

THE ECONOMY OF THE UNITED STATES AND THE ROLE OF STATE-OWNED ENTERPRISES

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Abstract : *The United States economy is widely recognized as a leading example of a capitalist market system characterized by private ownership and competitive markets. However, despite the dominance of private enterprises, the government maintains significant involvement in key sectors through state-owned enterprises (SOEs). This paper explores the structure of the U.S. economy with a focus on SOEs, examining their role, advantages, challenges, and overall contribution to economic stability and public welfare. The analysis reveals that while SOEs constitute a small portion of the economy, they fulfill essential functions in providing public services, addressing market failures, and ensuring national security. The paper concludes that state ownership, when balanced with market mechanisms, remains an integral part of the U.S. economic system.*

Keywords: *United States economy, state-owned enterprises, mixed economic system, public services, market failure, government intervention, economic stability, United States Postal Service, Tennessee Valley Authority*

Introduction; The United States of America (USA) boasts one of the largest and most diversified economies in the world. Renowned for its dynamic and innovative market-based system, the U.S. economy is often viewed as a paradigm of capitalist principles. However, despite the dominant role of private enterprise and free markets, the government maintains significant involvement through regulation, policy-making, and ownership of key enterprises in strategic sectors. This paper examines the structure of the U.S. economy, focusing particularly on the economic system and the function of state-owned enterprises (SOEs). It explores how these enterprises contribute to the national economy, the advantages and challenges associated with them, and their broader impact on economic stability and public welfare.

The U.S. operates under a mixed-market economy where private ownership and market forces are the primary drivers of production, investment, and distribution of goods and services. The principles of capitalism — private property, profit motive, competition, and voluntary exchange — form the foundation of the economic system. Businesses, ranging from small startups to multinational corporations, operate largely independent of

direct government control, competing within a legal framework designed to protect property rights and enforce contracts.

While the private sector leads economic activity, the U.S. government plays a crucial role in regulating markets to correct failures, protect consumers and workers, promote fair competition, and ensure national security. Additionally, through fiscal and monetary policies, the government influences economic growth, inflation, and employment levels. Key sectors such as defense, infrastructure, transportation, and utilities often involve government oversight or ownership to maintain essential public services and strategic interests. State-owned enterprises (SOEs) are entities in which the government holds significant ownership or full control, tasked with delivering services that are either not sufficiently profitable or strategically important for the private sector alone. Unlike in some economies where SOEs are widespread and dominant, in the U.S., SOEs represent a relatively small segment of the economy but have a substantial impact in critical areas. The USPS is the largest and most well-known state-owned enterprise in the U.S. It provides mail and package delivery services nationwide. Despite increasing competition and financial challenges, USPS remains a vital institution ensuring universal postal access and serving as a critical component of the country's communication and commerce infrastructure.

The TVA is a federally owned corporation created during the New Deal era to provide navigation, flood control, electricity generation, and economic development in the Tennessee Valley region. It remains a major provider of electricity and a model for regional public utilities. Amtrak is the government-owned passenger railroad service that operates intercity rail transportation across the U.S. It serves as a key player in public transportation, despite facing operational and financial challenges over the years.

4. **Federal Entities in Defense and Energy Sectors**

Various government agencies and enterprises oversee critical defense manufacturing, nuclear energy, and strategic resource management to ensure national security and energy independence.

State-owned enterprises primarily exist to fulfill public interest objectives, including:

- * Ensuring the provision of essential services that are unprofitable but socially necessary.
- * Stabilizing regional economies and promoting development in underserved areas.
- * Protecting strategic industries vital for national security.
- * Providing employment and maintaining infrastructure.

Social Welfare and Equity

SOEs provide universal access to essential services regardless of profitability, contributing to social equity and cohesion. For example, USPS guarantees mail delivery even in remote or rural areas that private companies might neglect.

Market Failure Mitigation

Certain sectors naturally tend toward monopoly or have significant externalities (e.g., utilities, transportation). SOEs can step in to manage these sectors efficiently or at least ensure they serve the public interest.

National Security

Government control over strategic industries such as defense manufacturing or nuclear energy allows the state to maintain sovereignty and respond swiftly to national emergencies.

Challenges and Criticisms of State-Owned Enterprises

Efficiency Concerns

SOEs often face criticism for lower operational efficiency compared to private firms due to less competitive pressure and potential bureaucratic inertia. This can result in higher costs and slower innovation.

Political Interference

As government-controlled entities, SOEs may be subject to political influence that prioritizes short-term goals or employment over economic viability, potentially distorting market outcomes.

Financial Sustainability

Many SOEs operate with subsidies or accumulate debt, raising concerns about their long-term financial sustainability and the burden on taxpayers.

United States Postal Service

Despite its vital role, USPS faces persistent financial deficits caused by declining mail volumes due to digital communication, regulatory constraints, and competition from private couriers. Efforts to reform the USPS have sparked debates on balancing universal service with financial viability.

Tennessee Valley Authority

TVA exemplifies a successful government-owned utility balancing public service with commercial operations. It has played a key role in regional development and continues to invest in renewable energy sources.

Conclusion

The U.S. economic system is predominantly capitalist and market-driven, yet it incorporates significant government intervention through state-owned enterprises. These entities, though limited in number, provide essential services, address market failures, and safeguard strategic interests. While SOEs face challenges regarding efficiency and political influence, their role in ensuring social welfare and economic stability remains crucial. Understanding the nuanced role of state ownership within a largely private economy is essential for evaluating public policy and economic strategies in the United States.

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