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State Functions Research in the Economy Sphere: Historical Aspect

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ABSTRACT

Many fundamental problems of the modern society cannot be solved by the market mechanisms exclusively and need the state participation. These problems include, first, the social sphere development that of the economic system passive element has become one of the most important sources of the economic growth. In particular, the education level, the workforce qualifications and the scientific researches condition directly influence the economic growth rates and quality that is confirmed by the special studies. Further, the role of science and education in the economic development will likely increase because of the production traditional and tangible factors. Among the other intangible factors that have a huge impact on the workforce and productivity, the economic growth quality includes health, social welfare and the environment. The high level of material and spiritual well-being of the citizens, the middle-class domination in the society structure and, therefore, the implementation of the social partnership principles determine the long-term economic prospects of the country and its socio-political stability. As a special factor of the objective strengthening of the state role appears the extremely increased social and organizational complexity of the modern economy that breaks usual functional communications in the market system. The study purpose is to analyze the state main economic functions.

JEL Classification: B15, D04, E2, H11, H50.

Keywords: State, economy, the state functions, distribution.

1. INTRODUCTION

In the planned economy, the state plays a crucial role in determining all the economic proportions. When building the state regulation system of the economy, the “the maximum opportunity” principle dominates here: the economic processes that, in principle, amenable to the centralized regulation, have to be operated by the central bodies.

In the market economy, the main economic proportions regulator is the market. State regulation plays a supporting role. It is based on the “need” principle: only in those spheres where the market regulators owing to various reasons are inefficient, the state regulation is admissible and expedient.

Since ancient times, the humanity united to form larger groups, starting with the household and clan formations that extend to the modern states. To the state could exist, individuals and groups are inferior public authority powers in key areas such as legislation, enforcement of law and order, defense, etc. The state is given the opportunity to coercion against all other organizational forms of the person activity within the established territory. Hence, even in ancient times under the state understood the organization of the sedentary population, occupying the definite territory, and obeying the same authorities.

Plato, Aristotle, Cicero regarded the state as a form of human community or habitat in which a person finds the existence conditions. Moreover, according to Aristotle, “the habitat of quite a happy life”, where the state brings in the human virtues, in that he saw the state purpose.

As meanwhile, the gap between what the governments can do, and what is the population expected of him, increases more and more, the state starts gradually collapsing from within, depriving the citizens the stable existence most elementary conditions: legality and safety, trust to contracts and the reliable currency.

The state is a product of the society economic and social development. It arose as the nation need for the certain functions performance (including economic) providing its survival and development. The state does not at all represent force, the imposed outside by the society. The state is the recognition that society got confused in an insoluble contradiction with itself, broke up into irreconcilable contrasts, to get rid from which it powerlessly. Moreover, that these contrasts did not devour each other and society in fruitless fight, force that is, apparently, above society, force that would moderate collision became necessary, restrained it “order”. In addition, the force that was more and more alienating itself from it is the state. The state generated a new form of public conditionality, having separated the general interest from the private. Disputes on the state due role and the person activity private spheres were conducted in different centuries and on different continents.

2. MATERIALS AND RESEARCH METHODS

The research theoretical and methodological base is the international and domestic studies in the field of the economy state regulation and the state functions in economy of the certain countries, and the legal and government regulations on the economy state control and its sustainable development ensuring.

When solving the study objectives the systems analysis, the sociological research method was applied.

3. THE STATE ROLE IN THE SOCIETY: ECONOMIC SCHOOLS

Mercantilists of the XVII century saw the state main objective in the trade stimulation and argued for the state active intervention in the economy. Physiocrats argued the benefits of the economic activity complete freedom and gave the state only three functions.

1. The first and the state most important function is to keep the natural order from the sacrilegious and ignorant hands that want to encroach on the power, and especially keep that underlies it - the property. According to the Physiocrats, law and order is the right to own, secure and guaranteed power and hereditary sovereign power over the people united in the society.
2. Education is the second function. "Universal education is the first true social communication", - says Baudot. Quesnay (1694-1774) strongly recommends that education about the natural order existence and a way of knowing it. The need for education, they motivate by the fact that education, widespread to all citizens, enlightened public opinion - the only means to prevent the Physiocratic despotism degenerate into the personal.
3. The public character enterprises maintenance is the third the state function. Unless the good owner, wrote physiocrats, should not carry out, first of all, the road in the possession because good ways and channels were very useful to the communication establishment between separate areas.

The state modern understanding, in the broadest sense, is a set of the institutes having means of lawful coercion which are used in a certain territory and concerning its population designated by the term "society" (Volovik, 1999).

The state carries out the activity by means of the government formed by it. The government is considered not only as set of the persons holding in the state senior positions, but also as the management process, the power applications and as the way, the method and the system of board in society and as the governmental bodies structure and the organization and their relation with the governed.

State throughout its history, along with the tasks of maintaining order, the law, the national defense organization, performed certain functions in the economy. On questions, in what proportions the state and the market regulation, what borders and directions of the state intervention has to be combined, there is a wide range of opinions and approaches - from full state monopolism to extreme economic liberalism.

During the first slaveholding states formation (Ancient Egypt, Ancient Babylonia, Ancient China, Ancient India) we find the idea of the state active intervention in the economy. There are special compositions devoted to the state administration and the state economy. These are the "Lecture of the gerakleopolsky tsar to the son Merikare" (XXII century BC) in Ancient Egypt, the king Eshnunna laws (XX century BC) and the king Hammurabi laws (XVIII century BC) in Babylonia, the treatise "Kuan-tzu" (IV-III century BC) in Ancient China, etc. The economic functions of the state head, the government officials' duties are reflected in these works. Authors of treatises considered that measures of the economy state regulation would promote the coherence of interests in society, would allow to get rid of class fight (Lukyanova, 2006).

During the Middle Ages and up to the middle of the XVIII century, in the era of the feudal relations domination in Europe, dominated the idea of the "enlightened" absolutism or the "paternal" monarchy. Then all the rights of the country economic activity were concentrated in the state. The political economy of

the time mainly engaged in the problems of increasing the power and sovereign concentration. It is almost three centuries (XVI-XVIII) dominance doctrine of mercantilism. Representatives of mercantilism - T. Mann (1571-1641), A. Monchrestien (1575-1621), J. Stewart (1712-1780) - linked the country prosperity with the active intervention of the state in the economic processes (Lukyanova, 2006).

In the early mercantilism period the state regulating measures proved through the various decrees, statutes, laws, orders (unlike medieval “traditions and customs” of the state intervention in the economy). The late mercantilism was more liberal; it rejected the absolute prohibitions policy. Mainly the state incentive intervention in the economic life was allowed. Instead of the administrative methods of accumulation that value fell, the economic methods were put in the forefront. The protectionism is the policy of the state sent for approval of the national producers and dealers interests as successful conducting foreign trade directly depends on the economic situation within the country was pursued (Lukyanova, 2006).

Unlike mercantilists, the classical school representatives supported limited state intervention in the economic life. A. Smith (1723-1790) in the book “The research about the Nature and the Reasons of the People’s Wealth” (1776), without rejecting completely participation of the state in the economic life and control from it, assigned it a role of “the night watchman”. The scientist allocated “three very important duties” which the state is urged to carry out. He included to them: costs for public works; costs for ensuring military safety; costs for administration of justice, including protection of the property rights (Smith, 1962).

Representatives of the Marxist economic theory (K. Marx (1818-1883) proved the state value in the economic interests coordination. They noted objective inevitability of the state role strengthening (first as the public interests representative) in the economy regulation because of the nationalization active processes in the capitalism course (Lukyanova, 2006).

The important contribution to development of mechanisms of coordination of economic interests for a sustainable development of economy was made by scientists of the neoclassical, which L. Valras (1834-1910) in work “Sketches of social economy arose in the 70-80th of the XIX century. The theory of distribution of public wealth” (1896) expressed in favor of the minimum state which field of activity is limited to production of the public benefits and control of monopolies; suggested to establish a minimum level of taxes, and taxes on property, but not on the income (Lukyanova, 2006).

Thus, the neoclassical direction representatives, as well as the classical school scientists, supported the minimum state intervention in the economy. However, the Great depression that captured all market-developed world showed that the market economy, which model and principles defended classical and neoclassical school, is insufficiently effective. The market mechanism of the interests’ regulation is not self-sufficient. Additional intervention of the state in the economy is necessary.

J.M. Keynes (1883-1946) in work “The general theory of employment, percent and money” (1936) brought up a question of the state intervention need in the economy for correction of its shortcomings. The major factor capable to bring economy out of crisis is, according to the scientist, cumulative demand. It is defined by the three components: the population consumption, the enterprises investments, the public expenditures. Keynes analyzed tendency to the consumption and saving, output the psychological law of the saving share growth in the income growth process, and proved that possibilities of the economic realization interest are connected with the income sizes. The scientist noted that the interests’ discrepancy

of the subjects, which are carrying out savings and investments, is possible. As the main instrument of the state impact on the economy for the sustainable development, Keynes considered the budgetary policy, including expansion of the state expenses and investment activity (Keynes, 1999).

At the same time the alternative direction of the state regulation theory - the neoliberalism - developed. Under the neoliberals name some schools acted Chicago (M. Friedman), London (F. Hayek), Freiburg (W. Eucken, L. Erhard) (Barmuta, Borisova, & Glyzina, 2015).

In the second half of the 70-ies of XX century, it was found that Keynesian methods gave failures due to the excessive state intervention in the economy. If for Keynes the unemployment, employment and economic growth were the most burning issues, approximately from the middle of the 70th the inflation regulation problem was put in the forefront. The new concept that helped the state to find the indirect mechanism of the intervention in the economy was offered by the Chicago school of monetarism led by M. Friedman (1912-2006). In the center of the attention of one of the scientist main works the “Quantitative theory of money” (1956) - the monetary and credit methods of the economic interests coordination. Money implement a particular function, they are capable to carry out the regulating, stabilizing role. The demand for money, the offer of money and the interest rate as the money price are the initial parameters under the influence of which there is the interests’ coordination in the monetary and commodity markets. Thus, the market coordination mechanism is the monetary and credit methods of the state regulation (Lukyanova, 2006).

The Freiburg School Founder W. Eucken (1891-1950) in the “Fundamentals of the national economy” (1940) examine the mechanism of the interests optimal combination in the economic order theory. This theory was the economic reforms theoretical basis in 1948 in West Germany; Ludwig Erhard realized one of the most successful reforms of the twentieth century. Because of the reform the special model of the economic life organization - a social market economy was created. The main objective of the social market economy model is allocation of the regulation and control function from the state over the social and economic processes and at the same time the economic freedom maintenance. The state protects free competition, operates redistribution of the income and property division, and also regulates structural and financial policy, completely bears responsibility for the economic and social policy pursued by it. The main social task of the state consists not in the necessary benefits distribution, but in providing the conditions of the free activity of the individuals capable to create these benefits and independently to take care of itself and the relatives. Thus, the supporters of the ordoliberalism (Freiburg School) assigned a role of the interests’ coordination mechanism to the state that, without interfering with the economic activity process, guards the principles of providing the competitive economic order (Morgunov, 2005).

Thus, the economic thought evolution shows the state important role in regulating the economic relations of the economic entities with a view to harmonizing their interests. Government regulation is the essential element of the coordination system mechanism of the society economic interests.

4. THE STATE FUNCTIONS IN THE ECONOMY

The state intervention in the economy pursues certain functions. As a rule, it corrects those “imperfections” that are inherent in the market mechanism.

The state takes the responsibility for the equal conditions creation for the entrepreneurs' effective competition, to limit the monopolies power. It also takes care of the production of a sufficient number of public goods and services as the market mechanism that is not able to meet properly the collective needs of the people. State participation in the economic life is dictated by the fact that the market does not ensure a fair distribution of the social income. The State must take care of the disabled, the poor, and the elderly. It also belongs to the scope of the fundamental research.

Such intervention is necessary, because for all entrepreneurs all this is very risky, expensive and, as a rule, does not bring 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 the unemployment.

In general, the state realizes the political, social, and economic principles of the citizens' community. It actively participates in the formation of the macroeconomic market processes.

The state role in the market economy is shown through the following major functions:

- the legal basis creation for the economic decisions adoption - develops and adopts the laws regulating business activity, defines the rights and duties of the citizens;
- the economy stabilization - using the fiscal and monetary policy to overcome the decline in production, smoothing inflation, reduce unemployment, to maintain the stable level of the prices and the national currency;
- the resources socio-oriented distribution - organize the production of goods and services in which the private sector is not engaged; creates conditions for the development of the agriculture, communication, transport, defines the defense expenditure, science; forms the development programs of the education, health care, etc.;
- ensuring the social protection and the social guarantee - guarantees a minimum of salary, old-age pension, disability, dole; different types of the help to the poor, etc.

The state antimonopoly activity is one of the most important areas of the state intervention in two directions. In those few markets where the conditions interfere with the effective functioning of branch at the competition (Kosov et. al., 2016), i.e. in so-called natural monopolies, the state creates public regulators for the control of the economic behavior. In the majority of other markets where the monopoly did not become a necessity, public control take the form of the antitrust law.

Thus, the branch regulation purpose consists in protecting society from the market power of the natural monopolies by the price control and the service quality (Bogoviz & Mezhov, 2015). However, it is necessary to use direct regulation only where it does not lead to decrease in production efficiency. Regulation should not be applied in cases when the competition can give the best providing society with production.

The antitrust laws are a different kind of control. This form of control has a rich history. In 1890, the well-known law of Sherman forbidding any kinds of arrangement and any attempts of monopolization of any branch was adopted. However, this formulation was quite indistinct that did not allow defining a crime accurately. Clayton's law of 1914 was the following step. In principle, it was continuation of the Sherman law and only specified its some points.

The same year the Federal trade commission was created. Its competence included the control of the above-named laws performance, and investigation on the dishonest actions initiative. The Federal Trade Commission law expanded the illegal behavior norm and conferred to the independent antitrust body powers for carrying out the investigations.

In a large number of the antimonopoly laws and various specifications to them, the extreme importance of these laws for the society is proved. Really, the uncontrolled exclusive power can yield essential losses to society (Kobersy et. al., 2016) because of the unfair competition that causes the small producers bankruptcy, the consumers' discontent with the high prices, and also frequent bad quality of goods, lag in scientific and technical progress and many other negative consequences. Nevertheless, the antimonopoly laws should not punish the large producers who are not applying illegal methods of the competitive fight. If this condition is not satisfied, the executives will lose the incentive to let out more products.

Thus, the state acts as the arbitrator who chooses the optimum (most effective) ratio between the monopolies and the competitive branches. In different historical periods for various countries, this ratio was the miscellaneous corrected taking into account features of the economy development. In addition, the state has to use skillfully and effectively this mechanism.

5. THE STATE ECONOMIC FUNCTIONS EVOLUTION IN RUSSIA

During the historical process of the state role in the economic and social development, the human idea underwent considerable changes. Moreover, today quickly changing world forces us to look again for the answers to the main questions of the state: what has to be its role, what it should do, and what should not, what its major functions in various economic systems.

Over the last century, various states have shown both the advantages and the limitations of the state intervention in the economy. The experience since then suggests that: first, the sustainable development, both in the economic and social spheres is impossible without the effective government intervention; secondly, the state is at the economic and social development center, but not as the direct growth source but as the partner, catalyst, assistant; thirdly, the efficient state is significantly different for countries at different stages of the development. Differences in size, ethnic composition, culture, level of welfare, political system makes each state unique. Still, there are many similarities in the requirements of the state in the modern conditions.

With the society development, the changes in the social production structure, the shifts in its technical base, updating of these or those spheres of public life there is the development, enrichment, specification of the state functions. This process goes in the following directions: consecutive transition from straight lines to indirect methods of the economy regulation; sharp strengthening of the state social functions (Shkurkin et. al., 2016), its role in the social processes regulation, since the compensation minimum rates establishment, including hour, obligatory for any businessman irrespective of the ownership form and national identity; definition of the living wage, duration of working hours and rest time, the guaranteed holidays; the complex social problems solution, such as a complex of relationship of work and the capital, social partnership, reduction of the unjustified differentiation in the population income, ensuring stability in the society.

With the market economy formation there were also qualitatively new functions of the state that were not unambiguously structured earlier that was connected with the gradual formation of the post-industrial society. It is possible to refer acceptance to them on itself the state of the obligations in the fields of education, formations and supports of fundamental science, creation of special zones for the modern technologies development, carrying out accurately formulated industrial policy, the environmental issues solution. The state replacement concept from the sphere of economy, reduction of number of its functions and weakening of the regulating role as the general direction of the development of our country does not correspond to global world tendencies and does not meet the Russian realities.

The state role qualitatively differs at the formation stages, the market economy formation and in operating conditions of already developed, well-debugged and adjusted economy of the market type. Self-organization and the market is the classical model of self-organization that is inherent in rather steady systems and is a little effective during transition from one system to another. In the transitional economy, the state role was not great. Now everything changed.

6. CONCLUSION

Studying of the declared subject in this material gives many accents for the reflections. Very often, the state is the prime cause of the entrepreneurs' economic behavior changes. For smoothing of the social contradictions connected with the economic benefits production and distribution, the active economic policy that is carried out the appropriate government bodies is used. The decisions made (or not accepted) at the micro level depend on the decisions made by the government.

The government policy achieves the objectives only when it encourages, but does not specify in the directive order. At creating favorable conditions to the executives, their private interest will coincide with interest of the state that is the society. Therefore, the state has to make simply more available to the executives that economy sphere which is the most priority for it.

Of course, the state intervention in the economic relations should not be boundless - the economy should not be "excessively administratively regulated" as it restrains the economic freedom, leads to the government corruption and the shadow economy emergence. The state should not interfere with those spheres of economy where its intervention is not necessary. It is not only unnecessary, but also is harmful to the economy.

In general, it is difficult to overestimate the state role in the economy. It creates the conditions for the economic activity, protects executives from the monopolies threat, provides the society needs for public goods, provides the lower-income strata social protection, and resolves the national defense issues. The state special position in the economy gives it some advantages. The main thing from them is the opportunity of very quickly and freely to concentrate all the necessary resources (material, financial, labor) for the solution of the separate large problems (the large industrial facilities construction, the space exploration, the new cities construction), but it should not lead to decline in the population living standards.

In the new cycle (in the XXI century) in the world economy, there was a sharp turn to the state regulating role strengthening. The main reasons for it were: the deepening of the labor social division, the economy monopolization and the free competition replacement from the commodity market, the state huge anti-trust work on the monopolies legislative restriction, preparation for wars and their carrying out,

education under control of the state, the military industrial complexes, the social sphere state regulation, the state support of the science, equipment, and etc. development.

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