

Olena Hinds,
Ph.D. in Public Administration,
Crimean Economic Institute of
Vadym Hetman Kyiv National Economic University

**ESSENCE AND RESULTS OF INTERACTION BETWEEN MARKET
AND STATE REGULATION UNDER CONDITIONS OF GROWING
SHORTAGE OF RESOURCES AND ENVIRONMENTAL
DEGRADATION**

Annotation

The problems of resource-ecological safety of the state are defined. Essence and results of cooperation of market and state regulations under conditions of growing shortage of resources and environmental degradation are grounded.

Keywords: state regulation, institutional regulation, ecological orientation, natural potential, resource-ecological safety.

Анотація

Визначено проблеми ресурсно-екологічної безпеки держави. Обґрунтовано сутність і результати взаємодії ринку та державного регулювання за умови зростання дефіциту ресурсів і деградації довкілля.

Ключові слова: державне регулювання, інституціональне регулювання, екологічна орієнтація, природний потенціал, ресурсно-екологічна безпека.

Аннотация

Определены проблемы ресурсно-экологической безопасности государства. Обоснована сущность и результаты взаимодействия рынка и государственной регуляции при условии роста дефицита ресурсов и деградации окружающей среды.

Ключевые слова: государственная регуляция, институциональная регуляция, экологическая ориентация, естественной потенциал, ресурсно-экологическая безопасность.

Introduction

Mutual influence in the system «society - nature» is increasingly evident at the present stage of human development: significant changes in the environment are shown on the quantitative and qualitative parameters of development of society, and increasing scale of society's activity causes irreversible total changes in the environment. This indicates that society and nature is a single dynamic system, for components of which interdependence and active feedback connections are typical. In other words, tendency of growth of dependence of the society from the natural environment can be traced due to exhaustion of natural resources, reduction of the area of the Earth per capita, reduction of assimilation capacity of the environment, its loss of original features as a favorable living environment that is caused by increasing human pressure on nature. Thus, the environmental crisis has become systemic.

Analysis of recent research

Works of A. M. Bronshtein, B. V. Burkyns'kyi, S. A. Hensiruk, M. I. Dolishniy, V. S. Kravt-siv, M. S. Nyzhnyk, S. M. Stoyk, A. I. Tarasov,

K. K. Tkachenko, S. J. Callan, W. S. Gates are devoted to the study of environmental problems of nature. Socio-economic aspects of nature management are highlighted in the works of M. M. Amirhanov, A. E. Babynets, A. F. Balatskiy, O. V. Vrublevska, T. P. Halushkina, V. N. Gerasimovitch, A. V. Hidbut, E. V. Hirusov, A. A. Golub, K. G. Hoffman, L. S. Hryniv, O. V. Zhyvytskiy, V. M. Kyskyi, Y. Y. Tunytsya, and others. Nevertheless significant part of research on improving the economic mechanism of regulation of the use and protection of natural resources does not consider the specifics of recreational nature management.

Statement of research objectives

- to identify problems of resource and environmental security of the state;
- to justify the nature and results of the interaction of market and state regulation under conditions of growing shortage of resources and environmental degradation.

Results

Environmental crisis is, first of all, a crisis of the actual mechanisms of adaptation of soci-

ety to the environment. There is an urgent need to change the vector of this interaction through the reform of institutions of management. It is about management of not only the economy but also the whole historical process [7, p. 290]. There is a need to note that the current scenario of reforms (American, Western European) have exhausted themselves. Their transfer to other territories did not give the expected results, and even suffered a complete fiasco. In particular, now it is admitted that «invisible hand» of the market can not cope with the problems without special management. The concept of state regulation of economy, developed by J. M. Keynes at one time showed the seriousness of the idea of predictable and controlled economy. The need for regulation is caused by the presence of so-called «market failures», though with part of these «accusations» and the overall position of their formation is difficult to agree.

Marshall drew attention for the first time to market failures. Later this question was actively considered in the theory of social welfare (V. Manson, F. Hirsch, A. Pigovian, G. Daly) [1, p. 169, 2, p. 170, 6, p. 255]. Market failure is called a situation in which the market is unable to independently, without external intervention produce effective individual and community decisions, resulting in disturbed economic equilibrium. The modern vision of market failures that determines the need to regulate the market mechanism is caused by a number of reasons.

Campbell R. McConnell and Stanley L. Brue, citing the arguments against the market system, name extinction of control function and competition, wasteful and inefficient production, injustice of income distribution, the violation of market mechanism through the presence of external effects, disregard of social needs, volatility [1, p. 88-91].

Paul A. Samuelson and Wilma D. Nordhaus state that such market economy is ideal, where all goods and services are voluntarily exchanged for money at market prices. This system ensures receiving maximum revenues without government interference. Yet, according to scientists, it is almost unattainable state, and every market economic system has flaws that lead to environmental pollution, unemployment, stratification of society into rich and poor. It characterizes the «market failure», which is due to imperfect competition and information, external effects. Moreover, markets do not always justly distribute incomes and can not always ensure macroeconomic stability

and growth, especially in the long term. However, returning to the issue of breach of fairness in the distribution of revenues, the same authors emphasize that these are shortcomings of actual distribution, rather than the market [6, p. 67-79, p. 313-315].

Let us note that analyzing the so-called market failures or imperfections of the market, the aforementioned scientists stress that market efficiency is not being questioned. Besides, using the theory of social welfare and market efficiency, they justify the feasibility and scope of regulatory policy of the state.

Specifically, A. Samuelson and V. Nordhaus note: «... mixed economy is characteristic of all industrialized countries, where the market determines the volume of production and sets prices ...

and the state manages the economy in general ...

Both sides - market and state - are important for the continuous functioning of the economy. The existence of a modern economy without one of these parties is the same as the attempt to applaud with one hand». [6, p. 78]

The authors identify three main economic functions of the state in a market economy:

- 1) ensuring efficiency by conducting active environmental and antimonopoly policy;
- 2) redistribution of incomes and the use taxes for the establishment of social justice;
- 3) stimulating macroeconomic growth and stability [6, p. 74-79].

Scientists from different countries have studied these problems in the sphere of nature management and environmental protection. In particular, this is reflected in the writings of researchers L. M. Cherchyk, G. B. Pohirschuk, who analyzed not only market failures but failures of the state in these areas, examined issue of correlation between state and market regulation of the economy [9, p. 609, 4, p. 120]. L. M. Cherchyk names the following causes of «failures» of the market in the environmental field: externalities (external effects), the absence or underestimation of prices for natural wealth, lack of markets, public goods, transaction costs, property rights, uncertainty and short-sightedness of the market. He underlines the need for implementation of environmental policy of the state aimed at a significant adjustment of failures of the market. Along with this scholar provides examples of ineffectiveness of state policy: provision of subsidies (on fertilizers, pesticides, herbicides, energy, water, etc.), the ineffectiveness of the tax system, control of prices inconsistency

in the reform of property rights, etc. [9, p. 610].

However, as it is rightly observed by L. Melnyk, the market is only a subsidiary mechanism designed to serve the needs of people and is guided by the will of the people. That is, it works the way it is set up within clearly defined functions and in the exact modes of operation [3, p. 260].

The authors of «Economics» warn: «Without doubt, the market is a powerful driving force for economic growth. Yet do not try ... to assume that the state is an unnecessary relic of the past. The state plays a key role, providing a safe environment, in which markets can flourish, and helping to avoid extremes that occur when they (markets) are not limited in any way. Prosperity of modern economy depends on the support of the required balance and proper allocation of responsibilities between market and government». [6, p. 66]

It should be mentioned that role of the state has indeed grown significantly since globalization of consequences of government decisions, which may lead (and sometimes lead) to the irreversibility of social processes and to no reproduction of the vital natural resources, has become an important result of the development of technogenic civilization. «Never before in world history was such a big responsibility as today relied on the state power, because through unprecedented technological powers it had acquired such domination over the people, over the environment and even over all living on earth, which it had never before». [8, p. 520] But it also has negative consequences: hypertrophied responsibility of the state decreases extent of responsibility of certain people; eliminates civil liability for their decisions and results of their implementation. Obviously, there is a need to find consensus in the actions of civil society and the state, determine the extent and forms of state influence on market mechanisms.

Correlation between government regulation and market economy is schematically presented by P. Samolotov [5, p. 158]. We agree with the proposed terms of feasibility of state interference, namely that, firstly, this intervention should create conditions for improving the functioning of the market; secondly, the positive effects should exceed costs for organizing this intervention. Let us note that the state as an owner of natural resources represented by state-owned enterprises, establishments and institutions, is itself a full subject of market. And, therefore, the state must comply with its activities under market conditions, obey the laws and established rules of the game on a

common basis, and provide control over their implementation and responsibility for the failure.

If we consider these issues more globally, we outline the problem of resource and environmental security of the state caused by degradation of natural landscapes and catastrophic reduction of nature and resource potential. The main reasons for this are recognized:

- intensive anthropogenic changes in nature and resource potential through the adoption of environmentally unjustified decisions;

- inefficient use of natural resources;

- consumer attitude to natural resources, the dominance of current interests over the perspective ones;

- imperfect environmental justification of projects;

- inadequate system of public administration, legislative support, institutional arrangements in nature management.

Agreeing with each of the problems mentioned, once again we emphasize the principle position: market is purely economic mechanism, so it is unfair and wrong to accuse it of failing non-economic functions. Although, we repeat again, that with an appropriate adjustment and set up, it can successfully solve environmental and social problems. Therefore, in our opinion, such accusations of the market as the inability to provide social justice, environmental security, social needs can not be directly related to it, they can not (in principle) be resolved only by means of market mechanism.

Addressing these issues is the prerogative of completely different institutions, in the first place - the state. Practically, presenting these accusations the scientists considered the market as a global regulator of social ecological economic system, which is wrong in principle.

Conclusions

Thus, purely market economy does not solve problems associated with the excessive use of natural resources, rapid exhaustion of non-renewable resources, degradation of landscapes, opportune use of land plots for the development of those forms of entrepreneurship that would ensure the maximum return in the short term without regard to the needs of future generations, environmental security, and sustainable development. This is why in the 1960-70s, when environmental problems were exacerbated, market-oriented countries had begun an active search for effective market and state regulators, their optimal combination.

In economically developed countries models of mixed economy with a strong public sector were formed and function. State, corporations, banks, businesses, NGOs are equal significant attributes of a market economy, and combination of the interaction of state, market, institutional mecha-

nisms provide positive results in nature management and environmental protection. Economic development should not be an end in itself. This requires restructuring of the social model based on the strengthening of institutional regulation and environmental orientation of development.

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