technological level of the country's economy, behavior of economic agents, etc. That is why it is practically impossible to make general conclusions because of the specific features of every model;

− according to investment qualities foreign assets should not necessarily surpass national assets for the hedging of expenses from uncertainties with wages and salaries. The periods of recession are inevitably accompanied by the falling of corporate profits while wages and salaries change at insignificant rates and with some lagging. As a result, part of the expenses of corporations on wages and salaries begins to grow. In this process the correlation between expenses on human capital and financial assets becomes weak - this compensates the attractiveness of foreign assets used for the hedging of uncertainty with wages and salaries.

It should also be mentioned that apart from the drawbacks of the theory of international diversification of investment risks there are additional expenses and risks for international financial transactions.

The "home bias" phenomenon can be caused by the norms of state regulations, investment costs, low information efficiency and conservatism of managers. International investment requires huge investments into human capital. If this investment is launched, the following expenses are considerably reduced, which makes future investment easier. This reduction of expenses can be called "the reduction of premium for the risks in making innovative decisions".

If such situation exists on the market, it is accompanied by increase of reinvestment opportunities for corporations as a result of reduction in dividend cash payments. In 1999 researchers of Harvard University developed the theory according to which 100 % of corporations' reinvestments of net profits make it possible for them to use 100% of their own resources for the market growth. On the microeconomic level this increases the efficiency of both financial markets and countries' financial systems.

National borders can really be a barrier on the way to international capital movement, as the real advantages of international investment are not as big as they are supposed to be. At the same time, risks and expenditures of international investment are so high that they nullify all attempts of international investors to use the international diversification of portfolio risks. These expenditures and risks include exchange market, market low information efficiency, risk of time difference, conservatism of managers, state financial conservatism.

The Concept of Tax Elasticity as a Measure of Taxation System Efficiency in Ukraine

Iryna Lukyanenko[*]

Abstract. Rather than allocating resources and setting quarters for output, the state in transition countries now provides certain public services, such as national defense, law enforcement, environmental protection, and social security nets for vulnerable sections of population. The success of such government activity significantly depends on the budget revenues collected from taxation.

In assessing the efficiency of a tax system in terms of collecting revenue for the budget and determining the scope for necessary reforms the concept of tax elasticity is useful. It is often of interest to have a measure of how "responsive" tax revenue is to some changes in tax rate or any other taxation requirements. One of such measures is elasticity that can give a picture of built-in flexibility of taxation system in terms of raising budget revenue. Therefore, our analysis applies the concept of elasticity of a particular tax with respect to GDP and the tax base. This can allow to

[*] Candidate of Sciences in Economics, Head of Chair of Finance of National University of "Kiev-Mohyla Academy", phone number: (044)239-24-94; e_mail: luk@eerc.kiev.ua.

evaluate the efficiency of current Ukrainian tax system. We use the elaborate econometrics models to investigate different aspects of the elasticities of Ukrainian tax system.

Special attention was paid to VAT (Value Added Tax) as one of the main sources of budget revenue. The issues of whether in Ukraine VAT works properly in terms of budget revenue collecting and stimulating economic activity are examined. The responsiveness of VAT revenue and the budget execution on VAT with respect to changes in the tax base were estimated. The empirical analysis showed that efficiency of Ukrainian tax system in terms of raising budget revenue can be enhanced by simplifying the tax law, lowering and differentiating the tax rate. Simple and transparent tax law allows taxpayers to diminish compliance and administrative costs. Lowering and differentiating the tax rate implies different tax rate for different goods and services that in their turn could expand the tax base. Based on examined models the improvements in VAT implementation were proposed.

Key words: tax elasticities, taxation system efficiency, value added tax, tax base, budget revenue, budget execution, econometric modeling .

Any assessment of revenue developments and performance should focus on revenues as a proportion of GDP in the light of revenue-to-GDP ratios in the compared economies. Taking this consideration into account we believe the concept of *tax elasticity* to be useful. *Elasticity* of a tax is defined as the relative change in revenue from a tax under a given tax system (which remains unchanged) compared with the relative change in the tax base.

Elasticity provides a tax system with built-in flexibility. It can be written as the ration of the percentage change in tax revenue(under an unchanged tax system) to percentage change in the tax base. If the GDP is taken as a proxy for the tax base, then elasticity with respect to GDP is shown like this:

$$\text{Elasticity} = \frac{\Delta AT \big/ AT}{\Delta GDP \big/ GDP},$$

where AT **-** is the tax receipts from an unchanged tax system; Δ - refers to the change withing a period.

A tax system is elastic when it has elasticity value exceeding "one", suggesting that budget revenue from taxation is increasing at a higher rate than GDP does without new taxes or increases in tax rates, that is, with no discretionary change in tax policy. If a tax system is inelastic it has elasticity value less than one, suggesting that budget revenue from taxation is increasing at a lower rate than GDP does. Such situation calls for discretionary changes in tax policy. Elasticity is desirable in a tax system and should be encouraged especially in case the government expenditures tend to increase more rapidly than GDP. The tax system is likely to be elastic with respect to GDP when taxes are levied on growing economic sectors (IMF, 1997, p.69).

With an elastic tax system, there is usually no need for the frequent and anticipated tax increases that can adversely affect economic activity. All of the above mentioned considerations are valid for any particular tax. Elasticity with respect to GDP for every single tax is to demonstrate how elastic the tax is in terms of increasing the revenue at a higher or lower rate than GDP without change in the tax rate.

To measure elasticity the model called **log-log** (or **double-log**) will be used.The special attention is paid to value added tax (TAX) as one of the main sources of budget revenue (Cullis and Jones, 1998; Lukyanenko and Gorodnichenko, 2001). The responsiveness of VAT revenue was estimated with respect to GDP changes, to changes in the tax base and, finally, to the responsiveness of budget execution on VAT to its tax base. The models of the other indirect taxes were also investigated.

The Econometric Modelling of the Responsiveness of VAT Revenue and the Budget Execution to Changes in the Tax Base and the Analysis of the Results

Generating adequate revenues to the State budget in the most efficient manner is one of the essential functions of a tax system. In this context, a commonly used indicator of tax performance is the ratio of tax revenue to GDP, or the *actual tax ratio*. However, using the actual tax ratio to judge these efforts can be misleading, because the actual tax ratio ignores the *taxable capacity* of a country by assuming that the GDP is the appropriate indicator of this capacity. Moreover, this analysis is also purely static in nature, because it does not take into account rapid changes in the tax norms. Consequently, in the dynamic sense, the elasticity of the tax revenue with respect to GDP is often regarded as a more useful indicator. (International Monetary Fund, 1997). That is why, primarily the model of VAT with respect to GDP is considered.

The concept of elasticity, which is used in this model, is supposed to show how budget revenue from VAT changes with a change in GDP and to give a picture of the tax performance in the economy.

To explore the elasticity of budget revenue from VAT revenue with respect to GDP a very simple double-log model is used.

The proposed structure of the model is:

$$\ln(VAT_t) = \beta_0 + \beta_1 \ln(GDP_t) + \varepsilon_t \; , \tag{1}$$

where VAT_t – budget revenue collected from the value added tax withing period t; GDP_t – official GDP for period t; ε_t – the error term .

After estimation of the econometric model (1) on the basis of real information from 1995:01 to 2001:04 the following results have been obtained (the t-statistic is given in parenthesis):

$$\ln(VAT_t) = \text{-1.86} + 0.768 \ln(GDP_t) \, , \tag{2}$$

$R^2 = 0.80$; DW = 2.45; F = 56.18 . According to t-statistics both coefficients are significant at 5% level of significance, R^2 and F-statistics are sufficient. DW statistics shows that there is no evidence of positive or negative first-order serial correlation. The other tests also showed the acceptable results. Despite the simplicity we can use this model for the first analysis. The empirical results implie that VAT is proved to be inelastic with respect to GDP. In general it could mean that budget revenue collected by the virtue of VAT is increasing at a lower rate than GDP. Such situation is likely to arise due to an extremely complicated mechanism of tax collecting that incurs high administrative and compliance costs that in their turn cause inelasticity of the tax. Econometric modelling of Value added tax with respect to its tax base is to help in obtaining more precise explanations of reasons for its inelasticity.

The second model is assumed to incorporate all relevant factors, which have impact on this specific source of revenue. The elasticity of each particular factor is claimed to show the flaws of the tax base. It is logical to expect that the more elastic the tax basis is the more elastic the tax happens to be.

Regression analysis is used to estimate the effects of changes in these factors on the revenue from VAT. In order to investigate the built-in flexibility of the tax revenue with respect to the tax base, VAT elasticities on each factor are to be measured. Thus, a log-log model is again applied.

The theory suggests that (Cullis and Jones, 1998) value added tax covers a very wide range of goods and services. That is why, it is reasonable to include in the model such independent variables as consumption and import variables. It is worth paying attention to the fact that to some extend consumption overlaps import and it may cause multicollinearity in the model. To avoid the

problem of multicollinearity a good proxy for consumption is income of population. According to the Law of Ukraine "On Value Added Tax" exported goods and services are taxed at the rate 0%, but as there is a tax rebating on these goods and services, export variable is to be included in the model as a control independent variable. The dependent variable is revenue from the VAT.

To eliminate the impact of inflation on the budget revenue from VAT the export and import variables are included in the real values. On this stage of exploration elasticity of VAT revenue with respect to consumption variable is unpredictable, but the coefficient of the consumption is expected to be greater than zero. In spite of the fact that consumption variable is substituted with its proxy, income of population variable, talking about impact of consumption variable instead of income of population should not be considered as mistake, because these two variables are highly correlated. Empirical evidence shows that they behave in the same way. Unpredictability of VAT elasticity on consumption variable is based on the consideration that elasticity of VAT revenue on the aggregate level of consumption depends on the composite effects of elasticities on tax incidence of each good's and service's demand schedule in a particular market.

VAT revenue with respect to export variable is expected to be elastic, but the coefficient of the export variable is expected to be negative. It implies that rebates on exported goods and services enhance the amount of export that in its turn increases the amount of rebates. According to the mechanism of tax rebating on export it takes time to present all necessary documents to the tax authority and to receive a resolution for tax rebating. That is the reason for including lagged export variable in the model.

Elastic revenue from VAT on import and coefficient of import variable greater than zero are expected as well. The following consideration underlies this suggestion. According to the Ukrainian law goods can not be obtained uncustomed until VAT has been paid. Such practice eliminates the possibilities for tax evasion. This is the reason to expect significance and elasticity of this variable. Moreover, this coefficient is expected to be the largest one in reference to others.

To sum it up, the proposed structure of the model is as follows:

$$\ln(VAT_t) = \alpha_0 + \alpha_1 \ln INCOME_t + \alpha_2 REX_{t-1} + \alpha_3 RIM_t + \varepsilon_t, \qquad (3)$$

where VAT_t – budget revenue collected from the value added tax at period t; $INCOME_t$ – income of population at time t; REX_{t-1} – real official export at time t-1; RIM_t – real official import at time t;. ε_t – the error term.

After estimation of the econometric model (3) on the basis of real information from 1995:01 to 04.2001 the following results are obtained (the t-statistic is given in parenthesis):

$$\ln(VAT_t) = -2.886 + 0.983 \ln INCOME_t - 1.130 \ln REX_{t-1} + 1.477 \ln RIM_t, \qquad (4)$$

$R^2 = 0.729; \ DW = 1.92; \ F = 9.88$.

Regression results allow us to conclude on adequacy of the model. According to t-statistics (t-statistics in parentheses) all coefficients are significant at 0.05 level of significance, R^2 and F-statistics are sufficient. DW statistics shows that there is no evidence of positive or negative first-order serial correlation. The other test also showed the acceptable results. So, obtained measures of elasticities describe the elasticity of VAT revenue with respect to each component of its tax base.

Elasticity coefficient of budget revenue from VAT on income of population, that is a proxy for consumption variable, has proved to be less than one that stands for inelasticity. In terms of VAT revenue it means that increase in income of population leads to some increase in revenue of the tax, but this increase is supposed to happen at a lower rate than income increases. The claim about inelasticity of VAT revenue on income of population is rather unreliable because its coefficient is very close to the coefficient that could stand for unit elasticity. Thus, it might mean that

increase in income of population is supposed to increase the revenue from the tax approximately at the same rate.

As the first model suggests, tax base for VAT is inelastic in terms of generating revenue. However, the second model results point out that only one component of this tax base tends to be inelastic rather than elastic. To understand plausible problems, which may cause, in general, inelasticity of VAT revenue with respect to its tax base, this component must be examined more precisely. Since income of population was used as a proxy for a consumption variable, consumption of goods and services needs to be considered in detail. Value added tax, as any indirect tax is primarily imposed on consumers. It implies that increase in the level of consumption is supposed to increase the budget revenue from the tax. The examination of consumption function for Ukraine (we didn't present the elaborated regression model in this paper) has shown that under the existing economic situation an increase in the level of consumption is almost impossible. Actually one can observe an increasing tendency in the level of consumption , but in relative terms it remains approximately at the same level, meaning that real consumption tends to be constant over time. It implies the idea that this component of the tax base for VAT can not be expanded without discretionary changes in economic policy.

The results obtained from the model (4) have verified the expectations about the export variable. The coefficient for this variable has appeared to be significant, i.e. exceeding one. It means that elasticity of budget revenue from VAT on this variable is less than zero. Consequently, in terms of generating the revenue, we tend to expect negative impact of increase in the amount of export on the budget revenue from the tax. In other words, increase in the amount of export, as the model suggests, leads to the increase in the tax rebates at a rate which is higher than export has increased. Such result can be considered as an evidence of increasing level of tax avoidance in Ukraine.

The results obtained from the analysis of budget revenue from VAT elasticity on import variable show that import is one of the most important sources of generating revenue from the tax. Elasticity of VAT revenue with respect to import implies that an increase in the amount of imported goods and services raises the budget revenue from VAT at a higher rate than the rate of this component increase. Special features of VAT imposed on import, such as paying the tax before obtaining goods uncustomed, perhaps stipulate such situation. Meanwhile, the fact of a huge stream of smuggled goods imported to Ukraine, which are, obviously, examples of tax evasion, is worth mentioning. Thus the revenue from the tax diminishes because of the unpaid tax on smuggled goods. Consequently, on the one hand, the requirements to pay the tax before obtaining goods uncustomed eliminates possibilities for tax evasion and increases elasticity of budget revenue from VAT on import. On the other hand, the complicated law, high tax rate, high administrative and compliance costs enhance tax evasion through smuggling, thus diminishing the degree to which import could have increased budget revenue. Perhaps, that is the reason why, against any expectations, the coefficient α_3 (import) is not much larger in reference to other coefficients.

In general, we may infer that this model is an appropriate approximation to reality. It reflects general tendencies of generating budget revenue from VAT. In accordance with expectations the obtained model has pointed out the direction of future research.

At the same time, it is insufficient for obtaining complete picture of strong and weak points of this source of budget revenue. For example, the question about which of the tax base components is more powerful for budget execution still can not be answered. A model of budget execution with respect to the tax base is to help in answering this question.

The model of the budget execution for a particular tax with respect to its tax base is designed to discover the factors, that are more likely to be important regarding the execution of the budget. To facilitate the analysis of these issues, it is again helpful to use the concept of elasticity. It can be argued that budget execution depends on the elasticity of the tax base.

In terms of our analysis the term 'execution' means the difference between the expected (or projected) revenues (according to the law "On State Budget of Ukraine" for each of the exam-

ined year) and real (collected) revenues. Consequently, the model is claimed to show the impact of each factor of the tax base on the difference mentioned above.

Regression analysis is used to estimate elasticities of budget execution on VAT with respect to its tax base. In other words, the results of this model are to answer which of the components contribute most to decrease (in case of budget deficit) or to increase (in case of budget surplus) in the mentioned difference. The dependent variable, thus, is the 'budget execution'. Independent variables are the same as in the second model, namely, official private consumption, export and import of goods and services. To avoid the situation of multicollinearity between variables the variable income of population is used again as a proxy for consumption variable.

The following considerations about the expected results are relevant. Relying on the study of consumption function it is reasonable to expect significant but slight impact of consumption variable on budget execution. In spite of the fact that in the model consumption variable is substituted with income of population, high correlation between these variables allows us to infer expectation about one of the variables from examination of the other one.

Export variable is expected to be insignificant for the model. Special feature in the practice of VAT imposing in Ukraine stands for it. According to regulations, rebates on VAT are conducted only from collected tax. In other words, one can get rebating on exported goods and services only from the tax, which has already been collected; otherwise there is a delay in rebating.

Import is expected to have the largest impact on the budget execution. Logic behind this assumption follows directly from the law of Ukraine, which defines that goods can not be obtained uncustomed until VAT has been paid.

To sum it up, the following model is offered:

$$\ln(EXECUTION_t) = c_0 + c_1 \ln INCOME_t + c_2 \ln OFEX_{t-2} + c_3 \ln OFIM_t + \varepsilon_t, (5)$$

where $EXECUTION_t$ – is the difference between the projected revenue[1] (according to the law of Ukraine "On State Budget of Ukraine") and collected VAT revenue at time t; $INCOME_t$ - income of population at time t; $OFEX_{t-2}$ – official export of goods and services at time t-2; $OFIM_t$ – official export of goods and services at time t; ε_t - the error term.

To eliminate the effect of nominal terms the equation is weighted by CPI.

Coefficient c_1 and c_3 are expected to be negative. In terms of budget execution it means that an increase in corresponding variables is supposed to decrease (in case of budget deficit) or to increase (in case of budget surplus) the difference between projected and collected revenues. The figure of rebates on export implies that coefficient c_2 might be positive. In other words, an increase in export will increase tax rebates that, in its turn, increases budget execution. In this case it means that the above difference is getting larger, implying increase in budget deficit.

After estimation of the econometric model (3) on the basis of real information from 1995:01 to 2001:04 the following results have been obtained (the t-statistic is given in parenthesis):

$$\ln(EXECUTION)_t = 20.318 - 5.071 \ln INCOME_t + 5.447 \ln OFEX_{t-2} - 10.064 \ln OFIM_t \quad (6)$$

$R^2 = 0.63$; DW = 1.89; F = 6.491.

DW statistics shows that there is no evidence of positive or negative first-order serial correlation, The other tests showed the acceptable results. However, the value of the R^2 and F-statistic

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[1] Due to the lack of necessary statistical data the projected revenue derived by dividing the expected according to the law revenue proportionally between four quarters.

are not very big. Within the framework of our analysis it describes the main tendencies of budget execution.

According to t-statistics all estimated coefficients except β_5 turn out to be significant. The value of coefficient β_4 in respect to other coefficients has verified expectations about the slight effect of the variable income of population (or consumption, since income of population is a proxy for consumption) on budget execution. Elasticity of budget execution with respect to consumption implies that an increase in the level of consumption is expected to decrease (in case of budget deficit) or to increase (in case of budget surplus) the difference between the projected and the collected revenue at a larger rate that consumption level has increased. However, comparing coefficients β_4 and β_5, makes it evident that elasticity of the coefficient β_4 is twice as small as that of β_5. This is the reason for us to suspect slight effect of consumption on budget execution.

Insignificance of coefficient β_5 implies that there is no close connection between the amount of export of goods and services and budget execution. Positive sign before the coefficient conforms to these expectations and could mean that export tends to increase budget execution (budget deficit). It is plausible to assume that coefficient β_6 absorbs the influence of export on budget execution. This coefficient has positive sign as well.

Negative sign and significance of import variable stand for importance of this variable in terms of budget execution. In other words, an increase in the amount of imported goods and services is supposed to decrease (in case of budget deficit) or to increase (in case of budget surplus) budget execution, and this increase/decrease is going to happen at a larger rate that import has increased.

Conclusions

Applying the concept of elasticity to analyzing the efficiency of raising revenue to the State budget through the indirect taxation demonstrates considerable inefficiency of Ukraine's tax system. A lot of reasons can be given to explain such inefficiency, namely complicated and ambiguous law, frequent changes in tax norms, excessive tax rates. Moreover deterioration in economic situation together with increasing rate of tax evasions and tax avoidance highly contribute to declining budget revenue from taxation.

The study of the tax system in terms of raising revenue to the budget is built on the examination of two main indirect taxes, namely VAT (Value Added Tax) and Excise Tax. Inelasticity of Value added tax with respect to GDP could stand for increasing revenue from the tax at a lower rate than GDP.

Econometric modelling of the budget revenue from Value added tax with respect to the tax base allowed us to investigate the built-in flexibility of the tax revenue in terms of the impact of each component of the tax base on the level of budget revenue. According to the results obtained from the analysis import tends to raise the tax revenue at a higher rate than the rate of its increase. However, we can suppose that a huge stream of tax evasion through smuggling, for instance, diminishes the degree to which import could increase VAT revenue. Incentives, which enhance such situation, might be as follows: the complicated law, excessive tax rate, high administrative and compliance costs. The results of our investigation of the other component of the tax base – export of goods and services – show that increase in the amount of export tends to increase the tax rebates at a higher rate than the rate of export increase. Such results might be considered an evidence of increasing level of tax avoidance in Ukraine. And, finally, as the model has demonstrated, elasticity of VAT revenue with respect to income of population, which was used as a proxy for private consumption, is close to unit elasticity that implies a proportional increase in the revenue from the tax due to increase in consumption.

Budget execution econometric model on VAT with respect to the tax base has demonstrated that import of goods and services is one of the most important sources for executing the

budget. Special features of VAT imposing on import, such as paying the tax before obtaining goods uncustomed, perhaps stipulate this situation. Increase in the income of population, which is a proxy for consumption, tends to decrease (in case of budget deficit) or to increase (in case of budget surplus) the difference between the projected and the collected revenues. However, its impact is relatively small. The results obtained stand for insignificance of export for the examined variable. It seems to be plausible because of the fact that according to regulations, rebates on VAT are conducted only from collected tax.

The inferences about impacts of the main components of the Excise tax base (the elaborated models are buoyant of scope of these paper) on the budget revenue from this tax are similar to those obtained for Value added tax. However, it is worth mentioning that unlike VAT, the budget revenue from Excise with respect to GDP has proved to be elastic. This fact could be explained through the differentiation in the tax rate for different goods.

Efficiency of Ukrainian tax system in terms of raising budget revenue can be enhanced by simplifying the tax law, lowering and differentiating the tax rate. Simple and transparent tax law allows taxpayers to diminish compliance and administrative costs. Lowering and differentiating the tax rate implies different tax rate for different goods and services that in its turn could expand the tax base.

Relying on the examined models the following improvements in VAT implementation in Ukraine seem reasonable: 1) Abrogation of Article 7.3 of the law "On Value Added Tax" that defines mechanisms of obligatory taxation. According to this Article tax obligation occurs "on first event" meaning that tax must be paid even on any kind of prepayments or shipment of goods, exports prepayments constituting the only exception from the rule. Thus, turning back to cash method (paying tax after money came on the bank account) could improve the situation; 2) Simplification of tax monitoring; 3) Lowering tax rate in order to expand the tax base. Excessiveness of the tax rate is the result of the argument that tax must correspond to economic situation. 20% tax rate for the economy in transition seems to be too high. Examination of the consumption function for Ukraine testifies to impossibility of increasing the level of consumption under the current economic situation. Thus, applying positive principles of taxation and namely the Ramsey rule allows minimizing the excess burden of taxation. To sum it up, the tax rate must be lowered at least on grocery products.

Although there is an evident inefficiency of Value added tax in terms of collecting revenue for the State Budget it remains a very important source of that revenue. It is a rather uncertain argument that replacement of VAT with General Sales tax or Turnover tax would improve the situation. Each type of tax has its advantages and disadvantages. The most powerful argument in favor of Value added tax is that while turnover tax and general sales tax could stipulate the growth of shadow economy, the nature of the value added tax lacks such incentives. This is especially important for Ukraine, where the shadow sector is extremely large, and the incentives for its enlargement should not be enhanced.

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Market for Corporate Control in Ukraine

Alexander Kostyuk[*]

Abstract. The paper considers the recent trends at the market for corporate control in Ukraine. As a result of the undertaken original research, some very important conclusions have been made. First of all, during 1998-2001 corporate ownership structure in Ukraine became more concentrated, in contrast to such country in transition as Russia. Second, the more concentrated is the ownership structure of Ukrainian companies the lower corporate market performance happens to be. Besides, the group of controllers, who are most efficient in corporate governance, are foreign institutional investors. Finally, the most active players at the market for corporate control in Ukraine are financial-industrial groups, but their activity in buying shares of Ukrainian companies is not correspondent to the lower degree of efficiency in corporate governance.

Key words: corporate control, institutional investors, financial-industrial groups, owner-ship structure, corporate governance.

According to the founders of the process of privatization in Ukraine, privatization will lead to appearance of effective owners. Political compromise of voucher privatization was much better than leaving corporate sector of economy under the control of the State beurocracy. Meanwhile, voucher privatization gave a lot of shares of Ukrainian companies to a big number of Ukrainian private shareholders. Few of them were informed and educated enough to use their rights as owners of corporations. That is why voucher privatization can hardly be considered successful.

Despite arguments towards negative impact of mass privatization on the market for corporate control, economic theory still supports mass privatization. R. Coase states: "Those owners who are not effective in corporate controlling, will sell their corporate rights to those who can do this. By doing so, the market will care about itself".

This theory is based on the supposition that the market must be perfect for executing such transactions. But this can be fully rejected in practice.

Black, Kraakman and Tarasova (1999) were the first who argued the myth about the perfect state of the market for corporate control in the countries, where the process of mass privatization takes place. They mentioned that mass transfer of assets from ineffective to effective owners was not so mass as the process which gives birth to transfer of assets – the process of massive privatization. They stated that there were a lot of barriers for efficient transfer of rights for corporate control. Pinto (1995) supports this idea too. He proved that effective transfer of rights for corporate control is possible only in the perfect markets. Markets where the process of mass privatization takes place are far from being in a perfect state.

La Porta (2000) gives various evidences of the point of view that mass privatization has not led to establishing a perfect market.

First of all, there were a lot of cases of assets and revenue tunneling in Ukraine. Such cases are popular not only in Ukraine. They are common for Czech Republic, Bulgaria and Russia

[*] Candidate of Sciences in Economics (Finance), Chair of Management & Foreign Economic Relations, Ukrainian Acad-emy of Banking of National Bank of Ukraine, tel.: 38-542-21-99-45, e-mail: alex_kostyuk@yahoo.com