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| Research Article

Government Intervention in the Economy

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Abstract: In the article, based on the consideration of various approaches to the concept of "state", its current significance is determined, the dual role of the state as a regulator of economic processes is revealed, with its inherent problem of distinguishing the functions of management and regulation from the functions of economic management. The implementation of the economic function, as reflected in the work, is largely associated with the imperfection of the state, its inability to ensure the allocation of resources. The negative consequences of state intervention in the economy are determined, both in setting strategic goals and in executing decisions due to the low efficiency of the actions of the state bureaucracy. The importance of institutional transformations that promote economic development, taking into account the determinants of culture and trust, with the decisive influence of civil society, is substantiated.

Key words: state, economic function of the state, state intervention, development economics, generalized trust, irrationality of bureaucracy.

Introduction: The problem of state intervention in the economy is, in all likelihood, one of the main ones for any modern state, regardless of whether it is a market economy or a distribution economy. No one denies the need for the state to perform certain functions in the economic sphere. However, on such issues as the relationship between state and market regulation and the boundaries and directions of state intervention, there is a fairly wide range of theoretical views and corresponding practical approaches - from complete state monopoly in the management of the national economy to extreme economic liberalism, when it is argued that only an economy in conditions of unlimited private enterprise can be effective.

A type of economy in which there was an extremely high degree of state monopoly was built in our country - a centrally controlled economy. It was based on planning, i.e. centralized decision-making on the issues of what to produce and in what quantity, what resources should be used, how much labor and capital should be spent, what the wages should be, and so on. There is no need to talk about regulation here: the state simply has no one to regulate. In this case, we are talking about replacing the entire diversity of forms of ownership and ways of answering the question "What, how and for whom to produce?" with one single form of ownership - state ownership, and the answer to the main economic question - strict centralization and distribution. However, such a system has proven its inefficiency in practice. The task of drawing up a balanced plan is practically unsolvable due to its colossal size and static nature. But even in the unlikely event of a balanced plan appearing, a system where all the actions of economic entities are scheduled five years in advance turns out to be slow-moving and poorly adaptable to changes. The market path of development remains. However, in a market economy, the state has to constantly adjust its influence. The state does not have such tasks as direct production and distribution of resources, goods and services. But it does not have the right to freely dispose of resources, capital and produced goods, as is done in a distribution economy. In my opinion, the state must constantly balance, sometimes increasing, sometimes decreasing the degree of intervention.

The market system is, first of all, flexibility and dynamism in decision-making, both on the part of consumers and on the part of producers. State policy simply has no right to lag behind changes in the market system, otherwise it will turn from an effective stabilizer and regulator into a bureaucratic superstructure that slows down the development of the economy.

The question of determining the place and role of the state in the modern economy, the degree of regulation of the social, legal, financial and cultural spheres of society's life has been of unconditional relevance, both from the time of its emergence and in the subsequent period of its historical development.

For a consistent consideration of the problem of state intervention in the economy and the implementation of its economic function, it is important to form an understanding of the essence of the state itself, its modern concept, which has gone through a long path of social evolution.

Literature review. The complexity of the content, and therefore the interpretation of the term "state" we find already in the Ancient Greeks. Thus, Aristotle, like all thinkers of Ancient Greece, used the concept of "polis" (state). According to Martyshin, [1 p.40], "it is both broader and at the same time narrower than the modern concept of the state. Wider, because the polis was understood as both the state and the city, that is, the state and society, one was not separated from the other. Narrower, because other forms of political associations were not recognized as states...remained outside the scope of political science".

A. Auzan [2 p.65], conducting a kind of epistemological analysis of the concept of “state”, concludes that it gives rise to a powerful distortion in the Russian public consciousness - this includes officials, the government, local administrations, and citizens of the country. Starting from the level of language, the translation of various values inherent in the term "state" presupposes its special, not fully clarified, sacralized meaning. The history of the concept is largely determined by the clash of political theory and practice within which the nature is discussed and the transformation of the essential meaning of the state occurs. The dialogue of political elites influenced both the sphere of rights and the construction of institutions, leading to a more mature understanding of the “state”, where “its separation from such phenomena as society, country, people, territory, from specific bodies or individual bearers of power” occurs. [1 p.42]

The idea, which has the character of an internal conviction in the consciousness and is deeply rooted in society, is the unconditional recognition of the rationality and justice of the state. The assumption based on the fact that the government is rational and ready to realize the latent, unspoken expectations of the people who form this society seems unrealistic. Participants in such a society are prone to the delusion that “the state…is endowed with the mystical ability to distribute gifts from an inexhaustible cornucopia. It is simultaneously omniscient and omnipotent.” [3 p.69]

In addition to the need for coercion and restriction, the state promotes the growth of trust between people, the emergence of a social contract for doing business and cooperation. In essence, this is the economic essence of the state, in which the "fruits of its labor, the possibility of agriculture, shipping, maritime trade…" will be guaranteed. [4 p.87]

This interpretation of the origin of the state based on the rights and freedoms of the individual, and the observance of the culture of contracts was continued in the works of J. Locke, who provided a justification for private property as a necessary prerequisite for civil society, as well as a description of the powers of state authority. He believed that rationally acting citizens transfer some of their rights and freedoms to the government in exchange for the state implementing those functions that it performs more effectively, based on the maximization of public welfare. [5 p.169]

The classic interpretation of the role of the state as a supplier of public goods that the free market is unable to provide was also reflected in A. Smith. He believed that the state should create such state objects whose products are needed to satisfy important needs of society, but are not attractive to private capital, since they do not provide profit. [6 p.258-259]

Main part.

Competition plays an important role in the market mechanism. It promotes the rational distribution of resources in society, their more efficient use, and helps establish an optimal economic structure.

The market mechanism thus plays a decisive role in establishing equilibrium in the economy and in its progressive development. However, as the market system of the economy develops further, certain shortcomings of this system become increasingly apparent. The market, by its very nature, does not guarantee the realization of a person's socio-economic right to a decent existence, regardless of the forms and results of economic activity. Market distribution reflects the real contribution of the owner of the factors of production to the social product and, of course, is characterized by significant inequality. Reflecting the real contribution of everyone, it is the only fair one. But what is fair from a market, economic point of view is not always acceptable from a social point of view. For a significant part of society, market distribution leaves mainly two sources of existence - their own savings and charitable foundations. Society as a whole understands the need to support the elderly, large families, single mothers, and the disabled. It is clear that the problem of redistribution can only be solved through the market. It is impossible to regulate prices; this requires collective efforts of society, which are organized by the government.

The market mechanism cannot be expected to respect other socio-economic human rights, in particular the right to income and the right to work for those who can and want to work. The market mechanism cannot independently ensure the production of public goods that exist for everyone, including the poor. Society produces these public goods, regardless of the profitability or loss factor, providing them to everyone, regardless of whether the consumer pays for such goods or not. We are talking about goods and services for collective use, in the consumption of which all members of society participate. These are defense, public order, public administration, energy system, etc. The peculiarity of public goods is that they are distributed to all consumers in equal shares and are often consumed collectively.

The market does not contribute to the preservation of non-reproductive resources, and cannot regulate the use of resources that belong to all of humanity, such as the ocean's fish resources. The problem of labor force reproduction is not solved under market conditions.

With the help of the market mechanism alone, deep structural changes in production, strategic breakthroughs in science and technology, the organization of money circulation, solutions to regional and interstate problems, and so on are impossible. Thus, a market economy is characterized by imperfections or defects of the market mechanism, the elimination of which requires active government intervention in economic processes.

Reasons for government intervention in the economy.

It is appropriate to consider the reasons for government intervention in the economy. As early as the 18th century, A. Smith defined the following functions of the government:

- ✓ ensuring national defense;
- ✓ administration of justice;
- ✓ organization of public works that are unprofitable for private enterprise, but necessary for citizens;
- ✓ education of youth; - collection of taxes to pay for state needs.

As market economies developed, economic and social problems arose and became more acute, which could not be solved automatically on the basis of private property. The need arose for significant investments, low-profit or unprofitable from the point of view of private capital, but necessary for the continuation of reproduction on a national scale. Industry and general economic crises, mass unemployment, disruptions in monetary circulation, and increased competition in world markets required a national economic policy.

To this day, no one disputes the necessity of these functions, and new ones have been added to them. But, what is especially significant is that central authorities interfere today even in the pricing process. Of course, in a market economy, they do not directly set prices for individual goods, as under central planning. But by regulating, say, the interest rate charged by banks for credit, they can speed up or slow down the general rate of price growth. The question arises: why does the state take on such economic functions that, in theory, the market should "ideally" resolve? The real market is far from the abstract model of perfect competition, and therefore from perfection itself. Therefore, the state is forced to intervene.

It is worth noting that there is no consensus among economists on the extent and form in which the state should do this. Some believe that it should partly resolve the problem of efficient resource allocation for the market. Others, on the contrary, warn that nothing good will come of such direct intervention and that the functions of the state should be limited exclusively to maintaining the rules of the “market game,” for example, limiting the power of “dictators” in the market.

Tasks of state regulation.

State regulation of the economy solves various tasks that come to the fore in a given period. These include, for example, stimulating economic growth, regulating employment, encouraging progressive shifts in the sectoral and regional structure, maintaining foreign economic balance by activating or restraining the export or import of various goods or capital.

The solution of the listed target tasks means achieving relative macroeconomic equilibrium within the national economy and creates more favorable conditions for achieving foreign economic equilibrium. It is supported by a system of state measures in the sphere of international trade, intercountry movement of capital, labor resources, and ensuring a balanced balance of payments.

Functions of the state in a market economy.

The role of the state in a market economy is manifested through its functions. The state's activities are aimed at achieving the general goal - the welfare of man, his moral and physical well-being, maximum legal and social protection of the individual. As a rule, the state corrects those "imperfections" that are inherent in the market mechanism and with which it itself is either unable to cope, or this solution is ineffective. The state takes responsibility for creating equal conditions for the rivalry of entrepreneurs, for effective competition, for limiting the power of monopolies. It also takes care of the production of sufficient public goods and services, since the market mechanism is unable to adequately satisfy the collective needs of people. The participation of the state in economic life is also dictated by the fact that the market does not ensure a socially fair distribution of income. The state must take care of the disabled, the poor, and the elderly. He also has a background in fundamental scientific research. This is necessary because it is very risky for entrepreneurs, extremely expensive, and usually does not bring in quick profits. Since the market does not guarantee the right to work, the state has to regulate the labor market and take measures to reduce unemployment. In general, the state implements the political and socio-economic principles of this community of citizens. It actively participates in the formation of macroeconomic market processes.

The economic functions of a modern state are quite diverse and complex. Each function of the state has a subject-political characteristic. Its content shows what is the subject of the state's activity, what means it uses to achieve a particular goal. Two groups of regulatory functions of the state can be distinguished:

- functions of ensuring the legal basis for the functioning of the market, as well as the function of stimulating and protecting competition as the main driving force in the market environment;
- functions of redistribution of income, adjustment of resource distribution, ensuring economic stability, economic growth.

Conclusion:

The topic considered in this paper provides abundant food for thought. Very often the state is the primary cause of changes in the economic behavior of entrepreneurs. To smooth out social contradictions associated with the production and distribution of economic goods, an active economic policy is used, conducted by the relevant state bodies. Decisions made by government influence decisions made (or not made) at the micro level. Government policy achieves its goal only when it encourages, rather than dictates. By creating favorable conditions for entrepreneurs, their private interest will coincide with the interest of the state, that is, society. Consequently, the state should simply make more accessible to entrepreneurs that area of the economy that is the highest priority for it.

Of course, government intervention in economic relations should not be unlimited - the economy should not be excessively administratively "regulated", as this infringes on economic freedom, leads to corruption of the state apparatus and the emergence of a shadow economy. The state should not interfere in those areas of the economy where its intervention is not necessary. This is not only unnecessary, but also harmful to the economy.

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