



MEMORANDUM OF TNEU RESEARCH TEAM ON OVERCOMING THE ECONOMIC CRISIS IN UKRAINE

Assessment of the causes and the course of economic crisis in Ukraine shows that it manifests itself in the falling demand and prices for products of Ukrainian mining and smelting complex on the world market and lack of possibilities for profitable activity of some enterprises without own raw materials base; the crisis of old business mentality of the new manufacturing elite; the inadequate policy of the National Bank of Ukraine in response to events with the Prominvsetbank; the mass media's unskillful and sensational coverage of banking processes in general; the lack of finance to support the achieved rates of economic growth due to global financial crisis.

One cannot help admitting that to a large extent the current crisis was caused by the mistakes of previous and present governments: the lack of real structural transformations; privatization with no aim of innovation and valuation of intangible assets; the lack of long-term forecast of changes in the competitive environment on the world market with respect to products of national enterprises; presence of significant tax benefits for selected big enterprises and monopolies; the inadequacy between social policy and present economic potential, and its dependence on political conjuncture. At the same time, the impact of crisis phenomena is somewhat softened due to weak integration of the country in the global economic space, especially with the world stock market, which contributes to acceleration of the second wave of privatization. In the conditions of crisis emerges a new economic conjuncture, creating interest in new investment opportunities.

Our position regarding anti-crisis measures consists in the following:

1. We believe that crisis is the best time for radical economic reform and implementation of forced unpopular among population and business groups, but necessary measures.

2. We admit the need for considerable enhancement of state influence on the processes of overcoming negative consequences of financial crisis, in particular by means of:

2.1. Balancing external commodity trade through diversification of traded commodity positions; increasing imports of high-tech investment goods; restricting imports of commodity substitutes which can be produced nationally; decreasing the raw- materials orientation of national exports.

2.2. Enhancing state control over monopolies' and oligopolies' (energy, producers and suppliers of foodstuffs and medical products, trading, etc) pricing policy.

2.3. Applying protectionist measures to support national producers of agricultural produce in order to provide the population with quality and affordable products in the frames of Ukraine's obligations assumed at WTO accession.

2.4. Activating the application of fiscal instruments for stimulation of aggregate demand, cancellation of ungrounded tax benefits and preferences.

2.5. Broadening the scale of government and municipal financing of infrastructure development projects, especially maintenance and construction of motorways, construction and reconstruction publicly-owned property, which together with increased investment component of budget expenditures will activate the investment demand in the related branches and sectors of the economy.

2.6. Orienting the state regulation of securities market at providing the highest transparency of information with regard to issuer activity, introducing financial innovations, supporting liquidity of the stock market, and guaranteeing the rights of minority stockholders. These actions Ukraine should implement in context of the shaping new financial order.

3. The implementation of top priority measures in the sphere of monetary policy:

3.1. Significantly increasing the population's deposit guarantees by attracting the funds of the Deposits Guaranteeing Fund, incomes of the National Bank, and credits of international organizations.

3.2. Determining the «psychological» barrier of the exchange rate (preferably no higher than 6 UAH per 1 USD); implementing the 1% exchange rate fluctuation limits on the money and inter-bank forex markets, which allows unifying the exchange rate to objective market value and limit speculative manipulations of currency market operators; the National Bank should make interventions on the inter-bank foreign exchange market to liquidate agitated demand for foreign currency and to stabilize the exchange rate of hryvnya by announcing a clear position about the invariability of the main tactical orientation of the monetary policy at support of the stable exchange rate within the currency band.

3.3. Limiting the terms of repayment of foreign currency earnings to exporters to 30–60 days, depending on specific conditions of foreign economic ac-

tivity and contracting, which gives the possibility to stabilize external imbalance and prevent foreign currency earning from fleeing abroad.

3.4. Reintroducing the norm on obligatory sale of 50% of foreign currency earnings by exporters at the official exchange rate of the NBU, and implementing temporary increase of the norms of foreign currency exports for physical persons.

3.5. Re-establishing the norm about commercial banks' access to purchasing foreign currency on the domestic foreign exchange market only on condition of presented foreign trade contracts of their clients specifying payment for delivered goods, fulfilled works, provided services.

3.6. Supporting problematic banks by means of state-financed buying of their shares with the opportunity of their reverse buyouts by the banks upon financial stabilization.

4. The state should use mass communications to propagate the need for economic reform and anti-crisis measures and prevent panic among population.

5. State-financed creation of educational and informational products necessary to prepare workers, owners of enterprises, managers, and public servants to work in conditions of economic crisis and wealth redistribution.

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