

## **POLITICAL, SOCIAL AND ECONOMIC DIMENSIONS OF GOVERNMENT STABILITY: A THEORETICAL AND METHODOLOGICAL PERSPECTIVE**

The article is devoted to theoretical and methodological analyzing political, social and economic dimensions of government stability. It is stated that being determined politically and institutionally the stability of governments is theorized and constructed from the concept of the paradigm of quality and effective governance in society, and therefore it affects various spheres of public life. Generally, it has been proven that government stability is a category that depends on both political and non-political factors. The researcher found that government stability is a complex problem, which is defined as a multidimensional and multifactorial interrelation of the activities of governmental cabinets and economic, social, legal, cultural, political and other factors of public life. Moreover, the influence of such factors can be traced either in the form of institutional levers, or in the form of contextual features of social, economic and political system of a particular state.

*Keywords: government, governmental cabinet, stability of governments, politics, economy, society, taxes, social dialogue, political participation.*

## **ПОЛІТИЧНІ, СОЦІАЛЬНІ ТА ЕКОНОМІЧНІ ВИМІРИ СТАБІЛЬНОСТІ УРЯДІВ: ТЕОРЕТИКО-МЕТОДОЛОГІЧНИЙ РАКУРС**

У теоретико-методологічному ракурсі проаналізовано політичні, соціальні та економічні виміри стабільності урядів. Констатовано, що, будучи детермінованою політично й інституційно, стабільність урядів теоретизується і вибудовується з концепту парадигми якісного й ефективного управління в суспільстві, а відтак вона зачіпає різні сфери суспільного життя. Загалом доведено, що стабільність урядів є категорією, яка залежить і від політичних, і від неполітичних чинників. Виявлено, що стабільність урядів є комплексною проблемою, яка визначається як багатовимірний і багатofакторний взаємозв'язок діяльності урядових кабінетів й економічних, соціальних, правових, культурних, політичних та інших чинників суспільного життя. Причому вплив таких чинників може прослідковуватись то в формі інституційних важелів, то у вигляді контекстуальних особливостей соціальної, економічної і політичної системи конкретної держави.

**Ключові слова:** уряд, урядовий кабінет, стабільність урядів, політика, економіка, суспільство, податки, соціальний діалог, політична участь.

Government stability is among the crucial factors and outcomes of inter-institutional relations within different types of government forms and systems. For this reason, government stability has traditionally been defined as a political, in particular institutional, category, for it affects primarily the political process parameters, as well as the entire political system as a whole. However, being determined politically and institutionally, the stability of governments originates and results from the notion of quality and effective governance in society, thus affecting various spheres of public life. In view of this, it is advisable to discuss government stability in both a narrow (institutionally determined) and broad sense (socially determined). The point is that, on the one hand, government stability concerns mainly the political institutions that form the relationship between citizens and authorities, parties, the media and civil society, serving as a channel for understanding citizens' viewpoints. On the other hand, government stability regulates the functionality of public hubs, determining the public action of different state order and priority: long-term economic growth, social policy, public service, etc. These are peculiar dimensions of government stability, which not only condition its social consequences, but help reveal its depth and essence in theoretical and practical terms. Accordingly, their identification, delineation, and exploration are quite topical both from theoretical and practical perspectives, for it would enable clarifying the nature and role of government stability as such.

The abovementioned issues have received ample research attention of various scholars, such as: F. Carmignani<sup>1</sup>, J. Citron and G. Nickelsburg<sup>2</sup>, A. Cukierman, S. Edwards and G. Tabellini<sup>3</sup>, I. Kiianka<sup>4</sup>, D. Mayes and M. Viren<sup>5</sup>, M. Paldam<sup>6</sup>, N. Roubini and J. Sachs<sup>7</sup>, B. Volkerink and J. De Haan<sup>8</sup>, M. Tujula and G. Wolswijk<sup>9</sup>, and many others. Their findings allow to conclude that apart from political, economic and social dimensions of government stability should be regarded as its indicators. These issues as well as their differentiation are the focus of the proposed study.

Political dimension of government stability is undoubtedly the major one. In this light, government stability is both a purely institutional category and a much broader political category. Certainly, political participation is frequently considered an indispensable element

<sup>1</sup> Carmignani F., *Measures of political instability in multiparty governments: a new data set with econometric applications*, Wyd. University of Glasgow 1999.

<sup>2</sup> Citron J., Nickelsburg G., Country risk and political instability, *Journal of Development Economics* 1987, vol 25, nr. 2, s. 385–392.

<sup>3</sup> Cukierman A., Edwards S., Tabellini G., Seigniorage and Political Instability, *American Economic Review* 1992, vol 82, nr. 3, s. 537–555.

<sup>4</sup> Kiianka I., Ideja serednoho klasu yak haranta stabilnoho rozvytku, *Politychnyi menedzhment* 2006, vol 1, s. 37–43.

<sup>5</sup> Mayes D., Viren M., Pressures on the Stability and Growth Pact from Asymmetry in Policy, *Bank of Finland Discussion Paper* 2000, vol 11.

<sup>6</sup> Paldam M., Inflation and Political Instability in Eight Latin American Countries 1946–83, *Public Choice* 1987, vol 52, s. 143–168.

<sup>7</sup> Roubini N., Sachs J., Government Spending and Budget Deficits in the Industrialized Countries, *Economic Policy* 1989, vol 8, s. 99–132.

<sup>8</sup> Volkerink B., De Haan J., Fragmented Government Effects on Fiscal Policy: New Evidence, *Public Choice* 2001, vol 109, s. 221–242.

<sup>9</sup> Tujula M., Wolswijk G., What determines fiscal balances? An empirical investigation in determinants of changes in OECD budget balances, *ECB Working Paper* 2004, vol 422.

to better understand government stability. Therefore, governments are often contemplated for the sake of understanding the level of securing fundamental rights and interests of citizens. However, the sense of this dimension needs substantial and qualitative augmenting, since the rights and interests of citizens, relevant to government stability are reflected in close interaction with understanding of political activity and political participation.

Political activity is an objective basis of political activity and embodies the axiological dimension of political culture. Exactly this angle of activity-behaviour balance, employed by some researchers who believe that political activity is a valuable way of modeling, structuring and carrying out personal activity, communication and behaviour, by means of which such personality independently preserves the quality of the individually functioning system in the interpersonal space<sup>10</sup>. In the light of such an approach, the value-based nature of political activity refers to its deep personal foundations, because it is precisely by the criteria and parameters that are valuable to the individual that political activity organizes life in the political environment and activities to manage society, so as to meet the needs of the individual. Political activity is a dynamic quality that integrates and regulates the integral structure of the individual as a subject of politics. Hence, political activity is an indicator of government and political stability in general, provided there is a deep understanding of the purpose of political activity itself.

In its turn, the political system regulates the political behaviour of the individual. Therefore, the individual is forced to match his behaviour to his demands and mobilize his political activity in the necessary forms at a certain point. Accordingly, political activity is a functional manifestation of the personality in their political behaviour and performance, controlled directly by the individual. To deprive such a person of such possibilities means to condemn the political system to crisis. The inability to provide and display free and unrestrained self-interest is accompanied by a lack of confidence in political institutions, in particular the government, which leads to its destabilization or, worse, to destabilization of the entire political system.

In this context, the notion of involvement in social and political life is a significant element of interdependence between government stability and the individual<sup>11</sup>. The forms of such involvement represent the continuum «active participation – complete alienation». The first form should be analysed through prism of a person's understanding of politics as their main sphere of activities. This idea contrasts with complete political incompetence and passivity. Involvement of the individual in politics is the political orientation of the subject on the following axes: «individual – civil society», «individual – power» and «individual – state». The flip side of the coin of involvement is intensifying autonomy and the individual's isolation from politics. Therefore, these concepts are contiguous with the stability and crisis of political institutions, particularly governments.

<sup>10</sup> Abulhanova-Slavskaya K., *Aktivnost i soznanie lichnosti kak sub'ekta deyatel'nosti*, [w:] *Psichologiya lichnosti v sotsialisticheskom obschestve: Aktivnost i razvitie lichnosti*, Wyd. Nauka 1989, s. 110–134.

<sup>11</sup> Diligenskiy G., *Sotsialno-politicheskaya psichologiya*, Wyd. Nauka 1994.

Interestingly, political participation is always a process of communicating, establishing and maintaining relationships between the subjects of the political process. Therefore, it is fair to consider the individual's political participation through the prism of «conflict – cooperation» with political authorities and institutions. As researchers claim, political participation becomes crisis-oriented in the absence of a rational perception of power and power relations, and therefore manifests itself in the refusal those involved in the conflict to constructively cooperate with the existing institutions and structures of government. This process interprets institutional stability through interrelated vectors of understanding political change and the world outlooks of individuals<sup>12</sup>.

Therefore, accounting for government stability, two types of political participation are generally differentiated: instrumental and value-oriented. The first type is typical of societies, where the monopoly for political performance belongs to the authorities, whereas guarantees of a certain social status, adequate income and working conditions, or belonging to political power are normally the individual's motives for political participation. Instead, value-oriented involvement is peculiar for countries with advanced civil society. The main motives here are the values «produced by different social groups in the process of realizing their interests and advantages»<sup>13</sup>. It is noteworthy that in most cases, the first type of political participation is characteristic of permanently unstable states, while the second type of political participation – for stable societies.

The functioning and stability of governments are also greatly affected by political motives. In this light it is worth considering the types of executive power through the prism of the predominant types of individual political motives. Scientists emphasize that individuals' motives can be classified into value-based, interest-based and coercion-based, corresponding to three basic manifestations of the exercise of power by governments<sup>14</sup>. The first manifestation touches upon the power of a legitimate government, based on the value motivation of citizens (internal belief in the expediency of power, a sense of duty, belief in the effectiveness and fairness of decisions, as well as confidence that existing political institutions and ideas are best suited to the needs of particular society). Such kind of values and motivations is typical of democratic regimes with stable governments. The second manifestation comes down to government power through remuneration based on instrumental motives, when the subordination of citizens to power occurs in exchange for benefits, advantages and privileges. This type of value orientation is based on viewing government stability as a countervailing priority. Finally, the third manifestation concerns the government coercive power, with underlying motives, such as prudence and condescension of citizens, cowardice under the pressure of bans and violence. Government stability in this case is of a narrow nature, with stability being the absence of sharp political

<sup>12</sup> Goncharov D., Goptareva I., *Vvedenie v politicheskiy nauku*, Wyd. Yurist 1996, s. 205.

<sup>13</sup> Dembytska N., *Sotsialno-psykholohichnyi vymir demokratychnykh peretvoren v Ukraini. Do rozrobky poniattimoho aparatu teorii politychnoi sotsializatsii*, Wyd. Ukrainskyi tsentr politychnoho menedzhmentu 2003, s. 145–158.

<sup>14</sup> Kramnik V., *Sotsialno-psykholohichesky mehanizm politycheskoy vlasti*, [w:] *Psyhologiya i psyhobanaliz vlasti*, Wyd. Bahrah 1999, vol 1, s. 248–334.

changes and the reaction of individuals to the change of the main priorities in the government's course. However, in this case, government stability is not based on democratic values and norms and is sharply negative.

Another dimension of government stability is social. Thus, in the late 20th century, the idea that it is the middle class that ensures governmental and political stability in democratic societies began to spread<sup>15</sup>. The notion of dialogue is also a sociocentric parameter to understand governments' stability. Social dialogue is the essence of social partnership policy in developed democratic countries. It provides for a civilized and effective regulation of relations, facilitates prevention and peaceful resolution of conflicts and crises. In view of this, any state, represented by the government, should model social dialogue as one of the pillars of stability. As the experience of Western Europe illustrates, the pillars of governmental stability and social dialogue are the following: the widespread use of various, yet already successfully verified forms of social democracy, i.e. democracy in the main spheres of social and economic life. From a procedural point of view, it is about participatory democracy, and from the point of view of values and results of the democratic process – consensual democracy<sup>16</sup>. The essence of participatory democracy is increasingly the focus on involving citizens in political and economic decision-making and monitoring their implementation in important areas of political activity of governmental institutions. This holds the person responsible for ensuring the stability of the main institutions of the state, including the government.

Simultaneously, social dialogue is linked to the concept of economic and social well-being of citizens. The rationality of the economic process is modified by social factors, leading to understanding political peace and stability as the most desirable state of relations in the country, whereas negotiation, compromise and treaties are considered the best means of guaranteeing this condition. Back in the 1920's some scholars, substantiated and proved that institutional stability depends on two main factors: the standard of living of the population and the degree of income differentiation. The lower the standard of living and greater the difference between the rich and the poor, the higher the level of political tensions and the louder the calls for the overthrow of power and the redistribution of property and the creation of protection organizations<sup>17</sup>. Therefore, social dialogue is based on the individual interests of citizens, which directly helps avert the political system instability. W. Beveridge made a significant contribution to understanding the stability of governments in this area. His ideas laid foundations for the «welfare state» programme, according to which «a person should be cared for from cradle to grave». As a result, A. Shulamit noted: «In terms of this idea, all citizens should first of all enjoy equal opportunities; secondly, socio-political and personal problems are more determined

<sup>15</sup> Kiianka I, Ideia serednoho klasu yak haranta stabilnoho rozvytku, "Politychnyi menedzhment" 2006, vol 1, s. 37–43.

<sup>16</sup> *Sotsialne partnerstvo – sbliakh do zlabody*, Wyd. Proekt Mizhnarodnoi orhanizatsii pratsi „Ukraina: spryannia realizatsii osnovnykh pryntsyypiv ta prav u sviti pratsi“ 2003, s. 144

<sup>17</sup> *Sotsialne partnerstvo – sbliakh do zlabody*, Wyd. Proekt Mizhnarodnoi orhanizatsii pratsi „Ukraina: spryannia realizatsii osnovnykh pryntsyypiv ta prav u sviti pratsi“ 2003, s. 41.

by socio-economic conditions of existence than by individual characteristics of their carriers; thirdly, society is responsible for all its citizens, particularly those becoming for some reason more vulnerable»<sup>18</sup>. Therefore, government stability depends on how much institutions of the executive power are ready to fulfill their social functions before the community. Historically, such trends have been taken into account in Western countries, since in mid-1940s, all Western European countries began to improve their social regulation systems<sup>19</sup>. Hence, government stability is a process proportional to securing a citizen's social priorities. Such ideas emerged in the late 20th century. Thus, in the study «Stages of Economic Growth: The Non-Communist Manifesto» (1960), D. Rustow identified five major stages of development and stabilization, the logical end of which was proclaimed «mass consumption society», where the economic structure shifts to the sphere of services. Subsequently, the scientist also pointed out the sixth stage, i.e. «search for quality of social life»<sup>20</sup>.

Government stability is also determined by social security. A person should be well-to-do enough to not even entertain the idea to criticize the executive power and the political system as a whole. An analysis of various aspects of social security allows to single out a common view, i.e. the idea of protecting the right to work, social security, membership in trade unions, family protection and a sufficient standard of living of the individual, and even of the social security content and purpose. Simultaneously, Sweden is considered an example of the positive impact of the social policy and the quality social dialogue on government stability. Since 1930s, when it became the first in Europe to institutionalize social dialogue in the form of a tripartite process (government – confederation – organization), coordinating the basic parameters of social and economic policy, it has remained the backbone of the country's socio-economic order, a guarantee of institutional stability and efficiency. In this country, every public policy project, first and foremost a draft budget, has been publicly discussed in the widest possible circles before receiving approval of the government and afterwards parliament, including the structures of administration, political parties and self-government bodies. However, the Swedish experience has never been considered outside the European context. In general, Western Europe, or the most effective approach to implementing the principles of social dialogue, understanding it as containing the scale of maturing government stabilization policies, and other institutions of public authority<sup>21</sup>.

Last but not least, economic dimension is certain to be crucial in understanding government stability. Thus, facing up against obscure re-election prospects, political actors have yet another motive to participate in short-term economic policy. This leads to inefficient public spending, deficits and debt accumulation, distorting investment decisions and ultimately leading to low

<sup>18</sup> Spiker P., *Sotsialna polityka: tenty ta pidkhoty*. Wyd. Feniks 2000, s. 9–10.

<sup>19</sup> Davydenko V., Imperatyvy formuvannya i rozvytku instytutu sotsialnoho dialohu, «Politychnyi menedzhment» 2005, vol 6, s. 89–102.

<sup>20</sup> Davydenko V., Imperatyvy formuvannya i rozvytku instytutu sotsialnoho dialohu, «Politychnyi menedzhment» 2005, vol 6, s. 89–102.

<sup>21</sup> Davydenko V., Imperatyvy formuvannya i rozvytku instytutu sotsialnoho dialohu, «Politychnyi menedzhment» 2005, vol 6, s. 89–102.

economic growth<sup>22</sup>]. Besides, economic policy is generally outlined by governments, hence depending on the stability of the latter. For this reason, government performance is constantly under the influence of various financial, as well as credit and accounting relationships in the country, thus affecting government efficiency and duration, being the subject of various econometric studies.

In this regard, numerous speculations and observations arise. In particular, economists believe that a rapid rise in inflation causes government inefficiency, in turn reducing welfare and economic growth of society. Alternatively, higher levels of government stability are associated with proportionally low inflation. The theory also stresses a significant role of government policy for the optimal elaboration of inflation and institutions stabilization programmes, contributing to price stability. In this regard R. Chelliah, H. Baas and M. Kelly remark that one of the previous attempts to answer the question of the inflation and stability relations was based on the idea that structural peculiarities of the economy determine the ability of the government to collect taxes within its stable activity, i.e., in the conditions of maintaining governmental stability<sup>23</sup>. A. Cukierman, S. Edwards, and G. Tabellini elaborated a theoretical model, in terms of which governmental stability and political polarization determine the efficiency of the tax system balance, the combination of tax revenues and application of government duties. The measure of stability, according to the model, accounts for the likelihood or unlikelihood of some current government remaining in power. In the empirical analysis, alternative principles of governmental stability relating to tariffs and inflation can also be applied. In particular, one can use variables, calculating the exact number of changing cabinets and changes within cabinets over a specific periods of time<sup>24</sup>. Frequent cabinet reshuffles shorten the horizon of government members, for the latter are unsure of holding office for the entire term. The higher the likelihood of a minister's replacement, the greater the desire to achieve short term goals. Therefore, it complicates keeping inflation at a low level. Similarly, M. Paldam argues, that the main link between inflation and government stability is related to the cost of inflation and the liability hypothesis, lying in the fact that citizens hold governments responsible for economic performance. The causal tie between government policy and inflation is primarily linked to the demand for public spending (which weak governments seldom resist). In case inflation rises to a high level, it is much harder for weak and unstable governments to withstand political pressure<sup>25</sup>.

A plethora of scientific studies describe the effects of government stability on the economy. For instance, J. Lothian and M. Melvin<sup>26</sup> explore the importance of political risks for investment

<sup>22</sup> Carmignani F., *Measures of political instability in multiparty governments: a new data set with econometric applications*, Wyd. University of Glasgow 1999.

<sup>23</sup> Chelliah R., Baas H., Kelly M., Tax Ratios and Tax Effort in Developing Countries 1969–71, "Staff Papers" 1975, vol 22, s. 187–205.

<sup>24</sup> Cukierman A., Edwards S., Tabellini G., Seigniorage and Political Instability, "American Economic Review" 1992, vol 82, nr. 3, s. 537–555.

<sup>25</sup> Paldam M., Inflation and Political Instability in Eight Latin American Countries 1946–83, "Public Choice" 1987, vol 52, s. 143–168.

<sup>26</sup> Lothian J., Melvin M., Political influences in international economic models, "Journal of International Money and Finance" 1991, vol 10, nr. 1.

decisions. Individual studies are also high quality, for example, J.Citron and G.Nickelsburg<sup>27</sup>, having elaborated the country's risk model based on foreign borrowing, taking into account governmental stability. J.Chieran and E.Perotti<sup>28</sup> develop a theoretical model of political risks of capital investment in conditions of government instability. Moreover, interdependence between government stability and asset and investment markets has been explored from various perspectives in the comparative scientific literature. Some authors emphasize the importance of political risk in emerging markets, while others argue that political risk is a more important determinant of asset return in emerging markets than in developed ones<sup>29</sup>. Another important aspect of research is the link between government stability and the behaviour of stock exchanges on the assumption that the latter is a good investor reflection on governmental stability. Respectively, S.Ketkar and K.Ketkar<sup>30</sup> reached a conclusion that in this context government stability is a key factor in different countries and regions.

It is also worth mentioning that government stability through the lens of electoral cycles depends on the tax policy of the state<sup>31</sup>. Statistics prove that tax policy typically becomes more expansionary in case the election date is due not at the beginning but in the middle of the year. However, if the election date moves to the end of the year relevant to the current budget balance, there appears a stronger motive to reduce election-driven short-term borrowing. Starting with N.Roubini and J.Sachs<sup>32</sup>, researchers have put in focus governments' actions on the results of the state tax policy. Scholars insist that the basic idea is that coalition governments are weaker than single-party governments, and therefore end up with higher deficits in case the country is hit by a negative economic blow. N. Roubini and J. Sachs substantiate this hypothesis, yet many researchers oppose it. In general, scientists state that governmental fractioning, measured by the number of political parties or the number of cabinet ministers, affects tax policy. A more fragmented government, i.e. the one with a high representation of parties, or number or ministers, provokes a higher budget deficit. B. Volkerink and J. de Haan support this approach and believe that the number of political parties in government, as well as the number of ministers in government, should be separately included in government regression models and schemes<sup>33</sup>.

Since contemporary political and economic studies, in particular the ideas of R. Franzese, reflected in his work «Electoral and Partisan Cycles in Economic Policies and Outcomes», suggest that the political colouring of the government affects the results of tax policy<sup>34</sup>, the impact of the government's position in the left-right ideological spectrum is also of utter

<sup>27</sup> Citron J., Nickelsburg G., Country risk and political instability, *Journal of Development Economics* 1987, vol 25, nr. 2, s. 385–392.

<sup>28</sup> Chieran J., Perotti E., Option pricing and foreign investment under political risk, *Journal of International Economics* 2001, vol 55, nr. 2, s. 359–377.

<sup>29</sup> Robin L., Liew J., Stevens R., Political risk in emerging and developed markets, *Financial Analysis Journal* 1996, vol 52, s. 71–76.

<sup>30</sup> Ketkar S., Ketkar K., Determinants of capital flight from Argentina, Brazil and Mexico, *Contemporary Policy Issues* 1989, vol 7, nr. 3, s. 11–29.

<sup>31</sup> Roubini N., Sachs J., Government Spending and Budget Deficits in the Industrialized Countries, *Economic Policy* 1989, vol 8, s. 99–132.

<sup>32</sup> Roubini N., Sachs J., Government Spending and Budget Deficits in the Industrialized Countries, *Economic Policy* 1989, vol 8, s. 99–132.

<sup>33</sup> Volkerink B., De Haan J., Fragmented Government Effects on Fiscal Policy: New Evidence, *Public Choice* 2001, vol 109, s. 221–242.

<sup>34</sup> Franzese R., Electoral and Partisan Cycles in Economic Policies and Outcomes, *Annual Review of Political Science* 2002, vol 5, s. 369–421.



importance. However, this influence should not be exaggerated. Interestingly enough, some comparative studies suggest that asymmetries in financial responses to economic downturns may occur. For example, D. Mayes and M. Viren in their study argue that, during recession periods, governments pursue expansionary tax policies to combat recessions, while during economic upturns, revenue is used to cut taxes and increase costs, but not for further consolidation<sup>35</sup>. In addition, the interdependence of government stability and tax policy is influenced by the ratio of public debt to gross domestic product, as M. Tujula and G. Wolswijk believe that this approach embraces the issue of fiscal policy sustainability<sup>36</sup>. As a result, from the perspective of sustainability through increased debt relations, we must improve the budget balance. J. Melitz points out that higher levels of debt can lead to more financial reactions to government policy stabilization processes<sup>37</sup>. However, higher debt obligations also stir an increase in interest payments, resulting in a financial balance deterioration. In general, this argues that the instability of governments leads to a reduction in the tax policy efficiency.

Thus, government stability indicators are crucial in explaining tax policy. J. de Haan, and J.-E. Sturm<sup>38</sup> believe that the high frequency of cabinet reshuffles leads to faster growth in the amount of economic debt. R. Perotti and Y. Kontopoulos<sup>39</sup>, as well as B. Volkerink and J. de Haan<sup>40</sup> attribute the fragmentation and high effective number of parties in governments and parliaments along with the number of reshuffles in ministries to high public spending and deficits. In this regard N. Roubini and J. Sachs<sup>41</sup>, as well as G. Korsetti<sup>42</sup> systematically link state tax policies to political variables, including the formation and effectiveness of coalitions and government teams. They developed an indicator of power dispersion within cabinets, yielding the lowest result for single-party majority governments, the intermediate result for majority coalition governments, the highest result for minority governments. The indicator accounts for differences between debt and cost policies. It is intuitively argued that majority and minority governments exhibit different levels of government stability. P.-A. Edin and H. Ohlsson<sup>43</sup> through the lens of minority governments argued that negotiations in parliament, not in the government cabinet, can pose a major obstacle to reducing budget deficits. The fact is that at the stage of

<sup>35</sup> Mayes D., Viren M., Pressures on the Stability and Growth Pact from Asymmetry in Policy, "Bank of Finland Discussion Paper" 2000, vol 11.

<sup>36</sup> Tujula M., Wolswijk G., What determines fiscal balances? An empirical investigation in determinants of changes in OECD budget balances, "ECB Working Paper" 2004, vol 422.

<sup>37</sup> Melitz J., Some Cross-Country Evidence about Fiscal Policy Behavior and Consequences for EMU, "European Economy" 2000, vol 2, s. 3–21.

<sup>38</sup> De Haan J., Sturm J.-E., Political and institutional determinants of fiscal policy in the European Community, "Public Choice" 1994, vol 80, s. 157–172.

<sup>39</sup> Perotti R., Kontopoulos Y., *Fragmented fiscal policy*, [w:] Poterba J., von Hagen J. (eds.), *Fiscal institutions and fiscal performance*, Wyd. University of Chicago Press 1999.

<sup>40</sup> Volkerink B., De Haan J., Fragmented Government Effects on Fiscal Policy: New Evidence, "Public Choice" 2001, vol 109, s. 221–242.

<sup>41</sup> Roubini N., Sachs J., Government Spending and Budget Deficits in the Industrialized Countries, "Economic Policy" 1989, vol 8, s. 99–132.

<sup>42</sup> Corsetti G., Roubini N., *The design of optimal fiscal rules in Europe after 1992*, [w:] Torres F., Giavazzi F. (eds.), *Adjustment and growth in the European monetary system*, Wyd. Cambridge University Press 1993, s. 46–92.

<sup>43</sup> Edin P.-A., Ohlsson H., Political determinants of budget deficits: Coalition effects versus minority effects, "European Economic Review" 1991, vol 35, s. 1597–1603.

government formation political actors are developing expectations about the future outcomes, that are further either achieved or not achieved in the budget formation game. After all, the latter must be separately approved both in the cabinet, and in the parliament. Accordingly, K.Strom<sup>44</sup> explains that in countries with minority governments formed on a regular basis there are institutions, having a strong influence on opposition parties, for example through parliamentary committees. If the electoral benefits of joining a particular minority government are doubtful, the party will support the cabinet without being a part of it. If the party gains additional benefits by joining a government cabinet, it makes the government (as an organizational form of the political process) not only more desirable but also more stable. Therefore, the main idea is that governments, including minorities, dissolve when most of the available benefits are considered consumed. This hypothesis was verified by D.Diermeier and R.Stevenson<sup>45</sup>, insisting that that the size of the «pie» in a government cabinet is the key determinant of government stability.

On the whole, the study finds that government stability is a category that depends on both political and non-political factors. Government stability appeared to be a complex problem, defined as a multidimensional and multifactorial interrelation of government cabinet activities and economic, social, legal, cultural, political and other factors of public life. The impact of such factors can frequently be observed either in the form of institutional levers, or in the form of contextual features of the social, economic and political system of a certain state.

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