

# Scientific substantiation of the state's economic policy in agriculture: theoretical foundations

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**Abstract.** The work is devoted to the complex issues of the effect of the theoretical prerequisites of state policy, the interaction of the market and the state on the sustainable development of the agricultural sector. The purpose of the work is to substantiate the scientific theoretical foundations of the state's economic policy in the agricultural sector. The methodological basis of the study is an integrated approach, in which the scientific foundations of the state economic policy, including agrarian policy are considered. The study of the fundamentals of the state economic policy from the point of view of the categories that determine its economic structure – "freedom" and "order", was conducted. It is shown that each theoretical doctrine has opportunities for its implementation in a specific historical period, when certain circumstances have developed for this; for greater efficiency of state regulation, a synthesis of applied theoretical models is necessary. The necessity of considering the cyclical development of agriculture in the state and market regulation of the industry, including the cycles of agri-food conjuncture development, is substantiated. The methods of agrarian policy of modern Russia of the II cycle are substantiated: the expansion of demand for food, the policy of increasing the competitiveness of the agricultural sector and the efficiency of domestic production.

## 1 Introduction

In the 90s of the XX century in the Russian Federation, within the framework of the general economic reform, the transformation of the agricultural sector took place, which, according to its results, led to a landslide drop in gross production in crop production and animal husbandry and a whole complex of negative factors, the influence of which is still felt. The reasons for this situation were as follows:

- The wrong choice of priorities for the agricultural sector development: the rejection of state regulation and state support in 1991-1998 and the long period of restoration of the destroyed economic environment of sustainable economic growth of agriculture, which is still taking place.
- Serious institutional failures in the agricultural sector transformation, which led to high transaction costs, weak specification of property rights, regulation of economic activity with the help of declassified elements, redistribution of market power in favor of individual agents, etc.

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The success of state regulation and support of the agricultural sector for sustainable long-term qualitative economic growth of agriculture largely depends on the scientific concept of economic policy and methods of its implementation in real economic practice.

This paper will present the main aspects of the economic impact of the state on the economy, including agricultural policy. In agriculture, these issues have become somewhat widespread from the point of view of studying various aspects:

- Economic policy of the state [13, pp. 1-9; 21, pp.83-106; 26, pp. 18-30; 27, pp. 117-125].

- Some aspects of the effect of theoretical approaches on various aspects of public life [9, pp. 1293-1306; 15, pp. 375-379; 16, pp. 45-50; 25, pp. 79-86].

- Forms and directions of state regulation and state support of agriculture [1, p. 3-9; 2, p. 923-930; 3, p. 613-620; 4, p. 955-963; 5, pp. 133-142; 7, pp. 204.1-204.5; 8, pp. 1212-1223; 14, pp. 133-137; 20, pp. 10-12; 17, pp. 129-136; 18, pp. 713-729; 19, pp. 21-24; 22, pp. 37-39; 24, pp. 96-100; 29, pp. 3-7].

Nevertheless, less attention is paid to the complex issues of the effect of the theoretical prerequisites of state policy, the interaction of market and state in the agricultural sector, which determined the purpose of the study.

The purpose of the work is to substantiate the scientific theoretical foundations of the state's economic policy in the agricultural sector.

Objectives:

1. To study the scientific foundations of the state economic policy.
2. To substantiate the theoretical foundations of the state agrarian policy.
3. To give recommendations to the state economic policy in the agricultural sector of modern Russia.

## 2 Materials and Methods of research

The methodological basis of the study is an integrated approach, in which the scientific foundations of the state economic policy, including agrarian policy are considered.

## 3 The research results and their discussion

### 3.1 State economic policy: scientific foundations

The main categories of the institutional structure of any mixed economic system that determine its economic structure are the following:

1. "*Freedom*" – in modern research – participation in economic life in compliance with the rules and institutions established in society both by the state (formal norms) and by certain groups of people (informal norms). Modern society is permeated with similar institutional manifestations (norms, rules, mechanisms, institutions, institutional structure, institutional environment). Therefore, the freedom of economic life of each individual economic agent is carried out within such a framework both by private agents (firm, collective), individual groups of people (informal norms), and by the state (formal norms of state regulation and support).

2. "*Order*" is a special contractual relationship between economic agents, when the economic process between them is regulated, and people's behavior is within the existing institutional constraints (the desired "order"). The economic order in this part solves three tasks: creates a workable economy, coordinates the activities of economic agents, and achieves the goals of the political system. Order is always institutions, purposeful coordination, and the division of decision-making rights.

In modern society, "freedom" is associated with a multitude of symmetrical selective exchanges between people, not limited by a third party (market economic relations), and with order – special contractual relations built on the transfer by citizens of part of their rights to control in various spheres of life to a certain authority (state activity).

The very activity of the state regulates the main economic, social, political, legal, public processes through direct (when the state is the owner) and indirect (on other owners through the market mechanism) impact on economic agents. In modern conditions, state regulation is distinguished by the mobilization capabilities of the state for the concentration of resources; the scale of the impact on all spheres of life both in the short and long term; the inherent implementation of the "order" in modern economic relations; the abundance of possible methods of state influence on economic agents and market mechanism.

The objective macroeconomic goal of state regulation at any stage of development is to maintain the efficiency of the economy and smooth out the main failures of the market mechanism. The specific tasks of macroeconomic state regulation may differ depending on what stage of the conjuncture development a particular country is at. It should be noted that developed countries in the post-war period in the middle of the XX century rebuilt their state regulation on the basis of new political economic approaches. This shows that each theoretical doctrine has opportunities for its implementation in a specific historical period, when certain circumstances have developed for this; for greater efficiency of state regulation, a synthesis of applied models is necessary; economic theories and laws are not axioms – they alter with changes in social life and the economic way of life of economic agents in the process of evolutionary transformation of economic systems.

That is why for today's Russia, and especially its agricultural sector, a scientifically sound state policy is needed, based on the synthesis of various economic theories: neoclassical, neo-Keynesian, institutional, and others.

### **3.2 Agrarian policy of the state: theoretical foundations.**

In developing the fundamentals of the agrarian policy of the state and its most important part of agriculture, it is necessary to consider the cyclical development of the industry associated with:

- Cycles of soil fertility.
- Specific and general agricultural cycles.
- Evolution of farming systems [6, pp. 9-36].

In the field of the theory of agri-food conjuncture development, a theory of the evolution of agri-food markets has been developed, where 4 stages are distinguished, differing in the following features.

First cycle:

- The stage of outstripping growth of demand for food in comparison with supply ( $D > S$ ), the growing demand causes the accelerating growth of supply. Highly elastic demand for food. Low level of saturation of the population's food needs. The stage is characterized by high and rising food prices, which turns such incomes into rent.

Second cycle:

- Slowing of demand growth, periodic excess of supply over demand ( $S > D$ ). Low elastic demand for food. The consumption of agricultural products compensates for the caloric content of the diet, but is below the rational consumption standards for expensive products (meat, milk, vegetables, fruits, fish, etc.). Periodic overproduction crises are typical. Prices are at or below the competitive equilibrium price, which causes a drop in agricultural producers' incomes.

Third cycle:

- Consumption reaches the level of rational norms. The demand level is equal to or slightly less than the supply ( $D = S$ ). Inelastic demand for food. The reduced conjuncture of the agri-food market. Protracted overproduction crises.

Fourth cycle:

- The use of possibilities of exporting agricultural products to increase the demand for domestic food ( $D_{\text{intern.}} + D_{\text{external.}} > S_{\text{intern.}}$ ). The increasing elasticity of food demand. The trend of increasing global average food prices increases the profitability of agricultural business [6, pp. 37-136].

The identification of long-term cycles of development of agri-food markets allows to conclude about the degree of participation of the state and the development of market relations ("freedom" and "order" ratio) in the development of the agricultural sector. During the first cycle, it is the free market self-regulation of the economy (the primacy of "freedom" over "order") – the market liberalization of agriculture. The second cycle is a stage of state-market regulation (the primacy of "order") aimed at stabilizing the relationship between supply and demand and expanding demand. The third cycle is the activation of market methods of regulating the agricultural sector at a high level of production and consumption of agricultural products. The fourth stage is the activation of state regulation to activate external demand for domestic agricultural products.

Developed countries (countries of the European Union, USA, Canada, Australia, etc.) have passed these stages of development of the agro-food market: 1 cycle (up to the 20s of the XX century); 2 cycle (20-80s of the XX century); 3 cycle (80s of the XX century – the beginning of the XXI century) and they are on the 4th cycle of agro-food conjuncture development (from the beginning of the XXI century to the present).

The assessments of the state of the Russian agri-food market conducted by the authors show [3, pp. 613-622; 4, pp. 955-962; 10, pp. 104-116; 11, pp. 13-16; 12, pp. 2-10; 23, pp. 2-10] that our country is at the second stage of agri-food market development with unsaturated absolute food needs. This shows that today in the agrarian policy of Russia it is correct to apply the methods of agricultural development of the II cycle, which were used in the European Union and other developed countries in the second half of the XX century with the primacy of state ("order") regulation of the agricultural sector. The basis of the state policy of the conjuncture formation in the market of agricultural raw materials and food should be based on measures to expand demand from the population and the state, to stimulate the growth of volume and flexible regulation of the supply structure (the ratio of imported and domestic products in it). A special place among these measures should be given to the policy of increasing the competitiveness and efficiency of domestic production.

## 4 Conclusions

1. The study of the fundamentals of the state economic policy from the point of view of the categories that determine its economic structure – "freedom" and "order", was conducted. It is shown that each theoretical doctrine has opportunities for its implementation in a specific historical period, when certain circumstances have developed for this; for greater efficiency of state regulation, a synthesis of applied theoretical models is necessary. It is shown that for today's Russia, and especially its agricultural sector, a scientifically sound state policy based on the synthesis of various economic theories is necessary: neoclassical, Neocainesian, institutional and others.
2. The necessity of considering the cyclical development of agriculture in the state and market regulation of the industry (cycles of soil fertility, specific and general agricultural cycles, farming systems, cycles of agro-food conjuncture development) is substantiated.
3. The importance of considering the cycles of agri-food conjuncture development at different stages of agri-food markets development (I, II, III, IV cycles).

4. It is proved that in the agrarian policy of modern Russia it is correct to use methods of agricultural development of the II cycle: the expansion of demand for food, the policy of increasing the competitiveness of the agricultural sector, and the efficiency of domestic production.

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