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Economics and Society in the Era of Technological Changes and Globalization



Social Benefits and Economic Security

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ABSTRACT

Questions concerning economic security are important in any economic situation, and in the context of the strongest terms external political and economic pressure on the Russian Federation, the application of sanctions in many areas of cooperation with Western countries are particularly relevant. The system of economic security at the meso and macro levels is different from the economic security enterprise and it should include some structural elements reflecting the relation of territory economic security and state through the public good category. The main purpose of the work was to identify the relationship between economic factors and social security benefits, their production and consumption. The article also presents the conceptual construct of the theory public goods and economic security. It is shown that the economic security system should include public goods as one of the categories system of economic security and take into account the effect of changes in their production and consumption to changes in the economic security territory.

Keywords: Public Good, Production, Economic Security, Value, Economic Policy, Industrial Policy

JEL Classifications: J18, H75

1. INTRODUCTION

In the context of strong external political and economic pressure on the Russian Federation, the sanction application in many areas of cooperation with Western countries, are particularly relevant issues related to the country's economic security. The problem acuteness does not remove a policy of "import substitution" because integration of the Russian economy into the world economy sufficiently weighty. According to analytical service Russian Business Consulting, imports decreased by 9.5%, in 2014 and the "... the largest category of imported goods - machinery and equipment are experienced a big drop, for instance, their import in value terms decreased by 12.5%." Vehicles, trucks and agricultural machinery are cave in. The import fall exceeded 20% for the year as a whole. The largest category of imported equipment such as vehicles and parts – in 2013 the fall was more than 21% (to \$ 31.2 billion), while in the fourth quarter - more

than 41%. Import of cars, it is the largest group of products, decreased by 22.6% (to \$ 13.15 billion), while in the fourth quarter decline reached 36.7%. Body and cars parts (there are second and third groups) "failed" by almost 19% per year (up to \$ 12.6 billion). "In 2014, foreign direct investment in Russia decreased by 70%, to \$ 19 billion." Some study authors emphasized reasons that affect to decline investors' interest. There are sanctions against Russia, and the negative prospects for economic growth.

Problems related to the assessment of economic security, widely covered in the economic literature. There are a considerable number of scientific papers that reveal the theoretical and methodological foundations of economic security.

Economic security is treated as a state of the economic system, which allows it to develop rapidly, efficiently, and solve social

problems and the state has ability to develop and implement an independent economic policy (Abalkin).

Economic security is organically included system of national security, along with its components such as:

1. Ensuring reliable defense country capability
2. Maintaining social peace in society
3. Protection from environmental disasters.

In the contemporary view of the economic security it will be external and internal. The most important components of economic security are: Energy, military-economic, scientific-technological, food, finance, security, property. In its content, military-economic security, food items, scientific and technological security are public goods.

Samuelson laid down the foundation for demand theory for public goods. In 1950 Arrow attacked the problem concerning the logic of collective choice and social welfare functions. During this period the area of public finances became the Nobel laureate Samuelson's fundamental theory of public goods. He is the founder a definition of public good. It has the following properties:

- Indivisibility: It's a providing public good to one consumer. It also allows an unlimited number of recipients increased without changing cost and quality benefits
- Non-excludability: It means that the consumer cannot be excluded from the number of recipients of social benefits (e.g., for failure to pay to use the service)
- Impossibility not to consume: If the public good is provided, all members of society without exception, regardless of desire to consume.

Musgrave and Peacock (1958) introduced the concept meritory goods (merit goods)/it's a public good with a pronounced external effect. External effects can be combined with good joint graduating consumption. Among such benefits often include health and education.

Public goods or services, which are characterized by distinct indivisibility of consumption and consumers non-excludability called pure public good. Examples of pure public goods are services for defense and security, environmental protection, the benefits of which are used by a whole population.

Production of public goods occupies an important place in the structure of economic security.

2. METHODOLOGY

The first application of the concept of "economic security" refers to the 70th year. This concept has quite rapidly spread in the developed capitalist countries to a realistic assessment of the current international situation, with economic methods of ensuring national security. One of the core tasks of economic security is to preserve and strengthen the country's position in the world economic system.

Theoretical and methodological study basis was the foreign and domestic scientists work. In solving forming system problems of

economic security measure and forecast indicators appropriate to apply methods such as, methods of economic analysis, a pattern recognition theory, a method of maximum likelihood, an expert evaluations method, methods of economic-mathematical modeling.

Study approaches of economic security problems reflect some essential characteristics and concepts. They are different types of consideration and consistent with the level of specificity of the relevant economic, political and other conditions, processes and tasks.

Theoretical questions of economic security study are devoted to Abalkina, Lvov, Kuklin, Samsonova, Senchagova, Glaziev (Abalkin, 1994; Glazyev, 2001; Kuklin, 1997; Abalkin, 1997; Tatarkin et al., 1999; O'Sullivan et al., 2012; Tatarkin et al., 1995).

Some scholars such as Tatarkin, Kuklin, Lvov, Oleynikov (Abalkin, 1997; Lvov, 2001; Lvov, 1994; Tatarkin et al., 1999; O'Sullivan et al., 2012; Tatarkin et al., 1995; Senchagov, 2015) are engaged in theoretical questions of economic security study of regions and "regional economic security."

Some issues such as, the role of the economic security of Russia, its specificity, the nature and structure, quantitative and qualitative indicators of economic security, etc. need more detailed scientific study despite of the large number and wide range of studies related to economic security. In particular, a comprehensive system of indicators of economic security, methods of scientific assessment, thresholds and others are not developed.

For the moment, it is important to consider economic security specific aspects, reflecting the economic processes impact and characterize their performance on the state of individual structural components of economic security as well as economic and national security as a whole.

A production of public goods covers areas such as management, defense industry, health, education, culture and functioning of infrastructure facilities and etc. Some public goods have a direct impact on the socio-political situation in country. A social component reflecting domestic economic security, including ensuring political stability is not marked in the structure of the economic security of the country. On the one hand, the production of public goods is a part of cost budgets of different levels, and on the other, it acts as budget-setting component. Therefore, an integral part of formation of economic security system at meso and macro level is definition of the role of public goods and their production.

A conformation evaluation system of public goods and their production in the system of economic security is a difficult task due to an ambiguity of the definition public goods.

The concept of "public goods," in fact was introduced in the middle of the XVIII century. D. Hume, is fundamental to understanding the functions of the state in the national economic system (as its main function). David Hume pointed to the existence of services

types, such as a production that is not profitable for individuals, but it can be useful to society for collective production. Adam Smith later pointed the need of the monarch (in fact, the state) of certain goods (maintenance of courts, defense, police, education of the poor), profit from the sales which do not cover costs of their production in the private sector.

John Mill's writings are close to modern concepts of public goods. He showed that under certain conditions individual preferences can be met only by means of collective action. J. Mill is the author of a textbook example of a lighthouse, illustrating the properties of a public good - It is impossible not to consume the service, as well as the inability to charge individuals - consumer services.

For a long time the evolution of economic theory of public goods hampered by insufficient knowledge of microeconomic processes. A general equilibrium theory was the impetus of developing public sector of the economy. It was developed by Walras in the end of XIX century throughout the marginalist economic school. The results of Walras's works influenced Marshall's study, who with has developed a theory of the tax shift and the distribution of the tax burden. He used the theory of tax shifting for illustrating the price theory principles. Microeconomics developed more sophisticated analysis technique also complicates the analysis of the distribution of the tax burden.

In addition to Marshall's positive theory of distribution the tax burden to the period of the 1950s. It is also characterized by the presence of a normative theory of taxation, based on utilitarian approach Pigou, who raised a question about how the tax burden should be shared between individuals. The concept of externalities (spillover) – is a theoretical Pigou's approach. The author has divided all the benefits of private and public.

External effect (Engl. - Externalities) – is a direct and not mediated market the impact of one economic agent on the other's performance. These effects may be advantageous (positive external effects or external benefits), and unfavorable (negative external effects, or external cost).

Pigou emphasized a tax assessment for solving the external effects problem. He imposed a tax on each unit of the public good that generated negative externalities. This type of tax is called the tax Pigou. The tax Pigou rate is set at an amount equal to the external costs in the amount of socially optimal output.

Marshall-Pigou's public sector traditions dominated in the Anglo-American academic world until the mid-1950s. At the same time, these traditions missed two important aspects of the subject: First, theory of public expenditure did not get the lighting, and secondly, the study ignored the collective decision-making process.

Some different approaches to public finances analysis have formed with the Anglo-Saxon tradition in Italy and Sweden. Beginning in 1880 Wicksell, De Viti de Marco, William Mazzola, Panteleoni and Pareto studied the public sector, related to the functioning of the state, in the context of exchange.

According to Italian economists Sachs and Mazzola a public good provided meeting individuals demand as well as private goods. It happened with the development of the marginal utility concept. A services provision of the public sector could be analyzed similar to the voluntary market exchange mechanism in which services consumers must pay their consumption (tax payments).

Some Swedish economist such as Wicksell, and later Lindahl showed that the level of public good consumption weakly depends on consumer's personal contribution (payment) in the goods production. Public goods consumers have incentive to consume public goods, but they transfer to other users financial burden of their production. In economic theory this phenomenon is called as "free rider problem." It means that the prices of the public good for different individuals, can serve as the basis for the distribution of the tax burden.

Samuelson laid the fundamentals of demand theory for public goods. In 1950 Arrow researched problems of collective choice logic and social welfare functions.

A mixed public good it is an expression properties non-excludability and indivisibility of public goods or services in moderate degree. This category includes most produced public goods and services (such as health care, education, social welfare, culture and recreation). Mixed public goods - are private benefits providing public authorities.

State embark to take part in a provision those benefits. Considering that market makers either for the same or another reason reckon among them as a profitable business and without state participation overall production will be an insufficient. Significant externalities are one of the main features of mixed public goods. These effects bring positive results to general public. Public goods consumption can be joint benefits (for example, a theater, a library, a highway) or individually (e.g., food, clothing, transportation).

Pure public goods are provided free of charge (payment are taxes and there is no direct link between the payment and the goods provision). As for the mixed goods with significant externalities, we can observe that the boundary between the budget and paid services is much more mobile (e.g., higher education can be both paid and free services). It is economically feasible that mixed benefits which do not have significant external effects and consumed locally, fully paid by their customers. The differences between the two types of public goods manifest in the fact that mixed public goods can be measured per user. But it is impossible to measure pure public goods such this way. This difference significantly affects the use of public services indicators in the budget process organization.

3. RESULTS

The system of economic security at the meso and macro level can include the following components:

- Energy
- Scientific and technological components
- Financial components

- Food
- Safety of property
- Pure public goods
- Mixed public goods.

The formation evaluation system in keeping with the expert will form an idea of the level of danger or safety territory – is an important step in the formation of economic security. Issues of formation assessment indicators and their threshold values, the formation of relationships between economic security indicators are deserve a deeper study.

According to this line of argument, the evaluation system of economic security may consist of elements presented in Figure 1.

It is advisable to make public goods evaluation in the economic security system for each type of benefits. It is necessary to consider the following features for public goods and their thresholds:

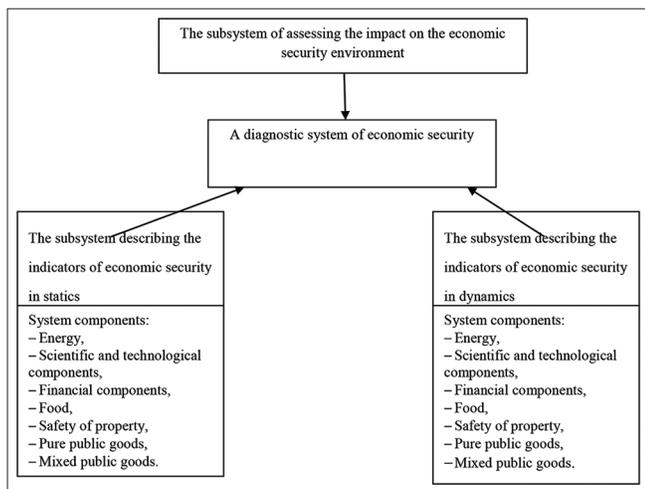
- The need for the public good, a consumption level
- A public good capability
- Public goods working expenses
- Public goods productivity
- The degree of public good satisfaction, and others.

A formation of estimated figures for pure public goods is a complex problem. A consistency of consumption is an important feature of pure public goods. Their beneficial effect is directed on satisfaction of population groups needs and not decomposed into individual services. As distinct from public private goods, a production of pure public goods is not subject to market control. The pure public goods demand is difficult to assess because there is lack of payment due to demand and consumption.

It should be compliance with proper rules of all participants for any society development and the national economy. This is necessary in order to a variety actions mass has pass into a logical set of economic processes, ensuring the development entire economy and a raising the well-being of the people.

These rules arise and change in the course of historical development, common practice or set administratively in

Figure 1: The evaluation system of economic security



accordance with the main goal of the economic system. Initially, the state has a duty to support the self-development mechanism and using economic incentives and penalties to force all citizens to observe the conduct rules in the implementation of the economic activity exchange. Actually this is the institutional the state support of the economic system.

This idea may be specified as follows: The functioning of society would have been possible without one or another public institution, but the costs would be more considerably in comparison with when it is in operation. Based on this, we must recognize that the state has historically developed, performing functions which society could not avoid, because it makes it much more efficiently and at a lower costs. In other words, if a private institution that serves the public interest arose instead of the state, the national income would be allocated more of its content, so more significant investments would connect to a serve.

4. DISCUSSION

Therefore it is necessary to explore and develop the idea of constructing the economic security system, taking into account the efficiency of the production and public goods consumption. It is necessary to allocate public goods in a separate category in the integrated system of economic safety.

The purpose of the functioning of economic security system - is the development territory inside the “field security” and prevention the system output in the danger space. Economic, industrial and territorial social policies are built for this purpose. Local programs are formed as part of national development priorities. The government defines development priorities, creates a favorable legal framework and encourages involvement the implementation of investment projects financial resources, advanced technologies, innovative solutions and human resources. And this state is a “key figure” in the demand and supply making of production and public goods consumption.

Public funding is an important aspect in the development and maintenance economic safety of territorial entities. Public goods also directly linked to public funding. A significant part of a society’s revenue is redistributed to ensure the state functions through the public finances mechanism. Consequently, the society must demonstrate the most effective way using cash income. In other words, by dint of public finances is carried out not only income redistribution in favor of the state, but also their most effective use. In this case we are talking about that the economic activities impact increases via the state. It is related to the fact that the formation of conditions for utility maximization of economic entities is the main state function. Therefore, if households and businesses achieve their goals, the state functions are implemented effectively.

Public finances have historically emerged as a mechanism of the state activities which is necessary to society, because it to accelerate economic development. They are manifested in the economic intercourse between households, producers and the state, for redistribution of the economic agents’ incomes to the state and the use of generated finances funds.

The terms of transactions between economic entities increased with the development of society. Here, the provision of a sum of money is not accompanied by monetary movement. Such transactions usually take place in the relationship with the state. So far as it is intended to perform certain demanded functions (for e.g., to ensure the country order, to build a motorway or a rehabilitation center for disabled, etc.). In this context, it financed by part of the national income, which is redistributed to the budget of the state in the form of taxes and.

In this case, the subject of collective exchange (is state the obligation to perform certain society functions) is difficult to assess in terms of usefulness for each taxpayer. Some of people cannot take advantage built motorway due to a lack of private cars. At that rate there is a gap in the monetary movement and property. As a result, there is an effect of income redistribution some economic entities in favor of other, since the state creates not only its own revenue but also expenditure.

Such monetary intermediation in transactions where there is no equivalent exchange of property for the money belongs to the finance. In this case, the finance acts as a monetary instrument. State obligations exchange on cash incomes (taxes) via this tool. State obligations are differ from money due to the lack of equivalence in time and space.

Buchanan (is a founder of constitutional economy) proposed to consider the state budget expenses as the exchange of public services and money which is virtually impossible to accurately assess the equivalence/non-equivalence of tax payments the public goods value. In this case, there is the phenomenon of “free-rider,” which makes the functioning of finance not only as a mechanism of redistribution in favor of the state, but also for any other economic agent.

Financial relationship between economic entities arises when money moves without equivalent, but only on the basis of obligations by one of the transaction parties. So, people and businesses pay taxes to the state in exchange for his commitment to carry out the necessary public function. Society redistributes part of the national income in favor of the state not to provide entrepreneurial income, and to serve the community by producing public goods.

From all has been said it follows to separate a structural unit – “public good” in the economic security. It is advisable to do because there is a high dependence on the economic security to the state program and the state financial assistance.

5. CONCLUSION

The scale of transformation associated with the erosion of the state sovereignty, increasing the interdependence of the world's key players in the process and the emergence of new actors

(multinational corporations, international non-profit organizations) led to the concept of public goods “globalization.” In this regard, the production of public goods is one of the most important factors ensuring national and economic security. It is necessary to study public goods not only as a separate category. It is necessary to study the public good as one of the core categories of economic security. It is necessary to consider the effects of changes in the public goods production of to the changing economic security.

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