

Zh.S. Khussainova<sup>1</sup>, Zh. Zhartay<sup>2</sup>, E.A. Semak<sup>2</sup>, Ye.A. Gordeyeva<sup>1</sup>

<sup>1</sup>Ye.A. Karaganda State University, Kazakhstan;

<sup>2</sup>Belarusian State University, Minsk

(E-mail: zhibekh11@mail.ru)

## The features of «productive» function of the state as economic subject

In article are considered features of «productive» function of the state as economic subject. Need and expediency of the state production of the net public benefits is most obvious. Not excludability is absolutely insuperable to them, and obviously there is no opportunity to replace expenses of the state coercion, if they are rather high, expenses on creation of a market mechanism of restriction of access to this benefit for «hare». When consumption is absolutely noncompetitive, price quotation of public goods or service in Pareto principle is inefficient as consumption of additional unit of the benefit brings benefit to the consumer without any expenses. Price quotation will reduce consumption, having caused under exploitation of the public benefits and a dead loss of usefulness. When the supply of net public goods through the market is possible, it won't provide achievement of the best (optimum) level of production. Result of research of authors is detection of features of «productive» function of the state on the example of the Republic of Kazakhstan, and also the problems which arose recently connected with the researched subject.

*Keywords:* «productive» function, public benefits, state expenditures, social production, social aid, social security.

*I. Statement of a problem.* The condition and dynamics of the sphere of production as initial stage of a reproduction cycle predetermines proportions and development of its other phases. It demands active economic participation of the state in this sphere, in particular, through realization of a «productive» component of production function.

Productive function is a form of manifestation of economic behavior of the state in the production sphere for the purpose of ensuring its balance. Allocate two effects of this function: first, productive function in pure form, being shown in direct state production of the public and private benefits; secondly, the mediated productive function consisting in indirect impact on motivation and behavior of private producers.

Net productive function of the state is realized through production of the public benefits in state sector of economy. It is possible to prove need of the state production of the public benefits through detection of their specifics.

### *II. Analysis of the last researches and publications*

The theoretical bases of analysis of production of the public benefits was laid within the neoclassical theory of welfare. Theoretical bases of production of the public benefits and positive outer effects were created in works of representatives of the theory of welfare, such as N.Kaldor, E. Lindal, A. Marshall, V. Pareto, A. Pigou, P. Samuelson, T. Scitovsky, J. Hicks, H. Hotelling.

The theory of the public benefits is connected with the theory of public sector of economy in which the state is researched as the specific subject of modern economy. Questions of the theory of the public benefits were taken up by such authors as E. Atkinson, J. Stiglitz, J. Buchanan, J. Dupuy, R. Musgrave, M. Olson, K. Arrow. Bases of the theory of a budget federalism as systems of differentiation of powers on provision of the public benefits are pledged in works of D. Kings, R. Musgrave, W. Oates.

### *III. Article purpose*

Many theoretical and practical questions of the public benefits, including problem of increase of efficiency of their production is one of the most perspective directions of modern economic science as many theoretical and applied aspects didn't gain due development yet. In particular, in case of all importance of the conducted researches there is no constructive classification of the public benefits. The theoretical and practical importance of studying of these problems, need of application of new approaches also determined a choice of a subject of research, the purposes and tasks of work.

### *IV. Main results of research*

The concept of the public benefits was put forward by P. Samuelson in 1954 and further is developed by R. Musgrave in the theory of socially significant (deserved) benefit in the late fifties [1, 2]. P. Samuelson marked out two main properties of the public benefit – non-competitiveness in consumption and non excludability.

Criteria of competition and non-competition, excludability and non excludability allow drawing a clear line between the net private and net public benefit. The first represents a competition and excludability combination, and the second is characterized at the same time by two properties – absolute non-competitiveness and not excludability. Considered polar situations can be described as follows: for net private goods equality takes place:

$$\sum_{h=1}^n X_i^h = X_i, \quad (1)$$

where  $X_i^h$  — consumption of i-goods by h-household;  $X_i$  — aggregate supply of i-good.

Contrary to it for net public goods

$$X_i^h = X_i, \text{ at any } h. \quad (2)$$

The net public benefit and the net private benefit are extreme points of a scale of the economic benefits. Between them there are much more often the mixed different benefits meeting in reality which proximity to this or that pole is defined by prevalence of properties of private or public goods. The mixed public benefit unlike pure is the excluded benefit of joint consumption with selectivity, alternativeness of its use, with decrease of its consumption.

The following group of the public benefits is also possible taking into account a set of the corresponding parameters (Table 1).

Specifics of the public benefits (pure and mixed) consist in the following: the external effect has impact not only on the direct participants of activity connected with this benefit, but also extends on foreign faces, generating a so-called problem of «free rider». The market mechanism effectively works to the economic benefits only on condition that their external effect can be controlled by participants of the transaction connected with this benefit.

In a situation with the public benefits ways and methods of internalization of external effects, solutions of the problem of «free riders» are defined by the volume and intensity of external influence, its positive or negative character, possibility of divisibility of these or those public benefits, degree of their excludability and alternativeness in consumption, and also possibility of quantitative change of an external effect. If scales of external effect are insignificant and a circle of subjects is small, and production of this public benefit and its collateral external action can be taken without participation of the state under control by direct participants of the economic transaction or self-governed public organization. If the problem of «hare» gains wide scope, systematic underproduction of the public benefits is formed, and there is a situation at which delivery of the benefit has to be carried out by the state.

Providing adequate output of the pure public benefits possibly only at public and obligatory approach to formation of funds for their creation by means of the compulsory state taxation. At domination of free business the market economy isn't democratic. The state independently defines standard item of the public benefits and appoints taxes, without reckoning with, whether individuals want to have these goods and services in such quantities or not. Therefore it is necessary to aspire that all pure public benefits delivered to the individual, corresponded to his compelled contribution.

Problem in that: the state has to define output of the pure public benefits, and also quantitative range of the specific taxpayers bringing means for consumption. «Therefore the political mechanism steps on the stage as substitute of the market and determinant of the directions of action of the state coercion» [3].

Taxpayers at the same time are also voters; the effective instrument of tax regulation of production of the pure public benefits is the electoral system by means of which society expresses the preferences to elected representatives in authorities depending on their positions. Decision-making by vote replaces detection of preferences through a market mechanism that is the public choice in public sector carries out a certain self-correcting function, as a consumer choice – in the private sector. The self-correcting effect of a public choice of subjects is stronger, than the level of development of political democracy is higher. Then at the certain individual is reduced the gap distance between its role of the taxpayer and a role of the consumer of the net public benefit.

Table 1

Classification of Public Benefits with Combination of Its Criteria (properties)

Criteria	Net public benefit		Mixed public benefit					benefit of limited access (the club benefit)	usual type (with prevalence of private properties)
	national level	regional, local level	social benefit (deserved benefit)	quasipublic benefit (service of branches of natural monopoly)	the overloaded benefit of joint consumption	benefit of limited access (the club benefit)	benefit of limited access (the club benefit)		
Level of competition and decrease in consumption	Sharing with complete non-competitive and non-decrease	Sharing with complete non-competitive and non-decrease	Joint nature of consumption with high level of non-decrease of volume and quality of consumption	Joint nature of consumption of services of a network type of production and high decreasing of network production	Joint nature of the consumption in the non-competitive and nondecrease to a certain threshold level of consumption and reducing its then level	Joint nature of consumption at stable level and quality of consumption for a certain structure of users	Joint nature of consumption pattern with a high level of competition and decreasing		
Excludability level	Full non-excludability	Full non-excludability	The high level of excludability	The high level of excludability	Non-excludability to some consumption level	Application of the principle of excludability not to the certain person, and to group of people	The high level of excludability		
Existence of a specific external effect	The external effect has national and world value	Regional and local external effect	Huge scale of an external effect and its long-term character	Generation is social losses, and social benefits	The external effect can be localized and is under control of owners of these benefits	The external effect is internalized through public coercion (membership dues)	Positive or negative orientation of an external effect		
Nature of production	State production	State production	Production of the benefits by the state, public and private structures	Production of the benefits by the government and private monopolistic institutions	Production of the benefits by the government and private institutions	Production of the benefits by public structures	Production of the benefits by private structures		
Typical examples	National defense, fundamental science, satellite communication, etc.	Municipal police, fire protection, vacation spots etc.	Services of health care, education, culture etc.	Railway transport, telecommunication, municipal services of the population by electric power, water, gas, heat, etc.	Bridges, tunnels, highways, locks, etc.	Services of sports clubs, beaches, parks, etc.	Medicines and medical equipment, tobacco, alcohol, ecologically harmful technologies, etc.		

Note. Source: It is made by the authors.

The market mechanism isn't capable to function effectively in the sphere of production of the mixed public benefits, as socially significant benefit (the deserved benefit) and the quasi public benefit.

Socially significant benefit synthesizes properties of the private excluded benefit and property of the public benefit through considerable positive external effect. Such benefits consist from education, health care, culture, services of other branches of the welfare sphere.

The specific nature of the deserved benefit, multi composite character of an external effect, long term of its influence and lack of accurate contours of influence create an objective basis for emergence of contradictions between the current individual and long-term public preferences in consumption of such benefits. It is necessary a certain state intervention for permission of this collision in favor of public preferences and introduction of obligation of consumption of socially significant goods and services. Otherwise at freedom of a consumer choice there are no guarantees that citizens won't prefer to spend funds for the current consumption, but they don't spend funds for the deserved benefits [4].

The most serious insolvency of the market causing emergence of the state production of the mixed benefits arises when the markets aren't competitive. The main reason acts existence of growing economy at production scales. In this situation economic efficiency demands limited number of producers. The branch in which economy growth at scales is so considerable, functions only one firm, is natural monopoly.

The benefits made in branches of natural monopoly, are the quasi public benefits. In the excluded benefits of joint consumption there are more than properties of private goods and much less characteristic properties of the public benefit. Specifics of these branches are in large scale of production and a considerable capital intensity that makes high demands of the volume of the initial capital for the accession to these branches of new competitors. The characteristic transmission of technologies for branches of natural monopoly (network type of production) excludes infrastructure duplication on providing the population with this production, doing technically impossible existence of the competitive environment.

The state intervention to the sphere of production of the quasi public benefits consists that private firms pursue the aim of maximizing own profit, instead of welfare of the nation that conducts to inefficient distribution of resources. The state chooses one of two possible options of behavior without having opportunity to eliminate zones of natural monopoly without efficiency loss: or to fill these zones with the enterprises of public sector, or to use measures of indirect regulation of activity of the monopolist [5].

The state, functioning as the producer in the natural and monopoly environment, is guided by other principles of managing, than private firms. It allows to use the sphere of the state delivered quasi public benefits for the solution of strategic economic tasks, increases of profitability of private enterprise. The monopoly profit isn't the paramount purpose of activity of the state as producer of the quasi public benefits. It became the supplier of cheap services (in particular, transport, post and cable), energy resources (coal -, gas -, oil production, electricity generation), reducing expenditures in the private sector.

If scales of external effect are insignificant also the range of market agents is small, other kinds of the mixed public benefits it isn't required direct state intervention. Collateral external influence can be without state participation, is internalized by self-governed public organization or direct participants of the transaction on mixed the benefits.

Approximate idea of the high possible scales of implementation by the state of direct productive function can be received on the basis of data on specific expenditures on production of the public benefits in gross domestic product of the developed countries given in Table 2.

Table 2 shows the considered period in the USA where the share of the public expenditures in gross domestic product for the net public benefits averages 16,1%; for socially significant benefits with inclusion of social transfer payments – 17,9%; for the quasi-public benefits – 5,5%. In Germany during the same period for the pure public benefits was spent 15,1% of gross domestic product; for socially significant benefits (including social transfers) – 25,1%; for actually socially significant benefits – 13,3%; for the quasi-public benefits – 5,8 percent. The similar picture was observed in other industrial countries. These data allow to reveal priorities in realization by the state of productive function in net form: on the first place are socially significant benefits, on the second are net public goods and services, on the third place are quasi-public and other types of the public benefits.

Table 2

**The Share of the Public Expenditures on Production of the Public Benefits  
in Gross Domestic Product of the Developed Countries from 1950 to 2015, %**

Country	Years	Total	Net public benefits			Social benefits				Quasipublic benefits
			Man-agement	Defense	Order protection	Total	Education	Health care	Social transfers	
USA	1950	24,9	0,8	13,1	0,5	7,0	3,2	0,5	3,2	3,5
	1980	33,5	1,5	8,5	1,3	18,2	6,6	1,5	10,1	4,0
	1990	35,0	1,6	6,9	1,5	19,0	6,9	1,6	10,5	6,0
	2000	35,7	1,7	4,7	1,6	20,8	7,2	1,9	10,7	6,9
	2015	36,5	1,0	2,6	1,4	24,6	7,7	2,3	14,6	6,9
Germany	1950	28,4	1,9	4,3	1,4	18,4	2,7	3,5	12,2	2,4
	1980	42,4	3,2	4,4	2,4	25,6	4,8	6,8	14,0	6,8
	1990	42,9	3,2	4,2	2,6	26,5	5,1	7,1	14,1	6,7
	2000	42,9	3,5	4,0	2,7	27,1	5,4	7,2	14,5	5,6
	2015	42,8	2,6	2,5	2,5	27,7	5,7	7,5	14,5	7,5
France	1950	31,4	2,0	7,8	0,8	19,6	4,7	2,4	12,5	1,2
	1980	45,3	2,8	5,0	1,7	32,6	8,3	4,4	19,9	3,3
	1990	47,2	3,5	5,7	1,3	33,5	8,7	4,8	20,0	3,3
	2000	47,5	3,3	4,7	1,4	34,3	8,7	5,1	20,5	3,8
	2015	45,5	2,5	3,0	1,3	34,8	8,8	5,6	20,5	3,8
Great Britain	1950	32,1	1,5	4,6	1,5	17,9	5,1	5,1	7,7	6,4
	1980	40,6	1,9	6,9	2,5	22,5	6,9	6,9	8,8	6,9
	1990	42,9	1,9	6,7	2,4	25,6	6,9	6,9	11,9	6,3
	2000	43,1	2,0	5,7	2,4	26,8	7,0	7,3	12,5	6,1
	2015	43,4	1,7	3,5	2,3	29,8	7,2	8,1	14,5	6,1
Italy	1950	22,5	1,5	3,0	1,5	14,5	3,5	3,0	8,0	2,0
	1980	38,1	2,8	3,2	2,8	24,7	6,3	5,1	13,3	4,5
	1990	47,9	3,7	3,7	3,2	31,8	7,4	6,5	18,0	5,5
	2000	49,0	3,6	3,2	3,2	34,3	7,2	6,5	20,6	4,8
	2015	45,5	2,8	2,0	2,8	33,1	6,7	6,5	19,8	4,8
Japan	1950	13,2	1,6	1,1	1,6	6,8	3,2	0,5	3,2	2,1
	1980	25,0	1,9	1,0	1,9	16,2	5,4	0,6	10,3	3,9
	1990	26,9	2,1	1,0	2,1	18,4	5,6	0,7	12,0	3,4
	2000	27,2	2,0	1,0	2,0	18,8	5,6	0,8	12,4	3,3
	2015	29,7	1,4	0,9	2,0	21,8	5,7	1,2	14,9	3,7

Note. Source: It is made by the author on a source [6].

For the Kazakhstan economy are characteristic the same tendencies concerning the directions of realization by the state of direct productive function, as for the countries with normally functioning mixed economy (it is visible from Table 3).

Table 3

**Dynamics of Expenditures of the State Budget of the Republic of Kazakhstan, in 2010-2016, billion tenge**

Expenditures	2010	2011	2012	2013	2014	2015	2016	Deflection, 2016 \ 2015	
								Billion tenge	%
1	2	3	4	5	6	7	8	9	10
The state services of general character	225	296	326	382	484	697	419	-278	60,1
Defense	221	265	241	397	432	454	453	-1	99,8

Continuation of Table 3

1	2	3	4	5	6	7	8	9	10
Public order, safety, legal, judicial, criminal and executive activity	369	448	558	608	601	557	455	-102	81,7
Education	769	987	1210	1237	1359	1365	531	-834	38,9
Health care	551	626	731	795	856	864	790	-74	91,4
Social aid and social security	905	1134	1239	1360	1549	1713	1896	183	110,7
Housing and communal services	334	389	439	472	555	443	158	-285	35,7
Culture, sport, tourism and information environment	228	202	223	258	298	294	116	-178	39,5
Fuel and energy complex and subsurface use	80	112	127	120	129	112	63	-49	56,25
Agriculture, water, forest, the fishery, especially protected natural territories, environmental protection and fauna, the land relations	207	271	293	259	349	376	192	-184	51,1
Industry, architectural, town-planning and construction activity	28	25	26	32	43	62	10	-52	16,1
Transport and communication	391	449	482	511	614	682	560	-122	82,1
Other	68	97	144	243	292	310	1015	705	327,4
Debt services	95	122	131	178	233	297	551	254	185,5
Total	4471	5423	6269	6853	7792	8227	8045	-182	97,8

Note. Source: It is made by the author on a source [6, 7].

So, priorities are placed as follows in implementation of pure productive function by the domestic state: other expenditures is on the first place - on the average 13% of gross domestic product. Debt services averaging 6,8 percent from gross domestic product is on the second place. At last, the social aid and social security by the state, averaging 2,3 percent from gross domestic product is on the third place.

The sphere of the pure public benefits approximately corresponds to minimum possible scales of implementation of direct productive function by the state, and the sphere of the mixed public benefits gives an idea of admissible limits of its interventionism, being the arena of cooperation and the competition to the private sector [8]. In the second situation is admissible and expedient statement of a question of minimization of the state participation in creation and financing of the mixed public benefits. If property of non excludability is shown, it makes sense to consider possibilities of use of market mechanisms and a private initiative. If borders of not rivalry are rather narrow, the state production of the mixed public benefits should be focused mainly on local levels and to use mechanisms of voluntary collective actions.

#### V. Conclusions

In all countries the public sector is a dual, inconsistent institutional formation. It personifies two beginnings: the market – based on equivalence of an exchange, onerousness, property right alienation, purchase and sale, and non-market – based on nonequivalence, gratuitousness, the uncertain specification of the property rights, non-market mechanisms of distribution of resources. The duality of the economic nature of public sector is a source of inefficient use of economic resources. This dualism in production of the public benefits causes the necessity of effective legislative regulation of this sector for the purpose of providing conditions for rationalization of use of economic resources in creation of such benefits.

The state carries out productive function in the pure and mediated forms. Dominating economic effect in its realization is direct production of net public, socially significant, quasi public and private benefits within public sector of economy.

As a whole, productive function of the state is aimed at providing balance of a social production. Influence on its qualitative and proliferation is carried out through an investment component of production function of the state.

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Ж.С. Хусаинова, Ж.М. Жартай, Е.А. Семак, Е.А. Гордеева

## Экономикалық субъект ретінде мемлекеттің «өндірістік» функцияларының ерекшеліктері

Мақалада экономикалық субъект ретінде мемлекеттің «өндірістік» функцияларының ерекшеліктері қарастырылды. Мақала таза қоғамдық игіліктерді мемлекеттік өндірісінің қажеттілігі мен айқындылығын ашады. Бір жағынан, олар үшін сатуға келмейтіндікке қарсы тұра алмайды, яғни шығындары жоғары болса да, мемлекеттік мәжбүрлеу шығындарын «қоян» үшін бұл игілікке қолжетімділікті шектеудің нарықтық тетіктерін құру бойынша шығындармен ауыстыру мүмкіндігін жоққа шығарды. Басқа жағынан қарасақ, тұтыну мүлдем бәсекеге қабілетсіз болатын болса, Парето принципі бойынша, қоғамдық тауарға немесе қызметке бағаны тағайындау тиімсіз болып табылады, себебі игіліктің қосымша бірлігін тұтыну тұтынушыға ешқандай шығындарсыз пайда алып келеді. Бағаны тағайындау тұтынуды қысқартады, яғни ол қоғамдық игіліктерді қолданбауға және қасиеттерді таза пайдасын жоғалтуға алып келеді. Қоғамдық таза тауарды нарық арқылы ұсыну мүмкін болған жағдайда да бұл өндірістің тиімді деңгейіне жетуді қамтамасыз етпейді. Авторлар зерттеуінің нәтижесі ретінде Қазақстан Республикасының мысалында мемлекеттің «өндірістік» функцияларының ерекшеліктерін айқындау, сонымен қатар зерттеліп отырған тақырыпқа байланысты соңғы кездері туындаған мәселелер есептеледі.

*Кілт сөздер:* «өндірістік» функция, қоғамдық игіліктер, мемлекеттік шығындар, әлеуметтік өндіріс, әлеуметтік көмек, әлеуметтік қамсыздандыру.

Ж.С. Хусаинова, Ж.М. Жартай, Е.А. Семак, Е.А. Гордеева

## Особенности «производственной» функции государства как экономического субъекта

В статье рассмотрены особенности «производственной» функции государства как экономического субъекта, а именно наиболее очевидна необходимость и целесообразность государственного производства чистых общественных благ. С одной стороны, для них абсолютно непреодолима неисключаемость, а следовательно, заведомо отсутствует возможность заменить издержки государственного принуждения,

даже если они достаточно высоки, затратами по созданию рыночного механизма ограничения доступа к данному благу для «зайца». С другой стороны, когда потребление абсолютно неконкурентно, назначение цены общественного товара или услуги с точки зрения принципа Парето является неэффективным, поскольку потребление дополнительной единицы блага приносит выгоду потребителю без всяких затрат. Назначение же цены сократит потребление, вызвав, таким образом, недоиспользование общественных благ и чистую потерю полезности. Из этого следует, что даже тогда, когда возможно предложение чистого общественного товара через рынок, это не обеспечит достижения наилучшего (оптимального) уровня производства. Результатом исследования авторов является выявление особенностей «производительной» функции государства на примере Республики Казахстан, а также возникшие в последнее время проблемы, связанные с исследуемой темой.

*Ключевые слова:* «производственная» функция; общественные блага; государственные расходы; социальное производство; социальная помощь; социальное обеспечение.

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