

## **Chapter 4**

# **INSTITUTIONAL AND STRUCTURAL BACKGROUND OF THE MODEL OF ECONOMIC DEVELOPMENT OF UKRAINE**

### **4.1. Formation of the institutional matrix of the modern model of the Ukrainian economy**

The constant increase of the economic gains of the countries belonging to the Euro-Atlantic civilization is caused by a number of factors. The most important among them is the development of formal and informal institutions and institutional structures that have emerged in the course of social evolution and are currently forming a complex system of certain conditions, constraints and rules for the functioning of external and internal markets. It is obvious that the level of effectiveness of the socio-economic model of any country is largely determined by the state of the institutional environment created on the national level. The process of formation and change of institutions has a profound, and sometimes decisive, influence on the functioning of any economic system, including the national level. This scientific approach, which we support and consider as methodical basic in our study, developed in the economic theory of representatives of institutionalism (T. Veblen, J. Commons, W. Mitchell, etc.) and

neo-institutionalism (R. Coase, D. North, G. Simon, O. Williamson, etc.).

Various aspects of functioning of the institutional system (institutional environment), in particular in the context of the development of market infrastructure in the transitional economy of Ukraine, were the subject of consideration by a number of Ukrainian and Russian scholars, including: L. Abalkin, O. Alimov, V. Bazylevych, P. Belenky, G. Voloschuk, A. Galchinsky, V. Heyets, R. Greenberg, A. Gritsenko, A. Zadey, A. Illarionov, R. Kapelyushnikov, B. Kvasnyuk, T. Kovalchuk, V. Kononenko, K. Krivenko, D. Lvov, P. Makarenko, I. Mantsurov, V. Mau, K. Mikulsky, R. Nureev, A. Oliynyk, Y. Petrunya, V. Savchuk, V. Tambovtsev, V. Tarasevich, A. Tkach, A. Chukhno, A. Shastitkovo, A. Yaremenko and others. At the same time, the analysis of the peculiarities and ways of forming the institutional environment in Ukraine during the period when the model of its economic development was established (this process is still ongoing and, moreover, requires substantial changes) is still not sufficiently covered in the scientific literature, although it is extremely relevant both in theoretical and Practical contexts.

4.1.1. The main components of the institutional system of the country

The set of institutions, which include: formal rules, which are formed and changed by the state and organizations, informal restrictions (generally accepted conventions and codes of conduct), which are formed in the process of historical development and accumulation of human knowledge, as well as mechanisms for their coercion [1, p. 18] create necessary basic conditions and ensure the regulation of the implementation of strategic and short-term goals of the economic model of state development. Douglass Cecil North, a distinguished American economist who received the Nobel Peace Prize in the field of economics for the development of neo-institutional theory, emphasized that "institutions influence the type of economic system and the way the economy develops [ 2, p. 18]. Therefore, it can be argued that the institutional system, formed in the country, is crucial for the functioning of a particular model of economic development. It is a model-forming structure, the basis of the economic model of the country.

The development of the institutional environment is a necessary condition for the progress of the economic system, and weakness is the reason for the containment of the development of the economy and its transformation into an unstable organism. The institutional system that has been developed in Ukraine currently does not ensure the effective realization of economic functions of

the subjects of management, including the state, does not allow to adequately impose market mechanisms in the national economy, so that they acted in the Ukrainian society (the model of national capitalism), and not a limited number of clan-corporate groups (a model of state-monopoly capitalism).

As a result, the Ukrainian economy proved to be unstable, vulnerable to the current challenges of globalization, information, innovation and technological advances, the global financial and economic crisis, and other transformational processes.

In economic literature, formal institutes are usually divided into three groups:

1) economic;

2) political;

3) the system of contracting (the methods and procedures for the conclusion of counter-measures, governed by certain laws and norms).

The formal constraints, rules and institutions in the field of economics are actually introduced on the basis of existing informal rules that have emerged in real business practice and have been called to life by the logic of creating rational and profitable ways to maximize income at minimal cost. Political

institutions determine the power of the hierarchical structure of the society, methods of decision-making and control.

There is a special institutional system that has a certain structure in each country of the world. The main institute of any national economy is the property around which distribution, redistribution, disposal, use, as well as the creation, receipt, distribution and appropriation of property profits as a source of the welfare of the population of a country are formed, or, on the contrary, the impoverishment of its bulk and the enrichment of only a minimal oligarchic stratum.

In addition, the institutional system (first of all, considering it in the Ukrainian context) consists of, in our opinion, the following important elements of the group:

- 1) Constitution, laws, regulations, legal acts, etc.;
- 2) monopoly, competition, motivation, entrepreneurial and investment environment, market infrastructure;
- 3) banking, credit, currency, tax, social-pension systems;
- 4) the budget, mechanisms of the state financial control, the tax system;
- 5) contractual relations between economic entities;

6) business ethics, customs, traditions, etc.

Institutes can provide the priority development of one economic model and, conversely, restrict the possibilities of deploying any other model, even if it is more acceptable to the country and is in the interests of the overwhelming majority of society. What matters in this process is the role of the state, which can be institutionally active or passive. Institutional activity of the state usually increases during the periods of change of power in the country, the occurrence of social cataclysms, catastrophes, world financial and economic crises, and other risks. Institutional omission of the state or the continued maintenance of ineffective institutions by it, especially during the specified periods, can push the country to the brink of economic, internal and, sometimes, external defaults.

Confirmation of this thesis is a very difficult economic and financial situation that was observed in 2010 in a number of European countries, while in most countries of the world after the global crisis of 2008-2009 has already begun the phase of economic recovery (Table 4.1). Based on the data of the European Commission (as of June 4, 2010), we analyzed the quarterly dynamics of the gross domestic product of the EU countries as a whole for the period from IV quarter of 2008 to I quarter of 2010.

We can conclude that it was leveled from negative to positive: the GDP drop by 1.9% in IV quarter of 2008 and by 0.2% in the 2nd quarter of 2009, the growth was 0.6% in I quarter of 2010 [3] (Table 4.2).

At the same time, we can outline a number of countries whose economics, due to the institutional weakness of the state exercising economic power in the country, was too vulnerable in times of crisis. This includes Greece, Spain, Ireland, Italy, Portugal, Hungary, Bulgaria, Romania, Latvia, Lithuania, Kazakhstan (Table 4.1, Table 4.2).

Table 4.1

Dynamics of gross domestic product of some countries of the world, 2007-2012 (January of each year),%

Country	Year										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Greece	0,6	0,5	-0,7	-0,8	-6,21	-7,3	-3,2	0,7	-0,2	0,1	2,8
Hungary	3,8	0,7	-2,5	-4,0	-	-0,2	1,9	3,7	2,9	2,0	2,5
Poland	1,4	2,0	-0,3	1,1	2,5	0,4	1,3	3,3	3,7	3,1	3,4
Germany	1,0	0,1	-2,4	0,2	1	0,3	0,6	1,6	1,5	1,7	1,4
Ireland	1,57	3,99	-3,38	-1,28	0,70	-0,5	1,1	8,5	26,3	4,9	3,2
Russian Federation	8,5	9,0	-10,8 (June)	-3,8	4,3	3,5	1,3	0,7	-3,7	-0,8	1,1
Spain	0,94	0,6	-1,08	-0,15	-1,3	-0,4	-1,7	3,4	3,2	3,1	2,2
Israel	-1,6	0,2	-3,1	-1,0	5,1	2,4	4,4	3,2	2,5	2,8	3,0
Italy	1,4	-0,6	-2,2	-0,1	-2,5	0,7	-1,7	-0,3	0,8	0,8	0,9





<b>Belgium</b>	-0.1	0.0	0.2	<b>0.3</b>	-0.4	-0.5	0.1	<b>0.4</b>
<b>Bulgaria</b>	0.1	0.1	-0.1	<b>0.6</b>	0.6	0.4	0.2	<b>0.8</b>
<b>Czech Republic</b>	-0.3	-1.3	0.6	<b>-0.5</b>	-1.4	-2.3	-1.3	<b>-1.6</b>
<b>Denmark</b>	-0.6	-0.2	0.6	:	-0.4	-0.8	0.6	:
<b>Germany</b>	-0.5	0.0	0.7	<b>0.3</b>	0.3	-0.3	0.5	<b>0.6</b>
<b>Estonia Ireland</b>	0.5	-0.2	-0.2	<b>0.4</b>	4.0	1.5	1.5	<b>0.6</b>
<b>Greece</b>	-0.2	-0.6	0.4:	:	-1.0	-1.1	-1.1	:
	:	:	:	:	-5.7	-5.6	-3.8	:
<b>Spain France</b>								
<b>Croatia Italy</b>	-0.8	-0.4	-0.1	<b>0.1</b>	-2.1	-2.0	-1.6	<b>-1.2</b>
	-0.2	-0.1	0.5	<b>-0.1</b>	-0.3	-0.4	0.5	<b>0.2</b>
<b>Cyprus</b>	-0.4	0.0	-0.2	:	-2.3	-1.5	-0.7	:
<b>Lithuania</b>	-0.9	-0.6	-0.3	<b>-0.1</b>	-3.0	-2.5	-2.2	<b>-1.9</b>
<b>Poland</b>	0.3	0.3	0.5	<b>0.6</b>	0.8	0.8	1.2	<b>1.7</b>
<b>Portugal</b>	-1.9	-0.4	1.1	<b>0.2</b>	-3.8	-4.1	-2.0	<b>-1.0</b>
<b>Romania</b>	1.1	0.6	0.8	<b>1.6</b>	0.8	2.3	1.6	<b>4.1</b>
<b>Slovenia</b>	-1.0	-0.5	-0.3	:	-3.2	-3.2	-2.2	:
<b>Slovakia,</b>	0.0	0.2	0.3	<b>0.2</b>	0.8	0.7	0.7	<b>0.7</b>
Other countries								
<b>Iceland</b>	0.3	4.4	-6.5	:	1.0	2.3	1.9	:
<b>Norway</b>	0.2	-0.1	0.8	:	1.8	0.0	0.4	:
<b>Switzerland</b>	0.3	0.6	0.5	:	1.4	1.5	2.1	:

: - no data.

Source: Euroindicators // Eurostat News Release. - 2013 - November 167 - Nov.

Thus, we tend to assume that the anti-crisis (in fact, institutional) strategies (and in Ukraine, such a strategy was not adopted at all), and the actions of countries that still show a negative GDP dynamics that is not equal but worse include false state Financial and economic priorities: Unjustified overestimation of public spending and the number of social programs, pursuit of fiscal goals, narrowing the scope of economic activity through support for large enterprises and neglecting the interests of small businesses, the inability to restructure the economy taking into account new market needs, etc. As a result, massive bankruptcies of enterprises, curtailment of private activity, reduction of the revenues base of state and local budgets, difficulties with payment of internal and external debts of the state, and consequently a tangible decrease in the level of public welfare have started in these countries. Obviously, such anti-crisis strategies that are contrary to economic growth, do not reflect the interests of most citizens, and are, as a rule, the result of lobbying by a narrow circle of people - managers of large financial-industrial groups.

In this context, it is appropriate to give the thesis expressed by D. North: "Institutes are not required - and even not entirely - created in order to be socially effective; Institutions or, at least, formal rules, are created more to serve the interests of those who hold

positions that allow them to influence the formation of new rules "[1, p. 33].

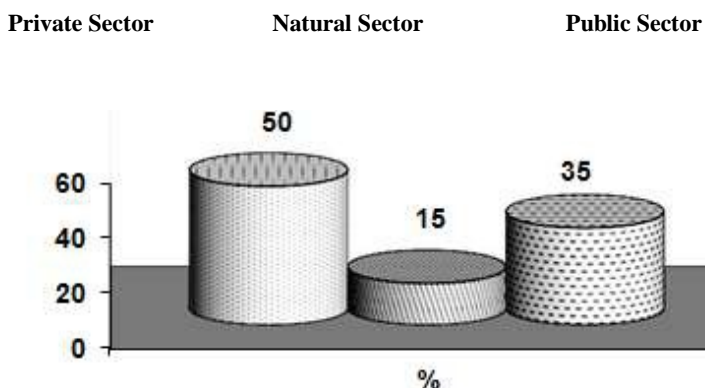
Unsuccessful, vulnerable countries should make efforts to adjust their models of economic development (and above all their institutional basis), which demonstrate their inefficiency and inability to meet the most important needs of the broader strata and strata of the population, under such unstable, crisis conditions. If the state despite the urgent need for change, continues to be passive, effectively acting as a traditional institutional tool in the hands of the oligarchy, which uses the state machine as a set of institutions for its narrow-minded purposes, then society is forced to take over it Functions and produce institutional forms that create the basis for their own livelihoods. Consequently, new motivational mechanisms are gradually emerging for the spread of informal, shadow financial and economic activity, which usually operate in an unregistered field and develop spontaneously.

#### **4.1.2. Three-sectoral model of the national economy as a result of the introduction of various models of public administration by institutional changes**

The main component of the institutional system, which forms the basis of any model of economic development, is the property relations that have developed and operate in some country. Formal

economic institutions (economic rules) "establish property rights, that is, a bunch of rights to use and obtain property income and restrict the access of others to property or resource" [1, p. 68]. If the country is dominated by ineffective property rights, it indicates that the state created formal economic institutions in the interests of those financial and corporate groups that control it, which does not correspond to the interests of the majority of society.

Based on the delimitation and the ratio of public, private or mixed forms of ownership, the structure of the economy is formed. In Ukraine, the economics consists of three large sectors - the state (public and communal), private and natural, each of which is based on a certain form of ownership. The social and economic basis of the state public sector of the economy is public property (in two varieties - state and communal), private and natural sectors - private property (personal, family, cooperative, partnership, joint stock and mixed forms). According to our estimates, now 50% of the gross domestic product of the country is created in the private sector of the economy, about 15% - in the natural sector, and 35% - in the public sector (Figure 4.1) [5].



*Figure. 4.1. Formation of gross domestic product in Ukraine by sectors of the economy*

Source: Author's score

These sectors of the economy have rather weak links and various management mechanisms among themselves, and thus do not form the integral foundation of the country's economic system. Moreover, the contradictions between the known sectors of the Ukrainian economy are increasing. This is due to the fact that in each sector of the economy there are different subjects of ownership and management, which are characterized by different considerations. At the same time, they pursue one main goal - obtaining the maximum possible return on the minimum capital invested. The difference between costs and revenues is determined by the efficiency of the use of monetary, human and material factors and the operation of capital in general. It is precisely around the implementation of this main objective in relations between individual, group and state entities of property and management

that the main contradictions are formed, which then, after integrating, rise to the level of aggregate antagonistic contradictions between the three sectors of the economy [6, p. 6].

The nature of the public sector is loss-making, parasitic in the conditions of socialism and socially costly, ineffective with the elements of parasitism - under capitalism. The carriers of this sector in their activity are guided not by objective laws, but by subjectively voluntarist impulses aimed at satisfying the needs of the ruling class - in essence, the clan oligarchy. The public sector is not able to respond quickly and adequately to changes in the market situation, to create and increase profits on the basis of improving the efficiency of production, to apply innovative development mechanisms. At the system level, the state sector generates a monopoly, decay and parasitism. In all years after the restoration of independence, the management of state-owned objects in Ukraine is unsatisfactory and mainly ineffective, which adversely affects the state of income tax revenues from the state sector of the economy to the state budget of the country. Due to the lack of an effective owner of these facilities, there is usually no proper control and responsibility for the financial condition of enterprises. It is becoming the norm for the decline of solvency, unwarranted growth of credit indebtedness, loss-making, which create the basis for the transfer of property of state-owned

enterprises into the ownership of private structures. For example, according to the Accounting Chamber of Ukraine, the integral major complex of the State Enterprise "Kovalev Vodka Plant" due to delayed payment of payables by KB Zakhidinkobank and LLC Lutsk-Eco-Service, according to the decision of the Commercial Court of the Volyn region, passed Owned by LLC "Lutsk-Eco-Service". This is done in violation of the requirements of the Law of Ukraine "On Privatization of State Property", according to which the plant is not subject to privatization. And such cases are unpredictable [7].

According to the estimation of the Ministry of Economy of Ukraine, in 2007, only 25.8% of state enterprises (724) worked efficiently, 25.5% (716) were well-equipped and 487% (1368) [8] inefficiently equipped. And if government levers in the state sector of the economy are taken over by the representatives of large financial and industrial groups that actually happened in Ukraine, then its potential is used to create and in the interests of a supreme caste-type oligarchy of a financial type.

It is obvious that the state system of production and reproduction should give way to a private economy that is able to function effectively in any sphere. Moreover, only private entrepreneurs (not the officials or managers of state-owned enterprises) are

capable of transforming the entropy system into a profitable one. And the profit is the most important criterion for the efficiency of the enterprise. The state should realize that the main sources of taxes are gathered from private owners, especially small and medium-sized ones. So it is for them that a state machine must create favorable conditions for development.

The socio-economic nature of the private sector of the economy is capital-creating. Unlike the public sector, the main principles of its functioning are minimizing costs and maximizing profits. The private sector operates on the basis of objective economic laws - the law of demand and supply, the law of maximizing profits, the law of value, the law of growth needs, etc. Private ownership generates wide, open and rigid competition and the desire for change, forms the middle class and the national productive bourgeoisie, provides a wider range of citizens with motivation for success, spreads an arena of individual prosperity, which creates a real basis for increasing National wealth.

As the world practice of management proves, the state economy is unable to take over the private economy in accordance with the principles of open competition. The state sector of the economy will always lose its private businesses, as it has a well-defined expenditure character and does not create, in contrast to the



private sector, an efficient system of profit generation. Moreover, the state property and the state economy as a whole are characterized by an extremely aggressive character. The state uses all of its the power, management and repressive machinery. Today, 85% of state-owned enterprises do not work in Ukraine or use their capacities by only 15%. The maintenance of the public sector costs tens of billions of Ukrainian hryvnias to Ukrainian society, and the profits of state-owned enterprises, primarily of the energy, metallurgical, coal, chemical, and sugar sectors, are attributed to ruling financial and industrial groups. As a result, state property is transformed into a state-monopoly and is concentrated in the hands of well-organized, financially viable clan structures, which in their activity are guided not by laws, but by informal, often extremely cruel methods and means of influence.

In such conditions, the formation and development of the main market institutions practically ceases, and instead, supermonopolies of the horizontal-vertical type are created, which, in essence, are state monopoly associations. First of all, it is about stock companies that, despite the anti-monopoly legislation in Ukraine, monopolize the sphere of communication, production of coal, gas, oil, metal, sugar, grain, electricity, rail transport (NJSC Naftogaz Ukrainy, DK "Ukrtransgas" ", OJSC "

Ukr-Transnaft ", Ukrzaliznytsya," Ukrbud ", " Ukrtransstroy ", " Ukrvantazhspetsstroy", etc.). These entities are designed to control certain sectors of the economy, focusing on enterprise profits. Those profits are focused on government accounts. These corporations are controlled by the Cabinet of Ministers, which itself is under the control of clan-oligarchic groups, the distribution of the generated income is in their favor [9]. Today, the state-monopoly sector is the most powerful player in the Ukrainian economy. The state-monopoly sector has an insulting role in shaping the rules of the game in Ukraine, since it focuses on the power of the state machine and the potential of financial and corporate clan groups. Both forces have united in the state monopoly sector, complementing and using each other to realize the main goal - to obtain a monopoly maximum profit. The power and economic entities of this sector do not allow to develop free competition, prevent the free flow of capital from one branch of economy to another, from one sector to another.

*The main economic institutions* that they use to achieve their goals and dominance in the economic sphere are the clan monopoly, the state monopoly and the synthesis of these two monopolies.

*The main fiscal institutions* are the state budget and the tax system, through which the redistribution of cumulative income

formed in the Ukrainian economy, in favor of financial and corporate groups.

*The main organizational institutions* for the rule of the state monopoly sector and its carriers in Ukraine are the State Tax Administration, the relevant departments in the SBU and the Ministry of Internal Affairs, the prosecutor's office, the judiciary and the state local administrations. All these government agencies are infected with corruption and bribery.

According to Transparency International, Ukraine ranked 146th in corruption among the authorities in 2009 (shared with Cameroon, Zimbabwe, Kenya, Ecuador, Sierra Leone and Russia) among 180 investigated countries. At the same time, this figure has worsened in comparison with 2008, when it occupied the 134th place [10]. In 2012, Ukraine had a corruption perception index 26 (the best possible position is set at 100), having 144-149 places with Bangladesh, Cameroon, the Republic of Congo, Syria and the Central African Republic.

The ranking of Ukraine in terms of corruption corresponds to its place in the ranking of countries (according to the 2010 World Bank Report) for such an indicator as the ease of doing business - here we are 142th [11].

For an economic model of state-monopoly capitalism, transformations can be observed not only in the property institute, but also in such market institutions as stock and currency markets, labor market, land market (gravity for the creation of latifundia, the destruction of farmer and cooperative agricultural enterprises). At the same time, material and financial depletion of the private sector of the economy, and especially of small and medium-sized businesses, is taking place. Ukraine looks extremely unattractive compared to other countries where the number of small businesses is calculated in millions. The conditions for the development of free enterprise can be considered favorable if the legislative and regulatory framework in the country is stable, transparent and contains incentive mechanisms. The state should consistently reduce its interference in the business environment and gradually reduce its level of regulation through administrative methods, in particular, by simplifying the procedure for registration, liquidation and reporting of small and medium enterprises.

Business in Ukraine functions in harsh, unfavorable conditions for the registration and reporting procedure for legal and natural persons-entrepreneurs, the excessive tax burden, and volatile legislation. In 2013 in the ranking of the International Financial Corporation Doing Business on ease of running small and

medium-sized businesses, Ukraine ranked 140th among 183 countries [12].

This situation can only be explained by one reason: our state, as the main subject of economic and legislative power, primarily advocates the interests of the ruling financial and industrial groups, which are usually monopoly unions that are not interested in the development of free enterprise and competition. It became clear that the functioning of the model of state monopoly capitalism, operating in the oligarchic-clan form, has a secondary role and humiliating status for small and medium-sized businesses. However, despite the obstacles, the private economy in Ukraine is increasing its potential. Today, the private and natural sectors of the economy together create more than 65% of the country's GDP (Figure 4.1). However, the state sector of the economy desperately tries to return lost positions. For this purpose, the ruling bureaucratic nomenclature was used in the intellectual, and then the domestic level of consciousness borrowed in the West term "shadow economy".

Communist-nomenclature, intellectual-scientific and teaching centers considered the entire non-state economy of the country as "shadow economy". The state economy is parasitic, monopolistic, rotting, inefficient, corrupt, and repressive by nature. A private

economy that generates profit, capital, riches, competition, diversity, and Has a productive character, ordinary citizens are perceived as "dark", "dirty", "tiny". There has been a shift, and then a conscious distortion of the basic concepts and categories [11, p. 48].

Thus, due to the deformed development of the institute of property in Ukraine, the state-monopolistic economic model was approved, which not only complicates, but also significantly reduces the field of activity of independent private small and medium enterprises. If Ukraine follows this model, it will be practically impossible to achieve macroeconomic stability and to stop the decline of production, which is accompanied by an irreversible process of destruction of the country's scientific-technological, industrial-technological and social capital. What is more, it will also be impossible to create the prerequisites for the structural adjustment of the economy, to provide economic growth.

The problem of formation of consolidated budget as an important financial and economic institution of the country is extremely difficult for Ukraine under the current economic model of development. Budget is a system of cost-benefit instruments that shows how efficiently a state machine operates, contributes to the formation of healthy and rich social and economic centers in

society, or, on the contrary, leads to the exhaustion of national wealth and the gradual degradation of society, in case the state budget is reduced to a deficit (and in Ukraine it is constantly, since 1992, except in 2000 and 2002) [13].

The state budget of Ukraine since 1992 has not been fulfilled year after year. At the same time, the state has never been responsible for the deficits. The state budget has always had a pronounced parasitic character and was aimed at enriching a rather narrow group of people who are in power Olympus. It can be said that the state budget in Ukraine has been transformed into an important weapon of massive robbery of its people - on the one hand, and enormous enrichment of the clan oligarchy - on the other.

Functioning of the three above-mentioned sectors - the state, private, and natural sectors - in general, ensures the process of reproduction in the Ukrainian economy, which is a guarantee of existence and development of the country. But the question is on which basis - steady or expanded - does the reproduction process in each of the economic sectors take place? The process is carried out on a simple or even narrowed basis in the natural sector of management, and the delta (ie, profit) is very insignificant. The process of reproduction takes place on an expanded basis in the private sector and accordingly, the delta grows. The state-

monopoly sector, in its deepest sense, is not effective, since it is artificially formed, in the interests of obtaining a monopoly profit by the power-financial and corporate groups. Consequently, the process of generating monopoly income and reproduction in this sector is unnatural, due to the exhaustion of the natural and private sectors, the redistribution of profit created here. The state monopoly sector adopts income generated in other sectors through tax instruments, various administrative and fiscal constraints and control mechanisms, as well as noneconomic criminal-confiscation methods (including raider hijackings).

Thus, the actors of each sector generate and accumulate revenues in the process of reproduction in order to be a part of the legal commodity-money circulation. But they can only do so if they legalize funds in the state-monopoly sector and, ultimately, in banks.

The components of the reproduction process are production, distribution, exchange and consumption, and its prerequisite is the banking sector. However delta takes the form of money and then partially accumulates in banks only in the last three phases of play materialization and monetization. Therefore, banks have become the structures through which it is very convenient to legalize and launder income (including "dirty") in any state. Therefore, we can



say that the banking system is an important institution of the economic model. Moreover, it is precisely because of bank lending that the necessary conditions for the normal course of the expanded reproduction process are formed.

Further, according to logic, one should consider the essence of such concepts as "Dirty money", "money laundering". The definition of "dirty money" has disappeared and has been used in relation to the income received by people in the drug business, arms trade, and other illegal activities. Thus, the process of "money laundering" refers to the criminal sphere. Only the judicial authorities can decide on what kind of money - pure, questionable or criminal - is the subject of financial transactions. However, certain circles have specially invented a norm like "dirty money" to avoid punishment by the judiciary.

A campaign to combat "money laundering", launched by a cosmopolitan multinational capital, aims to prevent young national countries from being "world financial cake". Let's prove it. As you know, gaining money in cash is already the end point of the reproduction process. Accordingly, the fight against "dirty money" is the elimination of the consequences, rather than the consequences of this phenomenon, which are rooted in the

production phase. This is clearly evident if we consider the world-wide reproduction process from this angle.

First of all, we will try to answer the question: if we take control of a certain segment, even a large, global banking system, does that mean that the dirty money will no longer be made? Absolutely not. After all, in order to get rid of "dirty money", it is necessary to stop the production of goods, which are considered as their source. It is almost impossible to do. For example, peasants in Afghanistan, Bolivia, Colombia, Mexico have been producing raw materials for drug production for decades. Therefore, it is likely that they will stop this activity if they oblige banks to track some "questionable" operations.

According to the IMF, the turnover of criminal and corruption in the world is \$ 1.5 trillion. Per year, and they have to be legalized in some way. Usually, this money circulate through various offshore banks. Ukraine needs to develop its economy and eliminate the monopoly of state-monopolic- Atlantic sector, which could break the reproduction at both national levels. Our country also needs to change the rules that resolve conflicts between the three sectors, to create conditions for free competition to pre moves, which are formed in the private and natural sectors [14].

In order to solve these problems, in our opinion, it is necessary to reform the relations and structure of property. Property is considered to be the institutional basis of the economic model, which will be able to change the current model of economy in Ukraine into a model of national capitalism, in which 75% of society will be real, not formal private owners, who will develop a competitive, market environment [5].

The main objective of the reform of the system of property in the context of the transition to the economic model of national capitalism should be the redistribution and consolidation of property titles among a large part of the population, activation and extension of the private (personal, cooperative, partnership) form of ownership. In our opinion, we can highlight the following main ways to achieve this goal:

- 1) reduction of the share of state property by accelerating and completing privatization with the addition of this process to the general population with free funds, and not only legal entities (financial and corporate groups - to the same non-Ukrainian origin) and financial intermediaries. In this way, you can save the status of the state as the most powerful economic player in the production system and the reproduction process in general. At the same time, the

transformation of the management of state-owned objects and the reform of public administration in the direction of decentralization should be carried out. It should be noted that positive developments have already begun in this area. Realizing that the state sector of Ukraine's economy, due to its ineffectiveness and expenditures, has to be objectively reduced to a minimum (which is in line with the global trend), the Government has put forward a strategic task: "... to complete the privatization of state property for five years as a large-scale project for the transformation of state ownership. The state will retain only the objects that ensure the state's fulfillment of its basic functions and national security. To this end, it is necessary to adopt a new State Privatization Program and substantially improve privatization legislation. These changes must necessarily include a strong raider attack and a radical improvement in the efficiency of public sector enterprises management "[15];

- 2) Corporatization of enterprises by transforming a CJSC into an OJSC through an open procedure for the issue and sale of shares whose holders can be economically realized as private owners during the free sale of shares and receiving corresponding dividends; Creation of public joint stock

companies (PJSC), where there is no owner (owners) and a controlling shareholding. At the same time, a change in the ideology and methodology of corporate governance should take place simultaneously;

3) the priority development of such a form of public property as a communal property, which meets the common needs of local communities. Communal property should include water utilities, city power, waste processing, public transport, etc .;

4) the creation of an active and liquid secondary market in the country, which should precede the large-scale methodological and general theoretical modeling of the national securities market;

5) securing, at the legislative level, the functioning of private property in Ukraine as primary and inviolable. The formation of the legal mechanism of realization of the right of natural persons who are Ukrainian citizens to private ownership of land. It is impossible to develop entrepreneurship and economic reforms in general without the above-mentioned reforms. Creation of legal mechanisms to prevent the seizure of property;

6) clear, according to European standards, the definition of property rights, which enables to effectively implement property relations directly through the market, without administrative intervention and at minimum transaction costs (this corresponds to the theorem of the American scientist R. Coase, the founder of the theory of property rights [16] );

7) realization of the deconcentration of property, that is, the prevention of its concentration in one's hands; Creation of conditions for leveling the wealth level among Ukrainian citizens and interrupting the formation of the oligarchy.

8) changes in the system of property relations should be consistent with the logic of the civilization process, its humanization, the subordination of the interests of man, his comprehensive development [17].

#### **4.1.3. Political system as an institutional reflection of the model of economic development of the country**

As noted above, formal institutes, which are an integral part of the institutional system, include political institutions, the totality of which forms the political system of the state. Under these conditions, these institutions not only determine the power of the hierarchical structure of society, the methods of decision-making and control mechanisms, but also closely

intertwined with economic institutions, directly influencing the formation of the institutional basis of the country's economic model.

Currently we do not have clear-cut approach to the analysis and classification of political systems that have been formed in different countries of the world, and the relationship between the political system and the model of economic development of the country is not disclosed. Based on the study of world experience, we came to the conclusion that existing political systems can be grouped into four types [18, p. 12].

The party-parliamentary political system, which has developed in the developed countries, has proven itself most positively. The party-parliamentary political system is characterized by: a developed system of political parties of parliamentary type; Peaceful coexistence of different ideologies, pluralism of thoughts and actions; An open change of power in the state based on the rules that do not "fit" in favor of one or another political force. The main subject in the elections of the supreme legislative power is the parliamentary type political parties. There is a distinction between politics and business; capitalists usually do not occupy parliamentary seats (this is a well-established practice in Ukraine). The form of government

in this system can be a presidential or even constitutional monarchy - it does not matter if there is a developed civil society, freedom of speech, assembly and demonstrations, the possibility for different layers and segments of the population to use the mechanisms that allow Criticize and influence the authorities. Such a political system corresponds to the economic model of popular capitalism, based on the dominance of competition and private property. The latter has such a high level of development, which greatly contributes to the formation of the middle class. The so-called bureaucratic political system is well-developed in the world. It is typical for developing countries (120 countries in the world), that is, those who have just been liberated from colonial dependence and have not yet formed their own national elite, especially political, economic, and managerial apparatus. Institutional reforms are extremely slow in such countries, one-sided, and oriented towards the creation of an economic model of state-monopoly capitalism.

The third type is the party-authoritarian political system. It is inherent for most Arab countries, where the government is a party that represents the party system and fused with bureaucrats *kratiyeyu* (classic examples - Syria, Libya Gaddafi era). For such a political system, the economic model of state



capitalism, which is covered by the backs of bureaucratic and directive socialism, is characterized by ineffective mechanisms of management.

The fourth type is the clan-totalitarian political system. It is quite common in the world, particularly in Latin America, Asia-governmental and African countries (Venezuela, Colombia, Bolivia, Burma). Under this system, the power belongs to several clans that rely on military institutions and which can alternate in power, imposing its authoritarian leader. The economic system is entirely monopolized by clans, all the institutions formed under the control of the power vested groups. It should be noted that the clan-totalitarian political system automatically generates a feudal-monopolistic economic system, with its inherent lack of transparent open competition with deformed institutional functions.

The transformation of the models of economic development dictates the corresponding changes in the structure of the state political power, among which we consider the following as the determining factors:

1. The collapse of deterministic approaches to ideologies, which will lead to the decline of traditional ideological systems and political parties.

2. The growth of the role of horizontal-network democracy, and therefore, civil society organizations and various forms of self-organization of the population to solve the complex tasks of communities and nations.

3. Ideological blurry and europragmatism, which create the basis for the formation of supranational technocratic leadership in political power.

4. Further intensification of mediocracy, which may lead to unpredictable consequences in states with developed democracy, distorting the essence of its own democratic foundations.

5. Emphasis on the political plane of moral and ethical categories, as a result of which the activity of the government gradually begins to be based on universal values.

6. Protection of national interest. Providing changes in new geopolitical and geo-economic circumstances. New nationalism is not the supremacy of a separate nation and the struggle of others, but the defense of their national interests and the way of being through peaceful coexistence and partnership development. He is undergoing renaissance through neo-evangelization and return to traditional Christian values.

The current political system of Ukraine reflects the realities of the country's economic triad of economic model and is mixed: it combines, in one measure or another, the features of all the systems described above and transformational trends. One can name the following main characteristics of the Ukrainian political system:

- a rigid centralization of power, which seeks to authorize authoritarian methods to control the power structures of apparatus of all levels;
- formation of a deterministic centralized vertical hierarchy;
- dominance in a political space of one party political force;
- the monopoly influence of the clan oligarchy on making key decisions in the state;
- removal from the political life of the general population;
- formal recognition of civil society, restriction of freedom of speech, controllability of mass media;
- undertrained, inclined to corruption and bribery, but devoted to clan leader people hold the most important positions in the state.

Thus, the long-term research of scientists has convincingly proved that the previous archaic method of interaction between the economic and political planes in Ukraine, the remnants of which were preserved from the Soviet-communist times, was not feasible and reached its end.

On the whole, it can be argued that Ukraine has developed a situation that requires the transformation of the economic model of development and the corresponding deep changes in the ownership structure and other institutions, including political ones.

In order to avoid deepening of the economic, financial and social crises with potentially serious consequences for the economy and welfare of the population, the economic model of Ukraine should be reoriented from the stimulation and financial support of a large financial and industrial oligarchic capital. In fact, this means that the lion's share of Ukraine's triad economic model should fall within the model of national capitalism, which has a real potential in order to more effectively and quickly overcome the problems connected with the permanent deficit of the state budget and the rapid increase of the state external and Internal debt, balance demand and

supply, stimulate the development of domestic capital markets and reach the path of economic growth.

At the same time, the formation of a party-parliamentary political system as an institution that meets modern standards of development will contribute to the formation and increase of the effectiveness of this model. We are convinced that such an approach corresponds both to the national interests of Ukraine and to world trends.

#### **4.2. The directions and nature of the relationship between the structure of the national economy and the model of economic development**

The economy of any country is a complex system, which forms an interconnected and interconnected set of different types of structures - reproductive, institutional, managerial, sectoral, branch as well as industrial and technological, regional, foreign trade, which actions are realized through socio-economic relations. Economic structures are built internally not only on functional principles, but also on the principles of ownership and distribution in certain proportions of various resources and are mobile entities that can be influenced by a number of factors - both market and administrative (regulatory) Character.

The integrity of the economy and the positive realization of the potential for its growth are achieved only if these structures function in a coherent manner, based on an economic model of development that is in the interests of an individual, society and the state. In the case of the archaic or falsehood of the model chosen by the country, the economy may lose stability, manageability and predictability of development, and acquire the imbalance of the system (structures), degradation, destruction, collapse. In other words, if the country's economy develops on a model that contradicts the interests of most citizens and is designed to meet the needs of a limited circle of people (clan-corporate groups) or the parasitic needs of cholcrastia, then one should expect an appropriate reaction in the form of entropy-destroying tendencies Economic system, make its sustainable and efficient development impossible.

Thus, it can be argued that there is a deep interconnection between the structure of the economy and the model of its development. The analysis of the nature and direction of this dependence is important both from a theoretical and methodological point of view, and for developing ways to restructure the economy during the period of transformation of the country's economic model.

#### **4.2.1. Deformation of the structure and major proportions of the Ukrainian economy**

The issues of structural adjustment of the economy were extremely relevant and actively analyzed by Russian and Ukrainian researchers during the transition of the former Soviet republics from the administrative-command to the market economy system. The theoretical justification of the policy of structural transformations of the economies of independent countries after the collapse of the USSR is contained, in particular, in the scientific works of such Ukrainian and Russian scientists as L. I. Abalkin, A. M. Alimov, A. I. Anchishkin, D. P. Bogin, E. T. Haydar, A. S. Galchinsky, V. M. Heyets, S. Yu. Glazyev, S. A. Yerokhin [19], V. L. Inozemtsev, B. E. Kvasnyuk, K. T. Krivenko, IV Kryuchkova [20], I. I. Lukinov, D. S. Lions, A. V. Martynov [21], V. P. Onischenko, S. I. Pyrozhkov, A. I. Sukhorukov, A. S. Filippenko, A. Chukhno, Yu. V. Yakovets. However, despite the introduction of a number of relevant theoretical and methodological approaches to the implementation of structural reform, a deformed macroeconomic structure exists in Ukraine, which does not provide the efficiency and competitiveness of the development of a national economy, and therefore requires a radical restructuring on the basis of a

new model of economic growth. This is the second stage of structural reform, the objective conditions for implementation of which are now formed in our country. But the lack of constructive political will in the leadership of the state (uncertainty of subjective conditions) and the domination of clan-corporate groups hinders the process of transition to a qualitatively new economic model, without which accordingly the sense of qualitative renewal (transformation) of the structure of the country's economy is lost.

It should be noted that the problems of forming the optimal structure of the economy and overcoming structural disproportions were devoted to many well-known western researchers, such as M. Alle [22], L. Balcerovich, D. Bell, E. Domar, V.-B. Zang, Gyeongju V. Kolodko [23], V. Leontiev, A. Lewis, P. Newman, J. Sachs, J. Stiglitz, R. Solow, G. Toynbee, R. Harrod et al. The last world financial and economic crisis once again raised the issue of the need to transform economic structures, bringing them into line with the new requirements associated with globalization-civilizational shifts, the onset of the era of chaos and the phase of recession, requiring the elaboration of non-traditional theoretical and methodological approaches to the implementation of structural changes.



It is crucial to disclose the organic connection between the structure of the economy and the model of its development. We aim to prove that the model of state monopoly capitalism in symbiosis with the archaic remnants of the state-socialist model is not able to solve the structural problems that have accumulated in the country. This chapter will also substantiate the necessity of carrying out structural reform in Ukraine on the basis of the model of national capitalism.

First of all, it should be noted that the indicators of the development of production of most goods and services and the consumption of basic foodstuffs in Ukraine by a significant part of the population of the 1990 level have not yet been achieved, the differentiation of incomes of members of society continues to grow, and therefore its socio-economic polarization. Economic growth in the industry of Ukraine at the beginning of this century is carried out on a structural and productive basis of the 70s of the last century. According to many Ukrainian scholars, in particular S. Yerokhin, "the structural weakness of the Ukrainian economy has taken years, but its most devastating forces have turned out to be in the conditions of independence and transition to market relations. The structure of the Ukrainian economy does not meet the

needs of a person, does not provide for her normal living conditions "[19, p. 138].

It is obvious, therefore, that the state-monopoly, clan-oligarchic model, which is currently prevalent in the Ukrainian economy, is proved to be unable to ensure either a qualitative transformation of the economic structure, or its integrity and internal equilibrium. This economic model has become the basis for deepening the so-called structural problem, manifested, firstly, in the growth of macroeconomic imbalances and, secondly, in the distortion and destruction of various economic structures.

The indicated negative structural shifts (as well as any economic changes, including cyclical ones) are evidenced by the dynamics of the main macroeconomic indicators of the development of the Ukrainian economy in the short-term. An analysis of this dynamics suggests that in Ukraine, the macroeconomic equilibrium has been breached, which is achieved due to the maintenance of a number of stable fundamental proportions that form the structure of the national economy. This is a question of relative equilibrium, because, as rightly noted by the well-known Polish scientist Gz. V. Kolodko, "it is never possible to achieve complete balance, it

is important that this (socio-economic - O.S.) growth was at least relatively equilibrium. Equilibrium should remain where it has a rationale - in economic models. In reality, we need to strive for it to the extent that our knowledge allows us, but first and foremost, the political conditions in which we have to act "[23, p. 369].

We believe that today all major macroeconomic proportions are deformed in Ukraine, which have a decisive influence on the development of the economy and to a large extent depend on the model at which it operates. First of all, there was a distortion of the following proportions:

- The ratio between the volume of GDP and the volume of money supply in circulation. This classical dependence, which corresponds to the law of monetary circulation, formulated by K. Marx and which nobody could deny, means the correlation between the needs of the economy in the monetary resources and the actual flow of them into circulation (this refers primarily to the monetary aggregate M1, which serves operations for the implementation of the gross domestic product). If, in turn, more money than government needs, then this leads to a breakdown in the stability and depreciation of the monetary unit, and hence the decline in its purchasing

power. There is a distortion of the correlation between demand and supply of money in Ukraine (see Table 4.3).

The growth of the money supply in the economy of the country should not be chaotic, conjunctural, or be used by the government to solve current financial problems, such as covering the state budget deficit, payment of pensions and other types of social assistance, artificial increase of the minimum wage.

The main indicators characterizing the state of the economy and monetary market of Ukraine, **mln hrn.**

Period (end of year)	Nominal GDP (In actual prices)	Money aggregates *			
		M0	M1	M2	M3
2016	2018854	314.3	529.9	1102.3	1102.7
2015	1715636	282.6	472.2	993.8	994.06
2014	1566728	282.9	435.4	955.35	956.1
2013	1454931	237.8	383.9	906.3	909.1
2012	1408889	203.2	323.2	771.1	773.2
2011	1316600	192.7	311.1	681.8	685.5
2010	1082569	157 029	233 748	484 772	487 298
2009	913345	154 759	225 127	512 527	515 727
2008	948056	111 119	181 665	391 273	396 156
2007	720731	74 984	123 276	259 413	261 063
2006	544153	60 231	98 573	193 145	194 071
2005	441452	42 345	67 090	125 483	125 801
2004	345113	33 119	53 129	94 855	95 043

Note: \* Monetary aggregates comprise the NBU according to the IMF methodology: the monetary aggregate M0 includes cash in circulation outside deposit-taking corporations; Money aggregate M1 - monetary aggregate M0 and transferable deposits in national currency (M1-M0); Monetary aggregate M2 - monetary aggregate M1 and transferable depot in foreign currency and other deposits (M2-M1); Monetary aggregate M3 - monetary aggregate M2 and securities other than shares (M3-M2).

Source: Compiled by the author according to the data of the National Bank of Ukraine [24]

At the same time, the prediction of the flow of money into circulation can be achieved if one adheres to the well-known McCallum rule [25], which describes the basic principles of money supply management, depending on the dynamics of nominal GDP and the rate of circulation of money. Under this Rule, the quantitative increase in the mass of money ( $\Delta m$ ) at time  $t$  should be determined taking into account the average real GDP growth for 10 years (\*), the average increase in the rate of rotation of money in 4 years ( $v^*$ ), and Outlined by the central bank of the inflation benchmark ( $p^*$ ):

Compliance with the above-mentioned Regulation will ensure the development of the monetary mechanism in Ukraine, and thus avoid the influence of monetary factors on the dynamics of inflationary processes, to maintain its level within the projected limits [26, p. 38].

- The relationship between money aggregates, that is, the structural components of the money supply, in the money

market. It is possible to prevent a violation of monetary circulation in a country if equilibrium is maintained between aggregates. In Ukraine, as can be seen from the tables in Table. 4.3 data, virtually all components of the money supply are growing, but its structure is extremely imperfect and does not correspond to world trends. For example, in 2002, the share of cash (M0) in our country amounted to more than 40% of the money supply, and the share of M1 - about 70%. In eight years, that is, at the beginning of 2010, these indicators in Ukraine have not changed dramatically and amounted respectively to 32.2% and 52.6% respectively; By the end of 2013 (3 quarters) - 25.74% and 42.70%. Available in circulation cash from the beginning of 2008 to September 2013 increased by 114.49 billion UAH.

An important indicator of the effectiveness of the monetary system of the country - the ratio of cash and cashless parts of the money supply. The smaller in the total money supply is the share of cash outside the banks, the more developed the monetary system. In developed countries, this figure does not exceed 8%, in Ukraine it reaches more than 25%.

There is a reciprocal relationship between the monetary aggregate M1 and the state of development of the monetary

system of the country. The overwhelming share of foreign currency in the money supply, large volumes of cash in the shadow turnover, the not always substantiated monetary policy of the NBU impedes the available funds to serve commodity-exchange operations, impede the reproduction process in the economy, violate the balance between commodity and money supply, which Negatively affects the development of the national economy.

Such unoptimized correlations between money aggregates testify to the imperfection of both monetary and economic system as a whole.

- The relationship between accumulation and consumption, which is the main, determines the condition of extended reproduction. As is well known, the larger the share of gross accumulation, the higher are the growth rates of the economy, the size of GDP, and hence the volume of consumption.

$$\Delta mt = y^* - v^* + p^*. \quad (4.1)$$

According to official data, such indicator as the share of capital Input (gross accumulation of fixed capital) of GDP, in Ukraine in recent years is rapidly decreasing. According to the results of 2007, this indicator amounted to 27.50%, in 2008 - 26.38%, in 2012 - 19.4% [27, p. 30]. The above data shows that in Ukraine, in

essence, the production accumulation and timely renewal of fixed capital has ceased. Due to such a negative dynamics of domestic investment, it is possible to keep the reproduction process at least at the achieved level (not to mention the growth of the economy) only in the short run and in the presence of two conditions: a high level of investment efficiency and favorable cyclical conditions. However, in the long run, the curtailment of investment programs and loans, as the experience of many countries shows, negatively reflects the overall economic dynamics, pushing the economy first to stagnate, and then to a downturn. Therefore, in Ukraine, where there is a lack of investment resources for a long time, in the coming years, the growth of fixed capital accumulation should outstrip GDP growth at least twice.

- Proportion between the structure-forming components of the aggregate social product - the industrial sphere and the service sector (the "non-productive sphere"). According to official statistics, by the beginning of 2013, the share of gross value added created in the service sector in Ukraine's gross domestic product was 63%, industry - 24.8%, agriculture, forestry and fisheries - 9, 0%, construction - 3,2% [27, p. 30]. It should be noted that the tendency to reduce the share of production of material production and increase the share of non-material production in general corresponds to global trends. However, this indicator in Ukraine



remains almost 1.5 times smaller than in the developed world.

- The correlation between the development and growth rates of high technology and extractive industries, as well as the sectors of primary processing of raw materials. This proportion, and thus the structure of employment, is distorted in Ukraine in favor of the second group of industries. It should be noted that in the structure of industrial production of Ukraine, the share of basic low-tech industries (electricity, fuel, ferrous and non-ferrous metallurgy, chemical and petrochemical industry) in

In 1991 it was 25,6%, at the end of 2006 it has doubled – to 51.5% [28]. Nowadays the Ukrainian economy is dominated by the reproduction of low-tech manufacturing facilities of the 3rd and 4th technological processes (mining, rail transport, multi-tonal inorganic chemistry, etc.), which belongs to the low-capacity industries. At the enterprises of these industries almost 95% of domestic production is produced. Growth in GDP is driven by the introduction of new technologies in Ukraine is estimated at only 0.7-1%. At the same time, in developed countries, the new knowledge, embodied in technologies, equipment, personnel, organization of production, accounts for 70-85% of GDP growth. Therefore, the Ukrainian dynamics do not correspond to the tendencies of the fundamental changes in the branch structure that take place in the developed countries from the end of the twentieth

century, nor to the modern requirements caused by the global crisis that began in 2007. This structural problem, which in Ukraine has not been resolved for decades and is only deepening, it is perhaps the most serious systemic problem that needs an immediate solution.

- The ratio between raw and finished products in the export structure. Today, the share of raw materials and products with a low degree of processing in Ukrainian exports is hypertrophied high. Raw material and energy intensive sectors of the economy account for almost 80% of the country's exports, the lion's share of which is made up of products with a low degree of processing (Table 4.4). As shown in Table. 4.4, the share of export of goods of ferrous, nonferrous metallurgy, chemical industry, agroindustrial complex is especially high. The commodity structure of Ukrainian exports is made up of ferrous metals and their products. In 2012, the share of machine building products in the overall structure of Ukrainian exports was 18.9%, of which only 0.4% of goods exports came to electricity equipment, devices and optical apparatus [28]. In 2013, due to a sharp fall in the volumes of supplies of machine building products (in particular due to the over-saturation of the rail transport market in Russia), its share decreased to 16.3%. In 2012, about 80% of the mining and metallurgical complex's exports were exported from Ukraine,

which provided 40% of currency revenues to the country. At the same time, the share of exports of high-tech products in the structure of commodity exports of Ukraine is not more than 2% [29].

**Volumes and commodity structure of Ukraine's exports in 2016**

<b>Indicator</b>	<b>Exports, mln. USA</b>	<b>In% of total exports</b>	<b>Change in% by 2015</b>
Exports, in general	33571	100,0	-5.2
Metallurgical products	8099	24,1	-11,6
Products of agroindustrial complex agroindustrial	8298	18,1	-4.8
Machine-building products	2748	8,3	-17,8
Mineral products	2390	7,1	-10,5%
Products of the chemical industry	1833	5,5	-

Source: Data of the National Bank of Ukraine [24]

- Uneven distribution of gross revenues between the main institutional sectors of the economy. First of all, there is a distortion in the structure of the distribution of available corporate income in favor of financial corporations (through a channel of overvalued net income from ownership), as well as between the general government sector and the household sector (by increasing the gap between the received And paid by social transfers) [30, p.

5]. The indicated distributional deformations became the main factor in reducing the economic dynamics, narrowing the investment sources in the real sector of the economy.

- The correlation between the growth rates of real wages and labor productivity. It is generally acknowledged that the growth rates of wages in the economy of the country should be consistent with the corresponding increase in labor productivity. However, this relationship has been violated in Ukraine. According to the Confederation of Employers of Ukraine, in between 2000 and 2009, the average annual growth rate of real wages amounted to 19.2%, and the growth rate of labor productivity is 7.2%, that is 2.7 times lower [31]. The analysis of the dynamics of these indicators in 2009-2013 shows that labor productivity in Ukraine during this period increased significantly more slowly than real wages (Table 4.5), and the gap between them is not reduced [32].

*Table 4.5*

Dynamics of real wages and labor productivity in 2009-2013,% to the previous year

Indic	2009	2010	2011	2012	2013	2014	2015
Productivity	-11,5	3,7	4,9	0,1	-0,3		
Real wages	-9,2	10,2	8,7	4,4	8,2		

Source: According to the Ministry of Finance of Ukraine [32]

According to the State Statistics Service of Ukraine, the share of wage earners in the structure of Ukraine's GDP in 2007 was 49.8%, in 2008 - 49.6%, in 2009 - 49.4%, in 2010 - 49.7%, in 2011 - 50% [28]. At the same time, in the EU countries, it is correspondingly reduced in favor of the gross profit of companies. It should be noted that during the period of the financial crisis, the incomes of the population are usually observed, but this process in 2008-2009 took place in our country more slowly than the decline of the economy as a whole.

- Internal financial proportions: the ratio between revenues and government expenditures of the state budget; Profitable and expendable parts of the Pension Fund, NJSC Naftogaz of Ukraine; Between the amount of cash expenditures of the population and its revenues (primarily due to the existence of an excessive shadow economy and a large amount of cash outside the banks) recorded by official statistics.

The deviation of the main macroeconomic proportions from the state of equilibrium entails significant risks of financial losses in all institutional sectors of the economy. In addition, the distortion of the proportions of GDP distribution leads to an increase in state debt and to the restraint of the development of the national economy as a whole. The big imbalance at the macroeconomic level is the rise in prices and expenditures, as well as the growth of

the state budget deficit. Similar processes are observed in Ukraine permanently.

The peculiarity of the modern stage of development of the Ukrainian economy is that the aforementioned (and other) disproportions accumulated in our country to the critical mass were imposed on the process of deepening internal structural and sectoral crises, and also coincided in time with the onset of the "structural crisis in the world" System ». According to Emmanuel Wallerstein, "the combination of three factors - the scale of the" typical "crisis, the growth of production costs and the additional systemic pressure caused by the rapid economic growth in China (and in Asia in general) - means that the world system entered into a period of structural Crises Its internal dynamics deviated considerably from the equilibrium position, and the fluctuations of its states became enormous scales. From this moment we are at the point of bifurcation of the system process. The agenda is now no longer a question: "How will the capitalist system return to the previous order of things and renew its advance?" The key is now another: "What will replace the current system? What sort of order will be born from this chaos?" [33]. Similar issues are currently relevant not only to the world-system as a whole, but also to the majority of countries in the world-those who fell into a crisis of crisis; Those who have not yet completed market transformations;

And those where the two states are united (Ukraine also belongs to such countries).

#### **4.2.2. Structural crises in Ukraine and ways to overcome them within the framework of the model of national capitalism**

Structural crises, both nationally and globally, in contrast to the cyclical crises of overproduction, is usually manifested in changes in the general economic situation and in the conjuncture and dynamics of the development of individual branches, sectors or sectors of the economy. If structural crises cover the lion's share of the country's economic space, then they can have a profound negative impact on the development of the national economy as a whole, and moreover, over a long period of time.

A comprehensive analysis of the state and dynamics of economic processes in Ukraine gives grounds to assert that today all sectors of our economy are covered by structural crises that intensified and were clearly on the surface under the influence of the global financial and economic crisis of 2007. In the context of the general crisis of the reproduction process, destructive crisis The trends covered the financial and monetary, industrial, construction, energy, socio-demographic, and business sectors. However, these negative phenomena, which economists have attracted attention since 2003, were usually silenced and ignored by the public authorities, which did not allow them to work out real ways to

overcome the crisis. Instead, in order to keep the situation under control, state management resorted to manual control, using administrative-bureaucratic, non-economic, policy levers of influence.

In the second half of 2004, the structural crises in the country intensified and grew into a total systemic crisis, which ended in November-December (orange) political (superstructure) revolt. The genesis and parameters of the above-mentioned crises that were raging in Ukraine have been thoroughly investigated by us [34; 35; 36]. In 2005-2010, the country's economy not only did not gain a positive dynamics of development, but also aggravated previously achieved indicators. According to statistical data of the CIS, in the first quarter of 2012, the growth of the Ukrainian economy slowed down to 0.2%, while on average in the CIS GDP grew by 2%. Ukrainian indicators of the dynamics of economy and industry were the worst among the CIS member states at the lowest inflation rate. Against the backdrop of slowdown in economic dynamics, as a result of declining exports, investments and the growth of negative values of the balance of current operations, there was a deflationary effect: a decrease of the GDP deflator in 2013 to 3.2% growth. This was accompanied by a decrease in generalized productivity, economic growth and the use of potential opportunities [27].



The main reason for this situation is that the state failed (due to lack of political will, corruption, clanism, low level of professionalism and intellectual training) to eliminate the causes of structural crises and to realize comprehensive structural transformations, the nature Concentrating its activities on solving current economic destructions with the help of non-economic command-and-control tools.

To restore economic stability in the country and to bring about a level playing field of diverse structures that actually constitute the backbone of the national economy of Ukraine, perhaps only on the basis of a qualitatively new model of economic development aimed at harmonization

Distribution of incomes between the state, economic entities and citizens. In our opinion, such a model is a model of people's capitalism. World experience shows that the economies of those developing countries under this model (Switzerland, Austria, Belgium, the Netherlands, Scandinavia, Poland, Slovakia, etc.) were able to adapt rather quickly to new challenges, to eliminate the imbalance of economic structures and The fundamental economic proportions caused by the crisis, including, in particular, the policy of fiscal consolidation and optimization of the social security system, substantially reducing government spending and budget deficits. In fact, the indicated countries did not need to

resort to fundamental restructuring of economies at this stage, because the model of their development is genetically oriented to implement (if necessary) structural transformations.

In the second half of 2004, the structural crises in the country intensified and grew into a total systemic crisis, which ended in November-December (orange) political (superstructure) revolt. The genesis and parameters of the above-mentioned crises that were raging in Ukraine have been thoroughly investigated by us [34; 35; 36]. In 2005-2010, the country's economy did not gain a positive dynamics of development. According to statistical data of the CIS, in the first quarter of 2012, the growth of the Ukrainian economy slowed down to 0.2%, while on average in the CIS GDP grew by 2%. Ukrainian indicators of the dynamics of economy and industry were the worst among the CIS member states at the lowest inflation rate. Against the backdrop of slowdown in economic dynamics, as a result of declining exports, investments and the growth of negative values of the balance of current operations, there was a deflationary effect: a decrease of the GDP deflator in 2013 to 3.2% growth. This was accompanied by a decrease in generalized productivity, economic growth and the use of potential opportunities [27].

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To restore economic stability in the country and to bring about a level playing field of diverse structures that actually constitute the backbone of the national economy of Ukraine, perhaps only on the basis of a qualitatively new model of economic development aimed at harmonization of distribution of incomes between the state, economic entities and citizens. In our opinion, such a model is a model of people's capitalism. World experience shows that the economies of those developing countries under this model (Switzerland, Austria, Belgium, the Netherlands, Scandinavia, Poland, Slovakia, etc.) were able to adapt rather quickly to new challenges, to eliminate the imbalance of economic structures and the fundamental economic proportions caused by the crisis, including, in particular, the policy of fiscal consolidation and optimization of the social security system, substantially reducing government spending and budget deficits. In fact, the indicated countries did not need to resort to fundamental restructuring of economies at this stage, because the model of their development is

genetically oriented to implement (if necessary) structural transformations.

A similar point of view is shared by a number of prominent Ukrainian scholars. For example, I. V. Kryuchkova notes that "the market system in institutionalized countries is most favorable for the structuring of economic architecture at both the macro and micro levels, which allows the economy, despite constant shocks (including innovations), to restore harmonized structural matrices and equilibrium, and hence its effective functioning. Conversely, a centralized control system with strong state interference in structural processes with significant deviations from the parameters of harmonic matrices blocked the potential for development and reduced its effectiveness, which contributed to the internal systemic conflict and sooner or later would not lead to transformation" [20].

The question arises: can Ukraine eliminate the structural disparity in the economy and ensure its moderate growth, based only on market requirements, that is, based on radical shifts in demand and supply volumes and changes in competitive advantages in the national and global markets? In other words, is it possible to balance macroeconomic proportions on the basis of self-organization and self-development of markets in Ukraine, where the main economic processes are carried out within the framework

of the state-monopoly, clan-corporate capitalism and atavistic remnants of state socialism?

Self-development, aimed at equalizing the economic structure on the basis of objective market laws (as a result of fluctuations in the norm of profit is the free flow of capital, labor and entrepreneurial resources from sectors and sectors that are losing demand and profitability to those that show their growth) is a form of transformation that is quite effective under certain conditions. For example, this way was chosen by the UK in the 1980s, which largely relied on market demands, open competition, support for small businesses, and reduced state interference. However, as the world experience shows, elastic adjustment of the economic structure to the challenges of time, going exclusively in this way, is quite difficult and long (and to implement technological modernization of industries - in general, hopelessly). In addition, it is accompanied by significant social costs and slowing down the growth rate of production efficiency.

It is clear that it is unlikely that it will be possible to achieve a tangible effect in the process of restructuring the economy (and not just simplification or improvement of structures) in Ukraine. In addition, the law of equalization of the rate of profit does not actually operate in the current imperfect, deformed market, and even more so - in Ukrainian realities, where the model of state

monopoly capitalism prevails. For example, the profitability of energy and other raw materials sectors in Ukraine today is much higher than in mechanical engineering, but the flow of capital from industry to industry is not observed. The reasons are different: barriers to entering the market, lack of competition, political pressure, corruption, etc.

It is obvious that in the current situation it is necessary to involve state centralized levers of management and state forecasting of inter-sectoral (intersectoral) overflow of resources, as well as create the most powerful incentives for active participation of business in a full-scale structural transformation. Its implementation is impossible due to the implementation of certain measures or initiatives - it is necessary to develop an appropriate concept and program for the implementation of such a transformation on the basis of a new economic model. It is unacceptable to postpone the structural reorganization of the economy for the future period (especially in the conditions of dying old and transition to higher economic and technological arrangements), as this will deprive our country of a real ground for a sustainable overall economic recovery. It is possible to change the archaic, deformed structure of the Ukrainian economy for 10-15 years if this process is carried out on the following principles: First, will be deliberately organized and managed,

Second, it will take into account the latest market and market conditions; Thirdly, it will be aimed at squeezing out of the economic field of clan-corporate structures; Fourthly, will provide for the removal of the remnants of state socialism; Fifthly, will be aimed at all kinds of development of small and medium business. However, at the state level, there are no tangible steps in this direction. All governments of Ukraine since the early 1990s tried to achieve economic growth not through structural transformation, but mainly through the implementation of traditional, administrative and policy measures that can be grouped into three blocks:

I. The use of fiscal and fiscal policy instruments of the country, among which: reduction of social programs, increase of the burden on the private sector (primarily on small and medium-sized businesses), increase of utility tariffs, etc. However, it should be noted that the thesis of the sustained impact of fiscal policy on economic growth in the development of many Western economists (for example, Eicher and Turnovsky, 1999; Howitt, 2000; Dalgaard and Kreiner, 2003) are denied. Although fiscal measures are of considerable importance and are often used in transitional periods of development, they are not in a position to provide economic growth in the long run [37]. If you do not include in the model of reforms, including structural, factors such

as investment in human capital and technological innovation, then these tools will not have a lasting effect.

II. Deepening cooperation with the Customs Union and Russia, attracting Russian transnational capital for the development of the industrial, banking and infrastructure sectors. The state still can not abandon its intentions to choose an eastern vector of integration - joining the Eurasian Economic Union, the nucleus of which is the Russian Federation. It ignores that

1) Russia is pursuing neo-colonial economic policies in relation to Ukraine,

2) the share of Ukrainian-Russian trade in the foreign trade turnover of Ukraine is constantly decreasing. Our country has always had a shortage of foreign trade in goods with Russia. According to the State Statistics Service of Ukraine, in 2004 it amounted to \$ 5,069 billion, in 2005 it was \$ 4,717 billion, while in July 2010 it was \$ 4.291 billion. [28] In 2012, the balance of trade in goods and services with Russia was negative for Ukraine of \$ 5.4 billion, and goods - \$ 9.08 billion [38].

Obviously, the European market for Ukraine is more attractive than Russian market.



III. Development of traditional sectors of the economy (mining, energy and chemical sectors). This is evidenced, in particular, by the Government's initiatives to increase oil and gas production on the shelves of the Black and Azov Seas and the beginning of shale gas extraction.

In addition, the intentions of the state to motivate the Ukrainian economy in the following three directions are groundless:

1) the development of business infrastructure in the East of Ukraine, which envisages airport modernization and the construction of new highway capacity runways, as well as the construction of world-class exhibition centers and congress centers;

2) development of agriculture in Central Ukraine;

3) development of tourist infrastructure in Western Ukraine and Crimea [40].

The list of goals contained in the aforementioned Program of Economic Reforms of Ukraine, as well as statements by the Government's leadership, indicate that there is no systematic approach to structural changes in the Ukrainian economy and the prevalence of a sectoral approach to modernizing the

country. Of course, this (sectoral) approach should not be completely rejected. Under certain conditions, it is acceptable and, incidentally, actively used by developed countries. France, for example, forms the economic policy in the field of structural adjustment of the economy, based on the theory of economic equilibrium and the social optimum of the French economist of the neoliberal direction of Maurice Allais, awarded the 1988 Nobel Prize in Economics. The latter has formulated certain rules for such transformations: France, as a noncompetitive market in certain markets, should turn down the weak manufacturing sectors and develop those that provide export growth; The state should play an active role in expanding the potential of the domestic market by stimulating investments in competitive industries [22].

Is such an approach acceptable to Ukraine, which is in the woods of traditional structures that have actually "collapsed" and isolation from Western markets? It is obvious that the development of separate models of development and financial regulation for each industry or even the economy will not give a synergistic effect and will not solve the fundamental problem - the correction of the deformed economic structure, which at the moment makes it impossible for the country to flourish those industries and sectors that are responsible World market

requirements and form stable sources of its growth in the long-term period.

In order to achieve a relative macroeconomic equilibrium, to straighten deformed structures, to prevent further deepening of structural crises and to stop the process of their transformation into a systemic crisis, Ukraine needs a systemic structural transformation that should be carried out within the framework of a qualitatively new economic model - the model of national capitalism . This will require the simultaneous implementation of system-wide and sectoral institutional reforms, including administrative-territorial and local self-government.

According to the author, structural transformation should be carried out in Ukraine in the following main areas:

- the introduction of universal market functioning mechanisms for all sectors and markets (including sales mechanisms and pricing), and not only coal products markets or utilities;
- the liberation of small and medium-sized businesses from the dominance of administrative and licensing instruments and the creation of an open, transparent, competitive, environment in all sectors of production and services, rather than in certain economic sectors or sectors;

- demonopolization and deregulation of the economy as a whole;
- development of innovation sphere, high-tech sector of industry and material services, venture business;
- creation of a legal property infrastructure that would ensure the entry of all citizens into the system of economic relations of the capitalist system;
- formation of productive rather than usurious bank capital.
- Allocation of funds in favor of local budgets, reduction of tax burden, subventions, transfers, preferences, liberalization of exchange rates, etc.

By creating a favorable environment for a national producer, especially for small and medium-sized businesses, it is possible to substantially increase the economic potential of our state and increase the level of prosperity of the population. Maintaining the process of structural transformations in the active phase should be achieved through the corresponding influence on the monetary, financial and currency markets of the country of such instruments of macroeconomic policy as budget redevelopment.

The implementation of the above-mentioned approach, which fully corresponds to the main goals and provisions of the model of national capitalism, will enable the formation of a general structure of the national economy that is adequate to the requirements of the domestic market and world trends.

However, a minority of representatives of the ruling elite advocates for the structural transformation in the present still crisis period, while the majority advocates concentrating efforts on restoring high rates of economic growth by centralizing and using non-economic administrative methods. In this regard, the Russian scientist A. Martynov, analyzing similar problems in relation to Russia, correctly points out that the current realities require a "more active policy regarding the future economic development of the country. Yes, financial regulation can provide long-term economic stability, first of all, in an acceptable level of inflation and a relatively high exchange rate of the ruble. However, the resolution of long-term problems in the development of the economy and, first of all, ensuring its proper competitiveness in the world arena with such a political course is clearly not foreseen "[21].

It is obvious that in Ukraine it is also unacceptable to postpone structural quality transformations and comprehensive

technological modernization on an innovative basis for the future period when the economy seems to have a steady positive dynamics.

At the moment, in our opinion, it is necessary to reorientate from the underdeveloped market of Russia and other countries that are part of the Customs Union and are increasingly closed and isolated from Ukraine to more perspective, capacious markets. It is necessary to look for new positive gaps of modern consumer demand and rely on those structures that will help Ukrainian businesses quickly reach these markets, ahead of competitors.

#### **4.3. Reforming the tax system as a component of the institutional system and the regulatory policy of the state**

Appointment of the tax system, which is an organic component of the economic model of the country's development, consists not only of tax collection and provision of a revenue part of the budget for the fulfillment of its functions by the state, but also contributing to the achievement of the strategic goal of the development of the national economy. In most developed capitalist countries, such a goal is to accumulate wealth and increase the welfare of all members of society, which corresponds to the essence of the models of

people's capitalism, which is being introduced or sought by today by the most competitive states of the world. In view of this, a liberalized tax system is formed, which envisages a moderate level of tax burden on labor and capital, creation of favorable conditions for attracting as many citizens and their families in the business environment as possible and increasing incomes.

Ukraine, as a European state with a market economy is trying to create an effective economic system. The country must form capitalist relations at all stages of the reproduction process on the principle: the more capitalists and rich people in the country, the more powerful are the communities of cities, regions, the state as a whole . This principle is the key to shaping the model of the national capitalism of the Euro-Atlantic model, which is focused on the development of the institution of private property and a powerful middle class. And its implementation should be subject to the functioning of the tax system in our country.

Instead, another process takes place in Ukraine nowadays: the current tax system, which consists of legislative and institutional units, as well as practical tools for its functioning, serves the model of state monopoly capitalism. This system is

subordinated to the interests of financial and corporate groups, creating conditions for them to obtain maximum monopoly profits, and at the same time inhibiting market transformations and suppressing the development of the middle class as bearers of the model of national capitalism.

The Ukrainian tax system has a hypertrophied fiscal and punitive function and is suppressed by the stimulating, distributive and social functions. It does not stimulate entrepreneurial activity and free competition, contribute to the development of the economy on an innovative-investment basis, ensure the growth of welfare and decrease the level of social stratification of the population. The domestic tax system is complicated, confusing and controversial. The flaws in the tax system of Ukraine are the subject of numerous scientific studies and government officials' arguments. In particular, in the State Program of Economic and Social Development of Ukraine (2010) states that "the regulatory framework of taxation in Ukraine remains heterogeneous, while some legislative norms are not well-coordinated, and sometimes contradictory. Apart from the laws, the issue of taxation is still regulated by decrees of the Cabinet of Ministers of Ukraine, decrees of the President of Ukraine. Due to the presence in the legislative acts of indirect actions, a significant number of



issues in the field of taxation is regulated by subordinate normative-legal acts. Also observed are: a large tax burden on business, an imperfect tax and fee administration system, an extensive privilege system that leads to unequal business conditions, and the existence of a variety of tax deduction schemes "[41].

All attempts to improve the tax system of Ukraine crashed and each time ended with even worse results. The tax system was modernized in 2010, when the Tax Code of Ukraine, which came into force in 2011, was especially unsuccessful. The functioning of the tax system within the framework of this code, that is, in its current format, leads to the final consolidation of the clan-oligarchic model as well as the division of Ukrainian society into millions of poor and limited circles of the rich, the destruction of the middle class, the teeth of the main part of the population.

It is clear that Ukraine will be able to become a successful, competitive country in world race for leadership in the conditions of globalization and information and technological revolution, only by cardinally transforming the model of its economic development, and above all its important component - the taxation system.

Fundamental and applied research devoted to the problem of taxation are contained in the scientific works of many foreign authors, among them: M. Alle, A. Auerbach, N. Caldor, A. Laffer, R. Heat, J. Mearlis, C. Sandford, J. Sclemrod. In this direction, Russian scientists work in the field of mathematics, such as M. M. Alekseenko, S. V. Barulin, B. G. Boldyrev, I. V. Gorsky, I. V. Karavaeva, L. M. Lykova, S. D. Nadezhdina, L.P. Pavlova, VG Panskov, G. B. Polyak, I. T. Pososhkov, D. G. Chernik, K. Ya. Chizhov, S. D. Shatalov, T. F. Utkina and others. Noteworthy are the publications of Ukrainian scientists V. L. Andrushenko, O. D. Vasilik, V. P. Vishnevsky, T. I. Efimenko, Yu. B. Ivanov, A. I. Krisovatoy, M. I. Krupki, I. O. Lunin, V. M. Melnyk, P. V. Melnyk, S. V. Mikhailenko, V. M. Oparin, A. M. Sokolovsky, L. L. Taragul, V. Fedosov, A. P. Chernyavsky, L. M. Shablystoy, S. I. Yurii and others. The writings of these scholars deal with various aspects of tax optimization in Ukraine.

At the same time, the model of transformation of the tax system as a holistic organism in the conditions of a transitory economy of Ukraine, when the choice and formation of a competitive model of economic development of the country is taking place, is practically not represented in scientific researches of domestic scientists.

Therefore, the purpose of our study is not only to characterize the Ukrainian tax system as an important component of the institutional system and the regulatory policy of the state, but also to determine the main directions of transformation of the domestic taxation system in the context of the formation of a modern economic model of Ukraine.

#### **4.3.1. The nature of taxes and the dialectic of tax transformations in Ukraine**

The tax system is an instrument of state regulation of the economy, which allows the permanent withdrawal of a certain part of private incomes of legal entities and individuals in favor of the state, thus redistributing the gross product created in society. The state is able to stimulate the desired and limit unwanted socio-economic processes and trends, to form relations between the subjects of management in accordance with the goals of the chosen model of development, to carry out the relevant social, humanitarian and security obligations and functions. With the help of the tax system with the help of the tax system. But their financial support is possible only at the expense of part of the wealth created by members of society and seized from them.

Thus, it is obvious that there is a triple direct connection: the more members of the society will create added value and increase wealth, the more individual people will produce goods and services, the greater the money supply will come from the tax rate to be paid by the state. It is the tax system that is the most important mechanism for maintaining the economic balance between the interests of the "man-the state", and not at all state or local budgets, not the limit of low-income, not the minimum wage rate, non-social payments or subsidies.

In the classical sense, taxes are a part of cash income that private entrepreneurs, other legal entities and individuals are willing to give voluntarily to a state that spends them through a budgeting mechanism for general social needs, maintenance of state institutions, strategic investments, support for loss-making enterprises of the state economy sector. Instead, taxpayers expect the state to provide appropriate services and perform their functions in a qualitative way. We emphasize: voluntarily the part and not the lion's share of incomes, which today is payable to legal and natural persons of Ukraine in accordance with the current tax legislation. Taxes, by their nature, are an absolute evil, since, in principle, a person should not give anyone the benefits of his own work without

compensation, to share incomes. But she has to accept this because she lives in society and is not free from it. Therefore, the state's task is to create a tax system that would hold the balance of interests of the "man-the state" in a state of stability, rather than contradictory (and, moreover, antagonism), and was fair.

World experience shows that the most optimal level of aggregate taxation is within 30%. In the most developed economy in the US, the combined level of taxation does not exceed 33%. In countries where it reaches 40% (Germany) or even 45-50% (Sweden, Finland), public debt is beginning to grow, the economy's efficiency decreases, there is a phenomenon such as social parasitism. Today, high-income countries are forced to transform the taxation system that has already run out of their own accord. Tax reforms carried out in developed European countries are aimed at liberalizing the tax system with preventing capital outflows and skilled professionals. In order to create favorable conditions for attraction of direct foreign investments and acceleration of economic growth, there has been a phased reduction in corporate profit tax rates, in particular in Poland from 34% in 1999 to 19% in 2004, in Slovakia, respectively, from 40 To 19 in the Czech Republic - from 35 to 28, in Latvia - from 25 to

15, in Lithuania - from 29 to 15% [42]. In a number of European countries, the single rate of personal income tax has been introduced: in Lithuania, Latvia and Estonia, respectively, 33, 25 and 26%, in Slovakia - 19%. In 2005-2006, Estonia reduced the tax rate to 23%, Lithuania - up to 27%. As a result of tax reforms, the maximum corporation tax rate for the period 2000-2006 declined in the developed countries of the EU from 35.3 to 29.5% on average [42].

Formulating its own tax system should be based on the fact that by August 1991 Ukraine did not exist as an independent state, had no private property as an institution and, moreover, was not oriented towards its development. Therefore, in order to ensure stable development, Ukraine must use all factors of economic growth, and above all, such as stimulating the development of productive private property with the help of tax levers and instruments.

In addition, Ukraine has a very complex and non-transparent system for tax administration. According to the ease of doing business, prepared by the World Bank and the International Finance Corporation, in 2013, Ukraine ranked 168th among 189 countries in terms of ease of tax collection. Their administration requires approximately 390 hours annually (175

OECD countries) [45]. According to the Council of Entrepreneurs under the Cabinet of Ministers of Ukraine in 2007-2009, private business as a whole, in addition to paying directly taxes and fees stipulated by law, has spent at least UAH 7.8 billion. To the measures related to their administration (payroll accountants, purchase of forms, special software, etc.) [46]. In such circumstances, any economic transformation is doomed to failure.

The current tax system of Ukraine is designed to remove most of their income from entrepreneurs and individuals from wage labor. So, in order to survive in such a disadvantaged tax environment, small and medium-sized businesses, Ukrainian citizens are forced to resort to tax evasion, which became the norm of their lives. The Bible says, "Give the Lord your God a tenth of all of their beginnings and incomes." According to the results of a sociological survey conducted by specialists of the Institute for the Transformation of Society, Ukrainian citizens agree to pay taxes if they do not exceed 10% [47]. Today, this trend has not only not changed, but has also become more stable. Such a tax burden is fair and can accelerate the development of entrepreneurial initiative.

When businesses or individuals are forced to give the state a lion's share of income, they lose the motivation to grow their business. As a result, enterprises become losing or go into the shadow business, and citizens are looking for ways to hide their real incomes.

Thus, it is obvious that the time has come to change the overall philosophy and methodology of building a tax system and the practical mechanisms for its implementation. And this seems to be understood by those in power who are representing the interests of the financial and industrial groups - the bearers of the model of state-monopoly capitalism that is entering in Ukraine. This is evidenced by the fact that, since the mid-1990s, various versions of the Tax Code, numerous strategies, concepts, models of tax reform were developed at the state level. They changed each other with each change of the supreme government, but none of them was implemented. Tax changes were limited to certain innovations, most of which only increased tax pressure, and the Tax Code finally confirmed the reactivity and retrograde of the Ukrainian tax system.

We have to admit that the tax system that was functioning on the eve of the collapse of the USSR was the most liberal and



rather favorable for economic development. Cooperatives and small enterprises were not taxed for three years, including VAT, there were no accrual of wages. The uncompromising excessive taxes the system of reproduction and profit making has objectively resulted in a real boom of capital accumulation, an increase in the number of enterprises and incomes, and a reduction in the level of unemployment. Therefore, the tax system left to us by the Soviet Union can be assessed as liberal.

Since the end of 1992, the liberal tax system has actually started to be liquidated. Instead, a tax system was proposed that prompted the creation of a model of state monopoly capitalism in Ukraine, state interference in economic life and administrative and directive control of ordinary citizens. To realize this goal, it was necessary to increase the pressure pressure. At that time, the first devastating VAT tax model, at a huge rate of 28%, was created, which became calculated as a turnover tax, which caused a significant leap of inflation, by launching the flywheel "twisting" the price of the goods. As a result, there was a need to increase the money supply for servicing the same number of goods (in accordance with the law of monetary circulation: the amount of money in circulation should be equal to the sum of goods prices). Instead

of the income tax, the income tax was introduced, a system of financing the budget deficit through the National Bank was introduced through the issue of coupon-ruble bonds. Excises and duties were initiated. A system of payroll and deductions to the Chernobyl and Pension Funds, the Employment Fund, and other social funds was introduced - all of them a burden on the salary and incomes of small and medium-sized businesses. Under such a pressure, salaries and corporate income began to fall, and "tax money" was partly steal, and partly to the maintenance of the bureaucratic system and the fiscal-criminal apparatus.

In 1994, when the national economy is in deep crisis, the corrections were made to the Ukrainian tax system. Instead of the income tax, a corporate income tax of 30% was introduced. It was argued that such a tax is civilized, based on world experience. But this is only appropriate from the formal point of view, because there is another side of the formation of this tax - a set of instructions and rules that are constantly changing and complicated. The VAT rate has been reduced from 28 to 20%, however, indirect taxes - excises and a tax, as well as a tax on land. In addition, accruals increased in various funds, the number of which has steadily increased. An unprecedented decision was made - deductions in, in fact, voluntary funds

became obligatory to be entered into the budget (everywhere funds exist only for voluntary donations). The number of taxes has gone up by 20. It became absolutely unprofitable to develop business. Thus, in 1994, such a tax system was introduced, which led to a significant increase in the pressure on labor and capital.

Due to the incompetent actions of "tax experimenters", in 1995, the busting stop of state-owned enterprises and the exhaustion of the private sector began. Millions of people have become unemployed, and citizens' savings have been depreciated. The state appealed to the IMF and the World Bank.

In 1996, the Law of Ukraine "On the State Register of Individuals - Payers of Taxes and Other Mandatory Payments" was introduced in Ukraine in order to strengthen control not only for incomes of individuals, but also for individuals' incomes, for which introduced a system of individual identification numbers of taxpayers. On June 11, 1996, the Law on Tax Inspectorate was amended. The latter was granted the right to accept any instructive, normative acts on the formation of an electronic dossier for each citizen assigned an

individual taxpayer identification number, to inform those who consider it necessary about personal data of a person.

In August 1996, the Decree of the President of Ukraine "On the Formation of the State Tax Administration of Ukraine and Local Tax Administrations" came out. In accordance with the Decree, the STA came out of the subordination of the Ministry of Finance; it was subordinated to the tax police and units of the Ministry of Internal Affairs of Ukraine, whose functions included combating the criminal concealment of income from taxation. A symbiosis of the tax inspection with the bodies of the Ministry of Internal Affairs, which has become a character of a police criminality body, has been formed.

One can not call the "improvement" of the tax system the DPI's reorganization in the STA, which in fact became the Ministry of Taxes. It should be noted that such ministries exist only in five countries of the world, three of which are African. Thus, the mechanism of economic repression against the citizens of Ukraine, which had not been seen since the time of Stalin's communist regime, was formed. The extremely negative role of the State Tax Administration (STA) as a fiscal and punitive apparatus of the suppression of the market

economy in Ukraine is evidenced by its characteristics, which we grouped and presented below [48].

1. The STA is an artificially created body, where three functionally heterogeneous systems (fiscal, accounting, and militia) are united in one unit.

2. In the legal and regulatory framework of the development of the tax system of Ukraine, an unlimited extension of the rights and opportunities of the STA, its transformation into a monopoly over-structure of the formal type, was laid down in practice:

First, for the accelerated development of its own material and technical base, the STA obtained an unprecedented right to leave itself 30% of funds from assessed amounts and penalties for non-payment of taxes. So she was directly interested in increasing the number and rates of taxes. Secondly, a system of compulsory planning of additional payments to the budget was introduced for raising discipline and material interest of tax officials. Thirdly, to create the caste of the STA and its employees, special uniforms, titles and other paramilitary attributes were introduced for them, salaries increased considerably, and the system of their own educational institutions, in particular the Academy of Tax Service, was

created. Fourthly, for the promotion and formation of a positive perception by the general population of the way of their actions, the STA has created a system of PR. In the consciousness of the citizens, the idea that the main source of filling the budget of our country is the tax administration, and not entrepreneurship and entrepreneurs, as in the whole world. Fifth, the tax police obtained the right to arrest, conduct a procedure for inquiry, investigation and retention of taxpayers in the custody. Sixthly, the STA created a powerful database of records for all elderly Ukrainian citizens assigned individual identification numbers. Seventh, additional pressure tools were introduced legally to suppress the opposition of the STA population - amendments to Art.148 of Article 2 of the Criminal Code, which introduces a rule on tax evasion, which can be punishable by imprisonment.

3. By its very nature, the STA was aimed not at the implementation of the function of collecting taxes, but on the withdrawal of as much money from the entity and, consequently, on its financial and legal destruction.

4. The conflict between the tax administration and entrepreneurs became more and more clear. However, instead of eliminating the causes of its origins, the STA increased

repressive mechanisms: armed taxpayers and armed guards were introduced, negotiations with taxpayers took place in specially equipped facilities in the presence of armed guards, a system of informant agents was created, and so on.

5. There was a militarization of the STA: new military units were created, weapons and special equipment were purchased, tacit structures of internal control operated, and secrecy grew.

6. The STA worked under the strict military principle of unified command, its structures had a clearly constructed vertical. She was virtually non-subordinated and not controlled by either the Cabinet of Ministers of Ukraine or other power structures. The head of the STA formally reported only to the President of Ukraine, who was preparing draft numerous decrees, which increased the tax pressure in the country.

7. The STA, aware of the flow of funds on the accounts of all Ukrainian citizens, was able, if necessary, to undermine the activity or even destroy any businessman or any economic or political structure. In view of this, the role and weight of the STA rose especially on the eve and during the elections.

Taking into account the foregoing, in 1998-2000, the priority directions of the reorganization of the State Tax Administration of Ukraine in the context of the formation of a

new economic model of Ukraine (which were supplemented in 2012) were substantiated and identified, namely [48; 49; 50]:

- To disband the STA as a monopoly formation of the fiscal-type type that constrains the development of business activity in the country;

- The tax inspector's service should be transferred to the Ministry of Finance of Ukraine, where the Main Department for Taxation headed by the First Deputy Minister will be established;

- The salaries of tax inspectors depend on the amount, growth rate and turnover of the businesses they serve;

- to resume the Customs Committee and subordinate it to the Ministry of Finance of Ukraine;

- to initiate the cancellation of the Decree of the President of Ukraine from 24.12.2012 on the creation of the Ministry of Income and Fees, which united the State Tax Service and the State Customs Service.

Such a transformation will change the philosophy of the tax service of Ukraine, reorient the tax system to suppress entrepreneurship to facilitate its development and expansion.



On February 5, 1996, the President of Ukraine signed the Law of Ukraine

"On Amendments to the Criminal Code of Ukraine and the Criminal Procedure Code of Ukraine on liability for tax evasion", according to which any tax evasion person may be imprisoned from 2 to 10 years - Homes with confiscation of property. The adopted amendments to the Criminal Code state that the first prosecution for tax avoidance of \$ 200 is punishable by up to 5 years with confiscation of property, the second - up to 10 years with confiscation of property. If relatives and relatives knew about "underpaid" and did not report it to the relevant authorities, they also have the right to imprison. Obviously, this law was aimed at approving the model of state monopoly capitalism and power methods of managing the country's economy.

Similar changes in the tax system have led to an increase in tax distress and exploitation of the Ukrainian population. The tax was used as an instrument of economic and even physical pressure on Ukrainian citizens and control over entrepreneurs. The latter deprived of incentives to develop business, turning through criminal law acts on criminals. The tax system in our country is not just unfair - it is anti-national, because it is

aimed at removing from the business entities not only the additional, but also the necessary product [49].

The confrontation between the state and entrepreneurs in the tax area grew - and in the late 1990's it became antagonistic. The state was forced to make concessions to small businesses - on July 3, 1998, the President of Ukraine issued a decree "On the simplified system of taxation, accounting and reporting of small businesses" No. 727. This system, with some amendments, is still valid.

In 2005-2006, the National Commission for the Reform of the Tax System of Ukraine led by V. T. Lanov, developed the Strategy for Tax Reform. In the same period, the Ministry of Finance of Ukraine developed a draft Concept for the reform of the Ukrainian tax system proposed by the Government of Ukraine. In 2007, under the Cabinet, headed by V. Yanukovich, the Concept for reforming the tax system, designed for the period up to 2015, was approved by the Decree of the Cabinet of Ministers from February 19 2007 p. № 56-p. It stated: "Excess of the level of GDP redistribution through the tax system of Ukraine is one of the factors that negatively influences the rate of economic growth. In view of this tendency, the Government adopted a decision to

significantly reduce the tax burden on the economy and revise the ratio of existing tax regulators "[51]. However, this Concept was not implemented, it was abolished in 2009 by the Government headed by Y. Timoshenko, who in turn approved the Strategy for Tax System Reform, scheduled for 2018. The Strategy laid down the following principles: "Reforming the tax system in Ukraine will be done by shifting the focus from direct taxes to indirect, in particular, shifting the tax burden from labor and consumption, resource and environmental payments." As you know, the development of a new Taxation Reform Strategy was one of the conditions for Ukraine to allocate the fourth tranche of the Loan to the International Monetary Fund under the stand-by program [42]. It should be noted that none of the provisions of this Strategy has been fulfilled. Instead, the Government headed by M. Azarov in 2010 proposed a new Tax Code of Ukraine (PCU), which was adopted by the Supreme Rada and put into effect in 2011.

#### **4.3.2. The role of the Tax Code of Ukraine in solving the problems of economic growth**

The general provisions of the Tax Code of Ukraine, outlining the scope of its action, states that the SCU "regulates relations arising in the field of collection of taxes and duties, in

particular, defines an exhaustive list of taxes and duties collected in Ukraine and the order of their Administration, taxpayers and collectors, their rights and duties, the competence of the controlling bodies, the powers and responsibilities of their officials during tax control, as well as liability for violations of the tax legislation "[52].

According to Article 9, Clause 9.1 of the Code, the following taxes and duties are applicable to the state-wide taxpayers: income tax; Income tax; VAT; excise tax; Fee for the first registration of a vehicle; Ecological tax; Rent payment for transportation of oil and oil products by main oil pipelines and petroleum product pipelines, transit transportation of natural gas and ammonia pipelines through the territory of Ukraine; Rent for oil, natural gas and gas condensate produced in Ukraine; Payment for the use of subsoil; Payment for the land; Fee for using the radio frequency resource of Ukraine; Charge for the special use of water; A fee for the special use of forest resources; Fixed agricultural tax; A fee for the development of viticulture, horticulture and hops (applied until December 31, 2014); Collection in the form of a target surcharge to the current tariff for electric and thermal energy, except for electricity produced by qualified cogeneration units;

Collection in the form of a target surcharge to the current tariff for natural gas for consumers of all forms of ownership.

Article 10, paragraph 10.1, defines local taxes, namely: the tax on immovable property, different from the land plot; A single tax, and clause 10.2 - local taxes: fees for the conduct of certain types of business activities; Parking charge for vehicles; tourist tax. We will analyze in detail some of the taxes defined by the current Tax code of Ukraine.

Corporate income tax. In accordance with Section III of the Tax Code "Enterprise Income Tax", the tax base is profit, a source of origin from Ukraine, which is determined by reducing the amount of revenue for the reporting period to the cost of goods sold, works performed, services rendered, and the amount of other expenses of the reporting tax period ( Article 134). According to the document, the profit tax rate of enterprises is gradually decreasing from 25% to 16% (Section XIX, item 10). From April 1, 2011, the corporate profit tax rate is 23%.

In the Ukrainian tax legislation, the corporate profit tax was introduced in 1994. It was argued that this is a civilized tax, which operates in most countries of the world. But such an approach is only appropriate from a formal point of view,

since there is another side - the administration of this tax is constantly changing and complicated. In addition, the oligarchic structures have invented ways to avoid it. Under current conditions, corporate profit tax is used as a perfect tax tool against entrepreneurs. In fact, this tax has become one of the key factors in reducing activity and curtailing business activities of enterprises. In support of this, we present the results of the analysis of official statistics. He testifies to the tendency of Ukraine to increase the number of enterprises for which bankruptcy proceedings were instituted: in 2006 there were 10 683 bankruptcy cases, 13792 in 2007, and 15,642 in 2009, in 2010 - 14 597. Most of the enterprises that went bankrupt in 2006-2010 were non-state owned. Since 2008, the share of unprofitable enterprises in the total number of Ukrainian enterprises has started to grow. According to the results in 2008, the share of unprofitable enterprises amounted to 38.7%, in 2010 - 41%. Financial results prior to taxation by type of economic activity of enterprises (including banks) in Ukraine for 2010-2012 is presented in the table. 4.6.

*Table 4.6*

Financial results prior to taxation by types of economic activity (including banks), UAH million

Type of economic activity	Code for		Enterprises that have earned profit	Enterprises that have been damaged

	QUED- 2010	Financial result (balance)	In% of the total number of enterprises	Financial result	In% of the total number of enterprises	Financial result
Total						
2010		58334,0	59,0	212008,6	41,0	153674,6
2011		122210,0	65,1	272726,2	34,9	150516,2
2012		101884,7	64,5	277938,5	35,5	176053,8
2015		-340126,6	73,74	475321,2	26,3	815447,8
Agriculture, forestry and						
2010		17291,8	69,5	22306,1	30,5	5014,3
2011		25565,9	83,0	30615,2	17,0	5049,3
2012		26992,7	78,3	33906,7	21,7	6914,0
2015		103137,6	88,5	128880,2	11,5	25742,6
Industry	B+C+D+E					
2010		31221,1	58,7	68933,1	41,3	37712,0
2011		58662,3	62,6	106688,2	37,4	48025,9
2012		21353,4	62,4	86504,1	37,6	65150,7
2015		181360,9	72,9	90315,9	27,1	271676,8
Construction	F					
2010		-4418,2	55,3	4905,1	44,7	9323,3
2011		-3845,8	60,5	5373,0	39,5	9218,8
2012		-71,1	60,5	9139,1	39,5	9210,2
2015		-25074,1	71,1	5648,1	28,9	30722,2
Wholesale and retail trade; Repair of motor						
2010		14883,5	62,5	42655,9	37,5	27772,4
2011		21591,5	66,7	48487,9	33,3	26896,4
2012		9608,0	66,0	43877,8	34,0	34269,8
2015		-80564,3	76,1	56898,4	23,9	137462,7

Continuation of Table 4.6

Transport, warehousing, postal and courier						
2010		5058,9	54,6	10387,7	45,4	5328,8
2011		8741,4	63,4	15692,2	36,6	6950,8
2012		7524,9	61,8	13946,5	38,2	6421,6
2015		-13921,8	70,9	23093,7	29,1	37015,5
Temporary placement						
2010		-548,1	57,3	619,8	42,7	1167,9
2011		-571,6	60,3	806,1	39,7	1377,7
2012		-862,5	58,9	858,7	41,1	1721,2
2015		-7094,4	71,9	771,4	28,1	7865,8
Information and						
2010		4101,4	59,0	8168,5	41,0	4067,1
2011		4440,7	61,1	9774,6	38,9	5333,9
2012		6300,1	63,6	11641,6	36,4	5341,5
2015		-10166,6	71,0	12057,3	29,0	22223,9
Financial and insurance						
2010		15627,0	58,9	38445,2	41,1	22818,2
2011		12423,2	59,5	30617,1	40,5	18193,9
2012		37984,3	60,3	48666,4	39,7	10682,1
2015		-171,3	63,3	103182,	36,7	103353,3
Real estate operations						
2010		-6537,7	49,9	4743,7	50,1	11281,4
2011		-12060,8	54,2	4824,5	45,8	16885,3
2012		-8539,5	55,3	6952,6	44,7	15492,1
2015		-63470,1	60,6	39330,9	39,4	102801,0



Professional, scientific						
2010		-15110,3	57,5	8218,6	42,5	23328,9
2011		11167,8	62,9	17073,5	37,1	5905,7
2012		-165,5	62,2	14098,9	37,8	14264,4
2015		-47964,1	69,6	10023,2	30,4	57987,3

Activity in the field of administrative and auxiliary						
2010		-1578,5	56,0	1606,8	44,0	3185,2
2011		-2213,2	61,2	1710,1	38,8	3923,3
2012		3889,4	60,5	7200,7	39,5	3311,3
2015		-9425,1	69,3	3797,8	30,7	13222,9
Education	P					
2010		88,3	64,3	163,1	35,7	74,8
2011		100,9	68,4	196,7	31,6	95,8
2012		136,8	68,1	198,2	31,9	61,4
2015		105,3	71,5	225,7	28,5	120,4
Health care and social						
2010		9,8	60,7	406,5	39,3	396,7
2011		-119,8	61,3	388,8	38,7	508,6
2012		30,5	62,7	416,8	37,3	386,3
2015		-961,1	69,8	547,7	30,2	1508,8
Arts, sports, entertainment						
2010		-1784,6	51,3	248,2	48,7	2032,8
2011		-1706,2	56,2	317,0	43,8	2023,2

2012		-2280,4	54,3	354,6	45,7	2635,0
2015		- 3489,2	62,6	109,0	37,4	3598,2
Provision of other types of						
2010		29,6	62,1	200,3	37,9	170,7
2011		33,7	66,3	161,3	33,7	127,6
2012		-16,4	63,8	175,8	36,2	192,2
2015		293,5	72,5	439,9	27,5,	146,4

Source: Data of the State Statistics Service of Ukraine [53, p. 109-110]

In the first quarter of 2013, the number of unprofitable enterprises relative to their total number amounted to 45.3%, while the largest losses were received by enterprises in such fields as art, sports, entertainment and recreation (56.9% of loss-making enterprises in the industry), Construction (56.6%), temporary accommodation and catering (54.6%). Enterprises of Ukraine, except for small enterprises and budget institutions, in the first quarter of 2013, compared with the first quarter of 2012, reduced profit before taxation by 6.5 times - to 1.3 billion UAH. [53].

According to a study of the World Bank and the International Finance Corporation, Ukraine is ranked 150th among the 183 countries in terms of "closing down business".

Thus, it is obvious that the corporate profit tax has a negative impact on business development, and thus the economic growth in the country is hampered.

In accordance with Article 185 of Section V of the Tax Code, the object of VAT taxation is the transactions of taxpayers with:

A) the supply of goods, the place of supply of which is located in the customs territory of Ukraine;

B) the supply of services, the place of supply of which is located in the customs territory of Ukraine;

C) the importation of goods (related services) into the customs territory of Ukraine in the customs regime of import or re-import (hereinafter referred to as import);

D) export of goods (related services) in the customs regime of export or re-export (hereinafter referred to as export);

E) in order to apply this tax on exports, the supply of goods (related services) freely traded on the territory of Ukraine to the customs regime of a duty-free shop, customs warehouse or special customs zone established in accordance with the provisions of chapters 35- 37 Customs Code of Ukraine;

F) in order to apply this tax on imports, the supply of goods (related services) under the customs regime of a duty-free shop, customs warehouse or special customs zone established in accordance with the provisions of chapters 35-37 of the

Customs Code of Ukraine for the purpose of Their further free circulation on the territory of Ukraine;

G) the supply of services for international passenger and cargo transportation by rail, road, sea, river and air transport.

According to Art. 180 p.180.1 VAT payers are:

1) any person who carries out business activities and operates in his voluntary decision as a tax payer in the manner prescribed by the Tax Code;

2) any person who is registered or subject to registration as a taxpayer;

3) any person who imports goods into the customs territory of Ukraine in the amounts subject to taxation, and which is liable for payment of taxes in the event of movement of goods across the customs border of Ukraine in accordance with the Customs Code of Ukraine, as well as:

4) the person who keeps a record of the results of the activity under the agreement on joint activity without the formation of a legal entity;

5) the person managing the property, which maintains a separate tax accounting for value added tax related to the

economic transactions associated with the use of property received in the management of property management contracts;

6) the person who carries out operations for the supply of confiscated property, finds, treasures, property recognized as a landless owner, property not subject to the owner by the end of the term of storage, and property that is inherited or otherwise legally acquired into ownership The state (including the property specified in Article 172 of the Customs Code of Ukraine), regardless of whether it achieves the total amount of supply of goods / services specified in clause 181.1 of Article 181 of the Codex, and regardless of which tax regime Use Is such a person according to the law;

7) a person who is authorized to tax the objects of taxation arising from the supply of services by enterprises of rail transport from their main activities, which are subordinated to the taxpayer in the manner established by the Cabinet of Ministers of Ukraine.

Pay attention to the requirements for registration of persons as VAT payers. If the total amount from the transaction of supplying goods / services subject to taxation, paid (paid) to such person during the last 12 calendar months, collectively

exceeds 300 000 hryvnia (excluding value added tax), such person is obliged to register as a tax payer in the state tax service body in his / her place of residence (place of residence) (Section V, Article 181). The Code also provides for the possibility of voluntary registration of VAT payers, if the volume of supply of goods / services to other VAT payers for the last 12 calendar months totals not less than 50 percent of the total supply (Section V, Article 182). In the course of transactions in the supply of goods / services, the VAT payer - the seller of goods / services is required to register a dossier in the Unified Register of tax invoices. In case of non-registration of tax bills in the Unified Register of Tax Bills and violation of the procedure for filling in the tax bill, the buyer will be deprived of the right to include the amounts of value added tax to a tax credit, and the seller will not be exempted from the obligation to include the amount of value added tax , Indicated in the tax invoice, to the amount of tax liabilities for the relevant reporting period (Section V, Articles 183, 184). The Code provides for the reduction of the value added tax rate to 17% (Article 193) and the introduction of automatic VAT refund (pp.200.18, 200.19 sec. 200). Today, the VAT rate is 20%.

Analyzing the purpose of administration and the mechanism of VAT administration in Ukraine, it should first be noted that this is an indirect, multi-stage tax, which actually acts as a modified tax on sales. The value added tax is the main fiscal tax in the Ukrainian tax system, the collection of which leads to a decrease in incomes and incentives for enterprises. His administration is too time-consuming, and the reimbursement procedure is non-transparent. An even more complicated procedure for paying and administering VAT is enshrined in the Tax Code, which not only did not solve any problems for the business and the state related to the effect of this tax, but only exacerbated them.

A particular problem is the non-return of VAT to exporters. In the fall of 2009, the Government virtually ceased to reimburse the value-added tax for enterprises, which allowed to overestimate the revenues of the general fund of the State Budget. At the beginning of 2010, the debt of the state for VAT refunds amounted to about 21.8 billion UAH, and in March - reached 28.4 billion UAH. [54]. In August 2010, the Ministry of Finance of Ukraine issued VAT bonds for the amount of UAH 2.04 billion purchased by non-residents for the purpose of completing the reimbursement of value added tax.

Subsequently, the problem of non-return of VAT to exporters became even more acute, which forced the Verkhovna Rada of Ukraine in June 2013 to adopt a law on Treasury bills (Law of Ukraine No. 391-VII "On Amendments to the State Budget for 2013 on the Restructuring of Budget Debts" ) [55]. From now on, the state will not reimburse exporters for VAT, but promissory notes whose liquidity is extremely low. The Cabinet of Ministers will be able to use Treasury bills in the amounts established for it to restructure the budget debt that arose as of January 1, 2013. The government will issue debts to the budget and will reimburse the VAT on five-year bills with a yield of up to 5%. According to representatives of business, such innovations testify to the intention of the authorities to withdraw not less than 20 billion UAH. As you know, treasury bills have already been issued in Ukraine in the 1990s. According to enterprises and organizations, the chance of 100% of their repayment was minimal, so they had to sell them at a significant discount to intermediary companies. After repudiating bills, the government twice issued VAT bonds to restructure debt for VAT refunds.

VAT is the most corrupt tax, as evidenced, in particular, by the fact that the "kickback" when it is refunded to exporting firms, according to expert estimates, reaches 40 percent or more.



Given the abovementioned information, it is necessary to direct efforts not on reduction of VAT, but on its cancellation. This will increase the competitiveness of domestic goods and the efficiency of the economy as a whole.

Income tax. Taxation of individual incomes in accordance with the Tax Code is carried out at the rate of 15% for persons with a monthly income of up to 10 minimum wages and at the rate of 17% for persons with a monthly income of more than 10 minimum wages (Article 167, p .167.1). The Code (Article 167, para. 167.2) also provides for the taxation of personal income at a rate of 5% for income accrued as: interest on the current or deposit (deposit) bank account; Interest or discount income on a personal savings account (deposit); Interest on deposit (deposit) of a member of a credit union in a credit union; The income paid by the company managing the assets of the joint investment institution to the assets placed in accordance with the law; Income from mortgage securities (mortgage bonds and certificates) in accordance with the law; Income in the form of interest (discount) received by the owner of the bond from their issuer in accordance with the law; The income from the certificate of the real estate fund and the income received by the taxpayer as a result of repurchase (repayment) by the administrator of the certificates of the real

estate fund in the order specified in the prospectus of the issue of certificates; Income in the form of dividends.

The amount of this tax should not exceed 10%. The introduction of a progressive tax on personal income is inappropriate, since it is income that has been used for accumulation rather than for consumption, and from these revenues taxes have already been paid before. In case of introduction of such a tax the credit resources base will significantly decrease.

Fee for land. After the entry into force of the new Tax Code, the Law of Ukraine "On Land Payments" No. 378/96-BP of 19.09.1996 has been introduced. In place of the said law, the Tax Code provides for Section XIII, which is entirely devoted to such a general state tax as land fee. Paragraph 14.1.147 stipulates that the payment for land is a national tax that is levied in the form of a land tax and rent for land plots of state and communal property. Land tax - this is a mandatory payment, which is collected from the owners of land and land shares (shares), as well as permanent land users (sub-item 14.1.72). The rent for land plots of state and communal property (hereinafter - rent) is a compulsory payment that the lessee pays to the lessor for the use of the land plot (sub-item

14.1.136). In accordance with Section XIII. 269 payers of this tax are: owners of land, land shares (shares); Land tenants. Article 270 stipulates that the objects of taxation are land plots that are owned or used; Land shares (shares) that are owned.

The base tax period (reporting period) for the payment of land is the calendar year (Article 285), which begins on January 1 and ends on December 31 of the same year (for newly created enterprises and organizations, as well as in connection with the acquisition of property rights And / or use of new land may be less than 12 months). The payment of a tax liability for land payment, as determined by a legal entity in the tax declaration for the current year, is carried out in equal parts for the tax period equal to the calendar month, monthly for the 30 calendar days following the last calendar day of the tax ( The reporting month) (paragraph 287.3). That is, as before, the submission of land tax reporting for the reporting period is a calendar year, and for payment, the calendar month. Individuals pay a local tax within 60 days from the date of delivery of the tax declaration (earlier paid in equal shares until August 15 and November 15).

The land tax rate for land plots is 1% of their normative monetary value (Article 274), except: agricultural land; The

land plots provided on the lands of forest management; Land plots defined in art. 276, regarding which features are introduced in their establishment; Land plots provided to enterprises of industry, transport, communications, energy, defense, located outside settlements.

In our opinion, the mechanism of the land tax, set forth in the Tax Code, is false and will not have a positive effect. In addition, this tax will contribute to the formation of oligarchic latifundia.

Property tax. Its introduction in Ukraine is stipulated by the XII PCU. The rates of this tax are set by the local authorities within the following limits: for apartments with a total area of up to 240 square meters. M and buildings up to 500 sq. M. M - at the level of 1% of the minimum wage for January 1, the reporting year for 1 square. M; For apartments over 240 square meters. M and houses over 500 square meters. M - at the level of 2.7% of the minimum wage on January 1, the reporting year for 1 square. M (Article 265, sub-paragraph 265.5).

We believe that the real estate tax can not be introduced in our country, as it will lead to the destruction of small and medium-sized businesses and the increase of prices for all goods and services.

Separately, the innovations related to the simplified taxation system should be noted. According to the Tax Code (Section XIV "Special Tax Regimes", Article 291, Item 291.1), individuals with an annual income of less than UAH 600 thousand can work for a simplified tax system. Income received by individuals entrepreneurs over the established threshold will be taxed at a rate of 15% (Article 300). The Code also contains a list of 25 types of activities that can not be subject to the simplified taxation system (Article 291, paragraph 291.2, sub-clause 291.2.1).

The new Tax Code does not provide the release of single tax payers from accruals of social and pension contributions. Pursuant to Article 298, paragraph 298.1, taxpayers are not taxpayers of the following taxes and duties:

- A) tax on personal income in the part of income (object of taxation) received as a result of economic activity of an individual and taxed in accordance with this chapter;
- B) value added tax on the supply of goods and services, the place of which is located in the customs territory of Ukraine;
- C) fees for the conduct of certain types of entrepreneurial activity. Paragraph 298.2 of the same article provides that taxes and fees are not

Mentioned in clause 298.1 are paid by taxpayers in the order and amounts established by this Code, and the only contribution to the mandatory state social insurance is in accordance with the procedure established by the Law of Ukraine "On the Collection and Registration of the Single Contribution to the Mandatory State Social Insurance »

In fact, the adoption of the Tax Code made it impossible to work on a simplified tax system, destroying or squeezing the small business in Ukraine.

The tax code also provides for the payment of a tax in the amount of 15% of all income received by a citizen from the leasing, lease or sublease (temporary possession and / or use) of the property belonging to him (Articles 164, 167). The introduction of this tax is nonsense, because the owner (the landlord) spends money on the maintenance of real estate.

At the same time, PKU (Section I, Article 20) significantly extends for supervisory authorities (in general, 43, while duties - 7) and opportunities for checking entrepreneurs - taxpayers.

Thus, it can be argued that, the well-defined goal of tax reform aimed at building a modern, competitive, socially oriented market economy that would be integrated in the EU and ensure sustainable growth of the welfare of the majority of the

population was not realized in Ukraine. In our opinion, this was primarily prevented by the subjective nature. After all, tax reforms were initiated by the forces that present a model of state-monopoly capitalism and hold executive posts in government bodies. For reformers of this model, a proper reform is unprofitable, since the needs of small and medium-sized businesses, forming the basis of the middle class in Ukraine, do not fall into the range of interests of large financial and industrial groups that have merged with the authorities.

In our opinion, the new Tax Code does not contribute to the development of the middle class. Moreover, he retains the same taxes that, during the years of independence in Ukraine, proved to be a failure. We are convinced that the Tax Code is not needed at all for Ukraine. Ukraine is a transitory country with a transitional, volatile, recessionary economy, which is falling because it does not solve the problem of the growth of the economy. In such volatile periods of development, not large fools in the form of the Customs or Tax Codes should be taken, but rather transparent taxation laws and mechanisms for tax administration. It is necessary to provide more economic freedom and reduce the functions of state regulation to the minimum possible framework.

### **4.3.3. Changing the tax system in the context of the formation of an effective economic model of Ukraine**

The experience of Ukraine's economic development over the past twenty years has shown that the current tax system needs not to be reformed, but changed. To do this, radical and non-standard measures that have been used, for example, in some oil-producing and new industrialized countries of South-East Asia, have allowed for accelerated positive changes in their economies. Our country does not have any other options except the changing of the coordinates system: it is necessary to remove excessive tax burden from citizens and to enable them to earn and hold on their own, as the country is in a state of crisis today.

In order to form a modern, competitive, economic model of development in Ukraine, the tax system should be based on the following principles [50]:

- 1) it is necessary to proceed from what part of his income a person can give voluntarily to the maintenance of state



institutions, and not from how much it can be recovered by fiscal-powerful methods.

- 2) the tax system should be based on such a key position: the consumer has to pay taxes, not the producer
- 3) the tax system should be guided by the mass of revenues rather than the amount of taxes. Direct and indirect taxes should be no more than four to five, moreover simple and understandable in administration.
- 4) the tax system should stimulate capital formation, provide an expanded social reproduction process
- 5) the state as a set of institutions must use tax revenues first and foremost for the development of the intellect of the nation, its young generation, the formation of modern culture and education, rather than the maintenance of parasitic bureaucracy and repressive-administrative apparatus
- 6) the tax system must first of all take into account the interests of legal persons who produce goods, not those who redistribute them and parasitically consume them
- 7) the taxation system should not violate the rights and freedoms of citizens (in particular, the income of people received from activities in their free time can not be taxed)

- 8) when formulating a new tax system, it is necessary to achieve a fair and stable balance in the distribution of taxes between the center and the communities
- 9) the tax system should not be a tool for enriching clan-corporate groups and impoverishing the general population
- 10) it is not possible to tax inheritance and real estate, since they have already been paid all taxes. This wealth is created by saving, avoiding the need for consumption
- 11) it is not necessary to disconnect from the system of taxation of duties, fees, deductions to various funds, because it deforms the reproduction process.

Taking into account the fact that the state's activity has led to the present impoverished state of the overwhelming majority of Ukrainian citizens, the first step of repentance on its part towards its people should be the introduction of a three-month tax holidays for all physical and legal persons engaged in small business (Up to 50 employees). The state must cancel all taxes and fees for this period. Such an event is rather a psychological rather than an economic step, but it is capable of launching a flywheel of economic activity, raising the shadow money on top, overcoming a complex of people's distrust towards their state. Within three months, with the help of the mechanism of nominal bills, which will be calculated between enterprises, one can overcome the

problem of shortage of working capital. As a result of mutual debt repayment, three groups of companies will be formed:

- 1) enterprises that concentrate a large volume of debt obligations;
- 2) enterprises whose debts are mutually depreciated;
- 3) enterprises-bankrupt.

The latter will deal with specialized banks, which it is advisable to create on the basis of state-owned banking institutions. Promissory notes accumulated by profitable enterprises can be transformed into bonds of an internal state loan for a term of 1-1,5 years at 20% per annum.

During the tax holidays, it is necessary to reorganize the system of public administration: to liquidate branch ministries, departments, committees, funds. Instead, a State Property Management Committee should be established through corporate securities. The Ministry of Economic Development and Trade, in our opinion, should be liquidated as being currently performing the functions of the Soviet State Committee, and instead create a Market Analysis Commission within the Ministry of Foreign Affairs, which will monitor the pricing trends for To the world market and will provide foreign economic activity through the network of trade representative offices of Ukraine abroad. The

Ministry of Finance is also in need of reorganization. In parallel, within the framework of administrative reform, there should be a significant reduction (almost half) of public servants and security structures, primarily in the system of the Ministry of Internal Affairs. Tax administrations should be re-transferred to the status of tax inspections and returned to the Ministry of Finance. They should serve as advisers. The tax police must be eliminated. At the same time, it is advisable to reorganize the functions of the Treasury, which, together with the NBU, should monitor the process of spending money from the state budget. Jobs at all levels of the civil service should embrace workers with a market outlook, and the rest of civil servants must go through a retraining system or be released.

The Ministry of Income and Fees was created in 2013 and has united the STA and the Customs Committee. It is a false administrative tool that further aggravated the current economic situation.

As a result of the introduction of tax holidays for three months, the situation in the economic, social and political life of the country should change. The confidence of the people in power will be restored. About a third of the business can come from the shadows. Growth in production will be driven by rising

purchasing power. Real money will revive the business environment. This step will help eliminate the division of the Ukrainian economy into shadow, official and natural, and will enable to integrate these three parts, which today operate mostly autonomously, into a single organism. Today, in each of them, a separate process of reproduction is formed that is very dangerous, as it leads to the formation of three ways of economic life in the country, three social and economic agreements, which operate according to their own laws.

After a three-month vacation, the state officials need to change the tax system. We propose the introduction of a system of direct (direct) taxes in Ukraine. (By the way, this issue is currently being discussed in Poland and other countries.) In our opinion, the basis of a new tax system, the content of which will correspond to models of people's capitalism, should make the following types of taxes and fees:

1. Purchase tax with a base rate of 7%. It must be paid by all physical and legal persons for the goods and services purchased. It will be indicated in a separate line of payment, which will ensure the transparency and convenience of the tax collection system.

Tax

"Will go" to the revenue part of the budgets of all levels automatically and continuously - at the time of the act of sale, that is, every day, every minute. It will be impossible to avoid this tax, because it will pay the buyer. This system does not require numerous control bodies and complicated, cumbersome financial reporting. There will also be no need for a carnival-fiscal apparatus, since it will not make sense for the entrepreneur to hide his profit. The introduction of a purchase tax will stimulate competition between commodity producers for the consumer, who will take care of improving the quality of their goods, setting the optimal price, and increasing the volume of services during its implementation. Gain in force the laws of the market, free overflow of capital, the continuous replenishment of the budget, reducing the scale of cash circulation. Conditions will be created for the elimination of an extensive network of intermediaries between the producer and the buyer, which will increase the competitiveness of Ukrainian goods and services by reducing their prices by removing the intermediary delta from it. Since the purchase tax is paid not by the producer but by the buyer, it will determine whether the product of labor has become a commodity - this recognition will be made through the act of sale, not through barter or other schemes. A buyer (an individual or an enterprise)

adds to the value of any product that he recognizes as a commodity (giving him the money), a fee of 7%.

The purchase tax will become one of the main sources of filling the state and local budgets, since, according to our model, more than half of the income from this tax will remain in the place where the act of purchase was made. The distribution of the purchase tax should be as follows: 4% - will remain in the local budget, 1% - will be transferred to the regional budget, 2% - to the state budget. This tax will simplify accounting because it is easy to administer, and will facilitate the rapid development of small and medium-sized private businesses. Therefore, it is obvious that the introduction of a tax on the purchase is profitable for both the state and entrepreneurs.

The purchase tax will simultaneously fulfill the function of the property tax. The latter, in our opinion, is inappropriately introduced in Ukraine because of its repressive-fiscal nature, the difficulties and considerable administrative costs. The property should not be subject to any taxes today, since 60% of the population of Ukraine is on the verge of survival.

Some experts disagree with our approach, arguing that only rich people will benefit from it. But this will not happen if you create the same rules for the game for everyone. At present, the

accumulation of wealth by individual financial-corporate groups, entrepreneurs and officials is due to the fact that the state monopoly and clan oligarchy impede the process of free flow of capital and the start-up of new businesses through the introduction of a complicated permitting and control system and corruption schemes for the redistribution of funds at all levels of Budget.

Note that the purchase tax should not be confused with the sales tax, the introduction of which is a rather complicated procedure because of its cascading. It is known that such a tax was introduced in the Soviet era (in 1990) and its rate was 7%. But after a year and a half this tax was abolished by the Ministry of Finance of the USSR due to the impossibility of administering it. The complication of the taxation mechanism was due to the introduction of another tax - the value added.

2. Personal income tax (income tax) at a rate of 10%, regardless of the amount of income. This tax should apply only to the main place of work and only 40 hours of work per week. Thus, work in non-working hours (more than 8 hours a day) will not be subject to this tax, since taxation of the work of citizens in their free time is a violation of their rights and freedoms. The state should stimulate those people who work in their free time. After all, they not only provide for themselves and their families, but also help



create new jobs, reduce social expenditures from the state budget, increase the wealth of the nation and the country as a whole.

Income from personal income tax should be divided between the state and local budgets in the following way: 6% will remain in the community, 1,5% will be transferred to the oblast budget, 2,5% - to the state budget.

3. Land tax. Land is taxed on a progressive scale depending on the area of the land plot, its quality and location. Then the land will be used effectively and will be in circulation, and the formation of latifundia becomes practically impossible.

4. Excise duty. It must be paid first of all by manufacturers of vodka and tobacco products. In view of this, we consider it expedient to increase the excise tax on cognacs, cigars, prestigious cars, private planes, yachts, helicopters proposed by the Ministry of Finance of Ukraine in 2010. It is also necessary to raise the rates of excise duty on vodka and cigarettes, to introduce it on petroleum products, biodiesel (at the same time, the rates of this tax on biologically pure fuel should be lower).

5. Customs duty. Export duty should be levied only on raw materials, so that it would be unprofitable for them to be exported from the country, and imported goods are luxury goods, as well as goods that are harmful to the environment and human beings.

The rest of the taxes - direct and indirect (VAT, income tax, deductions to the Pension and other social funds, etc.), as well as payroll taxes, in our opinion, should be abolished.

Instead of dedicating to social funds, including Pensions, it is necessary to introduce such an important element of our proposed system as the opening to every citizen of Ukraine, who began the labor path, individual social and pension deposit accumulative accounts in state or other Banks, where the share of state capital is not less than 40%. They are formed from the following sources: a) deductions from enterprises or organizations of all forms of ownership, in which the citizen works, in the amount of 7%; b) deductions from the salary of the worker at the rate of 7%; C) personal supplementary contributions of citizens. When a person retires, her account is unlocked (it can be used in case of illness and leave). The money in the account should be indexed to the level of inflation and have a 10% annual deposit charge. For the efficient use of money concentrated on these accounts, it is necessary to create special investment funds in the form of open joint-stock companies, in which the state will own a third of capital. Only these funds will have the right to work with money accumulated on social-pension accounts to improve the investment climate in Ukraine.

In order to properly fill the State Budget, it is also important to eliminate the widespread practice in Ukraine of unsystematic and economically unjustified granting of privileges and subsidies to individual taxpayers or categories of taxpayers.

Thus, our country has introduced all possible taxes that exist in the world. The new Tax Code introduced another tax on real estate. Hence, the level of taxation in Ukraine is really not the highest in the international space, which leads to the destruction of the foundations of private business development and makes it impossible to increase the number of wealthy citizens.

Ukraine has a relationship that turns Ukraine into an unsuccessful country: the number of taxes and duties is increasing - the business environment is narrowing - revenues are decreasing in the budget - the power of the state weakens, and thus the possibility of ensuring its economic and political independence. So the question of the transformation of the tax system has already come out of the economic plane and is increasingly becoming a political one, affecting the survival of Ukraine and its existence as a European sovereign state.

Realization of the proposed ways of transformation of the tax system of Ukraine will contribute to the growth of wealth at all times of society, the formation of a socio-economic model of

national capitalism with a powerful middle class of private owners and the same rules of the game for all, the transformation of the state machinery into a fair judge , And not republic, to overcome the division of the Ukrainian economy into the official and shadow. There will be a transition to a completely transparent tax system, where taxes can not be avoided, and people themselves will not be interested in this. It will encourage those who are able to work and earn more revenue. Tax transformation will be an impetus for the revitalization of the investment process: approximately six months later, in Ukraine, the capital will begin to flow to the market - and its (now hundreds of billions of US dollars) has been exported from Ukraine, and foreign ones. Due to the increase in the number of taxpayers, simplicity of account and the speed of circulation of funds, the problem of budget revenues will be solved. Such a system will contribute to the effective development of society without disturbing the balance between man and the state.

Without changing the tax system in Ukraine it is impossible to progress in the development of private property and creation of this media and institutional. However, for radical measures in the tax area not need extensive use of the experience of Western countries (especially European ones, most of which are currently undergoing a systemic crisis, including Greece, Portugal, Spain,

Italy), because their tax systems evolved in the past, but we should focus on the future and proceed from the fact that man is self-sufficient primary value, and the state should serve its interests. The proposed model of the tax system is based on these principles, and, therefore, its implementation will allow Ukraine to take a worthy place in the European community.

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