

## ЕКОНОМІКО-УПРАВЛІНСЬКІ АСПЕКТИ РОЗВИТКУ СОЦІАЛЬНО-ЕКОНОМІЧНИХ СИСТЕМ

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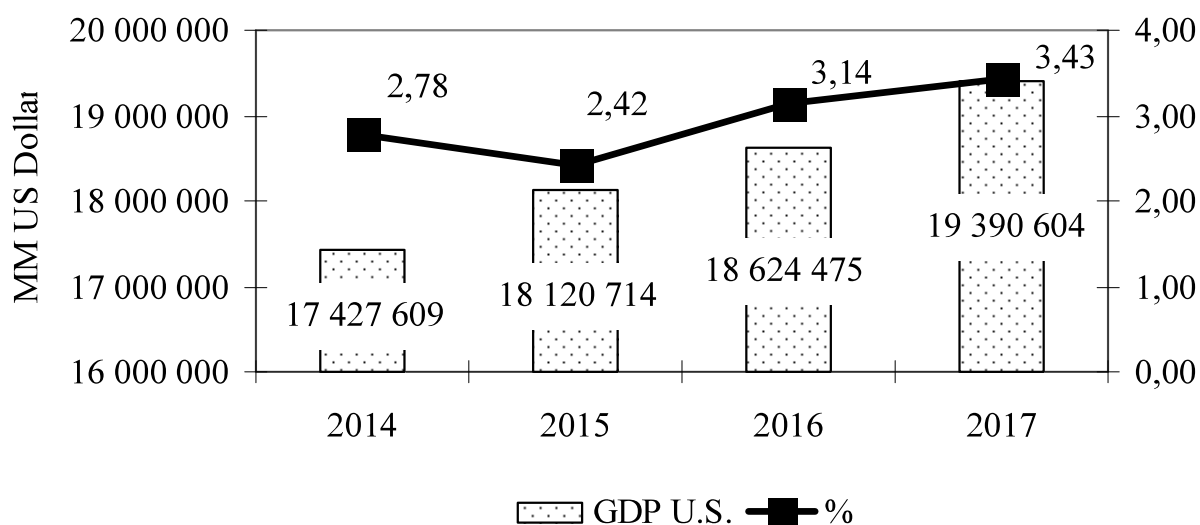
### **BUDGET DEFICIT IMPACT ON ECONOMIC DEVELOPMENT**

For many decades in Ukraine, the planned economy was functioning, which required a full intervention and control by the government in all areas of the national economy. However, the events that took place in 1991, the collapse of USSR and the formation of independent countries, caused the gradual transition of former Soviet republics to a market economy. Currently, Ukraine is at the stage of formation and development of market relations. However, this requires the need to change certain principles/laws of operation of the national economy, because the market economy significantly differs from the planned economy and requires a completely different functioning mechanism.

The establishment of a complete market economy is not possible without reforming public finances and its important component – budgetary system. One of the characteristics indicators of budget policy is the existence/lack of budget deficit. It also characterizes the balance of the main financial document of each country – the budget. Therefore, the impact of the budget deficit on GDP, as one of the indicators of economic development in different countries, is becoming relevant.

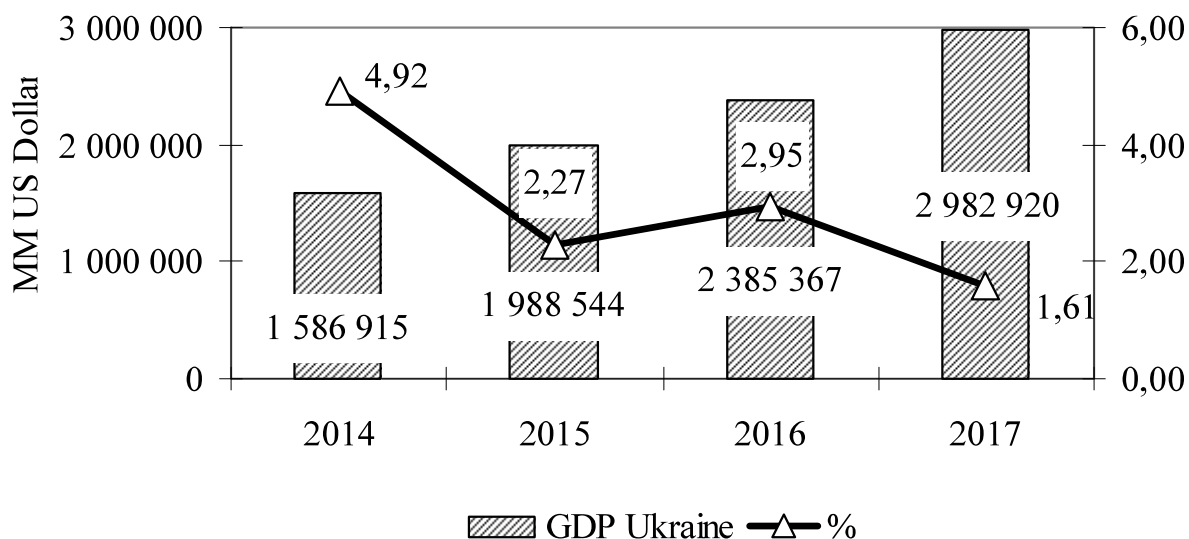
Currently, one of the largest economies in the world (by GDP) is the United States. The U.S. is the perfect example of democracy, its people level of life (in education, healthcare, social security), legal system and other important indicators that characterize the country's development. However, along with the people's high level of rights and freedoms, and easiness of doing business, comes a rigid control system, for example, taxes and compliance with the legislation. All this is absolutely necessary for the steady economy development, an increase of GDP (annual increase of more than \$500 billion). However, the U.S. is also inherent in budget deficit in the formation and execution of the budget. In Fig. 1 the U.S. dynamics of GDP and US budget deficit in percentage to GDP is shown.

As shown in Fig. 1 The U.S. is inherent in a significant amount of budget deficit (484,600-665,370 MM US Dollar). In 2015, the budget deficit in percentage to GDP was 2.42%, which is less than in 2014 by 0.36 p.p. However, in 2016, this rate increased by 0.72 p.p. to 3.14%. In 2017 the growth of this index continues by 0.29 p.p. to 3.43%. This indicates the lack of a sufficient balance between fiscal incomes and expenditures.



**Fig. 1. The ratio of budget deficit to GDP in the U.S.**  
 Source: calculated by the authors based on the data [1; 4]

However, the U.S. GDP in 2014–2017 demonstrates the positive dynamics. Within four years GDP had increased by \$1,962,995 MM. The biggest GDP increase, comparing to the previous year, was in 2017 (+\$766,129 MM). Given the constant positive dynamics of GDP it can be said that the US has a stable economy development.



**Рис. 2. The ratio of budget deficit to GDP in Ukraine**  
 Source: calculated by the authors based on the data [2; 3]

The budget deficit of Ukraine in percentage to GDP during 2014–2017, as shown in Fig. 2, demonstrates both positive and negative dynamics. In 2015, comparing to 2014, there was a significant reduction of this indicator (-2.65 p.p.). At the same time, there is also a significant increase in GDP (+ 25.3%). In contrast, in 2016, there was an increase of budget deficit in percentage to GDP by 0.68 p.p.. At the same time

there was a slowing down in growth rate of GDP (volume GDP compared to last year increased by 19.6%). In 2017, the reduction of budget deficit in the percentage of GDP by 1.34 p.p. was observed again, while the rate of GDP growth was increased by 25.1%.

Thus, the research shows the existence of a correlation between budgetary deficit and GDP in Ukraine. The analysis of the current state of the budget deficit and the GDP in the United States has shown that there is no direct dependency between these indicators (or there is a slight dependency). Therefore, the budget deficit in the developed countries has almost no effect on economic development. In countries such as Ukraine, however, the budget deficit is very dependent on the development of the economy. The above might be the case due to the existence/lack of a strong regulation of entrepreneurship as a driving force of the economy.

#### References:

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### **MANAGEMENT BY THE PRODUCTION SYSTEM OF THE ENTERPRISE**

Increasing the openness of the Ukrainian economy and strengthening international competition increases the problem of finding ways to increase the efficiency and competitiveness of domestic enterprises. There is a problem of the need to change the production system in the enterprise, reduce costs, increase productivity and improve product quality, which in the conditions of the crisis is necessary for enterprises.

To maintain the self-preservation potential at the desired level – the enterprise needs to organize the dynamic work of all production processes. First, it concerns the process of entering the system, which can be characterized, not only the structure and composition of the financial, labor, material and information resources received, but also the location of the enterprise in the external environment, the planned strategy and the dynamics of development. The procedure for access to the system must meet the requirements of the environment; in particular, the requirements of objects in it, the requirements of specific consumers, in the basis of this provide conditions for the restoration and development of all processes.

The quality of a production system usually finds expression in the effect of synergy, which manifests itself in the fact that the result of the system as a whole is