

## THEORETICAL AND METHODOLOGICAL FOUNDATIONS OF THE STUDY OF STATE AND BUSINESS RELATIONS

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**Abstract.** The subject of this study was the interaction between the state and business. The purpose of this article is to study theoretical and methodological approaches to interaction between the state and business. Methodology. In the course of his research, the author used a comparative historical approach to study the theoretical foundations of interaction between the state and business, methods of analysis and synthesis to describe models and forms of interaction between the state and business, and there was also a systematic approach to analyze the system of economic, political and social indicators that explain the current state the problem being studied.

**Key words:** business, state, interaction between business and government, models of interaction between business and government, public-private partnership.

The basis of the relationship between the state and business is economic relations, since a business cannot exist separately from the state, and the state closely interacts with business. The state acts as a regulator, determining laws, norms and rules for the functioning of business entities. Business at the expense of its own resources and its potential ensures the implementation of some government functions in society. In the social sciences there are quite a lot of definitions of entrepreneurship, among which the definitions that postulate its innovative essence stand out. For example, according to J. Schumpeter's definition, the goal of entrepreneurial activity is to promote innovations to the market through risky business. F.F. Hayek believed that the essence of entrepreneurial activity lies in the search for new opportunities and their further study, and this activity is directly related to the personal freedom of the individual and his independent use of resources, knowledge, abilities, and information. P. Samuelson

also connected entrepreneurial activity with innovation, giving the entrepreneur the ability to think outside the box and go towards achieving his goal. P. Drucker included innovations in all spheres of public life in the content of entrepreneurship; innovations also apply to management.

Based on the approaches listed above, entrepreneurship should be understood as a continuous search for new opportunities and new needs of end consumers of services or goods, as well as meeting identified needs through the use of innovative technologies and approaches that ensure maximum production at each stage of production. Without interaction between government and business, the implementation of these functions seems impossible, since this activity requires favorable external conditions that can only be created by the state.

As noted above, the basis of interaction between the state and business is economic relations. The main goal of a business is to systematically generate profits and maximize them. But this is not the only function of entrepreneurship. In an effort to increase profits, business also implements socially significant functions that intersect with the functions of the state, that is, a significant proportion of entrepreneurs are focused not only on their own interests, but also on the interests of the entire society. It should be noted that interaction between the state and business is based on a balance of interests, that is, in this case we are talking about the absence of the need for total control over business by the state.

Among the basic principles of interaction between the state and business are the following:

- balance of interests of the state and business;
- democratization of relations between the state and business, manifested in the transparency of management decisions;
- openness of government and business to society;
- standardization and informatization of relations between government and business;

- orientation and motivation to build interaction between the state and business;
- focus on achieving economic growth and social development;
- orientation towards the fight against corruption;
- partnerships between the state and business;
- balanced impact of market and government mechanisms on the development of economic and social systems and relations;
- creation and development of a new educational environment for training entrepreneurs [3] (Ayrapetyan, 2014).

Thus, by interaction between the state and business we understand a bilaterally directed process of joint activity between government and business, focused on the development of the socio-economic sphere as a whole, as well as its individual elements, taking into account their economic interests and resources. In the interaction between business and government, special attention is paid to their cooperation, based on the balance of their interests. Cooperation involves the movement of subjects “in the same direction”, achieving a common goal based on a balance of interests.

At the present stage of development of state-entrepreneurial relations, two opposing models of interaction are distinguished: pluralistic and neo-corporatist. Moreover, it should be noted that in reality, not a single model exists “in its pure form.” We encounter mixed models and identify the most pronounced features of the type, as a result of which we attribute the considered form of interaction between government and business structures to it. Describing pluralistic and corporatist models of interaction between business structures and government, many scientists turn to the works of J. Schumpeter.

Thus, the pluralistic model is characterized by the presence of a large number of associations that compete with each other, are not controlled by the state and do not have a monopoly, the state takes a passive position. Competition is the driving force behind the development of the economy and society, and profit is seen as an indicator of success. The state takes an external position, does not interfere in the economy, but

develops rules and postulates for regulating and resolving conflicts in the business environment, and also develops tools to support foreign economic relations.

The distinctive features of the pluralistic model are:

- a large number of business structures that compete with each other for influence on the state and politics;
- independent position of the state in relation to business associations and structures that constantly continue to put forward proposals, some of which can be institutionalized by the state [11] (Kisel, 2013).

The corporatist (neo-corporatist) model is distinguished by the existence of a limited number of business associations, and these coalitions (unions) have a certain hierarchy and have the right to express their interests. Business associations participate in the planning, development and implementation of government policy. The basis of the relationship between government and business is partnership and cooperation, not competition. The main emphasis is not on obtaining individual profits, but on the development and maintenance of the national economy as a whole, on maintaining the required standard of living and preventing possible crisis phenomena, that is, business associations also have social obligations. The state acts as an economic agent and develops “rules of the game” that are common to everyone. Since the state bears social obligations to society and is the guarantor of social rights and freedoms, it can dictate the rules of interaction and make demands on business associations. Conflicts are regulated and resolved through negotiations between interested parties; going to court is possible if all methods of pre-trial resolution of issues have failed.

In the 60–70s. XX century In Sweden, Norway, the Netherlands, Finland and Austria, a new direction of corporatism is being formed - neo-corporatism, the distinctive feature of which is the interaction of the state and corporate associations on a voluntary basis, despite the fact that corporations are components of the state. Describing the corporatist model, F. Schmitter indicated the following as key features:

- official recognition of business associations by the state;
- lack of competition;

- the presence of a monopoly on representation in a certain area, as well as the presence of a monopoly right to interact with government agencies on behalf of the association [21]

In the works of Moiseev V.V., Nitsevich V.V., Nitsevich V.F. Shurtukhina E.A proposed five models of interaction between business and government:

**1. A partnership** that involves the formation of partnerships between business and government, focused on the socio-economic development of the country in general and regions in particular. Authorities make decisions regarding businesses after consulting with the latter. Partnerships are characterized by the exchange of resources between government and business: both economic and administrative, political, informational and others.

**2. Patronage**, the characteristic features of which is the guardianship of large businesses by regional authorities, which leads to their unification. This model represents a two-way benefit: for business it opens up the opportunity to receive government contracts and avoid unnecessary checks, for government agencies it opens up the opportunity to receive kickbacks and bribes.

**3. Suppression and coercion**, involving administrative pressure on business from the authorities for the economic and social development of the region.

**4. Non-interference from the authorities**, characterized by the lack of participation of government structures in social policies implemented by business.

**5. Social partnership** combining the interests of business and government [15] (Nitsevich, 2013).

Analyzing the interaction between government bodies and business at the regional level, R.F. Turovsky also identified five models:

**1. The functional** model is characterized by a certain distance between authorities and business, which, if the need arises, can solve problems together (this model depends on the type of leadership in the region).

2. *The partnership* model involves cooperation between government and business, where both parties are focused on solving the socio-economic problems of the region.

3. *The model of state patronage* determines the dominant position of the authorities exercising control over business structures and suppressive influence, which leads to the formation of loyal and disloyal business structures, and also ensures the emergence of benefits and advantages for the former.

4. *The symbiotic model* is focused on the interpenetration (merging) of business and government, that is, there is a dominant player in the region who interacts very closely with the authorities, his interests become a priority. There is a dependence of power on business.

5. *The conflict model* demonstrates the absence of stable relationships between government authorities and business and is characterized by the presence of contradictions that can develop into an intense struggle for ownership of resources. In this case, the region may experience the absence of a single center and disparate alliances between individual officials and businesses [18] (Turovskiy, 2009).

Currently, there are quite a large number of models of interaction between government and business. As we can see from the models proposed above, the most effective and constructive is the partnership model, which involves cooperation between government and business to solve the socio-economic problems of the region. But it should still be noted that in reality, not a single model is presented “in its pure form”; we can observe a combination of several types of models and identify the dominant one. Similar to the previous typology, in real life the proposed models do not exist “in their pure form”; their mixture can be observed. The atomistic model is typical for developing countries, the associated model is typical for developed countries, so we can say that the second model is an evolutionary continuation of the first.

In the course of scientific research, in the context of two models - atomistic and associated - four forms of interaction between the state and business were developed:

- The private interaction between business and government, characteristic of the atomistic model, involves the interaction of disparate business structures with government bodies. Neither government nor business structures can dictate the terms and rules of interaction. The state is engaged in legislative activity, controls the implementation of adopted laws, ensures national security, produces and accumulates social benefits, and implements the functions of social protection of the population. In the event that the state independently cannot cope with solving problems in the socio-economic sphere due to a lack of funding, it enters into agreements with business structures regarding the distribution of social burden in exchange for state support and protection. The amount of support depends on the contribution of business to solving the socio-economic problems of the region.
- Leadership of power, common in atomistic models, is a one-way form of interaction between business and government and is of a directive nature, where the condition for entering the market for entrepreneurs is the implementation of social functions.
- Business leadership, like government leadership, is also a one-way relationship. In this case, power nominally belongs to the state, but is actually in the hands of large companies, whose managers may be members of government bodies. The result of the current situation is an uneven distribution of social functions towards business, which actually performs a significant share of them, therefore business structures become the main driving force of the socio-economic development of the region.
- Partnership between business and government is characterized by awareness by business and government of the need for cooperation. Based on constructive dialogue, the authorities are building mutually beneficial relationships with business structures in order to solve the socio-economic problems of the region. This dialogue involves not individual entrepreneurs, but business associations. Moreover, this partnership has two forms that involve bilateral or multilateral interaction; we can say that the second form is an evolutionary continuation of the first [10] (Kivarina, 2014).

Partnership between business and government becomes a social partnership if public organizations are involved in this interaction.

The study of the theoretical and methodological aspects of interaction between business and government is fundamental, allowing us to further analyze in detail the features of this interaction, identify factors influencing it, identify problems, and subsequently develop recommendations for its improvement. The peculiarities of interaction between business and government structures are determined by a wide range of factors, which include both the socio-economic development of the region and management style.

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