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IMPLEMENTATION OF THE ECONOMIC FUNCTIONS OF THE STATE: PROBLEM ASPECTS

This article analyzes the economic activity of the state in the context of the need to eliminate the flaws inherent in the markets. The main attention is paid to the disclosure of the problematic aspects of the implementation of the economic functions of the state, as the provision of public goods, externalities regulation and stabilization of the economy.

Keywords: defects of the market system, the economic functions of the state, public goods, externalities, stabilization of the economy.

Formulation of the problem. The market economy can be considered as consisting of the actual market system and the economic activity of the state. As a mechanism that, in general, provides the most effective use of economic resources, the market system forms the basis of a market economy, its core. As for the economic role of the state, it is to correct the functioning of markets in those cases where they fail. However, in practice, aimed at eliminating market failures, the economic activity of the state often goes through its own failures.

The goal of this article is to reveal the problematic aspects of the implementation inherent in state economic functions. Our attention will be focused on the analysis of these types of state activities as the provision of public goods, regulate externalities and stabilizing the economy.

The results of the research.

1. Provision of public goods.

First of all, it should be noted that the only sign that public goods are distinguished from private ones is their non-exclusivity, that is, the impossibility of excluding from among their consumers those who do not pay for them. In this regard, the position of those economists who, apart from the non-exclusivity, attributed to public goods also such distinctive features as noncompetitiveness and indivisibility in consumption [1, p. 151; 2, p. 99]. An example of public goods is overloaded at peak rush hours, the consumption of which by some consumers restricts the possibility of their consumption by other consumers. On the other hand, indivisibility is a property that is inherent in including some private benefits. It is about private goods of common consumption, such as public transport services. Therefore, indivisibility can not be considered as one of the distinctive features of public goods.

Some economists, along with the public goods themselves, distinguish the so-called quasi-social benefits, including, though exceptional, though those whose consumption is accompanied by significant positive externalities, benefits [2, p. 100]. Because due to the presence of significant positive external effects, the market system is not able to ensure the production of quasi community benefits in optimum amounts, it is believed that the state should assume the function of providing them.

In our opinion, the concept of quasi-social benefits is vulnerable in several respects.

Firstly, the fact that the state provides some private goods in the same way as public goods does not give any reason to regard such private goods as "alleged" public goods. The nature of goods, whether private or public, is not determined by who and how they are provided-a state free of charge or a private sector on a paid basis. In view of this, one can not but point out the erroneousness of the classification of the public goods of the "system of state education" [3, p. 83]. Education is exceptional, and therefore a private good regardless of who and how it is provided-a state free of charge or a private sector on a paid basis.

Secondly, as will be shown below, the so-called underproduction of goods and services in the case of positive externalities is not an unconditional ground for adjusting the performance of the markets by subsidizing producers or consumers.

Thirdly, by providing private benefits on a royalty-free basis, the state can be guided by others rather than the internalization of positive externalities, motives, such as the need to ensure equal access to school education for all children, regardless of their parents' solvency.

In general, the state should, as far as possible, avoid the free provision of private goods and focus on what it actually has to deal with - the provision of public goods. This is due, in particular, to the lack of state tools that would allow them to accurately identify and aggregate individual preferences of consumers. In any case, nobody can do better than the market.

Therefore, the provision of private and public goods free of charge by the state will always lack the allotment efficiency. Another problem that arises in the process of providing the state with public goods is the status of the state as their monopoly supplier, which prevents consumers from controlling the quality of such goods by choosing their best supplier. Low quality roads or law enforcement activities with sufficient amounts of funding - examples of ineffective state activity as a monopoly supplier of public goods.

2. Adjustment of external effects.

External effects are uncompensated influences of the subjects of the economy on the welfare of third parties. Such influences can occur both in the sphere of production and in the sphere of consumption, and to be both positive and negative. However, in any case, they are distinguished by the fact that they are implemented, firstly, without prior agreements between the persons who generate and experience them, and secondly, without compensation from those who harm or, conversely, benefit.

Justifying the need for state regulation of external effects, the vast majority of economists focuses on the fact that in their case there is a deviation of the equilibrium production volumes

from their optimal levels. If in the case of negative externalities, there is overproduction, in the case of positive external effects they are produced in insufficient quantities. To prevent or eliminate such distortion in the allocation of resources in production and should be designed, according to General opinion, state regulation of external effects [4 c. 259 -261].

In the case of negative external effects, actual production volumes are, in fact, greater than those that would have taken place in the absence of overflows of costs. However, this is not unique and does not seem to be the main reason why the state should regulate negative external influences. Extremely important is the fact that the losses that, in the event of negative external influences that some subjects of the economy cause to others, must be compensated by those who afflict them and those who experience them. Just as consumers of ordinary goods have to pay for them to those who produce them, manufacturers of «antigoods» should pay for them to those who "consume" them. And if private individuals appear to be unable to resolve the problem of compensation for harm caused by themselves, the state should assume its responsibility. However, for the state, solving this problem is rather complicated.

After all, it must: firstly, identify all those who cause and experience uncompensated harm, and secondly, accurately assess its scale, thirdly, to obtain adequate compensation from those who harm, and to distribute it among those who are subject to the size of their losses. It is clear that in practice the implementation of all of the above-mentioned actions of the state may be subject to serious difficulties. One of them is related to an accurate assessment of the damage that third parties experience as a result of negative externalities. The less accurate this assessment will be, state regulation of negative external influences will be more ineffective.

A fundamentally different situation arises in the case of positive external effects. If one person, without any prior agreements with the other, creates any benefit for her, the person who receives it will not be obligated to pay for the person who created it because she did not assume such financial obligations. Accordingly, the state has no reason to require those who receive external benefits to pay those who create them. A state may, on behalf of persons who receive external benefits, pay to the persons who create them only when it is considered necessary to make the recipients of their external benefits. In contrast, a person who, without any deal with another person, causes harm to her/him is obliged to compensate her/him for the injured party. Accordingly, the state has every reason to demand that it do so.

Thus, the fact that, in the case of positive external effects, the actual production volumes of products are less than, those that would have taken place in the absence of overflows of benefits is not sufficient grounds for state interference in the functioning of markets in the form of subsidizing production or consumption. Taxpayers may decide not to pay those who create positive externalities for them, without any reason assuming that the implementation of this type of payment is not their responsibility. One example of how a state, under cover of the alleged need for internalization of positive externalities, is forcing some people to pay for the

benefits that other people receive, is free higher education. However, firstly, educated people, as, indeed, uneducated, can create for society not only positive, but also negative external effects. Examples are the activities of inefficient governments, formed from educated people, or enterprises of environmental pollutants, led by once again educated people. Secondly, even if educated people create some kind of "pure" positive external effects for society, it does not impose on him the obligation to assume the payment for higher education. At the very least, the state should ask taxpayers whether they consider it necessary to pay for those who are in higher education.

3. Stabilization of the economy.

Since the Great Depression, stabilizing the economy is perhaps the most controversial economic function of the state. If Keynesians believe in the ability of the state through discretionary measures of fiscal and monetary policy to smooth out fluctuations arising from market system in real output, employment and prices, then, according to the monetarists, the main source of macroeconomic instability is not the market system and the wrong policy of the state [5, p. 19, 88, 107].

Monetarist critique of the discretionary stabilization policy is as follows.

1. The Keynesian model of a discretionary stabilization fiscal policy, by its very nature, can not be an effective tool for stabilizing the economy. In particular, in the case of applying a stimulating fiscal policy to cover the state budget deficit at the expense of domestic state loans, the following chain of causal relationships will be observed: (1) an increase in public borrowing will lead to an increase in total demand for money; (2) an increase in total demand for money; Will cause an increase in the interest rate, (3) an increase in the interest rate will lead to a reduction in private investment, (4) a reduction of private investment in unchanged other conditions will result in a reduction in total costs. In the end, the result will be the opposite of what the stimulating fiscal policy is aimed at.

In the case when in the process of stimulating fiscal policy fiscal deficit financed by money creation, may increase the level of business activity will be the consequence of not only fiscal (manipulating public expenditure and taxes) as monetary (in this case putting into circulation extra money) activities.

2. Equally ineffective in terms of mitigating fluctuations in the economy is the policy of cheap and expensive money. At the same time, the ineffectiveness of discretionary monetary policy lies primarily with unpredictable time lags. Although changes in the supply of money and affect the nominal volume of production, but because of a rather long and indefinite period of time. Since the length of the lag time can not be foreseen in advance, the likelihood of the policy of cheap or expensive money is not sufficient for the current economic situation. As a result, discretionary monetary policy, which is introduced in order to stabilize the economy, can turn into a factor of destabilization of the economy. However, even if the introduction of discretionary monetary policy and was not accompanied by the emergence of unpredictable time lags, its results would still be ambiguous and contradictory.

In other words, introducing a policy of cheap money, the central bank will be able to seek an increase in real output only at the price of increasing inflation. Similarly, the policy of expensive money introduced by the central bank, besides the actual anti-inflationary effect, will have its consequence, if not a decrease, at least a containment of the growth of the real volume of production.

The question, obviously, is how important is the payment for the policy of accelerating economic growth and the policy of curbing inflation in the form of an appropriate increase in the level of prices and a reduction in the rates of economic growth. For example, if anti-inflationary policies have one of its consequences, a significant decline in the rate of economic growth, then should it be applied? Similarly, a substantial increase in prices can be considered too big a victim, which should not be in exchange for accelerating the growth of real production. Thus, the presence of unwanted side effects is another serious problem that complicates, if not impossible, the effective implementation of cheap and expensive money policies to stabilize the economy.

Conclusions. The study confirmed a simple truth: by resolving the problems caused by failure of the market, the state does not succeed in all cases. This is partly due to the fact that the state lacks the necessary tools for correction of market defects, and in part - their inefficient use. In the extreme case, state intervention in the functioning of the market system with a view to correcting its defects may result in outcomes worse than those that would have occurred if the state did not try to "improve" the markets.

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РЕАЛІЗАЦІЯ ЕКОНОМІЧНИХ ФУНКЦІЙ ДЕРЖАВИ: ПРОБЛЕМНІ АСПЕКТИ

Стаття присвячена аналізу економічної діяльності держави в контексті необхідності усунення властивих ринкам вад. Головну увагу приділено розкриттю проблемних аспектів реалізації таких

економічних функцій держави, як надання суспільних благ, регулювання зовнішніх ефектів та стабілізація економіки.

Ключові слова: *вади ринкової системи, економічні функції держави, суспільні блага, зовнішні ефекти, стабілізація економіки.*

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РЕАЛИЗАЦИЯ ЭКОНОМИЧЕСКИХ ФУНКЦИЙ ГОСУДАРСТВА: ПРОБЛЕМНЫЕ АСПЕКТИ

Статья посвящена анализу экономической деятельности государства в контексте необходимости устранения присущих рынкам изъянов. Главное внимание уделено раскрытию проблемных аспектов реализации таких экономических функций государства, как предоставление общественных благ, регулирования внешних эффектов и стабилизация экономики.

Ключевые слова: *изъяны рыночной системы, экономические функции государства, общественные блага, внешние эффекты, стабилизация экономики.*