

### Role and place of economic mechanism in modern conditions

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**Abstract:** The concepts of "economic mechanism", "legal sub-system", "organizational sub-system", "economic sub-system", "operational sub-system" and "innovative sub-system" have been defined here. The economic mechanism is considered by us, as a result of subjective activity of a person; as a system consisting subsystems i.e. lower structural level with certain specific sets of elements; as the process with integral part of existing methods, principles, functions, etc. instruments of management. Particular scientific interest is focused on the research of specific structures of economic mechanism in which special area is devoted to the economic subsystems.

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#### Introduction

The concept of "mechanism" in economic researches should be obliged to the emergence to technical science. However it is with a big extent of probability that it is possible to establish the fact of its terminological uncertainty [1].

First of all, analysing the concept of "mechanism" in the economy it is necessary to talk about its economic orientation. From here, it is possible to explain the (emergence of the) concept of "economic mechanism" in which a number of researchers note that it is the result of subjective activities of a person (S. V. Kupriyanov), whose position is difficult to disagree with. Thus it is noted that the efficient functioning of an economic mechanism is defined by the degree of compliance of subjective solutions to objective realities in the course of interaction of productive forces and production relations [2].

The problem of formation and development of economic mechanism has been in the center of attention of scientists and experts throughout the historical development of human society. This is observed in the works of leading local researchers: L.I. Abalkin, L.V. Kantorovich, A.G. Omarovsky, V. V. Novozhilov, I.G. Ushachev, I.S. Sandu, etc.

On the one hand, economic mechanism is considered by scientists as a system that determines the existence of certain structural elements.

On the other, economic mechanism is the reflection historical development of society, its production relations that form its objective emerging variations [3].

#### Main part.

Defining the specific structure of economic mechanism, it is necessary to accept the majority of researchers' point of view defining in it a number of subsystems of lower levels [4].

According to L.I. Abalkin, in the economic mechanism, it is possible to determine the organisation of social production; forms of economic communications; structure, forms and methods of planning and economic management; a set of economic controls and incentives influence on production and participants of economic activities.

Reizberg B., Lozovsky L. Starodubtsev E. consider economic mechanism, as set of processes, organizational structures, specific forms and methods of management; legal norms.

O. Derevyanko speaking about economic mechanism considers it, as a functioning way of economic system.

Stolyarov V., Vasechko L.: economic mechanism is a set of methods and means influencing economic processes and their regulation.

The following definition is given in the economic dictionary: economic mechanism is a system of interconnected, interdependent forms and methods of control of social production and its structural components.

Kupriyanov S. V. studying economic mechanism, defines within it subsystems of legal support, economic mechanism of management, functional provision and regulative methods.

The subsystem of legal support is based on the orientation on laws, decrees, resolutions, regulations, orders, instructions, etc.

The subsystem of functional provision includes information, organisational support (for example: organisational structural management), system of arbitration courts, etc.

The subsystem of economic mechanism of management, according to the majority of researchers, is defined within all economic mechanisms that are doubtful and represent economic controls/approaches and incentives of efficiency increase and quality of work of all other links within the economic mechanism [5].

The subsystem of regulative methods defines the ways of management implementation among which administrative and economic are considered [6].

At the same time, Openyshev S. considers the ways of management implementation within economic mechanism as "... the whole forms of socialist expanded reproduction; of interaction influence on people organised in the enterprises, departments, etc.; set of the interconnected key factors and methods of planned impact on production, exchange, distribution and consumption of products".

The second, deserving attention, in our opinion, circumstance – the concept "mechanism" identification, with such concepts, as "process", "process resources" is.

A number of scientists (Stolyarov V., Vasechko L.) consider economic mechanism, putting it at the top of the concept "process", other researchers (O. Derevyanko) consider economic mechanism as signs of process.

In the framework of process approach system programmers offered mechanism which is considered as a resource ensuring the process involving a set of interconnected elements of functions influencing the process performance. From the economic point of view, the mechanism represents one of the elements of process which together with other elements whose management allows "the transform of an entrance into exit".

Within the conducted research, the economic mechanism is considered as follows: first of all, the result of subjective activities of human connected with the transformation of the main production resources which we consider as "labour", "capital", "land", "enterprise skills".

It is possible to observe that along with the concept of "production resources" of works of scientists and experts, very often as a synonym the concept of "production factors" is used. Factor (from the Latin "factor" meaning doing manufacturing) it

is possible to define as a reason, a driving force of any process, the phenomenon, defining the character or its separate features.

In general, the presented concepts are i.e. resources as well as factors natural and social forces by means of which production is carried out. As different approach, it is possible to consider the following: the resources are referred to only natural and social forces which can be involved in production, and to factors which are really involved in production. Considering the above stated, the concept of "production resources" is broader than the "production factors".

In the western economic theory the production factors are divided into three groups.

Land, as a natural factor of production, includes everything that is granted by nature and used in the production process for the mankind's benefits (land, water, minerals, etc.).

Capital, as a production factor, represents everything that is capable to bring incomes (resources created by people for the production of goods and services). Similar approach is noted in literature, synthesizes the points of view of western economists on capital. So, A. Smith treated capital as part of the stock used in the production of goods while D. Ricardo saw it as means of production, J. Robinson considered capital as money.

The Marxist political economy considered capital, first of all, as cost bringing a surplus value ("self- cost increment"), as the determinant of economic relations and in fact, the exploitation relations.

Labour, as the factor of production is considered as a useful activity of human requiring the use of intellectual and physical efforts, in the course which there is a transformation of objects of nature for their requirements satisfaction. Thus, "labour" can include as well as enterprise skills, which sometimes are considered as a separate factor which can possibly be acceptable.

This is explained by the fact that land, labour and capital don't create anything so they are initially needed for combination into a certain proportion by the businessman.

Secondly, as a system consisting of lower level subsystems of structural elements consist of specific sets of definition, each of which makes a contribution to characteristics of the whole. The main properties of this system are their variability according to changes in environment. In other words, it is a question of evolution of productive forces and the production relations which in turn generate their interaction. The process of this cannot only be displayed in the new management instruments (methods, principles, functions), but

also in the new subsystems with a new set of structural elements having synergetic effect which is quite essential.

Thirdly, as a process, it is an integral part of existing methods, principles, functions, and other management instruments.

### Conclusion.

Not rejecting the legitimacy of existence in economic mechanism, legal economic, functional, regulating and other components, it is necessary to concretely structurise it.

In its total view, the structure of an economic mechanism can be presented by the following subsystems:

- legal;
- organisational;
- economic;
- management;
- innovative.

The legal subsystem defines the general and specific "rules of the game" that are reflected in the laws existing at various hierarchical levels, decrees, resolutions, orders, rules, instructions, etc.

The organizational subsystem represents an integral component, on the one hand hierarchical aligned structural elements of subsystems of a concrete economic mechanism, on the other hand, it is a structural and logical reflection of the main production resources used in the economic activities.

The economic subsystem is a set of elements of creating direct or indirect conditions influencing efficient functioning of economic mechanism as a whole [7]. Similar approach can be observed in the works of A.D. Vyvarts, P.P. Taburchak, R. K. Niyazbekova, S. V. Kupriyanov, etc.

The subsystem management is involved in the instruments of administrative influence on subject and object of management.

The innovative subsystem confined to a separate block, is involved in the system of "mandatory innovations". The formation of similar system has to be initiated at the highest level of economic mechanism [8]. The actual instruments of administrative influence (operative subsystem tools) have to carry out not so much as an indicative (recommendatory), but more of a directive character. First of all, it concerns the activities of largest enterprises i.e. monopolists, including in agro-industrial enterprises.

The efficiency of innovative subsystem can be defined by the method of calculating the clear given effect, the method of calculating of the profitability index of investments, the method of calculating the internal profit rate of investments, the

method of calculating the profitability period, to a lesser extent, the method of calculating the effectiveness ratio of investments [9].

The generated added profit of the practical innovations introduction will be based on the application of these methods; economizing on the expenditures in case of the acquisition of synergetic effect (which means the essence of the economic mechanism existence); economizing on tax payments (tax privileges for enterprises involved in the process "mandatory innovations") [10].

### Conclusion.

Research analysis of works of local and foreign scientists, and also the recognition of theoretic-methodological approaches to research of problems of economic mechanism functioning in modern conditions permit the establishment of its specific structure, not denying the fact of its legitimate existence of its legal economic, functional, regulating, etc. components.

The structure of economic mechanism can be presented, in our opinion, as a legal subsystem, an organisational subsystem, an economic subsystem, an operational subsystem, an innovative subsystem.

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