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**Ivan Lisniak**

Department of Economic Theory, Kyiv National Economics University named after Vadym Hetman, Kyiv, Ukraine;  
e-mail: [lisniak.ivan@kneu.edu.ua](mailto:lisniak.ivan@kneu.edu.ua)  
ORCID: [0000-0002-1952-4870](https://orcid.org/0000-0002-1952-4870)  
(Corresponding author)

**Olena Tkachenko**

Candidate of Economic Sciences, Professor of the Department of Economic Theory, Kyiv National Economics University named after Vadym Hetman, Kyiv, Ukraine;  
e-mail: [tkachenkoolena@kneu.edu.ua](mailto:tkachenkoolena@kneu.edu.ua)  
ORCID: [0000-0003-2923-7186](https://orcid.org/0000-0003-2923-7186)

**Iryna Kulaga**

Candidate of Economic Sciences, Associate Professor of the Department of Economic Theory, Kyiv National Economics University named after Vadym Hetman, Kyiv, Ukraine;  
e-mail: [kulaga.iryana@kneu.edu.ua](mailto:kulaga.iryana@kneu.edu.ua)  
ORCID: [0000-0002-2148-1435](https://orcid.org/0000-0002-2148-1435)

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# FINANCIAL STABILIZATION AND HOUSEHOLD WELL-BEING: INCOME POLICY IN UKRAINE AS A MEANS OF RESOLVING CONTRADICTIONS

## ABSTRACT

The article is devoted to the investigation of the impact of the income policy (in particular, the size of basic social standards) on the processes of forming and implementing the investment potential of households to improve society's provision of human capital. The research database was formed based on the characteristics of the households' economic capabilities, in the first turn, their ability to invest in the accumulation of human capital, both in the form of improving educational characteristics and improving spatial and professional mobility. To operationalize the aforementioned characteristics, indicators of the size of household consumer expenditures and their structure by main commodity groups were used, as well as indicators of the scale of poverty, which were estimated by the depth of poverty and the share of poor households in their total number. Empirical confirmation of the inability of the state income policy, implemented during the retrospective period, to counteract the erosion of the real purchasing power of the population's incomes and the stagnation of the economic capabilities of households was obtained. It is substantiated that among the side effects of underestimating the importance of increasing the "institutional wage" in the process of determining the priorities of state income policy, Ukrainian households during the retrospective period were almost excluded from the investment expansion and renewal of the production capabilities of society, which a priori reduces the social efficiency of economic growth, narrows the circle of its beneficiaries and does not allow it to be transformed into development.

**Keywords:** households, poverty, consumer spending, human capital, economic growth, state policy, social standards, regulatory levers

**JEL Classification:** D12, H52, I31

## INTRODUCTION

The mainstream scientific support of state economic policy assumes that improving the well-being of households is the ultimate goal and, accordingly, an important criterion for assessing the effectiveness of state intervention in the economic life of society. However, less attention in the domestic scientific literature and analytical justification of policy is paid to the inverse connection: the achieved level of households' well-being determines the possibilities and limitations regarding the rates of economic growth, sources of involving additional resources, and increasing the efficiency of their usage, and the overall trajectory of economic development. In particular, for Ukraine, the problem of the concentration of household consumer spending on essential goods, in particular food products, is extremely important. As a result, firstly, households have practically no resources left to invest in the accumulation of human capital, which places an excessive burden on the budget and deprives the social sphere of those incentives to increase efficiency that are inherent to commercial relations. Secondly, it makes households extremely vulnerable to negative impacts, which, in particular, limits the ability of the economy to respond to the challenges of wartime. Militarization, which is necessary for the country's survival, faces powerful limitations, both due to the low spatial, social and professional mobility of households (all of which are inherent in low incomes), and due to the difficulty of maintaining the critically necessary parameters of the functioning of civilian sectors – their ability to maneuver regarding product and resource prices is also limited by the lack of effective household demand and the excessively high share

of employed people with low wages (further reduction is physiologically impossible without direct harm to the health and working capacity of employees).

Therefore, clarifying the characteristics of the sensitivity of households' potential for contributing to production capacities expanding to various levers and measures of state income policy is an important task of scientific research in the field of theoretical and analytical substantiation of state policy.

## LITERATURE REVIEW

In the literature on the issues of state policy to promote economic development, two fundamental approaches can be distinguished for determining the role of incomes of the general population as a critically important determinant of the rates of economic growth and progressive structural and institutional shifts in the economic system. The first approach was founded by representatives of the "Keynesian approach", in particular Leibenstein (1957), Murphy et al. (1989), and Baran (1973), who revealed the role of the predominance of the population with low incomes in macroeconomic mechanisms of restraining development due to the lack of effective demand and the peculiarities of its structure. For the works of such a range, in fact, "low incomes" meant a low marginal propensity to save, a shortage of capital, and its high concentration in the economy. The corresponding models justify the reproduction of low productivity and incomes of the vast majority of the population as an inherent characteristic of macroeconomic equilibrium (and, accordingly, the further divergence of the standard of living and the structure of the economy of "rich" and "poor" countries) through various key characteristics for the formation of a "trap of poverty".

Domestic researchers developed this concept and adapted it to the conditions of the Ukrainian economy. They took into account the impact of low incomes on innovation activity. This activity depends on the relative rarity of human capital in the national economy. Signs of growing are substantiated in the works of Hmyria et al. (2025) and Tkachenko, Halaburda & Kulaga (2023). Verba, Kotenok & Kotenok (2024) also substantiate that restrictions on innovation activity arise from a lack of private investment in human capital, which is a natural consequence of the low incomes of the majority of the population. This is consistent with Heyets's (2025) and Kolot's (2025) fundamental thesis about the organic link between accelerating economic growth, strengthening its innovative drivers, and socializing the distribution of the costs and benefits of economic activity.

The deterioration of the terms of international trade for countries trading in raw materials is the focus of the Prebisch-Singer hypothesis, which interprets the poverty of the population as an obstacle to the formation of a competitive industrial complex and recognizes its absence as an insurmountable obstacle to overcoming poverty, as shown by Prebisch (1950).

The lack of aggregate effective demand and its concentration on agricultural products, rather than the industrial complex, is interpreted as a key obstacle to development in the works of R. Nurkse (1955). To bring this model closer to modern conditions, one can contrast the concentration of demand for agricultural and mass industrial goods (this would express the "modernized" feature of "poor" countries) with a high diversification of demand with a significant share of expenditures that can be interpreted as investments in human capital – expenditures on education, medical services, recreation, culture, and leisure, as emphasized by Vakhovych et al. (2023).

Beyond the limits of purely resource constraints, theories that take their origins from the works of U. Rostow (1971), where the limited economic capabilities of households (poverty, which is interpreted and identified no longer based on traditional characteristics of the consumption structure, but rather as an integral characteristic of remoteness from the centers of creation of innovative sources of growth and development) is expressed not only in the lack of investment renewal rates of the production base, but also in the weakness of the institutional structure, which is unable to guarantee protection from risks that destroy incentives for innovative activity. To some extent, modern theories that see the mechanism of the influence of poverty (extremely limited economic capabilities of households) on socio-economic development intersect with Rostow's works precisely through the formation of a specific system of institutions characteristic of poor countries, proposed, e.g., by Dufo E. (2018); Acemoglu D. et al. (2005). Acemoglu & Robinson (2013) call such institutions "extractive", contrasting them with "inclusive", the formation of which is inextricably linked to a sufficient level of well-being of the general population.

Ukrainian authors traditionally associate macroeconomic obstacles to growth and development, arising from the limited economic capabilities of households, with underfinancing of the social sphere and slowing down the pace of accumulation of human and social capital, which in turn causes the technological lag of the national economy and suppresses the demand for skilled labor, as emphasized by Heyets, Ustymenko & Kirin (2023). The impact of environmental, social and governance (ESG) indicators and transparency measurements in the context of benchmarking enterprises based on the Sustainability

Transparency Index (STI) and the Sustainable Development Goals (SDGs) are analyzed in their study Makarenko, Steiner and Yuhai (2024). Similarly, the connection between the characteristics of the social sphere and indicators of the structure and dynamics of the scale of national production (constraints imposed by the problems of social sphere underfunding) is emphasized by Masik (2023) and Shevchenko (2025) and Khodzytska (2025), who emphasize the importance of preserving the resource potential of the social sphere in wartime as a guarantee of the stability of the national economy.

Microeconomic growth models and theoretical explanations of the role of household behavior (in particular, stereotypes of response to state regulatory policy measures) in determining achievable growth rates, and those development models that are organic to domestic conditions, are much less developed and adapted to the conditions of Ukrainian society.

The foundation of the theoretical vision of microeconomic development mechanisms was laid by E. Engel, who postulated "less than unity income elasticity of food expenditure", which was used as a cornerstone of models of consumer spending structure evolution by Chai & Moneta (2012). Actually, this is the pattern of gradual release of household resources from meeting current needs (relevant expenses not considered as a contribution to investment expanding human capital) and their direction towards investing in human capital. Such expenses are necessary, in particular, to achieve the efficiency of the social sphere, which only with the active and massive participation of households in commercial financing its institutions would be transformed from a "financial burden" for the production sector into a source of competitive advantages and the basis for the development of high-tech sectors of the economy (Verba, Tkachenko, Kozlovska, 2020).

## AIMS AND OBJECTIVES

Accordingly, this article aims to test approaches to quantitatively assessing the constraints that the level of household welfare imposes on solving urgent development policy tasks, and to define how the income policy, which was implemented in Ukraine for eight years before the Russian full-scale military invasion, influenced the formation and realization of such potential.

Such aim will be reached by the testing of methods for empirically assessing the characteristics of microeconomic mechanisms of growth and development, in particular, identifying the influence of state income policy and poverty reduction programs on the ability of households to participate in improving the conditions for financing the social sphere, increasing the pace of human capital accumulation, and creating conditions for improving the sectoral (technological) structure of national production.

## METHODS

We interpret the establishment of the social standards size as a critical lever of achieving the state's economic policy goals and a factor of the national economic development model. In turn, we consider household welfare indicators as the main aims of state policy to promote socio-economic development and indicators of its trajectory approximation closer to the sustainable development model. Among the complex set of welfare characteristics described in the works of Sen, A. (1999); Deaton, A. (1997), we highlight those that are directly related to the economic capabilities of households, in particular, with their ability to invest in the accumulation of human capital, improve spatial and professional mobility, and make personal contributions to the formation of intangible assets, in particular social capital. To operationalize such characteristics, based on the capabilities provided by domestic statistics, the most applicable indicators are the size of household consumer expenditures and their structure by major product groups, and the scale of poverty, measured through the prevalence of poverty among households and its depth. The mentioned indicators are partly added to the research database from the tables "Household Expenditures and Resources" from the website State Statistics Service of Ukraine (2014 – 2022), partly calculated by the authors based on the database of the mentioned site.

To bring data on state social standards (actual subsistence minimum, officially established subsistence minimum, and minimum wage) to an annual dimension (since they change more often than once a year, and the limits of the periods of validity of certain values of such standards do not always coincide with the limits of the calendar year), weighted average indicators were used:

$$ASSV = \sum_{i=1}^m 3CC_i \times N_i / 12, \quad (1)$$

where  $SSVi$  – social standard value for the  $i$ -th month;  $N_i$  – the number of months during the year for which the  $i$ -th value of the social standard was in effect;  $m$  – number of social standard values that were in effect during the year;  $ASSV$  – weighted average value of the social standard for a given year.

Since the actual subsistence minimum changes every month (by the frequency of receiving data on changes in consumer prices), to determine the size of this social standard in annual terms, this formula was turned into a simple arithmetic average (the sum of the actual subsistence minimums by month was divided by 12).

To ensure the comparability of value indicators, all of them are brought to real terms (expressed in constant prices of the base year 2014) using consumer price indices. For aggregate consumer expenditures, the consumer price index (chain indices to the previous year) was used, and for expenditures by individual commodity groups, price indices of the corresponding commodity groups were used.

It is important that similar calculations were carried out not only with indicators characterizing the actual economic capabilities of households, the extent of their consumption (consumer spending, both total and by individual product groups), but also with the size of social standards. The obtained values characterize the remainder of the real purchasing power of social standards after reducing the impact of consumer price inflation, that is, they characterize the change in the real purchasing power of social standards in dynamics. Since the methodology for calculating the "actual subsistence minimum" approved by the Ministry of Social Policy (2017) provides for an increase in the cost of a fixed set of goods by the dynamics of their prices, the real size of the subsistence minimum (expressed in constant prices of the base year) depends on the ratio of two indices: the general consumer price index and the price index for goods included in the basket, by which the subsistence minimum is determined. If the real (in constant prices) values of the actual subsistence minimum we obtained are decreasing compared to the base year, this is a sign that the prices of goods included in the subsistence minimum basket have grown more slowly than the general consumer price index. If the estimated real values of the actual subsistence minimum are increasing compared to the base year, this is a sign that the prices of goods in the subsistence minimum basket have grown faster than the general consumer price index.

## RESULTS

At the first stage of the analysis, we calculated indicators characterizing the prevalence of poverty (the share of households whose total consumption expenditure is less than the actual subsistence minimum) and its depth (the actual per person expenditure shortage to the subsistence minimum, expressed as a percentage, calculated for households with equivalent per capita incomes below the subsistence minimum). In addition, we calculated an aggregate indicator of the extent of poverty – the percentage of consumption expenditure of all households necessary to compensate for the gap in the expenditure of the poor from the subsistence minimum. This indicator depends on both the average shortage in consumption expenditure of poor households and on the size of the social standard, as well as on the number of such households. Therefore, it shows the share of total consumption expenditure of all households that is necessary to compensate for the shortage in expenditure of all poor households to the subsistence minimum.

The results of the calculations are represented in Table 1 together with indicators of absolute amounts of household consumer spending and the amounts of basic social standards (officially established and actual subsistence minimums and minimum wage). The first of these (consumer spending) is a fundamental indicator that reflects the general opportunities of households to participate in development processes through investment in human capital. At the same time, it is the share of such investments that serves as a guarantee of investment efficiency, because it is based on market mechanisms of competitive selection of centers for investment development, and not on decisions of government officials, which naturally distance the actual characteristics of the social (in particular – educational) sphere from those necessary for the functioning as a sphere of forming competitive advantages of business.

The second (basic social standards) we consider as the leading lever of the state income policy, which expresses the government's vision of the place of households in the processes of socio-economic development: the growth of such standards above the growth rates of economic opportunities of society (for example, above GDP per capita) will be evidence of the orientation of such a policy towards strengthening the role of households and providing them with a larger share of resources. In essence, this means increasing the use of market and commercial mechanisms for distributing resources between the reproduction (increase) of the production potential of various sectors of the economy and, accordingly, reducing the importance of government intervention.

It is important that all indicators are given in nominal terms; they are not suitable for comparison in dynamics, only comparisons for the corresponding years will be correct.

**Table 1. Social standards and economic opportunities of households in 2014–2021, nominal (in current prices) indicators.** (Source: calculated by the authors based on data from the State Statistics Service of Ukraine, 2014 – 2022)

	2014	2015	2016	2017	2018	2019	2020	2021
The official established subsistence minimum	1176	1176	1330	1544	1700	1853	2027	2189
Actual subsistence minimum	1217	1536	2482	2729	3128	3443	3780	4114
Minimal wage	1218.0	1271.3	1438.5	3200.0	3723.0	4173.0	4815.3	6041.7
Households' consumption spending, UAH / per month	3338.3	4086.2	4528.2	5682.1	6742.8	8016.5	8005.6	9509.3
average monthly equivalent consumption spending per person, UAH / person per month	951.3	1053.1	1666.9	1868.1	2133.3	2389.1	2630.4	3085.1
Gap between the officially established and the actual subsistence minimum, %	3.5	30.6	86.6	76.7	84.0	85.8	86.5	87.9
Gap between actual subsistence minimum and minimal wage, %	-0.1	20.8	72.5	-14.7	-16.0	-17.5	-21.5	-31.9
Poverty depth at the macro level (the percentage of total consumer spending of all households needed to compensate for the gap between the spending of the poor and the subsistence minimum)	1.2	0.6	23.0	13.8	9.7	7.7	9.4	5.7

Nominal indicators are not intended for comparisons in dynamics, but they well illustrate the relationship between social standards and the actual characteristics of the economic capabilities of households. Only one of the ratios we calculated (the gap between the subsistence minimum and the minimum wage) demonstrates pronounced positive dynamics: the almost equality of the subsistence minimum and the minimum wage in the base year 2014 was replaced by a significant deterioration in 2015 (the minimum wage lagged behind the subsistence minimum by 20.8%) and a collapse in 2016 (when the gap between the minimum wage and the subsistence minimum reached 72.5%), but in the future the situation returns to an acceptable one (already in 2017 the minimum wage exceeds the subsistence minimum by 14.7%) and in subsequent years the excess of the minimum wage over the subsistence minimum only increases, reaching 31.9% in the pre-war year 2021. We leave out of consideration for now all the weaknesses of the current methodology for determining the subsistence minimum, in particular, its fundamental inconsistency of households' participation in financing socio-economic development. After all, this inconsistency should be considered rather in the context of using this social standard to substantiate planned indicators of budget expenditures and benchmarks (indicators) for regulatory policy. For now, we limit ourselves to stating a positive trend regarding the gradual increase in the excess of the minimum wage over the subsistence minimum, because the lack of economic opportunities of households is one of the key constraints to growth and development for countries that have a powerful industrial sector, but are unable to turn its functioning into a source of stable income growth for a wide range of beneficiaries and, accordingly, into the economic basis of social development.

However, all other ratios, in particular those that directly express the characteristics of state policy (as a means of harmonizing available opportunities with the declared goals of the functioning of the state apparatus), indicate a deep crisis of state support for strengthening the economic capabilities of households and activating their role in forming sources of growth and development.

As our calculations show, "tame" inflation remains the dominant factor limiting and eroding resources for development, but as a side effect of severe financial constraints, aggregate supply loses both price and income elasticity, because the sequence "increase in income and aggregate expenditures – expansion of national production – increase in income and expenditures – increase in production", which is basic for development mechanisms, is blocked in the Ukrainian economy by the state policy of strict financial stabilization and erosion of social standards.

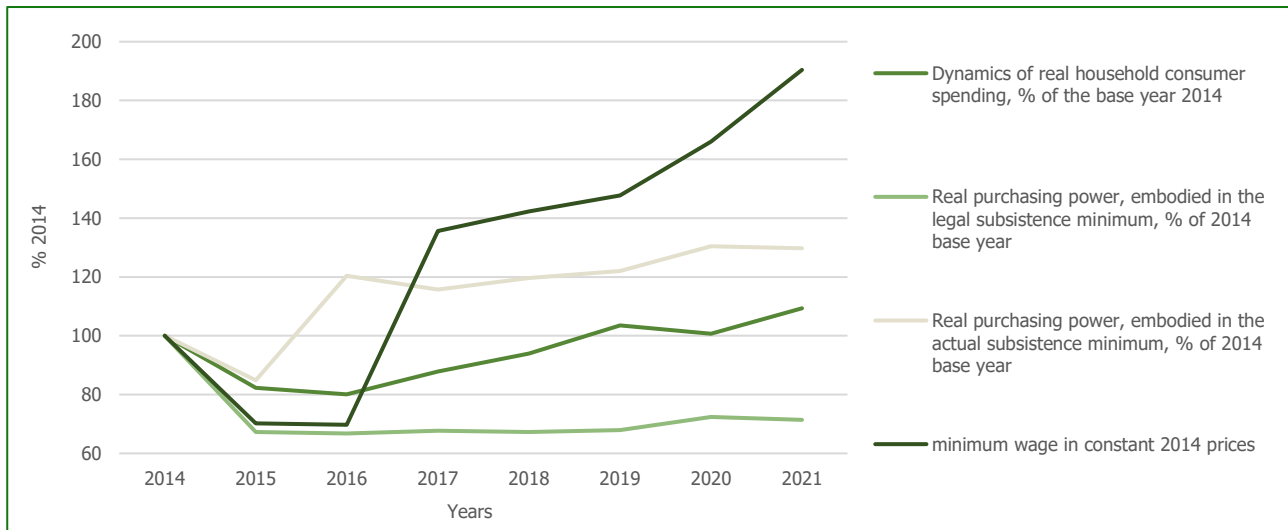
Indicators that show that even moderate inflation will have devastating consequences for the growth and development potential of an economy where the economic opportunities of households are not protected by effective social standards are summarized in Table 2.

**Table 2. Social standards and economic opportunities of households in 2014-2021, real (in constant prices of 2014) indicators.** Note: According to (SMPU, 2017a), households with average per capita equivalent income below the subsistence level are considered poor. (Source: calculated by the authors according to (State Statistics Service of Ukraine, 2014 - 2022).

	2014	2015	2016	2017	2018	2019	2020	2021
Real purchasing power, embodied in the officially established subsistence minimum, UAH per month	1176.0	790.9	785.3	796.9	791.1	799.2	851.3	840.3
Real purchasing power, embodied in the actual subsistence minimum, UAH per month	1217.0	1033.0	1465.4	1408.5	1455.7	1485.0	1587.5	1579.3
Real purchasing power, embodied in the minimum wage, UAH per month	1218.0	855.0	849.3	1651.5	1732.6	1799.8	2022.3	2319.3
Consumer spending by households, UAH per month	3338.3	2747.9	2673.6	2932.5	3138.0	3457.6	3362.1	3650.4
Average monthly equivalent spending, UAH per person per month	951.3	708.2	984.2	964.1	992.8	1030.4	1104.7	1184.3
inflationary pressure (CPI), % to the price level of the previous year	112.1	148.7	113.9	114.4	110.9	107.9	102.7	109.4
gap between per capita expenditure in "poor" households and the subsistence minimum, in % of expenditure (depth of poverty at the micro level)	27.9	45.9	48.9	46.1	46.6	44.1	43.7	33.4
share of households with average per capita equivalent total income below the subsistence minimum, %	7.0	5.1	48.2	32.5	26.4	23.3	29.5	23.5

Indicators of the dynamics of consumer spending and basic social standards show a typical scenario of erosion of household resources: inflation outpacing the growth rate of nominal income and expenditures, leading to a reduction or stagnation in household economic opportunities (Figure 1).

The real purchasing power, which the official established subsistence minimum has, declined by almost 30% over the retrospective period, while real household consumption expenditures grew by less than 10% (9.4%). Only the actual subsistence minimum increased by 30% in real terms.



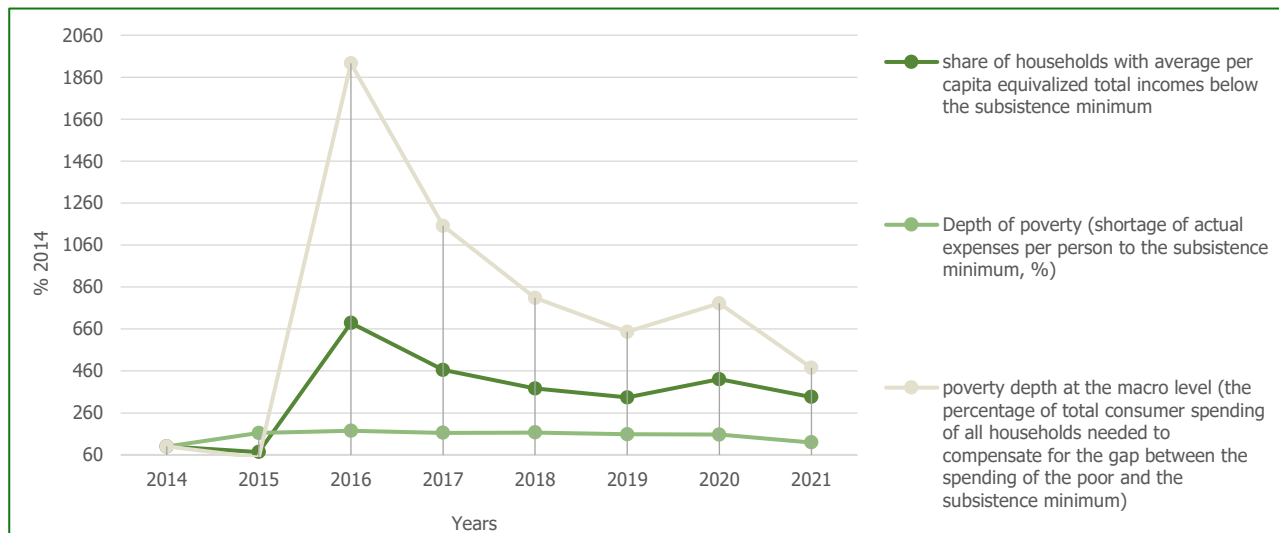
**Figure 1. Dynamics of indicators of the real purchasing power of basic social standards in Ukraine in 2014-2021.**

However, this increase has nothing to do with the increase in real purchasing power inherent to it, since the composition and volumes (consumption rates) of goods (food and non-food) and services included in the basket on which the cost of the subsistence minimum is calculated have remained unchanged since 2017. Since the subsistence minimum is recalculated annually in accordance with the actual growth rates of prices of food, non-food goods, and services, which are included in the consumer basket, the observed increase was caused by the prices of goods included in such a basket growing faster than the aggregate consumer price index.

Thus, a really significant growth was observed only in relation to the real minimum wage, which is certainly an important, but insufficient condition for a significant expansion of the contribution of households to financing sources of growth and development. The peculiarities of the institutional support for the functioning of the labor market in Ukraine contribute to

the weakening of the connection between the growth of the minimum and average wages, the growth rates of the real purchasing power of the population during 2014 – 2021 lagged far behind the growth rates of the minimum wage and throughout this period the size of the minimum wage approached the size of the average wage.

The inability of the observed growth rates of basic social standards to ensure the preservation of households' economic opportunities is evidenced by the dynamics of the scale and depth of poverty (Figure 2).



**Figure 2. Dynamics of indicators of depth and prevalence of poverty among Ukrainian households.**

In particular, the share of households whose equivalent unit incomes are less than the actual subsistence minimum increased radically in 2016 (to 48.2% versus 5.1% in 2015) and then declined very slowly, and only in the last year before the full-scale invasion did it decrease to 23.4%. We leave the radical increase in poverty and extreme poverty caused by the Russian full-scale military invasion outside the scope of the study, because now we seek to focus precisely on the inherent features of the Ukrainian economic model, on those that express the logic of its medium- and long-term development, and not on the response to the military challenges of recent years. The depth of poverty (the lack of actual consumer spending per person to the subsistence minimum) increased from 27.9% in 2014 to 45.9% in 2015, and remained at about 40% throughout the entire retrospective period, and only in 2021 decreased to 33.4%.

## DISCUSSION

We note the fundamentally destructive gap between the "official established" and "actual" subsistence minimum, which increased catastrophically in 2015 and 2016 (from 3.5% in 2014 to 30.6% in 2015 and 86.6% in 2016). Later, this gap decreased significantly only once (in 2017, it reached 76.7%), and subsequently fluctuated at around 85% and in the last year before the full-scale invasion, it was 87.9%.

The significance of this lag is underestimated in many works by both domestic supporters of financial stabilization, such as Chugunov et al. (2015), Shyshpanova & Ivanov (2017), Shemaieva L. (2020), and Western experts who formulate recommendations for overcoming stagnation in post-Soviet countries by prioritizing financial balance and simplifying the principles of public debt management, Sachs et al. (2000), Schuknecht (1994). These publications do not take into account the depressing impact of financial stabilization, which is achieved not through the growth of the quality of the network of financial intermediaries and the expansion of the circle of institutional investors, but through the most primitive forms of stabilization – the introduction of strict budget constraints and the containment of official revenues (since the latter are the main basis for taxation and are able to shift the limits of budgetary possibilities, which is interpreted by supporters of budgetary expenditure restrictions as a fixed parameter).

The negative impact of such a policy on national production is transmitted through two very powerful levers in Ukraine: restrictions on domestic effective demand, as shown by Heyets (2023), and higher credit costs for businesses. The characteristics of households' economic opportunities (including the extent and depth of poverty as manifestations of blocking households' participation in the formation of resources for growth and development) that we present below illustrate the effect of the first of these factors.

Thus, the lag between all social norms and guarantees, which are based on the size of the official established subsistence minimum and the real needs of households has, in fact, become a form of legitimization of the exclusion of the vast majority of households from participating in the accumulation of resources for development and the government's refusal to use its inherent levers of influence to address the severity of this problem, which indicates a clear underestimation of its importance. In Lewis's two-sector model (1954), this means a deliberate underestimation of the "institutional wage" – its increase is the main lever, according to the model, for accelerating positive structural changes in the economy and expanding employment in high-tech capital-intensive industries.

Instead of curbing inflation by promoting the growth of supply elasticity (by eliminating artificial restrictions on the development of national production caused by the lack of domestic effective demand, critically high prices of credit resources and administrative barriers to entry into a number of markets that are fundamentally important for the economy), the government has chosen a policy of severe financial restrictions – simply because its implementation places fewer demands on the quality of its implementation institutions, as states Halaburda M. (2017). Thus, instead of implementing the policies necessary for a qualitative renewal of the national economic model, aimed at strengthening the role of households in shaping the sources of development, expanding the circle of beneficiaries of growth, and removing the restrictions that were holding back national production, the government resorted to the policy it was capable of implementing – the policy of financial stabilization and limiting inflationary risks by reducing aggregate demand. The latter is certainly easier to implement and better aligned with the goals of extracting political and administrative rents, as it creates general restrictions that can be selectively mitigated for non-transparently selected representatives of "priority industries", but it is essentially futile, as it focuses on the short-term goals of current financial stabilization and at the same time blocks positive structural changes that are essential for efficiency growth.

The indicator of shortage of aggregate expenditures of all households to overcome the lack of expenditures of those who are poor by monetary criteria (a macro-level indicator that reflects the impact of both the average depth of poverty and the prevalence of poverty among households) increased from 1.2% in 2014. to 23% in 2016 (more than 20(!) times) and gradually decreased, remaining in 2021 4.6 times higher than the level of the base year, 2014. We emphasize that the estimates of poverty depth we obtained at the macro level are not comparable with the estimates of poverty depth of a representative poor household used by E. Libanova (2020), because our calculations take into account the impact of the radical spread of poverty, which has become a significant component of the growth of its social burden.

Thus, during the retrospective period, Ukraine is characterized by an income policy focused on the limited financial capabilities of the budget, which are perceived as a given, a stable object of distribution, independent of the impulses of economic activity growth and the expansion of the circle of its beneficiaries, which income policy is capable of providing, and in particular, the manipulation of instruments that in the theory of A. Lewis is defined as "institutional wage factors" (Lewis, 1954). As a result, microeconomic development mechanisms, the activation of which requires an increase in household income and consumer spending, are practically blocked in the Ukrainian economy, in particular, due to the subordination of social standards policy to the priorities of financial stabilization, at the cost of stagnation of household economic capabilities and the weakening of commercial mechanisms for the development of the social sphere.

## CONCLUSIONS

In the eight years preceding the full-scale Russian invasion, the Ukrainian economy did not provide sufficiently stable growth to create the prerequisites for qualitative, structural shifts, in particular in the lifestyle, scale, and structure of household consumer spending. In particular, the depth of poverty increased radically in 2015, and the prevalence of poverty in 2016, and subsequently, although gradually decreasing, never reached the values of the base year, 2014. Accordingly, in the last year before the full-scale invasion of 2022, the scale of poverty as a macroeconomic phenomenon, which takes into account both the average depth of poverty and its prevalence among households, remained many times greater than in the base year. The latter indicates a strengthening throughout the retrospective period of the tendency to block the participation of households in the accumulation of resources for growth and for the benefits from it.

Consumer inflation was the leading factor in eroding the ability of households to accumulate resources for development (through investment in human capital) during 2014–2021, shifting the main burden of negative macroeconomic dynamics to households. At the same time, the state income policy in Ukraine during the retrospective period (2014–2021) prioritized financial stability, ignoring the possibilities of influencing aggregate supply, in particular through expanding the tax base and eliminating obstacles to development associated with a lack of effective demand. As a result of such a strategic choice of regulatory priorities, which manifested itself in the erosion of the real purchasing power of basic social standards and the stagnation of the economic capabilities of households, they are almost completely removed from participating in the

processes of investment expansion and renewal of the production capabilities of society. This role is almost monopolized by the state budget administrators and foreign investment objects, which a priori reduces the social efficiency of economic growth, narrows the circle of its beneficiaries, and prevents it from being transformed into development.

Microeconomic development mechanisms, the activation of which requires an increase in household income and consumer spending, are practically blocked in the Ukrainian economy, in particular, due to the subordination of social standards policy to the priorities of financial stabilization, at the cost of stagnation of the economic opportunities of households and the weakening of commercial mechanisms for the development of the social sphere.

We expect that our article will contribute to further research in the field of socio-economic consequences of state macro-economic regulation, in particular, the quantitative indicators of the real purchasing power of basic social standards proposed by us will be useful for quantitative evaluation of the costs and benefits generated by financial stabilization measures and will allow researchers to take into account long-term retrospectives as a basis for such an assessment.

## ADDITIONAL INFORMATION

### AUTHOR CONTRIBUTIONS

All authors have contributed equally.

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### CONFLICT OF INTEREST

The Authors declare that there is no conflict of interest.

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Лісняк І., Ткаченко О., Кулага І.

## ФІНАНСОВА СТАБІЛІЗАЦІЯ Й ДОБРОБУТ ДОМОГОСПОДАРСТВ: УКРАЇНЬСКА ПОЛІТИКА ДОХОДІВ ЯК РОЗВ'ЯЗАННЯ СУПЕРЕЧНОСТЕЙ

Стаття присвячена дослідженню ролі політики доходів (зокрема використання таких її важелів, як основні соціальні стандарти) у процесах формування й реалізації інвестиційного потенціалу домогосподарств для поліпшення забезпечення суспільства людським капіталом. Базу даних дослідження сформовано на основі характеристик економічних можливостей домогосподарств, зокрема їхньої здатності інвестувати в накопичення людського капіталу у формі

й поліпшення освітніх характеристик, і поліпшення просторової та професійної мобільності. Для операціоналізації згаданих характеристик використані показники розмірів споживчих видатків домогосподарств та їхньої структури за основними товарними групами, а також показники масштабів бідності, що оцінені за глибиною бідності та часткою бідних домогосподарств у їх загальній кількості. Отримано емпіричні підтвердження неспроможності державної політики доходів, що була реалізовувана протягом ретроспективного періоду, протидіяти розмиванню реальної купівельної спроможності доходів широких верств населення й стагнації економічних можливостей домогосподарств. Обґрунтовано, що серед побічних наслідків недооцінки вагомості підвищення «інституціональної зарплати» в процесі визначення пріоритетів державної політики доходів українські домогосподарства протягом ретроспективного періоду були майже відлучені від інвестиційного розширення й оновлення виробничих можливостей суспільства, що апріорі зменшує соціальну ефективність економічного зростання, звужує коло його бенефіціарів та не дозволяє перетворити його на розвиток.

**Ключові слова:** домогосподарства, бідність, споживчі витрати, людський капітал, економічне зростання, державна політика, соціальні стандарти, важелі регулювання

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