DOI 10.12851/EESJ201404ART33

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Government Regulation of the National Economy

***Key words**: Public Finance, State Budget, the regulation, the national economy, GDP, budget deficit, budget surplus, budget revenues and expenditures.*
***Annotation**: In this article discussed the role of the modern state in the national economy, the prospects of state regulation of the country's economy life and the point of government's economic policy.*

The state regulates the market processes, counteracts monopoly and encourages competition. During crises, state intervention in the economy softens their negative effects and accelerates exit of them. In this case, the main instrument of government regulation is fiscal, monetary policy and the financial impact on private enterprise.

In market economy government regulation of the economy is a system of government measures legislative, executive and supervisory nature, performed competent state institutions and civil society organizations in order to stabilize and leverage existing socio-economic system to changing conditions. Some idea about the extent of government regulation of the economy gives the share of GDP redistributed through the state budget and off-budget funds. This share in Japan and in the United States from 35 to 40%, in Germany, France, Italy and Canada - about 50%, and in Sweden - over 60%.

In the XX century, in countries with developed market economies has been increased role of the state, based on the increasing of the absolute amount of expenditure of public budgets and increasing their share in the GDP. The scale of the resources of the concentrated public finances in advanced economies have increased steadily, reflecting an increase in the state's role in the socio-economic sphere. In the United States the share of government expenditure in GDP in 1946 was 20.4%, in 1994 - 32.7, in 2002 35.6%, in the United Kingdom in 1960 was - 32.2%, in 1995 was - 42.1%, in 2002 was 36.0%, in Germany in 1960 was - 32.5%, in 1995 - 49.35%, and in 2002 54.0%.

As is well known, the theory of government regulation of the market economy was built by J.M. Keynes and his followers. According to the English scientist government should actively intervene in the economy to pursue its own flexible monetary and especially fiscal policy because of the lack of free market mechanisms that truly would ensure economic growth and exit from the crisis (1).

Keynes concluded that the yield from the deep crisis, increasing of output and employment are not possible without the active participation of the state, which should not only encourage the reduction of the discount rate of commercial banks, but also to large-scale public procurement in order to increase the effective aggregate demand.

In addition, the state must pay social benefits to the unemployed, elderly people and other unworkable members of society to prevent a social explosion. Thus, the most far-sighting statesmen and economists have come to the conclusion that the market mechanism should be supplemented by a mechanism of direct state regulation of the economy.

In terms of the world financial crisis which started in 2008 and continuing through the day today is particularly important that government regulation of the economy. "... in order to be free from turmoil and chaos, we have clearly identified that during the transition period the state should take over the responsibility of the main reformer. There, it was dictated by the long-term interests of the country and the need to resolve and extraordinary situations, applied the methods of state regulation, which ultimately proved absolutely true" (2).

The most important facilities of state regulation of this - the public finances, i.e. facilities associated with the formation and use of the state budget and the central funds, through which there is a redistribution of the gross domestic product. The main means of income redistribution and the most important instruments of state regulation of the economy are the budget and taxes (3). One of the most important mechanisms that allow the State to carry out economic and social regulation is the financial mechanism - the financial system of a society, which is the main link of the public finances. It is through the financial system, the government forms a centralized and affects the formation of decentralized funds of funds, providing the opportunity to carry out their functions of public bodies.

The transformation of public finances is one of the most important areas of economic reforms in Uzbekistan.

In the formation of public finances is necessary to make a clear distinction between sectors of government and financial institutions, as they play a key role in fiscal policy. In this case, a central place in the public finances is owned budgets.

The state budget, as the principal means of mobilizing and using resources of the state, giving the authorities a real opportunity to influence the economy, finance its restructuring, to encourage the development of priority sectors of the economy, providing social support to the most vulnerable segments of the population.

The budget requires each state to meet its objective needs cash fund, employee fulfillment of economic, social and political functions. Budget - is a central element of the system of finance, so it reflects all the main qualitative features of finance.

With the budget being implemented, intersectoral and interterritorial redistribution of gross domestic product (GDP), government regulation and stimulate the economy, as well as the financing of social policies with long-term interests of the country. Politically, the government budget is a factor in the reproduction of existing institutions and structures of governance, established traditions of government. However, in developed countries, public finances are a mechanism for the redistribution of the gross domestic product, for example: in Japan 1/3, in France, the Netherlands, Norway –1/2, in Sweden - 2/3, in Russia – 1/3 (4) and in Uzbekistan through the state budget is allocated 35-40% of GDP.

The manifestation of the functions of the state budget is reflected in the written state budget mechanism, which is the real embodiment of fiscal policy, and reflects a particular focus on fiscal relations solving economic and social problems. The state uses the budget to regulate the economy by maneuvering coming to the state financial resources. In the implementation of fiscal policy, the state has the opportunity to apply a variety of forms of impact on the economy: subsidies and financing of enterprises, public investment, financing the conversion of defense industries. The result of such exposure is the solution of urgent social problems, expansion or reduction of aggregate demand and supply, providing the necessary infrastructure, management of public finances (5).

State, manipulating government spending and tax rates to stimulate business activity affect unemployment and inflation. In this case, wrong fiscal policy can lead to serious negative consequences for the entire national economy (6).

Budget expenditures are economic relations that arise between the state and enterprises, organizations and citizens on the one hand - the other in the allocation and use of resources in different areas of the budget fund. Public spending in countries with developed market economies in the 90s were about half of GDP, while in developing countries - about 1/4 or 1/3. Both considered forms of the mechanism of budgetary impacts associated both with each other and with the overall economy, as reflected in their close mutual influence on each other. The expenditure budget is ultimately limited by the scope of incoming budget revenues depend, in turn, on quantitative indicators of economic development.

On the other hand, through deficit spending turns out the opposite effect on the economic opportunities of production on the basis of promoting the growth of its efficiency and speed up scientific and technological progress, which, of course, affects the amount of income of the main central fund of funds.

The practical use of budgetary relations for the realization of functions conferred on the State suggests three possible states of the budgetary fund - deficient, surplus and balanced.

They reflect a different ratio of the revenue and expenditure sides of the budget. When the budget expenditures exceed its revenues, generated a negative budget balance, or the budget deficit. Surplus - a budget surplus - is an inverse relationship, i.e., the excess of income over expenditure. A balanced budget in which expenditure and revenue sides are equal.

Dimensions deficits vary depending on the economic situation. On average, in state budgets, they account for 10-20% of the total government budget. Under adverse economic conditions, increasing deficits. For example in 2012, the U.S. budget deficit - 9.6% of GDP and Japan - 10.3% (7) in the U.S. 2002/2011gg. budget deficit increased from 158.0 billion U.S. dollars to 1300.0 billion U.S. dollars (8).

In order to reduce the budget deficit should be fully stimulate the flow of income from all industries and all areas of business operations while reducing government spending. It can use a variety of sources of funding. Classically, three of them - issuance of money, credits the central bank and government borrowing, both internal and external. Resorting to loans, the state collects its debt, called sovereign debt. "Government debt - a burden, complicating the normal functioning of the economy. The growth of public debt reduces the stock of capital in the economy, as the owner instead of investing their savings in the economy through the purchase of shares of industrial companies or lending for expansion capital gains bonds, financing the state.

About the impact of budget deficits on economic development is controversial. Proponents of the concept of deficit financing of budget expenditures believe that:
the budget deficit is not a destructive factor:for the state of the national economy, it is not dangerous, as all costs, including exceeding incomes, committed in the territory of the state and contribute to the welfare of the country;budget deficit means an increase in revenue of economic entities and population (budget holders), which stimulates the growth of purchasing power, productivity and the expansion of domestic production. This, in turn, leads to an increase in tax revenues.

Economists who hold the opposite position, expressed the following concerns about the budget deficit:

- Chronic deficits will inevitably require higher taxes in the future, which is equivalent to the current Arrangement economic burden on future generations;

- To cover the deficit should be brought extraordinary income - currency issue, the expansion of borrowing, which leads to the breakdown of the monetary system, the devaluation of the national currency, to the growth of domestic and external debt of the state;
- Increase in interest rates on government securities, the inevitable increase in the budget deficit, has the effect of crowding out private investment, disrupts the natural course of market self-regulation of the economy.
- The budget surplus is a budget surplus, that is, the excess of income over expenditure. Much less budget revenues exceed expenditures, that is, there are a surplus of money in the budget, and then it becomes a surplus.

It should be noted that during the last years the state budget of the Republic of Uzbekistan executed with a surplus.For example, in 2010, the State budget surplus of 0.3% of GDP, in 2011, 0.4% of GDP, in 2012, 0.4% of GDP and in the first quarter of 2013, 0.4% of GDP. It should be noted that the GDP of the Republic is also growing with significant evidence. In 2010, GDP grew by 8.5%, in 2011 to 8.3%, in 2012 to 8.2%, and in the first quarter of 2013 by 7.5%. And it says about the effective state regulation of the national economy and efficiency of the public finances.

The concept of a balanced budget in the course of the economic cycle involves the ability to simultaneously achieve consistency between the income and expenditure of the budget (over the economic cycle) and to implement counter-cyclical effect on market processes. The main problem arising in the practical realization of this concept lies in the fact that the ups and downs in the business cycle can not be uniform in depth and duration.

In our opinion, in order to provide a greater role of public finance in the national economy, consider the following:

Ways and methods of operation in order to make an effective state may be different, depending on the specific situation. That which is suitable for countries with developed market economies may not be appropriate for developing countries. Even for the same country at different stages should be their approach;

The volume of the functions carried out by the state and sold them measures must comply with economic potential, financial resources and the socio-political situation in the country;

The methods used and mechanisms must be functional and contribute to the improvement of the economic situation in the country;

Disclose the functions of state property and to quantify the characteristics of its position in the national economy;

To establish the degree of influence of public expenditure on social and economic development of society;

Systematize the existing socio-economic experience of the use of state property in the national economies of different countries and bring its model of development.

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