

## **ROLE OF THE PUBLIC SECTOR IN THE ECONOMIC GROWTH OF THE COUNTRY**

Search for optimal boundaries of state intervention in economic processes is a complex economic and political problem. The historical chronology of the process of "widening" of the state reflects its unique cyclical nature [1]. Peaks of increasing of the economic functions of the state, including the owner are connected with the crisis periods. Then comes the stage when changes in the roles and functions of the State, arising in times of crisis, are stored by inertia. After that there is "rollback" when stabilization and economic growth lead to a reduction in the economic functions of the state. But the pullback never drops below the previous level. Economic, social and political systems of the countries are moving to a new higher level. This process continues with every next crisis [2, p.7].

So we can predict that after each successive crisis, the size of the state sector compared to the previous crisis will not reduce. But we should keep in mind that the active growing influence of state institutions on the behavior of entities leads to the overloading of the state economic functions that require significant financial costs.

When calculating many development indices the indicator of the share of SOEs in the overall structure and efficiency of their activities is used. J. E. Stiglitz, perhaps today the best known in the world expert on the economics of the public sector, a Nobel laureate, said that the lower efficiency of government institutions has the objective character, since it is determined by the difference in the system of incentives, both institutional and individual [3]. This position is confirmed in the practical activities at the same time of the Ukrainian enterprises.

Of course, globalization in recent years requires maximum economic liberalization that in the highly developed countries is reflected in the sharp limit of the state functions and the size of the public sector. However, there have been major restructuring in the business environment, which today is characterized by the activation of mergers / acquisitions.

The following features with which Ukraine has entered a financial crisis 2008-2010 can be distinguished:

firstly, the economy that is overloaded by public property, with less effective mechanisms for incentives and business activities;

secondly, the existence of a vast mass of state ownership functions that must be combined with extraordinary features of anti-crisis;

thirdly, the ultra-high level of permanent government spending, which is difficult to maintain in the fall of crisis, moreover to increase for the implement of anti-crisis policy;

fourthly, a large private capital, which has been adapted to operate in a system of patronage (financial support) from the state [4, p.21].

These factors complicated the course of the crisis in the Ukrainian market and do not allow to reverse its effects quickly.

The global economic and political community is interested in development of

procedures and tools of public sector management, which would allow to maintain a steady state of the national economy. Liberal approaches to the construction of state management are reflected in the OECD Guidelines on Corporate Governance of SOEs [5], which include three main points to be followed in the construction of public administration:

1. To ensure effective legislative and regulatory framework for public companies.
2. To regulate the actions of the state as the owner.
3. State as an active owner should exercise ownership rights in accordance with the legal structure of each company.

Consequently, the public sector plays a determining role in the development of the national economy taking into consideration its size and functions.

#### **Literature:**

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