PECULIARITIES OF PUBLIC DEBT MANAGEMENT POLICY IN THE UNITED STATES OF AMERICA: EXPERIENCE FOR UKRAINE

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1. Introduction

The permanence of financial and economic crises in Ukraine, the consequences of integration processes of the national economy into the world economy and transformational imbalances of macrofinancial space, accompanied by significant accumulation of the domestic and foreign public debt and continued practice of financing public consumer spending by forming new sovereign debts necessitate an in-depth study of best practices of effective public debt management policy. This issue is especially relevant given the need to find effective solutions for the targeted use of public internal and external public debt management of Ukraine it is expedient to introduce a debt rule, which is based on the program-targeted method of attracting public debt and provides for the use of public borrowing exclusively to finance economic development programs. In this case, Ukraine, following the example of the United States, will be able to achieve sustainable economic growth, because changing the priorities from debt financing of current state budget expenditures to financing capital expenditures will allow the Ukrainian government to develop economic infrastructure, create conditions for high value-added goods and to develop small and medium business, which will ultimately ensure macroeconomic stability and progressive economic development of the state.

The scope of practical use of research results. The results of the study can be used by the Cabinet of Ministers of Ukraine, and in particular by the Ministry of Finance during the formation of the Medium-Term public debt management strategy of Ukraine.

Innovative technological product: The debt rule is based on the program-target method of attraction and use of the state internal and external debt that allows to use effectively the state borrowings for financing of economic growth.

Scope of application of an innovative technological product: Policy of management of the state internal and external debt of Ukraine.
1. 1. Research object
The object of the research is the policy of public debt management of the United States of America and Ukraine.

1. 2. Problem description
The economic crisis in Ukraine in 2014–2017, which was caused by internal political imbalances and the war with the Russian Federation, necessitated an increase in domestic and foreign government borrowing to finance the state budget deficit, created by declining tax revenues. However, according to Ukrainian public finance scientist Bohdan T. [1], a significant share of funds, borrowed from external and domestic creditors, is used by the domestic government not to finance the budget deficit and capital expenditures, but on financial capital transactions, which significantly reduces the effectiveness of public debt management policy. Marshalok T. [2] notes in his work that the increase in the debt burden due to increased government borrowing to finance consumer spending of the state budget may lead to loss of economic independence of our state, dictated by certain economically unfavorable conditions by external creditors. Ukrainian researchers Paenko T. [3], Slavyuk N. [4], note that the government’s focus on financing current expenditures of the state budget of Ukraine through the public debt does not contribute to the creation of drivers of economic growth, which in the future would effectively repay foreign debt at the expense of internal financial resources, and not by attracting new debts, as is currently the case.

Other Ukrainian researchers [5, 6] note the negative aspects of Ukraine's debt dependence and debt risk growth, which meet the Maastricht criterion, i.e. the ratio of public debt to GDP exceeds 60% (2015–2016), or is close to this value. Such indicators are threatening for Ukraine's small, open and commodity economy, as public debt is not actually used to stimulate sustainable economic growth, which can ensure timely and full repayment of debts to international financial institutions and make public borrowing from foreign private investors cheaper.

However, an empirical study by Arize A. C., Kallianotis I. N., Liu S., Malindretos J., Panayides A. [7] on the relationship between public debt and economic growth shows that the US budget deficit has a significant impact on both prices and on the current account, and external debt has the same effect on consumption and savings. Foreign interest rates and foreign real income affect virtually every variable in the United States. That is, the results of the study indicate a positive effect of the US public debt on consumption and savings, which is the basis of economic growth.

An American analyst Driessen G. A. [8] in his study notes that the positive impact of public debt on economic growth will be only if the government uses borrowed funds to conduct fiscal policy, which aims to increase employment and stimulate production. According to the scientist, the US public debt acts as a financial resource of the government, used to stimulate economic growth. At the same time, an important condition for the debt financing of the economy is the prevention of lower rates of economic growth than the growth rate of the public debt.

1. 3. Provided way of problem solution
This problem can be solved by analyzing the best practices of public debt management in developed countries, among which the benchmark is the United States, which allows an excessive debt burden (the ratio of public debt to GDP is more than 100%), effectively using debt financing to stimulate economic growth. By ensuring sustainable economic growth, the US government can effectively service the public debt without any negative aspects to financial stability and macroeconomic stability. Therefore, taking into account the US experience in the context of Ukrainian realities of public debt management may be one of the options to reduce Ukraine's external debt dependence and increase the efficiency of the public debt to finance drivers of economic growth.

The aim of the research is to study the experience of the United States in the field of public debt management on the basis of debt financing of economic growth and to develop practical recommendations for its implementation in the realities of Ukraine’s debt policy.

2. Materials and methods
Materials of the World Bank [9] and the Federal Bureau of Economic Analysis [10] were used. The following methods were used in the study:
– synthesis analysis – in the study of scientific literature on public debt management in Ukraine and the United States;
– economic and statistical analysis and comparison – in the study of the dynamics of the US public debt;
– economic-mathematical method – in the study of correlations between public debt indicators of developed countries and their GDP;
– generalization – for the formation of scientific-theoretical and practical recommendations for improving the policy of external and internal public debt of Ukraine.

3. Results

The policy of external and internal public debt management in different countries has its own specifics, and its results are not always unambiguous. Thus, the current recommendations of the International Monetary Fund and the Maastricht criteria prove that the maximum value of public debt to GDP should be no more than 60 %. Exceeding this limit can lead to a deterioration in financial stability, debt sustainability, and ultimately to a technical default of the state.

However, developed countries, such as Japan (public debt-to-GDP ratio 266 %), the United States (108 %), Belgium (114 %), France (116 %) and the United Kingdom (107 %) maintain macro-economic and financial stability and are not exposed to risks of default (Table 1).

Table 1
Indicators of debt burden and sovereign rating of some countries in 2020*

<table>
<thead>
<tr>
<th>Country</th>
<th>Public debt-GDP ratio, %</th>
<th>GDP for one person, US dol</th>
<th>Moody's ratings</th>
<th>S&amp;P ratings</th>
<th>Fitch ratings</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>107</td>
<td>46344</td>
<td>Aa3</td>
<td>AA</td>
<td>AA-</td>
</tr>
<tr>
<td>United Stated of America</td>
<td>108</td>
<td>68399</td>
<td>Aaa</td>
<td>AA+</td>
<td>AA-</td>
</tr>
<tr>
<td>Belgium</td>
<td>114</td>
<td>50103</td>
<td>Aa3</td>
<td>AA</td>
<td>AA-</td>
</tr>
<tr>
<td>Canada</td>
<td>115</td>
<td>49222</td>
<td>Aaa</td>
<td>AAA</td>
<td>AA+</td>
</tr>
<tr>
<td>France</td>
<td>116</td>
<td>44995</td>
<td>Aa2</td>
<td>AA</td>
<td>AA</td>
</tr>
<tr>
<td>Japan</td>
<td>266</td>
<td>42928</td>
<td>A1</td>
<td>A+</td>
<td>A</td>
</tr>
<tr>
<td>Paraguay</td>
<td>23</td>
<td>4950</td>
<td>B</td>
<td>BB</td>
<td>BB+</td>
</tr>
<tr>
<td>Belorussia</td>
<td>30</td>
<td>6411</td>
<td>B3</td>
<td>B</td>
<td>B</td>
</tr>
<tr>
<td>Peru</td>
<td>39</td>
<td>6127</td>
<td>A3</td>
<td>BBB+</td>
<td>BBB+</td>
</tr>
<tr>
<td>Ukraine</td>
<td>58</td>
<td>3727</td>
<td>B3</td>
<td>B</td>
<td>B</td>
</tr>
<tr>
<td>Morocco</td>
<td>78</td>
<td>3009</td>
<td>Ba1</td>
<td>BB+</td>
<td>BB+</td>
</tr>
<tr>
<td>Brazil</td>
<td>98</td>
<td>6797</td>
<td>Ba2</td>
<td>BB-</td>
<td>BB-</td>
</tr>
<tr>
<td>Argentina</td>
<td>105</td>
<td>8442</td>
<td>Ca</td>
<td>CCC+</td>
<td>CCC</td>
</tr>
<tr>
<td>Angola</td>
<td>115</td>
<td>1897</td>
<td>Caa1</td>
<td>CCC+</td>
<td>CCC</td>
</tr>
<tr>
<td>Mozambique</td>
<td>116</td>
<td>449</td>
<td>Caa2</td>
<td>CCC+</td>
<td>CCC</td>
</tr>
</tbody>
</table>

Note: Made by the author according to the data [9, 11, 12]

According to the data of Table 1, the high level of debt burden in the developed world countries does not have a negative impact on their sovereign rating and does not carry the risk of default. In countries with low per capita incomes and debt burdens that do not exceed the Maastricht criterion, the sovereign rating is average and indicates that debt obligations are considered to be partially or completely speculative and subject to high credit risk. The group of low-income countries, where the ratio of public debt to GDP exceeds 100 %, has a low sovereign rating, which indicates that state debt obligations are highly speculative and are in default or close to it.

That is, a cursory analysis of the debt burden, GDP per capita (reflects the level of economic development) and the sovereign rating of the world, shows that a high level of economic development allows countries to increase the public debt above the Maastricht criterion (60 %) without compromising economic growth. Moreover, the attraction of the domestic and foreign public debt by the developed countries provides for its effective focus on achieving the goals of stimulating economic growth, which affects the dynamics of GDP and allows countries to effectively service domestic and foreign borrowing.
To confirm this opinion, we reflect the results of the correlation analysis of the dynamics of the public debt and GDP of the developed countries with a high debt burden (Table 2).

Table 2
The results of the correlation analysis of the dynamics of the external and domestic public debt and GDP of the developed countries with a high level of debt burden in 2010–2020

<table>
<thead>
<tr>
<th>Public debt indicators</th>
<th>United Kingdom</th>
<th>United States of America</th>
<th>Belgium</th>
<th>Canada</th>
<th>France</th>
<th>Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal public debt</td>
<td>0.7490</td>
<td>0.9001</td>
<td>0.8152</td>
<td>0.7266</td>
<td>0.9072</td>
<td>0.8462</td>
</tr>
<tr>
<td>External public debt</td>
<td>0.7377</td>
<td>0.7242</td>
<td>0.7004</td>
<td>0.6374</td>
<td>0.6565</td>
<td>0.0319</td>
</tr>
</tbody>
</table>

Note: Made by the author according to the data [9]

The data in Table 2 show a high level of correlation between the dynamics of the domestic and external public debt and GDP, which in turn confirms the conclusion about the strategy of debt financing of economic development. The exception among these countries is Japan, where there is no correlation between the dynamics of the external debt and GDP, which, in our opinion, is an objective indicator, as Japan’s external debt in the structure of gross public debt is only 5%.

Despite the high level of correlations between public debt and GDP, the debt financing policy of economic growth in these countries is quite complex and requires the effective use of all elements of macroeconomic policy.

Let’s analyze the policy of debt financing of economic growth of the United States of America and Japan, which have become a benchmark for many countries around the world. Based on the analysis of the debt policy of the United States and Japan, we will build a theoretical model of domestic and external public debt management policy in countries with a high debt burden.

Despite the “export” of the ideas of the free market concept and public confession of the mainstream of economic theory, Keynesian recipes are actively used in the US macroeconomic policy, because in the event of declining GDP growth, the US government actively uses deficit and debt financing (Fig. 1).

![Fig. 1. Dynamics of GDP growth, public debt and the US budget deficit rates in 2001–2020.](image)

Calculated by the author according to the data [13]

The data in Fig. 1 show that after 2001 the US federal budget was always executed with a deficit, and the size of the deficit has a significant correlation with the rate of GDP growth ($R^2 = 0.7415$), a negative value of which indicates that with declining rates of GDP growth, the budget deficit is
growing in response to the slowdown in economic growth. At the same time, it is necessary to note the high level of correlation between the dynamics of the federal budget deficit and the US public debt \((R^2=0.7109)\), which in turn reflects a direct dependence on the implementation of the debt financing policy of the US economy.

Fig. 1 also reflects the US government’s response to the 2007–2009 financial and economic crisis and the 2020 economic crisis, which is linked to the effects of the COVID-19 pandemic by significantly increasing the federal budget deficit and public debt. At the same time, it should be noted, that anti-crisis measures that increase the budget deficit receive significant support in the US Congress, such as the allocation of $ 2.2 trillion to fight coronavirus, received unanimous support from members of Congress [14]. This approach testifies not only to the policy of debt and deficit financing of the US economy, but also to the whole ideology of macroeconomic policy.

Thus, for the past twenty years, the policy of debt financing of the US economy is based on the formula: public debt growth – budget deficit – GDP growth – public debt growth.

Analyzing the structure of the US federal budget, we can conclude that achieving high (for post-industrial economy) GDP growth at 2–3 % annually is due to broad concessional support for small and medium business development, financing the development of economic and social infrastructure, innovation and military-industrial complex.

Thus, the share of small and medium-sized businesses in the United States is from 50 to 60 % of GDP, which makes it an important target group for budget support, because in addition to a high share in GDP, small business creates 2/3 of jobs in the country. However, it should be noted, that budget support for the development of small and medium-sized businesses in the United States has its own specifics, which, in fact, has no analogues in the world. In order to provide effective support to small and medium-sized businesses in the United States, the Small Business Administration (SBA) was established in 1953, which began lending to small businesses from its own budget and providing government guarantees to commercial banks lending to small businesses.

The most popular small business loan program in the United States is the Small Business Administration 7 (a) Loan Guaranty Program, which provides loans to startups and small businesses of up to $ 5 million for up to 10 years. The main role of budget financing under this and other programs is to provide state guarantees in the amount of up to 85 % of the loan in the amount of 125 thousand US dollars and up to 75 % of the loan in the amount of more than 125 thousand dollars. In this case, such guarantees are provided even when a small business does not have collateral [15]. In addition to program 7 (a), there are 8 other small business support programs in various areas of economic activity in the United States. As of the end of 2020, the total state support for small business under existing programs amounted to $ 650.4 billion. It should be noted, that such support in 2020 compared to 2019 increased by UAH 517 billion or almost 5 times, which reflects the effect of deficit financing of the US economy in the context of the COVID-19 pandemic, as the increase in support for small businesses in 2019 amounted to only $ 1.2 billion. In addition, special financial assistance from the federal budget for small businesses through the Administration of Small Business to combat the effects of COVID-19 in the amount of 176.3 billion dollars should be taken into account. [16].

In addition to supporting small businesses in their current activities through the programs of the Association of Small Businesses in the United States is active support for small businesses in the field of innovation. There are also a number of programs for such purposes (Small Business Innovation Research Program (SBIR), Small Business Investment Company (SBIC), Small Business Technology Transfer Program (STTR), etc.). The total amount of funding for research and development work in the field of small business is 60-80 billion dollars every year [17].

Thus, summarizing the above, we note that fiscal (government guarantees) and credit support for US small business development is one of the main ways to stimulate the US economy and ensure stable GDP growth, because in addition to production of goods and services, small business provides the high level of employment and the high level of final consumption, which is the basis of GDP.

The development of social and economic infrastructure in the United States by increasing budget funding also plays a special role in stimulating GDP growth, especially this approach is used by the US Government in times of economic crisis. Thus, one of the important measures to overcome the Great Depression of 1932–1933 was to finance the construction of roads, railways,
housing, industrial infrastructure, which was regulated by the relevant laws “On the Restoration of National Industry”, “On Economy” and so on. In addition, the National Reconstruction Administration, the National Directorate for Industrial Reconstruction, and the Civil Engineering Department were established to manage budget funds for infrastructure development.

While overcoming the financial and economic crisis of 2007–2009, the President Obama's administration implemented the Recovery and Reinvestment Plan, which initially provided for fiscal stimulus to the economy totaling $ 787 billion, or about 5 % of GDP, the latter as of 2008–2009. Subsequently, the US Congress at the initiative of the Obama administration took a number of additional measures to stimulate the US economy, and, thus, the total cost of the American Revival and Reinvestment Plan is estimated at 840 billion dollars for the period from 2009 to 2019 [18]. The main directions of fiscal stimulation of economic recovery were aimed at the mortgage market, the automotive market, as well as industry.

In the context of the COVID-19 pandemic, US President J. Biden also addressed the mechanism of deficit-debt financing of infrastructure projects, announcing on May 31, 2021 the American Jobs Plan, which provides for the modernization of more than 32 thousand kilometers of roads and about 10 thousand bridges, renewal of public transport, creation of a network of charging stations for electric vehicles. It is planned to allocate about 621 billion dollars for these purposes. Another $ 111 billion will be aimed at replacing lead water pipes and sewer systems. About $ 100 billion is provided for the development of broadband Internet (85.3 billion euros), and another 100 billion dollars will be spent on the renewal of power grids [19].

According to experts [2, 5] an important role in stimulating US GDP growth is played by government spending, which during the financial and economic crisis of 2007–2009 and after reached 24 % of GDP. U. S. government spending is based on a domestic producer incentive policy, governed by the Buy American Act (“Buy American”) and the Federal Acquisition Legislation “US Law “On purchases”), which apply to purchases in excess of the $ 3,000 threshold and obligate government agencies to purchase products that contain at least 50 % of the local component (paragraph 25.101 of the Federal Acquisition Legislation), and provides a 6 % price advantage (and for small and medium-sized businesses – 12 %) to national producers to choose between and foreign bidders (paragraph 25.105 of the Federal Acquisition Legislation) This approach to stimulating the domestic producer creates a competitive advantage over foreign producers, and also allows to maintain a stable demand for production of goods and services in the country, which contributes to GDP growth.

Financing of innovation and the military-industrial complex has a very important place in stimulating the growth of US GDP due to the budget deficit and attracting new public debts. Thus, based on empirical research [20, 21], note that the calculation of the multiplier of US government spending for the period from 2000 to 2015 shows that the growth of government spending by $ 1 caused an increase in US GDP by $ 2.3, and the growth of US federal budget spending on national defense caused an increase in US GDP by $ 3.04, which partly explains the reasons for the increase in US government spending in general and the increase in national defense spending in particular in the economic policy of the US federal government. Such a high multiplier effect of rising US defense spending on GDP is because the defense sector is one of the most important sectors for innovation.

Government spending on research and development as the main innovation activity is 2.83 % of US GDP [22], which is distributed in the form of grants between universities and research institutions. It should be noted, that the United States has developed innovation clusters that are based on public-private partnerships. One such cluster is Silicon Valley.

Large-scale government support for business development, innovation financing and infrastructure development has made it possible to create a high-tech economy with a high level of economic complexity, independent of global commodity cycles, which allows for stable economic growth and rapid recovery from financial and economic crises. According to the level of economic complexity, the United States ranks the 11 place in the world.

Effective targeting of government borrowing through the mechanism of targeted financing of economic development allows the United States to create a sufficient level of GDP and ensure sufficient growth rates for timely servicing of the public debt (Fig. 2).
Fig. 2. Dynamics of some indicators of growth and servicing of the US public debt in 2001–2020*. Calculated by the author according to the data [10]

The data of Fig. 2 show that the growth rate of US GDP outweighs the cost of servicing the public debt, which, in turn, confirms the effectiveness of the US debt policy and the use of the mechanism of deficit financing of economic growth.

However, it should be noted, that an important factor in ensuring efficient servicing of the US public debt is the low cost of servicing it, which is provided by the economic (GDP), technological and military power of the US, which is a factor of high confidence in US Treasury bonds and also financial sector structure and US Federal Reserve policy.

As for the structure of the financial sector, in contrast to the European Union, the United States through the tax mechanism mobilizes only 30 % of the monetary expression of GDP (while in Europe 45–50 %), the remaining 70 % of the monetary expression of GDP goes to the financial market.

The institutional structure of the US financial market is built in such a way that non-bank financial institutions account for a larger share of financial sector assets and are therefore major investors in government bonds (Table 3).

Table 3
The distribution of US financial market assets and volumes of government bonds, owned by financial institutions as of the end of 2019

<table>
<thead>
<tr>
<th>Assets of financial institutions</th>
<th>Mln dol.</th>
<th>%</th>
<th>State bonds, bil dol</th>
</tr>
</thead>
<tbody>
<tr>
<td>Totally</td>
<td>108,008</td>
<td>100</td>
<td>22,719</td>
</tr>
<tr>
<td>Banks and other credit institutions</td>
<td>20,052</td>
<td>18.6</td>
<td>910</td>
</tr>
<tr>
<td>Life insurance companies</td>
<td>8,507</td>
<td>7.9</td>
<td>209</td>
</tr>
<tr>
<td>General insurance companies</td>
<td>2,650</td>
<td>2.5</td>
<td>n/d</td>
</tr>
<tr>
<td>Accumulative pension funds</td>
<td>24,404</td>
<td>22.6</td>
<td>1,152</td>
</tr>
<tr>
<td>Mutual funds of collective investment</td>
<td>21,294</td>
<td>19.7</td>
<td>2,173</td>
</tr>
<tr>
<td>Monetary power</td>
<td>4,379</td>
<td>4.05</td>
<td>8,023</td>
</tr>
<tr>
<td>Other</td>
<td>26,722</td>
<td>24.7</td>
<td>10,253</td>
</tr>
</tbody>
</table>

Note: Calculated by the author according to the data [10]

The main vector of development of the modern US financial market is the formation of an extensive system of institutions, focused on attracting money in the accumulation of various kinds and their subsequent transformation into investment, as well as in transforming the population
Development of national economies

into financial investors and attracting them to business. Collective investment funds and pension funds, which attract funds from the population, invest part of their assets (10–15 %) in virtually risk-free government bonds in order to create a “safety cushion”. Therefore, the developed model of investment and pension funds creates a stable demand for risk-free government securities, ensuring stability and low cost of the public debt.

In addition, as the US dollar serves as a reserve currency, strong demand for government bonds is created by foreign governments and central banks, which place their gold and foreign exchange reserves, as well as large corporate investors and global investment funds. A high level of confidence in the US political system, economy and military minimizes speculative transactions by foreign investors.

The high demand for US government bonds as safe and risk-free assets ensures the regular absorption of new bond issues due to the need to finance the budget deficit, and therefore in most cases full redemption of US government bonds does not occur because old bonds are replaced by new ones. As a result, while ensuring an acceptable GDP growth rate, the United States continues to pay interest on the public debt flawlessly, thus maintaining a high level of investor confidence.

Thus, due to the structure of the US financial market and the influence of globalization, US government bonds, which form the US public debt, play an important role as risk-free financial investment instruments for individuals and private financial institutions in the US and abroad, as well as for foreign central banks. Therefore, as long as there is a demand for such bonds, the US public debt can increase without negative consequences for the national economy.

Thus, we can conclude that the safe amount of the US public debt directly depends on the demand of domestic and foreign investors for risk-free assets, and this demand, in turn, depends on the dynamic development of the US economy, and the dynamics of the economic development (as noted above) from debt and deficit financing. That is, a vicious circle of debt financing and economic growth was formed.

At the same time, it should be noted, that in a cyclical economy it is not possible to maintain a constant growth of the economic dynamics, sufficient to service the public debt. For these reasons, the United States is actively involving the Federal Reserve in managing the development of the money market and stimulating the growth of the country’s GDP during the economic downturn.

In contrast to many countries with the emerging markets in the United States the coherence of monetary and fiscal policies is at the highest level, because the scarce funding of targeted programs for the development of the national economy is coordinated by the government with the FRS. In the event that the government announces a large-scale program to finance the economy, the US FRS gradually lowers interest rates before the start of such a program, which in turn reduces the cost of raising the public debt, as government bonds are also issued at lower yields.

However, the placement of large arrays of government bonds leads to the effects of crowding out in the US credit market, as the supply of risk-free and highly liquid assets for banks increases. In this case, the US FRS during the financial and economic crisis of 2007–2009 used non-traditional monetary policy instruments in the framework of quantitative easing, which provided not only the establishment of negative key interest rates, but also the direct redemption of debt obligations in non-financial corporations, including government securities. Reducing interest rates and debt redemption have increased the liquidity of commercial banks, as well as the creditworthiness of non-financial corporations, which ultimately had a positive effect on the dynamics of US GDP and state budget revenues.

4. Discussion

The conducted analysis of the peculiarities of the policy of public debt management of the United States of America allowed to refute the conclusions of Ukrainian researchers [1, 3] that the excessive debt burden that exceeds the Maastricht criterion is an extremely negative phenomenon for the national economy. The defined criterion of the ratio of public debt to GDP at no more than 60 % is the limit that determines the growth of debt risk in the event of excessive public debt use to finance current expenditures, populist goals of governments and old debts. However, as the experience of US debt policy shows, targeted use of the public debt to finance economic growth not only eliminates debt risks, but also provides financial steadiness, macroeconomic stability, high employment and sustainable economic growth.
However, it should be noted, that debt policy needs to be analyzed in its relationship with monetary and fiscal policies, the effectiveness of which allows the use of public debt to stimulate economic growth. As the US experience shows, fiscal stimulation of small business development through various targeted budget programs, which in turn are financed by attracting the public debt, creates a fundamental basis for sustainable economic development, as increasing the number of private entrepreneurs and workers in their mini-firms is a guarantee of employment. On the other hand, the use of monetary instruments to shape the price of money in the country is the basis for the formation of cheap prices for domestic government borrowing, and the use of non-traditional monetary policy instruments, aimed at saturating the financial market with liquidity, is the key to sustainable investment in government securities.

Therefore, the directions of modernization of Ukraine’s debt policy should be considered through the prism of harmonization of monetary, fiscal and debt policy, and not only through changing the priorities of external borrowing, compliance with debt ratios and optimization of cooperation with international financial organizations as noted in the works by Ukrainian researchers [1, 6].

The limitations in the article are due to the lack of opportunities to analyze the impact of the US public debt on economic growth in the long run, as the excess of GDP to the public debt at a level of more than 100 % has been observed only in the last four years.

Promising research in the context of this topic may be a study of the effectiveness of US fiscal policy and mechanisms for its coherence with monetary policy and public debt management policy.

5. Conclusions

Summarizing the above, we can conclude that the public debt and the US state budget deficit should not be perceived as a problem or threat to macroeconomic stability, but as a tool to stimulate economic growth.

The US experience in using debt financing instruments for economic growth shows that Ukraine’s debt policy requires radical changes, as financing current expenditures and old debts only develops a debt spiral and increases external debt dependence. In our opinion, the optimization of Ukraine’s debt policy is possible, provided that a debt rule is introduced, which would be based on the use of a program-targeted method of attracting the external and domestic public debt. By attracting the public debt exclusively for targeted financing of economic development, Ukraine, following the example of the United States, could ensure sustainable economic growth, as declining state budget revenues and declining profitability of domestic enterprises due to the war, economic crisis and loss of the largest market are major problems for the domestic economy. In our opinion, the possibility of effective use of state internal and external borrowings for targeted stimulation of economic growth can not only compensate for Ukraine’s financial losses, but also become a foundation for economic recovery and economic development, aimed not at exporting raw materials, but at producing value-added goods.

At the same time, the experience of US debt policy shows that Ukraine needs to form a mechanism for coordinating monetary, fiscal and debt policies in terms of interest rates, saturation of the economy with liquidity, development of targeted programs to finance economic growth, following the example of the state program borrowings exclusively to finance state targeted economic development programs.

References


[15] Types of 7(a) Loans. U.S. Small Business Administration. Available at: https://www.sba.gov/partners/lenders/7a-loan-program/types-7a-loans Last accessed: 20.08.2021


