

DOI: 10.7596/taksad.v6i4.1168

Citation: Faizova, G., Sheremetyeva, O., & Matveeva, A. (2017). Problems in the Study of the Concepts of Underlying Categories. *Journal of History Culture and Art Research*, 6(4), 1276-1283. doi:<http://dx.doi.org/10.7596/taksad.v6i4.1168>

Problems in the Study of the Concepts of Underlying Categories

Guzel R. Faizova¹, Olga S. Sheremetyeva², Alfiya R. Matveeva³

Abstract

This paper considers the concepts of underlying categories. The economic good is one of such categories. In this regard, we considered such characteristics of an economic good as utility, value, and cost. The public goods, which are the goods that can benefit society and have two distinctive features, are an important category as well. In this regard, we characterized the characteristics and features of public goods and identified the main problems in this category. At present, the actual problem faced by the state is the production and evaluation of the effectiveness of public goods. The difficulty is that it is impossible to accurately determine the production volume of goods necessary for the society. Assessment of the effectiveness of the state activities requires the development of special tools. The existing legislatively defined methods have a number of shortcomings and do not allow obtaining an objective picture. Financing of most public goods occurs at the expense of the state, so it is very important to ensure and increase the efficiency of their spending at the moment. Public-private partnership is the most promising tool for better satisfying the needs of the population. The main goal of this work is to identify and discuss the main characteristics of the concepts of underlying categories and explain possible problems, issues faced by the state and the society.

Keywords: Underlying categories, Economic good, Public good, Utility, Value, Cost.

¹ Kazan Federal University, Naberezhnye Chelny Institute. E-mail: arf-a@yandex.ru

² Kazan Federal University, Naberezhnye Chelny Institute. E-mail: olga-sheremete@mail.ru

³ Kazan Federal University, Naberezhnye Chelny Institute. E-mail: arf-a@yandex.ru

Introduction

The theory and methodology of studying the concepts of underlying categories and its characteristics was interesting for the researchers at all stages of the world civilization development. Despite the study prescription, it is necessary to revise and continue to study the concepts of underlying categories.

Providing public goods is a key element in the quality of life and environment. The main problem of public goods produced for the society is that the demand for public goods cannot be revealed. The opposite situation is with the economic goods. The consumption of private goods on the market and their utility is reflected and manifested. Their shortage may affect the prospects for economic development, as well as the global economic stability, peace and prosperity.

While the public goods are important for the functioning of society, there is a problem that arises when these goods are provided - it is called the free rider problem (Investopedia, 2017a). The free rider possibility is a situation where some people in a population either consume more than their fair share of a common resource or pay less than their fair share of cost of a common resource. This is a problem for the production of public goods (Investopedia, 2017b).

In the modern conditions, when there are the problems in the production of public goods, the most promising approach is the use of public-private partnerships. At the moment, this approach has become widespread. At the same time, the principles of public-private partnership can be successfully implemented in any field where the interests of business and the state overlap. One of such fields is the social one, represented by a set of industries, enterprises, organizations, directly related and defining the image, standard of living, welfare and consumption of people (Vaslavskaya & Fattakhova, 2016). In the case where the market mechanism is not able to ensure the rational use and allocation of resources - it is called the market failures (Sorvanova, 2016). The market failure is a situation, when the quantity of a product demanded by the consumers is not equated to the quantity supplied by the suppliers in any given market. This is a direct result of the absence of some economically ideal factors, which prevents balance (Gruber, 2012). The public goods are one of the examples of market failures. Therefore, the mechanisms for the effective provision of public goods have an important place in any strategy of the society.

Materials and methods

To assess the satisfaction level of social needs, it should be applied a wide range of qualitative indicators, according to an integrated assessment of which, with respect to the estimated

service provider, it is possible to determine its rating, which will allow it receiving a state or municipal order (Vaslavskaya et al., 2016) The expediency of such an approach lies in the possibilities of private business to meet the needs of clients to the maximum extent and more effectively.

When assessing the gap scale between the desired and the real level of financing the public needs of the citizens, the survey is conducted in the form of a questionnaire. The questionnaire was conducted twice in 2011 and in 2015. The results of this survey are presented below in comparison of two time points studied. The sample of respondents corresponded to the representativeness requirements. The respondents were asked to evaluate the health and education fields on the questionnaire.

Results and discussion

As a research result, it has been revealed that the term "utility" does not have a unique interpretation at present. The situation with other underlying categories is the same, which indicates the incompleteness of scientific understanding of this problem. The term "utility" is found in a broad interpretation in the scientific literature. Let us present the definition of utility in the modern approach:

- utility as a certain positive emotional state resulting from the consumption of goods (Modern Economic Dictionary, 2017);
- utility as the ability of objective properties of the good to satisfy the needs (Dictionary of Business Terms, 2017).

Each definition includes a category related to the process of choosing and consuming the good by the consumer and describing the basic rule or motive guided by the consumer when choosing.

Uncertainty in the terminology arises from an attempt to describe the totality of phenomena and processes in a single word. The most particular concepts - need, good, cost - are defined more precisely.

Figure 1 shows the process of selecting and consuming the goods consisting of the stages (Rogachev & Gagarin, 2012).

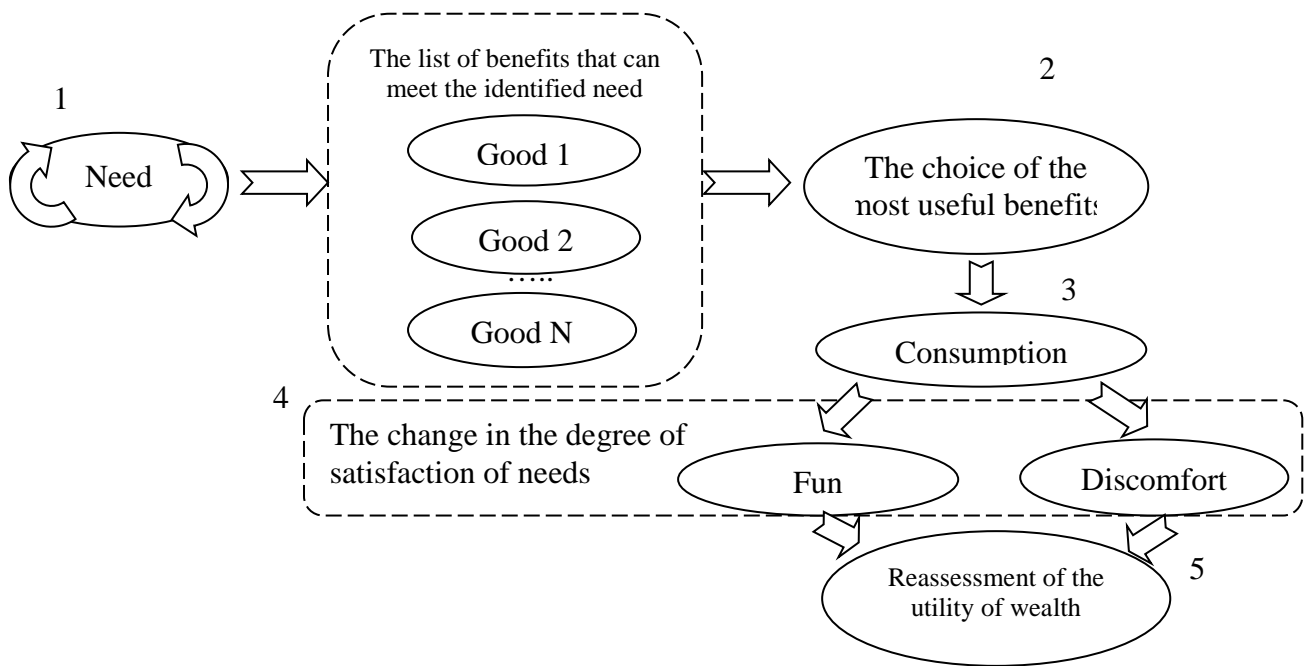


Fig. 1. The process of choice and consumption of goods

The definitions of terms are presented below based on the above discussion. The good is a mean of satisfying the human needs. The goods that satisfy the most necessary needs are estimated by utility higher than all other goods. "Utility" of the good is the potential ability of the good to satisfy certain needs inherent in it, regardless of subjective assessments (Dictionary of Crisis Management Terms, 2017). When comparing several goods, the consumer chooses the most useful ones, due to the fact that it is able to better meet his needs. Let us present the main provisions and conclusions:

- Each consumer, when choosing a particular good, relies on his knowledge of their utility.
- The evaluation of utility is subjective and individual.
- The dependence of the satisfaction degree of demand on the quantity of the goods consumed can have different forms.
- The utility can be consumed for a sufficiently long period of time.
- The utility of some goods is negative.

There are two main characteristics that determine the public goods:

Firstly, this is a non-exclusivity, which means that one cannot exclude anyone from society from enjoying the benefits of a public good. But he can voluntarily exclude himself from this competence.

Secondly, there is no rivalry in their consumption: the use of a public good by one person does not diminish its value for others. When one person uses the public good, another person can also use it.

However, we can say that the public goods can create a negative impact, as well as futility. This is because the non-exclusivity and non-rivalry can create market inefficiencies in connection with the distribution of these goods. It is impossible to exclude anyone from consuming, for example, the health care, whether the consumer is a taxpayer or not.

However, the difficulty arises in establishing the fairness and the preferred level of public good. In order to ensure an adequate level of public good, the government should know how many people benefit from this (U.N., 2008).

Another key issue raised in this article is the fact that many economists argue that rivalry and non-exclusivity have been associated with the market failures. The free rider problem occurs when people benefit from service without having to pay for it or promote anything without reducing the amount available to others (Investopedia, 2013). The production of public goods takes place directly with the participation of the state, since it is an important task to determine the volume of production of these goods for the state and the society.

Payment for the public goods produced is made either directly or indirectly. The production of public goods occurs at the expense of public funds, which are received by the state from the tax collection. Talking about the uneven demand for the public goods, it should be noted that the fee should correspond to the consumption volume (Adzic & Sasa, 2008). Nevertheless, the public costs and taxes are not the only way to provide the public goods. In some cases, the public goods may be produced by the markets.

The maximum satisfaction of human needs is the central issue of economic entities in a market economy. However, as it is known, the market is not a self-sufficient system, as a result of which there are the problems of society in the field of public goods, which should be solved by the state (Fattakhova & Khakimova, 2016).

The public good is a commodity consumed by the society as a whole and not necessarily by a separate consumer (Investopedia, 2013). Any of the representatives of modern society has its own system of criteria, which makes it possible to evaluate the service it receives in the public field. Thus, it is possible to determine the quantitative measurement of the quality of service provided.

In this work, the questionnaire of the society satisfaction was conducted on the basis of the income criterion, namely, we applied an evaluation scale focused on the subsistence level. In 2011, the minimum subsistence minimum per 1 able-bodied person was 5,381 rubles; in 2015 this amount was 7,800 rubles in the Republic of Tatarstan.

The functioning of the health care sector is an important issue in any settlement. Table 1 shows the results of questioning on this issue.

Table 1. Assessment of satisfaction of residents of Naberezhnye Chelny with health activities

Healthcare facilities	Budget		Commercial	
The respondents' income for 1 family member	to 1 the subsistence minimum	more than 3 times the subsistence minimum	to 1 the subsistence minimum	more than 3 times the subsistence minimum
The estimated parameters (% of total respondents):				
equipment	13	44	42	77
equipment medical supplies	14	33	33	55.6
the quality of assets	15	22	41.4	66.7
personnel qualifications	20	44	30	55.6
the quality of medical care	16.7	22	31.7	44

Having analyzed the survey, we can say that the population with income less than one subsistence minimum per 1 family member visits the budgetary medical institutions due to the fact that they are unable to pay for the services of commercial medical institutions.

A similar situation is in the education field. The less prosperous population cannot afford to pay for the education in comparison with their wealthier fellow citizens:

- 36.6% of citizens can afford to pay for their own education and/or the education of their family members;
- 44% of respondents are generally deprived of this opportunity.

Because of the low level of income, the population, first of all, turns to the services of budgetary educational institutions, since they do not have access to paid education.

Conclusion

According to the research results, it is clear that the population perceives and assesses the health care and education fields in the settlement absolutely adequately according to the significant social function they implement. However, the services of budgetary institutions in the health care and education are used only in case of emergency. Consequently, financing of the education and health care through the budgetary institutions leads to a deliberately low-quality service. Perhaps the reason lies in the process of financing itself, that is, in the amount and in the weak organization of the process itself, which has been called by the absolute majority of respondents (59.6%), and the quality of priority problem of the budgetary educational institutions.

After examining the production and distribution of both economic and public goods, we can say that they affect the economic and social situation of the countries.

The economists have a strict definition of the public good and this does not necessarily include all goods financed by taxes. But having considered the problems of public goods related to the state policy and possible solutions, we can say that the market cannot effectively provide society with the public goods without the free rider problem. The markets often have a difficult time of the production of public goods, because the free riders will try to use the public good without paying for it. The free rider problem can be overcome through the measures to ensure that the public good users pay for it. Such measures include government actions, social pressure and specific situations where the markets have discovered a way to collect payments.

Based on the above results, we believe that the problem of public goods is subject to political analysis, and the government intervention would be necessary to solve this problem.

Acknowledgements

The work is performed according to the Russian Government Program of Competitive Growth of the Naberezhnye Chelny Institute of KFU.

References

Adzic, S. & Sasa, R. (2008). Crisis Management and Sanitation of Enterprises for the Production of Public Goods. *Serbian Journal of Management*, 1(2), 123-138.

Dictionary of Business Terms (2017). [Electronic Resource] Retrieved from: <http://dic.academic.ru/contents.nsf/business>

Dictionary of Crisis Management Terms. [Electronic Resource] – Access mode: <http://dic.academic.ru/contents.nsf/anticris>

Donici, G. A. & Încălțărău, C. (2010). Public Goods and the Problem of Economic Calculus. *CES Working Papers*, 2(2).

Fattakhova, A. R. & Khakimova, S. D. (2016). Assessment of the Quality of Financing the Social Needs. *Internet Journal Naukovedeniye*, 8(3).

Gruber, J. (2012). *Public Finance and Public Policy*.

Investopedia (2017a). Public Good. Retrieved from: <http://www.investopedia.com/terms/p/public-good.asp>

Investopedia (2017b). Free Rider Problem. Retrieved from: http://www.investopedia.com/terms/f/free_rider_problem.asp

Modern Economic Dictionary (2017). [Electronic Resource] Retrieved from: http://gufo.me/content_eco/poleznost-16124.html

Rogachev, A. F. & Gagarin, A. G. (2012). Critical Analysis of the Utility Theory Provisions., *Economic Sciences*, 1(25).

Sorvanova, Ya. A. (2016). Public Goods. *Electronic Scientific Journal*, 5(8).

United Nations Industrial Development Organization (2008). *Public goods for economic development*. Vienna.

Vaslavskaya, I. Y.; Koshkina, I. A.; Fattakhova, A. R.; Khakimova, S. D. & Fursov, V. A. (2016). Methodology to Measure the Effectiveness of Social Services. *International Review of Management and Marketing*, 6(S5).

Vaslavskaya, I. Yu. & Fattakhova, A. R. (2016). Conditions and Advantages of Implementation of the Public-Private Partnership Projects in the Social Sphere (on the Health Care Example). *Scientific and Practical Journal of the UEPS: Management, Economics, Politics, Sociology*, 2.