exchange rates (under the Bretton Woods Agreement in 1944) and severe restrictions on the international capital movement).

The standard Keynesian model of the macroeconomic policy, according to Keynesian theory, was based on the use of the budgetary control mechanism which was complemented by the monetary policy. Explaining these relationships, Paul Krugman wrote: " Fixing the exchange rate, the Central Bank abandons its ability to influence on the economy by means of the monetary policy. But the fiscal policy thus becomes a key means of influence on production and employment»[12].

However, the abolishment of the fixed exchange rates in 1971-1973 and simultaneous erosion of the fiscal policy, which acquired the inflationary nature, have formed the objective preconditions for the change in the mechanism of the macroeconomic policy and its theoretical substantiation[13]:

First of all, the role of the fiscal policy was revised (budget constraints which provide the reduction of the budget deficits, the reduction of the public expenditures growth rates, tax reform implementation aimed at the reduction of the tax burden on the economy, policy of the public debt reduction - all these reduced the possibilities of the fiscal policy using as an instrument of the macroeconomic regulation).

The basic role in the macroeconomic regulation was passed to the monetary policy and Central Bank (what it involves is the policy of the interest rates as the main instrument of economy stimulation in the period of recesion or inflationary movements restrictions[14]).

Thirdly, the weakening of the fiscal policy as the main instrument of the macroeconomic regulation and stabilization of conjuncture under conditions of the global instability caused the objective necessity of emergence of the new fiscal regulation conceptions. More and more frequently in theoretical studies the issue concerning the necessity of the implementation of so-called "budget (fiscal) rules" (ie, the rules / standards approved by the law or adopted in the form of "social agreement" and should be the criteria of the effective fiscal discipline and fiscal policy) in the fiscal practice is raised. The need for these rules adaption is caused by the permanently growing budget deficits, public debt and increased expenditures on the public debt servicing, which negatively influence on the rate of economic growth and stability of the financial systems both developed countries and countries with emerging markets.

At that, the issue concerning the possible positive and negative consequences which can arise while using these rules in comparison with the flexible (discretionary) fiscal policy which is more dynamically adapted to the external economic conditions are still open. In other words, the subject matter of discussion within the period of the last few decades, remains open: what policy is more effective: unified, based on the rigid rules, standards and laws, or discretionary, in which the decisions on the certain measures are made, taking into account both the objectives of the national macroeconomic policy, the institutional organization of the budget process and the methods of the fiscal policy implementation and the foreign economic conditions.

Theoretical and methodological understanding of the components of this issue enables to make the next step - fundamentally examine not only the significant determinants of the fiscal policy in conditions of the global phase of development of the European economy, but also the specificity of the enrichment process of its categorical apparatus, the logic of its direct subordination to the realization of the state immediate interests.

First of all, the term "global fiscal gap» (global fiscal gaps) should be used methodologically correctly. Not only for the theory but also for the applied analytics it is important to overcome the inadequacy in the definitions of the traditionally settled concepts - "budget deficits" and "fiscal gap" (in the meaning of "temporary cash gaps"[15]), on the one hand, and to some extent neological concepts - "fiscal imbalances" and "fiscal gap "- on the other hand. Are these terms correlated against each other, is their identification correct?

It is evident that the budget deficit, as well as other fiscal parameters (revenues, expenditures, state debt) , should be considered not only in static, but also in dynamic (such as the formation of the budget revenues, budget expenditures, budget deficit financing and state debt obligations servicing) inasmuch as they reflect the processes which are interdependent in time and vary in the intensity. Thus, according to the economic dynamics theory, firstly, all these processes move under conditions of the opened economic system, undergoing the permanent influence of the environmental factors and the internal conditions of the fiscal policy realization and secondly, all these processes move at different speed (as the flow rates ratio of the interrelated economic processes).

The "rational expectations theory" (F.Kydland, R.Lucas , F. Modigliani, E. Prescott, T. Sargent) enriched and the theory of "irrational origin" (G. Akerlof and R. Shidler[16]) convincingly demonstrated that all economic phenomena and processes (including the fiscal parameters – budget revenues and expenditures, budget deficits and state debt) are exposed to the random impulses and actions of the permanent asymmetric shocks which cause the emergence of the conjunctural and cyclical fluctuations (effects). Conjunctural nature of such effects is occured in the current period although with some time lag) and cyclical nature is eventually weakened (if you follow the central hypothesis which is the basis of A. Burns and W. Mitchell[17] theoretical concept and, according to which the cyclical fluctuations occur around a trend which is significantly affected by the random drifts as a result of the effect of factors which cause the long-term trend at a certain time span[18]).

Thus, the conjunctural fiscal gap as the difference (deviation) of the fiscal policy actual basic parameters from the potentially planned ones results from the effect of the endogenous and exogenous asymmetric shocks / impulses, while the cyclical fiscal gap (the deviation of the fiscal parameters from the set trends taking into consideration the time factor) is a consequence of the stochastic fluctuations of the business activity around the trend.

In the context of the above noted, the issue concerning the nature of impulses / asymmetric shocks which cause the stochastic fluctuations arises (in the literary sources[19] there is no single universally accepted approach to their classification). The mechanisms of stochastic fluctuations (conjunctural and cyclical) which result from the asymmetric shock, remain the point of dispute among the scientific schools and trends. One of the central issues implies whether the arising of stochastic fluctuations is possible under perfect competition with flexible prices and optimal behavior of economic agents, or whether their existence is caused by some significant deviations of the economy from the conditions of perfect competition. The representatives of the Keynesian school (whose theoretical models became the basis for the financial decisions in macroeconomic policy within the period of 1940-1970) in general answerered this question in the following way: the lack of competition in certain segments, provoking rigidities in nominal prices and wages , plays a central role in the development of the cycles. Over time, the proponents of the theory of rational expectations (including a specific theory of so-called "real business cycle ") demonstrated on theoretical models that it is possible to have the stochastic cyclical fluctuations under perfect competition resulted by a particular type of random shocks. The stochastic impulses occur in some models every time when economic agents do not have full information (the theory of asymmetric information) and thus, make mistakes when taking decisions. In other models ("real business cycle") the economy is mostly exposed to the asymmetric shocks offer. In the most recent researches other mechanisms of random pulses spreading are analyzed, for example, through financial markets functioning independent one from another.

At the analytical level the impact of asymmetric shocks produced on the fiscal parameters should be considered from the standpoint of at least six qualitatively different perspectives:

1. The supply shocks directly affect the production side of the economy, and thus they determine the conjuncture dynamics of the budget revenues. Those categories of such shocks include technological developments, climate changes and natural disasters, finding of raw material new sources (which is a shock to the economy of a particular country) or fluctuations in world commodity prices (particularly the countries - exporters of raw materials are exposed to those shocks).
2. The demand shocks (the stochastic asymmetric demand shocks in the private sector are primarily implied) are usually caused by changes in investments, either in consumer spendings of economic private sector, and they are most commonly associated with probable changes in the adaptive expectations as for future economic development.

3. Political shocks are the result of the authoritie's decision-making at the macroeconomic level. In the economic system, they mostly affect the demand (the fluctuations in the money supply , also the nature of the exchange rate policy and exchange rate dynamics, changes in fiscal policy and conjuncture dynamics of budget expenditures are meant).
4. Geopolitical shocks more often occur in circumstances where the model of global economic power distribution is substantially modified, when along with the deepening of the gap in the economic development of different country groups new centers of global economic competition are created, the subjective structure of competitive international relations is diversified, new centers are created for global capital accumulation.
5. Speculative shocks are mainly related to the transactions in financial markets. They directly affect the dynamics of government liabilities and indirectly - on budget spending (thus, the increase of interest rate worsens the conditions of public debt service and taking on new loans. Typically, speculative shocks are caused by changes in investment preferences and are most commonly associated with adaptive expectations of financial risks increasing in the future.
6. Operational shocks (. «Operatio» (Latin) - « action ») are resulted by the activities of human and technical factors. The point is that the quality of fiscal policy greatly depends on the accuracy of macroeconomic parameters forecasting at the stage of budget planning. It is clear , for example, that over- estimating of revenues leads to inconsistencies between the obligations of the state and the capacities for their implementation. Then the government faces a dilemma: either to increase borrowings or to refuse from the fulfilling of statutory obligations. At that, in both cases there is a risk of macroeconomic stability violation. Instead, lowering of government revenues leads to underutilization of the state resources, either it needs the budget correction during its execution, which may result in taking less effective decisions that eventually leads to reduction of budget expenditures.

Thus, due to low quality of forecasts there occur temporary conjunctural fiscal gaps that cause significant risks to fiscal policy in the long run, and eventually - for overall macroeconomic stability. The task of developing forecasts is significantly complicated at the transition to a medium-term budget planning (as far as in the expansion planning horizon there increases uncertainty for all parameters), especially in a volatile external environment.

From a methodological point of view it is important to find out what a "global" fiscal gap implies. First, we note that it is not a universal standardized nature of fiscal imbalances and gaps for all the countries across the global European economy. Although, it would be good to have a universal theory of fiscal gaps and fiscal imbalances for all European countries. But in practice this is impossible, because the deviation of the fiscal parameters from the set trends based on time factors in different countries differ significantly both, in its nature and reasons of occurance, and in the regularity and duration of existence in time and so on. It is clear, that their dynamics and forms of expression in the countries that heavily depend on external terms of trade are different from those occurring in the countries that are less dependent on the outside world, however, the countries - exporters of raw materials are exposed to a different type of shocks than the countries - exporters of finished products. Accordingly, within a single theoretical concept it is almost impossible to explain overall multiaspectedness of fiscal gaps and imbalances manifestations (each of which may be a subject of a separate completed research).

It is a different story. Regardless of the type of asymmetric shock (either supply or demand) and what kind of mechanisms are used for its distribution, asymmetric shocks can occur both within the country and abroad. In today's global phase of the European economic development, the economic system of any country through trade and financial linkages is exposed to external factors and economic events occuring in other countries and regions. Accordingly, for analytical purposes, due to econometric models it is good to calculate the impact produced by not only endogenous (in literature "home"[20] can be found), but exogenous (international) component of stochastic short-term fluctuations and cyclical impulses. Each type of such exogenous impulses or asymmetric shocks which occur in the global economy, changing the fiscal parameters of macroeconomic policies of individual states, and the method of their distribution depends on the model of socio -economic development of each particular country and the structure of its economic system. Theoretically, the impact of exogenous stochastic short-term fluctuations and cyclical pulses can be interpreted in different ways:

- first, as a set of common to all of the countries and at the same time acting asymmetric shocks;
- second, as a combination of short-term stochastic pulses (shocks) arising in individual countries, and with a certain time lag spread to other countries through trade channels and financial markets.

Actually, in practice it is difficult to make a clear distinction between these alternatives, though it is obvious that there is potential for situations occurance where the main role is played by each of these alternatives.

In summary, we note that the thing is not only in definitions. It is in other thing. In fact, it is far from being only abstract definitions, but those that are directly related to providing financial foundations of the state, and the implementation of its functional requirements. We focus our attention on this point not only to demonstrate the fundamental importance of effective fiscal policy, but also to emphasize the logic of subordination of the country's immediate interests implementation.

With the deepening of global fiscal imbalances and the aggravated problem of fiscal crisis the issue of balanced budget is actualized, and on that basis, how to ensure fiscal sustainability. Given the fiscal equilibrium model, modern economic science operates five main concepts of budget balancing, in the frameworks of which theoretical models of financial decision- taking are guided:

1. The concept of budget balancing on an annual basis, the essence of which is the need to balance the annual budget on deficit-free basis.
2. The concept of cyclical budget balance, under which the budget should not be balanced in a calendar or fiscal year, but throughout the whole economic cycle. In this case, the government borrowings act as an instrument of financing the budget deficit, resulting from reduction in tax revenues in the depressed phase of the economic cycle.
3. The concept of automatic stabilizing economic policy that involves balancing of the budget throughout the economic cycle, but it focuses on the so -called embedded stabilizers .
4. The concept of the compensation budget, which emphasizes the permanently increasing economic stagnation in the developed countries and accordingly, the impossibility of reducing the ever-growing budget deficit and complete refuse from the government borrowings.
5. The concept of fiscal consolidation the scientific interest to which grew under the influence of the global crisis of 2008-2009 and under aggravating of debt problems in Greece, Spain, Ireland and Portugal in 2010. The fiscal policy of most countries in the coming years is based on the idea of ensuring stability of fiscal system by reducing the budget deficit through implementing decissions taken earlier and promoting the innovative economic development. This correction of fiscal policy is determined at least by two reasons. First, further increase of budget expenditure is opposing the policy of ensuring financial stability and deterring the inflation processes. Second, accumulated in most of the countries for the previous periods burden of social obligations require them to be inventorized and maximally reduced, and that was manifested in the rigidity strengthening of budgetary rules and requirements for the allocation of public funds.

As the practice of the developed European countries shows, in order to achieve the fiscal balance and stability most of these countries use special fiscal rules[21] Summarizing the European practice, the authors of one of the studies on this topic determine three main types of rules that impose restrictions on fiscal policy to achieve macroeconomic stability, strengthen financial security and confidence in the government's economic policy[22]:

1. The rules requiring a balanced budget or threshold limit of budget deficits (in particular, the following forms of fiscal constraints are implied: full matching of revenues and expenditures (i.e, a total banning of public borrowings) or limiting the

budget deficit by certain percentage of GDP; balance of income and expenditure, taking into account the cyclical factor (this is true of the budget deficit); balancing of purely current incomes and expenditures (despite the fact that loans are permitted only to finance investment).

2. The rules on government debt policy (may prohibit the government borrowing from domestic sources in the central bank or restrict these borrowings with certain proportion to government revenues and past expenditures).
3. The rules on the amount of public debt or reserves (may limit the gross (or net) debt by the percentage of gross domestic product, also they may determine the amount of extrabudgetary funds reserves (usually social security funds) by the proportion of annual social benefits).

Naturally, the question arises: what are the benefits of fiscal rules to discretionary fiscal policy? First of all, do they produce a disciplining influence, and in this context are able to smooth the negative effects of political shocks, arising from the activities of democratically elected governments that under voters' pressure tend to spend more than incomes allow and, therefore , accumulate debt and shift a burden of payments to future generations. In addition, the fiscal rules are an indicator on the basis of which financial decisions are taken further. So, strengthening of fiscal stability in such a way allows for realistic policie : that is, despite the volatility of incomes, to ensure sustainable financing of state budget liabilities.

To ensure a long-term fiscal stability most countries (especially those the fiscal parameters of which are dependent on the export of natural resources and the dynamics of prices for them) create special funds[23]. The funds accumulated in these foundations, act as an instrument for smoothing fiscal gaps and imbalances in an unfavorable price situation and its provoked reduction of budget expenditures. However, it is important to note, that the funds are created not only for the purpose of stabilizing the budget, but also for keeping macroeconomic balance - limiting inflation and excessive strengthening of national currency (preventing the development of " Dutch disease ").

In an unstable external environment the scale of global fiscal imbalances naturally increase, but their consequences (effects) in various countries differ significantly in nature and causes of occurance, and in regularity and duration of existence in time and so on. At the analytical level the asymmetric effects of fiscal imbalances can be explained from at least three qualitatively different position angles.

First, their dynamics and forms of manifestation (the fiscal imbalances are implied) in the countries heavily depending on external terms of trade and external financing are different from those which are available in the countries less depending on the outside world. In this case, one can observe a greater impact of environmental factors uncertainty (such as the price of oil and gas, unstable exchange rate volatility and exchange rate dynamics of interest rates in the debt capital markets, etc.) produced on fiscal parameters of the countries with excessive levels of dependence on them, which is largely due to high foreign trade openness (i.e. also including Ukrainian economy).

Second, the countries - exporters of raw materials and products with low processing are exposed to another type of shocks than the countries - exporters of finished high-tech products . It is known that the amplitude of fluctuations in world commodity prices for raw materials is much higher than for the products of manufacturing industry, which is connected with both: limited natural resources (e.g. oil and gas) and with low level of competition in commodity markets which are of oligopolistic character. As far as the prices for low-processed goods are meant (eg , ferrous and non-ferrous metals), their dynamics is largely determined by the general global economic conditions (in case of trade terms worsening, there occurs a sharp decline in prices for such products).

Finally, the main fiscal parameters (revenues and expenditures, budget deficit and government debt) may differ from the targets because the forecasts of all major macroeconomic indicators contain a systematic error[24], whose action in a volatile external environment, usually increases. World experience shows that different countries at different times used both, a fiscal conservative prediction of parameters (where, for example, the forecasts of budget revenues are deliberately understated), and an optimistic approach to forecasting fiscal parameters (when the projections of budget revenues, on the contrary, are deliberately overstated)[25]. True optimistic forecasts mean that the government, providing short-term political goals or pressure of lobby groups tries to unnecessarily increase the government spending. This leads to regular excess of statutory indices of budget deficit , i.e to the weakening of fiscal discipline.

In the analysis of asymmetric effects of fiscal imbalances it is important to note that they are determined by the dynamics of macroeconomic parameters changing under the influence of stochastic short-term pulses (shocks) and are fundamentally different in the formation of their character. Accordingly, it is worth determining three categories of variables:

1. The indicators of external conjuncture (prices for goods of exports and imports, cross-dollar and euro rates, dynamics of interest rates in the global capital market , etc.), acting solely as exogenous supply shocks (while their forecasting it is important to use estimates of international organizations and large international companies).
2. The indicators to be checked for errors, the value of which is more determined by the decisions of the government and the central bank (although it should be noted that these decissions essentially depend on the values of exogenous variables). Primarily inflation and exchange rate are implied. The prediction of those variables should be

linked with the assessment of government's response (political shocks) to the change of external conditions.

3. Derivative / secondary variables, which are mainly determined by a combination of external variables and indicators to be checked (for example , exports or imports, the profit and wages , etc.).

Accordingly, the distribution of asymmetric effects of fiscal imbalances in a volatile external environment as the interplay of macroeconomic and fiscal parameters can be represented by the following components:

1) Direct asymmetric effect when changes of macroeconomic parameter lead to immediate changes of fiscal parameters .
2) Indirect asymmetric effect caused by the influence produced on fiscal parameters through a sequence of distribution channels, namely: " the initial macroeconomic parameter - indices to be checked for errors (based on the respond of the authorities) - fiscal parameters ."
3) Secondary asymmetric effect that spreads through a sequence of channels , "the source macroeconomic parameters – derivative/ secondary variables - fiscal parameters " and "derivative macroeconomic parameter – the indices to be checked for errors - secondary variables - fiscal parameters ."

Summing up the above mentioned, we note that the main trends of fiscal policy of the majority of countries in the medium term, are determined by asymmetric effects and scenarios of post-crisis recovery of the European economy, and internal asymmetric shocks. Directly the main external factors for the formation of fiscal policy in Ukraine are the following :

- prices of gas imported from the Russian Federation;
- expectations for the results of Vilnius Summit;
- rate of recovery levels of business activity of the countries - trading partners of Ukraine and the growth of the European economy and thus, the increased demand for Ukrainian exports;
- physical volume of demand for basic goods of Ukrainian exports in the European market ;
- the level and dynamics of prices for basic commodities of Ukrainian exports in the European market ;
- dynamics of interest rates in the European financial market, since they determine the intensity and direction of capital flows (especially portfolio investment), the financial position of the country with significant external debt and consequently, the availability of capital for Ukrainian borrowers;
- volatility level of major reserve currencies (US dollar and euro) in which the external debts of Ukraine are denominated.

Thus, the main risk associated with fiscal policy of Ukraine under conditions of European integration - is a high probability of deepening of fiscal gaps and imbalances in the medium term under instable domestic European political and economic conditions.

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[5] As an example of such assumptions, S.Strange provides a book of P.Hirst. Globalization in Question: The International Economy and Possibilities of Governance / P. Hirst, G. Thompson. – Cambridge, 1996 [See: Strange S. The Erosion of the State / S. Strange // Current History. – 1997. – № 98. – P. 365].

[6] For several centuries, since its emerging, the state (in its specific form of the nation state) was considered as the main entity in the international economic relations. The regulation of the world economy was associated with the activities of the national governments, inasmuch as they performed the legal control within its sovereign territories. The most developed national economies largely determined the nature, forms and mechanisms of the international relations. It was proved that the global economy was seen as a set of the interdependent national economies. Trade and capital flows in the world economy were international.[See: Globalization of the world economy: textbook. / Under the edition of the Doctor of Science, . prof.. M. N. Osmova and Candidate of Economics, Associate Professor A.V.Boichenko – M.: INFA-M, 2006. – P. 270].

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[8] Welfare state was popular in the Western European countries after the World War II. Organizational and legal initiation of the welfare state is connected with the name of the English politician William Henry Beveridge, whose proposals (Beveridge plan) in 1942 were the basis of the variety of laws on the state system of the medical insurance. At the international level, the basis for the legalization and practical development of the welfare state was the decisions of the World Labor Organization (Philadelphia, 1944) [See: V.L.Andrushchenko. West financial thought in XX century: (Theoretical conceptualization and scientific issues in focus of the state finances) /

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[14] However, it should be noted that the use of this instrument also has severe restrictions caused by the globalization and uncontrollable movement of the speculative capital. In particular, the immediate reaction to the decline in the interest rates or an increase in the public expenditures over the amount of the revenues can be the speculative capital outflows followed by the decline of the exchange rates and increase of prices for import. All the above mentioned instead of stimulating of the economic growth and increase of the employment actually can cause the inflationary effect.

[15] In Ukrainian legislation the temporary cash gap is the difference between the revenues and expenditures of the monthly list of allocations of the local budget General Fund, which occurs in the process of its execution; this difference is connected with the need to make payments during the current fiscal year in accordance with the budget commitments [Ministry of Finance of Ukraine "On Approval of the Procedure for obtaining of the short-term loans to cover the temporary cash gaps which arise during the execution of local budgets general fund» № 627 of 09.08.2002] The temporary cash gap means the lack of local government capacity to asquit a debt on a specific date by means of the current and expected cash assets of the General Fund (including budgetary funds balance), except subsidies, additional grants, transfers and other budget reserve funds, budgetary financial obligations on protected expenditures [Resolution of the Cabinet of Ministers of Ukraine "On approval of the cover of temporary cash gaps of the local budgets » № 1204 of December 29, 2010].

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[18] If the actual budget deficit unexpectedly or under the certain asymmetric shocks will increase significantly this year, its overall trend is likely to be higher over the next few years. Such conclusion is based on Stanley Fischer and Oliver Blanhard hypothesis from MTI: "Temporary shocks lead to the emergence of fluctuations in the output, lasting until the effects of such shocks do not run its course. But the dynamics of output would not be stable even in the absence of the temporary shocks. The result of the above noted fact is more complex understanding of the fluctuations when the temporary shocks lead to the fluctuations in the output around the stochastic trend, which essentially influences on the dynamics of the real GDP» [See Blanchard O. Lectures

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[21] In the 1990s in most of the countries there were prepared normative and methodical documents in the area of fiscal policy , the development of long-term budgetary strategies and achievement of fiscal sustainability. For example , in the UK there was adopted the "Code of Budgetary Stability" (1997), in Australia - " Charter of Fiscal Credibility" (1998) , in New Zealand - " The Act of Fiscal Responsibility" (1994) , in the European Union - " Maastricht Treaty "(expanded in 1997 under the" Pact of Stability and Growth "). [See .: Tymokhin E. Stability Analysis of the Federal Budget in the Crisis Period in Russia / E. Tymokhin / / Issues of Economy. - 2011. - № 1. - p. 26].

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[23] After the Sovereign Wealth Fund Institute there are around 50 funds whose assets make almost 4 trillion US dollars. In this area the BRICS countries, China in particular, play the main role.

[24] Alterations of a certain indicator underestimating and its overestimation indicates a random character of prediction errors, whereas the prevalence of over or under-forecasts reveals their systematic deviation from the actual indices.

[25] For example, A. Auerbach in his famous work showed that the forecast of the federal budget revenue in the United States was systematically underestimated (conservative approach) under President Bill Clinton (in 1993-1999 and systematically overestimated before (1986-1992 ..) [See. Auerbach A. On the Performance and Use of Government Revenue Forecasts / A. Auerbach / / National Tax Journal. - 1999. Vol. 52. - No 4]. .