

## Theoretical and methodical approaches to definition of a class “market mechanism”

V. Skotsyk,  
candidate of agricultural sciences  
Bila Tserkva National Agrarian University

**The purpose.** To develop theoretical and methodological rules and approaches concerning definition of a class “market mechanism”. **Methods.** Dialectic method of scientific knowledge, analysis and synthesis; system generalization. **Results.** Analysis of world experience shows that without efficient market mechanism it is impossible to solve complex engineering, economic and social problems. However, developed market mechanism has some deficiencies and conflicts. The market can be not only organizing and creative factor, but also natural, destructive, generate complex economic crisis. These deficiencies of market mechanism require interference of the state in economic and social life of society. **Conclusions.** Efficient development of market economy requires justified use of state regulation of economy, including agrarian sphere. It is necessary to consider that the market model is realized under the influence of not only economic, but also administrative and other non-economic factors, connected to state functions.

**Key words:** *mechanism, economic ratios, market, state regulation, economic theories.*

Problem statement. In the current conditions of development of market relations in the agrarian sector of the economy, the primary goals of the strategic development of the national economy must be determined not only to ensure economic growth on an innovative basis, but also to increase energy efficiency of the use of the resource potential and competitiveness of the agrarian sectors. At the same time, an important factor in the realization of these goals is a combination of market self-regulation and state regulation of the agrarian market.

Market economy - an extremely complex phenomenon, which encompasses many economic, social, political, psychological and other phenomena. But if we distinguish only the economic side of the concept of "market", then it can be argued that it is a set of economic reproductive relationships that are formed in the area of exchange for the sale and purchase of goods and services. Thus, C. R. McConnell and S. Bru indicate that the market is an "institution, or a mechanism that reduces buyers (bearers of demand) and sellers (suppliers) of individual goods and services" [1]. In the process of exchanging their goods for money, which is a form of expression of value, most fully characterizes the social nature of labor, each commodity producer can determine how much his work is necessary for society and included in the system of social division of labor.

**Material and methods of research.** The dialectical method of scientific knowledge, analysis and synthesis is used to solve the problems posed in the work; system generalization.

**Formulating the goals of the article.** The purpose of the study is to develop theoretical and methodological provisions and approaches to the interpretation of the concept of "economic mechanism".

**Presentation of the main research material.** Commodity production, the basis of which is the specialization and social division of labor and the economic separation of producers, originated and emerged as a counterbalance to the natural economy, was a reflection of more developed productive forces and social relations, the growing needs of people. Under commodity production is the organization of a social economy, in which the economic relations between people (producers) manifest themselves through the market, that is, through the sale and purchase of products of their labor (goods). With the help of a market mechanism, there is a distribution of resources, their focus on the production of the

necessary consumer goods. At the same time, the economic motivation of commodity producers, the coordination of their activities are carried out through the mechanism of the market, including the system of supply and demand, prices, competition and other market instruments.

The ability to exchange products of their labor on other products is a necessary condition for the organization of high-performance production, to overcome the contradiction between the limited capacity of people who usually specialize in the manufacture of certain products and their growing needs in various goods and services. The market itself is a means of overcoming the logical limitation of human resources, when one commodity is exchanged for another and each of the participants of the exchange receives the necessary products for him. Without such an opportunity, the exchange of individuals' consumption would be insignificant and primitive, which could have been a brake on economic progress. It was about this that A. Smith wrote in his book "The Study of the Nature and Causes of the Wealth of Nations" (1776), justifying his principle of the "invisible hand" of the market, as well as representatives of liberal and other schools of economic science [2].

Consequently, the market mechanism, which proved its viability, is the achievement of world civilization, the most effective of all existing forms of organization of social production and exchange. The analysis of world experience convinces that without an effective market mechanism it is impossible to solve complex technical, economic and social problems. However, the developed market mechanism is not free from shortcomings and contradictions, which were emphasized by the representatives of the social-institutional and Marxist directions of economic science. The market can be not only an organizing and creative factor, but also a spontaneous, devastating, to generate complex economic crises. It is worth noting that the tendency towards the establishment of economic equilibrium laid in the market mechanism paves itself spontaneously, due to the imbalance. At the same time, the market-oriented mechanism aimed at obtaining the highest profits can not fully solve many economic and social problems (environmental protection, development of fundamental science, non-productive infrastructure, culture and education, health care), as well as problems of management, defense and other

It is these disadvantages of a market mechanism that requires state intervention in the economic and social life of society. In this regard, it is conditionally possible to distinguish three main variants of the forms of state intervention in the market economy, which characterize its genesis: the self-regulating economy of the "invisible hand" of the free competition market A. Smith; self-regulating economy in conjunction with state influence on the reproduction process; centralized planning-distributable state-owned economy with elements of the market.

Proponent of the first direction was A. Smith, who stood on the positions of unconditional market self-regulation of the economy. He believed that the "invisible hand" of the market without any state interference would force the peasants and others to produce goods in the interests of society. It should be noted that this position in the conditions of free competition had an objective basis, since its function in the market mechanism in this period performed most effectively. Indeed, the system of free competition involves a large number of participants, freedom of business, absolute mobility of capital movements, means of production, labor and other resources, freedom of pricing in the market, free choice of seller and buyers, lack of monopoly, etc. In practice, in a pure form, such an abstract economy, known as a system of free market competition, did not exist. However, its generalized model reflects the economic structure, historically preceding the modern market economy. Although A. Smith's position no longer corresponds to modern conditions of monopoly, some of its ideas and practical proposals are reproduced by neoclassicists and monetarists in domestic conditions and in other post-socialist countries in conducting economic reforms.

State intervention in the modern economy has not lost its weight, although in the countries of Western Europe, the USA and other countries with a market economy some of the state-owned objects have been privatized. However, the forms and methods of state intervention in the economy have changed. The role of indirect economic methods of state regulation of industrial and agricultural production has increased, and direct administrative intervention and direct economic impact (although to a lesser extent) have decreased.

The Keynesian theory of state regulation of the economy, which has dominated for several decades, has become subject to criticism in conditions of deteriorating conditions. In the 1950's, the neo-classical theory of monetarism, whose representatives (M. Friedman, C. Bruckner, A. Melzer, D. Leydler, R. Selden, I. Fischer, J. Hicks, M Brown, et al.) Came from the fact that the market capitalist economy is characterized by a special stability, which makes unnecessary state interference in the economy [3].

According to the theory of monetarism, which is a counterparty to Keynesianism, state measures to stimulate demand do not improve the state of the economy, but, on the contrary, generate imbalances and worsen the economic situation, since the impediments to the actions of "equalizing" mechanisms of competition and pricing. Using the recommendations of Keynesianism and monetarism in a changing environment has contributed to the fact that the United States and Western Europe, after overcoming the recession and depression, entered into the longest phase of economic recovery in the post-war period in 1982. But in the early 1990's there were manifestations of a new cyclical crisis, increased instability of the economy and declining rates of its growth.

Unlike Keynesians, modern monetarists do not focus on the principles of effective aggregate demand, but on the principles of the proposal, on the abolition of state regulation of entrepreneurial activity. They are in favor of lowering taxes on entrepreneurs, creating other favorable conditions for profitable business (liberalization of pricing, limitation of monetary emissions, reduction of budget deficit, etc.), reduction of monetary expenditures for social and social needs, in particular, for the abolition of minimum guaranteed wage rates and other Monetarists, exaggerating the role of money, believe that the functions of the state in the economic sphere should mainly be limited to regulation of the issue of money and lending, reduced to the role of "night watchman".

The ideas of monetarism (although M. Friedman and other representatives of the Chicago School proclaim its theoretical character) have embodied in the new economic policy, which was carried out in 1980-1990 in a number of countries. Most clearly, this was manifested in the United Kingdom ("Thatcherism"), the United States ("Reaganomics"), Israel, Chile, as well as other post-socialist countries [4].

Consequently, the main directions of contemporary world economic science reflect alternative models of the development of capitalism: neoclassical (monetarist) - development based on the mechanism of market self-regulation; Keynesian (Neo-Keynesian) - development with the use of active state influence on the economy. It should also not be overlooked by such important directions of world economic science as socio-institutional and Marxist. They argue (each of their positions) criticizing the possibilities of the market mechanism in the development of the economy and solving social problems, for recognition of the regulatory role of the state in the economy, the exceptional role in the development of society, the limited historical role of capitalism as a socio-economic system.

Each of these major areas of economic science has its advantages and disadvantages. Therefore, before the scientists in all countries of the world had a task to develop in the XXI century. a new economic paradigm. Representatives of the theory of "neoclassical synthesis" (P. Samuelson, V. Leontiev, V. Nordhaus, etc.) resort to attempts to reconcile and unite different areas of economic science, which open up great opportunities for developing a new economic paradigm, consolidating the achievements of science, offering more appropriate and effective forms and methods of state regulation of the economy [5].

The experience of agricultural development in the USA, Western Europe and other leading market economies convinces that an important role belongs to the state's economic policy. The latter reflects, first of all, the creation of favorable market conditions for the intensification of agriculture, the development of industrial and social infrastructure in the countryside. Regulation of the investment process in agriculture and other branches of the agrarian economy is carried out through state programs for maintaining prices for agricultural products and revenues, organizing a state inspection of quality and a system of national standards. The state is involved both in the formation of demand for food and raw materials in the country, and in stimulating the export of agricultural products. By creating favorable conditions for the development of agriculture and other spheres of the agrarian economy, it thereby

carries out social protection of the population of the country through the support of low prices for food and agricultural raw materials.

At the same time, centralized planning and regulation of the economy with administrative-command methods of management involves policy-setting and support of reproductive proportions. The central substantiation and practical implementation of the centralized management of the economy was obtained in the USSR in the 1930s, after the new economic policy (NEP) was curtailed with its market-based methods of economic impact on agriculture. Manifestation of command and control methods intensified during the five-year period, despite attempts at economic reforms in the mid-1960's and late 1970's. Thus, in the 1960s, it was allowed to create at the enterprises, at the expense of profits, a production development fund, social-cultural support funds and material incentives. In the 1970s, the role of market methods in the organization of economic calculation in industry, agriculture and other branches of material production, at non-manufacturing enterprises increased somewhat. However, this did not change the principles of the centralized planning and distribution system of economic management.

However, it can not be argued that this socio-economic system does not have the capacity to solve urgent and large-scale tasks. Although the rigid state-planning economy is weak and slowly responding to the change in demand, the ratio of supply and demand, allows for the existence of costly and loss-making production, nevertheless, it is capable, as it convinces historical experience, by the strict centralization of resources in the short term to make the transformation of a backward agrarian country into an industrial . However, the planning and distribution system, capable of solving the problem of extensive economic development in extreme conditions, was an increasingly contradictory issue with the problems of intensive economic growth on the basis of the effective use of the achievements of scientific and technological progress. The situation changed only in the early 90's when, during the radical economic reform, a transition to a mixed economy and market relations, the formation of a market economic mechanism was made. It expanded the boundaries of state regulation of the economy and accordingly changed its goals and areas, subjects and objects, forms and methods, social consequences.

It should be noted that the question of the market, its relationship with the plan and trade were discussed in the economic literature of the country in the early 1920's, especially in connection with the transition to the NEP and the development of commodity-money relations. However, in the late 1920s, the discussion was curtailed, although the question of the forms and methods of combining "planned socialism" and "market NEP" is one of the key issues in the development of agriculture and related industries, increasing their socio-economic efficiency.

During the discussion, different points of view were expressed. Thus, Y. Preobrazhensky proceeded from the fact that the plan and the market are forces that antagonistically oppose each other. Moreover, he did not link the contents of the plan with the law of value, but with the "law of primitive socialist accumulation", which requires other proportions between industry and peasant economy, overcoming of market relations and the law of value in order to suppress the non-socialist sector of the economy and "transfer" money from the village for the "industrialization" of the country. Such an approach was consistent with Y. Preobrazhensky with its superficial, one-sided interpretation of cost forms (money, prices, profits, etc.) as purely external, deprived of the real economic content of categories that have only accounting and costing character. In practice, this could lead to adventurism and in the planned leadership of the national economy [6].

In contrast to such position economists L. N. Yurovsky, O. L. Mandelson and some others. recognized the importance of studying the real market and using the law of value in economic activity when regulating reproductive proportions and processes. Thus, in 1926, Professor L. N. Yurovsky emphasized that the transition economy was "a commodity economy system". This provision does not exclude the recognition of these scientists as a leading role in the economy of the public sector, organizing the role of the state in the development of the national economy, the need to combine the plan and the market as a factor in the dynamic balance of the entire economic system of the country [7].

Theoretical and methodological discussion of the 1920s about the plan and the market has been reflected in the approach to planning and regulation of the national economy, including agriculture. During these years, discussions were held on two approaches in this area - about "genetics" and "teleology".

Representatives of the teleological approach (S.G. Strumilin, G.M. Krzhizhanovsky, etc.) absolutized the plan, proceeded from the goal and achieve its volitional methods [8].

Moreover, they considered the goal as a kind of "social engineering", which was rigidly determined in the form of calculated quantitative indicators of the plan, which are brought to the executives on the bureaucratic principle from top to bottom. The achievement of this goal was based on the political will of the leadership and the enthusiasm of the workers of the city and the countryside.

At the same time, the representatives of another, the genetic approach (MD Kondratiev, VO Bazarov) relied on planning and settlement in the light of objective trends and patterns of economic development of the national economy, in particular agriculture and related industries, on the decisive role of the market in relation to the plan, uniting and organizing the power of market relations. With the element of spontaneity, the market is known to have both a unifying and organizing side that manifests itself in supply and demand regulation, public accounting and recognition of labor market results. Thus, M. D. Kondratiev emphasized that it is important to take into account not only the goals but also to take into account as far as possible the following: objective condition of economic conditions for reflection in the planned tasks of economic results of work; probable trends of their development; resources and opportunities for influencing the process of economic development; probable effects on it [9].

Consequently, for all the differences between these two areas in the planning of the national economy and regulation of agriculture, their representatives nevertheless took into account, albeit to varying degrees, both objective economic patterns and socio-economic objectives of the plan, the means of achieving them.

However, in the transition to the NEP (especially at the initial stage), many believed that the market was the embodiment of spontaneity and capitalism, and the plan - socialism, that relations between them should be based on an antagonistic basis, on the struggle of opposites. It did not take into account that a developed market can be regulated and managed, organized. Moreover, a theoretical and practically possible combination of a plan and a market, and the plannedness implies a regulated market, and the latter can not function effectively without a known scheduled start. If the plan and the market are not combined, then the command and administrative methods and voluntarism that generate elements and disparities, deficits and other negative consequences in agrarian and other spheres of the economy begin to prevail in the planning and management.

In the conditions of the NEP, the former Communist left-wing model of the transition to socialism, characteristic of "military communism," was radically revised: from the rejection of commodity-money relations, they moved to reliance on the market and trade; from the denial of private interest to its combination with collective and nationwide, to the active use of economic calculation, its economic methods and incentives related to the law of value. At the same time, this was not about confronting "elements of the market" and "planned start", but about their rational combination in order to strengthen the unifying and organizing power of the market with the effectiveness of the plan, strengthen the objective basis of planning and economic regulation of agriculture, reduce the danger administration and voluntarism.

In the multifaceted economy of the "classical" NEP, the market was seen as a system of free commodity production and exchange between enterprises and organizations, the city and the countryside. Must have been created conditions for competition, limiting the monopoly of any form of economy and property, ensuring their diversity, economic and social equality. It is in the market conditions that it is possible to identify the economic needs of agricultural development and the associated social division of labor industries, to find ways to meet personal and production needs.

The regulated market is the main economic instrument for democratic coordination of actions and interests of participants in social production and exchange in the city and in the countryside. In this social role, as convinced by world experience, he does not have a decent alternative right now. The

development of the social character of production and exchange is accompanied by the development of the market as a unifying and organizing economy of the beginning.

The strengthening of state interference in the economy was also observed in developed capitalist countries, especially during the period of the global economic crisis of 1929-1933. The theoretical basis justifying the necessity of this step was the work of the English economist J. Keynes, primarily his main work, "General theory of employment, per cent and money "(1936) [10].

In it, the author proved that the state, using tax and credit and financial policies, can stimulate the aggregate demand of society and regulate the market in the right direction, accelerate economic growth, increase the level of employment and its welfare. The practical work associated with the practical realization of the ideas of Keynesianism was carried out in the United States during the crisis of the Great Depression of 1929-1933. Given the name "Roosevelt's new course", this work identified the central link in the strengthening of state intervention in the economy. It is about carrying out the anti-crisis policy of the state, overcoming the negative consequences of the recession (the decline of production), stabilizing the economy, improving the finances and money circulation, and eliminating mass unemployment. It should be noted that in the postwar period, many countries with market economies used the provisions of the Keynesian theory for the restoration of a destroyed economy, the re-conversion of the economy and stimulation of its growth. The modern market economy, including those formed during the transition period, requires antimonopoly regulation, a system of systematic measures to overcome inflation and recessions in the agro-industrial and other spheres of the economy.

At the same time, it is not necessary to absolve the need for state intervention in the economy, to allow a patterned approach to its boundaries, spheres and methods. Effective state regulation of the economy requires appropriate material, market, organizational and other conditions, fundamental scientific substantiation and high qualification of performers, taking into account the features of the socio-economic system. The simplest and most correct solution is that the state influence on the economy is expedient only to the extent that the market mechanism of self-regulation is not possible or does not provide the proper economic and social effect.

### **Conclusions**

The generalization of the foregoing gives grounds for concluding that the effective development of a market economy requires the well-founded use of the levers of state regulation of the economy, including the agrarian sphere. It is also obvious that in the modern monopolized economy the regulatory role of the state is more weighty than in the market system of free competition of the seventeenth and nineteenth centuries. It should be borne in mind that the market model is implemented under the influence of not only economic, but also administrative and other non-economic factors related to government functions. Moreover, the role of the latter as the complexity of economic development of the country increases, as to address the various social tasks of society, it is necessary to strengthen control and social responsibility on its part, harmonization of private, collective and national interests. In particular, P. Samuelson stressed that the economic role of the state has steadily increased [11].

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