РАЗДЕЛ IV. ЭКОНОМИЧЕСКАЯ ТЕОРИЯ

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The public sector and its importance in the national economy

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Abstract

The article substantiates the importance of the state sector of the economy in the system of the national economy. The shortcomings of the market economy are listed. The issues of organization and main directions of functioning of the state sector of the economy are considered. The essential functions, basic elements, and activities of the public sector are presented.

Key words: public sector, national economy, functions, socio-economic policy, state property, regulation, public administration, public goods.

The state sector of the economy is necessarily present in any country of the modern world, it is an objectively significant and public institution of the state. It is intended to serve the main goals of a democratic society, act as the main regulator of economic stability, ensure economic growth, sustainable socio-economic development of the country and increase the national wealth. As an integral part of the mixed economy, this sector of the economy is fully controlled and regulated by the state, authorized responsible persons, that is, various state authorities and management. The public sector largely contributes to the solution of global economic problems that market regulators and mechanisms cannot cope with. At the same time, «...the public sector is responsible for implementing national programs and projects aimed at overcoming these problems...» [5, p. 112]. This sector is one of the main participants in the socio-economic life of any state, has national characteristics and its own specific features. In modern conditions of development, the public sector is a multi-level state institution, whose activities are primarily related to the implementation of the social and economic policy of the state.

The organization and functioning of the public sector of the economy are caused by objective reasons of the market economy, when it itself is not able to cope with overcoming crisis phenomena and meeting vital social needs. The shortcomings of the market economy that require state intervention include:

- market structures are characterized by instability of the economy and can not provide a normal process of expanded reproduction;
- periodic occurrence of the «externality effect» or manifestation of so-called «external effects», as well as the presence of «incomplete markets»;
- business does not seek and does not want to organize the process of production of public goods due to their unprofitability or low profitability;
- the need for continuous support by the state of theoretical (fundamental) science and solutions to environmental problems;
- problems of monopolization of certain sectors of the country's economy and the constant presence of factors of unfair competition;
- in the process of competition between producers, poor quality or asymmetric information is constantly emerging;
- the need for social protection of the population, reducing unemployment and maintaining the quality of life at the appropriate level on the part of the state.

Through the structures that make up the public sector, the government regulates the national economy, produces the necessary public goods that the business sector of the economy cannot meet, and creates the prerequisites for sustainable economic growth. Only the public sector, which is a necessary element of the national economic system of any country in the world, has a special status and has specific functions, can effectively and efficiently influence the restructuring of the country's economic structure. The state maintains a social sector and owns a fairly extensive and extensive production infrastructure. The organization of various types of business activities at the state level in many ways helps to accelerate the process of accumulation of national capital, leads to a way out of the crisis, but necessary for the country, sectors of the economy, contributes to the development of foreign economic relations and strengthen positions in the world.

Through the state sector of the economy, the government of the country carries out planning, regulation, accounting and control of the national economy, as well as conducts budgetary, foreign economic, monetary, financial, tax and social policies, performs targeted activities to activate important socio-economic processes, and helps market economy entities overcome crisis phenomena.

The state sector of the economy has three main functions: efficient allocation of production and financial resources, redistribution of income, and stabilization of the national economy. Therefore, this sector of the economy accumulates state property and disposes of a certain set of resources, including financial resources, which are accumulated through the state budget.

The presence of state ownership, production of public goods and ensuring national security, the implementation of measures on social protection of the population and the provision of state guarantees, and state regulation of the economy aimed at sustainable socio-economic development of the national economy, state control and direct state control of economic agents by government authorities and are the distinctive characteristics of the public sector.

The public sector performs important tasks for society, including stabilizing the processes taking place in the national economy. Today, this sector of the economy comprehensively covers the system of various «enterprises, institutions and organizations that operate on the economic and legal basis of state ownership in order to implement the functions of the state in the economic, social and political spheres» [2, p. 2028]. The efficiency of activity of the public sector is characterized by various socio-economic indicators.

The efficiency of the public sector, typically characterized by the size and cost of state property, a number of existing state enterprises, including created in the form of public-private partnerships, the scope of their activities, volumes of products released from production and its share in GDP and number of employees in public administration bodies and qualifications of the professionals.

The importance of the public sector of the economy can be viewed from two diametrically opposite positions. On the one hand, it is an Autonomous, effective mechanism for state control and regulation of the economy, designed to ensure comprehensive implementation of government decisions aimed at stabilizing market processes, ensuring the efficiency of the national economy, dynamic socio-economic development, implementation of social and public events and improving the quality of life of the population. On the other hand, the state sector of the economy itself is subject to regulation and control by the state, since it is the owner of property, an investor in major national projects, an organizer of fundamental scientific research, as well as the final consumer of products, works and services for public use.

The public sector of the economy has not only dual significance, but also a rather complex and extensive structure of its functioning. It acts as a single economic body of the state and plays a particularly important role in various key positions of the national economy.

Therefore, the category «public sector» can be attributed to the national economy as a whole, to administrative-territorial and local institutions and organizations, state enterprises and corporations, as well as public authorities. At the same time, the public sector of the economy is part of a mixed economy that includes education, health care, social services, various state institutions and organizations, and state-owned enterprises engaged in commercial activities. The following elements are distinguished as part of the public sector of the economy:

- state-owned enterprises and corporations that operate on the basis of state ownership and represent the so-called «business sector of the state»,
- authorities and management at all levels of the Russian Federation – federal, regional and local, which carry out state control and regulation of the economy, that is, the public administration sector,
- budgetary institutions and organizations engaged in the production of public goods and services (education, health, culture, social protection of the population, etc.), that is, the social sector of the state.

The structure of the business sector of the state includes state corporations that carry out their economic activities in strategically important sectors of the national economy, and «...it includes state corporations whose activities contribute to the consolidation of capital, the integration of specific assets in priority areas of industrial development...» [3, p. 71]. These include the military-industrial complex and the space sector, oil and gas production, precious metals and stones, and rare earth metals, as well as the fuel and energy complex, shipbuilding, aircraft and automobile construction, transport infrastructure, mail and communications. In the structure of the public sector there are also companies with scientific and technical focus, carrying out fundamental research in a national scale in innovation and new technologies, including in medicine and microbiology.

Public investment indicators also play a significant role in assessing the performance of the public sector of the economy. These indicators include, first of all, the volume of capital investments made by the state, the volume of GDP, as well as the volume of investment in the country as a whole. An important indicator is also the volume of government orders executed by enterprises, both in the private and public sectors of the economy, as well as its share of GDP.

The public administration sector has a special status and occupies a special position, as it is necessary for state regulation of processes occurring in the national economy, coordination of public sector entities and creation of prerequisites for sustainable economic growth. The public administration sector provides a system of functioning and «...optimization of economic processes, norms and rules of economic activity of economic entities, citizens, consolidation of their initiative and opportunities for mastering the productive forces and their use...» [1, p. 271-272]. The activity of the public administration sector is characterized by various indicators, namely the dynamics of the number of public servants, expenditures on public administration, etc.

In modern conditions of development of the national economy, financial investments by the state in the development of human capital, as well as in the innovative development of the national economy, namely, in the material and technical base of education and science. Such investments are not considered as current expenses, but as the most effective type of investment. Therefore, the state sector of the Russian economy makes comprehensive use of financial resources for the production of public goods and services, such as education, medicine, social protection of the population, culture and art, development of public transport, territorial infrastructure, environmental safety, etc. The expansion of produced public goods largely contributes to improving the quality of life of the population and the development of human capital. The state sector of the economy finances basic scientific research, implements projects to ensure public security, makes capital investments and investment projects, and provides financial support to strategic sectors of the national economy. The activities of the public sector of the economy are aimed at solving important socio-economic problems and

relieving social tension in society, reducing unemployment and the population living below the poverty line, improving the quality of life of all members of society, that is, has a positive impact on improving the level of public welfare.

Thus, the functioning of the public sector of the economy is aimed at meeting public needs and sustainable socio-economic development. The public sector produces necessary goods for society and provides social services. At the same time, the social sector of the state represents «... exactly those types of activities (education, health care...) that in the public sector are focused on providing non-commercial services...» [4, p. 57]. State regulation of the national economy is carried out through public sector structures. With the direct participation of the state sector of the economy, social development aimed at improving the level of well-being takes place.

The public sector produces the necessary benefits for society, ensures the implementation of social guarantees to the population of the country, and also carries out state regulation of the national economy, especially in times of crisis situations. At the same time, during the period of declining economic activity, the public sector increases the volume of investments in fixed assets of companies with state participation, thus trying to resist the growth of unemployment and the decline in industrial production. The state creates new companies or reconstructs existing ones in those areas of the national economy, as well as in the territories of the country where private business is reluctant and not very interested in investing its capital. The public sector plays a crucial role in basic scientific research, as well as training qualified personnel for the national economy. In General, this sector of the economy contributes to the growth of the efficiency of the entire socio-economic system of the country and is one of the main tools for the redistribution of GDP. At the same time, the public sector performs controlling and stimulating functions, as well as creates prerequisites for sustainable socio-oriented economic growth.

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