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FINANCIAL SECURITY OF THE STATE: INTERNATIONAL EXPERIENCE IN THE STUDY OF INSTITUTIONAL AND LEGAL CAUSES OF CRISIS PHENOMENA IN THE ECONOMY

Abstract. The article maps out the topical issue of reinforcing the financial and economic security of our country by switching from uncritical compliance with standard requirements of financial institutions affecting the provision and amount of international loans to development of own economic policy on the basis of rethinking the reasons for the unsatisfactory state of the financial and economic security of Ukraine. The purpose of the article is to study the issue of increasing the sustainability of the financial system of Ukraine taking into consideration foreign experience and to determine the main direction of its provision with the emphasis on the priority development of the real sector of the economy. The financial security issue has become of paramount importance and relevance not only for Ukraine but for other countries as well. The study of foreign experience showed that stagflation of the 1970s provoked an erroneous neoliberal economic reaction. Policy responses were focused on deregulation of markets, in particular labour and financial markets, on the one hand, and on achieving the price stability instead of full employment on the other hand. This neoliberal «counterrevolution» created the conditions for the emergence of «financialization» or «finance-dominated capitalism» since the early 1980s first in the USA and Great Britain and then spread around the world. Over the past 30 or so years, finance began to dominate the industry, and non-financial corporations are increasingly engaged in financial rather than production activities. For instance, in Japan it resulted in the Great Recession. In

Ukraine such policy has been implemented since the early 2000s under the influence of IMF requirements. As a result, the economy has lost the ability to provide a decent standard of living for the population and encouraged the labour migration and the increase of debt burden which was practically unavoidable without catastrophic consequences for state sovereignty. It is proposed to redirect the economic policy of Ukraine from spontaneous development of the «mechanism of financialization» to the creation of a mechanism for the development of real economy and effective creation of high-wage jobs complemented by the social responsibility of entrepreneurs and improving the regulatory requirements for legal regulation of public relations related to ensuring the financial security of the state.

Keywords: financial security, gross external debt, liability, social responsibility, law, labour migration; employment of population, budget deficit.

JEL Classification E02, H63, K10, M14, O11

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ФІНАНСОВА БЕЗПЕКА ДЕРЖАВИ: МІЖНАРОДНИЙ ДОСВІД ДОСЛІДЖЕННЯ ІНСТИТУЦІОНАЛЬНО-ПРАВОВИХ ПРИЧИН КРИЗОВИХ ЯВИЩ В ЕКОНОМІЦІ

Анотація. Сформульовано актуальну проблему укріплення фінансово-економічної безпеки нашої країни шляхом переходу від некритичного виконання стандартних вимог фінансових організацій, від яких залежать надання і розмір міжнародних кредитів, до формування власної економічної політики на підґрунті переосмислення причин сучасного незадовільного стану фінансово-економічної безпеки України. Метою статті є дослідження проблем підвищення стійкості фінансової системи України з урахуванням зарубіжного досвіду і визначення головного напрямку її забезпечення з опорою на пріоритет розвитку

реального сектору економіки. Проблема забезпечення фінансової безпеки набуває першочергового значення і актуальності не тільки в Україні, а й в інших країнах. Вивчення зарубіжного досвіду показало, що стагфляція 1970-х років спровокувала помилкову неоліберальну економічну реакцію. Політичні заходи реагування були зосереджені, з одного боку, на дерегулювання ринків і, зокрема, ринків праці та фінансів, а з другого — на досягненні цінової стабільності замість повної зайнятості. Ця неоліберальна «контрреволюція» створила умови для виникнення «фінансіалізації», або «капіталізму з домінуванням фінансів», з початку 1980-х років, починаючи зі США і Великобританії й поширюючись у всьому світі. За останні 30 або близько того років фінанси стали домінувати у промисловості, а нефінансові корпорації все частіше займаються фінансовою, а не виробничою діяльністю. Наприклад, в Японії це призвело до Великої рецесії. В Україні така політика стала практикуватись під впливом вимог МВФ з початку 2000-х років. Завдяки цьому економіка втратила спроможність забезпечувати гідний рівень життя населення, вона стимулює трудову міграцію і зростання боргової залежності, з якої практично нема виходу без катастрофічних наслідків для державного суверенітету. Запропоновано переорієнтувати економічну політику України зі спонтанної розбудови «механізму фінансіалізації» на створення механізму розвитку реальної економіки та розширене відтворення ефективних робочих місць з високим рівнем оплати праці у поєднанні зі соціальною відповідальністю підприємців та удосконаленням нормативних вимог правового регулювання суспільних відносин, пов'язаних із забезпеченням фінансової безпеки держави.

Ключові слова: фінансова безпека, валовий зовнішній борг, відповідальність, соціальна відповідальність, право, трудова міграція, зайнятість населення, дефіцит бюджету.
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1. Introduction. One of the most vital components of Ukraine's economic security in modern conditions is financial security, which in turn is the basis of the national security of the state. Terms «economic security» and «financial security» are not the same but complementary (Nosan & Kutsenko, 2019). In practical terms the term «financial and economic security» is used (Management of financial and economic security of the state ..., 2020).

The main purpose of financial security of the state is efficient use of state resources for preventing financial threats and ensuring sustainable development and functioning of the economy in the future (Nosan, 2019; Shkolnyk, Kozmenko, Polach, & Wolanin, 2020). The current economic situation in Ukraine and trends in financial security indicators (Yelisiyeva, 2018) indicate that the problem of financial security has become of paramount importance and relevance. First of all, the consequences of the global economic crisis, which developed from the financial crisis that began in the United States in 2007—2008, are still in effect. Different countries and regions overcame the acute phase of the crisis in different time from 2009 to 2013 and its effects persist to this day. In study by the International Monetary Fund (IMF) (Wenjie, Mrkaic & Nabar, 2018) it was noted that in ten years after the bankruptcy of the American bank Lehman Brothers in 2008 most economies have not returned to pre-crisis growth paths. 60% of economies unaffected by the banking crisis and 85% of economies that were hit by it failed to do so. The economic downturn in the United States and the euro area came to an end in the second quarter of 2009, but in 2011 the euro area faced the second recession, which lasted until 2013 and became the longest in its history. The term «Great Recession» became widespread in foreign sources.

At the beginning of the crisis, Ukraine took a large IMF loan in the amount of 16.5 billion dollars with the country's total gold and foreign exchange reserves at that time amounting to about 32 billion dollars. On December 01, 2008 the first tranche in the amount of 4 billion dollars was received. (The global financial crisis, 2008—2011). Despite the loan, Ukraine has become one of the countries most affected by the crisis. By the end of 2009, Ukraine's GDP fell by 14.8% and was one of the worst GDP dynamics rate in the world. During the same year, industrial production decreased by 25%.

A new stage of financial losses for Ukraine began after the Russian aggression. According to the NBU international reserves (in billions of USD at the end of the period) decreased from 20.4 billion in 2013 to 7.5 billion in 2014 and 13.3 billion in 2015. At the same time, real GDP fell by 6.3% in 2014 and 9.4% in 2015. This was compounded by another negative factor that is the outbreak of «coronavirus aggression». In 2020, the decline in real GDP was 4.2%.

Thus, the effect of negative factors that had a completely objective origin significantly exacerbated the issue of enhancing the sustainability of the financial system of Ukraine. In case of the failure to address the issue, the country will be forced to sell a significant part of the land fund, including to interested countries, which may mark the beginning of the loss of state sovereignty.

2. Literature review. The analysis of literature sources showed that a solution to the issue of enhancing the stability of the financial system of Ukraine was initiated in the publications of the following authors: Wenjie Chen, Miko Mrkaic and Malhar Nabar, Eckhard Hein, Daniel Detzer and Nina Dodig, Hameeda Akhtar, Rukhsana Jabeen and Sayed Ali Shah, Marius Mihut, Patrick Werthers (edit.), Li Guo, Frank Lee, John Wei, Nadezhda Semjonova, Pacheco Pardo and others, as well as domestic authors M. Denysenko and Kolisnichenko, Ya. A. Zhalilo and others, N. Pantielieieva, L. Akimova and A. Lysachok, V. O. Shevchuk and others, R. Hromyka, Ye. Mordan, O. Zhuravka, K. Didenko and Ya. Kravchenko, K. Bondarevska and many others. However, the use of foreign experience requires a certain adaptation to Ukrainian realities and, obviously, a debatable discussion.

After all, there are two possible approaches aimed at reinforcing the financial and economic security of our country. The first involves uncritical compliance with the requirements of foreign sponsors and donors affecting the provision and amount of international loans, including those provided by IMF. The second alternative approach aims to rethink the causes of financial and economic security distress experienced nowadays by the economy and the state, and outlining own priority measures to eliminate this situation, considering the latest foreign explanations of financial and economic crises in different countries.

The purpose of the article is to study the issue of increasing the sustainability of the financial system of Ukraine taking into consideration foreign experience and to determine the main direction of its provision with the emphasis on the priority development of the real sector of the economy and increasing the social responsibility of entrepreneurs.

3. Initial data and research. So far there is no consolidated opinion reached neither on the nature of the latest crisis or, as defined by the J. Stiglitz, «great recession» (by analogy to the Great Depression of the 1930s), nor on what the development policy in the post-crisis period shall look like. The range of opinions remains quite wide. The existing interpretations deserve the close attention. But often they focus on one, however important, component of the problem without reflecting the complex or multidimensional nature of changes taking place in the world. Multi layered and complex problems which arose in 2008—2009 affected the interpretation of the origins of the crisis. Opinions vary from explaining its causes by the «lack of effective market regulation and supervision of financial institutions» to bringing to the forefront the issues of depletion of the global economy model that has developed in recent decades (*Dzhafarova, Shevchuk, Kalynovska & Stashchak, 2019*).

The prevailing opinion is that the nature of the crisis is purely financial. Among the reasons of the crisis stand out liberalization of the credit and financial sphere, deregulation of international capital flows, underestimation of risks and over reliance of banking institutions on borrowed funds in years preceding the crisis. It means that the crisis is interpreted as purely financial and considered to emerge in the U.S. mortgage market and successively spread to other segments of the financial system and to the real economy sector. The Special Commission of the U.S. Congress created by the decision of the President of the United States to investigate the causes of 2008—2009 crisis came to similar conclusion. The final report was published in January 2011. (*The Financial crisis inquiry report ..., 2011*). The crisis, according to the authors of the report, was triggered by the following factors: failures in financial regulation, violations in the field of corporate governance that led to excessive risks; the excessive debt of households; widespread distribution of «unusual»

securities (derivatives), development of unregulated «shadow» banking system. So, bankers, financial regulators and politicians were the one to blame. Banks were taking too many risks, and regulators in turn failed to take appropriate measures to avoid it. Charges were also filed against the former head of the Federal Reserve System Alan Greenspan claiming that he failed to prevent the increase in the volume of «toxic» mortgages and imposed the idea that financial institutions may well regulate themselves (*The Financial crisis inquiry report..., 2011*).

In general, the advocates of the idea of purely financial nature of the crisis support three main opinions. The first reason cited for crisis is uncontrolled use by the United States of its status as a reserve currency issuer country. According to the second reason, the preconditions for the crisis were caused by the credit traps of the «consumer society». Advocates of the third opinion focus on the uncontrolled development of financial markets.

This interpretation reflects generalized shifts that have taken place in the economy of industrial centres. In recent decades this sphere has undergone important qualitative changes. They are related to relocation of standard and mass industrial production, including engineering products to the fast-developing countries — Mexico, China, India, Brazil and others. The structure of production in the world's leading economies has increasingly shifted towards the service sector. In the USA, for instance, the share of material industries in GDP decreased from 40 percent in the early 1950s to 20 percent in the early 2000s.

In 2015 the collective monograph titled «The Demise of Finance-Dominated Capitalism. Explaining the Financial and Economic Crises» (*Eckhard, Detzer & Dodig, 2015*) was published. This book explores and analyses the literature on the long-term transition to finance-dominated capitalism and its implications for macroeconomic and financial stability, in particular for recent global financial and economic crises. According to the authors, recent crises indicate the decline of finance-dominated capitalism. This does not mean that the dominance of finance will inevitably disappear, in fact, nowadays the situation seems to be the opposite. However, according to the results of analyses performed in the book, it is hard to imagine that finance-dominated capitalism will be able to provide sustainable, high growth rates in mature capitalist economies in the future.

Since the end of World War II countries with developed capitalist economies went through two separate modes or stages of development. The period of Golden Age of the 1950s and 1960s was characterized by relatively high growth rates, low unemployment rate and inflation. It was based on a «social agreement» or «social compromise» between capital and labour that increasingly involved the activity of the government. (Almost) full employment was achieved thanks to Keynesian macroeconomic policy and maintaining a strong welfare state in most developed countries. The erosion of the Golden Age resulted in «stagflation» of the 1970s that provoked neoliberal economic reaction. Policy responses were focused on deregulation of markets, in particular labour and financial markets, on the one hand, and on achieving the price stability instead of full employment on the other hand. This neoliberal «counterrevolution» created the conditions for the emergence of «financialization» or «finance-dominated capitalism» since the early 1980s first in the USA and Great Britain and then spread to developed and developing capitalist world consecutively. This stage of development was characterized by the expansion of financial markets, introduction of new financial instruments, and increasing dominance of increasing dominance of financial motives in economic activity. Over the past 30 or so years, finance began to dominate the industry, and non-financial corporations are increasingly engaged in financial rather than production activities. Bringing management in line with the interests of shareholders reflected the shift of emphasis towards the achievement of short-term maximization of «shareholder value» instead of long-term growth goals of the firm. It was followed by the period of significantly lower rates of capital accumulation in developed capitalist economies accompanied by growing inequality of income and wealth, and redistribution in favour of capital and labour. In order to support consumption or compliance with increasing consumption rates by higher-income groups, in some countries households started to increasingly rely on loans to finance their consumer spending, causing problems of excessive debt of private households in these countries. In other countries, low level of investment and low consumer demand financed by income was partly offset by growth in

net exports and current account surplus contributing to the development of regional and global disparities and latent excessive debt of countries having the current account surplus. The authors demonstrate that in the midst of redistribution of income at the expense of the share of labour income and depressed fixed capital investment, both of which are the main features of financialization, short-term and medium-term dynamic modes «profit without investment» may occur. It may be caused by the boost in consumer demand financed by borrowed funds or by the increase in the positive balance of exports compensating for low or decreasing fixed capital investment. However, both types of these modes «debt-based consumption boom» and «export mercantilism» contain internal contradictions: The growth of household debt in the first mode and increase in external debt of countries with a similar current account deficit in the second mode may eventually undermine the stability of these modes and result in financial and economic crises.

Another interesting publication (*Mihut, 2015*), deals with the rethinking financial and economic models for the post-crisis era taking into consideration the lessons of the Japanese economic crisis. As is known, impressive economic progress was recorded in Japan that stunned and remains stunning to the present-day economists. After World War II, Japan had high unemployment, 60% of industrial potential was destroyed compared to the level recorded before the war, large cities were destroyed (by 50%), buildings (by over 25%), oil refinery capacities (by 75%), navy (by 90%), steel works (by over 15%), area sown with rice reduced by 30%, etc. Despite the above mentioned, Japan managed in 1968, that is about 20 years after the war, to become the second economy in the capitalist world and the third economy in the world (in only two decades). This period is referred to as the «Japanese economic miracle». Despite the oil shocks of the early 70s and an economy based on heavy industry and consumption of imported resources, Japan has demonstrated adaptive dynamic efficiency, rebuilt the industry, giving preference to industries with low consumption of raw materials and high added value. Thanks to these measures, Japan has continued economic growth, surpassing other developed countries.

The fact is that in the early 1990s the rapid growth of the country's economy ended abruptly as the late 1980s were marked by a massive wave of speculation by Japanese companies, banks and other participants of the stock market of securities. A combination of exceptionally high land value and remarkably low interest rates resulted in a short-term state when credit was very cheap and readily available. This led to mass borrowings, the income from which was invested mainly in domestic and foreign stocks and securities. Recognizing the instability of this financial bubble, the Ministry of Finance of Japan dramatically increased the interest rates in the end of 1989. The bubble burst, which resulted in mass stock market crash and provoked a debt crisis, which, in turn, led to a crisis in the banking sector. Eventually a wave of consolidation took place and there were only four national banks left in Japan. The situation was critical for the long-term economic outlook, as Japanese firms were burdened with huge debts, which affected their ability to invest. It also meant that despite the low official interest rate it has become very difficult to get a loan. Thus, at the beginning of 2013 the official interest rate was only 0.08%. In recent years in Japan has been observed a deflation, nominal GDP is growing slower as compared to real GDP. Japan has become an example of unsuccessful measures in the field of «regulation of currency». The additional money was spent not on the development of the real economy, but on inflation of the speculative financial bubble. As for the massive expansion of the money supply performed allegedly instead of increasing nominal GDP, and according to the quantitative theory of money, resulted in its stabilization and reduction, this statement is also untrue. In reality, Japan's economy needed extra money, but all money was spent on chrematistic measures (practically speculation), or revenue streams were blocked due to the large debt of enterprises in the real sector of the economy.

The main initial factor of the Japanese crisis was significant deregulation of financial markets, mainly due to the fact that it has caused numerous domino effect imbalances (*Mihut, 2015*). This enabled Japanese companies to move away from the values they created and that brought them resounding success, which was called «Japanese economic wonder». In 1956—1973 the Japan's average GDP growth rate was 9.2% per year. After the first oil shock (in 1974—1991)

average GDP growth rate was almost 4% and decreased by less than 1% in the last 25 years (*Mihut, 2015*).

4. Results. Study of the results of foreign reinterpretation of the causes of financial and economic crises allows to carry out an analysis of the mode of economic development established in Ukraine in recent years. To do this, we will use the statistics of *Table*, describing primary financial and economic indicators of Ukraine's development in 2013—2020.

Table

Primary financial and economic indicators of Ukraine's development in 2013—2020

	2013	2014	2015	2016	2017	2018	2019	2020
Export of goods and services, billion USD	81.7	65.4	47.9	46.0	53.9	59.2	63.6	60.6
Import of goods and services, billion USD	97.4	70.0	49.6	51.5	62.7	70.6	76.1	62.4
The difference between export and import, billion USD	-15.6	-4.6	-1.7	-5.5	-8.7	-11.4	-12.5	-1.8
Remittance flows to Ukraine, million USD	8,537	6,489	6,959	7,535	9,264	11,111	11,921	12,121
International reserves, billion USD at the end of the period	20.4	7.5	13.3	15.5	18.8	20.8	25.3	29.1
Gross external debt, million USD	142.1	126.3	118.7	113.5	116.6	114.7	121.7	122.8
in % to GDP	77.5%	95.8%	131.0%	121.7%	103.9%	87.7%	79.2%	71.5%
Revenues of the consolidated budget of Ukraine, billion UAH	442.8	456.1	652.0	782.9	1,017.0	1,184.3	1,289.8	1,376.7
in % to GDP	30.2%	28.7%	32.8%	32.8%	34.1%	33.3%	32.4%	31.0%
Expenditures of the consolidated budget of Ukraine, billion UAH	505.8	523.1	679.9	835.8	1,057.0	1,250.2	1,372.4	1,595.3
Lending	0.5	5.0	3.1	1.8	2.1	1.9	4.8	5.3
Surplus («minus» deficit)	-63.6	-72.0	-30.9	-54.8	-42.1	-67.8	-87.3	-223.9
Budget deficit, %	-14.4%	-15.8%	-4.7%	-7.0%	-4.1%	-5.7%	-6.8%	-16.3%
GDP at current prices, billion UAH	1,465.2	1,586.9	1,988.5	2,385.4	2,983.9	3,560.6	3,978.4	4,445.2
Real GDP in % before 2013	100.0%	93.7%	84.9%	87.4%	89.9%	93.4%	96.9%	92.9%
Gross capital accumulation, in % to GDP	17.1%	13.8%	13.7%	15.1%	15.0%	16.3%	15.7%	15.1%*
Population (average annual), thousand people	45,594	44,241	42,845	42,672	42,485	42,270	42,028	41,745
Employed population, thousand people	19,314	18,073	16,443	16,277	16,156	16,361	16,578	17,082
in % to the total population	42.4%	40.9%	38.4%	38.1%	38.0%	38.7%	39.4%	40.9%
The average number of full-time employees thousand people	9,720	8,959	8,065	7,868	7,679	7,661	7,443	7,345
in % to the total population	21.3%	20.3%	18.8%	18.4%	18.1%	18.1%	17.7%	17.6%
Average salary, UAH	3,282	3,480	4,195	5,183	7,104	8,865	10,497	11,597
Average salary, USD	410.6	292.8	192.0	202.8	267.1	325.9	406.1	430.2

* Evaluation.

Source: References: statistical data of the NBU, the Ministry of Finance of Ukraine and the State Statistics Service of Ukraine processed by the author.

After reviewing the data of the *Table*, it is difficult to argue with the claim that neoliberal concept of development implemented in Ukraine under the influence of the IMF since 2000s provided a suitable environment to focus on «financialization» or «finance-dominated capitalism» in our country. This is illustrated by excessive export and import of goods and services, constant excess of import over export, high gross external debt to GDP ratio, dominance of export of labour to the detriment of the development of the real sector of the economy, etc.

Balance sheet capital increased by a third, from 155.7 to 200.9 billion UAH During the recovery, weak banks were withdrawn from the market and the total number of banks decreased to 75, only 6 of which were unprofitable (at the beginning of 2008 there were 214 banks in Ukraine). Thirdly, in the structure of merchandise export 44.3% was represented by agricultural and food products, the elasticity of demand for which during the crisis was insignificant (in 2007 42.2% export was represented by metallurgical products, 17.2% by engineering and instrumentation products, the demand for which has dramatically decreased due to the global crisis) (*Problems and prospects...*, 2020). Thus, there are grounds to note the existence of a certain «reserve» of strength, accumulated by the Ukrainian economy, which can help to withstand both short-term fluctuations in global markets and deceleration of economic activity within the country. However, this reserve cannot be long-lasting. In addition, *Fig. 1* indicates the deterioration of the payment of gross external debt in 2019—2020. The debt increased from 114.0 billion USD at the beginning of 2019 to 122.8 billion USD at the end of 2020 that is by 8.8 billion USD.



Fig. 1. **Gross external debt of Ukraine in 2015—2020, million USD**

In our view, the main factor (or mechanism) that could trigger the future financial and economic crisis is the focus of the governing bodies of the state at the above mentioned magical «financialization», the insidiousness of which is already recognized in many countries. An indication of this mechanism is, firstly, focus on increasing export and especially import of goods and services used by large enterprises and exporting corporations to generate speculative profits. For this purpose, the volumes of own production of goods (even simple nails and screws) that can be produced at domestic production facilities are reduced. Secondly, our statesmen actually stimulate the export of labour accompanied by a steady increase in private remittances to Ukraine. For instance, the volumes of such remittances increased from 6.5 billion USD in 2014 to 12.1 billion USD in 2020 that is almost twice.

As foreign exchange reserves are absorbed by the «financialization mechanism», the level of gross capital accumulation is unacceptably low (15—16% of GDP instead of the required

20—25%). The negative consequences of all these processes include downward trend in jobs in Ukraine and negative structural changes in the use of labour (Figure 2).

Fig. 2 shows that compared to 2000 the share of population employed in industry in 2019 decreased from 22.8% to 14.8%, and in agriculture from 21.6% to 18.2%. Instead, employment in car trade and repair has increased from 13.9% to 22.9%.

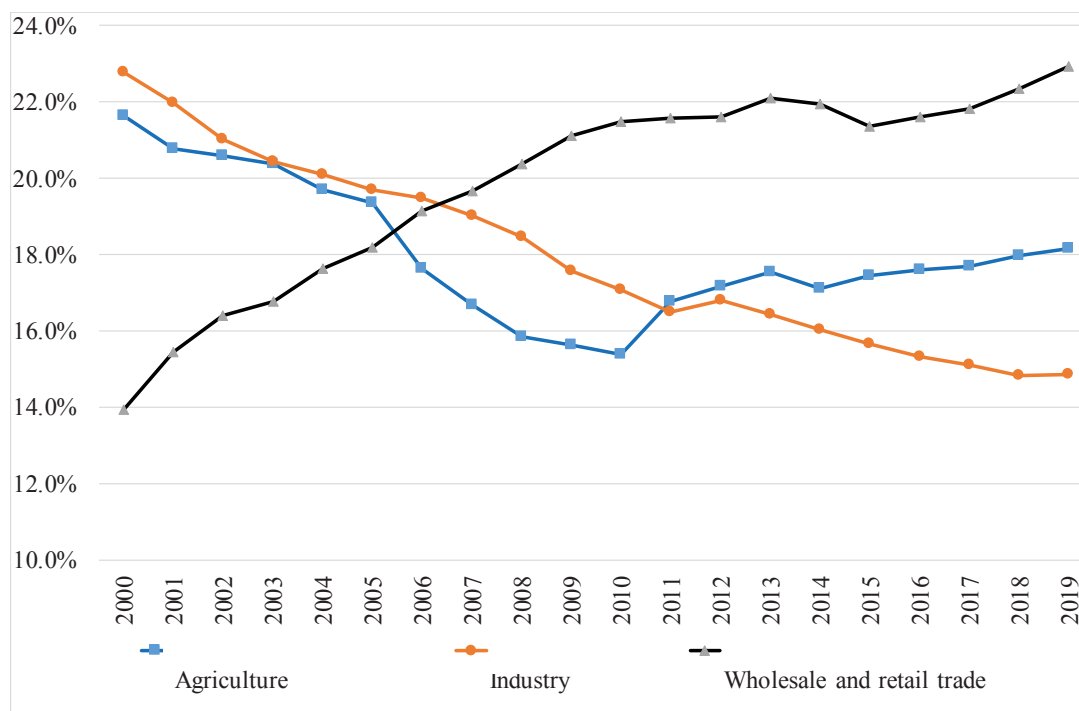


Fig. 2. The share of the employed population in the largest sectors of the Ukrainian economy (according to KVED¹-2010) in 2000—2019

It is clear that Ukraine needs to ensure stable financial security and therefore will be forced to redirect its economic policy from the development of «financialization mechanism» to a mechanism for the development of real economy and effective creation of high-wage jobs. It should be noted that, according to (*Ukraine: migration snapshot, 2019*) in 2017 the average monthly income of a Ukrainian migrant worker amounted to 722 USD, which was 2.7 times higher than the average monthly salary in Ukraine.

In case of further implementation of traditional financial policy, experts (*Problems and prospects ..., 2020*) predict the following main risks for Ukraine that will unfold in the future: a) significant decrease in the hryvnia exchange rate; b) complication of public finance situation; c) higher risks for the banking sector; d) increase of the debt burden. Under these conditions, the policy of ensuring financial sustainability should include prompt response to signs of instability in the exchange rate, budget, debt and banking areas, as well as the adaptive preservation of key system functions of the financial system both in short term and longer-term perspective.

In particular, an in-depth study of the constituent factors of financial security of the state is required, as it directly affects the extent of availability or rather the lack of a complete conceptual framework in current legislation for regulation of the activities of ensuring state security in general. In this case, it is advisable, to focus the research attention on the regulations that govern the financial security of the state, though not containing a clear legal definition, and financial security as an economic and legal category, and in particular threats, limits and indicators of economic security of the state in general. Therefore, we tend to believe that improvement of normative-legal regulation of public relations within the framework of ensuring financial security, taking into

¹ Ukrainian Classifier of Economic Activities.

consideration the principles of social responsibility of its participants, will contribute to the effective increase of the level of financial security of the state and prevent crisis risks and threats.

Study of institutional and legal foundations of financial security of the state in modern conditions of society and state development is conditioned by the legal regulation of financial security, which, firstly, emphasizes the importance of national security closely related to national interests, and, secondly, intensifies scientific research in the discourse of preventing the negative impact of crisis phenomena, threats and risks on financial security objects (Koval, Yurkiv, 2020). However, the optimization of the regulatory framework requires the established control mechanism for the development, implementation and practical measures to ensure the financial security of the state. Of course, the standards of the National Security Strategy of Ukraine contain the general features of legal regulation of ensuring financial security. However, it should be recognized that, the legal mechanism for ensuring financial security is far from perfect. We mean the urgent need for approved measures aimed at strengthening the financial system as a whole, minimization of crisis phenomena, threats and risks causing instability of the national currency, reducing inflation, optimization of financial control that taken together will be able to support the financial security of the state in particular. Moreover, it will directly affect the financial independence of the state highlighting in this case the importance of both internal and external factors.

Finally, ensuring legal regulation of financial security of the state is a priority of modern processes of state formation and law-making especially in the context of exacerbation of crisis phenomena, threats and risks. Due to the current cases of external threat to the borders of our state and common internal crisis phenomena the scientific research of the declared issue is of vital importance. Therefore, we put emphasis on the importance of finding rationally justified and the most appropriate steps to improve the regulatory requirements for legal regulation of public relations related to ensuring the financial security of the state.

5. Conclusions. The analysis of literature sources showed that financial security issue has become of paramount importance and relevance not only for Ukraine but for other countries as well. Reinforcement of the financial and economic security of our country requires switching from uncritical compliance with standard requirements of financial institutions affecting the provision and amount of international loans to development of own economic policy on the basis of rethinking the reasons for the unsatisfactory state of the financial and economic security of Ukraine. As well as to outline own priority measures to solve the issue, taking into account the latest foreign explanations of financial and economic crises.

This article emphasizes that under the influence of IMF requirements since the early 2000s Ukraine started to focus on «financialization» or development of «finance-dominated capitalism». As a result, the economy has lost the ability to provide a decent standard of living for the population and is gradually sinking into debt bondage, from which there is virtually no way out without catastrophic consequences for state sovereignty.

To ensure sustainability of financial security it is proposed to redirect the economic policy of Ukraine from spontaneous development of the «mechanism of financialization» to a mechanism for development of real economy and effective creation of high-wage jobs complemented by increasing of the social responsibility of entrepreneurs. Ensuring legal regulation of financial security of the state is a priority of modern processes of state formation and law-making especially in the context of exacerbation of crisis phenomena, threats and risks. Due to the current cases of external threat to the borders of our state and common internal crisis phenomena the scientific research of the declared issue is of vital importance. Therefore, we put emphasis on the importance of finding rationally justified and the most appropriate steps to improve the regulatory requirements for legal regulation of public relations related to ensuring the financial security of the state.

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