

## РОЗДІЛ 1. ЕКОНОМІЧНА ТЕОРІЯ ТА ІСТОРІЯ ЕКОНОМІЧНОЇ ДУМКИ

### THE ROLE OF PUBLIC GOODS SECTOR IN THE ECONOMY OF UKRAINE

### РОЛЬ СЕКТОРУ СУСПІЛЬНИХ БЛАГ В ЕКОНОМІЦІ УКРАЇНИ

*In the article, the role of public goods in the successful development of the state's economy is investigated. It is analysed that the main factor of the growth of production of public goods is the increase of efficiency of the economy as a whole. It is shown that the growth of the economy of any country is largely determined by the level of development of public goods.*

**Key words:** public goods, financing, costs, defence, education, healthcare, safety.

*У статті досліджено роль суспільних благ в успішному розвитку економіки держави. Проаналізовано, що головним фактором зростання виробництва суспільних благ є підвищення ефективності економіки в цілому. Показано, що зростання економіки будь-якої*

*країни в значній мірі обумовлений рівнем розвитку суспільних благ.*

**Ключові слова:** суспільні блага, фінансування, видатки, оборона, освіта, охорона здоров'я, безпека.

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**Ключевые слова:** общественные блага, финансирование, расходы, оборона, образование, здравоохранение, безопасность.

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**Formulation of the problem.** Recently, the effective production of public goods is considered as one of the functions of the successful development of the state's economy. In addition, the growing role of public goods in the system of market relations determines the study of their functioning, and in particular, financing.

**Analysis of recent research and publications.** The economic content of global public goods is explored by Danilenko O. L. [1], the issue of financing public goods is considered by Dlugopolsky O.V. [2], in particular, the restoring of public goods – Zalevska-Shishak A. [3], Kichurchak M.V. [4; 5], the problem of social justice in the context of social changes in Ukraine is cared for by Melyan N.Y. [6], public goods in the context of economic policy of Ukraine are in the field of view of Mortikov V. [7; 8], financial decentralization in the context of theory of public goods is explored by Nebzat V.V. [9], the relation between the concepts of “public goods” and “social sphere” is investigated by Brovko T.V., Nepokupna T.A. [10], and others.

**Setting objectives.** Modern production of public goods is carried out in the system of interaction between the private and public sectors. The purpose of the study is the functioning of the public sector, as well as the production of public goods is constituent in the financial and institutional systems of the economy.

**Presentation of the main research material.** The state can be considered as an organization that must make for members of society the public goods and services that cannot be created in the private sector, in particular, safety, education, healthcare, etc. [11, p. 29].

James Buchanan consistently distributes two different functions of the state; “protecting state” and “producing state”. The first acts as a result of the agreement of the people and a peculiar guarantor of their compliance with the constitutional treaty. Ensuring the observance of rights in society means the transition from anarchy to a political organization. The second characterizes the state as a producer of public goods. The last function of the state arises on the basis of constitutional rights and freedoms as a kind of agreement between citizens as the reason their common needs in a number of goods and services [12, p. 337].

The state should maintain a certain level of production of public goods, monitor their quality, which should meet the minimum demands of the society and control the prices for them while maintaining access to them. It is the state, which is called to reproduce public goods, regardless of their production is profitable or not [3, p. 31].

The Constitution of Ukraine guarantees the production of public goods, in particular, the protection of sovereignty and territorial integrity, ensuring economic and information security (Article 17); healthcare and medical care (Article 49); education (Article 53) [13].

It should be noted that in public and communal healthcare establishments, medical care is provided to all citizens, regardless of their volume and without the previous, current or next calculation for the provision of such assistance [14].

Accessibility of education means that no one can deny the right to education and the state must create opportunities for the exercise of this right;

gratuitousness of education as a constitutional guarantee realization of the right to education means the possibility of obtaining education in state and communal educational establishments without any payment in any form for educational services determined by the legislation level, content, volume, and within the limits of those types of education, which are provided free by the Part 3, Article 53 of the Constitution of Ukraine. Secondary education is compulsory and free of charge, expenses for the provision of educational process in state and communal general educational establishments are carried out on a normative basis at the expense of funds of corresponding budgets in full. Free of charge of higher education means that a citizen has the right to obtain it in accordance with the standards of higher education without paying fees in state and communal educational institutions on a competitive basis within the scope of training specialists for public needs (public order) [15].

Thus, we can draw a conclusion on the most convenient level of financing of public goods. At the same time, the principle of co-financing can be used for certain public goods that have a localization of benefits.

The Order of the Cabinet of Ministers of Ukraine on April 3, 2017, № 275-p approved the Medium-Term Plan of Government Priorities Actions for 2020, aimed at improving all aspects of citizen's lives by achieving such objectives, in particular, effective governance; development of human capital; safety and defence.

Effective governance involves reforming public administration, decentralization, and public finance reform, aimed at improving the quality of public services and the level of public control over public funds.

The development of human capital through the reform of the healthcare system, education, improvement of the provision of state social support,

the development of culture and sports will provide an opportunity to improve the quality of life, education, and growth of labour productivity.

Safety and defence include protection of the sovereignty and territorial integrity of the state, as well as the most important aspects of the security of citizens, which will enable citizens to form a sense of security of their lives and freedom [16].

The analysis of Table 1 shows that the volume of expenditures of the Consolidated Budget of Ukraine during the years of 2012–2016 in UAH equivalent has increased by:

- defence – from 14486944,4 UAH in 2012 to 59359144,5 UAH in 2016 by 44872200,1 UAH (+75.6%);
- education – from 101561441,6 UAH in 2012 to 129437705,8 UAH in 2016 by 27876264,2 UAH (+21.5%);
- healthcare – from 58453930,7 UAH in 2012 to 75503434,7 UAH in 2016 by 17049504 UAH (+22.6%).

In the structure of expenditures of the Consolidated Budget of Ukraine, for this period, expenditures on defence are increasing – from 2.9% in 2012 to 7.1% in 2016 i.e. by 4.2%; however, there was a decrease in expenditures on education – from 20.5% in 2012 to 15.5% in 2016, i.e. by 5%, and on healthcare – from 11.7% in 2012 to 9.0% in 2016, i.e. by 2.7%.

The GDP expenditure indicator for defence increases from 1.03% in 2012 to 2.73% in 2016, i.e. by 1.7%, and decreases by 7.62% in 2012 to 5.72% in 2016, i.e. 1.9%, and for healthcare – from 7.47% in 2012 to 6.9% in 2016, i.e. by 0.57%.

The increase in defence budget expenditures was the result of events in the East and caused a “crowding out effect” on other budget items that could have been made under other conditions to stimulate socio-economic development [19].

Table 1

**Dynamics of financing of defence, education, and healthcare according to the Consolidated Budget of Ukraine in 2012–2016**

Summed up data	Years				
	2012	2013	2014	2015	2016
<b>Consolidated budget expenditures, UAH</b>	<b>496310962,8</b>	<b>505843809,6</b>	<b>523125697,8</b>	<b>679871400,4</b>	<b>835852050,1</b>
including expenditures on defence, UAH	14486944,4	14844361,6	27365464,0	52015770,7	59359144,5
% to expenditures	2,9	2,9	5,2	7,7	7,1
% to GDP	1,03	1,02	1,72	2,63	2,73
including educational expenditures, UAH	101561441,6	105538701,6	100109534,0	114193492,2	129437705,8
% to expenditures	20,5	20,8	19,1	16,8	15,5
% to GDP	7,62	7,62	6,9	6,39	5,72
including healthcare expenditures, UAH	58453930,7	61568770,9	57150071,1	71001121,1	75503434,7
% to expenditures	11,7	12,2	10,9	10,4	9,0
% to GDP	7,47	7,60	7,42	7,81	6,9

Source: compiled by the author for [17; 18]

**Dynamics of financing of defence, education, and healthcare according to the Consolidated Budget of Ukraine in 2012–2016, USD.**

Indicator	Years					Deviation %
	2012	2013	2014	2015	2016	
defence	1813134,4	1857867,5	2301552,9	2381674,4	2323254,2	+28,1
education	12711069,0	13208848,7	8419641,2	5228639,7	5066055,0	-60,1
healthcare	7315886,2	7705728,5	4806566,1	3250967,1	2955124,6	-59,6

Source: calculated by the author

At the same time, the analysis of Table 2 shows that despite sharp decline in the national currency rate in recent years, in terms of USD, the amount of defence financing increased from 1813134,4 USD in 2012 to 2323254,2 USD in 2016 – by 510119,6 USD (+28.1%) but decreased significantly for education – from 12711069,0 USD in 2012 to 5066055,0 USD in 2016 – by 7645014 USD (-60.1%) and healthcare – from 7315886,2 USD in 2012 to 2955124.6 USD in 2016 – by 4360761,6 USD (-59.6%).

Table 3

**Expenditure on defence, education, and healthcare of developed market economies in 2014, % of GDP**

Country	Expenses for:			GDP per capita, USD
	Defence	Educa-tion	Health-care	
USA	3,5	5,4	17,1	54 668
UK	2,0	5,7	9,1	46 479
Germany	1,2	5,0	11,3	48 119
Ukraine	3,0	5,9	7,1	3 095
France	2,2	5,5	11,5	44 572
Japan	1,0	3,1	10,2	38 143

Source: compiled by the author for [20]

As we see from Table 3, in 2014, Ukraine is second only to defence spending -3.0% of GDP (in the first place is the USA – 3.5% of GDP). In terms of education expenditure – 5.9% of GDP, Ukraine ranks first, followed by UK (5.7% of GDP) in the second place, followed by France (5.5% of GDP) in the third place.

In the United States in 2014, 17.1% of GDP was spent on healthcare, 11.5% of GDP in France, 11.3% of GDP in Germany, and 7.1% of GDP in Ukraine.

But it should be noted that Ukraine, in terms of GDP per capita – 3,095 USD, is significantly lagging behind countries with a developed market economy, indicating the limited opportunities for the public goods production for the population.

Analysis of Table 4 shows that in 2010–2014, by average rate GDP indicators on defence (1.2%), Ukraine ranks third after Poland (1.6%) and Slovakia (1.4%).

For education in Ukraine, the average indicator of GDP expenditure is 7.0%, i.e. more than in the 28 countries of the European Union (5.1%), 19 euro-zone countries (4.9%), and individual EU member states.

Table 4

**The structure of expenditures on defence, education, and healthcare of individual member states of the EU and Ukraine in 2010–2014, % of GDP on average over the period**

	Including:			of all
	Defence	Educa-tion	Health-care	
EU-28	1,5	5,1	7,2	13,8
EZ-19	1,3	4,9	7,3	13,5
Slovenia	1,2	6,5	6,9	14,6
Hungary	0,9	5,0	5,2	11,1
Poland	1,6	5,5	4,8	11,9
Czech Republic	0,9	5,1	7,4	13,4
Slovakia	1,4	4,7	7,4	13,5
Romania	0,9	3,3	3,8	8,0
Bulgaria	0,9	3,6	4,5	9,0
<b>Ukraine</b>	<b>1,2</b>	<b>7,0</b>	<b>4,0</b>	<b>12,2</b>

Note: calculated for the EU countries according to the general government (Eurostat data), for Ukraine according to the consolidated budget (data of the Ministry of Finance of Ukraine, State Statistics Service of Ukraine).

Source: [21]

Ukraine occupies the penultimate position on the average indicator of GDP expenditure on healthcare – 4.0%, only spending in Romania are less – 3.8%.

In total, according to the structure of defence, education, and health expenditures by the average GDP expenditure indicator for the period of 2010–2014, among the individual EU member states, Ukraine ranks fourth (12.2%) after Slovenia (14.6%), Slovakia (13.5%), and the Czech Republic (13.4%).

**Conclusions from the conducted research.**

Thus, the main factor in the growth of production of public goods is the increase in the efficiency of the economy as a whole (in particular, the GDP per capita increase). In order to strengthen the country's defence capability, the state must maintain high defence expenditures. Unfortunately, there is a lack of funding for the education and health. At the same time, it should be noted that the growth of the economy of any country is largely due to the level of development, in particular, science, health, education, i.e., the level of investment in "human capital".

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