

*Д.К. Шебеко, 4 курс*

*Научный руководитель – В.А. Воробьев, д.э.н., профессор  
Белорусский государственный экономический университет*

In modern economic science it is essential that society needs the state as a set of institutions and cannot do without the state in its current form by creating private institutions. Most professional economists, like most people who are not connected closely to economic science believe that the state is necessary and primary for modern society. There is a question only about the extent of state intervention in the economy, but not about whether there is really a need for this intervention.

However, do limitations of economic freedom imposed by the state reach such noble goals as economic growth, reducing the number of poor, achievement of some sort of economic justice? There is no equivocal answer to this question. Historical experience on the example of the USSR shows that the destruction of most economic freedoms like prohibition of business activities and the introduction of compulsory labor, directive allocation of resources in the form of five-year development plans, the implementation of some sort of economic justice standards with the help of the directive wages, the amounts of which are fully set by government, without taking into consideration such thing as existence of labor market. In the short historical perspective such measures can provide economic growth and rapid economic development. It is believed that if the government takes the economic freedom of people, instead it provides a high level of social transfers and social security. However, analysis of the Maoist version of communism, used in China, denies it. The essence of the modern state has changed from expressing population's interests and the protection to defense of its own interests. The state with extended powers, which allows to its people practically no economic freedom (which can also be defined as a communist state), is unsustainable in the long term. The reasons for this are different, but one of the key reasons can be considered as the destruction of the natural human motivation to participate in economic activity, because when people don't get adequate reward for their work, they are not motivated to work effectively.

Analysis of the illiberal extended model of the state, which is provided by Polish economist Leszek Balcerowicz, shows that this kind of state has a lot of restrictions of economic freedoms, but allows private entrepreneurship [1]. Historical experience of many countries shows that this model is more viable than the communist state, due to the fact that, at least partially, there are market laws and a self-regulation of the economy can be observed. However, the state does not really protect even curtailed economic freedoms and like the communist state, illiberal extended model of the state mainly pursues its own goals, which may not coincide with the goals of society. In this case we are dealing with institutional trap. As an example of such a state, which faces the problem of institutional trap, can be many post-Soviet countries, where economic freedoms are considerably curtailed. These states cannot be

attributed to the communist type, but a natural motivation in the economic activity is largely absent, and that determines less economic development in comparison with liberal state.

The third type of state, according to Balcerowicz is quasi-liberal state [1]. Economic freedoms are limited to a small extent, and this limitation is protected by the judicial system. However, the same judicial system protects those economic freedoms, which are not limited. From the point of view of the supporters of the command type of economy in the states with quasi-liberal economy cannot be significant economic growth and equitable distribution of income. However, the analysis of historical perspective shows that there is higher economic growth in such states in the long-term perspective, they are more resistant to shocks and income distribution in tend to be more fair and equitable. At the same time, the less the degree of state intervention is, and the more this intervention is limited by law, and the more economic freedoms are in society, the better results are shown by these countries. The economies of United States of America and Singapore are good examples.

Thus, it can be argued that there is no real choice between economic freedom and economic growth, since the former is accompanied by the latter, i.e. there is no problem of choosing between the state with limited powers and the state with extended powers, as the latest in the long-term period does not provide any economic freedoms or economic growth. As a result, the relevant question is why the state does not abandon its extended powers? It is difficult to give an answer. However, it should be mentioned that such a movement towards providing economic freedoms implies the rejection of a large amount of power by the state. I.e. the state should limit itself, which in accordance with the basics of public choice theory is unlikely. Thus, if there is no efficient mechanism that provides social control over the state and its activities, which can effectively limit the functions of the state, sustainable economic development of such a state is unlikely.

#### **Список использованных источников**

1 Balcerowicz, L. Toward limited state. [Electronic resource] / L. Balcerowicz. – 2003. – Mode of access: <http://object.cato.org/sites/cato.org/files/serials/files/cato-journal/2004/11/cj24n3-1.pdf>. – Date of access : 06.03.2015