

PROSPECTS OF SCIENTIFIC SUPPORT FOR SOLVING PROBLEMS OF ECONOMIC SECURITY

On April, 25, 2018 during the session of the General Meeting of the Department of Economics of the National Academy of Sciences of Ukraine the President of the SESI “the Academy of Financial Management” Tetiana Ivanivna Iefymenko was granted the certificate of the full member of the National Academy of Sciences of Ukraine by the “Economic security” specialty.

The General Meeting discussed the information presented by the Academician-Secretary of Department, Academician of NAS of Ukraine E.M. Libanova on the research outcomes, scientific and organizational activity of the Department of Economics of the NAS of Ukraine in 2017 as well as potential research directions. Several substantial presentations were made, among others – the report by T.I. Iefymenko “Macrofinancial Stabilization: topical issues of challenges and threats”.

In response to journalists’ questions on the sidelines of the General Meeting of the Department of Economics of the National Academy of Sciences of Ukraine, Tetiana Ivanivna shared her opinion on the future of Ukraine, its aims and tasks in the framework of modern trends of world change, national economic space, as well as other high-profile issues.



In the photo: Vice-President of the NAS of Ukraine, NASU Academician Sergiy Pyrozhkov awarding the diploma of academician (full member) of the NAS of Ukraine to Tetiana Iefymenko¹.

¹ All photos was made by “Mind.ua”.



In the photo: Ella Libanova, Academician of NASU, Academician-Secretary of the Department of Economics, director of the V.M. Ptukha Institute for Demography and Social Studies of the NAS of Ukraine – during the meeting of the Bureau of the Department of Economics of the NAS of Ukraine.



In the photo (from left to right): Director of the Institute for Economics and Forecasting of the NAS of Ukraine, NASU Academician Valeriy Heyets; Dean of the Economics Faculty of Taras Shevchenko National University of Kyiv, Corresponding Member of the NAS of Ukraine Victor Bazilevich; Deputy Director of the Institute for Economics and Forecasting of the NAS of Ukraine, Corresponding Member of the NAS of Ukraine Anatoliy Danylenko.

Question: Tetiana Ivanovna, maybe you have something to say about the outcomes of the report

T.I.: Yes, of course. It is important to emphasize the extent to which the nature of transformations, which are taking place in the world today, is all-encompassing. We are talking about the tendencies towards universalization of the life of society. That is, global events change the global, national economic space; they affect the whole business, each of us – both a citizen and a human being.

For example, between 2007 and 2013, the international community documents emphasized the importance of financial security, given that the amount of cash significantly

exceeded the turnover of material and labor resources, and therefore its movement should be organized and regulated internationally.

Recently, the situation has fundamentally changed, now geopolitical and political risks are primarily considered among the global risks. And this is not just my opinion. The planetary landscape of the threats to the sustainable development of mankind is presented in detail in authoritative periodicals of the World Economic Forum.

I would like to underline a great importance of the activities of the National Bank of Ukraine for enabling our economy to function. This is indisputable, and I support the position of the IMF in this regard. The NBU policy should be independent, but coordinated. Proceeding from the postulates of ensuring economic security, there must be the effects of synergy, integration, from which I began.

Question: What do you mean? Independent – of course, but coordinated?

T.I.: This is a question of the equilibrium of the financial environment. If the central bank is independent, and it must be so, the way the whole civilized world lives, it will regulate, for example, the discount rate according to inflation growth rates. And this cannot be questioned, because the crisis has shown us what unbalanced solutions may lead to in terms of financialisation. At the same time, we need to have a more flexible government fiscal policy. That is, by complying with international obligations, we must determine the measured limits of the fiscal space.

Consequently, the integration involved should combine the strategy, as the most important intentions, and tactics for their implementation. Again, it is about protecting the interests of citizens and entrepreneurship. Obviously, no matter what it is entrepreneurship remains the driver of the state development. And the main indicator to what extent certain aspects of economic security are ensured, that is human development, the level of GDP per capita. These dry macro indicators – they are clear to everyone.

The Chinese wisdom says, "crisis is a chance". And if you get into trouble, you will have to reach the bottom, and then, kicking off from it, you can swim out ... Now the whole world wants to help us. Whatever it is – we have a chance!

Question: Is it a favorable time for a tax amnesty in your opinion?

T.I.: Here we turn to other problems – not economic, but rather psychological, behavioral. And above all, to an institutional approach to their solution. The problem of norms and rules in the state is connected with the fact that during the whole period of independence the longest political cycle of the work of the government and parliament was three and a half years. This entails a constant change of elites, the preservation of the "Soviet principle", according to which all "predecessors" are ineffective.

Let's look at the experience of the Netherlands. This country has created Independent Council in the Kingdom, which analyzes all fiscal programs. Its competence includes – canceling, accepting, constraining or making decisions. Note, the opposition heads The Council. Thus, an independent fiscal decision-making body has been created in the state. And so the culture is formed.

In my opinion, this kind of culture should also take root in our country. Especially, when we are seeking a rapprochement with the EU. And this is, I am convinced, the right aspiration, no matter how it is criticized, even by my peers. It is advisable to focus on the

experience of the very Netherlands. If a particular party proposes its program and reduced level of taxation in particular, the Council examines the existence of the justification of such proposals. That is, whether it's just a slogan, or a clear plan describing a step-by-step implementation, which will be accomplished by like-minded professionals.

Today we cannot just say: dear, let's lower taxes, let's live in harmony! In the twenty-first century, it is at least funny. Now, if you are a political leader or you claim to be a leader, you should understand: you should rely on management tools. You can be "golden", you can have a decent team, but if you fail to organize the work properly.

Those who worked at the plant know that the contract enforcement for the timely delivery of products and services is a personal responsibility as for final results. This is my belief, as a person who has had many years of work experience. In addition, the generation of public values should be accompanied by the implementation of the principles of transparency, openness, accountability in all constituents of the triangle "power-society-business".

Question: You are talking about serious institutional changes, which may take a lot of time, even if there is someone who would like to push for such changes. And what can be done in the situation that has developed to improve the effectiveness of risk management?

T.I.: I think, first of all, the elite must consolidate efforts on the goals and ways of achieving them. Because today the economic situation is rather difficult. At the same time, we have encouraging forecasts, and I, as an optimist, share them. But there are risks, and tomorrow they can be justified by negative external or internal circumstances. The task of a manager is to prevent the development of events under a pessimistic scenario.

And again, returning to the topic of global risk analytics, I would like to remind you that the key ones are political and geopolitical. My status does not allow giving advice to the top leaders. Practices have shown that peacekeepers remain in history. Today, I think all the political forces should unite around the idea of peace in our country. And at this point I hear the question: at what price? Are we going to give up our interests? No, we will not give them up. And diplomacy should work toward this, in particular, with the international community. We are well aware that problems of transition economies, especially with hybrid conflicts, are not always of paramount importance for the EU. They have their own problems.

Today, in order to calculate debts, the same interpretation of information is required. The scientific problem, that has arisen, comes from a series of integral problems that have appeared repeatedly. This is a controversy of the asymmetry of financial results, since the main factors of monetary policy are people's expectations and their behavior.

For example, in case of a panic, everyone rushes to intermediaries to take their money back. And we know what it may trigger. By the way, we are adopting the "currency" law, and I support it, like all the best initiatives. The new draft of this law proposes its free circulation, which is correct in terms of creating better conditions for attracting investments. At the same time, along with investments in development, there is a practice of speculative investment, the aim of which is to come, collect something, create a kind of "bubble" and leave quickly. From then on, the introduction of a mechanism to counteract such threats is becoming urgent.

Question: A significant problem is the burden on the budget due to debt repayments. How can this issue be addressed?

T.I.: We could offer to introduce health insurance as the way out. At the same time, it should be understood that the burden on business, in terms of deductions, will immediately increase. For example, in Europe, what comes to the budget, and to social funds is considered in overall terms. We have already lowered the social fund rates, so the issue of finding compensators has arisen. Before introducing health insurance, a wide range of issues should be taken into account. It is worth examining the best European practices, and consider which one to follow?

Some experts say: ... gentlemen, you have a "shadow" economy! Your insurance funds will smash one after another and will not be able to provide people with minimal support for sick leave, which is now provided by the state, collecting taxes from everyone. Note, that in the United States and Japan, 16% of the GDP burden falls on the part that is redistributed through the budget, through major public funds. In Scandinavia – up to 60%, we have 45% – up to 50%. The Scandinavians say: we agree, let it be 60%, but our life in the country is safe. This is their mentality. They have chosen this way. And again, the issue of state management – which way will we choose? If we choose 16%, then we will have to eradicate the shadow economy ruthlessly. However, this is probably impossible as this situation will touch upon someone's interests. Let's say, some relatives are unintentionally, but are connected with the shadow business. Should they be shot? There are no simple solutions to such problems. You see?

In my opinion, programs should be strategically weighted, since the bulk of decisions should be evolutionary, and some of them, to some extent, should be revolutionary. At the same time, the pace of transformations can be justified by the desire to avoid future problems, possibly related to the FATF warnings ... Along with this, the society must consciously support such decisions, be aware of their price, of changes they will bring and of time they will take.

Today, the European Central Bank, from the standpoint of its centralized monetary policy, attaches great importance to informing entrepreneurs- citizens about its strategy and tactics. The more data businesses receive in relation to future fiscal policy, the expected inflation rate, etc., the more predictable their behavior will be. That is why it is a stabilizing factor.

I will give you an example. It's about the Kingdom of the Netherlands. Being in the Ministry of Finance, during the event on how to organize a public-private partnership within the framework of major projects, I asked many questions to the speaker regarding certain quantitative characteristics. At the same time, the relevant data appeared on the screen. "Do you collect information from your computer", – I ask. "No, I turn on the Internet – all these figures are on the website of the Ministry of Finance" – he answered. So, the conclusion is that the state should disclose all information regarding the use of taxpayers' money, whatever it may be.

To my mind, another cornerstone is that we all live in the information economy. And this non-material component should serve to ensure that every member of society does not feel the impact of information asymmetry.

Editorial board "Ukrainian society"