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THE CONCEPT OF A MARKET ECONOMY AND ITS ESSENCE.

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Abstract. The article describes the market and market economy, its essence, types and origins. It highlights views on entrepreneurship and household economy, the content and characteristics of the economy.

Key words: Market economy, exchange, goods, ownership (private/public), resources, household, public sector, stratification, monopoly, forecast, economic evolution, division of labor, demand, supply

INTRODUCTION

What is a market? There are many different definitions of this concept in the economic literature. Some of them are: the market is the sphere of circulation of money, goods and services; the mechanism of relations between sellers and buyers; the exchange of goods and services within one country or between countries. The market ensures relations between consumers and producers. This enhances the production of products needed by the buyer. At present, a market economy is characteristic of most countries of the world, it operates and develops to varying degrees and with its own characteristics in different countries. The mechanism of operation of this economy has been formed and formed over many centuries, acquired a cultural form in the present day and has become the dominant economic system in many countries. The stability of this economy is explained by the fact that the main classical rules of its operation have been preserved throughout a long period of economic evolution. The emergence of private property and the social division of labor are considered the general conditions for the emergence and existence of a market economy. Private property and division of labor require the commodity form of the social economy, and the existence of commodity production itself implies the market nature of money circulation, exchange, distribution and consumption. The development of commodity production is the basis for the development of a market economy. Independence of production, freedom of entrepreneurship, and ensuring the free exchange of resources are important conditions for the effective functioning of a market economy. The more independent the producer of goods, the better the market develops. Free exchange allows the formation of free prices that indicate the effective directions of the activity of the producer of goods. A market economy is an economic system organized and managed on the basis of the laws and regulations of commodity production, exchange and money circulation. Such an economy is based on free commodity-money relations, its basis is the movement of goods and money in various forms, it denies economic monopolism. In some literature, a market economy is assessed as the free, independent occurrence of economic behavior of market economy subjects and their interconnection and coordination through the commodity-money mechanism. In a market economy, market relations cover the entire system, all its stages - production, exchange, distribution and consumption processes, as well as all subjects of economic relations.

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Market economy subjects include both entrepreneurs and workers who sell their labor, as well as owners of securities. Typically, all the main subjects of a market economy are divided into three groups: households, enterprises (business sector) and the state sector.

Households are the main structural unit operating in the consumer sector of the economy. Within the framework of households, goods and services created in the spheres of material production and service provision are consumed. In a market economy, households are property owners and suppliers of factors of production. Money received from the sale of economic resources, their income, are spent to satisfy personal needs.

The business sector is the primary link of the economy that operates with the aim of obtaining income (profit). It requires the use of own capital or borrowed capital to conduct business, the income from this capital is spent to expand production activities. Entrepreneurs supply goods and services in a commodity economy.

The mechanism for regulating any market economy consists mainly of four components: price, demand, supply, and competition.

The price ratio changes, so the price serves as an indicator for the producer in determining the need for a change in production volume. Changes in supply and demand and the competitive environment, in turn, cause changes in prices.

The important and general characteristics of a market economy are:

the existence of various forms of ownership and the primacy of private ownership in it;

freedom of entrepreneurship and choice;

the presence of competition;

limited state intervention in the economy;

the adaptability of enterprises and firms to changes in internal and external conditions.

These characteristics of a market economy are common to all its stages. However, when talking about the content and characteristics of a market economy, it is necessary to distinguish between two types of this economy that have historically existed. Its first form took shape over a long period of time and lasted until the end of the 19th century in developed countries in the West. It was called the classical or pure market economy in economic literature. Its main features are:

a) the basis of economic activity on private property;

b) the generalization of capital and production at the enterprise level;

c) the personal freedom of entrepreneurs, workers, producers of goods and consumers;

g) the struggle of entrepreneurs for high profits;

d) the organization of the economy on the basis of supply and demand, free market prices and competitive struggles;

e) the lack of social protection of the population, the increase in unemployment and social stratification of the population;

j) the spontaneous implementation of market movements, work for an unknown market.

The second form of the market economy is called the modern developed economy and has been in effect since the end of the 19th and beginning of the 20th centuries. Its main features are:

a) the basis of economic and entrepreneurial activity on various forms of ownership, namely private, state, collective, mixed and other forms of ownership;

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b) a high level of generalization of capital and production, with part of the property concentrated in the hands of large monopolies and the state, generalized on a national and international scale;

c) the active participation of the state in regulating the economy. In this case, the state, taking into account scientific and technological progress and other factors, performs the tasks of determining various economic activities, development prospects, and determining measures to regulate the relationship between various sectors and industries;

g) an increase in the use of the planning method in managing farms (business plans, forecasting, work based on various programs, order fulfillment, management through a marketing system, etc.);

d) an increase in social protection. This leads to the creation of various social security and social insurance funds belonging to the state, communities, and private individuals.

1) The efficiency of resource allocation. The market system contributes to the efficient allocation of resources. This means that a competitive market system directs resources to the production of goods and services that are most necessary for society. It requires more efficient ways of allocating resources for production and the application of new, more efficient technologies to production. In short, the market system manages private interest in such a way that it ensures that the necessary goods for society are produced in quantities that meet the demand from the available resources.

2) Freedom - one of the important advantages of the market economy system is that it gives priority to the role of personal freedom. Coordination of economic activities of many individuals and enterprises is one of the main problems of organizing. There are two ways to achieve such coordination. One is the use of centralized control and coercive measures; the other is voluntary cooperation through the market system. Only the market system is capable of coordinating economic activity without coercion. The market economy demonstrates freedom of entrepreneurship and choice, and it is precisely on this basis that it achieves success.

3) Another advantage of the market economy is that in it every individual, enterprise, firm and corporation is in constant movement and search. Because inefficiency, laziness, and indifference lead to the destruction of any economic system. Individuals and legal entities struggle to withstand competition and ensure constant profit. As a result, the market economy mobilizes millions of people, freeing them from the state of dependence. In addition to the main advantages considered above, a number of other positive aspects of the market economy can be listed. In particular: - its high level of adaptation and adaptation to changing production conditions;

the rapid pace of using scientific and technical achievements, their introduction into production;

the ability to satisfy various needs, improve product quality;

relatively quickly restore the broken balance; limited information - the ability of a market economy to successfully function, guided by the price level of various resources and the level of their consumption. The contradictions of a market economy are that a market economy allows and even encourages the weakening of its main control mechanism - competition. There are two main sources of weakening of competition in such an economy. 1) In a free environment in a market economy, entrepreneurs, pursuing profit and improving their economic position, try to free themselves from the limited path of competition. Mergers, collusion, and ruthless competition all lead to a weakening of

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competition and a weakening of its regulatory effect. 2) Technological progress, which is encouraged by the market system, also leads to a weakening of competition. The latest technology usually requires: a) the use of very large amounts of real capital; b) the existence of large markets; d) the formation of a complex, centralized, and strictly integrated market; e) abundant and reliable sources of raw materials. Such technology implies the need for a large number of producers relative to the size of the market. In other words, achieving the highest efficiency of production based on the use of the latest technology in most cases requires the presence of a small number of large producers, rather than a large number of small firms.

CONCLUSION

In conclusion, we can say that the oldest form of the market is the traditional market - a place where sellers and buyers make deals. In most of our cities, there are still squares and buildings where buying and selling takes place. However, in today's world, the market takes many forms. It is better to define a market as any structure that allows buyers and sellers to negotiate prices and make exchanges. In the past, most markets were local. People mainly provided for themselves, and bought very little from others. Today, it is necessary to distinguish between domestic (national, within one country) and foreign markets. Improvements in transport and communication, as well as the use of advertising, on the one hand, and the growing demand for goods produced in some countries of the world economy, on the other hand, led to the formation of international markets for many goods. In the modern economic system, world markets have been formed. The names of leading manufacturers from different countries are well known throughout the world. Raw materials such as rubber, oil, wheat, sugar, coffee and tea have been sold in these markets for many years. The main problems of production - what to produce? How to produce? For whom to produce? are solved through the mechanism of supply and demand. Each type of produced or offered commodity is sold in its own market, which differs from other markets in terms of factors of production.

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