THE INTERACTION MARKET AND GOVERNMENT CO-ORDINATION

Anatolii O. Zadoia, Alfred Nobel University, Dnipropetrovs’k, Ukraine
Anna N. Pilipenko, of National mining university, Dnipropetrovs’k, Ukraine

Abstract
The co-ordination as process of the mutual sequencing plan economic subject is provided through operation of specific institutes. Market and government are main ones among them. In article reasons of the contraposition market and government co-ordination are considered, theoretical approaches to consideration of their operation in models of the national economy are analyzed. Need of consideration market and government as equal, interacting between them and mutually conditioning each other elements of mechanism to co-ordination is motivated.

Key words: Market and government co-ordination, comparability of the co-ordination forms, the right, the political power, institutes.

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1. Methodological sources of government and market dualism
Any national economy has the certain way of the economic action subject co-ordinations. Usually to such way we refer the market co-ordination, realizing on base of the interaction of the demand, offers and equal of the prices, as well as government co-ordination (administrative), based on site planning and order-command organ state authorities. Thought about principle impossibility of the join government and market in one model of the co-ordinations was confirmed in economic theory, because these forms are definitions of different levels and not compatible with each other in principal. Market is considered as forming economic system. Its mechanisms are based on stimulus and sanction derived by commodity-money relations and competitive fight. The government is considered by element of the political system. In him checking on economic activity is realized not through economic, but through powerful relations. Thence follows that administrative co-ordination objective denies the co-ordination market.

V. Repke [1, p. 146] said on this cause enough clearly, confirming that "the task of the order in each concrete event can be solved or through the price, or through state organ. In public facilities that or the other way must prevail. There is between the price and department nothing, more precisely, between them is a chaos. It means that if economic order is not stimulated through the price, that co-ordination and stimulation must be realized through plan and orders. Here is not third way".

Such hard position for nature state and market in one or another degree is typical for all directions of the modern economic science. The history witnesses that in XX century only two attempts of the theoretical analysis of the ways of the join market and state co-ordination was undertaken: the debates 20-th years in USSR about correlation of the plan and the market and ordo-liberal concepts about interdependences economic order. Soviet economists did not have any doubts. They said that principal other form relationship between economic agents – plan appears near the market co-ordination. The practice of the socialism building had aim to create new, more efficient form of co-ordination. Researching interrelationship the plan and the market, one theorists opposed to these mechanisms, being convinced supporter of the gradual displacing
natural market regulator planned (E. Preobrazhenskiy). Other persisted on rationalizations market value forms through planning of national economy (A. Bogdanov, N. Bukharin). Developing ideas of the joint natural market and conscious planned co-ordination, A. Ayhenvalid, A. Mendelson, L. Yurovskiy confirmed that neither plan, nor market in condition of the connecting economy can not create and do not create specific equilibrium condition. The balance of the economic system is fixed only on base their mutual adjustment. The plan takes into account the price signals a market, operating the market forms is adjusted by plan.

V. Bazarov, V. Groman and N. Kondratiev in dialectics of the plan and the market saw need dominance of market co-ordination, considering prices as base of the collation of the economic processes. Plan was conducted auxiliary role - "foresee most total directions of the development, adjust the commodity-money facilities, not breaking herewith required for it balances" [2, p. 198]. The theorists noted the exclusive difficulty to practical realization given tasks since always appears the danger in total to come to the general administration. In particular, N. Kondratiev [3, p. 94] confirmed that "when we foresee natural resultant that we, hereunder, take over determined directives on organizations necessary action": it means, V. Bazarov [4, p. 178] continued, "the tasks government revolve in vicious circle: it is necessary to possess the market, but possess him means its delete".

These precautions gained special importance since reflected whole frailty and vagary constructed by theorists of the mechanism of the joint market poetries and plan. Today we can confirm that soviet economists have not been able to create the effective methodological approach, which has allowed him to see in mechanism state and market co-ordination total, connecting beginning. Founding on methodologies of the Marxism and moving toward neutralization difference between the market and state (natural-conscious), researchers lost harden ground underfoot in quest of connecting central to state and market co-ordination. That is why all variants of the solutions of the joining the plan and the market problem remained hypothetical. In practice Stalin's administrative model won.

With development of the mathematical methods of the analysis problem joint market and state once again left on foreground, however studies in this area were already realized at no charge to searching for central to efficient joint market and state co-ordination, but on proof advantage some one of them. So, Polish economist of the Marxist direction O. Lange [5, p. 43] coming from hypotheses of the neoclassical theory has proven the theoretical possibility of the payment of the optimum prices by administrative way, having reconstructed when functioning market. These ideas have obtained recognition in USSR and were develop economist of the mathematical school, proving advantage to planned co-ordination. The idea of the possibility of the more efficient operating the planned socialism in contrast with capitalism actively supported Y. Schumpeter [6].

On the other hand, L. von Mizes and F. von Hayek, as well as P. Suzy and C. Bettelheim, joined to debates about plan and the market, persisted on inconsistency of the plan as instrument to conscious co-ordination with co-ordination spontaneous, typical of the market. Hereinafter problems to co-ordinations, which all with greater degree started to reveal itself in the course of developments of the socialist countries, have forced the scientist-economist definitively to make sure in impossibility of the practical realization to ideas of the joining the plan and market. They, strictly, have removed for frames of the subject of the economic science all following attempts scientific searching for in given direction. History experience itself was shown by eloquent certificate to principle inconsistency mechanism market and state co-ordination.

Again problem of the correlation of coordination mechanism appeared in German neoliberalism. The theorists and politicians in postwar Germany happened to settle the problem about transformation their administrative economy in more liberal. It means to make again the attempt of the joint market and state regulator. In the course of decisions of this problem, V. Oyken has brought forth the position about interdependences political, economic and legal order and on this base has undertaken the attempt of their join.
The realization of such scale task required using to methodologies of interdisciplinary approach. However, at period of the functioning V. Oyken on "National economy" (1947) only separate elements of such approach existed. It is main reason, why German economists as well as not to manage to create the theory, in which state and the market as forming different order could be connected on some united base. V. Gutnik [7, s. 24] notes, "in theories V. Oyken obviously economic methods studies dominated, though subject - a creation of institutional frame conditions - expects, to say the least, join legal and economic methods and parameters, which defined the condition of the management, in spite of proclaimed thesis about interdependences, were removed from economic analysis and lost its historical. Concept of the economic order was not completed by V. Oyken; many its elements remained undeveloped".

What introduces, the whole problem was concluded in that V. Oyken not was able in theoretical plan to rise to understanding the deep bases of poly-systems, which allow to consider the separate elements of society as interdependent and, that is most main, as equal. That is why the economic sphere dominates. Defining mechanism to co-ordinations to new German model V. Oyken considers the price and competition. The central failure site-operated facilities he sees exactly in absence of the free pricing. The scientist indicates that state influences upon economic life through shaping the frame conditions, not being herewith direct coordinator of the economic process. It only gives the people a possibility by itself to take into account the existing condition, adjust to them. Other word, state only adjusts the market co-ordination.

Thereby, and in the soviet theory in 20-30 years, and in ordoliberalism attempt of the correlating market and state co-ordination was terminated by determination as dominant market form. In the further study economists-theorists the speech already solely about state interference in economy in the form of the regulation, but nowhere near not about state co-ordination.

2. The role of state in economy: "fliasco market" correction or something greater?

In modern understanding market is considered as the main way to co-ordinations economic interaction. The state, as forming political system, is joined to it only in that degree, in which it cannot execute own functions. As nor paradoxical, but practically all directions to economic thought agree with this view. Neither use in principal different methodological approach, nor idea oppositions on question of the decisions of the many economic problems have not disturbed the theorists to come to one and same output: state in economy executes that can not with the top efficiency to execute the market. As a rule, debates between scientists are for practicability, scale, the forms and methods state interference in economy, but do not concern most principle of the join market and state co-ordination.

Neoclassic scientists have the most consequent position in this question, persisting on self-sufficiency of market self-regulation and minimum participation of state in this process. Coming from the main positions of this theory, price solves all problems to co-ordinations. It checks the production, since profits of manufacturers depend exactly from level of the prices. The prices define distribution, installing value income, on which will be gained goods.

The state as subject regulative economy appears only because of what the market cannot to account their mechanism to solve the certain problems. There are in view of so named "fliasco market" (the collapses), which reduce the coordinated role of the mechanism of the self-regulation and point to its inability to provide Pareto-efficiency. As total principles of the operation state in economy they bring only that, which are determined by market form to co-ordinations. Representatives of the other directions to economic thought go on such way, differing, ho-never, choice of the direct spheres of the state influence on economy. So, in Neo-Austrian school, and, first of all, beside F. von Hayek, state is removed for limits economic interaction because of what the market wholly capable by itself to regularize economic activity. This is realized to account of the competitions and free pricing, which accumulate and process knowledge, diffused between members of society.

The price system, according to Hayek, is invisible, unrelated to individual perception structure, which makes people act under the impact of virtually unknown circumstances and leads to
unintended results. During this process, every individual having abstract price information on the state of the system as a whole and simultaneously personal knowledge of a particular situation can integrate into the general order, take actions that will provide the greatest benefit to him. By means of this every individual will contribute to fuller achievement of the unknown objectives of the unfamiliar people who create demand for his goods.

State intervention in the economy distorts price signals and, thus, violates the spontaneous order. Therefore, in the concept of F. von Hayek, state is considered as an element of the political system that is needed to facilitate market performance and secure legal mechanisms for the implementation of special regulations. In this regard, F. von Hayek [8, p. 162] writes that "under the pressure of the universal rules of code of conduct which protect private property rights, spontaneous order will be set independently, by itself, and will be more complex than that resulted from deliberate actions. Consequently, compulsory government’s function should be limited to monitoring the implementation of these rules".

The need for a broader scope of state intervention in the economy compared with the neoclassical approach is recognized by ordoliberals. Representatives of this school believe it is inappropriate to limit the role of state to the sole function of maintaining economic management rules. The state, in their opinion, must establish these rules and change them when they cease to be effective. Thus, the influence of legal domain on economic activity in terms of approval of state helpfulness in establishing a free market is to increase.

One can clearly see all the same compensatory approach in this position: since the market is unable to carry out its coordination function without proper rules, the rules should be provided and adjusted by the state. German scientists contend that "... economic disruptions result from external impacts which a market economic system is not able to withstand and then asks state for assistance, or from inefficient order which is the fault of economic policy" [9, p. 23].

Methodologically, Keynesianism differs from neo-classical school and neo-liberalism since it advocates the idea of large-scale impact of the state on the economy. However, the state involves in the economic sphere, yet again due to imperfect markets. Keynes argues that under conditions of the domination of monopolies, increasing wealth of society and decreasing propensity to consume the market mechanism is unable to establish equilibrium. The state by means of maneuvers on expenditures and revenues maintains a sufficient level of effective demand.

Keynes says a lot about risks and uncertainties that distort decision making opportunities in the market environment. In the subsequent evolution of Keynesianism, and especially in the post Keynesian economics, these ideas take on a special meaning. "The main function of the state, according to post-Keynesians, is not eliminating negative externalities and fighting monopolies, but coercing to fulfill contractual obligations, that is, ensuring their enforcement ... Without such an activity the existence of the market is threatened, for confidence in contracts is lost and most market participants will avoid making contracts" [10, pp. 15-16].

Considering approaches that are implemented in institutionalism in relation to the role of the state in the economy, we should study both traditional institutionalism and new institutionalism or neo-institutionalism. The position of traditional institutionalism (old school) is that the state is an institution that develops and provides the general rules of the game in order to increase prosperity and justice. This stream contains only a general methodological approach, defending the need for government interference with the economy aimed to promote the effective functioning of the market.

New institutional theory regards the state as the creator of formal rules and guarantor of their implementation. In frames of this stream there has been developed the theory of state as an organization that unites actors aspiring to influence political decisions to maximize personal gain. Nevertheless, neo-institutionalism does not aim to expand scientific research to the simultaneous consideration of the market and state as institutions of coordination; hence there dominates all the same inherent in neoclassical economics approach to the study of economic functions of the state on the basis of "market failure": high transaction costs to protect property rights and competition, creation of channels for information exchange, provision of public goods, etc.
Thus, we see that in the main streams of economic thought the market and state are opposed to each other as originating in different spheres of society – economic and legal. Hence there is a definition of their compensatory role in relation to each other, which can be described by the principle of "a ruler": one end represents the economic principle of the market, the other one – the political principle of state authority. The longer economic end, the less room is left for the state. Such an understanding, of course, simplifies reality and allows us to study the mechanisms of market and state regulators. At the same time, this interpretation is treacherous in practical terms, for it leads to awareness of the opportunities via deliberate control to design such a coordination model where either party might be reduced to unjustified minimum.

The practice of implementing liberal reforms in post-Soviet space brightly testifies obvious failure of such an understanding of interaction between state and market. In L. Abalkin's [11, p. 7] view "we need to understand the logic of social changes, learn how there form modern mechanisms and structures of economic and social processes regulation, and how to bridge the gap between market and state, so user-friendly in terms of methodology and teaching, yet so far from reality".

It seems that this task could be performed with the help of approach that would advocate for retreat from opposing various spheres of society. In reality, the economy is not isolated from society; it interdepends and actively interacts with the political, legal and cultural systems. Therefore, economic system can acquire a certain structure or complicate it due to co-operative effect of many processes related to the purposive activities of people in the economic, political, legal and socio-cultural spheres. This enables us to understand that the state and market, being the elements of different systems, have common zones on the scale of the entire social organism functioning.

3. The conditions for the state and market coordination joint functioning

The theoretical approaches that we have considered through their relation to the market and the state, allow us to the very important generalization. Contrasting these phenomena, researchers implicitly or explicitly connect the coordination of economic activity with the coordination of plans of householders. This activity is based on the certain rules. There were no rules discussion in the Walrasian equilibrium model that F. von Hayek have already said about the necessity of following the rules, believing that the market coordination is difficult process to achieve rules. Following rules is seen by Keynesianism protect the contract, as too of uncertainty reducing. In the theories of ordoliberalism the category of economic order is based on the rules and mechanisms that ensure their implementation. Institutionalism initially proceeds from the rules and investigates their influence to the economic processes.

In this connection the question appears why did so different schools of economic theory (in their subject fields and methodological premises) finally reached the same result-specifically connected coordination with the rules? Reflection on this issue has leaded us to the conclusion that the researching of coordination mechanisms of economic subjects’ actions, it is impossible to avoid the problem of finding the equivalent search. On which could be relate and thanks to that equivalent. It could be possible to find the contact point of contradictory individual interests.

Neoclassical theory has unified the people by presenting them as rationally acting individuals who can achieve unity on the basis of cost and value balance. The equilibrium price creating the ground for the equal estimation of the same individual behavior and at the same time had formed the basis for coordination. If the individual is turned into a human and return him to his own nature and admit the existence of different motives of his activity in that case the description of the coordination only on the basis of mechanism price will be rather complicated problem. According to L. Teveno [12, pp. 19-46], "If we want to investigate general cognitive forms that agents use and which allow them to coordinate their actions, that’s why first of all, we need to focus on the categorization and codification. The search for the static equivalent plays superior role ... We need to examine the huge variety of ways forming equivalence between persons or things by developing standards or other conventional structures".
Considering the economic activity as a reflection of the real action of real person, we inevitably go out on the understanding that it can be compared only on the basis of the following general behavior rules. Indeed, decision-making, according to the objectives and way of behavior, belongs to the individuals themselves - they independently choose correctly as for them and appropriate examples of certain actions. The above mentioned causes the individual character of choice. But person is not isolated from other people. The person is connected with other people by the system of interactions and therefore through choice has to consider similar free actions of others. That means that the same freedom of all to create the peculiar immanent freedom of everyone. And this means certain form of compulsion for every free man.

Due to the rules, certain actions from the set of possible alternatives become mandatory or optional for each individual. The rules normalize and standardize public relations. Due to the rules, in fact, an order guarantee is provided as a reliable self-orientation (because everyone knows the rights that he and others have) as well as a prediction of action results (since there is the effect to performance penalties for violation of its own rules and for similar actions of others considered). Knowing the rules, every member of society can make conclusions about the behavior of others in certain situations. Due to this, he can also plan their actions considering the expected stability of the reaction of other agents, and feel confident in each of the possible situation. The rules specify options of human behavior, knowledge of the rules coordinating the behavior. Thus, the need to align individual actions with other people is caused by the principles of life in society. This understanding of coordination allows us to assert that the market and state coordination are not morphologically alien, as they are based on the rules. Moreover, both forms are not the only ones possible. Based on the various levels of functioning rules, O. Williamson was the first, who introduced the concept of multiplicity of coordination ways. Developing this idea, the representatives of the French regulation school of L. Teveno, L. Boltanski, O. Favreau revealed in organizations the presence of four, dominant types of coordination, such as: domestic or patrimonial, market, industrial and administrative. Lately widespread approach has been acquired, which identifies and research another form of coordination - social and industrial networks. However, the networks participants are guided in their actions not by rules as general expectations and understanding, which was developed on the basis of interpersonal relations.

So how market mechanisms and state coordination can be compatible on the basis of the rules? First of all it works due to their interaction. Indeed, if we consider the market as a spontaneous order, we can find the elements that operate on the rule-conscious basement. For example we can analyze the tough organization and planning for individual firms, which operate under conditions of economic freedom. As noted by Charles Lindblom [14, pp. 87-88], "... the company and especially the corporation it is the key institution of the market system, the quintessence. However, it is also non-market institutions in side and even anti-market institution, although one that is in the market system. It's a way to achieve coordination through the manager's instructions and not through market interactions. Market coordination comes to an end before the door of the enterprise, then orders start". On the one hand state is the organization of political power which consciously is creating the formal rules; on the other hand it works in many ways on the rules of the market. This is quite hard competition among the officials for career advancement, and sales of candidates of different parties their programs for votes, during the elections and activities for the provision of public goods, the implementation of state procurement in the markets of goods and resources, etc. In other words, most of the state activity is still a market activity.

If we proceed from the rules that constitute the framework conditions of market coordination, they are largely determined by the state. It is well known that for the market economy is important equal status of counterparties. As a result of the law, the spheres of individual interests (and not in the least due to the property rights), are relatively delineated. In reality, the freedom of each individual action is always confronted with the boundary, where his actions could restrict the freedom of another person.

According to ordoliberalism representatives' judgment, market coordination defined by private law which realized basing on decisions related to the bilateral exchange transactions. All
subjects that participate in exchange operations, through the deals conclusion provide a basis to understand that they respond to their interests. By virtue of this, flow of goods through the acts of freely signed contracts for the equivalent exchange is made by means of private law legal transaction - chargeable transaction, purchasing. The latter, in fact, performs as a form of cooperation that is typical for the relationship between equal partners on the basis of price signals and competition.

Thus, economic actions of the subjects without the private property rights, freedom of agreement and property responsibility, as well as market connection between them, are generally impossible. This connection cannot exist without rules, narrowing or even eliminating the possibility of agreement freedom and property rights for the development of private economic power.

As practice shows, for the maintenance of competition is required not an individual actions for monopoly power confrontation, but the administrative and legal actions, directed to the establishing and supporting of the specific rules. And here shall come into force the system of political power, due to which the law, in fact, can realize their potential. Consequently, legal norms are essential prerequisites for the institutional market. However, their performance cannot be achieved without the political power of the state, to which is assigned the task of creating the necessary conditions for carrying out the law. That is why the state as an entity possessing instruments of political power, is included in the market rules system, which cannot be maintained without rules of formal and specific mechanisms for their enforcement and execution.

However, it cannot be ignored that for effective coordination the legitimacy of the established rules is another important condition required. Historical experience shows that people cannot tolerate for long with the order, which did not meet their ideas of appropriateness. Therefore, for civil consent and peaceful co-existence of large groups of people with competing interests and coordination of their actions is crucial to harmonize the views of the individual with an existing model of coordination. Having received no legitimacy in the public mind, neither the rules of the market, nor the rules of the state organization is not able to activate the coordination mechanisms. And here we must recognize an important role of ideology, which is a means of persuading people of the correctness and the necessity of an appropriate order. According to D. Nort [15, p. 91], in the long term, widespread respect for the law, the rights of citizens, state and for the power of the ruler, plays a significant role in the maintaining of any society.

4. Conclusion

This analysis allows us to recognize the tremendous value for the effective functioning of the system based on market coordination, has the law, political power and ideology. The law and the legislation provide to economic subjects wide opportunities to dispose of their resources - legal freedom. However, they provide a right of control over the resources in the form of property rights. These rights together with the freedom, running in place mechanisms of mutual adaptation as people use the freedom and property to pursue their own goals. Notwithstanding, they bind by requirements of co-operation and saving of civil harmony, based on the unity values of guidelines achieved at the cost of ideology.

But for the realizing of the rights and law requires, at least, freedom and property rights protecting, without which no one is able to provide goods for the exchange. Similarly, other rules - transactions, implementation of the agreements, eliminating the use of market power to the prejudice of others, etc. not be provided by themselves and require enforcement for implementation. The ideological basis of exchange transactions are also not created by the market. All this suggests that market coordination is always mixed with the coordinating power of other social institutions. It seemed to be integrated into the state activities, families, businesses and other organizations of civil society.

Therefore, the functions of the state in the economy are connected not only with correction of market failures. They provides acceptance of its role in creating and maintaining the rules of market coordination, balancing the public interest, social stability and civic accord. This means that in any national models cannot be stand-alone market and state. Rather, they interpenetrate
each other, form a certain symbiosis and interact with each other in such a way that their synergy leads to specific patterns of economic coordination creation. Therefore, in each individual economy, in fact, exist a mixed character of market and state mechanisms, and the boundary that separates them is very blurry.

Such understanding of the interaction of coordination mechanisms precludes the possibility within system transformation to create any models that might have included the market and government regulators as a purely technical and compensating tool. As noted by J. Kornai [16, p. 72], "The market and the state are not a gin and tonic that can be easily mixed in desired proportions". Creating an effective model of coordination involves focused work to clarify how the specific historical conditions of each country formed the institutional preconditions of market coordination, how the market reacts to the legal and political systems of society and how these fields economic and political interests of participants are implemented. The answers to these questions will take into account the whole range of specific features of the national economy and create in it a more effective model for coordination of economic activity.

References