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## STATE AND THE MARKET: PROBLEMS AND CHALLENGES

*Practice has shown, that efficient development of any country is connected with implementing achievements of the international experience, succession of the national economy, supervision and assistance of the government. The experience of the countries bridged over the difficulties of transformation periods pushes forward to the development of the relations between the state and market participants. The article displays methods of reasonable interrelations the state and economic entities.*

**Keywords:** state, market, supply, demand, growth, economic development.

*Практика показала, что успешное развитие страны связано с использованием мирового опыта, учёта национальных особенностей, поддержки преобразований государством. Опыт стран, преодолевших трудности переходного периода способствует пониманию необходимости развития отношений государственных институтов и участников рыночных отношений. В статье предложены методы рационального взаимодействия государства и субъектов хозяйствования.*

**Ключевые слова:** государство, рынок, спрос, предложение, рост, экономическое развитие.

Participants of the market often put a question about the role of the state in modern economy: is it a "pilot star" for civilized market or a bureaucratic entity, that use economic enforcement to provide optimum correlation for macro and micro-economical background. Let us see, what is going on in Russia.

Actually, Russian Federation is keeping the way of elaborating of state supervision of economy not for the sake of reforms but in order to improve standards of living. Post – crisis reality determines an important role of the state in the development of the Russian market, stimulating social responsibility of business, implementation of programs, that support non-protected economic bodies, working out universal regulations. There is no denying the fact, that is linked with a certain reinforcement of the state supervision, that contributes to financial stability.

Starting from the nineties of the XX century Russia entered the period of reforms. In latter fifteen years the role of the market and transparency has been growing. During the period of 2000-2005 a standard of living in the country has improved as a result of a reasonable state supervision the economic developments. Experience of the Russian Federation can be taken in consideration:

1. Having no commercial interest only state is able to support development of vital programs of ecology, infrastructure, social sphere, education. Success of the above mentioned programs benefits any society. The usage of only market methods it is difficult to provide stability of the economic growth. Uncontrolled market of 1991-1999 brought Russia to social polarization, unemployment and

tension. Taking into consideration the spontaneous nature of the market developments, state is able to provide positive effect on balancing supply and demand by regulating price formation, rate of growth and structure of the economic development.

2. Market participants are doing their best to reach self-supporting activity and achieve short-term results. Every enterprise, branch, region try to realize their own interest being guided by selfish demands of the microstructure. More than that, they act under conditions of the competition and their interests often contradict the state ones. It is impossible to fulfill the macroeconomic regulation only using the wheels of the market. Only state can establish proper relations between macro - micro level, general – partial, central - regional.

3. Change from planned to market economy is linked with asymmetry of the macroeconomy: market frame contradicts to strictly planned system, fast increase is accompanied by inflation, cyclicity of the economy is growing, efficiency of the national development due to the absence of the professional state supervision management is low. Under these circumstances the state is able to ensure social demand and to step up macroeconomic control over transition period in order to enforce economic stability.

History has shown, that state supervision does not mean involvement in economic activities of market participants. The intent of the state should be - regularization of the government control in accordance with society interests. At the same time main goals of the macroeconomic supervision can be as follows:

- provision of economic growth,

production increase, development of knowledge-intensive branches of economy, improvement of supply and demand structure;

- formation conditions for economic stability: increase of employment, price level support, etc.;

- setting up a principle of business social responsibility, that supports profitable activity of enterprises and fair competition.

During the post-crisis period Russia acquires experience of business administration, as:

- the necessity of ensuring progressive economic development;

- state support and legislative background of economic activity;

- stimulation of business and the state relations;

- regulation and supervision economic development.

It is worth while supporting financing, guarantying, insurance of export credits, promotion of national (regional) goods and services and integration market participants in the globalized economy.

Considering international experience, special attention should be paid to the lessons of the early European capitalism which proved the necessity of the centralized control over prices, quality of goods and services, regulation of interests rates, etc. There is no denying the fact, that any knowledge should be applied in accordance with national specificity. For example, there is a variety of proportion of monopolism and liberalism in different countries but the necessity of the state regulation of the economy is considered to be doubtless. At the same time the succession of economic cycles devel-

opment shows that self-curing of the recession is nearly impossible without the state involvement. More than that, the world experience shows, that during the crisis the tie between the state and market participants deepens. During the period of recovery or economic growth the state takes responsibility for economic and social background of population. State has a vast range of instruments to influence economic developments, budget, taxation, monetary policy, legislation, etc. in the interests of society.

For example, nowadays the government of the Russian Federation pays great attention to implementation of efficient fiscal policy initiating the economic growth, such as:

- increasing expenses on social programs;
- maintenance of strategic development;
- rational taxation.

Actually, the government of the Russian Federation is trying to use the instruments of monetary policy to soften the economic cycles. One of the main directions is a creation the Common Economic Space for cooperation.

Banks play an important role in providing financial support for the economic developments. At the same time, efficient banking strategy depends on estimation of economic needs on market participants, that demand high quality of goods and services of those, who can offer consumers goods of a better price and quality. Under these circumstance, equal treatment of all participants of the market and determination of general principles of economic activities can push forward cooperation of economic entities. Unified legislative base, efficient bank support creates steady background for economic area. However, its formation takes time and political will. State support of market participants, through reasonable resource distribution can help in recovering after the crisis.

World practice has shown the need of state support of non-protected participants of the market: small and medium enterprises (SME), private entities – real engines of any economic system. Special economic programs create favorable conditions for development activity of

enterprises, that are capable to solve economic problems.

Efficient regional cooperation is also connected with the necessity of working out common strategy of state and banking support of economic entities – participants of the interrelation process. Setting up such kind of a mutual program depends on complex analysis of economic demands and challenges of common market participants. Absence of thorough economical estimation of the situation leads to harmful consequences. For example, “tax holidays” for foreign investors evoked an over-production of automobiles in Brasilia and caused stagnation of some branches of economy. It is also ver important to provide investors with legal protection of their property – that is the key point of investment.

Politicians should not forget, that banks are the “circulatory system of mutual economy”, that helps to form financial background of market area.

The role of banks – intermediaries - is developing after the crisis: they are involved in risks management, providing clients with goods, services, assets, taking responsibility for economic development.

Thus it is very important for central banks of the countries, that are economic partners to reach the goal of cooperation and transparency. Business relations are to be built on the principles of common economic interest, reasonable government support and effective financial management. Technology improvement will also contribute to the development of the common marked.

Long-term credits, project financing (including syndicated loans) and well-balanced information exchange in all branches of economy are necessary for the development common economic area. Gouvernments have to take it into consideration.

Development of economic ties on the basis of common principles of economic growth is supposed to form a long-term strategic partnership of state and the market participants.

Experience of the recovery after the economic crisis shows that the main importance is not a perspective of the reform, but the way of their introduction to practice and adequate “step-by-

step” movement to amelioration. The main problem of “misunderstanding” between the countries is not economical but political. Sometimes politicians are not flexible enough to manage transition period.

The managarial ability of state institutions are displayed not only in understanding, but in support of development programs. Important role in this respect play export – finance and guaranty agencies, that help to promote economic cooperation.

International raw materials program as well as the common agricultural program can contribute to multilateral cooperation. Within these programs banks can provide enterprises with preferential and flexible pre- and post-export transactions short and medium scale lawns, etc. One of the forms of government participation in the support of economic entities can be, for example, the state financing of export or import of agricultural or other products and transferring it to private structures for realization. The medium-term financing against assumed goods and equipment, forfeiting, factoring, short-term commercial financing can also contribute to economic challenges. Assistance in the formation of joint international leasing companies with state participation and support will also develop technological base of cooperation and expand economic ties.

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