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GLOBAL FINANCIAL CRISIS AND PROBLEMS OF GOVERNMENTAL REGULATION OF INTERNAL MARKET DEVELOPMENT IN UKRAINE

Keywords: globalization, crisis, internal market, governmental regulation

The dramatic course of the world financial crisis accompanied by the deep economic recession has exposed a problem of the global factors influence on development of national economy, and in particular on domestic market. In modern scientific literature there is common understanding of globalization as a process of unique interconnected world trend, interaction and interference of different institutions, cultures and civilizations. It covers all spheres of human life but, first of all, it influences on organization of an economic life of society. Globalization of economy forms a material substance of all globalization processes, acts as an engine and sets an impulse of their development. Other spheres of public life are more inert, than economy. That is why the rates and depth of globalization in these branches are essentially lower comparing to global processes in economy [1, p.565]. Globalization of economy is based on strengthening of production and capital internationalization and is displayed in equality, unification of economic activity conditions, approximation of a price-level, removal of barriers for free movement of goods, labor, and capital.

Modern trends and contradictions of world economy, and financial markets globalization. Frequently, the financial and investment flows directions, as well as the directions of resources, technologies and finished products inside the country, are influenced by a course of global competition, its contradictions and consequences. It is important to emphasize that the global regulators lead to tectonic shifts in a competition between countries and civilizations. Depending on capital flow directions on the world financial markets the rates and the quality of economic development are differentiated for both the separate countries and the big planetary regions, which borders coincide with the world civilizations borderlines. It becomes usual that not an internal economic life on its own, but its symbiosis with world economy regulators, determines expansion or economic recession, the scale of poverty or well-being of a state [2, p.70-71].

It seemed that expansion of global processes could promote gradual liquidation of poverty, rapprochement of social and economic development levels of the rich and poor countries, mutual enrichment of cultures, and realization of wide productive dialogue between confessions of faith. However, in a real life the picture has appeared far enough from represented above idyll. According to the World Bank throughout the last thirty years a share of the third of the poorest countries in a world gross domestic product (GDP) has a strongly pronounced downdrift. Attempt to create unipolar world under the aegis of one superpower after the geopolitical accident - disintegration of the USSR, subsequent events in former Yugoslavia, Iraq, a rigid international competitiveness for resources and markets indicates what methods «of creation of the unique interconnected world» a number of the countries-ideologists of globalization are guided with. The

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religious fundamentalism, extremism and the international terrorism turn into the «plague» of the 21st century. It is clear that on such background the trust to globalization doesn't arise. On the contrary – the nutrient medium for the development of anti-global moods is formed.

At the same time it has appeared that globalization does not eliminate the national isolation of the countries and their economies. Strategy of the USA, Russia, China, and some of the most developed European countries is directed on preservation of supremacy of the national legislation over the international, as well as on strengthening of their leading positions or at least on assurance of the worthy role in the global and unified world. Almost 20-year experience of Ukraine testifies that professed universal values furthermore did not affirm practical politics, which very often contradicted national interests or reflected their absolute misunderstanding and comprehension. Identification of the national idea have not crowned success and have been changed by cyclical variation of development vectors determination – to approach to Russia and CES (Common Economic Space), or to GUAM, or to EU and the NATO. So the national interests are substituted by interests of financial and industrial groups dominating on a political Olympus. Under such conditions the main thing for Ukraine today – is to save own subjectivity in global financial and economic environment.

Noted and unexpected for national economy consequences of the global transformations of world economy testify that globalization is the process of dynamic interaction of two opposite trends – integration and decomposition. Such discrepancy of globalization appears, on one hand, in an intensification of national economies interpenetration, merge and agglomeration of economic systems as well as international markets, foundation of global financial and economic unions, creation of supernational government bodies, and on the other hand – in growth of a fragmentariness of world economic space, diversification of a trajectory and deepness of an asymmetry of national economic development, localization of economic activity, strengthening of cultural differentiation. Obviously, there are trends for weakening of interrelations between the elements of global economic system as a result of localization of economic relations in form of macroregional groups, financial and economic selfishness and nationalism of separate countries, marginalization, replacement of the poorest states to periphery of civilization development and a kind of so-called «closure» of postindustrial economies. [3, p.135].

Influence of world crisis on financial processes in national economy, internal market development. From the second half of 2008 the economy of Ukraine is characterized as gradual with steadily strengthening pressure, caused by the imbalance of trade and international balance of payment, national budget, as well as by disproportion between production and consumption. Inflationary trends grow, the balance of current payments is in sharp negative disproportion, public and corporate debt grows (in the beginning of 2009 it has reached USD 115 billion.). Abovementioned factors are the harbingers of tectonic economic shifts. Decrease in industrial production for the first quarter of 2009 is more than one third. It actually means that the economy of Ukraine is thrown back in its development for years. In key economic branches - metallurgy and chemical industry – decrease is 43-44 %, in mechanical engineering – 56 %. The construction sector reduced more than on two thirds, internal volume of freight traffic has reduced to 34 % in comparison with a previous year [4, p.1]. Undoubtedly, global financial crisis has a negative impact on the economy of Ukraine, at least because almost 50 % of a domestic bank system are supervised by foreign banks with all their problems of liquidity, deficiency of credit and investment resources, collapse of the basic world financial markets. But one of the primary factors of crisis aggravation in Ukraine is rejection from the model of renewable investment growth and accepting of the model of a political cycle in economic policy that took place in 2005. In particular, because of the expense of low interest credits, which were accessible to

all world economy counteragents during the last few years, in Ukraine the artificial (monetary) growth of separate sectors of economy took place, thus, that growth of an actual income were rapidly advancing the development of labor productivity.

Modern difficulties in functioning of national economy are predetermined by inadequacy, inconsistency, and in many aspects by frank failures of economic policy, conducted throughout the last years especially in sphere of monetary, credit, and fiscal regulation of investment processes. Fast growth of monetary supply, inflation that in the end of 2008 has reached 22,5 %, has overheated economy and in tote have led to artificial growth of assets, interest rates in the currency markets and, as consequence, to reduction of access of small and average enterprises to foreign credit resources. In a context of abovementioned, experts consider probable scenarios of expansion and beginning of overcoming the financial and economic crisis in Ukraine.

Table 1 Scenarios of crisis development in Ukraine for a period till January 2010

| Stages of crisis | Pessimistic prognosis | Optimistic prognosis |
|-------------------------------------|---|---|
| January-March | Decline of the sovereign and corporate rating. Refuse of basic creditors (IMF, World Bank, European Investment Bank, EBRD) to credit Ukraine. Consequences - defaults of borrowing under state guarantees. Impossibility of bank sector refunding. | Ukraine gets second tranche of IMF (about USD 4,5 milliards), credit of the World Bank - USD 500 million and financial help from other states. Refunding of banks. Restructuring of credits under the state guarantees. Decrease in funds transmitting. Stabilization of the sovereign credit rating. |
| May-August | USD peak exchange rate - from 10 to 15 UAH. "Hand" revision of the state budget deficit by the Ministry of Finance: increase from UAH 31,1 billion to UAH 60 billion depending on the USD exchange rate. Probably, indemnification of budgetary deficit will be conducted by money quantity enlargement. Increase of inflation from 22,3 to 30% | A decline of negative trade balance caused by an increase of export. Tax deductions for enterprises-exporters against to reducing of social payments. Expansion of currency corridor and devaluation of national currency, which will improve trade balance. |
| August-October | Increase of the break between inflation and GDP dynamics. Beginning of stagflation - drop in prices for all the basic types of food against the substantial decrease of production. | Decrease of the break between inflation and GDP dynamics. USD peak exchange rating - UAH 10-12. Increase in Ukrainian bonds liquidity. Indemnification of budget deficit due to implementation of innovation programs under the governmental guarantees. |
| November 2009 - January 2010 | Increase of national debt from USD 22 billions to USD 35 billions. Overdraft of National Bank gold-value stock by the overall state debt. Mass abandonment to trade Ukrainian bonds. Threat of sovereign default. | Ongoing devaluation will result in stimulation of export; exporters will get the devaluation profit from the depreciated currency exchange rate of UAH. Increase of demand for domestic goods on internal market. Decrease of gold-value stock consumption. |

Source: According to Institute for Economy and Forecasting, NAS of Ukraine, companies Dragon Capital, Concord Capital, Astrum Investment Management // Correspondent, #5 (344), February, 14th 2009. - P.30.

Last-years expansionary monetary and fiscal policy of the Government and the National Bank resulted in so-called circle: an overwhelming part of the credits involved by Ukrainian banks from abroad were directed on consumer crediting, which increased a visible trade deficit and caused additional requirement for foreign investments, led to growth of an external debt and cost of its service. Under such circumstances it becomes obvious that possibilities of Ukraine to ensure investment process and attract foreign investments are exhausted. Course of the crisis from the beginning of 2009, an absence of the effective governmental anti-crisis program, political instability and complete imbalance of the public authority branches more again seems to go through the pessimistic scenario of event succession.

Global financial risks for the internal market of Ukraine. Under the global financial crisis and world economic recession, in combination with the deep political and transformational crisis of Ukrainian society, national economy faces variety of internal and external risks, neutralization of which becomes the prime task of internal economic policy, directed on macrofinancial stabilization, halt of setback in production as well as substantial expansion of internal market.

Among the most dangerous risks from the point of view of pressure, exerted on internal market, and trend to strengthening of an inflationary influence on economic processes, it is necessary to mention the following:

- World economic recession causes the corresponding reduction in the domestic exporters production demand;
- Domestic market competition strengthening due to the outside importers inevitably leads to sharp production decrease in food and light industries, as well as in engineering industry;
- Subsequent rise of imported natural gas prices will hits first of all the domestic industry;
- Preservation of a high-level deterioration of production assets (industry – about 60%) and inconsistency to ensure their fast modernization;
- High level of power consumption in the majority of branches;
- Low efficiency of the current mechanism of industrial exporters support;
- Underdevelopment of an industrial and logistic infrastructure;
- Backwardness of support mechanisms for innovations and technological development;
- Insufficient level of property rights protection;
- Fixing the value of a new-crop agricultural products cost on a higher level than in the previous period on score of the fuel price growth, agrochemicals, increase of labor cost;
- Increase of municipal tariffs because of the imported gas price advance;
- Influence of the devaluation expectations of households and population against the growth of negative trade balance as well as of the current account of payment balance [5, p.35-36].

The expansion of crisis processes in national economy requires urgent coordinated actions in sphere of monetary and fiscal policy, directed on financial system reorganization and modernization of real sector, namely: transition to a policy of a flexible exchange rate; selective support and strengthening of a bank system, expansion of it's resource possibilities and instruments for economic growth; strengthening of financial sector possibility to transform available assets of the households into the investment resources. From the point of view of an effective usage of limited budgetary resources it is necessary to involve the mechanisms of public contract exclusively for several priority directions of economic development, having concentrated main attention on the infrastructural projects.

The governmental regulation of the internal market in a framework of a global financial system reform. The global financial crisis has system character, influences majority of branches of economy and social sphere in each country, persuades on the structure of economy

and principles of international economic relations. There is a high probability that the crisis will have long duration. In such circumstances the role of state as well as of governmental regulation of country's economic life objectively grows. It causes the actualization of polemic on eternal questions concerning the character of the state interference in economy, a parity of authoritarianism and democracy of public administration, liberal and protectionist actions in economic policy, harmonization of global and national regulators of financial and economic sphere and so forth. It is quite clear that the necessity of national economy reorientation on internal investment sources in conditions of a world financial crisis requires certain reorganization of the whole system of governmental regulation of economic processes in having regard to the external factors, and, first of all, to the long felt need of a world financial system reform. Such reform should be based on new approaches and new understanding of the market functions inversion and public regulation of economy in a context of global trends of postindustrial development of human civilization. Considering noted trends, it is necessary to clarify and determine the scale, spheres, mechanisms and instruments of the state interference in development of national economy as a part of a global economic system of transitional type.

In Ukraine the state often interferes with those spheres, where its' presence is superfluous, and doesn't accept effective actions where it is necessary. At the same time strengthening of capacity of the state as well as of its regulating function is quite often identified with inevitable bureaucratization of economic relations, growth of authoritarianism and increase of official's authorities. The authoritarian states are not so opened; they possess methods both of economic and administrative regulation, which can not so much help to cope with crisis, as to mask) it without any instruments to identify it.

Thus, it is hardly correct to say that the state can cope with crisis because the potential of a global financial crisis considerably prevail possibilities of any state. Core question is: whether the state, or the government can prevent the crisis and what are the methods to prevent crisis process? State has possibility to interfere with compression of economy and financial sphere, which is a severe trial for the population. State can artificially overload economy with money by emission just for the period when it is necessary, and in case of proper usage of the emission mechanism it wouldn't automatically lead to inflation. The similar algorithm of behavior under the crisis undoubtedly is not ideal and comprehensive - there is a wide range of other approaches and points of view. The most important aspect is that the state, especially, such weak one as Ukraine is, has to rescue system branches and sectors of economy, and, first of all, bank system. Selective approach to the governmental aid granting should be applied in real sector in order to grantee the enterprises and the branches important from the point of view of national security, and social humanitarian sphere development.

During economic and financial crisis protectionist actions prevail in politics of leading states as a rule, despite of public rhetoric about restraint in their application. Today practically all countries implement frank protectionist actions - from import restriction to a straight line of monetary support of system banks and companies. These actions contradict both to principles of WTO and IMF, as well as to the concept of liberal economy. Under slogans about unique global strategy for overcoming crisis all leading world economies try to create their local islands of stability. There is a process opposite to globalization - it is the process of fragmentation and regionalization of the world economic space. This concerns European Union and the USA as well as the majority of other regions of the world, including the states of South Asia, Latin America, and the most developed Arabian countries.

In order to avoid traps, both ongoing liberalization and relapses of total state interventions under slogans of struggle against crisis, for the national systems of economy regulation it is nec-

essary to find out an optimal combination of market self-regulation, global regulators and mechanisms for coordination of society economic life. These groups of methods acquire exclusive significance in the process of consolidated search for the ways to overcome the world financial crisis - interstate agreements, actions of supernational governmental bodies, programs of international financial organizations, transnational corporate governance and so forth.

In such sense the investment policy should be, first of all, directed on creation of a favorable investment climate for foreign and domestic investors, and on rising of the effectiveness of budgetary investment resources usage. Hence it follows, that state has possibilities to increase investment attraction of the country on a basis of:

1) Improvement of the investment legislation and decrease in administrative barriers for investment activity, which doesn't require capital investments from the budget;

2) Intensification of public-private partnership in different spheres of business which provides either the direct participation of the state in general projects, or its support on refundable or return basis;

3) Solution of the major state problems, which, as a rule, require budgetary investments through the quality of an investment climate and support prospects (especially at the initial stage) from external non-governmental sector of economy [6, с.92].

It is clear, that mentioned activities are far not enough to solve the issues of necessity to work out effective investment strategy for the state to overcome crisis of the world financial markets, but they allow to buff it's consequences for Ukraine and to lay the foundation for abrupt structural and investment maneuver to support social and innovational reorientation of national economy development.

Conclusions. Financial and investment possibilities for post-crisis development of the internal market of Ukraine. Despite of the negative long-term consequences and current risks, world financial crisis gives certain possibilities of development for economy of Ukraine. In particular, sharp price fluctuations on energy recourses determine the necessity of implementation of the energy-conserving programs in public and private sectors of economy. Membership in WTO and negotiations concerning the free trade agreement with European Union will induce to more sober, unseated to euphoria, estimation of Ukrainian position in the global competitive environment; it will move forward harmonization of national legislation with European one, and will make irreversible the subsequent market transformations in combination with state and global regulators of economic development. The reduction of cheap foreign credit sources will lead to the incensement of demand for the domestic sources of financing and give a stimulus for establishment of corresponding institutional possibilities. The aggravation of a trade balance and the balance of current accounts will accelerate the implementation of concrete actions directed on investment climate improvement. The long-term trend of growth of the world food prices will quite probable promote the rapid development of agrarian sector of economy, reorganization of a modern infrastructure for agricultural production. The irresponsible policy of advancing growth of actual population's income in comparison with GDP growth and impossibility of indemnification of inflationary losses for citizens will necessitate the implementation of a wide range of social reforms such as the income policy, social assistance, and provision of pensions.

It is clear that post-crisis reforming of the national economy, changeover to a new paradigm of governmental regulation of economic processes requires accumulation and redistribution of significant financial resources. Except for the limited budgetary resources, Ukraine can expect, firstly, for the resources of population in case if the bank system will be trusted again; secondly, for the interstate credits directed on the large-scale mutually advantageous programs

of development; thirdly, for the financial support of international organizations (IMF, IBRD, EBRD, probably – banks of the large-scale regional organizations); fourthly, for the rest of profits of national capital, which can be invested to the prospective national programs based on public-private partnership; fifthly, for the competent measures directed on a shadow economy reduction [7, p.5-6].

In each specific case it is a question of billion dollars, borrowed funds that considerably exceeds volumes of expected overall credits, given by international financial organizations. And in each of abovementioned cases these funds can be used divergently: money of citizens– for public investment (first of all: social infrastructure, housing and communal services), external loans – for capital investment projects and stability of financial system, domestic investments of national capital – for new programs of structural reorganization of economy.

For Ukraine it is important to overanalyze the ideas, which are now discussed in Russia and EU, concerning the development of coordinated programs for overcoming crisis. Big groups of countries will form stabilizing funds to ensure stability of the regional markets by distribution of public contracts between domestic commodity producers. For Ukraine it will mean necessity to carry on serious negotiations both with European creditors, and with Russia.

However, the implementation of abovementioned, as well as the other possibilities of post-crisis improvement for Ukrainian economy to a great extent depends on whether it will be possible to avoid redundant politicization of economic processes and to overcome social populism, temptations of imperious elite to hide their personal administrative inconsistency under the consequences of the world financial crisis.

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