

INSTRUMENTS FOR PROVIDING ECONOMIC SAFETY OF NATIONAL ECONOMY AT MESO LEVEL

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Abstract. Instruments of economic safety at sector level have been generalized. The relationship between the level of industry economic safety and the level of state economic safety has been analysed with application of a synergetic approach.

Keywords: economic safety, hierarchical level of safety, instruments for providing economic safety.

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Introduction

Key transformations are taking place at global level and influencing the domestic economy, including such as strengthening of regional integration and deregulation, deterioration of the situation on the world food market due to increasing global demand for food (especially sugar, oils, fats etc.) and changing of the paradigm of economic thinking. The above mentioned transformations lead to the weakening of economic instruments and increasing of importance of specialized institutions in the mechanism of integrated management system of economic safety of the national economy.

Results of the Research

The increase in risks and threats to economic safety determine the security actions to protect national interests, which we believe to be effective only if there are synergistic effects of interaction between integral parts of the economic system. Determining the structure of economic safety at different hierarchical levels of management both in general theoretical terms and in applied aspect is one of the stages of investigation of economic safety. Scientific understanding of economic safety as a system involves the formation of structural and hierarchical levels of components and finding vertical and horizontal interdependencies between them. Considering the economic safety to be a separate line item of economics from the point of view of classical taxonomy methods of economic analysis, scientists distinguish micro- and macro-levels. Thus, the hierarchy of entities involves different criteria of achieving economic safety because of differences in interests, objectives and instruments of economic safety. In particular, macro-economic safety provides progressive economic

development, social satisfaction and maintaining a single economic space for the state industries and regions. In its turn, micro-economic safety provides positive dynamics of financial and economic activity, full implementation of the agreements with creditor for business entities. Summarizing the scientific achievements of Ukrainian scientists concerning problems of economic safety based on this approach one can find researches where transformation of economic system of Ukraine is an instrument for providing economic safety at the macro level (Zhalilo, 2001; Muntiian, 1999). Sincerely appreciating the contribution of these researchers (Zhalilo, 2001; Muntiian, 1999) in solving problems of economic safety in general, it is still worth noting that national interests and economic safety threats are mostly formed at the meso level. Retrospective analysis allows us to claim that the negative trends in the spheres of real economy inevitably lead to destabilization of the national economy in general.

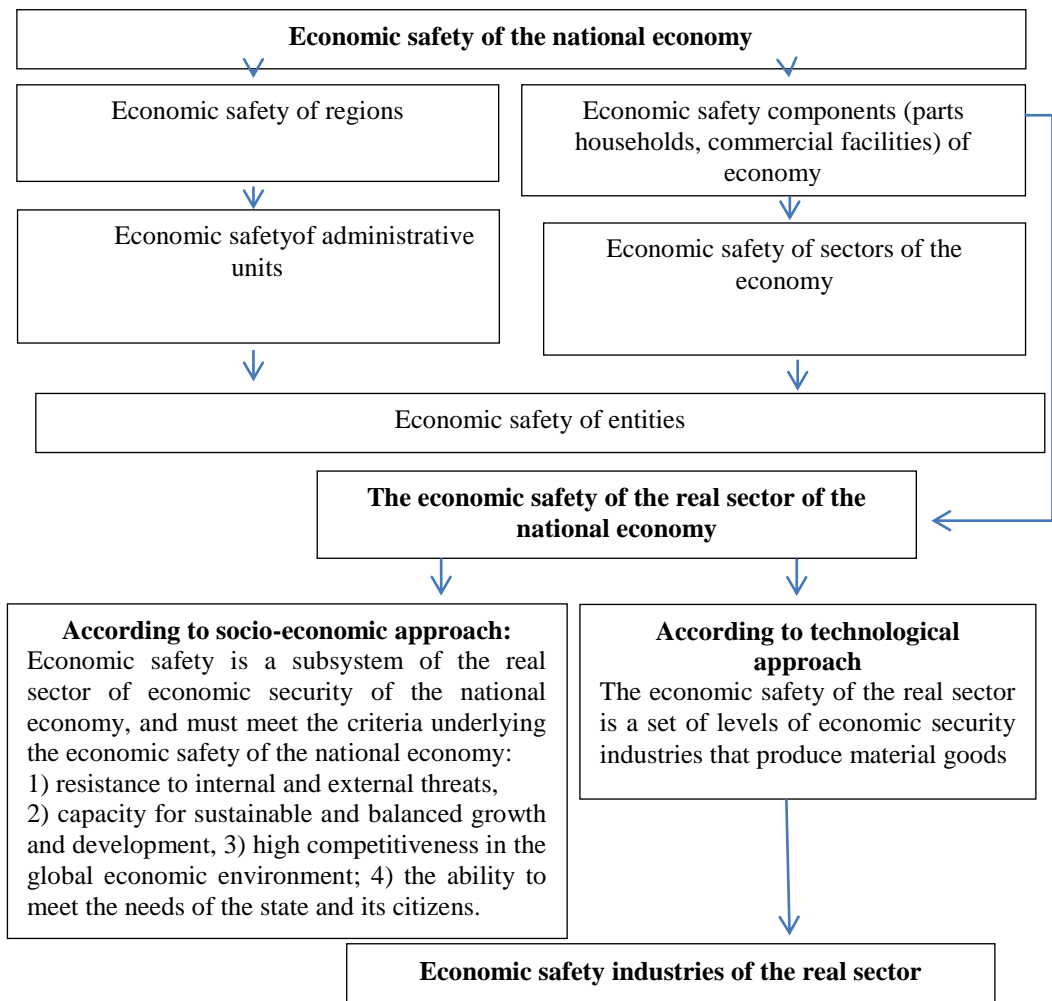


Fig. 1. The structural and hierarchical level of national economic safety
(suggested by authors)

Thus, in 2010, the problems in the steel sector were a key factor in the proliferation of domestic economic crisis. Negative phenomena in the energy sector are one of the key threats for both economic and national safety. Similarly, problems in the sugar, alcohol and other food industries are destabilizing factors for the state economic and food safety. Taking into account the fact that there was a further decline in all the basic branches of real sector of the national economy in 2015 we find it necessary to study the economic safety of the national economy based on an industry orientation and development of instruments of economic safety at the meso level. Thus, the abovementioned research is actual and has essential scientific and practical importance. It gives opportunity to consider economic safety through the necessity of the mechanism formation where the government, industry or company are not subjects to economic safety, but they form the level of economic safety (Fig.1.).

The results of authors' research based on the use of fuzzy sets method are the proof of direct relationship between sectoral economic safety and economic safety of the national economy. Thus, for example, in the Ukrainian economy the increase of the level of safety in the sugar sector is a prerequisite for growth of competitiveness index of national economy in whole and strengthening of national safety level (Figure 2.).

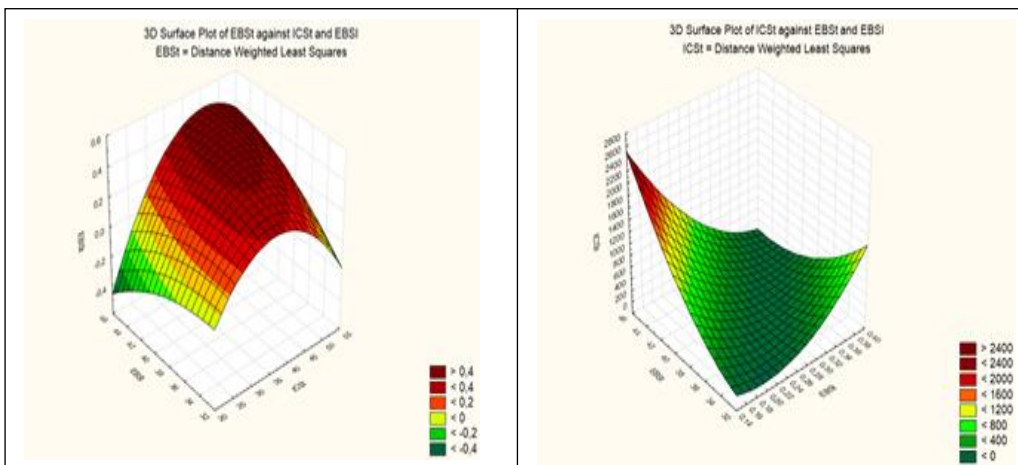


Fig. 2. The relationship between the level of economic safety of the sugar industry (EBSi), level of economic safety (EBSi) and the index of competitiveness of the national economy (ICSt) in Ukraine in 2000-2014 pp. (method of fuzzy sets)
 (Calculated according to Association "Ukrtsukor"; State Statistics Service of Ukraine, the EU statistical service Eurostat, World Bank).

Fuzzy definitions of the level of economic safety such as comparing estimation indicator with the value of reference (which is taken into account regarding the EU average) were taken into account in our study. Calculations have shown that one of the factors of strengthening of the national economic safety is to ensure its competitiveness and increase the level of economic safety component. That suggests that the growth of economic safety level will have a synergistic effect in the economy for traditional Ukrainian economic sectors.

The results of Feldman Competitiveness Index calculation for food industry in terms of the development of the sugar industry in 2015, where it is the least efficient in use in Ukraine are (Figure 3.) the argument of dependence of economic safety on the development of real sector industries.

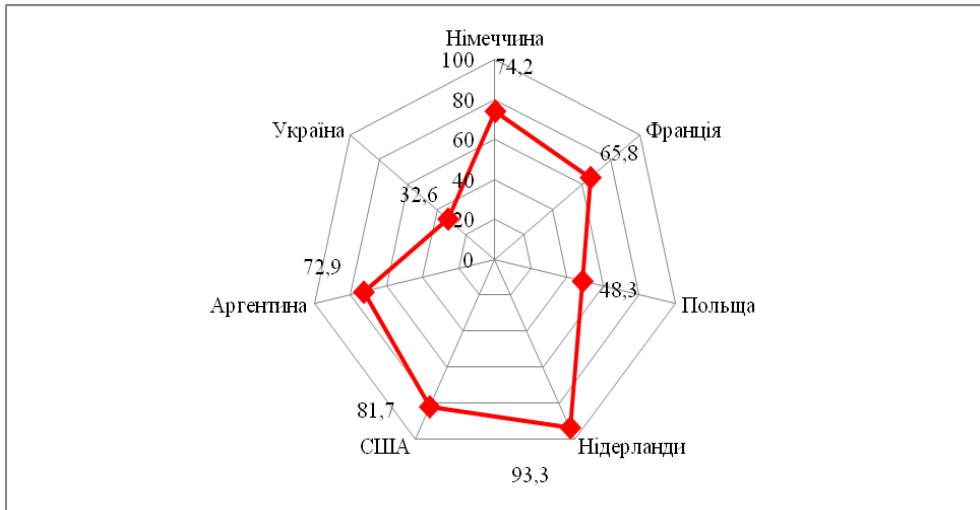


Fig. 3. Feldman Competitiveness Index for food industry in terms of the development of the sugar industry in 2015. (Calculated according to Assotiation "Ukrtsukor"; State Statistics Service of Ukraine, the EU statistical service, World Bank).

Ensuring economic security industry involves the formation of a system of actions that would prevent the emergence of crises or allow to minimize the negative effects of their influence. The theory of state regulation of the economy determines the necessity of a systematic approach for the selection of instruments to ensure economic safety. A set of industry leverage for economic safety of a national industry is the instrument for providing the economically safe industry.

Difficult processes of industry functioning which are not influenced by any leverages or misbalance of their combinations should be regulated. Economic safety entities will use different instruments depending on the level of management. Special regulatory law area which can provide the basis for the functioning of the sector is formed on the global and macro levels. State and supranational regulations aim at creating conditions to prevent (overcome) the negative impact and develop measures to ensure stable operation of the sector. Division of importance of global and macro-level is rather essential as the goals of supranational regulation are not always in the interests of the state.

Measures to ensure economic safety, which are formed by inner leverages and regulated by outer leverages (state (through law), consumers (through demand for products), suppliers (through contractual conditions on quality and raw supply)) are taken at the meso economic level. Functional approach to organizational and economic mechanism of industry economic safety is carried out at this level enabling to fulfil the tasks defined at macro-level.

Micro-level involves the implementation of measures to ensure economic safety of businesses. Instruments for modernization, diversification and restructuring of production are

used at this level and reasons for the existence of a business internal threats, which have the possibility to transform into the whole sector inner threats are formed at this level.

Regulatory and legal instruments that provide state influence as a subject for providing economic safety include laws and decrees of the Verkhovna Rada of Ukraine, presidential decrees, decisions of the Cabinet of Ministers of Ukraine as well as the guidelines, instructions, etc., which directly or indirectly affect the functioning of the sector. The laws have long-term legal regulation function whereas decrees and regulations have short-term or operational function (Kirzhetska, Alkema, Babets, Zhyvko, 2015). State targeted programs of industries' development are essential in the system of normative legal instruments and they enable the Government to make decisions to improve their effectiveness using the program targeted approach.

Administrative instruments are the most important group of tools used by the state to ensure economic safety at industry level. Experience of regulation of administrative methods of economic safety of the real economy is present in all post-Soviet countries including Ukraine. We agree with I. Mikhasiuk, who states that the use of administrative methods is effective when aimed at protecting national interests and under the conditions of destabilization of the economic system (Mykhasiuk, 1999). A significant change in external conditions adversely affects the industry market, which at this stage is not self-contained and self-regulating and requires protection with administrative state regulation instruments. Neoclassical theory assumes violation of trade freedom: large open economy with high demand may introduce customs tariff for improving terms of trade in order to increase the price of foreign goods (Metsler paradox). The above-mentioned means that usage of protection measures on temporary basis to restore the broken equilibrium within the domestic market is justified.

Economic instruments for providing economic sectors safety are divided into instruments of direct and indirect action. Direct methods include various forms of non-repayable financial targeted assistance to industries such as grants or direct subsidies, which include various kinds of donations, allowances, bonuses from special budgetary and extra-budgetary funds of different levels (national, regional, local) and concessional crediting. Indirect methods include regulation in financial, fiscal and tax areas (Chechel, 2013).

The complex system of economic safety at sector level involves using various instruments depending on the hierarchy of threats (Fig. 4).

Formation of state and private programs of priority sectors development is optimal to exclude operational threats that affect intra-industry resources. Creation and implementation of a complex system of intra-planning goals due to aims, activity results and competitive allocation of resources between programs and projects for providing economic safety at this level grants a conceptual peculiarity as well as monitoring of the achievement of the results of their work, determining those ones which are responsible for failure of problems. The implementation of sectorial programs aims to adapt the functional components of economic industry safety to the objectives defined in the program. Thus, the basis of a system is qualitative and quantitative indicators of the level of economic industry safety. It is important that the formation of programs be carried out in a decentralized way and be not restricted to one program for the industry. Formation of the organizational, economic, organizational-economic, technological, investment etc. programs will help to bring out the threats that accompany the functioning of the industry more efficiently and get the desired result or achieve its objective function.

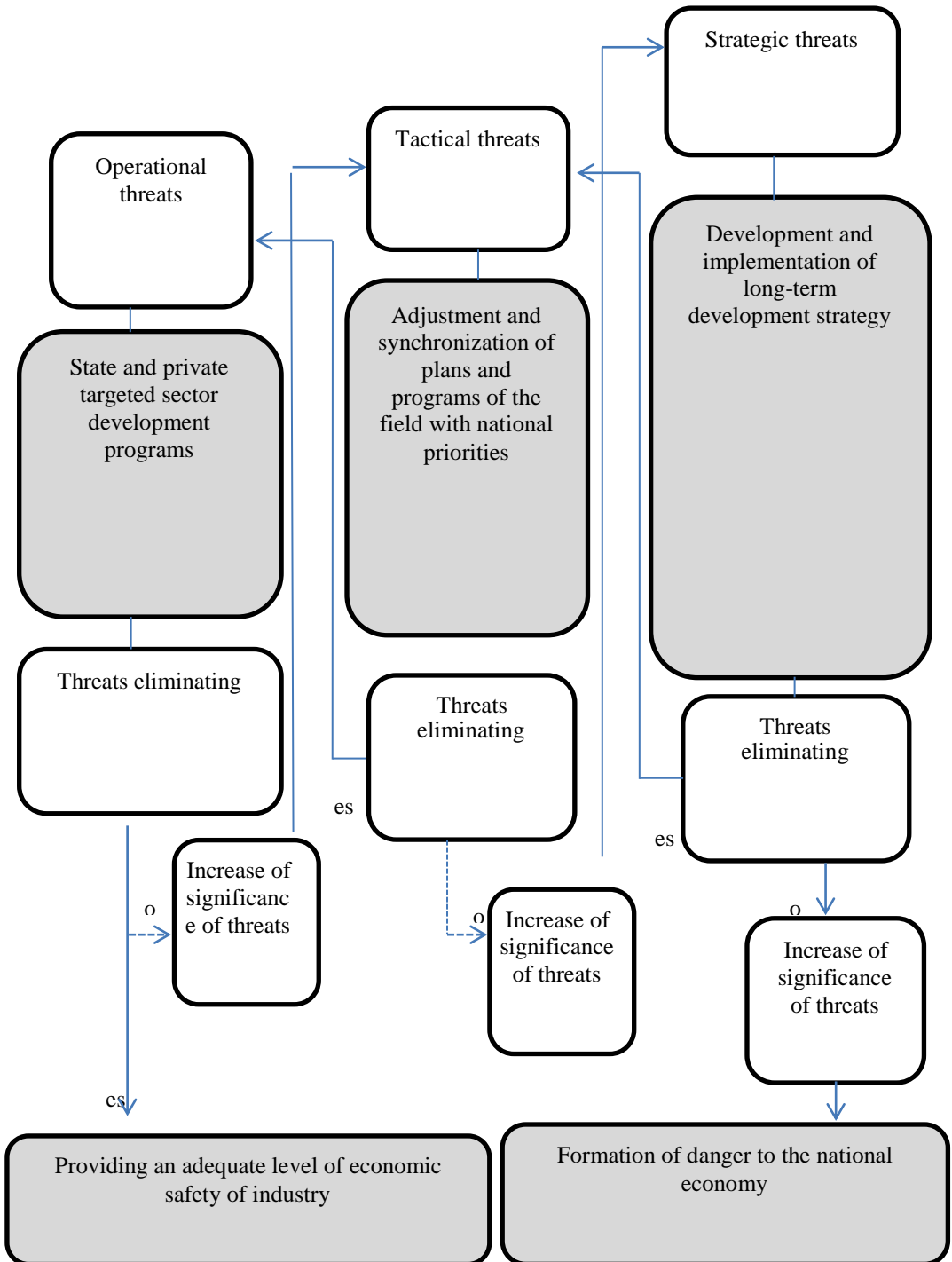


Fig. 4. A complex system of measures to provide the economic safety of the industry (suggested by the authors)

Providing economic industry safety by revealing tactical threats (such as reducing the quality of organizational support for the industry) involves the formation of a system that consists of choosing a model of industry regulation and creating such an environment of interaction between the state / industry and the sources of their arising in which the transformation of danger into safety through legal cooperation, aimed at the sector environment changing takes place. Providing of economic safety can be achieved through the use of (1) normative legal instruments: the development of economic legislation to provide a legal framework and social climate and support the preservation of competition and market approaches that contribute to the effective functioning of the economic sector; (2) a selected model of state involvement in the regulation of the industry.

International practice identifies three models of state involvement in the regulation of industries: the first model means industry functioning on the principles of market self-maximum power decentralization and liberalization of the market; the second model is found in the presence of a strong and authoritative central body such as the Ministry, which controls the activity of all industries in the country; the third model gives the opportunity to regulate industry functioning through various ministries at the relevant branch level (Zhukova, 2003). Thus, the use of the first model of public participation in providing economic safety is described in works (Williams, Turnbull, Cheit, 1982; Wrzaszcz, Szajner, Wieliczko, 2016). and is appropriated in cases of non-priority of industry in the national economy, or when private sector entities are able to defend the interests of the industry without state participation. The second model implies the existence of a public authority with some discretionary powers to ensure the appropriate management of critical values of the indicators of the industry economic safety. These subjects form the main organizational and economic leverage on the level of industry economic safety and the prospects for its development. The disadvantage of this model is its slow adaptation to the changes and the formation of additional bureaucratic obstacles (Kirzhetsky, 2012). The third model envisages a limited role of government in ensuring the industry economic safety. It requires that an executive body (responsible for the development of the industry) should not take a direct part in providing economic safety, but regulate general issues of industry development (development of the legal framework for the collection and processing of statistical information etc.) and give indirect protection to industry interests against the threats (Zhukova, 2003). Selection of one of the state involvement models in the regulation of industries provides the transition from episodic economic safety measures to systematic identification and solution of the totality of issues related to the protection of branch interests; implementing long-term policies and integrated programs into it (as well as legal and regulatory ones and methodological framework for their implementation), enabling to use organizational and economic levers as well as informational, organizational and methodological resources in a complex way; determination of stakeholders to strengthen economic security area and evaluate their impact on the functioning of the industry and protection of industry interests; formation of changes and recommendations to overcome the negative impact of tactical threats to industry environment.

The measures of providing macro-economic stability play an important role in countering strategic threats (those, which have a direct impact on the interests of the industry and bring irreparable losses, expressed in the destruction of the industry space). Thus, the strategic threats have significant synergistic effect and their rise increases the likelihood of industry degradation or suspension of its operation as the mechanisms of direct strategic threats come into existence and possible threats at the tactical and operational levels are launched.

Thus, measures to provide macroeconomic stability is one of the instruments of economic safety (Fig. 5). They are based upon the following factors as: rapid formation of the state institutions and mechanisms that will monitor macro-threats to economic safety in terms of sectors; exchange with other forms of cooperation like economic integration, scientific and technical cooperation, industrial integration based on a new paradigm of relations; increasing national income due to specified scale of domestic production international traffic growth and resource efficiency increase; enhancing of domestic producers international competitiveness and strengthening of the role of international exchange as a factor in economic growth balancing.

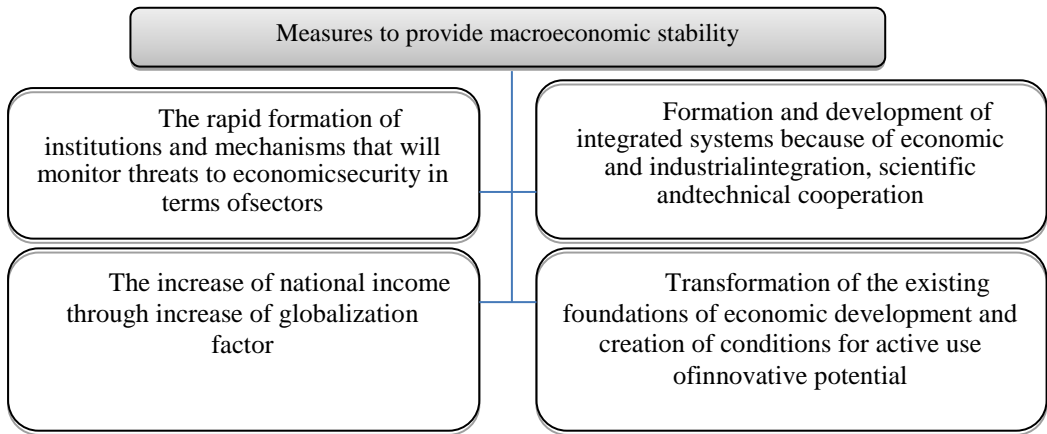


Fig. 5. Measures to provide macro-economic stability of Ukraine
(suggested by the authors)

Conclusions and suggestions

It is important to form instruments to provide economic safety of the national economy taking into account the hierarchical levels of the economy. Considering that the development priorities and threats are formed just at the sectorial level, measures to provide economic safety are formed by inner industry instruments but governed by outer instruments that are state (by law), consumers (demand for products), suppliers (by contractual conditions for the quality and supply of raw materials). Key transformations, taking place at the global level and openness of national economies hide a threat, which enhances the disparity of development and increases volatility of industrial markets. That is why such preventive measures to combat the crisis manifestation in the economic environment as the anti-crisis government policies aimed at specific control and monitoring of key sectors and companies which are of great priority for the economy, are one of the prevailing models of threats to national security management.

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