

State regulation of economy under globalization conditions

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Abstract. The article examines content and features of state regulation of the economy in a growing influence of globalization trends; considers the problems associated with transformation and emergence of new functions of state regulation of the economy. It is proved that increased globalization trends significantly affecting the role of state in economic processes. In these conditions, there are significant risks associated with the weakening of role of government in the regulatory process, because management decisions concerning a country rarely accepted outside its boundaries. Grounded necessity of wider application of instruments of state regulation of the financial and economic spheres. This, in particular, is due to the incidence of the crisis, which in the internationalization of capital in the global environment leading to a rapid deterioration of the financial system first, and then the whole economy.

Key words: *State regulation, state regulation of the economy, globalization, globalization factors, the index of globalization.*

Problem statement

Current trends in the global economy testify to the growing expansion of globalization. This process is directly connected with the necessity of transformation functions of the state in regulating the economy. Increased foreign trade liberalization, the growing influence of multinational corporations in the international scale and other factors lead to the emergence pressure on national economies, feeling that they lose the potential for further growth and development. Increasing of globalization trends make particularly strong impact on countries where domestic producers have limited opportunities to compete in international market.

In modern conditions the state as the main regulator of economic processes, loses its alone capabilities to control the economic processes in the country, due to the unification and erasing boundaries that significantly undermine the state regulatory policy. This demonstrates the need to change and adapt to new requirements which dictate globalization trends.

For Ukraine this problem is particularly acute due to the fact that the national economic system is not adapted to increased globalization. Seeking to quickly integrate into the world economic system should take into account that the process carries significant risks associated with the fact that opening the domestic market to imports, national producers will not be able to reach the similar markets abroad. To overcome these negative trends is possible only by changing the approaches used by the state in regulating the economy in conditions of globalization. The primary purpose of government regulation in this aspect must be achieving optimal balance between using all opportunities for economic development that makes the integration process, and on the other - to

limit the negative effects that it has. This is to balance the state regulation of the economy determines the urgency and the need for further study of the subject.

Analysis of recent research and publications. The problem of state regulation of the economy in the context of globalization trends are the subject of research by many scientists. Among foreign scientists question the data covering: Makhryu E., Soros G., Stiglitz J., Held D., Chelenn R. and others. Special attention to various aspects of state regulation of the economy in terms of globalization also given scientists in other countries, among them Grosheva T.A., Koshelev A.N., Lukasheva E.A., Stechenko D.M., Utkin A.I., Smitiyenko B.M. and others. Among Ukrainian scientists, the question of government regulation in the context of growing influence of globalization trends examined Borynets S.Y., Chechel O.M., Filipenko A.S., Hrytsiak I.A., Kovbasyuk Y.V., Kulishov V.V., Lukashevich V.M., Mazurok P.P., Odyahaylo B.M., Shnyepko O.S., Surmin Y.P., Voytovych R.V. and others.

Despite the versatile research issues of state regulation of the economy in the context of globalization, some of issues are still not addressed in the scientific literature. Thus requiring further review some aspects of state regulation to determine the balance between enough for the economic development of globalization on the one hand and the protection of domestic producers – on the other. Also necessary is expansion of understanding of the nature of government regulation for the domestic economy, given the integration processes.

Setting goals and objectives. The purpose of this article is to study the transformation processes which taking place in the state regulation of the economy in conditions of strengthening of globalization trends.

Presenting the main material. Today globalization process characterized by the fact that it has more affecting to state regulation of individual countries. Thus, the state itself, as the subject of regulation, can not influence the globalization trend, but only out of the decisions taken by other subjects at a distance. The main feature of globalization is that the geographical distance between countries is becoming less important as the

territorial limit. Thus, removed not only physical but also economic borders [1, p. 423].

The main factors of globalization which indicate the need of transformation approaches to state regulation of the economy can be given below:

- Transition from industrial to postindustrial (information) society in which the basic resource is information;
- A significant increasing the number of countries (at the global level), applying a market economy model;
- Increasing of globalization and internationalization processes in the economy;
- Losing the completeness of state control over the internal processes in economy by strengthening the impact of crisis at the global level;
- Increasing the number of institutions that can influence the regulation of the economy at the global level;
- Increasing the size and scale of impact the integration international organizations, leading to deformation of the territorial and/or economic boundaries of individual countries;
- Expanding the list of actors of international economic relations (regional entities, non-governmental organizations, multinational corporations, international organizations and other informal centers where taken decisions a global character) that can influence state policy on the regulation of the national economy;
- Significant limitation of the state monopoly on implementation of regulatory functions, which leads to displacement ratio of powers from national to sub-national level;
- The relationship of the state and private institutions on a global scale are becoming less imperious character, giving the cooperative [2, p. 150].

Thus, state regulation of the economy in the context of globalization, this is actually regulating the conditions of porous borders, strengthening of cooperation and communication between the different actors of international economic relations that also accept and implement its own management decisions. In this context, according to some scientists, government regulation with the

increasing globalization begins to be more conditional, because more subordinate to international institutions or other entities that have an impact on the international economic system and those legal standards imposed or proposed them [3, 4].

Globalization processes, penetrating the domestic sphere through economic, legal, information and other channels, transforming the nature of government regulation itself. As a result, traditional state regulatory functions in the economic sphere, which were characteristic before, undergoing significant changes. So the implementation of minimum functions of government regulation on the creation of the legal framework necessary for economic agents to protect competition in the market, maintaining at the appropriate level for economy the number of money, to overcome or at least reduce the impact of externalities, public goods provision is necessary, but under current conditions not sufficient condition of economic development.

To determine how a particular country is integrated into the globalization process since 2002 using the index of globalization of the world (KOF Index of Globalization). This

index of its content is combined indicator and allows to evaluate the extent of a country's integration into the global space and compare different countries for its components. The basis of this indicator assigned amount following components: economic, social and political. For each of the components set its weight, which makes accordingly 36%, 39% and 25%.

To better understand the meaning of economic globalization, should note that the index of economic globalization is characterized by two dimensions:

1. The real flows (material and financial);
2. The barriers that prevent movement of the real flows [5, p. 105].

Data on generalizing parameters of Index of Globalization (KOF) and its economic component are presented in Table 1.

Table 1.

The value of index KOF (Index of Globalization) and its economic component for some countries in 2016 (in %)¹

Name of country	Place the country in terms of Index of Globalization	Indicator Value of Index of Globalization	Place of the country by the economic component of Index of Globalization	Indicator Value of Economic Globalization
Netherlands	1	91,70	4	90,89
Ireland	2	91,64	2	93,08
Belgium	3	90,51	9	85,95
Austria	4	89,83	13	83,25
Switzerland	5	87,01	50	70,00
Singapore	6	86,93	1	96,06
Denmark	7	86,44	20	81,17
Sweden	8	85,92	24	80,56
Hungary	9	85,78	7	86,85
Canada	10	85,67	34	76,12
Great Britain	20	81,97	59	67,62
Australia	21	81,93	43	73,64
Germany	27	78,24	81	61,08
USA	34	75,71	89	59,40
Japan	48	67,86	124	50,77

¹ Note. Prepared according to data [6]

Considering the data presented in Table 1, attracts attention the fact that countries occupy a leading position as a general indicator KOF Index of Globalization, tend to have different values for its economic component. Also, remarkable that the most economically developed countries such as Great Britain, Germany, USA, Japan, occupy respectively 59, 81, 89 and 124 seats on the economic component of the index KOF [6].

Thus, we can make the conclusions that by declaring openness to globalization, leading countries often use measures of state regulation aimed at reducing the impact of globalization. This applies particularly to the economic sphere. As one of the factors

determining the economic component of the KOF index is to evaluate protective measures and restrictions can be stated that the policy of liberalizing world trade, which declared the developed countries, the practice quite often violated.

As for Ukraine, since 2013 there is a trend to increased scale integration with the world community. So in 2013, Ukraine ranked 47 place in terms of globalization, while in 2016 – 41. Data on components KOF index for Ukraine over the past 5 years is shown in Figure 1.

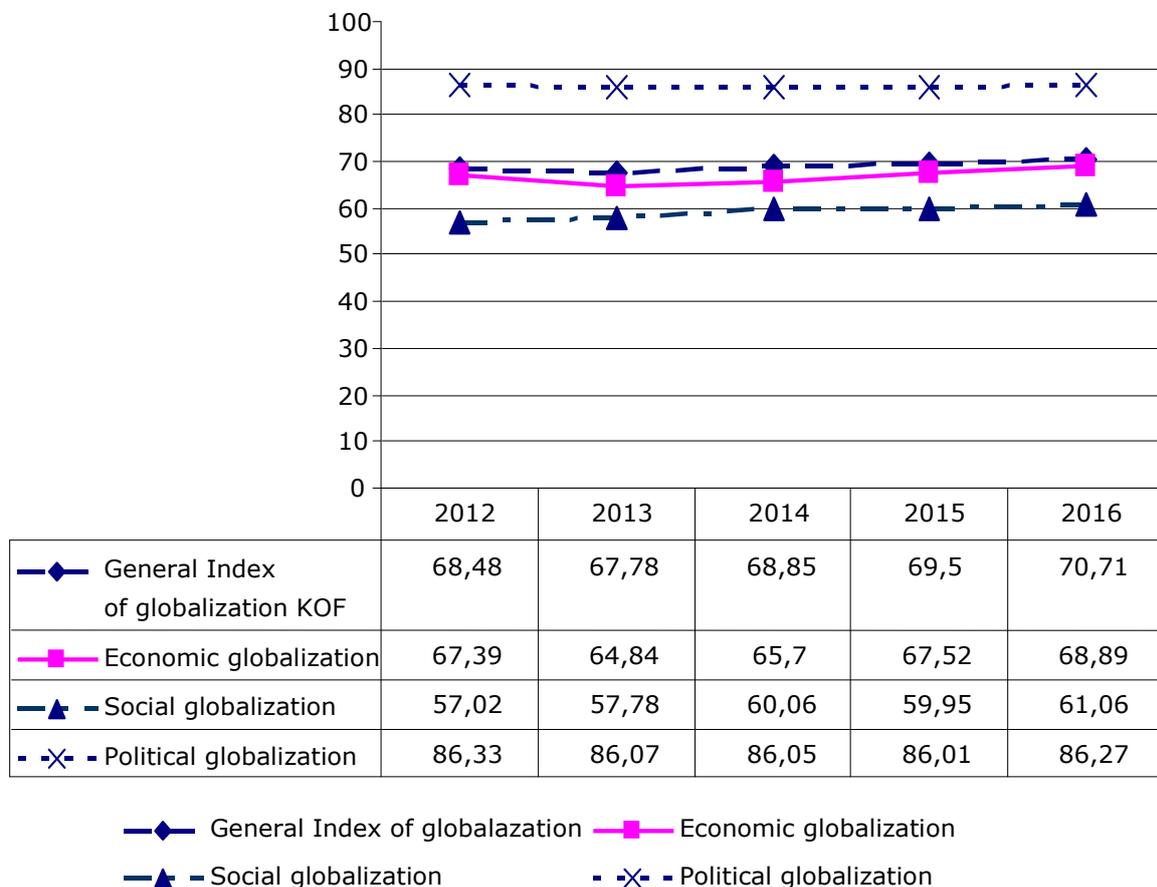


Fig. 1. Dynamics of change KOF index of globalization for Ukraine in 2012–2016. [7].

As seen from the indicators, in general, occurs their gradual increase in both general index KOF globalization, and for its individual components. By results of 2016 attracts attention the rapid growth rate of economic globalization. It can be justified by substantial expansion of international relations in the

economic sphere with other countries, especially the EU. Around the same time, we believe that this growth can also carry the threat. Given that in recent years Ukraine closely cooperates with international financial institutions, especially the IMF, there is a risk

of partial loss of opportunities the complete government regulation of the economy.

Ukraine, like most modern countries, faced with the fact that global change forced the state to fulfill her not inherent functions associated in particular with modernization of the economy, increase the competitiveness of national producers, increasing innovation potential and ensuring the stability of the financial system from crisis, including a global scale. The weakness of state – the main prerequisite of weakness the economy and its criminalization. From this perspective, the main reformers miscalculation was ignoring the truth that the formation of market mechanisms and political democracy is a process in which the state acts as the main guarantor of viability and effective functioning of the economic system [8, p. 19].

Along with the fact achieve the most effective results of state regulation in the economic sphere can be provided only if compliance with market conditions. Thus, one of the main tasks of the modern of state regulation is to ensure the market rights and freedoms of entrepreneurship, with the simultaneous implementation of tasks

designed to neutralize the negative impact of globalization trends on the national economy.

The process of transformation functions of state regulation of the economy under the influence of globalization reflected in Fig. 2.

As seen from the Fig. 2, both new and those functions of economic regulation that existed before undergoing constant transformation. This process of adaptation is objectively necessary and, given the general trends of the growing influence of globalization and the emergence of new forms of penetration into the economy of each country, shall be continue in the future.

Transformation of state regulation of the economy is reflected in the fact that the state often serves as a global financier, making management such institutions as banks, insurance companies and pension funds. Even in countries with developed economies, where the vast majority of financial institutions are in private ownership, the likelihood of recapitalization and transfer to state ownership is possible in case of aggravation of the crisis [9, p. 42]. This is especially true of institutions that are the backbone to financial system.

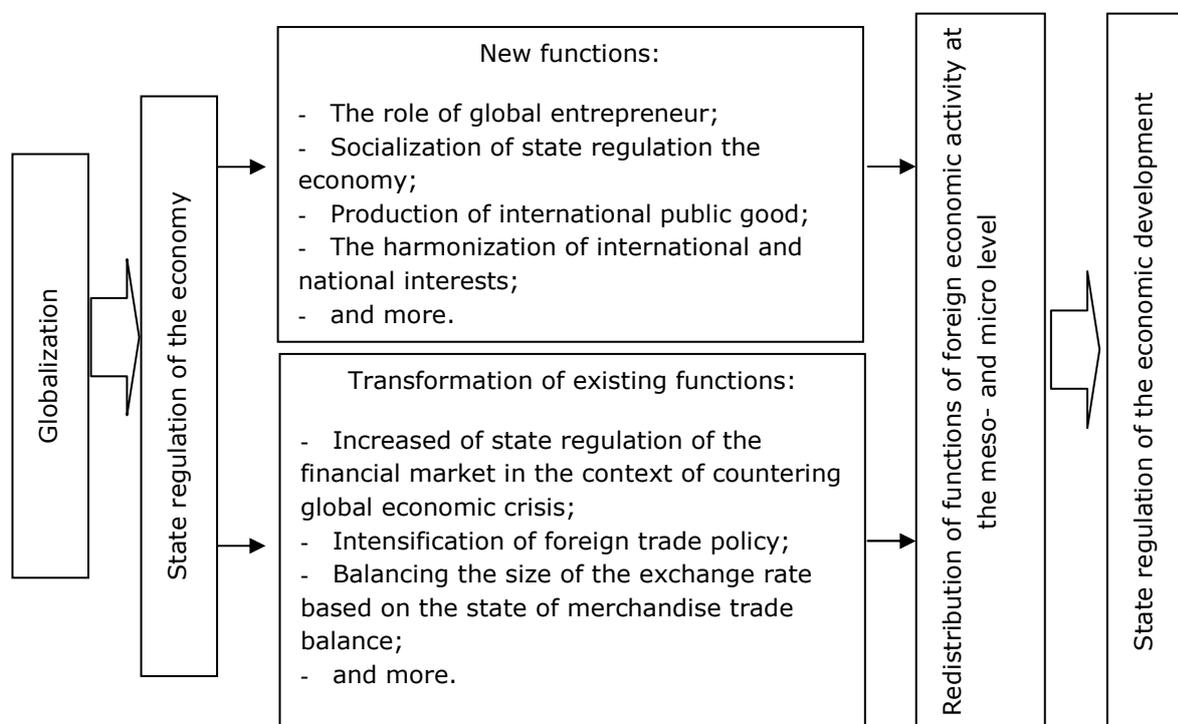


Fig. 2. Modern Transformation of functions of state regulation in the context of globalization.

In addition to the financial sector, the state, in the context of globalization, is also

entrusted a significant responsibility in the areas of: establishing foreign relations at the

global level, maintaining optimal trade policy of the exchange rate of the national currency, export control, not only of goods but also of capital. Thus, transformation processes also occur in state regulation other than financial, economic areas, especially foreign trade.

Thus it can be argued that globalization processes affecting the state regulation of the economy have, both positive and negative consequences. One of the most significant negative consequences of globalization is worsening problems in public finance. In recent decades, a clear tendency to unbalanced national budgets, and this applies as countries whose economies are only transition to a market and developed countries [10, p. 15; 11, p. 126].

One explanation for this situation may be that the growing influence of global economic processes. Empowering of integration structures, the development of global stock markets, the increasing number of international financial institutions, all this ultimately leads to the fact that some countries in the failure to balance public finances, in one form or another, seeking international assistance. The result of this policy is the growth of public debt and partial loss of sovereignty on state regulation of the national economy, as creditors get additional leverage on domestic economic processes in the country.

Conclusion

Globalization processes have a significant impact on state regulation of the economy of any modern country, integrated into the world community. Along with those in countries where approaches to state regulation is outdated and in need of immediate reform, the pressure of globalization is felt more acutely. That is why, in our view, the priority for Ukraine is the transformation of most approaches to state regulation that not only ensure the effectiveness of the restructuring of outdated bureaucratic system, but also will enable to integrate into the modern world community without additional risks.

The main areas that have a primary character in this context should be:

- Orientation when making in state and regulatory decisions in the economic sphere to the concrete results (effectiveness, efficiency, productivity, etc.);
- The introduction of clearly defined indicators that would evaluate the results of the invested financial resources at the end (program-target method of financing);
- Reducing expenses for state regulatory functions by optimizing the number of personnel, reduction of necessary resources;
- application of methods of deregulation, improving mechanisms for monitoring and control, increasing the openness and transparency of state regulation;
- An active implementation in state regulation of decentralization and using the principle of subsidiarity that envisages offset the center of management decision making and the redistribution of financial resources to the level that is closest to the consumers;
- Transformation of the internal structure of state regulation by creating modern, mobile, competitive semi-autonomous agencies that unlike existing cumbersome structures can more effectively carry out their functions;

Conversion of currently existing system of purchasing and provision of public goods (goods or services) by isolating the procurement function from the function of providing, through effective use of new systems that will ensure competitiveness in this area and optimize the government expenditures.

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