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ROLE OF STATE REGULATION IN OVERCOMING THE ECONOMIC CRISIS

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ABSTRACT

The article examines the issues related to state regulation of the economy during the crisis, considered the problems of determining the feasibility and effects of state regulation in times of crisis, proved that the market economy, due to its inherent weaknesses, is prone to causing the crisis. This process is objective and cyclical. In the past decade, the number of crises, including the world, has increased significantly, which is associated with the growth of the financial sector. Permanent repetition of negative developments in the financial system and has a direct impact on the economy, which proves the need to strengthen state regulation in this sphere. The methods that can be used by different countries, in order to overcome the crisis in the economy was analyzed. It is proved that the administrative methods of crisis management, as a rule, are used in countries where market laws are not effective enough. In turn, in the economically more developed countries are used market-based instruments of crisis management. The features of state regulation of economy in some countries during the recent global economic crisis was investigated. It was found that, in spite of such a list of measures to counter the crisis in the developed countries, they have some differences, primarily related to the specific characteristics and structure of the economy. It was determined that in all the years of independence, the national economy has repeatedly been in crisis, at the same time, even though the experience gained so far has not created an effective mechanism to counter these negative phenomena.

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Formulation of the problem. Global trend of recent decades is a significant increase the number of crises, both in the economy as a whole, and in some segments of the financial system. The emergence of crisis is an objective process for any economic system, but in the increasingly globalization trends and the expansion of liberalization of international economic relations they spread much faster than it was several decades ago. In such circumstances, particularly important the effective state regulation of the economy, which will allow to adapt to changes in the conditions of growing influence of globalization.

State regulation of the economy during the crisis involves the use of a certain range of the market or even administrative tools, but despite their large number, the main difficulty is the optimum and most effective use. This should not only take into account the nature of crisis, the reach and distribution, and especially national economic system, its weaknesses and ability to resist negative crises. One of the main problems in this aspect is to assess the evaluation of general state of the

economy and the financial sector before the crisis, to determine its origins. Without this, select the necessary anti-crisis instruments of state regulation almost impossible.

For Ukraine, the issue of state regulation of the economy in times of crisis is a major. This is due to the fact that overcoming of economic crisis has become an integral part of state regulation over the years of independence. At the same time, in different times, the nature and sphere of dissemination of crisis were different, as state policy to overcoming their consequences. Despite achieving some positive trends in the 2000s, the last decade was characterized by aggravation of the economic crisis. The transition from one crisis to another creates a situation of permanent recession. This is why research matters connected with improvement of state regulation of the economy is not only relevant, but needs further consideration.

Analysis of recent research and publications. Some aspects of state regulation of the economy in crisis researched quite a few scholars. Notable is the fact that each new global economic crisis is the driving force to consider the issue. Among academic economists from other countries that consider government regulation during the economic crisis can highlight the following: G.Z. Bazarov, L.P. Byelah, O.I. Lavrushin, I.D. Mamonova, E.V. Nazarova, A.V. Rukosuyev and others. Special attention to this problem paid such Ukrainian scientists as: A.I. Baranovsky, V.M. Heyets, T.I. Efimenko, V.V. Zymovets, L.V. Konopatska, V.V. Korneev, V.I. Mishchenko, S.V. Naumenkova, O.N. Pidymniy, N.M. Sheludko, V.V. Yurchyshyn and others.

Despite the fact that issue of state regulation of the economy during the crisis is a subject of many scientific papers, some aspects of this problem are still out of sight of scientists. First place they concerned analysis of using the positive international experience in order to improve the existing system of crisis state regulation of the economy. The vast majority of researchers consider only measures that have used some of the country during the recent global financial crisis, along with the consequences of such actions practically are not considered. Also needs the further consideration current trends crisis state regulation, which is inherent for the national economy.

Setting goals and objectives. The aim of this article is to study the characteristics of state regulation of the economy in a permanently recurring crisis.

Presenting main material. With the development of globalization for each country gained increasing importance issues of state regulation. Despite all advantages, the market mechanism is not perfect and needs government intervention. In addition to traditional state functions designed to neutralize the market gaps in the provision of public goods, to ensure competitive conditions for all market participants, to establish rules of environmental management, etc., is becoming increasingly important role of government regulatory agencies to overcome the negative effects of crisis.

In order to reduce the negative trends in the economy can be used various instruments of state regulation, administrative or market. The most common in developed countries are market instruments. In countries where the economic system is insufficiently developed, and the state takes over the functions inherent to the market, mainly used administrative methods.

Despite the fact that instruments used to overcome the crisis, growth of their frequency actualizes a number of issues related to: the definition of limits of state intervention in the economy; by settings effectiveness of measures implemented by the state; feasibility of application certain activities in some intervals; possibility or not of using the foreign experience of crisis management and others. All these issues are especially actual because of significant growth of the emergence of new threats to crises in terms of the internationalization of capital and globalization of economic relations become a comprehensive nature.

Ukraine during the years of independence continuously undergoing economic crisis, along with those at different times, they were different. So in the 90s of XX century, the national economy went through the most shock crisis – transformational. In 2008-2009 Ukraine, along with many other countries faced with the global financial crisis. But unlike most countries have been able to overcome this negative phenomenon and its effects and go on the path of economic growth in the domestic economy, there were new threats. So Ukraine remains in between crisis period, which is difficult to overcome.

The main factors that determine the current state of the economy are: protracted social and economic crisis caused by military operations; continued crisis in the financial sector, which has a direct impact on the economy; the existence of corruption; weak financial discipline; excessive budget deficit, and as a result – government debt; slow pace of reform of public administration; loss of investment attractiveness, which is due to factors previously outlined. Indisputable is that to overcome such negative phenomena is possible only when the use of all possible instruments and methods of

state regulation of the economy. For this purpose, in our opinion, it is appropriate to consider the international experience of state regulation in the crisis and post-crisis periods.

Investigating the last financial crisis of 2008-2009 often considered only those measures that countries used in this period, and the results of such actions and their effects for the economy almost not studied.

Analyzing the measures of state regulation of the economy during the crisis on the example of some developed countries, we can highlight the main ones:

- Providing state support to certain sectors of the economy (in the USA – automobile, energy industry and the development of energy saving, France - automobile, energy and transport sector, the development of energy saving, Canada – automobile industry, housing, development of transport infrastructure, forestry and mining industry , Switzerland – energy sector, development of energy efficiency and transport infrastructure, etc.) [1 p.118–121];

- Changes in tax policy, which consisted in reducing the tax rates, introducing tax holidays (applied in Japan, Germany, France, Switzerland, China and other countries);

- Supporting of small and medium enterprises (applied in Japan, Germany, Italy, UK, Greece, China and other countries);

- Establishing the specialized financial Funds to encourage the resumption of lending to the economy, providing support to financial institutions on the brink of bankruptcy, redemption of shares the most significant for the national economy enterprises (EU, USA, UK, etc.) [2, p.28].

- Realization of state support for the financial system (especially banking) by: bank recapitalization (USA, Austria, Belgium, Germany, Greece, Spain, Italy, Switzerland, UAE, etc.), providing the bank stabilization credits (USA, France, Italy, Sweden, Norway, Britain and others), reducing the discount rate of the Central Bank to almost zero (US, UK, Japan), improving or providing one hundred percent state guarantee on deposits (the vast majority of countries faced with the financial crisis) [3, p. 255].

Comparative characteristics of the measures used most developed countries during the recent financial crisis presented in Table 1.

Table 1. Anti-crisis measures of leading world countries from 2008 to 2009¹

| Directions of implementation | Countries | |
|--|--|---|
| | USA | EU countries |
| State support of financial institutions | 1 conducting of refinancing and guarantees for bank debts; 2. providing credits to banks and other financial institutions; 3. granting credits secured by liquid assets; 4. redemption of problematic bank assets | 1 conducting of refinancing and guarantees for bank debt (UK, France); 2. providing to banks and other financial institutions loans (Germany, France); 3. The redemption of problematic bank assets (UK, France); 4. redemption by state shares of banks and other financial institutions (the UK, Germany, Netherlands, Belgium, Portugal). |
| Assistance to the business | Reduction of taxes (income tax free, obtaining as a result of investments in small and medium business) | 1. implementation of credit programs (UK, Germany, France); 2. creation of a fund for investments small and medium businesses (France, UK); 3. reduction of taxes (in France small businesses up to 10 people released from taxation) |
| Assistance to the real sector of economy | 1. preferential tax treatment individual sectors; 2. providing government loans, direct state aid | 1. The preferential tax treatment of individual sectors (France, UK, Germany); 2. The providing government loans, direct state aid (most EU countries); 3. financing of sectoral programs (most EU countries); 4. The provision of guarantees for for bank credits and percent compensation to banks for credits granted to businesses (France, UK); 5. stimulating consumer markets (UK, Germany, France, Austria, Belgium). |

¹ Note. Compiled by: The anti-crisis policy in Ukraine and the world: comparative evaluation measures and economic effects: Analytical Report. - K.: Institute of Economy. for Scientific., 2009. - 41 p. [4]

In order to assess the effectiveness of state regulation of the economy during the crisis appropriate to consider the example of most developed countries, including the United States. Considering that the crisis started spreading from this country, it would be useful to explore the positive experience in overcoming of negative phenomena in the economy.

To deal with the crisis at the state level was set Troubled Assets Relief Program (TARP), within which was supposed the creation of a specialized fund size of 700 billion dollars [5, p.122]. Financing the fund planned to carry out through the issuance of government bonds. The main purpose of this fund redemption was of problematic assets accumulated in the financial institutions. In addition, as part of anti-crisis measures introduced to mitigate the tax for both businesses and households. The total amount proposed additional measures reached 100 billion dollars.

Although the vast majority of government regulatory measures had is aimed at restoring the full functioning of the financial system (primarily investment sector investors) fairly quickly appeared the first tangible results for the economy. Even given the fact that in 2010 the Federal Committee on open market operations had to buy additional long-term treasury bills totaling 600 billion dollars (in order to increase the liquidity of financial markets), already in 2015 TARP program was closed due to the fact that fully provided the performance of its tasks of economic recovery during the crisis and in the post-crisis period. Money spend for the program size of 347 billion dollars were returned and the measures taken have given an estimated income in the amount of 13.7 billion [6].

Quite a large-scale state regulatory measures to combat the crisis have been taken in the UK. Considering that as of 2009 25% of GDP was the financial sector, the majority of anti-crisis measures is concerned here. According to the accepted Brown's program was envisaged to allocate 510 billion dollars to fight the crisis, of which 290 billion dollars were directed to support banks by buying their problem assets, and 220 billion dollars on the recapitalization of the banks to stimulate credit and consumer demand [7, p. 27].

Despite all the measures taken and significant amounts of expenses aimed at restoring the financial sector, economic growth in the Great Britain has been slow, in consequence of which, already in 2012, the country was in a state of re-recession. One of the main problems, which hampered development of the economy was rapid growth in the size of government debt. This problem is an actual to today, as government debt continues to grow and in 2015 reached 89.1% of GDP [8]. Although the UK has suffered significant losses from the recent financial crisis, the whole state regulatory policies had positive results, as evidenced by indicators of economic growth in recent years (Table 2).

Table 2. Growth/reduction in real GDP of some European countries in the 2008-2015 (changes in% to the previous year)¹

| Countries | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|-------------------------------|------|------|------|------|------|------|------|------|
| European Union (28 countries) | 0,4 | -4,4 | 2,1 | 1,7 | -0,5 | 0,2 | 1,6 | 2,2 |
| Euro area (19 countries) | 0,4 | -4,4 | 2,1 | 1,5 | -0,9 | -0,3 | 1,2 | 2,0 |
| Great Britain | -0,6 | -4,3 | 1,9 | 1,5 | 1,3 | 1,9 | 3,1 | 2,2 |
| Germany | 1,1 | -5,6 | 4,1 | 3,7 | 0,5 | 0,5 | 1,6 | 1,7 |
| France | 0,2 | -2,9 | 2,0 | 2,1 | 0,2 | 0,6 | 0,6 | 1,3 |
| Italy | -1,1 | -5,5 | 1,7 | 0,6 | -2,8 | -1,7 | 0,1 | 0,7 |
| Netherlands | 1,7 | -3,8 | 1,4 | 1,7 | -1,1 | -0,2 | 1,4 | 2,0 |
| Sweden | -0,6 | -5,2 | 6,0 | 2,7 | -0,3 | 1,2 | 2,6 | 4,1 |
| Switzerland | 2,3 | -2,1 | 3,0 | 1,8 | 1,0 | 1,8 | 2,0 | 0,8 |
| Norway | 0,4 | -1,6 | 0,6 | 1,0 | 2,7 | 1,0 | 1,9 | 1,6 |
| Denmark | -0,5 | -4,9 | 1,9 | 1,3 | 0,2 | 0,9 | 1,7 | 1,6 |
| Belgium | 0,7 | -2,3 | 2,7 | 1,8 | 0,1 | -0,1 | 1,7 | 1,5 |

So that needs attention is the experience of overcoming the crisis in one of the leading EU countries – Germany. Like most states in 2008 Germany adopted a package of anti-crisis measures.

¹ Note. Prepared according to the European commission
<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tec00115> [9]

Around the same time, state regulation of the economy in this country is characterized by smaller-scale intervention. The feature also accenting not only on support to the financial sector, but also in helping to overcome the crisis, small and medium enterprises [10, p.31].

Germany was created Fund for Support the financial sector (banks), but to achieve the main goal – the revival of crediting of the economy in full measure failed. However, state regulation measures applied during the crisis have shown positive results in the post-crisis period, as evidenced by the data in Table 2. In general we can say that directing of state support to the real economy had a positive result and the country could avoid a recession after the crisis and achieve a stable level of economic growth.

All are examples of state regulation of the economy during the crisis reflect the necessity and reasonableness of state intervention in the period. The market economy itself is not able to recover quickly without the use of special supportive measures from the government. However, the limits of such intervention, its adequacy and reasonableness are individual for each country.

For Ukraine crisis experience of state regulation, as during the crisis of 2008-2009, and today, in general can be considered negative. This is due to the fact that despite the presence of a permanently recurring economic crises, a comprehensive crisis management mechanism has not been established.

The reasons for such conclusions is that the anti-crisis measures were inconsistent and sometimes chaotic and largely focused on stabilizing the situation in the short term, without considering the long term prospects. Government anti-crisis programs have been inconsistent, and often have declarative character and not implemented in practice, such as the provisions of the Law of Ukraine “On Priority measures to prevent negative consequences of financial crisis and amending some legislative acts of Ukraine”. This has led to a deterioration of the economic situation in 2012-2013, and the socio-political crisis in 2014 only exacerbated the negative trend, the result of which was the second in decade of large-scale financial crisis. The absence of a comprehensive mechanism of state regulation of crisis is a threat that even in the case of overcoming the crisis, the trend of recent years can be repeated in the future.

Conclusions. Analysis of examples of state regulation of the economy during the recent global crisis has given the understanding that universal algorithm measures in such circumstances exist. Around the same time, this analysis proved the validity of government intervention. The role of government in each country, in conditions of the crisis varies and is primarily dependent on economic potential. Indisputable is the fact that in the absence of a clear anti-crisis strategy a country can be doomed to using ineffective management in the future.

In order to improve currently existing national system of state regulation of the economy during the crisis, in our opinion, should:

- Implementation of regulatory measures during the crisis oriented not only to maintain a particular sector (for example banking) and use an integrated approach that will achieve the main result - to restore economic growth;
- Ensure first of all state support to economic entities as the main producers of the GDP in the country;
- Use the positive experience of other countries in overcoming the crisis, after adapting it to local realities;
- Carry out special crisis measures not only during the crisis itself, but in the first period after its completion to rule out re-deepening crisis and the economy in recession;
- Anti-crisis measures make it possible to temporary improvement of the economy in order to achieve radical changes is necessary to continue started reforms and bring them to the final performance indicators.

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