



MACROECONOMIC REGULATION PRINCIPLES AS FUNDAMENTAL PREMISES FOR SOCIAL WELLBEING AND GROWTH OF NATIONAL ECONOMIES

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Abstract. The article analyzes the views of domestic and foreign scholars on the principles of macroeconomic regulation, studies the framework reserved by law regarding macroeconomic regulation principles in Ukraine, which are incorporated in the Budget Code of Ukraine, the Tax Code of Ukraine and the Law of Ukraine "The State Forecasting and Establishment of Programs for Economic and Social Development of Ukraine". The analysis of the present system of macroeconomic regulation showed that most principles are theoretical and of fiscal nature, though, socially oriented. The author offers a range of new principles. Among them are the principle of expediency, the principle of rational distribution of resources and the principle of priority. Only a pragmatic approach to solving problems of social and economic development of Ukraine, as well as the implementation of the strategic directions of development through systematic implementation of all principles will enable a balanced approach to solving social and economic problems and ensure sustainable development of Ukraine.

Keywords: macroeconomic regulation, social wellbeing, national economics, budget, taxation, law.

Introduction

The principle itself means the basic statement governing any activity. Thus, the principle of macroeconomic regulation is to be defined as assumption that forms the basis for the establishing social and economic policy and driving sustainable development. A. Blahard argues that the principles of macroeconomic regulation, especially historical foundations of public participation in the regulation of macroeconomic processes, can be considered as such based on practical experience in public administration and on the achievements of economic science (2007). I agree with this opinion, but believe that macroeconomic regulation in Ukraine is commonly based on practical experience gained during the Soviet era and having been already exhausted, while still ignoring a number of reasonable approaches to the formation of macroeconomic policy. In Ukrainian macroeconomic policy, there are situational approaches, inconsistency of some administrative actions and absence of fundamental paradigms that would define the main goal of social and economic development under current conditions.

The purpose of this article is to study how principles of macroeconomic regulation are reserved by law in Ukraine, analyze views of local and foreign scholars on the principles of macroeconomic regulation which underlay social and economic development.

Results

Many economic problems are caused by the fundamental principles of macroeconomic regulation. There is no clear itemization of them in the scientific works. The foreign literature offers to match the fundamental points of macroeconomic regulation with purely practical advances. Such regulation is seen as a response to the crisis.

In particular, B. Snowdon believes that the basic principles of macroeconomic regulation should include early diagnosis of the crisis, urgent response, the adequacy of the response, the full utilization of resources for overcoming the crisis (2005). This approach is rather utilitarian; it makes it impossible to solve strategic problems of macroeconomic regulation in the long-run.

According to B. Heyzhdra, the principles of macroeconomic regulation comprise the distinction of revenues, expenditures and sources of financing government spending, effectiveness and efficiency of funds and resources, balance of budgets and macroeconomic indicators (2002).

J. Bowman refers to the principles of macroeconomic regulation the right and duty of public authorities to of balancing their budgets independently; the principle of efficient budgetary funds and the principle of a balanced budget (2011).

The national science traditionally pursues the thesis that the basic principles of macroeconomic regulation are inherently principles of budgeting and forecasting fiscal impact on the economy. In particular, this is argued by M. Azarov, V. Kopylov, L. Voronov (2006), V. Oparin (2005), L. Lysiak (2011) and others.

The legislation level in accordance with modern scientific tradition has the principles of macroeconomic regulation reserved in the Budget Code of Ukraine, the Tax Code of Ukraine and the Law of Ukraine “The State Forecasting and Establishment of Programs for Economic and Social Development of Ukraine” (Tab. 1).

Table 1

The System of Reserving Principles of Macroeconomic Regulation by Law in Ukraine

The Tax Code		
	Principle	Comments
1	The total span of taxation	Every person is required to pay taxes and charges imposed by the Tax Code and laws on customs
2	Equality of all payers to law without any discrimination	Ensuring equality of treatment for all taxpayers regardless of social, racial, national, religious affiliation, ownership of a legal entity, the nationality of an individual and the originality of capital
3	Inevitability	Inevitability of responsibility in case of violation of tax laws
4	Presumption of legality	The presumption of legality of a tax payer’s actions if the law or other regulation act contains items which can be interpreted differently towards rights and obligations of tax payers and controlling authorities, allowing decisions in favor of both parts
5	Fiscal sufficiency	Imposing taxes so that the budget is balanced
6	Social fairness	Imposing taxes in accordance with the solvency rate of tax payers
7	Efficient taxation	Tax inflows should exceed expenses incurred for their being levied
8	Neutrality of taxation	Imposing taxes without affecting a taxpayer’s competitiveness
9	Stability	All the elements of taxes cannot be changed until six months before the beginning of the new budget period. Taxes cannot be changed during the budget year
10	Uniformity and convenience while paying	There are due dates for paying taxes given the interests of the government and tax payers of incurring expenses and making other payments in timely manner
11	A single approach to assigning taxes	All compulsory taxes are reserved by law
The Budget Code		
1	Unity of budget system	The unity if budget system of Ukraine is guaranteed by the unity of legislation, currency system, regulations of budget expenses and revenues, budget classification, accountancy and financial reports
2	Balancing	Budget expenses should be matched to revenues for certain budget period
3	Independency	The state budget and local budgets are independent
4	Completeness	All the expenses and revenues of all budgets are included into the budget
5	Justification	The budget prognosis framework is macroeconomic indicators and planed expenses and revenues calculated in alignment to the special methodology
6	Efficiency and effectiveness	While budgeting, all the participants should pursue goals consistent with the national values and tasks of innovative development and minimize budget, achieving the maximum results
7	Subsidiarity	The expenses between central budget and local budgets are distributed according to the maximum closeness of guaranteed public services to the final consumer

8	Targeted use of budgets	Budgets are used only for tasks defined as budget assignments and goals
9	Fairness and impartiality	There is fairness in the distribution of social wellbeing among territorial communities and all the citizens
10	Transparency and openness	The local community should be informed of all the stages of the budget process
The Law of Ukraine “The State Forecasting and Establishment of Programs for Economic and Social Development of Ukraine”		
1	Integrity	The provision of mutual strategic documents of economic and social development of Ukraine, as well as separate industries and regions in the short- and long-run
2	Objectivity	Strategic documents are developed by employing data of the Central statistical body, the Central authority on economic affairs, other central and local authority and National Bank of Ukraine
3	Scientific approach	Strategic documents have scientific background with the use of the best foreign practices in the field of forecasting
4	Publicity	Strategic documents are open for community members
5	Independence	Local government is responsible for developing and implementing strategic programs for their regions. It provides coordination of all the strategic programs
6	Equality	The interests of local government and legal entities should be balanced
7	Dominance of the state interests	Central authorities and local governments should develop strategic programs for regions in accordance with the general policy of the state and its economic security

The above stated macroeconomic regulation principles are sufficiently declarative and theoretical, though reflecting modern views on managing social and economic processes.

Moreover, all these principles are intended to provide probably the most important principle of macroeconomic policy in Ukraine – the wellbeing of the population from economic growth. This principle is declared in many regulation acts. In particular, the Article 11 of the Law of Ukraine “Principles of domestic and foreign policy” stipulates that one of the main objectives of public policy is to ensure the wellbeing of people for the economic development and integration of Ukraine into the world economic system.

Given the fact that in Ukraine there are many supporters of the “social human-centric economy” and in view of the transformation of views on welfare, raises questions about the goals and objectives of state policy to promote public welfare and general guidelines of the control system.

American researcher D. Di Nitto defines that the principle of public welfare includes a number of political issues (measures) for the poor and those at risk of poverty and non-poor. The limits of this policy is unclear. Therefore, it is considered in the broad and narrow sense. In broad terms, this policy includes almost all government policies - from taxation, national defense and energy efficiency to health care, housing policy and social assistance programs. In a narrow sense, it is government policy that directly affects the incomes of individuals and services, as well as opportunities of vulnerable sections of the population (the elderly, the poor, the disabled and the sick, etc.) (2003).

Those principal positions are shared by the American philosopher D. Bell, who says: “If industrial society is determined by the number of goods that indicates the level of life, post-industrial society depends on the quality of life, as measured by the services and amenities - health, education, recreation and arts development ...” (1996).

That refers to a substitution of concepts as social and economic development is substituted with exclusively social, that automatically violates fundamental principles of macroeconomic equilibrium.

In turn, P. Potapov stresses that improving the welfare of the population is declared as Ukrainian political priority and according to V. Skurativsky, E. Paliy and E. Libanova, socio-economic policy should be based on three main principles: priority of issues of social protection of the population; enhancement of the role of personal income to meet the social, cultural and everyday needs and elimination of the dependency; organization of a new financial mechanism of the social sphere, i.e. the transition from state paternalism to social partnership.

This quite controversial approach is found in the work by T. Fertikova, who states that the principles components of balanced social and economic development are:

- The development of the humanitarian sector (health, education, science) and social policy on the development of institutions and cultural infrastructure;
- Implementation of the state religion policy;
- Social development (social relations, safety, social partnership and social dialogue);
- Providing social security (social protection, social insurance, social assistance and social work).

S. Vasylyuk expressed the view that is the quintessential in relation to modern approaches to macroeconomic regulation, stressing that any society in the world today consists of two main parts of the system - economic and social. At the same time, economic growth and social progress must be seen in the relationship and unity. On the one hand, the economy creates the conditions for human development and improvement of quality of life, on the other - the human is the most important resource of growth, and social development is an effective reproduction factor. It should be understood social orientation of economic policy and the subordination of economic growth objectives of social development, and the task of achieving welfare of citizens (2011).

This approach is proved by the Western economists. In particular, according to J. Bowman principles, the macroeconomic regulation is consistent with social policy and economic realities. Economic growth is weighed on the basis of strategic plans and the subordination of the interests of individuals (2011).

At the same time, the general principles of macroeconomic regulation should be correlated with the principles of planning of socio-economic development. Thus, according to the Article 2 of the Draft of the Law of Ukraine "State strategic planning", it is based on the principles of integrity, scientific validity, transparency, equality and partnership etc.

I think that the list of principles must be supplemented by the principle of expediency, the principle of rational distribution of resources and the principle of priority in accordance with the strategic directions of social and economic development, given the current economic situation. Compliance and systematic implementation of all principles will enable a balanced approach to solving social and economic problems, promote the formation of the modern system of macroeconomic regulation of social and economic processes in Ukraine.

Discussion

The principles of macroeconomic management are fundamental, scientific statements mostly reserved by law, under which a system of state regulation operates.

Analysis of the present system of macroeconomic regulation states that its principles are rather declarative and most of them are of theoretical nature (principle of science, the principle of reasonableness, objectivity principle, the principle of integrity, etc.). At the same time, fiscal nature is related to such macroeconomic management principles: fiscal sufficiency, universality of taxation and effectiveness of it. Socially oriented principles are the principle of openness and transparency, fairness and impartiality principles, the principle of equality. Such principles prevent any acts of tax discrimination, stand for the only approach to the establishment of taxes and fees, uniformity and ease of paying with signs of fiscal and social indicative.

Current trends of socio-economic system of the state indicate a need to change the approach to macroeconomic policy in order to ensure sustainability in the behavior of macroeconomic system. Only a pragmatic approach to solving problems of social and economic development of Ukraine, the implementation of the strategic directions of development through focus on human and system implementation of all principles will enable a balanced approach to solving social and economic problems and ensure sustainable socio-economic development of Ukraine.

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