

ЕКОНОМІЧНІ ПРОБЛЕМИ РЕГІОНІВ І ГАЛУЗЕВИХ КОМПЛЕКСІВ

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ANALYSIS OF THE EXPERIENCE OF ECONOMIC SECURITY IN THE STRUCTURE OF THE REGIONAL ECONOMY OF THE USA

The article deals with four areas of regional policy in America: the reducing of regional disparities, the formation of sectoral perspectives for economic and social development of the regions, financial support to the states by means of block grants and stimulating the development of integration trends. Application of the American experience to the formulation of the strategic goals for Ukraine.

Key words: *the reducing of regional disparities, the formation of sectoral perspectives for economic, social development of the regions, financial support to the states by means of block grants, stimulating the development of integration trends.*

I. Introduction

The present level of welfare of the United States is the result of a long development. One can list many factors that have a positive impact on the US economy. Among them - a favorable international environment for the US 90's, called a fluke. At this time most of the world economy (outside the US) is in relative decline, which allowed the US economy draw in capital and investment goods.

Proponents of "neoliberal" theories argue that the success of the 90-ies in the development of the US due to the fact that the liberalization, privatization and cuts in public spending (through the elimination of the state), as well as the release of funds and the use of their savings for investment let the market itself to regulate the development of the economy. At the same time, a more objective analysis of the causes of economic growth in the 90s, conducted by American scientists suggests that neoliberal restructuring in the US has created the conditions for broad speculative activities and the formation of a huge financial bubble. Begun in the US economy in 2001 marked the collapse of the regressive processes faith in neoliberalism and confirmation same pattern after the onset of the recession period of revival. Explained by the fact that the US has demonstrated a tendency global economy enters a recession after the first global oil shock of 1973 [1].

At the same time, the US – the largest in territory, population and leading to socio-economic development of the country in the world.

In 2000 281.4 million people lived in its territory of 9.4 million km². The standard of living in the US was, and remains, one of the highest in the world. The average annual income per household in 2001 was about \$42,200. Average hourly earnings in June 2001 amounted to \$14.30. The unemployment rate declined in the last decade and in 2000 was about 4%. The proportion of Americans living in poverty decreased to 11.3% in 2000 [2]. Therefore the analysis and consideration of possible ways to adopt the American experience of ensuring economic security in Ukraine is certainly relevant and urgent.

II. Formulation of the problem

The main reasons for the long-term economic success of the US are usually called technological progress and effective public policy in the field of economics. Indeed, since 1993 the modern technology policy was launched in the US; "Technologies for economic growth: a new course for the creation of economic power." In 2000 spending on secondary and higher education (not training costs) amounted to \$646.8 billion, or 6.5% of GDP. The average American had attended school for 13 years, the longest in the world. In 2000 more than 83% of American people aged 25 and older had at least completed secondary and higher education, and 25% also had uni-

versity education. In 2000 \$264 billion were spent on scientific development (2.6% of GDP), in absolute numbers it was more than any other country in the world. In 1999, the U.S. had 2.9 million scientific workers [2].

Therefore the aim of this article is to analyze the trends in the economic policy of the Federal Government of the United States, and its specific guidelines for the development of economic security in its regions, as well as opportunities for the application of the American experience to Ukraine.

III. Results

Stimulating technological progress; it is essentially only one of the economic policies of the federal government. Current priorities of government regulations are indicated as follows:

- to promote the growth of labor productivity through the implementation of innovation policy, particularly to accelerate the process of scientific and technological development;
- to prioritize and expand basic science as well as information technology support;
- to further stabilize economic growth, the development of balanced macroeconomic policies in order to achieve sustainable development, taking into account environmental and social requirements;
- to promote education and training of the labor force, which affect economic growth and the standard of living of Americans;
- to ensure the social functions of the state through the optimization programs in the fields of pensions and health insurance and support for family values;
- to the realization of the overall positive effects of American economic globalization;
- development to improve the environment and the ecological regulators, thus to develop appropriate policies in response to global climate change [3].

The analysis of US government economic policy must consider the policies of the federal government. At the federal level, the macroeconomic regulatory role of the country is carried out through constantly evolving legislation, monetary policy and federal orders which affect the economy through the amount of government consumption of goods and services, and fiscal policy. In 1965 the Economic Development Administration of the US Department of Commerce was established. Its activities are focused on creating new and maintaining existing jobs as well as diversifying the economy, thus stimulating the growth of industry and commerce in economically depressed areas.

At the same time, the design of its government allows the US to vastly affect the economy by means of micro-politics at the regional level. The regional authorities provide strong support for entrepreneurship, creating favorable conditions for business people in each state, city, and

county. In addition to direct state government assistance about 19,000 Economic Commissions or Councils, who are regional and local executive authorities, deal with business development activities. They strengthen each state's economic policies and help entrepreneurs adapt quickly to changing internal and external conditions. They also enhance the economic development of its population.

There is no right written in the US Constitution which would allow a state to secede from the federation, and this right has never been recognized by the American federation. The US Constitution does not define the power of the state governments. Therefore, the states exercise supreme authority in all spheres of society, from which the federal government is excluded. Thus, in joining the Union, the states retained the real power over their territories. Each state has its own constitution, the basic principles of which are identical to the principles enshrined in the U.S. Constitution.

Separation of powers between the states and the federal government is based on the main provisions of the US constitution. The federal government authority maintains political unity, provides territorial integrity, forms a single economic space and regulates social and economic processes. At the same time, the states retain sufficient power to allow them to regulate social and economic development of their territories.

Trade policy as an instrument of economic regulation is widely used by the US government from a regional perspective. Since the Great Depression, in order to expand trade with Europe along the Atlantic coast of the US, there has been a free trade zone. Now, when the country's task is to strengthen American presence in the global market, access to foreign markets for producers from all parts of the country is encouraged. Therefore, there is a growing role of the individual states in establishing a variety of international contacts. In 1960 only three states had trade offices abroad. In 1985, 29 states had 55 permanent foreign missions abroad, and at the beginning of the 90's 46 states owned a network of 163 foreign consulates [4].

The sphere of shared authorities of both federation and state include:

- lawmaking and law application in the field of taxation;
- regulation of forms of corporate activities;
- universal welfare.

The organization of local government is run by the states. Therefore, local governments must comply with state laws as their powers come from the state. In the US, there are no uniform guidelines for all the administrative divisions of the country or the organization and functioning of local government. This explains why there is an extraordinary diversity in organizational forms of local governance. From a

legal point of view, local governments are part of the state government so they enjoy considerable autonomy in the management of local affairs. Each state has significant rights in fiscal policy. They make up, adopt and implement their own budgets. Without any consultation with the central government, state legislatures may pass or abolish many tax laws. The US fiscal system consists of three levels:

- at the top level taxation is carried out by the federal tax office, known as the Internal Revenue Service (IRS), which collects federal taxes across the country which go to the federal treasury;
- at the secondary level are state tax agencies that collect taxes and fees imposed by the state legislatures. These taxes are received by the state treasuries;
- at the lowest level - the local tax authorities levy taxes imposed by local authorities.

Tax services are independent and are not subject to each other although they do interact

with each other. However, state legislatures may only impose taxes that do not contradict federal tax laws, and local governments' tax measures must be approved by their state's government. The IRS works more efficiently than the state tax authorities. This is due to the fact that most of the tax at the federal level is automatically withheld from salaries.

The amount of federal government spending in the 20th century increased as in other countries. In 1913 government spending was only 10% of GDP, in 1990 it was 35% and in 1997 it rose to 42.2% and later decreased. However, among the advanced countries the US is considered a country with low taxation. This can be partially explained by the fact that the US government widely offers preferential tax treatment for the regulation of social and economic processes in society.

Although each state conducts its own fiscal policy, these are averages for the taxes paid in state's revenues (see Table 1).

Table 1

Averages for the taxes paid in state revenues

Tax	rate in the amount of the budget	share of tax revenue
Personal income tax	from 2% to 10%	over 30%
Corporate income tax rates and calculation methods	are different	about 7%
Property tax	from 0,5% to 5%	2%
Inheritance tax	1–15%	1%
Capital tax	0,75%	small part
Sales tax	to 8%	49%
Severance tax	3–5%	2%
License fees for the right to engage in certain activities	Various	6%
Deductions for unemployment benefits	2,7–7,5% of salary (with the first \$8 million)	vary depending on the state
Excise	Various	

The similarity of state tax systems is that they rely primarily on general and special sales taxes, which form almost half of all their tax revenues. The general sales tax is charged on the gross proceeds from the sale of goods and services at each stage of circulation. This applies to products for both final and intermediate consumption. Officially, the payer is the seller, but in fact the tax is passed onto the buyer. In many states, this tax exempts food and medicines. The rate of general sales taxes varies by state from 3 to 8%. In addition to the general sales tax, special taxes are levied, called excise duties. The main ones are on gasoline, insurance, utilities and tobacco.

The differences in the tax systems of the states are in the different structures, rates and methods of calculation. Such freedom of states in tax policy allows them to use this tool effectively in order to stimulate economic growth. For example companies in some states, after being registered there, are fully exempt from property taxes. Many states offer companies relief from taxes on their profits when they invest within the state.

States differ by population quite a lot. According to the census in 2000, the highest number was

observed in California (33,871.6 thousand people), the lowest - in Wyoming (493.8 thousand). In 29 states the population exceeded 3 million people, and in 7 states was less than 1 million. At the same time, the level of economic development, as determined by GDP per capita, shows that the differences between the states are not too significant.

Homogeneous economic development is provided by the fact that throughout the history of the US the federal government has always controlled not only formative conditions of the single domestic market, but has also promoted the free movement of goods, services, capital and labor, and has greatly invested in the physical and social infrastructure of its regions. The growing role of the federal government in the regulation of social and economic processes has been confirmed by the growing proportion of the federal budget in the national expenditure. In the last century (before World War II) the states' share was the prevailing one, but in the late 50's the federal budget's share amounted to 68–70%. It has decreased to 60% since 1993.

Several state governments have played and continue to play major roles in shaping the

business environment in their states. They are independent of federal fiscal policy, that's why they can widely use micro-political tools for making an impact on entrepreneurs. Through preferential taxes they stimulate the entrepreneurs active in the state to invest their profits in job creation, thus funding the creation of physical market infrastructure and providing retraining, which attracts new investors.

In the 19th century the federal government had to intervene in the economic development of the states, stimulating the settlement of western uninhabited regions. Until the middle of the 20th century such intervention was kind of random, although accompanied by legislation. The largest and most widely known is the law for the organization of the state corporation, referred to as the Tennessee Valley Administration, enacted in 1933.

Since the 1960's regional policy has become an integral function for state regulation of the country's social and economic development, being present in both the actions of the federal government and the politics of the states. This was caused not only by the desire of the authorities to eliminate some regional contradictions, but also by the general process of reorientation mechanisms within state regulations, moving from mainly solving social problems to actively stimulating economic growth and to developing targeted changes in economic structure. It was officially recognized that without regional solutions national goals cannot be achieved; full employment, fair income distribution, sustainable economic growth, etc.

The regulatory basis for regional policy has resulted in a number of laws being enacted between the mid 60's and the mid 70's. The most important of these are:

- the Public Works and Economic Development Act of 1965 which established aid guidelines for economically depressed areas;
- the Appalachian Regional Development Act of 1965 which has provided targeted development of the problematic Appalachian region for the past three decades;
- the Intergovernmental Cooperation Act of 1968 which regulates the powers of federal, state, and local governments concerning regional management;
- the Rural Development Act of 1972 and the Housing and Community Development Act of 1974 outlined federal policy directives in relation to rural and urban areas of the country;
- Regional Development Act of 1975.

The formation of regional policy in the US was held up while powers were redistributed between the upper and the lower authorities. Before the 60's regional regulation issues were in general the prerogative of state and local

authorities. This hampered the coordination of regional activities by the federal government across the country. Later the situation began to change, federal government intervention increased in socio-economic development and environmental protection, which was accompanied by the growth of funds provided by the federal budget in order to help state and local governments.

The most common and widespread form of regional policy is represented by various regional programs with their own distinctive features:

- the targeting of activities to achieve specific fixed results;
- the order and complexity of the program activities;
- the coordinated usage of tools provided by the program to affect the economy; investment, subsidies, legislative acts, tax and credit privileges, tariff policy, etc.;
- the coordinated assessment of all the resources available and the functions of the structures responsible for the implementation of the program's activities.

Historically, in the United States there have been three approaches to solving organizational issues about the regional implementation of federal programs.

The first one is nationwide when issues are considered at the level of the federal legislative and executive branches. According to this approach, any additional costs from the federal budget related to the program should be authorized by the US Congress which has the right to make the most important fundamental decisions on concrete programs. Congress defines general objectives for regional programs and a set of more specific program activities, the maximum allowable size of allocations from the federal budget and establishes the rights and obligations of the bodies entrusted with the management of program activities in the future. However, the Congress periodically performs a hearing on the implementation of programs.

The second is the superstate departmental approach, according to which the guidance of the regional programs is carried out by independent special agencies of the federal government and by full-time federal authorities specially created. The Board of Water and Soil Resources, the Federal Advisory Council Departments, the Tennessee River Valley Authority, the Appalachian Regional Commission and the Regional Planning Commission are among the biggest authorities responsible for the implementation of program activities.

The third is the local department approach, wherein the implementation of federal programs for stimulating the development of certain areas is based on active participation by local authorities. At the local level only federal

funding, overall monitoring, evaluation of program activities as well as analysis and assessment are carried out. The development and promotion of specific projects is a function of the lower regional bodies.

Four directives of regional policy have been implemented in the US.

The first directive, the government actions used occasionally to reduce regional disparities in living conditions and business, can be described as an model for two programs; "Tennessee" and "Appalachia".

The principal feature of these programs is to organize activities of multi-regional commissions. It offered a holistic approach to solving regional problems. However, the funds were not directed at all relevant issues but at a number of specific ones. Typically, these programs are planned for five years and include:

- the analysis of the economic situation in the region;
- the assessment of previous programs;
- the long-term and short-term forecasts for economic development;
- the formulation of general long-term goals for regional development;
- the specification of goals and their impact on the regional economy;
- the overall cooperative strategy of the authorities and states of the target region;
- a quantitative estimate of federal, state and private funds required;
- the allocation of potential federal funding by regional commissions.

The Multi-state (federal & regional) Tax Commission is a target-oriented coordinating authority. It influences regional development by analyzing, forecasting, planning and advising. In part, it uses administrative means without the input of large amounts of funds.

The second directive impacts the development of regions of the country through sectoral economic and social policies of the federal government. These measures are very popular in the US. Within this framework we can distinguish two groups of federal programs.

1. Programs, common to the entire country, fully funded by the federal budget. The responsibility to manage these funds can be imposed on the public service departments of state and local governments. For example, the federal aid program for families with dependent children is implemented this way. In practice, it is difficult to distinguish between federal programs, fully funded from the federal budget, and programs that are financed jointly. In first case, all the administrative terms are set by the federal government. In the second, states have some freedom to choose the mechanisms for implementing the programs. These mechanisms are called the management of federal funds.

2. Targeted or categorical regional programs which specify the conditions for obtaining local government financial assistance to improve the living and business conditions in various communities, cities and districts. A prerequisite is the contribution of funds by the state government or the local authorities. The funds are allocated if they develop programs that meet federal government requirements. In this case, if they refuse to comply with the terms of the federal government, they lose the relevant financial support. For example, federal financial assistance to state or private universities may be terminated if they do not sufficiently implement strategies to enroll women or minorities, or discriminate on these grounds in any of their programs. To implement targeted programs the federal government allocates block grants to states and municipalities. The largest grants are earmarked for education and urban development. If the state and local government's costs on specific programs increase, federal grants increase equally. Block grants are also called equity grants.

This method of regional development is now utilized almost worldwide. Many countries use these programs to create technological and industrial parks, stimulating not only the growth of the economy in general, but also as a way to direct regional policy.

The third directive implemented in the US is in the form of financial support of the state and local governments through block grants, also known as subsidies. These block grants were introduced, according to an overall participation in income program, adopted in 1972 by state and local authorities. The authorities receive financial assistance from the federal government from a fund formed by 5.2% of the amount of federal income tax on individuals. This money can be used by the regional authorities completely at their own discretion. This financial assistance to the states and municipalities is also called "the distribution of total income" and its share of the public's financial support is not very large. In 1986 the total amount of block grants was \$4 billion while the amount of targeted grants was \$103 billion [3]

As we see in the United States the third directive hasn't garnered the same popularity as the others. This is due to several factors:

- The US Constitution includes some principles which are required for the existence of a single economic space such as the exclusive right of the federal government to use the tools of monetary and trade policies;
- States have always been able to influence the economy by means of micropolitics as they have a certain freedom in the area of fiscal policy;

– The principle of equality of the states in their relations with the federal government does not allow the federal government to pay special attention to individual states.

The fourth directive is integration. It is not explicitly represented. Federalism in the US is competitive. States and local governments compete with each other to create enabling environments for business and residency. The choice of residence is up to the citizen. In the US every year 17–20% of the population change their places of residence. On average, a family changes dwellings 11 times in one lifetime. At the same time, the Tennessee and Appalachia programs can be considered integrated since they cover the area of 12 or 13 states and their activities have stimulated the development of integrative tendencies in business, as well as in state and local policies.

IV. Conclusion

In the US, state regulation, supported by federal regional policy, is essential for the social and economic development of the country. A distinctive feature of the US government structure is that in some states a major role in shaping the business environment is played by local authorities. They are independent from fiscal policy which allows them to have enormous impacts on regional economies and local businesses by means of micropolitics. The most common form of regional policy in the United States is represented by various regional programs. Based on their objectives, there are currently four areas of regional policy; the reducing of regional disparities, the formation of sectoral perspectives for economic and social development of the regions,

financial support to the states by means of block grants and stimulating the development of integration trends.

The Americans have experienced success with a broad approach to the formulation of their strategic objectives and the solution of practical problems arising from regional socio-economic development. For our country, the pattern is most valuable as a model to emulate.

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Антонюк А., Шмиголь Н. Аналіз досвіду економічної безпеки в структурі регіональної економіки США

У статті розглянуто чотири напрями регіональної політики в Америці: скорочення регіональних відмінностей, формування галузевих перспективи для економічного й соціального розвитку регіонів, фінансової підтримки держав за допомогою блокових субсидій та стимулювання розвитку інтеграційних тенденцій. Застосування американського досвіду для формулювання стратегічних цілей для України.

Ключові слова: скорочення регіональних відмінностей, формування галузевих перспектив, економічний розвиток регіонів, фінансова підтримка держав за допомогою блокових субсидій, стимулювання розвитку інтеграційних тенденцій.

Антонюк А., Шмиголь Н. Анализ опыта экономической безопасности в структуре региональной экономики США

В статье рассматриваются четыре направления региональной политики в Америке: сокращение региональных различий, формирование отраслевых перспектив для экономического и социального развития регионов, финансовой поддержки государств с помощью блоковых субсидий и стимулирования развития интеграционных тенденций. Применение американского опыта для формулирования стратегических целей для Украины.

Ключевые слова: сокращение региональных различий, формирование отраслевых перспектив, экономическое развитие регионов, финансовая поддержка государств с помощью блоковых субсидий, стимулирование развития интеграционных тенденций.