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MINISTRY OF HIGHER EDUCATION, SCIENCE AND INNOVATIONS

NAMANGAN STATE UNIVERSITY

FACULTY OF ECONOMICS
“DEPARTMENT OF GREEN ECONOMY AND SUSTAINABLE BUSINESS”

EDUCATIONAL AND METHODOLOGICAL COMPLEX
ON

For use in lectures

Field of knowledge:	**400000**	**- Business, Management and Law**
Field of study:	**410000**	**- Business and Management**
Major:	**60410100**	**- Economics (sectors and fields)**
	60410500	**- Finance and financial technologies**
	60410200	**- Accounting**
	60410600	**- Banking**

Namangan – 2024

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STUDY MATERIALS

INTRODUCTION

The science of Economic Theory is of great importance in studying the theoretical and practical aspects of structural reforms in the economy and deepening the modernization of the economy, expanding its scope. Especially in today's consumer demand changes, the formation of the price of goods and services created in the real sector, profit maximization, decision-making in conditions of uncertainty, as well as the content and essence of demand and supply elasticity, state intervention in the market, the establishment of minimum and maximum prices for goods and its consequences, views on in causal dependence, the science of Economic Theory plays significant role in systematic analysis.

Also, it provides information about countries that are highly developed and provides information about the world economy today, familiarization with competitiveness and access to world markets, first of all, deepening the economic reform, structural change and diversification, it can be implemented by ensuring rapid development of new enterprises and production sectors based on high technologies, modernization of operating facilities and acceleration of technical renewal processes.

Approved by the Decree of the President of the Republic of Uzbekistan dated February 7, 2017 No. PF-4947 - "Strategy of Actions" in five priority areas of development of the Republic of Uzbekistan in 2017-2021 technologies application, diversification of product production types, implementation of deep structural changes and implementation of consistent measures to strengthen the competitiveness of industries are determined.

This subject is useful in teaching students the mechanism of operation of the market economy, the behavior of firms based on different ownership in the market conditions, the optimal distribution of limited production resources and their effective use.

Also, Economic Theory is one of the fundamental sciences and serves as a basis for in-depth study of other economic sciences.

Supply and demand that directly affect the activities of market economy subjects, utility and consumers' attitude to market prices, production costs and product prices, forms of competition, production factors and ways of their rational use, general balance and the state's control over the market its role in management and a number of other similar issues are studied.

Topic 1.

SUBJECT 1. SUBJECT AND KNOWLEDGE METHODS OF ECONOMIC THEORY

Plan:

The study of economic theory, the correct understanding of the fundamental nature of economic processes largely depends on the arming of its students with certain theoretical and methodological knowledge. Therefore, this topic begins with a brief description of the concept of economy, which is the basis of the development of human society, the tasks facing it, the formation of economic knowledge and the emergence of the science of economic theory over a long period of time. A general description of the main currents and theories in the science of economic theory is given briefly. Here, economy and its main issue, the subject, tasks of the science of economic theory, and its place in other economic sciences, as well as explaining economic laws and categories and the mechanism of their implementation, are given a special place.

In this topic, special attention is paid to revealing the content of the methods of scientific knowledge of economic processes.

1. Economy and its main issue

In order to know the science of economic theory and its laws, first of all, it is necessary to have an idea about the economy and its tasks. Human life and its development are very complex, multifaceted and full of extremely complex problems. These problems arise as a result of increasing, developing and changing activities of people in the fields of production of material goods, provision of services, science, culture, politics, ideology, morality, state management, and finally, in the family and other activities. Some issues that have occupied human thought for a long time now seem like simple truths and things that can be easily known.

For example, today everyone knows that people need to eat and wear life's blessings in order to live, engage in politics, art, literature, science, enlightenment, culture, and education. Therefore, every person faces a number of problems in his daily life, that is, where and at what cost should they find the monetary income necessary for their life needs - to have clothes, food, household goods, and to get education.

In order to solve these problems and satisfy their needs, people work in different directions and fields. So, among the various activities of a person, the most important one, which ensures the survival and development of mankind, is the economic activity, which consists of the production of material and spiritual goods and the provision of services.

Various interrelated activities aimed at producing and delivering to consumers the means of living necessary for people's survival and development, using limited economic resources effectively, are collectively called economic activities.

In ancient times, the main form of economic activity took place within the household. Therefore, in the works of ancient Greek scientists (Xenophon, Plato, Aristotle), economy is explained as household economy and the laws of its management. In the Arabic lexicon, "economy" is understood in the sense of thriftiness, because in the literature of Islam, thriftiness is given special attention. However, in the present era, economy in a broad sense does not mean only household or individual economy, but **economy - means a very complex social system consisting of a large private economy, collective economy, joint-stock companies, state economies, financial and banking systems, inter-economy, inter-state associations, corporations, concerns, joint ventures, various economic relations between states.**

Moreover, all our resources - money, natural resources, skilled workforce, means of production, consumer goods - are limited. **Using these limited economic resources wisely, achieving the goal of satisfying the constantly growing needs of the population, finding ways to properly distribute resources and products is the main content of the economy.**

Economy can be different depending on the level of coverage: world economy, country economy, national economy, network economy, functional economy, regional economy; enterprise or firm economy, family economy. Sometimes they are combined and called macroeconomics and microeconomics. Regardless of these types, levels, and forms of the economy, they are all subordinated to one goal: to create conditions for the living, reproduction, and development of mankind, to create various means of life, and to satisfy their needs. Therefore, the economy forms the basis of human life, its foundation, and it itself does not exist and has no meaning without a person, without his activity.

The reproduction of human-made goods and services, based on the movement of resources, consists of the following phases:

1) production process;
2) exchange process;
3) distribution process;
4) consumption process.

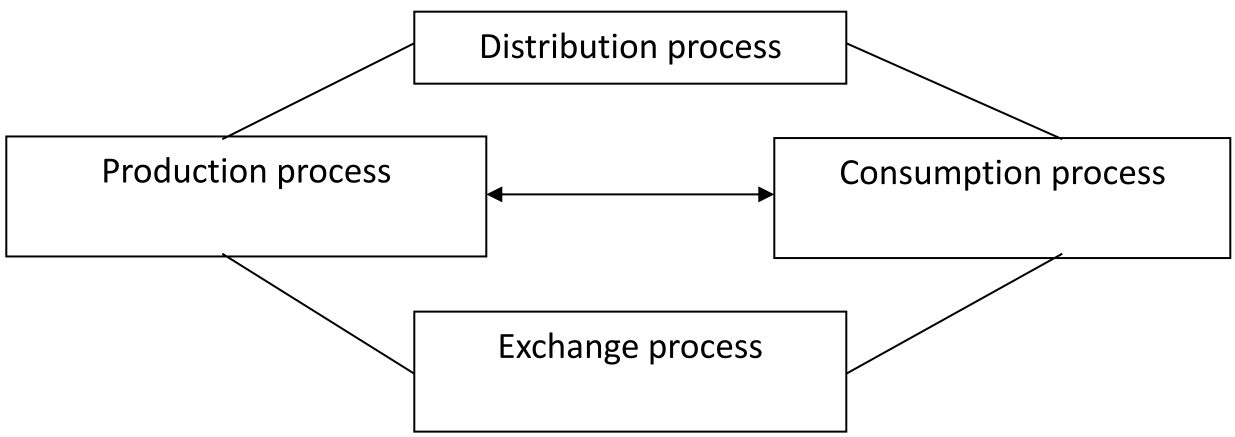
The most important and the first of these **is the production process**. Because all goods and services are created at the same stage. If not produced, there is nothing to distribute, exchange, and finally consume.

The second important phase is **the distribution process**. At this stage, first of all, the means of production, capital and labor force, individual types of goods and services are distributed among production branches, industries, regions, and finally, enterprises. In addition, the goods and services that are the result of production, as well as their income in the form of money, are distributed. The more fair and correct the distribution is, the more positive it is, the more it will stimulate the growth of production.

The exchange process is an important phase of reproduction. As a result of the division of labor, some groups of people specialize in the production and delivery of certain types of goods and services, and some groups specialize in the production and delivery of other types of goods. The producer of each type of good sells his good and buys other goods or services that he needs. As a result, there is an economic relationship between producers or service providers of different directions - exchange, buying and selling through money.

The last phase of reproduction in the economy **is the consumption process** . In this process, goods and services are consumed by different people and groups and satisfy their needs. Consumption is of two types: production consumption and personal consumption. In productive consumption, means of production (capital) and labor force are used and productively consumed. In the process of personal consumption, consumer goods are finally used, they are lost, and there is a need to produce new ones instead.

Thus, the movement of goods and services and resources is a process that is constantly repeated. This process will be easier to understand in this diagram.



Drawing 1. The movement of goods, services and resources in the processes of reproduction.

The constant and main problem of the economy is the limitlessness of needs and the limitation of economic resources.

In order to understand this issue correctly, first of all, it is necessary to know what is the need and its types.

In the science of economic theory, the need for the means of life necessary for human survival and development, as well as for the development of humanity in general, is called a need.

Among all life needs (economic, social, cultural, spiritual, political needs), socio-economic needs have a special place. These needs include the need for material goods and services for people to live, work and live. From this point of view, socio-economic needs include material and spiritual needs. **Material needs are, first of all, the need for people to buy and**

use material goods that are useful to them. These include many items of life necessary for consumption (food, clothing, housing) and jewelry (jewelry, perfume, car, etc.).

Spiritual needs It includes many non-material necessities of life, such as education and recreation, raising the cultural level of people, acquiring skills, and enjoying various services.

Needs can be met individually or together. It depends on the nature of the need and the characteristics of the objects that satisfy it. There are products and services that can only be used together. Examples include sharing educational facilities, hospitals, recreational facilities, and watching sports and entertainment together.

A number of factors influence the needs of society:

a) level of economic development of society;

b) socio-economic system in the society;

c) natural-geographic conditions;

d) historical-national traditions and customs;

e) population growth, changes in its composition;

f) international relations between states, nations and regions.

It is impossible to fully satisfy socio-economic, including material needs. Society has many unmet needs at any given time. With the passage of time, as a result of the appearance of new products, the influence of extensive advertising and the stimulation of trade, needs change and increase. Therefore, the unlimited needs of society, that is, the individuals, institutions and enterprises that make up it, their continuous renewal and growth is natural, and it can be expressed through a specific law. **Demands are increasing in quantity and improving in terms of quality is called the law of increasing needs.** This law reflects the organic, direct connection between production and needs.

The needs themselves require each other. One need creates another need. For example, the emergence of a need for computer equipment, in turn, leads to the need to learn how to use it, service it, create a program.

The growth of needs is limited by the level of means to satisfy it. Because the needs are infinitely variable, the economic resources needed to provide them will be limited. **Economic resources are the opportunities, reserves and sources that are accumulated at the disposal of the society, country, some enterprises and firms, families, and available at the same time, which can be used in the production of goods, services, their delivery to the consumer, and consumption processes.** Natural resources (land, water, forest, underground resources), manpower resources, material resources (buildings, machine tools, machines, equipment, facilities, devices, ready-to-sell goods, their reserves, money, etc.) among them. The difference between economic resources and factors of production is that they include all material resources, goods and monetary resources in addition to labor force, natural resources and means of production involved in production.

Limited resources also limit production capacity, which is an important way to meet demand. The level of these possibilities is not always the same, but the creation and implementation of new techniques and technologies allows to expand production possibilities and its limits. The constant and strong relationship between economic resources, production and the level of satisfaction of needs can be expressed as follows:

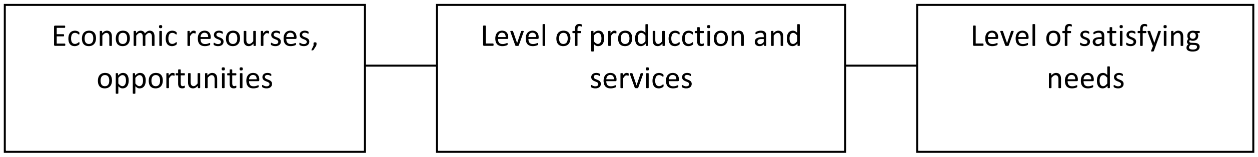


Figure 2. The relationship between economic resources and the level of satisfaction of needs.

The need to effectively use the limited economic resources and increase the production capacity and, consequently, the level of satisfaction of needs, poses the following problems to the economy.

- Choosing the optimal options (the most necessary and cost-effective types) of production and service provision and attracting resources to more production.
- Efficient use of every unit of available resources.

By introducing science and technology achievements and new technologies, finding new types of energy, materials, raw materials, their sources, attracting them to use, achieving an increase in resource productivity.

The need to solve these problems requires people to have deep economic knowledge.

2. Formation of Economic Theory as a science

The desire to know the secrets of economic life and to determine the main directions of activity in this way has existed since ancient times, and this desire arose from the need to regulate economic activity, to have a positive effect on directing it in the direction that people need.

Knowledge of economics was discussed in the works of prominent scientists of the ancient world, Xenophon, Plato, and Aristotle, as well as in the works of ancient Egyptian, Chinese, Indian, and Central Asian scientists.

As we read the Quran Karim, Hadith, Qobusnama, Ibn Khaldun's works, the works of our ancestors Abu Ali Ibn Sina, Abu Nasr Farabi, Abu Raykhan Beruniy, Alisher Navoi, Mirzo Ulughbek, which reached us over thousands of years without going far, we will be convinced again and again that nature donations are not enough for man to live in them, that creative work is necessary. In particular, the contribution of the Arab thinker Ibn Khaldun Abdurahman Abu Zayd (1332-1406) in the development of economic knowledge is enormous. His work "Kitab-ul-ibar" ("The book of instructive examples"), written in 1370, was the first in the world to distinguish two different properties of a good – the concepts of consumer value and value, simple and complex labor, the concepts of necessary and additional labor and necessary and additional product. It is also emphasized that in the process of exchanging goods, when they are compared with each other, they come to the surface in the form of labor equalization, that is, taking into account the labor embodied in the commodity and its sophistication.[1]

Alisher Navoi's ideas on economic issues were described in the works "Waqfiya" written in 1482 and "Mahbub-ul-Qulub" written in 1500. He divides the product into three parts, the first part is spent on expenses, the second part is for his and his family's needs, and the third part is for the social benefits of the population. In addition, he pays special attention to the role of labor and the participation of the means of production in the creation of a product. At the same time, he emphasizes the need to find, accumulate and use wealth through honest work.[2]

But even though many scientists of the whole world, including Central Asia, have clarified many of its laws and concepts on the basis of consistent study of the economy, starting with Aristotle, economic theory was not yet formed as a science.

Economic theory as an independent science began to be formed under the name of "political economy" in many countries during the period when the national market was formed and the world market was emerging.

Political economy is derived from the Greek word "politikos" - social, "oykos" - house, household, "nomos" - law. That is, it means the laws of the household or social economy. The French economist Antoine Moncretin, who lived and worked in the years 1575-1621, first wrote a small scientific work entitled "Treatise of Political Economy" in 1615, and founded this science as a science of economic management at the national level. Later classical economists confirmed this idea and wrote that political economy is the science of the laws governing the production and exchange of material means of life in a broad sense.

During the formation of the science of economic theory, several ideological currents and schools have emerged. They tried to find answers to the questions of what is the source of society's wealth, where and how it increases. The first of these economic trends was called **mercantilism.** Supporters of this flow explained that the wealth of people and society consists of money and gold, wealth appears and increases in trade, mainly in foreign trade - in the process of transactions, the labor employed in trade is productive labor, and other labor is unproductive. Later it became known that in the process of exchange, that is, no wealth is created, no value increases. Only in the case of violation of the equivalence order of exchange, i.e., the balance of wealth equal to equal labor, wealth is redistributed in favor of others, as a result of which someone becomes rich and someone becomes destitute. Mercantilists emphasized that the main task of economic theory is to develop practical recommendations for the economic policy of the state. In their opinion, in order to achieve a positive trade balance in the economy, it is necessary for the state to actively intervene in the economy, that is, to take shelter of national production and trade.

The next stream was called **Physiocrats.** Unlike the mercantilists, they promoted the idea that wealth was created and multiplied in agriculture. Their representative, F. Kene, wrote

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[1]A. Razzokov., Sh. Toshmatov., N. Ormonov. History of economic doctrines. T.: "Finance". 2002, p. 42.
[2]A. Razzokov., Sh. Toshmatov., N. Ormonov. History of economic doctrines. T.: "Finance". 2002., pp. 89-90.

the famous work "Economic Table". (1758) wrote and created the foundations of the school of physiocratism in it. He described his theoretical and political program. In this work, F. Kene put forward the doctrine of equivalence of exchange. According to him, exchange or trade does not create wealth, in the process of exchange there is an exchange of equal amounts of value, the value of goods exists before they enter the market. The theory of pure product occupies a central place in F. Kene's teaching. According to him, the difference between gross social product and production costs was considered net product. F. Kene confuses surplus value with pure product and understands both as the same thing. He explains that surplus value is created as a result of the additional labor of farmers, and in some places, surplus value is seen as a pure gift of nature, and nature also participates in its creation. [3]Here he expresses that he could not distinguish between value and utility (use value) without knowing it. A. Turgot, Dupont de Nemours and others continued the teaching of F. Quenet. According to the doctrine of the Physiocrats, the labor employed in agriculture was considered to be the only productive labor, and the labor in other fields was considered to be unproductive labor.

The Classical School of Economics was later represented by A. Smith, U. Petty, D. Eminent economists such as Ricardo proved that wealth is created not only in agriculture, but at the same time in industry, transport, construction and other service industries, and came to the strict scientific conclusion that the mother of all wealth is land, father is labor. It should be said that A. Smith's "invisible hand" principle is being mentioned a lot these days. In his book "An Inquiry into the Nature and Causes of the Wealth of Nations" (1776), he shows that the main incentive that activates man is private interest. He explains that a person strives to realize his private interest, that is, to make a profit, creates some kind of goods or services under the conditions of the division of labor, supplies them to others, increases his capital, and in this pursuit unknowingly contributes to the development of society. It promotes the principle of free movement of capital, labor, goods, manpower and other resources. This school was named "classic" due to their following achievements.

First, A. Smith and D. Ricardo successfully developed and successfully applied the methods of scientific analysis of sociology. In the same way, these methods proved to be invaluable in the field of mercantilist education.

Secondly, all the accumulated knowledge about economics was brought into a certain scientific system by the prominent classical school. This was due to the fact that they were the first to study the systematic relationship between the production, distribution, exchange and consumption of economic goods.

Thirdly, the English classics were not limited to researching the visible aspects of economic phenomena. They determined the nature of these phenomena, the causal relationship between them, and also discovered the laws of capitalist economy.

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[3]A.Razzokov., Sh.Toshmatov., N.Urmonov. History of economic education. T.: "Molia." 2002, pp. 147-149.

Sismondi also had an important contribution to the development of the science of economic theory. Criticizing the capitalist economic mechanism, he suggests that political economy should be a science aimed at improving the social mechanism for human happiness. Along with criticizing the economic system of capitalism, the idea of building a more progressive society was promoted by social utopians such as Saint-Simon, Charles Fouret, and Robert Owen. They strongly criticized private property and advocated its abolition.

After them, the theoretical direction called **Marxism**, in their theory, looked at the development of society as a natural-historical process, created the doctrine of socio-economic formations, their economic structure, components, the reasons for their emergence, development and exchange with others, as well as the theory of added value.

From the last quarter of the 19th century, a new direction of economic theory, **"economics",** began to emerge. First of all, it should be mentioned that this direction had the main features of a classical scientific direction. First, researchers of this direction rely on a wide range of methods of knowledge in the study of economics. They were the first to use mathematical methods and methods of economic psychology to determine the quantitative interdependence of economic processes. Secondly, the representatives of "economics" looked at organizational-economic relations between people as a subject of economic theory (socio-economic relations in the classics). Exchange transactions related to the market were recognized as the main and determining factor in the circular circulation of benefits.

A new interpretation of the subject of economic theory led to a whole doctrine of the market system of economy, called **marginalism.** It is derived from the English word meaning last, added. Its founders were representatives of the Austrian economic school (Karl Menger, Friedrich von Wieser, Behm-Baverk, etc.), and they developed theories such as the law of decreasing productivity of added goods, added labor, or resource productivity. The theory of marginalism has been widely used in the analysis of the relationship and interaction between the demand for a specific good and its price.

The new direction of economic theory was called **neoclassical, i.e. new classical.** One of the major exponents of this theory was A. Marshall, who tried to develop functional connections and functional ratios of the economic process. One of the representatives of this theoretical direction is the Swiss economist Leon Walras, who tried to develop a copy of the general economic equilibrium model.

Y. Schumpeter, a representative of the Austrian economic school, wrote in 1912 in his book called "Theory of Economic Development" tried to show the internal forces of change of economic systems, their internal content and driving force, and he came to the conclusion that the main force driving the economy is entrepreneurship.

In 1936, the English economist John Maynard Keynes, in his book "The General Theory of Employment, Interest and Money", analyzed the interrelationship of macroeconomic indicators: national income, capital expenditure, consumption and savings, and concluded that the most appropriate organization of investment and consumption is an important factor in economic development. shows. Under the influence of the Keynesian doctrine, that is, **the**

Keynesian school, macroeconomic analysis was introduced in the economy. He proved the need for the state to actively participate in the management of the economy.

One of the important directions of modern economic theory is called **monetarism.** If the central problem in the development of Keynes's theory was unemployment, the main problem of the theory of monetarism is the emergence of inflation in the conditions of a decrease in the volume of production. This situation is called stagflation. The founder of the school of monetarism was Milton Friedman, whose contribution to economic theory enriched the theory of money with new content. Monetarists deeply researched the mechanism of money's re-influence on the process of commodity production, the influence of monetary levers and monetary policy on the development of the economy. Monetarism is a theory that created a unique approach to regulating the economy with the help of money and credit levers.

Currently, the set of economic theories of marginalism, monetarism, Keynesianism and other directions is embodied in the book "Economics", which is used as a textbook in the USA, England, and other countries. The books of P. Samuelson, R. McConnell and L. Brew, translated into Russian and known to us, are his examples.

Currently, the science in this direction is called "Economic theory" in us and in a number of other CIS countries.

The path taken until the formation of "economic theory" as a science and the ideas and currents that arose in it are very complex, often contradictory and opposite to each other. At the same time, we must say that the theories of no economic school can have absolute and permanent truth. Each school to a certain extent is characterized by a one-sided approach to problems or, if not, by misunderstanding some theoretical questions, because all theoretical currents are based on the interests of a certain social group and the real situation of that time. Nevertheless, they complement each other, summarize the internal conflicts and laws of economic processes and events to a certain extent. Therefore, the society should not be a prisoner of a particular theory, its development should be guided by national interests.

3. Subject and tasks of the science of Economy Theory

The solution to the problem of defining the subject of economic theory is very complicated, and different scientists have expressed different opinions about it both in the past and now.

For example, Aristotle viewed this science as a science of household management laws, while mercantilists, physiocrats and representatives of the English classical economic school viewed it as a science of wealth, its sources and ways of reproduction, production, distribution, exchange and consumption of wealth. Later, this science is also considered to be the science of national economy and social economy. Some say that the science of economic theory is the science of the laws governing the production and exchange of material means of life. And A. Marshall writes that the subject of the science of economic theory (political economy) is to study the normal life activity of humanity and society.

During the period when the science of economic theory was called political economy, it was stated in a number of textbooks and some works that its subject is the study of relations between people during the production of material goods.

In the "Economics" textbooks imported from the USA and some other countries (in textbooks where economic theory is called "Economics"), it is stated that the subject of this science is to analyze the problems of effective use of limited resources in order to fully satisfy the material needs of people, and to study the economic behavior of people.

In the present period of the transition to the market economy, in the various economic theory textbooks published in the Russian Federation, similar definitions of the subject of this subject are given (Table 1).

Table 1. Definitions given to its subject in various textbooks on "Economic Theory".

Authors	Definition	Source
L. S. Tarasevich, A. I. Dobrynin	Rational household law is based on the evolution of the structure, the structure of the society and the pharaohism of the individual members and gurus, the socio-economic development of the laws and customs	Economic Theory. (Textbook for Universities). St. Petersburg, 1997, p.18.
G.P.Zhuravleva, V.I. Vidyapin	General economic theory is a social science that studies the behavior of people and groups in the processes of production, exchange, distribution and consumption of material goods in order to satisfy needs in the conditions of limited resources.	Economic theory (political economy): Textbook/ Pod obsch. ed. Acad. V. I. Vidyapina, Acad. G. P. Zhuravlevoy. - 4 izd. - M.: INFRA-M, 2004, p. 31.
V. D. Kamaev	Human behavior in the production of goods in a world of limited resources consists of learning how to manage it.	Economic theory: Ucheb. for stud. higher fly zavedeniy / Pod ed. V. D. Kamaeva. - 10-e izd., pererab. i dop. - M.: Humanist. izd. center VLADOS, 2004, p.10.
D. D. Moskvin	It studies the relations of production and their interaction with the forces of production	Fundamentals of Economic Theory. Political Economy: Textbook / Edited by Doctor of Economics, Professor D.D.Moskvin. 3rd ed., corrected. – M.: Editorial URSS, 2003, p.24.
E.F. Borisov	Iqtisodiya munosabatlarni ўrganadi	Borisov E.F. Economic theory: textbook. - 2nd ed., revised and enlarged. - M.: TK Velbi, Prospect Publishing House, 2005, p.55.

It is clear from all the opinions expressed about the subject of economic theory that in textbooks on political economy and other books, special attention is paid to the study of relations between people in the production process, while in "Economics" and most of the textbooks on market economy published in Russia, people are mainly concerned with resources, material things. and special attention has been paid to study the attitude towards products, behavior, efficient use of limited economic resources.

In our opinion, the science of economic theory should not ignore either side of the issue, should not allow a one-sided approach to the issue. Because any kind of work, any production, service provision is done and used primarily through natural objects, material means, and money. Therefore, it is necessary to study the relationship to existing resources, manufactured goods and services, their effective use, the interdependence of production factors and their influence on each other. On the other hand, no labor or production can be carried out by an individual or a group of individuals, without connections and relations with others. They necessarily interact with each other in the process of production and service, and they act according to this relationship, determine their behavior and actions.

Taking this into account, **the subject of the science of economic theory is to study the economic relations that arise in the process of production, distribution, exchange and consumption of material goods (and services) in order to satisfy the unlimited needs of society in the conditions of limited economic resources, and the laws and regulations of effective management of the social economy.** it can be said that

It is possible to explain the purpose and task of the science of economic theory in two ways, i.e. both practical and theoretical aspects. In the majority of current economic literature, four main tasks of economic theory are distinguished:

1) the task of knowledge - economic theory, like any science, is of fundamental importance: it expands our thoughts about the world around us by researching the economic relations that arise in the society in the relations of people with natural objects, other material objects and with each other;

2) practical task - the main goal of practical economy is to ensure economic growth by efficient use of limited resources and to satisfy growing needs on this basis. Based on this goal, it is to ensure the production of more goods and the provision of services for each unit of limited various resources, to compare the results achieved with the amount of expenses for each type of activity, that is, to compare the amount of goods and services, to find ways to use resources more efficiently;

3) stylistic function - the science of economic theory itself, its analysis and principles, the conclusions drawn, the studied economic laws serve as a stylistic basis for other social and network disciplines;

4) ideological-educational task - this task consists in the fact that with its help, students, experts and students of economics shape the scientific worldview, inculcate the idea of national independence in the minds of students, help them develop the economy for the benefit of the nation, increase the national product, increase the value of national currency, and promote national goods to the world. ensuring marketability on a large scale, educates in the spirit of raising the standard of living of the country's population. Economic theory explains to students that material goods are the product of human labor and educates them in the spirit of labor and saving limited resources.

4. Economic laws and categories (scientific concepts)

The science of economic theory also studies the economic laws operating in economic relations.

Economic laws express constant, repeated, stable cause-and-effect relationships between various aspects of economic life, economic events and processes, and their interdependence.

Economic laws have an objective nature, and their origin, application, development and termination do not depend on the minds of individual people and their will.

The science of "Economic Theory" classifies economic laws into the following groups:

1. General economic laws apply at all stages of development of human society. For example, the law of time limitation, the law of rapid growth of needs, the law of reproduction, the nature of productive forces of production relations and the law of matching the level of development, and others.

2. Special or periodic economic laws - apply at certain stages of the development of human society. Examples include the law of demand, the law of supply, and the law of value.

3. Special, specific economic laws - apply in the conditions of a separate economic system. For example, the law of surplus value.

In addition to economic laws, the science of economic theory describes economic categories (scientific concepts) that describe particular aspects of economic processes and reveals their content.

Economic categories are a scientific-theoretical concept that is constantly repeated and expresses certain aspects of economic processes and real events.

Economic categories (scientific concepts) are not invented by people, but are scientific concepts that express real economic phenomena and are the product of scientific thinking. Examples include market, capital, labor, economic balance, finance, credit, etc. The difference between economic laws and economic categories is that the first shows the relationship between different links, sectors, and parts of the economy, and if one of them changes, the other can change as well. Economic category - scientific concepts express one aspect of economic phenomena, its content. For example, through the concepts of price and demand, we first of all understand the economic content of these concepts. Through the law of demand, we can learn the relationship between demand and price.

In general, economic laws and categories are related to each other and complement each other. Together they reflect the processes of economic development.

5. Methods of scientific knowledge of economic processes

The actual creation of real science is not only related to the formation of the subject of research, but also to the determination of its method of knowledge. **Usyog is a system of principles, ways, rules and specific hadiths of scientific knowledge.** It is a whole doctrine that includes the dialectic, logic and theory of knowledge of objective reality. The discipline has a general scientific description, but each subject has its own methods of scientific knowledge based on its subject. Therefore, the methodology is universal and at the same time specific.

The dialectical method serves as a general method of scientific knowledge. The principles used in economic theory are:

1. The economy is a whole process consisting of various joints and parts that are in contact with each other, in close connection, in conflict, interacting with each other, which is constantly in contact with internal and external events that are constantly moving, developing, changing in content and form.

2. Taking each part of the economic process separately, studying its characteristics, the causes and consequences of its origin and disappearance, its positive and negative aspects, internal and external aspects of connection and dependence in time and space.

3. Viewing economic processes as developing from simple to complex, from bottom to top. Here it is necessary to take into account that changes in terms of quantity accumulate and lead to changes in terms of quality.

4. To approach the unity of internal contradictions and their mutual struggle as a source of development.

Economic activities, events and processes take place based on factors such as natural, material, personal factors and money, these factors are closely related and contradict each other and influence each other. will have, old economic laws and concepts will be replaced by new ones. If these are taken into account, the necessity and importance of applying the rules of dialectics for this subject is immediately visible.

At the same time, the science of economic theory has its own research methods, the most important of which is scientific abstraction. Microscopes and chemical laboratories cannot be used to study changes in the essence of economic processes, where the power of abstraction is used.

The method of scientific abstraction is to focus on the main essence of the process being studied, excluding secondary things and events that may interfere with the analysis. With the help of this method, the inner, invisible essence of the event and event being studied, its real content is known.

Method of analysis and synthesis. **Analysis is the separation of a whole being studied into separate parts and studying them in sequence. Synthesis is a general conclusion based on the conclusions and results obtained from the studied parts as a whole integrated process.** Complex economic systems are studied in this way, the economic system is described as a whole.

Method of unity of logic and historicity. The proof of historicity in economic theory requires the need to conduct research from the perspective of historical development. Because economic processes develop as a historical process. In the method of logic, the processes are analyzed not only from a historical point of view, but also according to the main internal necessary legal connections.

Among the used methods, **the experiment** occupies a prominent place, the experiment is widely used in the stages of sharp changes in economic growth, including the stages of economic crisis and instability. Experimentation has a special place during the implementation of economic reforms. In order to implement economic reforms, it is necessary to prepare thoroughly, that is, to conduct scientific experiments, to conduct experiments, to be based on accounting tools, and to develop scientific directions.

Conducting macroeconomic and microeconomic analysis together. In the microeconomic analysis, the behavior and behavior of individual economic subjects, the internal processes of enterprises and firms, which are the initial link of the economy, are studied. In this analysis, the study of the forms and mechanisms of the costs of the separately acquired goods, the use of capital and other resources, the formation of prices, the payment of wages, the composition of demand and supply is central.

Macroeconomic analysis deals with the study of the full functioning of the national economy on the basis of ensuring macro equilibrium. National product, general price level, inflation, labor force employment issues are the object of this analysis. Microeconomics and macroeconomics are interconnected and interact with each other.

Induction and deduction are opposite but related ways of thinking. **The movement of thought from specific facts to general facts is called induction, and conversely, the movement from general facts to specific facts is called deduction.**

to the study and analysis of economic flows**.** In this, all economic processes are analyzed from the point of view of value and profitability and a conclusion is drawn. Otherwise, one-sidedness is allowed, leading to misperceptions and wrong conclusions.[4]

Comparison, statistical, mathematical and graphic methods are widely used in quantitative analysis of economic processes. Especially in the current period, it is necessary to widely learn and use the graphic method. Graphs serve as mediators in expressing theoretical models. More precisely, the graphical method graphically describes the relationship between variable quantities.

With the help of these methods, it is possible to know the content of economic processes and events, their changes, and the causes and consequences of their origin.

Basic concepts:

Economy is an economic system that ensures the unity of activities, which are aimed at the production and delivery of the means of life necessary for people, and which act in total dependence, using the limited economic resources effectively.

Need is the need for means of life necessary for human existence and development.

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[4]This methodology was developed by Prof.Sh.Shodmonov, Assoc. In the book "Innovative methods in teaching economic theory" translated by G. Baubekova, the batafsil bayon is mentioned.

Economic resources are the tools, resources, opportunities and sources that can be used in the production, service delivery, and consumption processes of a certain country in a certain period of time.

The subject of the theory of economics is to study the economic relations and the laws and rules of effective management of the social economy in the process of production, distribution, exchange and consumption of life goods (and services) in order to satisfy the unlimited needs of the society in the conditions of limited economic resources.

Economic laws represent various aspects of economic life, recurring, stable cause-and-effect relationships between economic events and processes, and their interdependence.

Economic categories are scientific-theoretical concepts that express certain aspects of economic processes and real events that are constantly repeated.

Methodology is a system of principles, ways, laws, rules, and specific hadiths of scientific knowledge of economic processes.

Scientific abstraction is one of the methods used in the scientific knowledge of economic processes, which is to focus attention on the true essence of the main phenomenon being studied while ignoring secondary events that destroy during the analysis.

Questions and assignments for revision:

1. What is the concept of economics and its main issue?
2. What is the need? What types of it do you know?
3. Define the concept of economic resource and its types.
4. Why is the production and supply of means of life the most important of the various human activities?
5. What is the subject of economic theory? How does it rank among other economic disciplines?
6. What scientific schools and trends emerged in the formation of economic theory as a science?
7. What are the tasks of economic theory? What is the importance of these tasks today?
8. What are economic laws and what are their types? What is the difference between economic laws and economic categories?
9. What methods are used in the study of economic theory?
10. What is the difference between macroeconomic analysis and microeconomic analysis?

Chapter 2. Production process and its results

Plan:

1. Factors of production and their composition.
2. Content of the production process.
3. General and final results of production.
4 . Production possibilities and its limits.
5 . Production efficiency and its indicators.

At all stages of socio-economic development, the basis of human life was the production of material goods and the provision of services. However, today many textbooks and training manuals on economic theory ignore the nature of the production process. On the one hand, this causes students to not understand where, by whom, and how the products (goods and services) are produced, where and how the techniques and technologies are used, and on the other hand, they are unaware of the production relations occurring in the entire production process.

In this topic, production factors and problems related to the production process are considered. First, the factors of production are described, the purpose and content of production are disclosed, and then the issues related to its results and efficiency are given. The concept of "production possibility" is also considered in the analysis. At the end of the topic, the marginalist ideas related to the meaning of the law of the next added product and its decrease, the next added labor and the decreasing productivity of capital are introduced.

1. Factors of production and their composition

All resources that are actually used in the production process are called factors of production. Regardless of the system and form of the economy, there must be three factors: labor force, labor tools and objects of labor.

Labor force refers to the sum of a person's mental and physical abilities to work. The workforce is specific to people who have the ability to work. But manpower is not man himself or his work, but his ability.

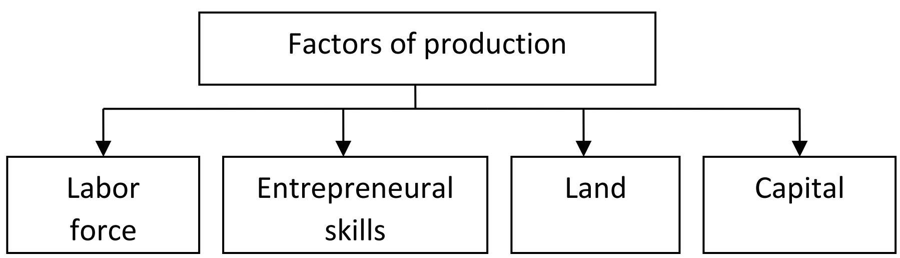
Labor tools means that a person uses it to affect nature, objects of work (machines, machine tools, tractors, devices, equipment, etc.).

The objects of labor, on the other hand, are those that are directly affected by labor, that is, the products are prepared (earth, water, raw materials and various other materials). Labor objects can be found ready-made in nature, or they can be the product of labor from an earlier period, that is, raw materials. Labor tools and labor objects are considered as means of production together. This is due to the nature of the labor process; therefore, means of production are typical for all socio-economic systems, all stages of human development.

Although production factors are common to all stages of human development, these factors are defined differently in different literatures. In particular, the "Political Economy" textbooks recognize the existence of two factors of production: material and personal factors. In this case, tools of labor and objects of labor (including natural resources such as land, water, and underground resources) are called means of production and constitute the material factor of production, while labor force is considered its personal factor. In most of the literature on the current market economy, four factors of production are recognized: labor, capital, land and water, entrepreneurial ability.

It is important to understand the difference between labor force and labor itself here. Because labor is the process of human activity, or rather, the process of the labor force aimed at a specific goal, and it is a completely different concept from the concept of labor force. In many literatures, they are treated as synonyms (the same concept) and cause a lot of confusion. As we know, labor is a process in which various factors combine and act. Labor force, as we said above, a person's mental and physical ability to work, together with its level of knowledge and skills, serves as a factor that is ready to participate in production, and labor is an activity that occurs as a result of the combination of labor force with means of production and is aimed at obtaining certain results.

Therefore, we do not consider the concept of labor, but the concept of labor force as a factor of production, and we emphasize that the factors of production consist of labor force, capital, land-water and entrepreneurial ability (Chart 1).



Drawing 1. Classification of factors of production.

Because labor is the sum of a person's mental and physical abilities to work, in the period of the market economy, not a person, nor a labor process, but labor force is sold as a commodity, it has the same value and usefulness as other goods, and therefore, it has a market. Therefore, it would be correct and understandable to say labor force market instead of labor market, and labor force resources instead of labor resources.

The concept of capital is also interpreted differently in different literature. Many consider the concept of capital as a historical concept, proving that it is characteristic of capitalism, and consider capital to be a value that brings additional value to its owner, a self-multiplying, growing value. Some Western economists, for example, J. Clark, L. Walras, I. Fisher consider capital as a value that brings income, profit, and interest.

Summarizing the opinions of a number of Western economists, including D. Hyman, P. Heine, E. Dolon, J. Robinson, R. Dornbush and others, prof. V.D. Kamaev writes in the textbook written under his leadership that "really, capital is a self-multiplying value [5]. " This

[5] Read : Ekonomicheskaya theory: Ucheb. for stud. higher fly zavedeniy / Pod ed. V. D. Kamaeva. - 10-e izd., pererab. i dop. - M.: Humanist. izd. center VLADOS, 2004, p. 217.

opinion is expressed in a number of economic theory books published under the leadership of D. D. Moskvin, V. Ya. Iokhin, A. G. Gryaznova, E. F. Borisov and others. But the textbooks "Economics", which entered from the countries of America and Europe, and in some other literature, it is indicated that capital is made up of material tools used in all areas of production and service, that is, all types of machines, tools, structures, factories, warehouses, vehicles, etc., to which it does not include money and goods. It can be seen that some economists focused on the value of production factors, looking at the issue one-sidedly, in order to reveal the social nature of the capitalist economic system. Some of our colleagues in the West also consider capital one-sidedly, that is, its value side, while others ignore the historicity of economic concepts and show its material object, the material side of things and events, therefore they consider capital as a permanent, unchanging concept and refer to the means of production as capital. We consider that these two different concepts are two sides of the same coin, two sides of one concept, that is, the concept of capital: one side is its material and physical appearance, and the other side is its appearance of value, and we use it as capital in the context of the market economy. By capital, we understand the means of production used in all areas of production and service that bring profit to their owners, goods ready for sale, funds intended for the purchase of new tools and labor, their material aspect and unity of value. In other words, "capital" is a tool that has both value and utility, and is used in the process of production and service.

However, in literature, land has been given a valuable meaning, that is, land has been understood as soil fertility, grasslands, meadows, water, lakes, forests, mineral resources, and natural resources in general.

Entrepreneurship is one of the most important factors in a market economy. An entrepreneur is a person who ensures the integration of economic resources, that is, means of production and labor resources, natural resources, who is an organizer, strives for innovation, initiates, who is not afraid of economic and other risks and responsibilities; the set of these qualities is called entrepreneurial ability. At the present time, in some literature, information and its means, and ecology are indicated as a separate factor. In our opinion, they are expressed in land and capital.

§ 2. Content of the production process

The production process is a purposeful activity aimed at creating the material and spiritual benefits that people need for their consumption. The process of creating material and spiritual goods and providing various services is the main aspect of people's economic activity.

It is known that any production is primarily a labor process, or in other words, labor done to make the appearance of things in nature suitable for its own consumption. In this labor process, people, first of all, interact with nature, its forces and objects, and with each other.

People change the forms of natural substances with their conscious and purposeful labor and create the products needed for their consumption. In the process of work, along with the exchange of substances between people and nature, the person himself also matures in all aspects, that is, people increase their ability to work, knowledge and expand their practical application.

So the production process is a purposeful action to create consumption values, it is the appropriation of things created by nature for human consumption, it is the general condition of substance exchange between a person and nature, it is the eternal natural condition of a person's life.

The more the types of needs are, the more the branches and fields of production expand. To make it easier to study them, production is divided into two large sectors: **material production and service sectors** .

In the spheres of material production (industry, agriculture, construction, etc.), necessary material goods are created, and in the service spheres, various spiritual goods are created and services are provided . These two areas develop in close connection with each other and influence each other.

The field of material production, in turn, consists of two divisions - the first and second divisions. **In the first division,** the means necessary for the production and consumption of production and service enterprises and organizations - machine tools, machines, tools, raw materials and various materials are produced. **In the second division,** consumer goods necessary for public consumption are produced.

The goods produced in the first division can be used as means of production in the second division and in the service sector, and the goods and intangible services created in the second division are necessary for the first division. That is why there are always economic contacts and relations between them.

Any production in the conditions of the market economy, on the one hand, is the creation of consumption value (usefulness), on the other hand, the consumption of material means and labor, the creation of new value, in other words, the process of value growth.

In the conditions of the market economy, we can express two sides of the production process as follows (Chart 2).

Studying the production process with a two-way analysis allows for a correct understanding of its content and puts an end to various confusions and disputes. Here it should be taken into account that the previous production process how much is the product without increasing the value of the means of production involved in this production process as much as it has value is transferred to the value of the goods and services produced by specific labor.

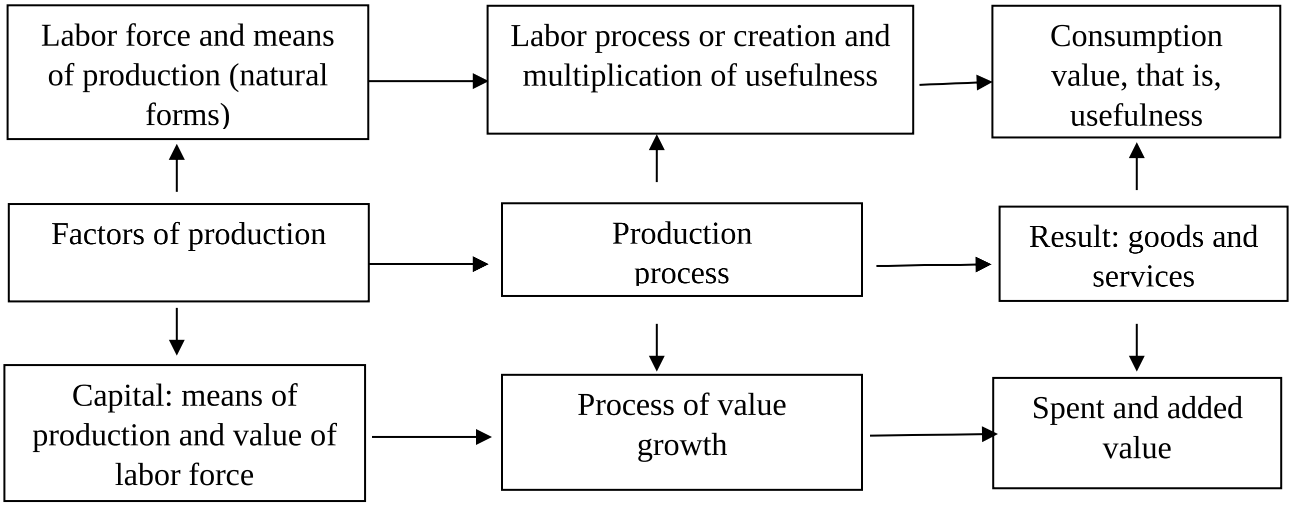
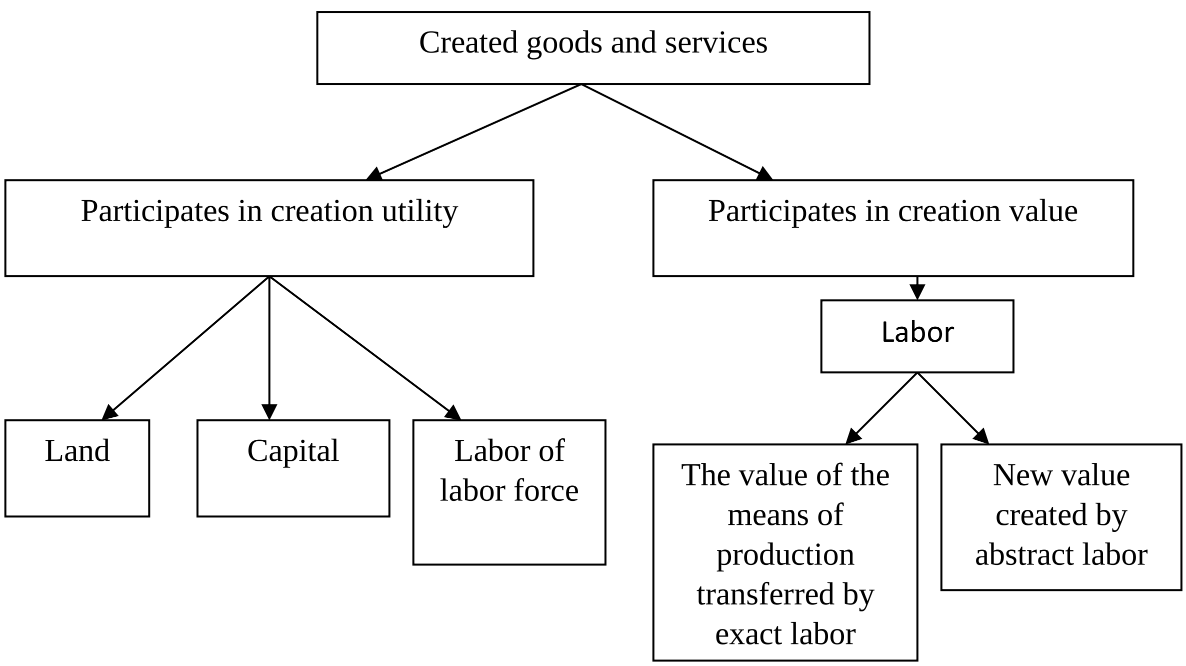


Figure 2. Two sides of the production process.

It should be noted that capital fully participates in the creation of utility, while in the formation of value it participates partially, that is, its worn-out part. Some natural forces participating in this production process do not have value, therefore they participate as a factor in creating the consumption value of the commodity, but do not participate in the creation of value and its increase.



3-drawing. The role of production factors in creating value and value of goods and services.

Therefore, all three factors: land, capital, and labor force participate in the creation of the profitability of manufactured goods, and labor itself participates in the creation of value. This situation is more clearly described in Figure 3.

The two-sided nature of the production process shows that its results also have two sides.

3. General and final results of production

Social production, that is, as a result of the action of various factors, a gross social product consisting of a mass of many types of goods and services is created. The total goods and services created by this, that is, the sum of the national product during the year, is the total result of the production of the country.

In order to continue the production process, first of all, it is necessary to restore the consumed means of production not only in the form of value, but also in the form of a material object. For this, a certain amount of means of production must be present in the natural form of the created product. Secondly, for the restoration of the labor force, the products created for the personal consumption of property owners and entrepreneurs must contain necessary consumer goods. Therefore, material products exist as two different commodities, which, in turn, allow the exchange of goods between the two major divisions. In addition, many enterprises and organizations are engaged in providing services to the population of different districts, and the results of their work are reflected in the services. This shows that a significant part of the national product consists of various services. Thus, the national product created in the country during the year naturally consists of three parts: means of production, consumer goods and various services.

Studying and knowing the goods and services produced during the year, that is, the national product, in these three forms, is of great scientific and practical importance. Because the demand and supply for each type of them is studied and allows production according to the demand.

The created product is considered not only in terms of nature, but also in terms of value, and its value structure is analyzed.

The created product will also consist of three parts in terms of value, namely:

1. the part of the value of the means of production consumed in the production process transferred to the product (s);

2. **a part of the newly created product, that is, the part belonging to the workers - the value of the necessary product** (v);

3. additional product value (m) produced for owners, entrepreneurs and society .

However, it should be emphasized that due to the presence of intermediate products and repeated calculations in the composition of the total social product, it cannot accurately assess the production result. Accordingly, society members are interested in the final results of more production.

The final result of production is a product that has finished its activity in the field of production and is ready to satisfy the needs of society members either directly (through the consumption fund) or indirectly, that is, through the expansion of production (savings fund). It does not include a recurring account (covering fund). Accordingly, a net product is often released as the final result of social production.

If the value of the means of production consumed is deducted from the output created, the remainder is called the net output. Therefore, the net product consists of the necessary product and additional product created by the newly expended labor of managers, workers, farmers and engineers, technicians and others engaged in direct production.

Necessary product is a product created by necessary labor during the necessary work, which is part of the working time of workers and employees, and is necessary for maintaining and restoring the labor force in a normal state. This includes the production of the next generation of workers, that is, the products needed for the workers' families and children.

The excess of the net product over the necessary product, that is, the part created by additional labor during overtime, is called the additional product. The composition of the newly created net product can be more clearly illustrated in Figure 4 below.

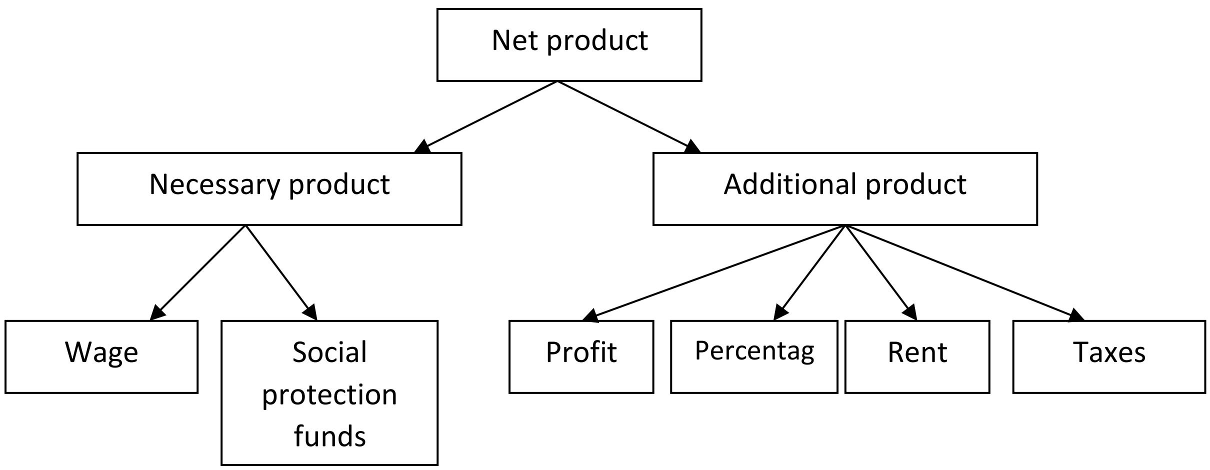


Figure 4. Changed forms of necessary and additional products after they are sold and converted into money.

In each enterprise, the increase of additional product in the network is mainly carried out in three ways - by increasing the number of employees, by extending the working day and by increasing the overtime in exchange for reducing the required working time without changing the limit of the working day.

The additional product obtained by extending the working day is called the absolute additional product, while the additional product obtained by reducing the necessary working time and increasing the additional working time when the working day does not change is called the relative additional product.

The sum of additional products obtained during the year is called the mass of additional products, and its ratio to the required product (expressed as a percentage) is called the norm of additional products.

If we define the rate of additional product by m ', its mass by m, and the necessary product by v, the rate of additional product $m' = m/v \times 100\%$ is determined by the following formula.

It is known that there is always a conflict and relationship between a by-product and a necessary product. Both of them are used for the purpose of developing the economy as a whole and improving the welfare of the members of the society.

In the literature on the market economy of the present period, the relationship between production factors and their effects is called **the production function .** For example, if we assume that the product obtained from the use of production factors - land (L), capital (C) and labor (W) in production consists of M, then the production function $M = f(E, K, И)$ will consist of.

This formula indicates the output obtained for each of the factors involved in production, i.e. inputs, and focuses on the search for the possibility of obtaining more output with less resources. In addition, this indicator makes it possible to determine how much resource consumption is required to produce each product unit and to produce the volume of the product that is intended to be increased.

The volume of production can be increased by increasing the consumption of various factors used in production at once or by increasing some of their types. However, other factors and conditions being equal, the product cannot be increased indefinitely by increasing the consumption of some factors. The output obtained by using factors and increasing their quantity is measured in three dimensions: total output, average output, and last added output.

Total product is the absolute volume of the product obtained by using all the factors of production involved.

The average product is the product corresponding to one unit of $ЎМ = М/(И, К)$ **all production factors involved** :

Last added product is the product that has increased by the most recently added factor (capital or labor).

And the added output obtained for each added factor is called the productivity of the last added factor. By dividing the last added (increased) amount of output by the last added (increased) amount of labor or capital, the added factor, that is, the productivity of capital added or labor added, is determined, that is:

$$КМ = \Delta М/\Delta К \text{ or } КМ = \Delta М/\Delta И .$$

These concepts can be more clearly expressed in the table below (Table 2).

Table 2. Added product and added factor productivity

	1st year	2nd year	Amount last added	Added factor productivity ΔM/ ΔO
Raised capital is in the amount of one thousand soums	120	150	30	1
Workforce (number of employees)	100	120	20	-
The total product obtained	100	130	30	1.5
Average product:	100	130	30	-
a) thousand share capital	0.83	0.87	0.04	-
b) 1 worker	1	1.08	0.08	-

As we said above, the product added for a separately obtained factor begins to decrease after reaching a certain level. This reduction is particularly noticeable in the product added per unit. Looking at the decline in productivity of this added factor, representatives of the marginalists discovered the law **of diminishing returns .** According to their idea, each subsequent input or factor is less efficient than the previous one, and the total average product will consequently decrease.

However, it should be noted that the next factor involved, or the law of diminishing cost productivity, can apply in four cases:

1) when only one factor is continuously increased without changing other factors of production;

2) when science and technology does not develop or is not involved in production;

3) when quantitative and qualitative ratios between factors are violated;

4) when expenses are made carelessly, blindly, without taking into account the conditions.

This law does not apply in cases other than those specified above.

4 . Production possibilities and its limits

The science of economic theory is puzzled over the problem of how to fully satisfy the unlimited needs of society when using limited economic resources. First of all, it is assumed that there are various alternative options for the use of economic resources, and an effort is made to choose the most effective one, that is, the type that allows the production of goods and services in the amount that fully satisfies the needs of society.

Secondly, due to the relatively limited economic resources, it will not be possible to satisfy all the needs of the members of the society at once. Therefore, it is necessary for the society to decide which products to produce and which to temporarily abandon, that is, to make a choice. Through such selection, the determined maximum amount of output at the current level of resources indicates the production potential of society. In order to fully utilize the productive potential of society, it is necessary to achieve full employment of economic resources and ensure the full volume of production.

full employment we mean the full use of all productive resources. The worker should not be forced to die without work , the economy should provide employment to everyone who wants to work and is capable of it, and cultivated land or capital equipment should not remain idle.

The full volume of production also means the efficient allocation of resources, that is, their use in a way that contributes the most to the total volume of production, and the use of the best available technologies.

In the conditions of the market economy, there is a known limit of production possibilities. The production possibility limit can be described more precisely using table data (Table 3). The essence of this problem is as follows: due to the scarcity of resources, the economy cannot provide full employment and unlimited production of goods and services even at the full volume of production.

To get a better idea of the production possibilities frontier:

firstly, the economy produces only two types of products - bread and mills (where bread means consumer goods, mill means production);

secondly, economic resources do not change in terms of quantity and quality;

and third, we assume that labor productivity and technology remain constant.

Due to the limited available resources, the economy's ability to increase the production of mills and bread is limited. Limited resources mean limited production. In such conditions, the mill manages to increase the production in any way, by reducing a part of the resources - bread production. On the contrary, if it is preferable to increase the production of bread, the necessary resources for this can be taken only at the expense of reducing the mill production.

The table below shows alternative combinations of industrial mills and bread quantities that the community can choose from. According to alternative option A, the economy directs all its resources to the production of mills, that is, means of production. In alternative option E, all available resources are used in the production of bread, that is, consumer goods.

Table 3. Production possibilities when resources are fully employed (notional numbers)

Product type	Alternative options				
	A	IN	WITH	D	E
Bread (mln pcs)	0	1	2	3	4
Mill (thousand pcs)	10	9	7	4	0

The main idea in the table is as follows: at any time interval, the economy is at full employment and at full production, it is necessary to give up some of the product X in order to get more of the product U. Because economic resources are scarce, the economy cannot produce X and U at the same time.

To deepen the understanding of the possibility of production, we depict the data presented in the table in a diagram (Chart 5).

Each point on the production possibility curve represents some maximum output of the two products. In order to implement various combinations of bread and mill production, society needs to ensure the full employment of their available resources and the full volume of production. All combinations of bread and mill indicate the maximum amount of them, and this can be obtained from the efficient use of all available resources. Any point outside the production possibility curve (for example, W) cannot be reached with the available amount of resources and the existing technology of production.

J to choose from among the various possible combinations of products lies within the curve.

Society must choose between these combinations of products: more mill production means less bread production, and vice versa.

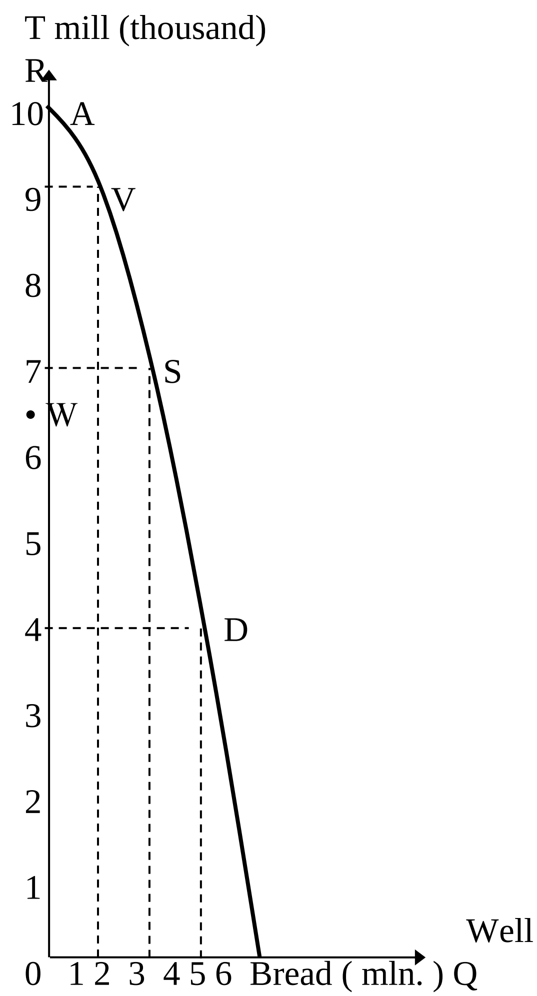


Figure 5. Production possibilities curve.

The quantity of another product that has to be given up in order to obtain a certain quantity of any product is called **the alternative cost of production of that product.**

We assumed that the economy is characterized by full employment of resources and full volume of production. If there are idle resources or resources are inefficiently used (underutilized) economy in the table shown each alternative would produce less output than the alternative and would lie within the production possibilities curve shown in this diagram .

If the quantity and quality of resources and technology change, the total volume of production in the economy h am (the position of the production possibility curve) changes. An increase in available resources leads to an increase in the production of one or both products in each option.

5 . Production efficiency and its indicators

production efficiency and its improvement has always been in the center of attention as an urgent problem of the science of economic theory. Especially now, this issue is becoming more acute. The reason for this is that without increasing the efficiency of production, the important issue facing our country - the task of accelerating independent economic development - cannot be implemented. The economic content of efficiency is always understood as the ratio between the final result of production and the resources, funds or expenses advanced to it .

However, in the conditions of different socio-economic systems, based on the goal of this society , the essence of the problem of efficiency changes. Since the main goal of production in a market economy is to make a profit, every economic entity strives to make more profit. Therefore, the efficiency of production is determined by the ratio of profit (F) to resource costs (IX) , that is:

$$P' = \frac{\Phi}{ИХ} \times 100\% .$$

Here : P' is the rate of profit , IH is the cost of economic resources.

There are several opinions about the main criterion of efficiency in the economic literature . Some scientists indicate that the main criterion of production efficiency is profit, others - gross national product, cof product, third - national income, and still others - additional product. We can't dwell on which of the opinions is correct here , but it should be said that most scientists recognize that the main indicator of effective k under the conditions of a market economy is determined by the ratio of received benefits to costs, that is, the level of profitability or usefulness. Productivity is a multifaceted issue that cannot be fully expressed in a single key indicator. Therefore, in the full expression of production efficiency, a system of indicators is used that indicates the productivity of the factors involved in it, the level of their effective use.

these is labor productivity. **Labor productivity is the ability of the labor force to create products during a unit of time and is determined by the ratio of the produced product (consumer value) to the amount of labor spent.** The amount of labor used is related to the time worked, man-day , man-hour, etc. is determined by If we denote labor productivity by MU, product by M, and working time by V, labor productivity is determined as follows : $МУ = М/В$.

is determined by the amount of product produced for each unit of spent live labor, i.e. per person-day , per person-hour.

In determining efficiency, the indicator of capital productivity is also used, and it is determined by the product, income or profit obtained for each unit of capital involved in production . If we define capital productivity as KU, the amount of capital involved in production as K, product as M, gross income as GDP , and profit as F, the following formulas are formed:

$$КУ = М/К; \qquad КУ = ЯД/К; \qquad КУ = Ф/К.$$

In addition to these indicators, indicators such as labor capacity, material capacity, and energy capacity of the product are also used to determine the efficiency. They represent the amount of labor, energy, and materials needed to create each unit of the manufactured product.

Each of these indicators is closely related and complements each other, expressing the efficiency of various factors involved in production.

In order to increase production efficiency, it is necessary to know the factors affecting it . Several factors influence the increase in production efficiency:

1. Acceleration of scientific and technical progress and application of its results in rapid production.

2. Rational location of production, specialization and cooperation.

3. Changing the components of the economy and its organizational links.

Encourage producers and increase their activity.

5. Rational and economical use of available natural, material and labor resources, finding and introducing new, cheap, high-quality raw materials and energy, new productive varieties of crops, and productive breeds of livestock.

6. Increasing the level of education and skills of people, training mature workers and specialists.

Among them, the factor of science and technology development is of great and important importance for our republic today. Evolutionary and revolutionary forms of science and technology development are different. Evolutionary development means the development of FTT on the basis of existing technology, on the basis of partial modernization of machines and equipment.

Development in a revolutionary form means big changes in several fields of science and technology at once, application of the latest innovations and generations of technology in production, transition to a fundamentally new technological system. The further development of science and technology will be highly effective. That is why the President of the Republic of Uzbekistan I.A. Karimov in his writings emphasizes the need to re-arm all branches of the economy with the latest achievements of modern science and technology. For this, first of all , it is necessary to pay attention to the development of mechanical engineering, which is the basis of the development of existing technology, and which equips all areas of production with new, productive, cheap equipment.

Basic concepts:

Work force is a collection of mental and physical abilities of a person to work.

Tools of labor are things that serve as means of human influence on nature and objects of labor: machines, machines, tractors, plows, devices, equipment and others.

Objects of labor are directly affected by labor, i.e. things from which products are made (land - water, raw materials, materials, etc.).

Capital is means of production, goods and money that are used in production and services and bring income to their owners.

Land and water - natural resources consisting of soil fertility, meadows, water, forest, mineral resources and drawn to use.

Entrepreneurial ability is a combination of human initiative, organization, innovation, economic risk, and responsibility.

The production process is a purposeful activity of people, aimed at creating material and spiritual benefits necessary for consumption. The production process, on the one hand, is the process of creating consumption values, and on the other hand, it is the process of price growth.

Social production consists of the unity of all individual productions that are interdependent and in constant contact.

The total efficiency of production is the ratio between the final result of production and the resource costs spent on it.

Necessary product - a product created during the necessary work of workers and employees and necessary to maintain and restore the labor force in a normal state.

By-product is a product created during overtime of workers and employees, and it is a part of the net product in excess of the necessary product. By-product belongs to entrepreneurs, owners and the state.

Production function means the relationship between production factors and their effects.

Added capital is new additional capital spent on the amount of capital employed in production, in other words, an increased part of the amount of capital.

Average output is the amount of output per unit of labor and capital employed.

Final added output is the output increased by the last added factor (capital or labor).

Questions and assignments for revision:

1. What are factors of production?
2. Define the concept of capital and explain what it includes.
3. Explain the content of the production process and its two sides.
4. Explain the general and final results of the production.
5. What are the natural and value components of the created product?
6. Explain what is the necessary and by-product, and write the formula for the rate and mass of the by-product.
7. Explain the concepts of labor added, capital added and output added.
8. What is the essence of the recently added law of diminishing returns to labor and capital, and does it still apply today?

Chapter 3. SOCIO-ECONOMIC SYSTEMS AND PROPERTY RELATIONS

Plan:

1. **Stages of socio-economic development and different approaches to their knowledge.**
2. **Economic systems and their various models.**
3. **The nature and economic content of property relations. Property objects and entities.**
4. **Different forms of ownership and their economic content.**
5. **Purpose of expropriation and privatization of property in Uzbekistan, ways and methods.**

The emergence and development of economic relations acquires its own characteristics at different stages of the development of society. Economic relations do not freeze in one place. They are constantly changing and developing. Accordingly, the stages of socio-economic development and different approaches to their knowledge, social and technological methods of production, and concepts of the economic system are considered in detail in this topic. During the analysis, economic system models and their characteristics are shown.

Production always takes place within a specific form of ownership. Therefore, a special place is devoted here to issues such as the essence of ownership relations, the economic content of property forms, and the ways and methods of changing property forms in the process of forming a market economy.

1.Social-economic development stages and different approaches to know them

Human society develops on the basis of production relations and the mutual unity and conflict of productive forces, and economic systems specific to its various stages correspond to it. Studying the stages of human development and the economic systems characteristic of each stage is important in understanding economic processes and their changeability.

There are different approaches to knowing the stages of development, the following can be distinguished as the main ones:

-historical-formative approach;

- approach in terms of level of culture (civilization);
- approach in terms of technical and technological development level;
- in terms of changes in socio-economic forms.

To know the stages of social development **in the historical-formational approach** attention is paid to the analysis of social methods of production and its components.

The production method consists of the unity of productive forces and production (economic) relations. Personal and material factors of production, i.e. labor force and means of production together form the productive forces of society. In other words, productive forces consist of a system of personal and technical-objectified elements that make connections between people and nature in the process of social production. The level of development of productive forces is the most important criterion and general indicator of social development.

In the process of production, people interact not only with natural objects and other material objects, but also with each other, that is, they enter into production relations. In this case, the organizational-economic and socio-economic relations that are part of the production differ from each other. Organizational-economic relations arise in the process of organizing production. These relationships are relationships between peoplemanifested, and at the same time directly describes the state of production, reflects the characteristics of certain stages of the development of productive forces and their social harmony. This is, for example, the division of labor, its specialization and cooperation, accumulation and harmonization of production.

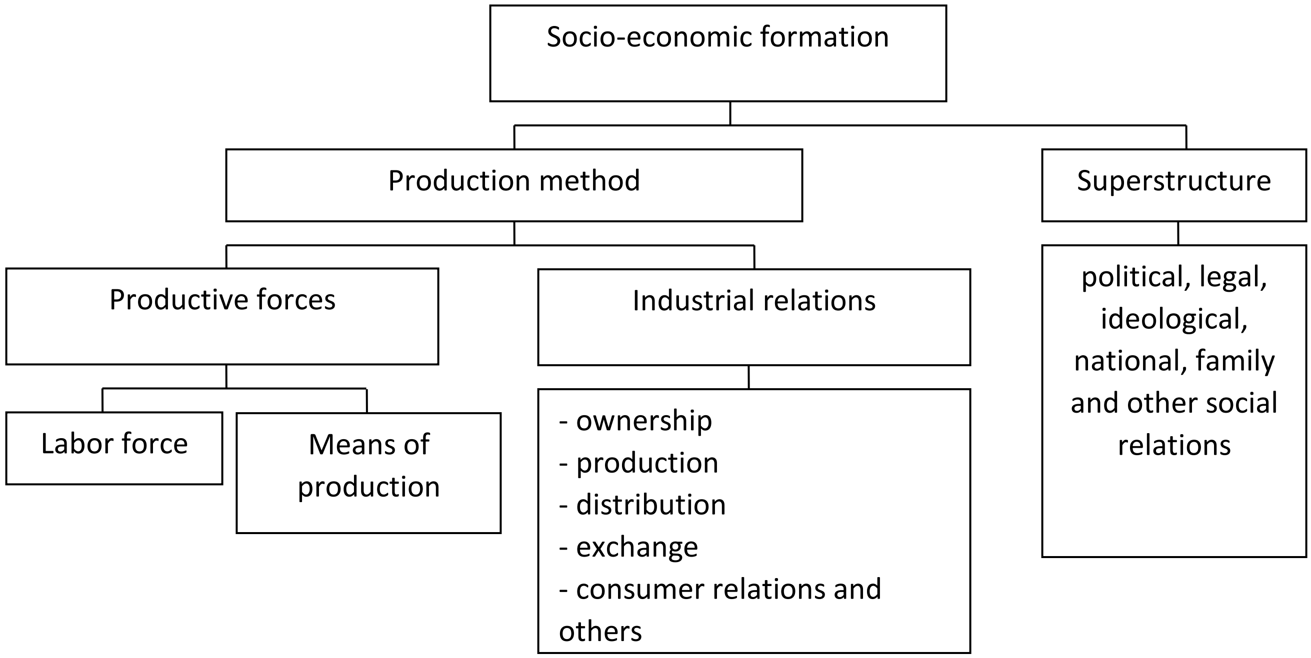
Production always has a certain social form. This social form creates socio-economic relations, the essence and basis of which are ownership relations to the means of production.

Socio-economic relations are relations that arise in the process of production, distribution, exchange and consumption of life benefits necessary for people. They are also called relations of reproduction or economic relations.

A certain level of development of productive forces requires one or another type of production relations. The unity and interaction of a certain type of productive forces and production relations at a certain level of development constitutes a mode of production.

The relations of production do not only interact with the productive forces. At the same time, they are considered as the basis, on which separate political, legal, ideological, national, family and other social relations and procedures specific to this system of production relations stand out. The sum of these forms the foundation of society. Politics, law, ethics, and other elements of the structure play an active role, they reflect on the relations of production that created them, and through them on the productive forces of society.

The structure of society with the method of production forms a socio-economic formation(Figure 1).



Drawing 1. Structural structure of socio-economic formation.

It is important to note two cases here. First, production relations do not form an independent, separate system. They always interact with the productive forces, as well as with the superstructure. Second, different formations have specific relations of production, which determine the mode of production appropriate to each formation.

In the history of human society, a number of production methods and corresponding socio-economic formations are distinguished.

A classic example of the exchange of production methods is considered to be demonstrated in Europe. Primitive community, slavery, feudal and capitalist relations have found a coherent composition in the territory of Europe. As for other continents, all these milestones are more clearly recorded here in the pre-capitalist era. The influence of European colonialism is felt in Asia, Africa, and Australia. The so-called Asian production method is also mentioned in the literature. The formation of this method reflects the qualitative characteristics of productive forces and production relations, which are characteristic of a large group of countries, related to the centralized regulation of irrigation systems and the special role of the state in these conditions.

In economic science, the study of social development as a result of historical development types of civilization also occupies an important place.

The word "civilization" in Latin means civil, social. This concept was introduced to science by French philosophers relatively recently - two centuries ago, and was used to describe societies dominated by thought and freedom. In general, civilization is interpreted as a rationally organized system of economic and socio-legal relations in developed countries.

The theory of the exchange of civilizations plays an important role in studying the development of society from the point of view of civilization. Proponents of this theory distinguish a civilization consisting of the following 7 stages:

1) the Neolithic period, which lasted 30-35 centuries;
2) the period of eastern slavery (Bronze Age), which lasted from the 20th to the 23rd century;
3) the Antiquity (Iron Age), which lasted 12-13 centuries;
4) the early feudal period, which lasted for 7 centuries;
5) the pre-industrial period, which spanned 4.5 centuries;
6) the industrial period, which lasted for 2.5 centuries;
7) a period of high industrialization that lasted 1.3 centuries.[6]

As it can be seen from the mentioned stages, this theory allows mixing of different views and approaches, and there is no clear criterion or sign for separating the stages of the development of society.

A technological approach to the stages of society's development is also considered a certain stream. They believe that in order to better understand the scope and description of changes occurring during the historical development of society, it is necessary to analyze various technological methods of production, to turn to the history of the emergence and development of mechanized production.

Working tools, materials, technology, energy, information and organization of production are called technological method of production.

The boundaries between them are separated by major stages of the history of society's development. The transition from one technological production method to another is mainly determined by changes in the description of labor tools, progress in science and technology.

The first three stages of production technological methods are distinguished separately. These are simple cooperation, manufacturing and mechanized production. Simple cooperation is the simplest form of association of employees performing the same work or service, a group of people who work together according to a certain procedure. The advantages of cooperatives over individual craft production are shown by:

1) the joint work of many workers led to the disappearance of individual differences in the labor force, their qualitative homogenization;
2) as a result of the joint use of buildings and structures, the low consumption of fuel, lighting and other similar expenses led to the saving of means of production corresponding to the unit of production;
3) joint work created competition and increased labor productivity.

Manufacture is a cooperation based on the division of labor, but in the absence of machinery. During the manufacturing period, the generalization process of production continues. The total labor force is composed, and each individual employee becomes a component of the total labor force. It relies on manual labor and manual weapons as in normal co-op.

[6]Economic theory: textbook. - Izd., ex. i dop. / Pod obshch. ed. Acad. V.I.Vidyapina, A.I.Dobrynina, G.P.Juravlevoy, L.S.Tarasevicha. - M.: INFRA-M, 2005, p. 55.

Manufactures prepare the necessary conditions for the transition to large-scale mechanized production by creating specialized tools and tools and by tying the worker to narrow operations. During this period, fundamental changes occur in the organization of production, the content and description of work, the entire technological method of production, economic relations, and the entire social life. As a result of the industrial revolution, which began in the last 30 years of the 18th century, large-scale mechanized production was created.

Large-scale mechanized production is a division of labor and cooperation based on machine labor. The division of labor within the factory is completely determined by the tasks of the machines.

R. Aron, Dj. Galbraith, U. Rostow and other scientists recommend to study the stages of development of society in three stages: pre-industrial society, industrialized society, highly industrialized or information societies.

Here they are as the main features of the pre-industrial society: a) the population is mainly engaged in agriculture; b) dominance of manual labor; v) very shallow division of labor (farming, animal husbandry, crafts, trade, management, etc.); g) dominance of natural economyshows the

The second important stage of the development of the society is the main features of the industrialized society: a) mechanization of production; b) development of industry based on scientific and technical achievements, increasing the number of workers in it; c) increase of the urban population compared to the rural population, etc.

The third important stage of development is the main features of a highly industrialized society: a) high development of the service sector; b) the main part of the labor force(60-70%) to be employed in this field; v) transformation of science into a direct productive force, increasing the role of science workers and qualified specialists; g) widespread use of information and computing techniques in all areas of the economy and in everyday life; d) widespread use of new techniques and technologies that allow saving all types of economic resources without harming the quality of goods and services, etc.

As we mentioned above, changes in technique and technology play a key role in the development of society and lead to changes in organizational and management systems, the composition of workers and employees, and increase in labor productivity. But it is impossible to determine the laws of social development with a one-sided approach based on technical changes. Especially in the knowledge of economic systems and their character, both technical and technicalit is necessary to take social and economic changes together and study their mutual influence and the laws of development that occur as a result of this dialectical connection and influence.

To the development of society, including the development of techniques and technologythe strong influence of socio-economic relations can be seen in the fact that technical and technological progress, which was not developed for several thousand years, grew rapidly with the emergence of the commodity economy and the market.

All stages of technical development, i.e. simple cooperation, manufacturing, mechanized, i.e. industrialized production, high-level industrialized, information society stages correspond to the next 250-300 years, i.e. the period when commodity economy developed. That is why many economists study the stages of the development of society by dividing them into economic systems.

2.Economical systems and their different models

The complex of economic relations operating in each period and place - together with forms of economic organization, economic mechanism and economic institutions - constitutes an economic system.

In economic theory, it is often tried to categorize the concept of economic system in connection with the level of development of productive forces. On this basis, the economic system of developed countries in the worldincluded in three copies: traditional economy, administrative command economy and market economy systems.

Traditional economy- is a historical system that almost all countries have passed through. It still exists in many economically less developed countries, where it follows economic processes based on customs, traditions, and traditions. They are dominated by subsistence or small commodity economy. Here, production, exchange, and income distribution are based on customs established from time to time. Heredity and dynasty (caste) dominate the economic role of individuals, socio-economic stagnation is clearly expressed. Technical progress and the introduction of innovations are strictly limited, because they are considered to be in conflict with traditions and threaten the stability of the social order. Religious and cultural orders are primary in relation to economic activity.

It should be noted here that there is no uniform and universally recognized solution to the economic problem. Different societies with different culture and historical background, different customs and traditions, different ideological views use different methods to solve specific economic problems.

The system opposite to the market economy is the administrative-command economy. This system is characterized by the dominance of social, more precisely, state ownership of all material resources and centralized adoption of economic decisions by administrative bodies. All important decisions related to the volume of used resources, the composition and distribution of products, the organization of production, etc. are taken by the central management bodies.

The system considered an important stage in economic development is the market economy system.

The market economy system basically has two stages. The first is a classical market economy based on free competition, and somein the literature it is also referred to as pure capitalism. The second is a modern developed market economy, which is also called a mixed economy system.

A market economy based on free competition it is characterized by private ownership of resources, freedom in economic activity and entrepreneurship, and the use of the market mechanism in ordering and harmonizing economic processes. In such a system, the behavior of one of its participants-character is based on self-interest, each economic unit, on the basis of individual decisions, seeks to maximize their income. With the help of the market system, individual decisions are harmonized. The production of goods (services) and supply of resources under competitive conditions means that there will be many independent buyers and sellers of each product and resource. Here, the state's intervention in economic processes will have a limited description. Therefore, the role of the state is to establish reliable legal procedures that facilitate the protection of private property and the functioning of the free market.

Modern market economy. Currently, market economy in real life embodies elements of pure market mechanism and planned economy. There will be different forms of ownership, different directions of entrepreneurship, in which planning, forecasting, and social protection of the population will increase. For example, the US economy today is significantly different from the previous free market economy. These differences are seen in the following.

First,part of the property is in the hands of the state, which plays an active role in the economy. This is manifested in the creation of conditions for the stability and growth of the economy, in the provision of certain goods and services that the market system does not produce sufficiently or does not supply at all, in changing the distribution of income, and so on. Second, unlike pure capitalism, the American economy has powerful economic organizations in the form of large corporations and powerful labor unions.

Here, it should be emphasized that private ownership and reliance on the market system, social ownership and central planning may not always coexist. For example, the economy of former nationalist Germany was called authoritarian capitalism because while ownership remained private, the country's economy was tightly controlled and centrally managed. In contrast, the economy of the former socialist Yugoslavia, known as market socialism, was characterized by social ownership of resources and at the same time free market organization and management of economic activity. Although more than 90% of economic activity in the Swedish economy is concentrated in private firms, the state actively participates in ensuring economic stability and income redistribution.

3.Ownership of relations essence and economic content. Property objects and subjects

Property relations constitute one of the main relations of the economic system of any society and are a product of human development.

Ownership relations arise in the process of production of material and spiritual goods and appropriation of society's wealth.

Therefore, property relations are economic relations that arise in the processes of ownership, use, disposal and appropriation of property.

Ownership of property means that the property remains in the hands of the owner and represents the social form of appropriation of the created material wealth. In some cases, the ownership of the property is retained by its owner, and its actual use is in the hands of others.

An example of this can be leased property. Use of property is the use of property in economic activity or in social life. When property is appropriated, it means that it is used for income or to satisfy personal needs. Property disposal is an independent decision of the fate of property. It occurs through cases such as sale of property, inheritance, donation, lease.

While the economic content of property relations is determined by its integral aspects (ownership, use, appropriation and disposal), the description of these relations can be differentiated not only in separate forms of property, but also within one form of property.

Property represents both legal and economic relations in society. The legal and economic content of ownership are interrelated and require each other, therefore ownership is considered both an economic and a legal category at the same time. In this unity, as shown above, the decisive role is played by the economic side of ownership. If the property is not realized economically, that is, it is not appropriated, used in production or does not bring income to the owner of the property, then it remains as a "legal" category.

Ownership is realized economically through various forms of economic and entrepreneurial activity.

On the other hand, the legal aspect of ownership does not play only a subordinate role in relation to its economic aspect. This means that without certain legal ownership of the means of production, no one can carry out the production process, use the means of production and the produced product. Therefore, the legal norms of ownership (ownership, disposal, right to use) are a clarified form of economic relations.

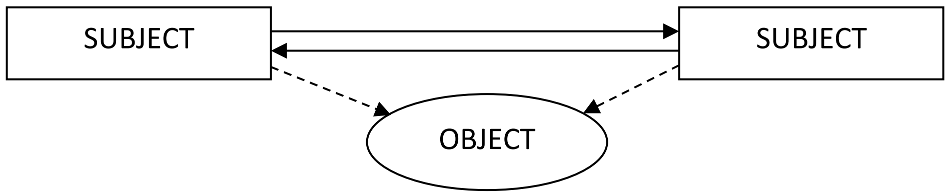
Legal norms, on the one hand, arise precisely in connection with the need to protect property relations, on the other hand, they play an extremely important role in the development of property relations in the conditions of commodity production. This role appears in the fact that in the conditions of the commodity economy, some social strata have the opportunity to become owners by participating in exchange relations (for example, trade intermediaries) without participating in the production process.

Thus, the legal norms of ownership determine, firstly, that the means of production and created material goods belong to certain persons (legal or physical), secondly, the powers of property owners protected by law, and finally, thirdly, the methods of property protection.

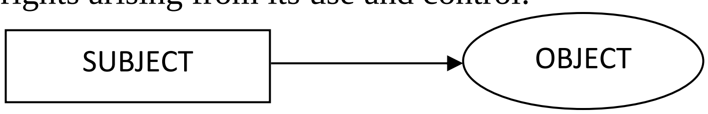
Property relations require that there be objects and subjects of it. All types of wealth that have become property are objects of ownership. An object of property is the material and spiritual wealth created by man, natural wealth, the product of intellectual labor, man's ability to work - labor force, etc. The main link in the property object is the ownership of the means of production. Whoever owns the means of production also owns the product.

In real life, the degree of generalization of the means of production is different, that is, the combination of producers with the means of production is carried out at different levels and in different forms. Accordingly, property entities are created. The property subject has a certain socio-economic position in the society, participates in the development of the property object, participants in property relations, and they are united in a community, class, caste or other social groups. Some people, families and the state also become subjects of ownership.

Ownership relations and rights can be more clearly understood with the help of property objects and entities. Ownership relationship is an economic relationship between the subjects of ownership for the development of the property object. This rule can be expressed by the following image:



Property rights and it is the relationship of the property subject to the property object, that is, a set of rights arising from its use and control:



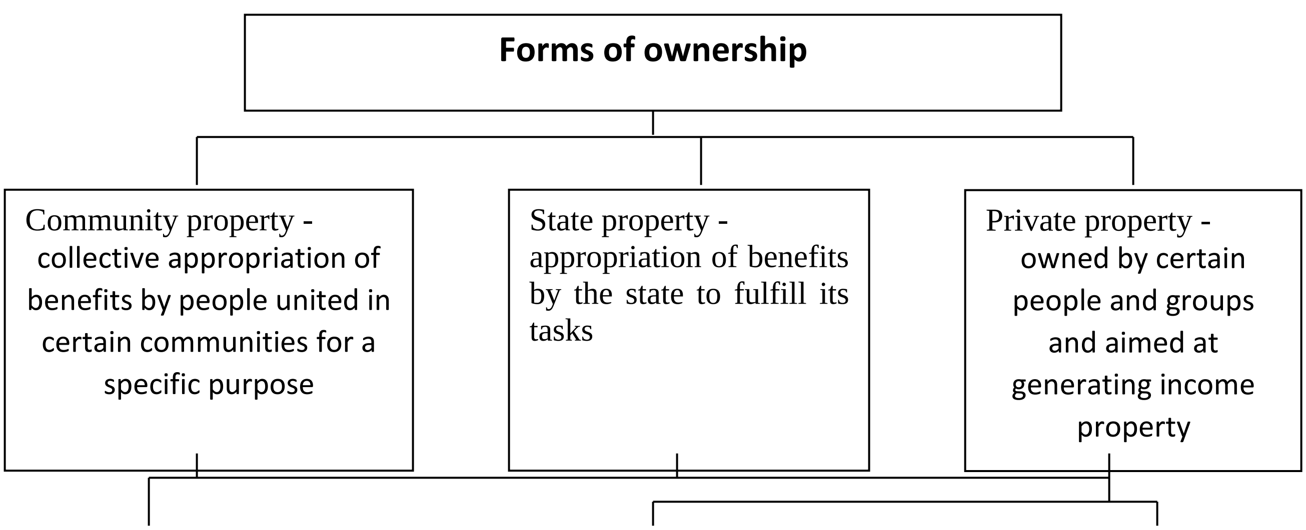
Property subjects are multi-level, and if any of these subjects cannot present themselves as the owner of the property, then ownership relations are formal.and becomes superficial.

4.Different forms of ownership and their

economic content

At the current stage of society's development, ownership relations include state property, various types of collective property in the spheres of production, service and demand, property of social organizations, household and private estates, and personal property of workers related to individual labor activities, foreign economic takes mixed property forms and private properties in the field of relations.

Therefore, in the Law "On Ownership of the Republic of Uzbekistan", various types of propertyare included in the following forms of property: state property, community property, private property, private property, mixed property (Chart 3).



Mixed property - formed by the synthesis of different forms of property and appropriate appropriation of benefits	**Individual private property -** appropriation of benefits by the separately received owner	**Corporate private property -** appropriation of benefits through the establishment of enterprises based on the property of mutually united owners for a certain purpose

Figure 3. Classification of forms of ownership.

The existence of different forms of ownership and their economic criteria are primarily related to the development of productive forces and the degree of generalization of production. At the same time, the forms of ownership should be compatible with the state of the productive forces, social division of labor, and the level of maturity of organizational and economic relations.

State property consists of property objects owned, used and disposed of by the state. State property is formed mainly in two ways:

1) nationalizing private property and taking it into the hands of the state;

2) construction of enterprises at the expense of state funds, investment in state-owned enterprises and organizationsimplementation of .

Public property is a truly public, indivisible, or common resource. An example of this is the non-renewable natural resources, large structures and vehicles, such as economic roadsa large part of the structure can be shown.

According to the Civil Code in Uzbekistan, state property is divided from the property of the Republic and administrative-territorial (municipal)consists of properties of structures. Land, underground resources, water, air space, flora and fauna and other natural resources, property of republican power and management structures, state-owned cultural and historical resources, budget funds, gold reserve, currency fund and other state funds are the property of the republic. is considered

Administrative-territorial (municipal)the property of the structures includes the property of local bodies of state power, local budget funds, municipal housing fund and communal enterprises and other property complexes, public education, culture, health institutions, etc.

Community property means joint acquisition of material and spiritual wealth by people united in a community for a specific purpose. Community property appeared through such ways as the purchase of state property by an enterprise team, establishment of an enterprise by paying contributions, issuing shares and selling them. An important feature of collective property is that the means of production and the product of labor are not owned by certain individuals, but by a certain group of people.

Of co-operatives to community property, ijincludes the property of collective and collective enterprises, joint-stock companies, economic companies and companies, collective organizations and religious organizations.

Personal property - this is the property of citizens and serves to satisfy their personal or family needs. This form of property increases and develops mainly based on the labor of a person or his family members.

A citizen's personal property is mainly created and increased due to their participation in social production and the labor income from running their own farm. In the market economy, private property is based on new sources, such as stock dividends, bank interest, and private business income.

Objects of personal property are residences, gardens and houses, vehicles, savings, household and personal consumption goods, means of production necessary for individual and other economic activities, products produced in them, etc. According to the Law "On Ownership in the Republic of Uzbekistan", smaller enterprises in the field of trade, catering, household services, and other sectors of the national economy can be the property of citizens and their family members. Objects of personal property can be used to earn income beyond the scope of meeting needs.

Private property is property based on hired labor owned by some entrepreneurs and beneficial to its owner.

The law of the Republic of Uzbekistan on ownership (Article 7) states that private property consists of the right to own one's property, use it and dispose of it. At the same time, it is noted that the amount and value of private property is not limited.

Private property, like any other form of property, has its pros and cons. He, without a word, initiative andencourages entrepreneurship, responsibility for work. At the same time, in the conditions of commodity production, it gives rise to a feeling of desire to make a secret profit. The recognition of this form of ownership requires the identification of links in the national economy where its use is beneficial, the formation of financial and legal mechanisms for its regulation. But such recognition of private ownership is not at all related to its absolutization. This property can be created by running an independent business on the basis of purchased means of production or by purchasing state enterprises, cooperative firms, warehouses, kitchens, etc.

As a result of combining different forms of property, mixed property appears. This means that the property is taken over separately by different owners.

5. Releasing of state property from government ownership in Uzbekistan and privatization purposes, ways and methods

The main condition for the transition to market relations is to create the conditions for the formation of a multi-level economy and a competitive environment. The main thing is to solve the ownership issue. Therefore, the President of our republic I.A. Karimov calls the resolution of the ownership issue "... the cornerstone of the entire system of activities aimed at creating the market"[7]emphasizes that. For many years, the economy of our republicIn fact, nationalized property, which was called public property, completely dominated. The

[7]Karimov I.A. Homeland is as sacred as a place of worship. T.3., - T.: Uzbekistan, 1996, p. 202.

emergence of the state as a subject of property, which is considered public property in theory and practice, led to the formation of views of this property as "nobody's", "state's", "someone's property" among members of society.

The task of creating a market economy requires the expropriation and privatization of a certain part of this property in countries where the weight of the public sector in ownership is much higher during the transition period.Accordingly, in Uzbekistan, the expropriation and privatization of property is considered as an important process and is defined as follows in the Law "On Expropriation and Privatization" (November 19, 1991):

Releasing of state property from government ownership is the transformation of state enterprises and organizations into joint ventures, rental enterprises, joint-stock companies, limited liability companies, and other non-state-owned enterprises and organizations.

Privatization is the purchase by citizens and non-state legal entities of state-owned objects or shares of state joint-stock companies from the state.[8]

It can be seen that expropriation of property is a much broader concept than privatization. Privatization is the transfer of ownership of state property from the state to private individuals. In addition to privatization, expropriation of property also involves the creation of other non-state forms of property at the expense of this property. It is implemented in a number of ways: turning state enterprises into joint-stock companies, selling the state enterprise and turning it into collective property; giving property to citizens free of charge based on checks (vouchers) issued according to the value; sale of property to some entrepreneurs and business managers; selling some state-owned enterprises to foreign companies and citizens or giving them on loan; sale of state property at auctions, etc.

The methods of privatization are different, and they can be divided into 3 groups: 1) privatization by giving away state property for free; 2) privatization through the sale of state property; 3) privatization by harmonizing the sale and distribution of state property for free (Chart 4).

The peculiar aspect of the privatization process carried out in our country is that it was carried out step by step (Chart 5).

At the first stage of economic reforms in Uzbekistan, it was constitutionally recognized that all forms of ownership have equal rights, and the task of ending the monopoly of state property and privatization of this property was set. First of all, equal legal norms and implementation mechanisms were created for different forms of ownership to be decided[9].

An important feature of the approach to expropriation and privatization of property in Uzbekistan is its gradual implementation on the basis of programs. 1992-1993 included the first stage of privatization, at this stage the privatization process covered the general housing stock, trade, local industry, service enterprises, and the agricultural products processing

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[8]Law of the Republic of Uzbekistan. On expropriation and privatization/Republic of Uzbekistan: laws and decrees. - T.: Uzbekistan, 1992, p. 65.

[9]Decrees on measures to deepen economic reforms (January 21, 1994) and priorities for further development of the process of expropriation and privatization of property (March 16, 1994).

system. Some medium-sized and large enterprises belonging to light, local industry, transport and construction, and other sectors were later transformed into more executive enterprises, collective enterprises, and closed joint-stock companies with the right of acquisition. The controlling package of shares was kept at the disposal of the state.

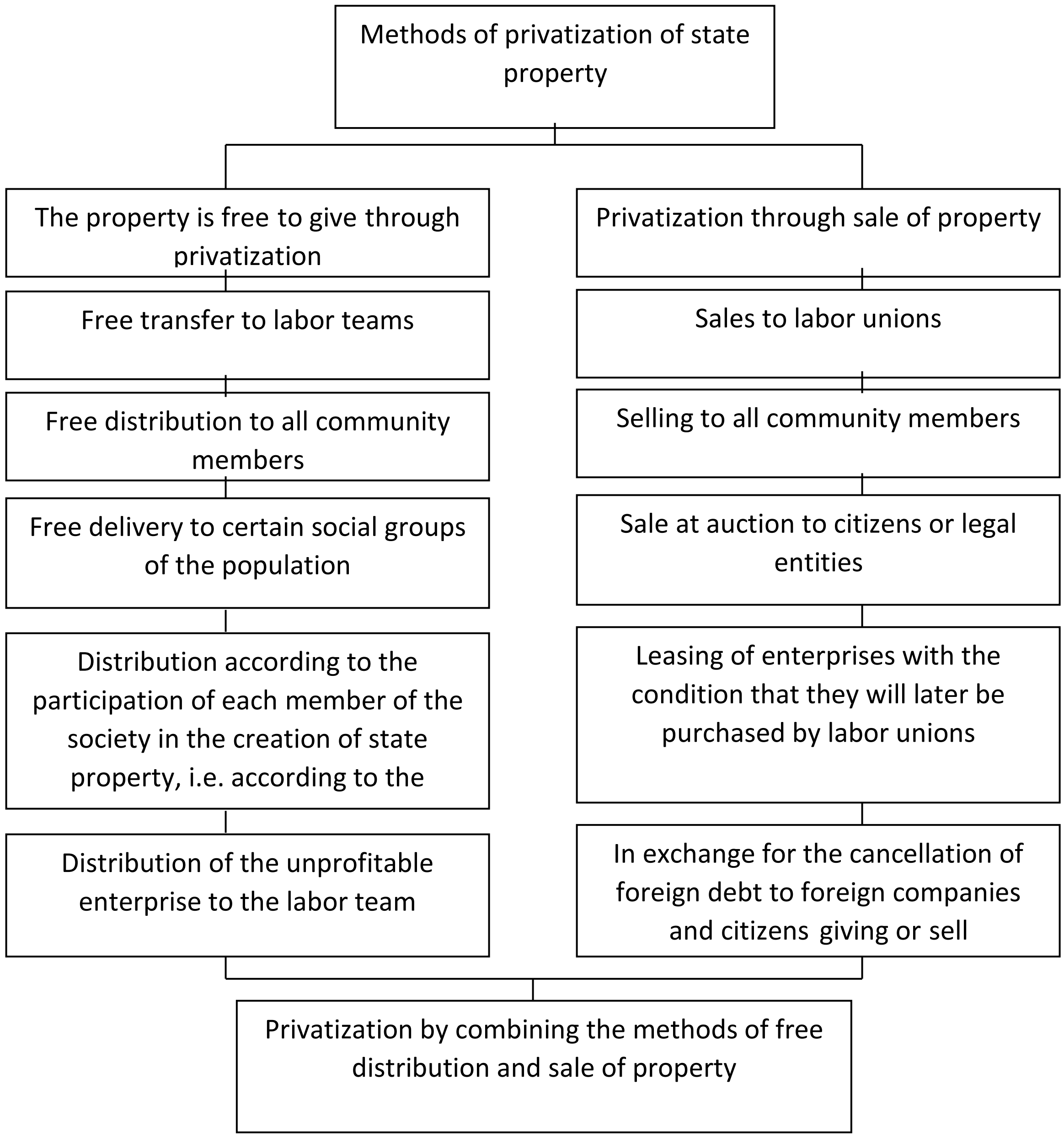


Figure 4. Methods of privatization of state property.

In the first stage of privatization, the state took over the tasks of maintaining and financing certain sectors of the national economy, which are economically ineffective, but play an important role in the economic development of the country, and certain enterprises.

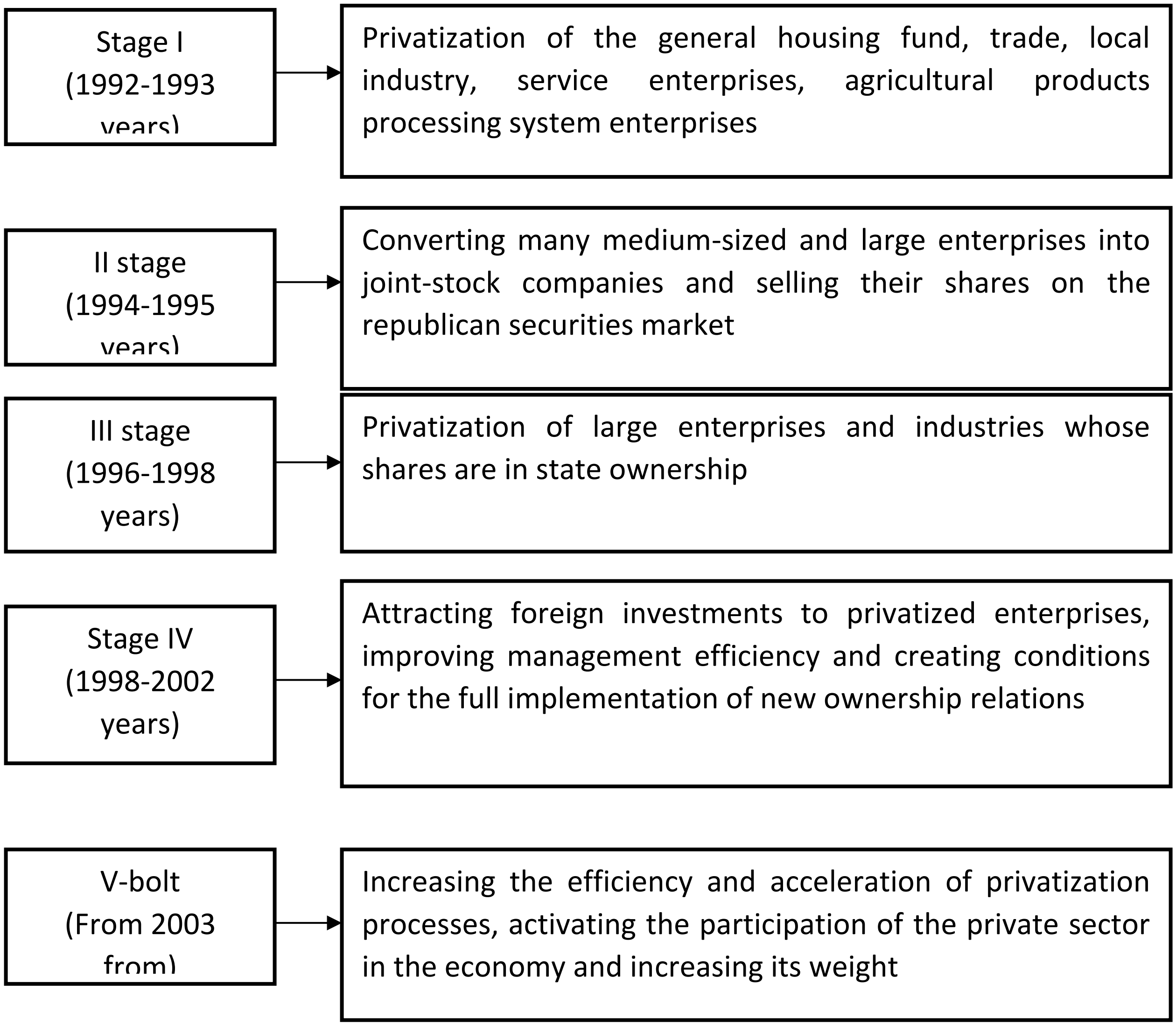


Figure 5. Stages of implementation of the process of expropriation and privatization of property in Uzbekistan.

As a result of the first stage of implementation of economic reforms, small privatization was practically completed, the system of institutions needed to manage state property and convert it into other forms of ownershipwas created.

Trade, household services to the population, local industrial enterprises were made into private and collective property. As a result, in 1997, more than 95 percent of the trade volume and the gross food product were in the non-state sector. In the process of privatization of housing, more than one million apartments, which were previously owned by the state, or more than 95 percent of the state housing fund, became the private property of citizens.

The second stage defined in the state social program corresponded to 1994-1995. At this stage, many medium-sized and large enterprises were transformed into joint-stock companies, and their shares formed the basis of the republic's securities market. Along with the transformation of state property into joint stock, small private business enterprises were actively organized.

At this stage of expropriation and privatization of property, creation of open joint-stock companies, sale of state property on the basis of selection and auction was put into practice. New institutions of the real estate and stock market were established.

The effect of expropriation and privatization of property has a two-sided description. On the one hand, it attracts the population's idle funds and reduces their pressure on the market. On the other hand, it creates conditions for attracting new funds to production and creating competition between producers of goods. It should be noted here that privatization is not the only way to create a non-state sector of the economy. Organization of small and medium-sized enterprises based on individual private ownership on the basis of initiative, as well as various cooperatives, companies, and limited liability companies is the second powerful process.

Since 1996, the republic's economy has entered the third stage of expropriation and privatization of property. During this stage (1996-1998), all objects and enterprises (3146 in total) that were not included in the list of non-privatized objects were taken out of state ownership.

The main tasks of the fourth stage of the privatization process (1998-2002) were to allocate funds from privatization to the state budget, attract foreign investments to privatized enterprises, improve management efficiency, and create conditions for the full implementation of new ownership relations.

The current - fifth stage of the processes of privatization and privatization in Uzbekistan is related to the Decree of the President of the Republic of Uzbekistan dated January 24, 2003 "On measures to radically increase the share and importance of the private sector in the economy of Uzbekistan". This Decree is directed in the near future. In order to accelerate the process of expropriation and privatization of economically weak state enterprises, as well as to attract direct investments for the modernization and sustainable development of these enterprises, an effective mechanism for setting prices for privatized objects was introduced. In particular, privatized enterprises should gradually reduce the initial prices of state assets and state,[10]

Table 6 shows the main results of the privatization of state-owned enterprises in our country in 1995-2004.

Indicators	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**
Number of privatized enterprises, unit	8537	1915	1231	451	448	374	1449	1912	1519	1228
Number of non-state-owned enterprises	8537	1915	899	266	373	372	1238	1800	1452	1228

[10]Valijonov A.R. Osobennosti sovremennogo etapa razgosudarstvleniya i privatizatsii. – Vosemnadtsatye Mejdunarodnye Plekhanovskie chteniya "Reformirovanie i modernizatsiya natsionalnoy ekonomiki - strategichesky kurs na democratizatsiyu i obnovlenie oshchestva": Tezisy dokladov professorsko-pedovatelskogo sostava i spetsialistov-praktikov (26 times 2005g). Visiting session in Tashkent. - M.: izd-vo REA, 2005, p. 22-23.

established as a result of privatization										
Joint stock companies	1026	1257	456	110	141	152	227	223	75	28
Private enterprises	6036	420	260	103	156	103	827	1252	981	1038
Other forms of enterprises	1475	238	183	53	76	117	184	325	396	162
Proceeds from privatization, bln. soum	2.4	5.3	4.4	8.9	9.1	14.3	23.2	43.6	56.1	78.4

Table 6. Main indicators of privatization of state enterprises in Uzbekistan.

Targeted orientation of privatization in the republic is its next feature. This will allow all sections of the population to participate in this process more precisely and effectively. Targeted orientation of privatization is expressed in the preferential or free giving of houses to their owners, the payment of various programs to support the most needy and vulnerable sections of the population at the expense of budget funds, and the fact that the villagers receive land for their subsidiary farms.

Payability of privatization in Uzbekistan is its next issueis a characteristic of him. By paying the money, it will be possible to solve a number of problems, as well as to eliminate negative situations related to the free distribution of property in the privatization of state-owned enterprises and objects. First of all, financial sources of state support for entrepreneurship, privatized enterprises, resources for building market infrastructure will appear.will be created and funds will be collected for the implementation of the program of social protection of the population.

The way to sell state property to new owners orthe rest is their propertyalong with transformation into other forms, the funds obtained from privatization are used to support the enterprise itself and to establish new competing enterprises.

Is it next?feature - strong social guarantees for the population were created and provided during the expropriation of property in the republic. Social guarantees were created through a whole system of benefits. These include the sale of shares to the labor team of the enterprise being privatized on preferential terms, the free transfer of obsolete capital funds and social infrastructure objects to the new owner, the privatization of the property of state enterprises, farms, gardens, etc. on preferential terms, as well as giving certain tax benefits.

A specific head of privatization of state property in the republicqa aspects are derived from the main rules of implementation of economic reforms stated by President I.A. Karimov. These are the following:

a) privatization of state property is subordinated to the internal logic of reforms implemented in the republic and forms their basis;

b) the process of privatization of property is managed by the state;

c) laws are followed in the legal and regulatory aspects of privatization.

The task of privatization in our republic does not deny that the public sector plays a significant role in market conditions. Because there are areas of the economy where state enterprises should be preserved. For such enterprises, it is required to develop a management mechanism that allows them to adapt to the market conditions.

Basic concepts:

The mode of production is the unity and interaction of productive forces and production relations.

Productive forces are personal and material factors of production, i.e. labor force and the means of production.

Socio-economic relations are relations that arise in the process of production, distribution, exchange and consumption of life benefits necessary for people.

The technological method of production is a set of labor tools, materials, technology, energy, information and organization of production.

Property relations - relations that arise in the process of ownership, use, appropriation and disposal of property.

Use of property is the use of property in economic activity or in social life, that is, the direct consumption of its beneficial aspects.

Property disposal - independent decision of the fate of property.

Ownership of property is a social form of retention of ownership rights in the hands of its owner and appropriation of created material wealth.

Property objects - all types of wealth that have become property.

Property subjects - participants in the development of property, participants in property relations.

Privatization is the transfer of property ownership from the state to private individuals.

Expropriation is the creation of other forms of non-state property at the expense of state property.

Questions and assignments for revision:

1. What is the production method and what are its components?
2. The most important of production methodshighlight the distinctive features. Discuss the reasons for changing one production method to another.
3. List the components of the technological method of production. What is the impact of scientific and technical progress on the technological method of production? How do the stages of technological methods of production differ from each other?
4. List the main features that distinguish copies of the economic system.
5. Define the nature of ownership and explain the economic content of its various forms. Distinguish the economic and legal content of ownership.
6. What is the reason for multilevel property entities? What underlies the differentiation of ownership forms?

7. Why does the transition to a market economy require different forms of ownership? Why is the disposal and privatization of state property an objective necessity at the current stage? Describe the stages and forms of privatization.

8. What methods of personalization do you know? What factors influence the choice of one of these methods?

Chapter 4. THE DEVELOPMENT OF COMMODITY-MONEY RELATIONS IS THE BASIS FOR THE FORMATION AND IMPLEMENTATION OF A MARKET ECONOMY

4.1**. Characteristics and differences between natural and commodity production.**
4.2. The product and its characteristics.
4.3. The labor theory of value and the theory of added value.
4.4. The origin, essence and functions of money.
4.5. Programs aimed at introducing the national currency - the soum - into circulation in
Uzbekistan and strengthening its stability.

The content, place, role and social consequences of socio-economic forms in different historical periods vary in many ways, but their common features remain. Therefore, we will begin the topic by considering the social economy, that is, the forms of social production, and then try to shed light on the commodity and its properties, the amount of commodity value, approaches to its determination, the emergence, essence and functions of money.

Characteristics and differences between natural and commodity production

In the development of human society, two general economic forms of organizing a social economy are distinguished. Historically, the first of the general economic forms is subsistence production. Products created in this form of a social economy are intended to satisfy the producer's own needs, for the internal needs of the economy. The volume and composition of consumption often corresponded to the volume and composition of production, and their connection with each other was very easy, since they took place within the framework of one economy. Such relations prevailed first of all in the primitive community, and later in the peasant economy. The subsistence form of production strictly limits all economic processes within the framework of one economy, leaving no room for external relations. Labor is very tightly tied to a particular economy and is deprived of the opportunity to move. The subsistence economy, having extremely limited the goals of production, subordinates production to satisfying needs that are very small in volume and few in type. That is why society gradually shifts to commodity production.

Commodity production arose as a result of the development of subsistence farming and the growth in the type and quantity of products.

In commodity production, that is, in a commodity economy, economic relations between people are manifested through goods, through the purchase and sale of the products of their labor. The difference between commodity production and natural production is that in this case the goods or services are created not for their own consumption, but for sale on the market. The difference between natural and commodity economies can be seen in Table 4.1.

Table 4.1

Difference between subsistence and commodity farming

Key points	Subsistence farming	Commodity farming
The purpose of producing material	Use to meet personal needs	Exchange for other goods, buy and sell in the market
Determination of the composition of the manufactured	Determined in advance based on needs and capabilities	Determined based on specific market demand and the manufacturer's own interests
The struggle to attract consumers	Such a fight does not exist.	Such a struggle exists and intensifies with the development of a commodity economy.
Consumption rate of the manufactured product	All manufactured products are still consumed.	The fact that some parts and components of manufactured products remain unsold, i.e. not consumed
Principles of labor participation in the production process	Only the labor of the owner and his family members is used in the	Hired labor can also be used in the production process

Commodity production is a specific method of relations between producers and consumers, of measuring labor and including it in the total labor of society. The process of displacing the subsistence economy and the development of commodity exchange proceeds along the path of individual farms to commodity exchange, purchase and sale , based on the deepening of the division of labor, specialization of production, the emergence and development of private property . Specialization in the production of certain types of products makes it necessary to exchange them between different producers. Specialization, in turn, leads to an increase in labor productivity, which means that commodity exchange becomes not only necessary, but also beneficial. Saving time and material resources becomes the driving force of the development of a commodity economy. Producers involved in the exchange process begin to become more and more dependent on each other.

In the early days, commodity farms helped establish ties between communities, slaveholding, feudal, and peasant farms, opening up additional opportunities for the development of production and society as a whole.

By certain historical periods, commodity relations broadly and deeply encompass all aspects of the economy of society.

The socio-economic foundations and conditions for the emergence and implementation of commodity farming are as follows:

1. The occurrence of social division of labor. In this case, producers specialize in the production of one or another specific product. Specialization, in turn, is determined by the principle of comparative advantage, that is, the ability to produce a product at a relatively low alternative cost.
2. Economic isolation of producers. In this case, they dispose of the results of their labor themselves. Economic isolation means that all decisions regarding economic activity are made by the producer himself. These two conditions make the production of goods necessary and are the prerequisites for the emergence of a market. The product of labor becomes a commodity, that is, something that can be exchanged for sale on the market, and the producers become producers of goods.

To better understand the essence of commodity production, it is appropriate to consider the characteristics of the commodity, which is its main element.

4.2. The product and its features

In understanding commodity-money relations, it is important to know the content of a commodity and its characteristics. There are also different approaches among economists in defining a commodity. For example,

According to EF Borisov's definition, "A commodity is a social good created through labor, intended for exchange on the market for other commodities on an equivalent basis." [60] It is clear from this that he views commodities as products of human labor.

VI Vidyapin and others have given a broad explanation of the concepts of "good" and "commodity". It is shown that a commodity is a special form of economic good: "A commodity is a special economic good produced for exchange" [61]. Based on the opinions of these and a number of other scholars, it can be noted that a commodity is a product of labor created for exchange, which has some utility and value.

At the current stage of socio-economic development, all types of products produced and services provided in countries have taken the form of commodities.

A commodity has two characteristics: first, it satisfies some need of people, that is, it is a consumer good; second, it is an item that can be exchanged for another item, that is, it has exchange value.

The use value of a commodity is that it is useful, beneficial to people. It satisfies some of the needs of people as a personal consumer good or a means of production. Whereas, the exchange of goods takes place between members of society, between participants in a crowded market.

That is why the concept of socially necessary surplus is used in economic theory, and the market recognizes this socially necessary surplus.

Socially necessary surplus is the surplus in quantity that corresponds to the amount of demand.

In order for goods to be commodities, they must be intended for exchange, have undergone a certain amount of labor, and be put on the market for sale. Accordingly, a commodity differs from a product. A commodity is, first of all, a product that is prepared not for its own consumption, but for sale on the market for the consumption of others. This is where the natural-goods and socio-economic aspects and properties of a commodity arise.

The exchange value of a commodity is the quantitative ratio in which one type of utility is exchanged for another type of utility. For example, one axe is exchanged for 20 kg of grain. This quantitative ratio of the goods being exchanged expresses their exchange value.

According to the proponents of the labor theory of value, A. Smith, D. Ricardo, W. Petty, J. S. Mil, labor is the common basis of the value of commodities, therefore they are equated to each other in certain quantities. None of the weight, volume, shape, and similar natural properties of commodities can be the common basis of value. A necessary condition for exchange is the different utility of commodities. However, the utility of different commodities, while differing in quality, does not have a quantitative dimension. The common thing that commodities have for quantitative comparison is the labor spent on their creation.

The reason why commodities are measurable is that they are all products of human labor, that is, human power, brain, muscle, nerves, etc., are products of consumption. The social labor embodied in a commodity constitutes its value. This value is manifested when a commodity is exchanged, therefore, the exchange value, that is, the exchange ratio of use values , takes the form of a b die and constitutes its internal content. This is reflected in the separation of value and exchange value by LM Kulikov as separate main characteristics of a commodity. “Value is an expression of how much the costs of producing and selling a commodity or its production cost. When exchanging or selling a commodity, the producer or seller, naturally, wants to cover his costs, but other ratios may form in the market. Now they are expressed by another indicator - exchange value. This is the quantitative ratio in which one commodity is exchanged for another” [56]. The commodity itself consists of the two aspects of utility and value.

The value of a commodity is calculated by means of socially necessary labor time. Socially necessary labor time is the labor time necessary to produce a commodity under certain socially normal conditions of production and with an average level of skill and intensification of labor in a given society. In calculating the value of a commodity, simple and complex, skilled and unskilled, mental or physical types of labor are taken into account. In calculating value, relatively complex labor is taken into account as simple labor multiplied or raised to a level, so that a small amount of complex labor is equated with a large amount of simple labor.

The reason why a commodity has two different properties is due to the dual nature of the labor that produces the commodity. On the one hand, it is a specific type of labor. Therefore, the labor that creates consumer value is called specific labor (Figure 4.1).

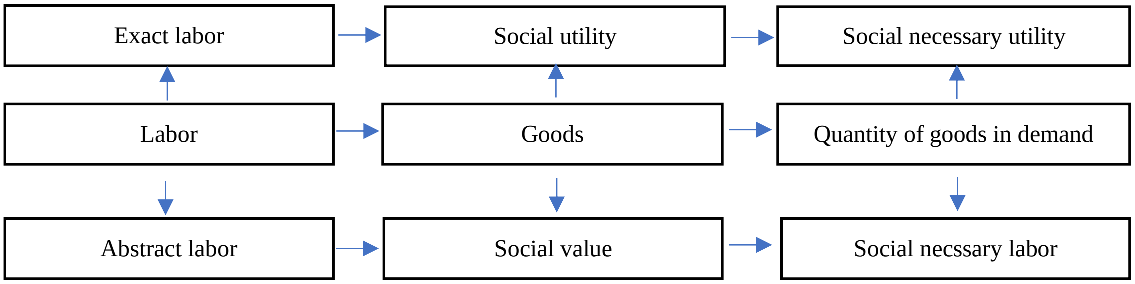


Fig. Two different properties of a commodity resulting from the two-sided nature of labor.

On the other hand, labor, regardless of its specific form, is the total expended human labor power, a part of the total social labor. As such, it is called abstract labor. This labor creates the value of a commodity.

Value is not a social property of commodities, but only of labor, in which there is not a single molecule or particle of natural objects. Value is based on social labor, which means that people work for each other. However, the labor of individual commodity producers shows its social character only through the exchange of the products of labor.

The value of goods varies depending on labor productivity. Labor productivity is measured by the amount of output produced during a given unit of labor time or the amount of labor time spent on producing a unit of output. Changes in labor productivity cause changes in the value of a unit of goods. If labor productivity increases, the value of a unit of goods decreases, or vice versa, if labor productivity decreases, the value of a unit of goods increases.

Labor intensity is an indicator characterized by the amount of labor expended per unit of working time. Labor intensity is understood as the level of labor intensity determined by the expenditure of labor force per unit of working time. When determining the level of labor intensity, the duration of the working day or one hour is taken as a unit of time. An increase in labor intensity allows more value to be created over a certain period of time.

4.3 The labor theory of value and the theory of incremental utility

There are two main approaches to determining the basis of commodity value:

1. The labor theory of value.
2. The theory of incremental value added.

The founders of the labor theory of value are William Petty, Adam Smith, and David Ricardo.

W. Petty was the first to develop the labor theory of value, which showed that labor is the source of value, and that it is the labor expenditure that determines the value of a commodity. However, W. Petty failed to see the difference between the use value and the value of a commodity. He believed that the value of a commodity is created only through the labor expended on the production of precious metals.

In his work "An Inquiry into the Nature and Causes of the Wealth of Nations" (1776), A. Smith distinguished between the use and exchange value of commodities. He concluded that the only source of the value of a commodity is the labor expended in any field of material production. At the same time, he showed that the amount of the value of a commodity is determined not by any labor, but by the average labor necessary for society.

D. Ricardo proved that the only criterion of value is the labor expended in the production of a commodity and determined by the expenditure of working time. He clearly showed the difference between the use value and the value of a commodity, emphasizing that in any production the value of a commodity is determined by the labor expended.

So, as we noted above, according to the proponents of the labor theory of value, the exchange of goods is carried out on the basis of their value. The amount of value is measured by the socially necessary labor costs, that is, by socially necessary working time.

Proponents of the labor theory of value recognize the existence of an objective law of value that regulates the relations between commodity producers, the distribution and incentive of social labor, and the conditions of commodity production. According to this law, the production and exchange of commodities are carried out on the basis of their value.

The law of value encourages producers whose individual labor costs are less than the socially necessary labor costs. This encourages producers to increase their labor productivity. Otherwise, they may be forced out of the market or go bankrupt.

The law of value stratifies commodity producers, encourages them to reduce labor and material costs, and regulates the distribution of labor across sectors of production. For example, producers who have achieved the highest labor productivity can sell their goods at prices lower than socially necessary costs, but higher than some individual costs, and receive high profits. However, they cannot consider the success of their work as guaranteed. Because if they do not timely introduce scientific and technical innovations and efficient production methods into production, they may lose their advantages after a certain period of time.

The regulating mechanism of the law of value is the fluctuation of market prices as a result of competition, and their deviation from social value. The conditions for the deviation of the price of a commodity from its social value are considered to be the following:

Price = value when demand = supply.

When demand > supply, price > value.

When demand < supply, price < value.

Thus, the difference between the price of goods and their value does not occur at the will of the producers of goods, but is influenced by the law of objective value.

The founders of the theory of added value utility are the representatives of the Austrian school K. Menger (1840-1921), F. Wieser (1851-1926), D. Behm-Bawerk (1851-1914) and others. According to this theory, people value a wide variety of material and spiritual goods and services not because they have socially necessary labor, but because these goods have utility. Labor costs are incurred to produce a particular commodity because people feel a need for certain utilities. According to the supporters of this theory, only the utility of a commodity can give labor costs the so-called "socially necessary" characteristic.

The further incompatibility between the theory of added quantity utility and the labor theory of value is due to the problem of taking into account different use values or utilities. Since the utilities of two different types of goods cannot be simply compared in a general way.

Proponents of this theory believe that it is appropriate to distinguish between two types of supererogatory acts:

1. Abstract or general utility, that is, the ability of goods to satisfy any of the needs of people.
2. The net benefit is the subjective price of the utility of this particular good. This subjective price depends on two factors: the available supply of this good and the degree of saturation of the need for it.

The scientist who initiated a new direction in the theory of value and price is the famous English economist A. Marshall. A. Marshall, who believed that neither the labor theory nor the theory of added value had a sufficient basis for determining the value of goods, tried to clarify it by generalizing several theories. He saw the one-sidedness of the later theory of added value in explaining value only by value. A. Marshall tried to connect the later theory of added value with the theory of supply and demand and the theory of production costs.

A. Marshall's idea of the need to generalize the marginal utility and production costs in order to understand how the value of a commodity is determined is very famous. In A. Marshall's theory, value and price are determined by the interaction of market forces on the side of demand, i.e. marginal utility, and supply, i.e. production costs of the commodity.

According to A. Marshall, the value of a commodity is determined equally by the additional profit and production costs. Thus, starting with A. Marshall, economic theory began to generalize various theories.

But A. Marshall could not bring this generalization to the end. He could not clearly see that socially necessary surplus and socially necessary labor are two sides of the commodity. Therefore, he substituted added surplus for social surplus, and production costs for socially necessary labor costs. As a result, neither the value nor the surplus of the commodity was fully taken into account. In general, what has caused controversy since ancient times is the failure to take into account the two-sided characterization of social labor embodied in the commodity and the two-sided nature of the commodity formed on this basis. While labor theorists have focused on the amount of labor spent on the commodity, marginalists have focused on its surplus. One of them has analyzed the commodity more from the point of view of the interests of producers, while the other looks at it from the point of view of the interests of consumers or buyers.

4.4. The origin, essence and functions of money

There are various scientific concepts of the origin and nature of money, among which rationalistic and evolutionary concepts occupy an important place.

The rationalist concept explains the origin of money as the result of a transaction, an agreement between people. This is based on the need for special means for the movement of values when exchanging goods. This idea of money as a means of mutual agreement prevailed until the end of the 18th century. A subjective psychological approach to the origin of money is also found in the views of many modern foreign economists. In their opinion, the category of money is not an objective economic category, but a superficial, subjective category that depends on the agreement of people or the will of the state.

According to the evolutionary concept of the origin of money, they arose as a result of the development of the social division of labor, exchange, and commodity production.

The value of a commodity is determined by its exchange for another commodity (TT). One commodity expresses its value in relation to another commodity. The second commodity, in turn, expresses the value of the first commodity in itself and acts as an equivalent, that is, it constitutes an equivalent form of value. It is here that the first sprout of money appears.

The stages of development of value forms play an important role in the emergence and development of money. In general, there are simple or accidental, expanded, general and monetary forms of value.

Over the long historical period of the exchange process, among the many commodities that played the role of equivalents, some began to stand out due to their universal recognition (for example, rare metals). Because not all equivalent commodities could equally successfully fulfill the role of mediator in the exchange process. As a result, a general form of value arose, in which the values of all commodities could be compared through the value of the same commodity.

The reasons for assigning the role of general equivalent to rare metals, including gold, are explained by the following:

1. The ability to be scaled to the same size in terms of quality.
2. Rustproof and long-lasting.
3. Divisibility and the ability to be made whole again after being divided.
4. Being able to retain its value.
5. Relatively rare in nature.
6. The value of a rare metal in small quantities and weights is much higher.

Later, a special commodity, money, emerged from the commodities that played the role of a general equivalent. Thus, money is a special commodity that plays the role of a general equivalent.

Now commodities are divided into two: on the one hand, commodities, which are the expression of utility, and, on the other hand, money, which is the materialized expression of value.

To better understand the essence of money, let's consider its following main functions:

1. Value measurement.
2. A means of communication.
3. Savings tool.
4. Payment instrument.

The function of the measure of value of money is performed by ideal money. The owner of the commodity ideally represents the exchange value of this commodity in money. The price of a commodity corresponds to its value only if supply and demand coincide. Otherwise, the price differs from the value. Thus, the price of goods depends on their value, the value of money, the ratio of supply and demand, and other factors.

The expression of the exchange value of a commodity in money means its price. To measure the exchange value of a commodity, it is necessary to take a certain amount of monetary material as a unit. Such a unit is called a measure of value. On the one hand, the measure of prices is conditional, like any unit of measurement. On the other hand, it must be universally recognized in a particular country. Therefore, the state establishes the right to a monetary unit by law, and this unit is thus officially recognized.

In the process of commodity circulation, there must be cash, because during the purchase and sale of goods, their symbolic prices must be converted into real money. In this process, money acts as a medium of exchange. Initially, the direct existence of money in the form of silver or gold ingots in the exchange of goods also created difficulties: it was necessary to measure the metal, cut it into small pieces, and determine its quality. Later, metal coins began to be used instead of metal ingots.

Due to continuous circulation, gold coins became loose and lost some of their weight, resulting in the issuance of denominations that were no longer worth circulating.

When money is withdrawn from circulation, it begins to perform the function of accumulation. In the conditions of a natural economy, accumulation was carried out in the form of accumulation of wealth, accumulation of products. The development of a commodity economy gives rise to the monetary form of accumulation of wealth.

In the early stages of the development of the commodity economy, money was accumulated by withdrawing it from circulation. Later, the pursuit of profit became dominant, and since idle money did not bring any profit, the owners of money sought to put it into action and find a way to use it profitably.

When goods are sold to the nation with a deferred payment term, money acts as a means of payment. Buyers pay for goods only after the payment term has arrived. This function of money is not limited to the sphere of commodity circulation, but also acts as a means of payment when money is lent, when paying rent and taxes. Paper money, bills and banknotes are derived from the function of money as a means of payment.

When paper money performs the function of general equivalence, the value of other goods is measured not by the commodity (gold) that has direct value, but by a proxy "commodity" that has a value symbol [80] (Figure 4.2).

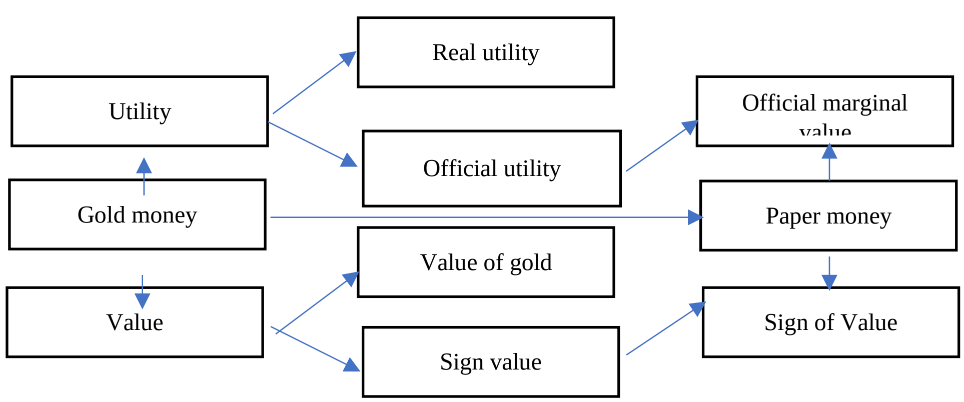


Figure 4.2. The relationship between gold and paper money.

In a market economy, money serves not only as a general equivalent, but also as a means of obtaining profit, income in the hands of its owner and becomes capital. As a result, paper money is divided into two components: cash (paper money, coins) and credit money (checks, bills, certificates, payment orders, plastic cards, etc.). Their basic features are reflected in Figure 4.3.

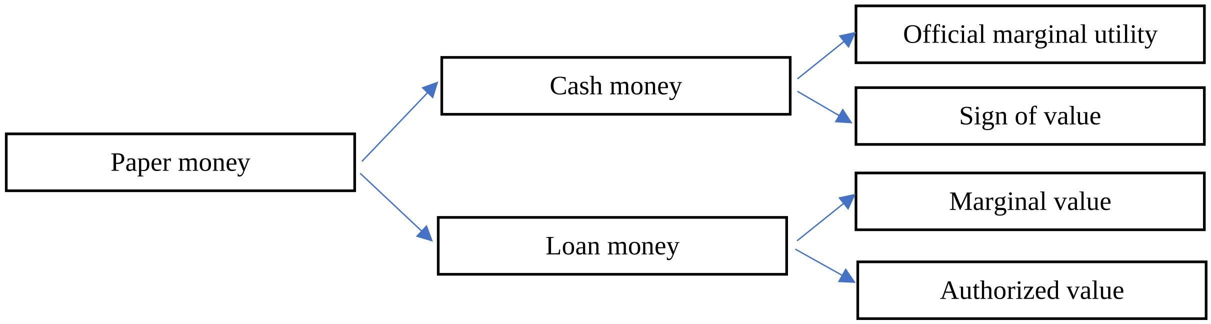


Figure 4.3. Characteristics of cash and credit money.

It is clear from this that money circulates as capital, and is given an additional social function. It now becomes a special means of generating income [38].

Thus, the emergence of commodity exchange, production, and money, as well as the development of commodity-money circulation, led to the emergence of the market and the market economy and created the conditions for its development.

Programs aimed at introducing the national currency - the soum - into circulation in Uzbekistan and strengthening its stability

The full functioning of commodity-money relations in any country requires, first of all, the existence and stable functioning of the national currency of a particular country.

In our country, great attention is paid to the importance of the national currency. In this regard, it is appropriate to recall the words of our First President L. Karimov: “The national currency is national pride, a symbol of state independence, a sign of a sovereign state. This is the common wealth and property of the republic” [20]. Accordingly, after the Republic of Uzbekistan gained independence, the introduction of our national currency into circulation was one of the important and complex tasks. In this regard, our state implemented a comprehensive, consistent socio-economic policy. On May 5, 1993, the Cabinet of Ministers of the Republic of Uzbekistan adopted a resolution “On the regulation of monetary circulation and strengthening the protection of the consumer market of the republic”. In accordance with this resolution, a temporary soum-coupon system was introduced for the purchase of goods by the population and the implementation of deposit operations. The introduction of Uzbekistan's own national currency into circulation was carried out in two stages: the first stage covered the period from November 1993 to June 1994, and the second stage covered the months of June and July 1994.

When implementing the monetary reform, the government of our country paid great attention to the principle of social protection of the population and preventing their loss of income. Accordingly, the withdrawal of old monetary units from circulation was carried out gradually, in stages.

The Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated November 30, 1993 “On measures to further improve the procedure for the circulation of the “sum-coupon” in the territory of the Republic of Uzbekistan” established, from December 6, 1993, 1, 3,

"Soum coupons" in denominations of 10, 25, 50, 100, 200, 500, 1000, 5000, 10000 soums were recognized as legal tender in our country.

In Uzbekistan, the initial introduction of the "sum-coupon" into circulation during the introduction of the national currency made it possible: firstly, to accurately identify and take into account all real factors in the domestic economy of the republic in order to optimize the economic, technical and social aspects of the national monetary reform; secondly, to gain certain experience in conducting an independent financial, credit and price policy; thirdly, to study the strategy and mechanism for introducing the national currency, to develop and test measures to combat the inflation process, to establish a mechanism for mutual settlements, etc.

In accordance with Article 122 of the Constitution of the Republic of Uzbekistan and Article 111 of the Law "On the Fundamentals of State Independence of the Republic of Uzbekistan", the national currency - "sum" - was introduced into circulation in the territory of the Republic of Uzbekistan from July 1, 1994. In connection with the introduction of the national currency, the Central Bank of Uzbekistan developed an instruction on the organization of cash operations, the procedure for issuing and accounting for fiat currency, as well as a procedure for making changes to the accounting and reporting of legal entities.

The effective functioning of commodity-money relations largely depends on the stability of the national currency. In this regard, our First President I. Karimov stated: “The most important task today is to turn our currency into a strong, world-renowned currency. It must have high value and great power. Ensuring the stability of the soum and increasing its value is a national task” [20], and to achieve this, he outlined four separate programs aimed at solving specific tasks (Table 4.2). The consistent implementation of these established programs will significantly affect the strengthening of our national currency and the stabilization of its exchange rate against hard currencies.

Table 4.2

Programs to address the challenges of increasing the stability of the national currency - the soum in Uzbekistan [20]

The program content	Main directions of the program	Measures to be taken
Stable supply of national currency with goods	filling the republic's market with consumer goods: the most urgent needs of the population expansion of national production to satisfy	providing all-round assistance to enterprises producing consumer goods; Rapidly establish new enterprises producing modern consumer goods; opening up a wide space for the activities of small businesses; creating the necessary conditions for the population to have the opportunity to purchase quality products from different countries; improving the composition of imported products; increasing the competitiveness of national products
Ensuring sufficient foreign exchange reserves	a fundamental revision of foreign economic policy; expanding the country's export potential	increasing the number of export-oriented enterprises; encouraging the activities of export-oriented enterprises; Creating factors that stimulate the production of national products that are competitive in the world market
Appreciating the national currency and using it economically	Consistently implementing a strict financial and credit policy; effective and targeted use of credit resources	enhancing the economical use of financial resources by the population and enterprises; ensuring timely repayment of loans; Directing credit resources to the most profitable areas
Pursuing a well-thought-out anti-inflation policy	ensuring the long-term sustainability of the national currency; ensuring an acceptable ratio between production volume and growth in effective demand	ensuring that each soum in circulation is provided with specific goods; radically improve the work of commercial enterprises; The growth of the consumer fund is directly related to the increase in the material volume of products produced and services provided; prevent the growth of cash and credit issuance and the stagnation of money in the hands of the population

Clause 3.1 of the Decree of the President of the Republic of Uzbekistan No. PF-4947 dated February 7, 2017 “On the Strategy of Actions for the Further Development of the Republic of Uzbekistan” states the task of further strengthening macroeconomic stability and maintaining high economic growth rates: further improving monetary policy using instruments adopted in advanced international practice, as well as gradually introducing modern market mechanisms in currency regulation, ensuring the stability of the national currency.

Basic concepts

Natural production **-** in which the products of labor are intended to satisfy the producer's own needs, for domestic economic needs.

Commodity production **-** in which goods are produced not for one's own consumption, but for sale on the market, exchange, and to satisfy the consumption of others.

A commodity is a product that has some utility and value and is created for exchange.

Utility is the ability of goods to satisfy people's needs for something.

Exchange value is the quantitative ratio in which one type of use value is exchanged for another type of use value.

Specific labor is labor that creates specific, specific consumption values.

Abstract labor is the expenditure of human labor power in general, regardless of the specific form of labor, a part of social labor.

Labor productivity - is determined by the amount of output produced over a given period of time or the time taken to produce a unit of output.

Labor intensity is the rate or intensity of labor expenditure.

Money is a special commodity that performs the general equivalence in the exchange of all kinds of goods and services. Paper money is the representative of this commodity money.

Questions and tasks for review

1. Give a general description of the forms of social economy. Describe the production of goods and the emergence of the market.
2. Explain the general conditions.
3. What are the main differences between subsistence and commodity farming?
4. Why is the surplus value of a commodity considered as a unit of use value and exchange value?
5. What causes these two different properties in a product?
6. What is the utility of the next added quantity and explain the reason for its decrease.
7. Explain the essence of money and the general conditions for its creation.
8. Show the similarities and differences between gold money and paper money.
9. What determines the value and stability of paper and credit money?
10. What is the content of the rationalistic and evolutionary concepts of money?
11. What are the functions of money? Explain the meaning of each function.

Section II. THEORY OF MARKET ECONOMY

Chapter 5. CONTENT AND IMPLEMENTATION OF THE MARKET ECONOMY

5.1. The essence of a market economy and its development.
5.2 Advantages and disadvantages of a market economy.
5.3 The concept of the market, its functions and types.
5.4 Market infrastructure and its elements.

This topic begins with a description of the essence of a market economy, with a special emphasis on its main characteristics, subjects, and stages of development. It also analyzes the permanent and main problems of a market economy, its advantages, and its contradictions.

The topic concludes with a discussion of the market and its types, market infrastructure, its components, and elements.

5.1 The essence of a market economy and its development

The mechanism of operation of the market economy, having been formed and shaped over many centuries, has acquired a civilized form in the present era and has become the dominant economic system in many countries. The stability of this economy is explained by the fact that the basic classical rules of its operation have been preserved throughout the long period of economic evolution.

As we said in the previous topic, the emergence of private property and the social division of labor are the general conditions for the emergence and existence of a market economy. Private property and the division of labor require the commodity form of the social economy, and the existence of commodity production itself presupposes 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.

the effective functioning of a market economy is the independence of production, freedom of entrepreneurship , and the free exchange of resources.

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, the basis of which is the movement of goods and money in various forms, and it denies economic monopolism. In modern economic theories, a market economy is understood 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 of production, exchange, distribution and consumption processes, as well as all subjects of economic relations.

The subjects of a market economy include entrepreneurs, employees, final consumers, owners of loan capital, and holders of securities. Conventionally, all the main subjects of a market economy are divided into three groups: households, enterprises, the business sector, and the state.

Households are the main structural units operating in the consumption 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 owners of property and suppliers of factors of production. Monetary income from the sale of economic resources is spent to satisfy personal needs.

The entrepreneurial sector is the primary link in the economy that operates for the purpose of earning income and profit. It requires the use of own capital or borrowed capital to operate, and the income from this capital is used to expand production activities. Entrepreneurs supply goods and services in a commodity economy.

The state is manifested as various budgetary organizations and institutions that do not set themselves the goal of making a profit, mainly performing the function of regulating the economy.

A bank is a financial and credit institution that regulates the movement of money supply, which is necessary for the normal functioning of the economy.

The regulatory mechanism of any market economy consists of four main components: price, supply and demand, and competition.

The important and general characteristics of a market economy are:

1. The existence of various forms of ownership and the predominance of private ownership;
2. Entrepreneurship and freedom of choice.
3. The existence of competition.
4. Limited state intervention in the economy.
5. The adaptability of enterprises and firms to changes in internal and external conditions.

It is necessary to distinguish two types of historically formed market economies. The first is called the classical or pure market economy, which was formed over a long period of time and lasted in developed countries in the West until the end of the 19th century. Its main features are: economic activity based on private ownership; the generalization of capital and production at the enterprise level; personal freedom of entrepreneurs, workers, producers and consumers; the struggle of entrepreneurs for high profits; the organization of the economy on the basis of supply and demand, free market prices and competitive struggles; lack of social protection of the population, increased unemployment and social stratification of the population.

The second form of market economy is called the modern market economy and has been in effect since the late 19th and early 20th centuries. Its main characteristics are:

Conducting economic and entrepreneurial activities based on various forms of ownership, namely private, state, collective, mixed and other forms of ownership.

The high degree of generalization of capital and production, with part of the property concentrated in large monopolies and the state, and generalized on a national and international scale.

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

Increased use of the planning method in managing farms (management through a business plan, marketing system).

Strengthening social protection. This includes the creation of various social security and social insurance funds belonging to the state, communities, and private individuals.

The modern market economy is based on the interaction of the private and public sectors. Depending on the level of intensity of economic growth and the priority tasks to be solved by the state, the following models of the modern market economy are distinguished (Figure 5.1).

	Models of modern market economy		
Criterias	Socially oriented market economy	Mixed economy	Corporate economy
Targeting of state programs	Protection of civil interests	Conditions for business development	Protecting the interests of large production
Principles of economic regulation	Development of long-term programs	Predominant use of tactical methods	Determining the main priorities
The share of the public sector in the economy	30%	Approximately 10%	Insignificant

5.1 Fig. Models of modern market economies.

In addition to the above-mentioned characteristics and procedures, a market economy requires a number of conditions that are characteristic of all modern economic systems. These are: the widespread use of advanced technology and new technical means; specialization of production.

In a market economy, the main tasks are to produce the necessary quantity and type of goods and services for the needs of the population; to use existing resources effectively and produce on the basis of new techniques and technologies; and to produce necessary goods for the consumption of the population.

5.2 Advantages and disadvantages of a market economy

The functioning and development of a market economy as an effective and stable economic system is associated with its advantages. The advantages of a market economy can be expressed in the following aspects:

1. Efficiency of resource allocation. The market system helps to allocate resources efficiently. This means that a competitive market system directs resources to the production of goods and services that are most needed by society. It requires more efficient ways of combining resources for production and the use of new, more efficient technologies for production. In short, the market system manages personal interest in such a way that it ensures that the necessary goods for society are produced from available resources in quantities that meet the demand;
2. Freedom. One of the important advantages of a market economy is that it gives priority to individual freedom. The coordination of the economic activities of many individuals and enterprises is one of the main problems of organization. There are two ways to achieve such coordination. One is through centralized control and the use of coercive measures; the other is through voluntary cooperation through the market system. Only a market system is capable of coordinating economic activity without coercion. A market economy demonstrates freedom of enterprise and choice, and it is precisely on this basis that it succeeds.
3. Mobility. Another advantage of the market economy is that in it every person, enterprise, firm and corporation is in constant movement and search. Because inefficiency, sluggishness, 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 all people, freeing them from the mood of dependence.

In addition to the main advantages of a market economy discussed above, many other positive aspects can be listed. Including:

1. High level of adaptation and adaptation to changing production conditions;
2. The rapid pace of using scientific and technological achievements and introducing them into production;
3. Ability to meet unlimited needs, improve product quality;
4. Relatively rapid restoration of imbalance;
5. The ability of a market economy to function successfully, given the limited information-based price levels of various resources and their level of consumption.

The main contradiction of a market economy is the weakening of competition and its encouragement. There are two main sources of weakening of competition:

1. In a free market economy, entrepreneurs, pursuing profit and improving their economic position, try to free themselves from the limitations of competition.

Mergers, collusion between companies, and ruthless competition all lead to a weakening of competition and a decrease in its regulatory impact.

2. Technological progress, which is encouraged by the market system, also leads to a weakening of competition. The latest technology usually:

1. Using a very large amount of real capital.
2. There will be large markets.
3. The formation of a centralized and tightly integrated market.
4. Requires rich and reliable sources of raw materials.

Such technology requires the presence of large-scale, measurable producers relative to the size of the market.

In other words, achieving the highest production efficiency based on the use of the latest technology often requires a small number of large manufacturers, rather than a large number of small firms.

The market system also does not guarantee that society will be provided with the goods it needs. The weakening of competition also undermines consumer freedom. The market system may also lose its ability to allocate resources more in line with consumer preferences.

Another contradiction of the market economy is the growing inequality in the incomes of members of society and the stratification of the population. No matter how highly developed such an economy is, it cannot eliminate income inequality, it can only mitigate it to a certain extent.

One of the generally recognized contradictions of a market economy is its inability to produce and offer social goods and services to the market. Therefore, it is the responsibility of the state to provide such goods and services to members of society.

Another of the contradictory aspects of the market economy is its inability to eliminate the discrepancy between the volume of goods and the money supply.

Also, the global financial and economic crisis that originated in the US mortgage lending system in 2008 and spread to many developed countries, causing serious losses first in the financial sector of the economy, and then in the real sector and social sphere, is largely associated with the impact of the contradictory aspects of the market economy. In most developed countries, the absolutization of the self-regulation mechanism of the market and the complete disregard for the state's control and regulatory functions ultimately led to the occurrence of crisis situations. In Uzbekistan, constant attention was paid to the processes of economic regulation based on market relations by the state, and when necessary, state management methods were used in the economy, and this approach ultimately fully justified itself [13].

The concept of a market is a central category of a market economy, a scientific and practical concept used in economic theory, business practice, and the experience of all countries.

First of all, we should emphasize the difference between the concepts of "market" and "market economy". Because often these two concepts are understood in the same sense, used as synonyms in some literature, or confused. The market arose as a result of the division of labor in society before the formation of a market economy and includes the exchange process of social reproduction. The market economy, on the other hand, appears as a result of the development of the market and market relations over a long period of history and represents an economic system organized and operating on the basis of market laws.

The market encompasses one phase of reproduction, namely the exchange phase. A market economy encompasses all phases of reproduction - production, exchange, distribution, and finally consumption.

In the modern era, the market has emerged as a link connecting the multifaceted complex relationships between producers and consumers , their mutual influence on each other, and as a process that ensures the exchange of substances in the development of society.

The main characteristics of a market are mutual agreement between sellers and buyers, exchange based on the principle of equivalence, recovery of sellers' costs and profit, satisfaction of the demand of buyers who are able to pay, and competition.

The market is a historical concept that arose as a result of the production and exchange of goods, the emergence of money, and their development, and is an objective economic process that is widespread in the present era.

The market is a set of economic relations between producers and consumers, sellers and buyers, in the process of exchange through money. In this case, the material basis of the market is not the place, but the movement of goods and money. The concept of the market includes only economic relations in the process of exchange. It is where the necessary services in the process of buying and selling are performed.

If the quantity of goods and services offered for sale on the market is less than the demand, prices will increase, the equivalence balance of exchange will be disturbed, as a result of which the seller will earn more than the norm and get rich quickly. Or, conversely, if the quantity of goods on the market exceeds the quantity of demand, prices will fall and sellers will suffer losses.

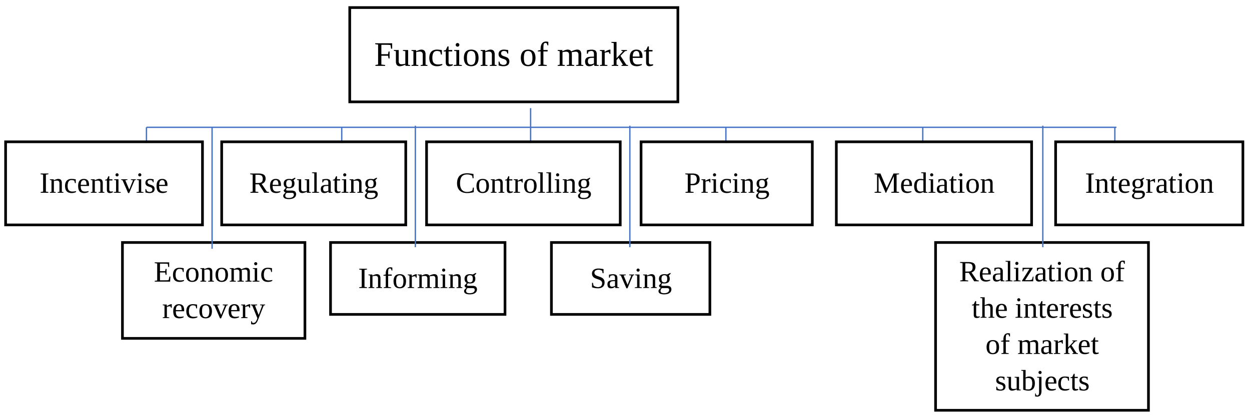
Market entities are divided into two groups - sellers and buyers, who perform different functions of market relations. Sellers offer goods and services to the market, and buyers demand them. The market connects and coordinates the interests of its entities.

The main function of the market is to deliver goods and services, economic resources created by producers, to consumers. Here, the market connects production and consumption, and the produced goods or services find their consumers.

The market is a category of exchange that helps to ensure the continuous repetition of production. Production is carried out by selling goods created for a new start and converting them into money, and using money to purchase the necessary economic resources. Through the market, producers acquire the necessary material and labor resources to replace the means of production consumed by purchasing resources and to expand production. The market ensures the free movement of resources and their distribution between sectors.

The market regulates the economy through supply, demand, competition, and prices. It aggregates supply and demand and determines what to produce, how much, and when. The market, through prices, ensures that economic resources flow from sectors with low demand for goods to sectors with high demand.

The literature also cites many other additional functions of the Market. To better visualize these functions, they can be represented in the form of a special diagram (Figure 5.2).



5.2 Fig. Functions of the market.

Due to the complex internal structure of the market, its classification is based on the following main criteria:

1. Market maturity level.
2. The type of product being sold and purchased.
3. Characteristics of market entities.
4. Market size.
5. Description of economic relations, etc.

Depending on the level of maturity of the market, it is divided into undeveloped markets, free markets, and modern developed markets. The undeveloped market is more random in nature, and the method of exchanging goods for goods is more often used. This type of market historically corresponds to the period when real money did not yet exist. However, even in the present period, this market can function even in times when money has suffered a crisis in some countries, has lost social trust, and is transitioning to a market economy. A free market consists of a large number of producers and consumers, that is, sellers and buyers, for each type of goods and services, and in the process of exchange through money, free competition arises between them, prices are freely formed depending on the ratio of supply and demand, various methods of competition are used, and the population and producers are sharply stratified. The modern developed market - in which the state is also a market participant, the market is more organized and managed, various exchanges and other sectors serving the buying and selling process are developed, competitive struggles are softened, the stratification of the population is softened, and the differences between their income levels are reduced.

The market is divided into the following types by territory: local markets (Tashkent, Samarkand, London, New York, Beijing market, etc.); national markets (Uzbekistan, Russia, Ukraine, England, America, China market, etc.); regional markets (Central Asia or Asian market, Western Europe market) and world market.

Markets are divided into the following types according to the type of goods and services sold and purchased: the market for consumer goods and services, the market for means of production and labor (resources), the currency market and stock exchanges, and the market for scientific and technical discoveries and developments.

According to the nature of the subjects involved in the transaction, there are wholesale and retail markets. In retail trade, the main buyers are citizens. Various forms of enterprises, firms, private shops, etc. are sellers. In wholesale trade, the purchase of agricultural products by the state occupies a special place. In this case, the main buyer is the state, and the sellers are peasant and farmer farms.

5.4. Market infrastructure and its elements

Market infrastructure is a system of institutions that serve the development of market relations and their smooth functioning. It includes enterprises providing warehousing, transport, and communication services, institutions serving the circulation of goods and services (exchanges, auctions, trading offices and agencies, etc.), institutions serving financial and credit relations (banks, lending offices, insurance and finance companies, tax offices), and institutions serving the social sphere (housing and communal services offices, employment agencies). Information service offices also form a separate part of the market infrastructure, and include companies and firms engaged in the collection, generalization, and sale of information.

All these elements of the market infrastructure help producers in trade, finance and credit activities, find partners, hire labor, implement state economic regulatory measures, and facilitate communication between producers. Some of them operate under state ownership, while others are independent institutions and associations that charge a fee for their services.

Since institutions that service the circulation of goods and services play an important role in the market infrastructure, we will provide a brief description of their main ones.

Stock exchanges are commercial institutions that conduct regular trade in mass goods based on standards. While commodity exchanges sell products and services, and stock exchanges sell securities and foreign currencies, labor exchanges act as intermediaries between employers and employees, connecting supply and demand for labor.

A characteristic feature of the agreement in all forms of the stock exchange is the influence on commodity, stock, and currency rates, with price fluctuations.

On the exchange, its participants conclude an exchange agreement, but the delivery of the goods and payment for them occur outside the exchange. The owner of the goods and buyers do not have to participate in this. Brokers act on their behalf. Brokers are individuals or special firms that mediate in the conclusion of purchase and sale transactions on commodity, stock and currency exchanges. They usually act on behalf of and on behalf of clients, and may also conclude trade transactions on their own behalf on behalf of the guarantor.

Stock exchanges can be specialized or universal. Specialized exchanges sell certain types or groups of goods, while universal exchanges sell a variety of goods.

Auctions are special auction establishments organized in certain places for the sale of goods with special characteristics. At an auction, a relatively limited list of goods is sold by public auction. The auction is held at the time of the auction and during a certain period. The season and volume of goods entering the market are taken into account. In an auction, sample goods are put up for sale in the order indicated in the list, and the person who offers the highest price among the buyers buys the goods.

Auctions can also sell works of art, rare items, and collectibles. Trade fairs are held at specific times and are where goods are bought and sold wholesale . The sale of goods occurs between the owner and the trading company, and the consumer does not participate directly.

Trading houses are a special type of trading establishment. They can be specialized or universal. A specialized trading house sells certain goods (clothes, shoes, textiles, etc.), while a universal trading house sells a variety of goods.

Multi-branch foreign trade companies are also called trading houses. They conduct export-import and other trade relations on their own behalf and often at their own expense. Foreign trading houses purchase trading enterprises, lease equipment and machinery, issue loans, provide insurance services, and also participate in financial and production services.

Trading firms occupy an important place in the structure of trading houses. They are specialized trading enterprises that conduct commercial activities. Firms are divided into types that operate independently or as part of large industrial corporations and are engaged in wholesale and retail trade. Some firms are engaged in both types of trade.

Wholesale companies are wholesale holdings, that is, trading organizations that purchase large quantities of goods for their own use and sell them to consumers.

Retail firms are establishments that sell goods to final consumers. They include independent stores, specialty stores, and supermarkets.

A supermarket is a large-scale retail enterprise based on self-service by the customer. It sells almost all types of goods. The supermarket provides free advice to customers, delivers goods to the customer's home upon request, and provides them with cultural and household services.

Institutions serving financial and credit relations occupy a special place in the infrastructure system. They form the financial market, its basis - the capital market, and establish the rules of operation. Although most financial institutions have their own specific characteristics, they all have one common feature. They express their obligations, that is, they borrow money from entities with excess funds and lend money on their own behalf to entities with insufficient funds.

Market infrastructure institutions such as banks, insurance companies, tax and customs offices have a special place in financial and credit relations.

Providing market economy entities with financial information is the responsibility of the information service agencies of the market infrastructure, including audit firms. Audit firms are agencies that examine the financial and economic activities of enterprises, firms, and companies, and conduct expert assessments of their reports. They usually operate in the form of a joint-stock company or cooperative and are completely independent. Audit firms conduct their work in accordance with the accounting and auditing rules adopted in each country or internationally. Auditors participating in the work of an audit firm are called auditors.

Thus, the market infrastructure and its developed elements ensure the functioning of all types of markets and the regulation of interstate economic relations.

Basic concepts

1. A market economy is an economic system organized and managed on the basis of the laws and regulations of commodity production, exchange, and monetary circulation.
2. Market mechanisms are the mechanisms and tools that regulate the functioning of a market economy and harmonize economic processes.
3. A market is a set of relationships between producers and consumers (sellers and buyers) that occur in the process of exchange through money.
4. Market objects are the results of economic activity and economic resources, goods, money and equivalent financial assets, involved in the market, exchange relations.
5. Market entities are participants in the market and exchange relations.
6. Market infrastructure is the institutional structures that serve exchange relations.
7. Households are the main structural unit operating in the consumption sector of the economy.
8. The business sector is the primary link in the economy that operates for the purpose of generating income.
9. A bank is a financial and credit institution that regulates the movement of money supply, which is necessary for the normal functioning of the economy.
10. The loan capital market is the buying and selling relationship of capital in the form of money for lending with the payment of interest.
11. The securities market is the buying and selling of various types of securities (stocks, bonds, bills, checks, deposits, etc.).

Questions and tasks for review

1. What are the essence and main characteristics of a market economy?
2. Explain the similarities and differences between classical and modern market economies.
3. What are the advantages and disadvantages of a market economy?
4. Who are the main participants in a market economy and how do economic relations between them take place?
5. Define the concept of a market and indicate its main functions.
6. What are the criteria used to categorize a market? List them.
7. What types of markets are distinguished based on maturity level?
8. What types of markets can be distinguished according to the type of goods and services sold and purchased?
9. What types of markets are there in terms of territory?
10. What is market infrastructure? Describe its components and key elements.

6. Chapter. THE PERIOD OF TRANSITION TO A MARKET ECONOMY AND ITS CHARACTERISTICS IN UZBEKISTAN

6.1. The content and paths of the transition to a market economy.
6.2. Principles and features of the transition to a market economy in Uzbekistan.
6.3. Implementation of market reforms in the republic and its main directions.
6.4. The content and tasks of the stages of national development in Uzbekistan.
6.5. The essence, principles and directions of the country's modernization process.

A special transitional period is necessary for the transition to a market economy, and it is appropriate to consider the content and main features of this period. This topic describes the theory of the transition period, in particular, the ways of transition to a market economy. It also outlines the principles and features of the transition to a market economy in Uzbekistan, the content, goals and main directions of implementing market reforms in the republic.

It also analyzes ways to achieve macroeconomic stability and implement strategic objectives in the process of transition to market relations, economic liberalization, and deepening reforms.

The topic concludes with the tasks of achieving macroeconomic stability in our country during the transition to a market economy, the results and priority areas of socio-economic development.

6.1. The content and paths of the transition to a market economy

The general content of the transition to a market economy is not to reform individual elements of economic relations or make adjustments to economic policy, but to change the entire system of economic relations.

The transition to a market economy is a historical period in which the processes of eliminating or radically changing the administrative command system and forming the foundations of the market system are taking place.

By the 1980s and 1990s, significant changes in the world made it necessary to reconsider the theories of the prospects for economic development and make serious changes to them. Because by this time, both the idea of free economic regulation, that is, the self-regulation of the economy, which had long prevailed in Western countries (since the time of A. Smith), and the idea of centralized regulation and management of the economy, were in crisis. In such conditions, it became necessary to search for qualitatively new ways of economic development. By this time, the experience of many developed countries had been generalized, and the new path of economic development was recognized as a consciously managed and regulated market economy, and most countries chose this path. However, the paths or models of transition to such a market economy were diverse, and their general and specific aspects differed.

In world experience, all paths to the transition to a market economy are summarized and divided into the following three main types:

1. The path of developed countries.
2. The path of developing countries.
3. The path of the former socialist countries.

4. combining the ideas of socialism with the mechanism of creating an effective market economy (China, Vietnam).

Despite the fact that these paths are different and diverse, they have something in common. What they have in common is that they all aim to transition to a market economy, and the laws, rules, and mechanisms of operation of this economy are largely common. At the same time, each path has its own characteristics, which are due to the different socio-economic, historical, and national conditions for the formation of market relations.

For example, in the transition to market relations, developed countries move from a simple commodity economy to a classical or free market economy based on free competition, and from there to a modern market economy.

The characteristic of the path of transition to a market economy of the countries that have freed themselves from colonialism and are developing independently is the transition from a backward, traditional economy to a free market economy. Finally, an important feature of the path of the former socialist countries is the transition from a centralized, administrative-command economy to a modern, developed market system. The difference between this path and other paths is that a totalitarian economy has nothing in common with a market economy; they are completely contradictory. At the same time, the countries that are transitioning to market relations on the third path themselves differ from each other in the conditions of transition, the level of economic development, and the forms of ownership and economic organization. All these are the specific features of this path of transition to a market economy.

World experience shows that the transition to a market economy can be carried out either in a revolutionary way, that is, in an accelerated manner, or in an evolutionary way, that is, in stages. In the first case, it is necessary to carry out fundamental reforms, to completely and completely break the previous system and the economic relations that formed it, which is called the “numbing treatment” method. By gradually transforming old economic relations into new market relations, it is possible to create an effective market economy without damage. The experience of reforms shows that the evolutionary path leads to fewer social upheavals, is more consistent and inevitable.

Not only the ways of transition to a regulated market economy, but also its models are diverse. First of all, they differ in the national characteristics and traditions of the countries where such a market economy is being created and is operating. Therefore, certain models of a market economy are distinguished depending on their belonging to a particular country implementing them. For example, the models of Germany, South Korea, Turkey, Argentina, Poland, etc. [21].

The need to transition from a command economy to a modern market economy is expressed in the decline in the viability of the non-state economy as the possibilities of using extensive factors of economic growth are exhausted.

The administrative-command system has two significant drawbacks:

1. Its inflexibility, its slowness in adapting to the changes taking place.
2. The extreme decline in efficiency as a result of the "loss" of business initiative.

The transition from a command economy to a market economy is a common trend in various countries. This process involves economic liberalization, profound institutional changes, primarily in ownership relations, but at the same time requires the implementation of financial stabilization measures.

Since changing the administrative-command system implies a change in the basis of this system and its replacement with a qualitatively different market system, it is appropriate to call such changes systemic reforms.

The main directions of forming a market economy during the transition period are:

1. Economic liberalization. Liberalization is a system of measures aimed at sharply reducing or eliminating barriers and restrictions, as well as state control, in all areas of economic life. It applies to the entire economy and includes:

- abolition of the state monopoly on the implementation of economic activities;
- Ending the centralized allocation of resources;
- transition to prices being formed mainly based on the ratio of supply and demand;
- Reducing state control over transactions in domestic and foreign markets.

2. De-monopolizing the economy and creating a competitive environment. This direction requires the implementation of the following processes:

- creation of equal opportunities and conditions for the work activity of all economic agents;
- allowing foreign competitors to enter the market;
- removing administrative barriers that hinder the development of small businesses, providing support through preferential loans, and reducing barriers to entry into the network;
- regulation of pricing and product sales policies of natural monopolies, etc.

3. Institutional changes. These changes cover the following areas:

- changing ownership relations, including the creation of a private sector;
- formation of market infrastructure (commercial banks, commodity and stock exchanges, investment funds, etc.);
- creation of a new system of state regulation of the economy;
- adoption of economic legislation that is adapted to market conditions, etc.

4. Structural changes. Structural changes are primarily aimed at mitigating or eliminating imbalances in the structure of the economy and its individual sectors left over from the previous system. The main goal of restructuring the structural structure of the economy is to develop the production of products that have a solvent demand in domestic and foreign markets.

5. Macroeconomic, primarily financial stabilization. The importance of this direction stems from the fact that the crisis of the administrative-command system is manifested primarily in the financial sphere, especially in the form of high inflation. The long-term existence of inflation prevents the normal settlement of market relations, therefore, its elimination is extremely important for the economy in transition. The system of macroeconomic stabilization measures includes limiting money emission, reducing the state budget deficit, ensuring a positive interest rate, etc.

6. To form a system of social protection of the population that is compatible with a market economy. This system is aimed at transitioning to social support for the low-income strata of the population.

The completion of the formation of the above-mentioned main elements of the market system marks the end of the transition period.

6.2. Principles and features of the transition to a market economy in Uzbekistan

Taking into account its unique cultural, historical, economic and natural characteristics and world experience in this regard, Uzbekistan has chosen the path of gradual and resolute transition to a developed market economy without revolutionary upheavals, without social conflicts, and with strengthening social protection.

"Our model of transition to market relations is based on comprehensive consideration of the specific conditions and characteristics of the Republic, its traditions, customs, and way of life, and on eliminating the terrible legacy of one-sided, haphazard development of the economy in transition" [17].

"Through the unique model of reform and modernization adopted in Uzbekistan, we set ourselves the task of realizing our long-term and lasting national interests, first of all, we abandoned attempts to introduce the so-called "shock therapy" methods from the outside, and the overly naive and deceptive notion that the market economy is self-regulating" [13], writes the First President of our country, I.A. Karimov.

The path of transition to market relations in Uzbekistan is aimed at the formation of a socially oriented market economy. The implementation of this path, the radical reform of the economy, is based on the following five important principles developed by our First President, I.A. Karimov:

1. To free the economy from ideology, to ensure its dominance.
2. The state's chief reformer during the Ottoman period.
3. The entire process of renewal and development must be based on the laws, ensuring the supremacy of laws.
4. Along with the transition to market relations, implement strong measures in the field of social protection of the population.
5. Step-by-step resolution of market relations.

All of these principles are important in the transition to market relations, but among them, the principle of a gradual transition to a market economy deserves special attention. Because it takes time to create the appropriate legal framework, market infrastructure, develop market skills in people, and train personnel who can work in new conditions.

Moreover, the transition to market relations is not limited to changing only the economic sectors. It requires a radical change in all the interconnected spheres of social life, including political, spiritual-moral, household and other spheres. All this shows that the idea of a gradual, evolutionary transition to a market economy is very important and preferable.

Recognizing this situation once again, our first President writes: “In the process of transition from an administrative-bureaucratic system to a market system of governance, we have chosen a gradual approach, a path of consistent and gradual implementation of reforms, based on the vital principle of “Do not destroy the old house before building a new one.” Most importantly, we have clearly determined for ourselves that it is the state that should take responsibility as the main reformer during the transition period in order not to fall under the influence of chaos and chaos” [13]. Moreover, the transition to market relations is not limited to changing only the spheres of the economy. It also requires a fundamental change in all spheres of social life that are inextricably linked to each other, including political, spiritual-moral, household and other spheres. All this shows that the idea of a gradual, evolutionary transition to a market economy is very important and preferable. The implementation of the principle of a gradual transition to market relations requires a clear distinction between the main stages of economic reform, the definition of specific goals for each of these stages, and the means of achieving them.

The works of our first President, I.A. Karimov, emphasize that the first stage of the transition to a market economy set the goal of solving the following two tasks at once:

- overcoming the severe consequences of the totalitarian system, ending the crisis, and stabilizing the economy;
- formation of the foundations of market relations, taking into account the specific conditions and characteristics of the republic [20].

To address these challenges, the following key areas of reform were identified and implemented at the first stage:

- formation of the legal framework for the transition process, strengthening the legal basis of reforms;
- privatization of local industrial, trade, service enterprises, housing stock, creation of new forms of ownership in agriculture and other sectors of the economy;
- to stop the decline in production and ensure the stabilization of the financial situation.

The fundamental changes that took place in the economy and social sphere during the first stage of the transition to market relations in the republic created solid conditions for the transition to a qualitatively new stage in its development. At the same time, the results of the first stage of reform made it possible to clearly define the strategic goals and priority areas of the next stage.

The second stage aims to strengthen investment activity, implement deep structural changes and, on its basis, ensure economic growth and fully introduce market relations. Based on this goal, the following tasks were identified in the works of IAKarimov for this stage:

- to complete the work begun in the field of privatization of state property;
- to stop the decline in production and ensure macroeconomic stability;
- further strengthening the national currency - the soum;
- a radical change in the structural structure of the economy, a shift from the supply of raw materials to the production of finished goods [17].

the transition period, the path taken in the first stage will be continued in terms of strengthening social protection for low-income segments of the population and providing them with appropriate assistance.

As our first President, I.A. Karimov, emphasized, at the current stage, "liberalization and deepening of reforms are the main condition for solving not only economic, but also social and political tasks" [15]. This implies the implementation of the following specific tasks in the economic sphere:

- Consistently carry out the liberalization process and deepen economic reforms in all sectors and industries of the economy;
- further deepening the privatization process and, on this basis, forming a de facto class of owners;
- further strengthening favorable legal conditions, guarantees, and economic factors for the broad attraction of foreign investments, primarily direct investments, into the

country's economy;

- Ensuring that small businesses and entrepreneurship take a priority role in economic development;
- developing and strengthening the country's export potential, ensuring the broad integration of our economy into the world economic system;
- Consistently continuing structural changes in the economy aimed at further strengthening the economic independence of our country.

6.3. Implementation of market reforms in the republic and its main directions

The transition from one type of economic relations and organizational and management structures to a completely new one requires the development of a strategy of economic reforms and the identification of its main directions. Economic reforms are a set of measures aimed at the formation of market relations.

The intended goal of economic reforms is to create the best living and working conditions for the country's population, achieve their spiritual and moral maturity, and ensure economic, socio-political stability.

Before implementing the reforms, a theoretical model of the transition to a market economy was created. This model takes into account the general aspects and national characteristics of the transition to an economy, and determines the main directions of the reforms.

The main directions of economic reforms in the republic are:

- reform of property relations;
- agrarian reforms;
- financial and credit and price reform;
- reforming the management system and creating market infrastructure;
- reform of foreign economic relations;
- social reforms.

The main link in economic reforms is a fundamental change in property relations, because this will form a diversified economy and a competitive environment, and create the conditions for the transition to a market economy. Therefore, the goal of reforming property relations in the Republic is to eliminate the monopoly of state property and create a real formation of a diversified economy through the privatization of this property.

At the very beginning of the implementation of economic reforms in the republic, priority was given to agricultural reform. This was due to the following reasons:

1. The agricultural sector dominates the economy of our republic, the majority of the population is employed in agriculture, and economic growth largely depends on this sector.
2. The prospects for the development of many branches of industry (cotton ginning, textile, light, food, chemical industry, agricultural machinery, etc.), which account for about half of the entire industrial potential of the republic, are directly dependent on agriculture.
3. Agricultural products are currently the main source of foreign exchange resources, providing the republic with the necessary food products, medicines, equipment and technologies.
4. The increasing role of agriculture in solving the food problem in the context of

independence.

Reform of the financial and credit sector plays a special role in the gradual transition of the existing economic system to market relations. The main directions of reforms in financial relations are: reducing the state budget deficit, gradually reducing grants and subsidies from the budget, allocating funds from the budget only for primary, most necessary state needs, and widespread use of investment loans in economic development.

One of the main problems of economic reform is price liberalization. Reform of the price system is also necessary for the free formation of prices. First, the scope of state procurement prices is reduced, and then domestic prices are brought into line with world prices. Also, in price liberalization, attempts are made to achieve parity between the price of certain types of raw materials and products and the incomes of the population and enterprises.

From the beginning of the price reform until 1994, free prices were introduced for all types of raw materials and products, and state control over the prices of all consumer goods was abolished.

In the initial period of the reform, namely in 1992, a transition was made to agreed prices and tariffs for a wide range of production and technical means of production, certain types of consumer goods, and works and services. In order to protect the population, price limits were set for a limited range of food and industrial goods.

In the next stage of price reform, the state regulation of wholesale prices agreed in 1993 was completely suspended. In the last stage of price liberalization, in October-November 1994, the prices of the main types of consumer goods were freely set. Thus, the first stage of economic reform ended with the complete liberalization of prices.

The implementation of economic reforms requires the creation of an appropriate management system. Based on this, the most optimal and modern management structures for the entire economy, sectors and regions have been developed in the republic.

Many central economic bodies and ministries were abolished or their activities were radically restructured. In place of the abolished administrative apparatuses, new management structures typical of a market economy were created.

Khokimiyat was introduced to perform executive and managerial functions at the local regional, district, and city levels. Enterprises and organizations were given economic freedom at the lower levels of government, and they switched to a new way of working.

The management system created as a result of the reform will continue to improve and develop with the transition to a market economy.

Market reforms also include measures to create market infrastructure. This requires the creation of financial, banking and credit institutions, insurance, auditing, legal and consulting firms and companies, and an exchange system.

The creation of market infrastructure in the republic proceeded in a number of directions. The first direction was the development of a commodity exchange system. This, in turn, led to the emergence of brokerage and dealer offices, trading houses, and intermediary firms.

In the second direction, structures were created to ensure the functioning of the capital market. The credit resources market and the foreign exchange market were created, and state-owned non-profit insurance companies were established.

The third area is the formation of the labor market, and a large network has been created in this area, including more than 240 labor exchanges.

Market reforms also apply to foreign economic relations. In the implementation of reforms in this area, the modern foreign economic complex of the republic was completely reshaped, a fundamentally new mechanism for managing foreign economic activity was created. Institutions necessary for foreign economic activity, the National Bank for Foreign Economic Activity, and the Customs Service were established. Special departments, organizations, and firms engaged in foreign economic activity were created in all ministries, departments, and enterprises of the republic.

The real goal of the ongoing economic reforms is to create decent living and working conditions for people. Therefore, it is an objective necessity to take measures to ensure social protection of the population throughout the entire period of economic reforms.

Social protection measures for the population in the republic were implemented in the following areas:

The first direction is to steadily increase the minimum and average levels of income in connection with the liberalization of prices and the increasing degree of depreciation of money.

The second direction is to protect the domestic consumer market of the republic and maintain the consumption of basic types of food products and industrial products at a reasonable level.

The third direction is social protection and support for low-income segments of the population at the initial stage of reforms.

When choosing a social security system for the republic, the spiritual and moral values, lifestyle, and worldview of the population that have been established over many years are taken into account.

Thus, all areas of reform were aimed at the gradual transition of the existing economic system to a market economy. These reforms will serve to ensure the economic independence of Uzbekistan, to transform it into an economically developed and internationally respected country.

6.4. The content and tasks of the stages of national development in Uzbekistan

It is known that any level of reform leads to a change in the existing order, conditions and balance of the structure. The reform of the entire society, that is, its transition from the old, unpromising system, built on an incorrect foundation, to a completely new socio-economic market relations, based on democratic and legal society, is a very complex process. Accordingly, in order for members of society to understand the essence of these reforms and actively participate in them, their worldview must also change. This requires the gradual, step-by-step implementation of reform processes. In addition, in order to achieve higher stages of development, a certain lower level of reforms must prepare special conditions and grounds for the next higher, more complex level.

Accordingly, an important principle in our unique model of socio-economic development, developed by our First President I.A. Karimov, is a gradual and consistent transition to a market economy, that is, the implementation of reforms without revolutionary leaps. The real significance of the gradual principle in this model is that its application in practice, on the one hand, allows us to consistently implement reforms by adapting them to new conditions, taking into account the capabilities of our country in solving the problems of the transition period and the specific characteristics of our people; secondly, to form the state and governance system on a democratic basis during the transition period in accordance with the reforms being carried out in the country, the changes taking place in the worldview and social life of our people; thirdly, the application of the gradual principle prevents the intensification of internal social conflicts in our country, which a number of other countries have experienced; Fourth, it provided the opportunity to identify the main ones that needed to be solved first from the complex of problems existing in the country, and to direct all efforts to solve them [78].

In general, each direction of economic reforms in our country is characterized by the gradualness of the measures taken. In particular, in the reform of property relations, the processes of denationalization and privatization of property were carried out in stages for small and large enterprises. Reforms in the agrarian sector consisted of transforming state farms inherited from the administrative-command system into collective farms, then into joint-stock farms, and later, after certain conditions and groundwork were prepared, into farmer and peasant farms. Price reform also included several stages of price liberalization: initially, prices for a wide range of products that are means of production and technology, as well as certain types of consumer products, were liberalized, and the state set the price limits for food and industrial goods that play an important role in the daily needs of the population. Later, with the growth of national production and the stabilization of the economy, prices for almost all goods were liberalized.

By the beginning of the new 21st century, our First President IA Karimov identified priority areas for deepening reforms in our country - further liberalization of the country's political and economic life, state and social construction, further improvement of the spirituality of society, training of highly qualified personnel, consistent and sustainable growth of the population's living standards, ensuring structural changes in the economy, stability in society, peace, interethnic and civil harmony, ensuring the territorial integrity of our borders and state. Specific tasks were defined for each area and consistently implemented.

On August 30, 2007, our First President I.A. Karimov, in his report at a joint meeting of the Oliy Majlis of the Republic of Uzbekistan, the Cabinet of Ministers and the Presidential Administration dedicated to the 16th anniversary of Uzbekistan's independence, spoke about the path of independent development of our Republic and the meaning and significance of the tasks facing us, emphasizing that it would be correct to divide this path into two separate periods. He noted that each of these periods occupies a unique and important place in the history of our country.

In particular, the first stage, the transition period of 1991-2000, which left a huge mark on the life of our country and people, was recognized as having historical significance in the literal sense. At this stage, the following urgent and important tasks related to the transition period and the formation of the foundations of national statehood were identified and implemented:

- abandoning the old authoritarian Soviet system and establishing an open democratic state based on a socially oriented market economy and forming a civil society in our country;
- To achieve the goal of taking a worthy place in the system of world economic relations, taking into account the historically formed national and cultural characteristics of

our people, objectively and seriously assessing the existing natural - economic, mineral - raw material and human potential of our country, while establishing a strategy for political and economic development, state and society building;

- The main document is the development and adoption of the Constitution of the Republic of Uzbekistan;
- to eliminate the authoritarian, centralized system of state and economic management, to form the foundations of a new political and state structure of independent Uzbekistan , primarily a legislative system, and to organize a unified system of competent authorities at the center and in the regions;
- implementation of fundamental administrative reforms, including: abolition of the State Planning Commission, State Procurement, State Pricing, State Agro-Industry and many other sectoral ministries, which were the pillars of the centralized planning and distribution system, reorganization of local government bodies - introduction of the institution of khokimiyat in regions, districts and cities. Development and strengthening of the system of local self-government bodies - the institution of mahalla;
- to form a holistic judicial system aimed at transforming the courts from a punitive body that protects only state interests into a body that ensures the rule of law and the protection of human rights;
- to form in the short term a system of national security bodies that will reliably protect the sovereignty and territorial integrity of our country, the constitutional system, ensure public order, and combat growing threats such as international terrorism, extremism, and drug aggression;
- solving the strategic task of achieving fuel, energy and grain independence in our country;
- launching the mechanism of market relations by creating the foundations of a market economy, establishing market infrastructure institutions, and creating a competitive environment ;
- formation of a financial and banking system that meets the requirements of a market economy, introduction of the national currency into circulation;
- developing and successfully implementing a strong social policy and an effective mechanism for protecting the population;
- to form the Armed Forces in order to strengthen the defense capabilities of our country, ensure its stability and security;
- formation of foreign policy and diplomatic service, etc.

The second stage - the period from 2001 to 2007

It was called by our First President as the period of active democratic renewal and modernization of the country. During this period, the following main aspects were focused on and important tasks were implemented:

- achieving a consistent and gradual transition from a strong state to a strong civil society, which is an objective necessity in the context of transition and the establishment of national statehood;
- Uzbekistan , the supreme legislative body of our country, into a bicameral parliament;
- gradual transfer of a number of powers and tasks of central government bodies,

primarily those related to resolving economic and social issues, financing budget organizations, municipal services and improvement works, providing employment to the population, and protecting the interests of the population, to local authorities, citizens' self-government bodies, and neighborhoods;

- implementation of a new concept for the deep reform and liberalization of the judicial system as an important component of the formation of a state based on the rule of law, etc.

As a result, during the period of active democratic renewal and modernization of the country, significant results have been achieved in ensuring sustainable economic development, consistent reform of our political life, legislation, the judicial system, and the socio-humanitarian spheres.

The historical period passed on the path of our national development has prepared a solid foundation for the emergence of a new generation of people in our country who think in a new way, who see their future in connection with the strengthening of democratic values in society, and the integration of our country into the world community. This is a reliable guarantee that the fundamental political, economic, spiritual and educational changes being carried out in our country are irreversible and inevitable [26]. The most important thing is that the second period of our national development has not yet reached its logical conclusion, but rather a new period of rapid reform and modernization of our country - the next stage of our national development - is steadily continuing.

It is clear that in the current period of our national development, the processes of reform and modernization of our country are being further strengthened, and efforts are being made consistently towards our ultimate strategic goal - the establishment of a free democratic state based on a socially oriented market economy and the formation of a civil society.

6.5. The essence, principles and directions of the country's modernization process

The analysis of socio-economic changes taking place in our country shows that the role of the process of modernization of the economy in the basis of the achievements and successes achieved is significant. Accordingly, the study of the theoretical and methodological foundations of the modernization process is currently of urgent importance. First of all, if we dwell on the content of the term modernization, it is usually considered a concept related to technique and technology. In particular, in most dictionaries on economics, it is defined as follows: modernization is a socio-historical process that ensures the transformation of a traditional society into an advanced, industrially developed society. In classical economics, this term was understood by E. Durkheim as a process of social stratification that implements the social division of labor. Weber, on the other hand, described modernization as a process of rationalization, through which economic entities strive to maximize the economic efficiency of their activities. Thus, the modern modernization process means achieving an equal position in relation to the main core economies that serve as the impetus for technological and social change in the world.

In general, modernization represents the process of transition from a traditional society to an industrialized, high-tech society based on rational management of social processes based on laws. In theory, modernization is understood as a set of industrialization processes leading to the formation of a "modern open society".

As part of the modernization process, the following changes usually occur:

- improvement of the entire system of social relations and changes in lifestyle - the emergence of new procedures and mechanisms for regulating conflicts and solving social problems;
- increased awareness and independence of individuals;
- in the economic sphere - the highest level of spread of commodity-money relations, the emergence of new advanced technologies, the achievement of a high level of professional specialization of managers and employees;
- a change in social relations - the transition to a society based on high social mobility and social competition.

Among the descriptions of the modernization process, the following principles can also be distinguished:

- its comprehensiveness, that is, its coverage of all spheres of social life;
- systemicity, that is, changes in any component or integral area of social life lead to changes in others. For example, cultural and political changes lead to changes in the economy and vice versa;
- globalization - it initially began in a few advanced countries and then spread throughout the world;
- duration - modernization does not occur in a short period, but is divided into stages;
- stratification - modernization occurs differently in different countries, relying to one degree or another on national cultural and moral traditions.

In general, modernization is a very broad concept, and today it can be expressed as a set of processes that radically change and renew various aspects of social life, directing progress in this regard towards existing advanced standards in the world, and improving it.

As a result of the fundamental reforms being implemented in our country on the basis of state programs currently being adopted, the modernization processes cover almost all aspects of our country's life. In particular, among these areas, the modernization of the economy occupies an important place. After all, ensuring the stable and effective functioning of the national economy, bringing it to the level of development of developed countries of the world, various political and economic changes, fluctuations in the world market situation, resilience to crisis situations, and the opportunities and potential for independent development depend precisely on the fundamental reforms in the economy and their results. However, at the same time, the modernization of the economy is closely related to changes in other areas of social life. That is, it is necessary to strive to ensure consistency and logical balance in the implementation of intensive reform and modernization processes between all areas and fronts. In this regard, we believe that special attention should be paid to the role of the modernization process in increasing the awareness and independence of each member of society. Because the modernization of the economy and other areas of the country's life is directly dependent, first of all, on the change in the worldview and thinking of the members of society who participate in these processes, implement them, and constantly improve them, and on their increased activity in democratic and fundamental reform processes.

Basic concepts

The transition to a market economy is a period in which a transition from one economic system to another is required, from existing economic relations to completely new economic relations.

Market reforms are a set of measures aimed at forming a market economy and market relations.

Economic reforms are a set of measures aimed at implementing fundamental changes in the economy.

Economic structure - forms and types of economic activity based on various forms of ownership.

Liberalization of the economy means that the enterprise itself should determine what and how much to produce, where to sell it, and at what price. Liberalization of all sectors and branches of the economy means ensuring the freedom and independence of economic entities, creating all conditions for the development of entrepreneurial activity.

The concept of reforms is a general idea of the main goals and directions of socio-economic reforms, the tasks and strategic paths for their implementation.

Stabilizing the economy means creating conditions for maintaining macroeconomic equilibrium and increasing production based on eliminating imbalances.

Questions and tasks for review

1. Describe the main models tested in the world experience of transition to a market economy
Give them. Show their common and unique aspects.
2. What are the characteristics of Uzbekistan's transition to market relations?
3. What principles are used as the basis for reforming the republic's economy?
4. The essence of the principle of gradual settlement of market relations
Explain in detail. Explain the purpose and objectives of each stage in more detail.
5. In what areas will economic reform be carried out in the republic?
Please provide your thoughts on each direction.
6. What tasks do economic reforms set for themselves in the transition to market relations?
Give a more detailed description of these tasks.
7. What is the role of the state in the formation of a market economy?
Explain what it consists of.
8. What state programs are being implemented to establish a market economy in Uzbekistan?
Do you know? Analyze how they are related to each other.
9. The content of economic liberalization and deepening reforms
Explain. What tasks does the liberalization of the economy in our republic set for itself? puts?
10. State the main priorities of economic modernization and reform
give.

7- SUBJECT. THEORY OF SUPPLY AND DEMAND. MARKET EQUILIBRIUM

Plan:

1. The concept of demand and factors affecting its amount. Law of demand.
2. Concept of offer. Factors Affecting Bid Amount. The law of supply.
3. A change in the ratio between the amount of demand and the amount of supply. Market equilibrium.

I. 4. Theory of consumer behavior.

The laws of supply and demand play an important role in the functioning of a market economy. Supply and demand determine prices, and price determines the relationship between supply and demand. In this topic, we will first examine the effect of price on each of the demand and supply sides separately. Then, we will explain how the equilibrium price is established under the influence of supply and demand. Here, special attention is paid to explaining the laws of supply and demand, the factors that affect their quantity, and the relationship between them.

Also, at the end of the topic, we will get acquainted with the theory of consumer behavior, which has become one of the important directions in economic theory in studying the formation and operation of demand, as well as the factors that influence it.

1. The concept of demand and factors affecting its amount. Law of demand

Need, as a scientific category expressing the need for people's means of life, is common and constant for all stages of development. Its historical appearance in the market economy is the concept of demand. Demand differs from need and is valid as an independent economic category (scientific concept).

Only the part of the need that is provided with money becomes demand. Thus, **demand is a need that is provided with money.** If the need is not provided with the necessary amount of money, it remains a “want”, a “desire”. There are a number of alternative options for demand, since with a change in price, the quantity of the product purchased also changes. Based on this relationship, demand can be defined as follows: demand is the need that **consumers are able to purchase certain types of goods and services at the current price level , over a certain period of time .**

Demands vary, and two types of demand for the same goods or services are usually distinguished: individual demand and market demand. **The demand of each consumer, that is, an individual person, family, enterprise, or firm, for this type of product is called individual demand.** The sum of the demands of **a number of (majority) consumers for a given type of good or service is called market demand.**

Both individual demand and market demand are determined by quantity. However, this quantity is not always the same, but rather fluctuates. Several factors affect the change in the quantity of demand. Among them, the most influential factor is the price factor.

We will look at the relationship between the price and the quantity of purchased goods based on the information in Table 2 below.

Table 2. The relationship between the price and the quantity of goods to be purchased.

Price of one kg of flour (soums)	Amount of individual demand for it during 1 month (kg)	The amount of market demand for it during 1 month (tn)
350	10	1.0
300	20	2.0
250	30	3.0
200	50	5.0
150	60	6.0

The data in the table show that a decrease in the price of a good leads to an increase in the quantity demanded, and conversely, an increase in the price leads to a decrease in the quantity demanded. **The inverse or opposite relationship between changes in the price of a product and the quantity demanded is called the law of demand.**

The inverse relationship between the price of a commodity and its purchased quantity (demand) can also be depicted in a simple two-dimensional graph: the horizontal line shows the quantity demanded, and the vertical line shows the price (Chart 3).

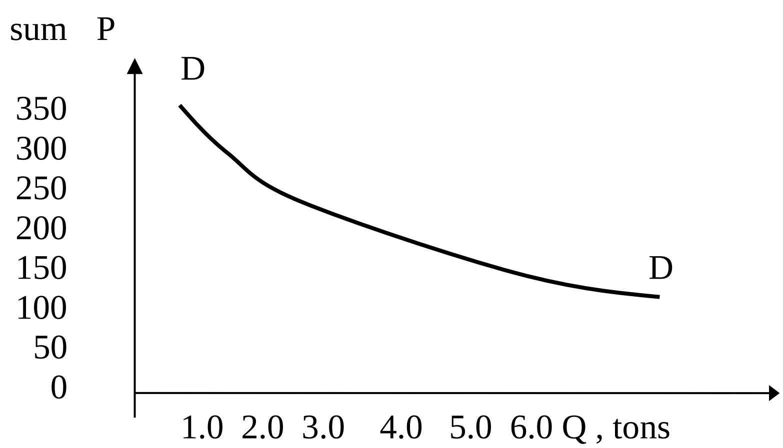


Figure 3. Demand curve.

The DD line on the graph graphically reflects the inverse relationship between price and quantity demanded.

Each point on the graph shows the exact price of the good and the quantity of the good that the consumer can buy at that price.

This line showing the inverse relationship between price and quantity demanded is called the demand curve.

Factors other than price that affect the quantity demanded. Changes in the quantity demanded depend not only on the price of the commodity, but also on a number of other factors. These factors are called **non-price factors of demand** .

In addition to price, the following main factors affect demand:

1) consumer taste;

2) the number of consumers in the market;
3) income of the consumer;
4) price of related goods;
5) the possibility of price and income changes in the future.
Let's look at how changes in these factors affect changes in demand.

1. If there is a positive change in consumer tastes for a product, demand for it will increase at the appropriate price level. Circumstances that negatively affect consumer tastes will lead to a decrease in demand.

2. It is self-evident that as the number of consumers in the market increases, demand increases, and as the number of consumers decreases, demand decreases. For example, the improvement of communication means has expanded the scope of the international financial market, the number of participants in the purchase and sale of securities in it, and has led to an increase in demand for financial assets such as stocks and bonds. A decrease in the birth rate reduces the demand for kindergartens and schools.

3. The effect of changes in income on the quantity demanded is more complex than that of other factors. An increase in income increases the demand for many goods, while a decrease in income decreases the demand for such goods. As income increases, consumers tend to buy more high-quality goods, often at higher prices. This means that they may buy less of certain foods, such as bread, potatoes, and cabbage. This is because the excess income allows them to buy foods with a higher protein content, such as meat and dairy products. **Goods whose quantity demanded changes in direct proportion to changes in income are called high-end goods.**

Goods for which the quantity demanded changes inversely with changes in income are called inferior goods.

The relationship between the income of consumers and the quantity of goods they can buy was studied in depth by the German economist and statistician Ernst Engel (1821-1896). Accordingly, the relationship between a consumer's income and the quantity of goods they can buy is called **Engel's law** .

The operation of this law can be represented by **the Engel curve** (Figure 4). For high-class or normal goods, the Engel curve is upward sloping. Indeed, as incomes increase, more of these goods are purchased. For low-class goods, the Engel curve is downward sloping, meaning that consumers buy fewer of them as incomes increase. If the consumption of a good does not depend on income, the Engel curve is vertical.

The graph shows that when a consumer's monthly income increases from 10,000 to 20,000 soums, the number of products he purchases increases from 1 to 2 pieces, and from 20,000 to 30,000 soums, from 2 to 4 pieces. With further income growth, the growth in the volume of goods purchased slows down: from 30,000 to 40,000 soums - from 4 to 6 pieces, from 40,000 to 50,000 soums - from 6 to 7 pieces. At higher income levels, the growth in the volume of purchases has completely stopped (at income levels of 60,000 soums and above, 7 pieces of this product are purchased).

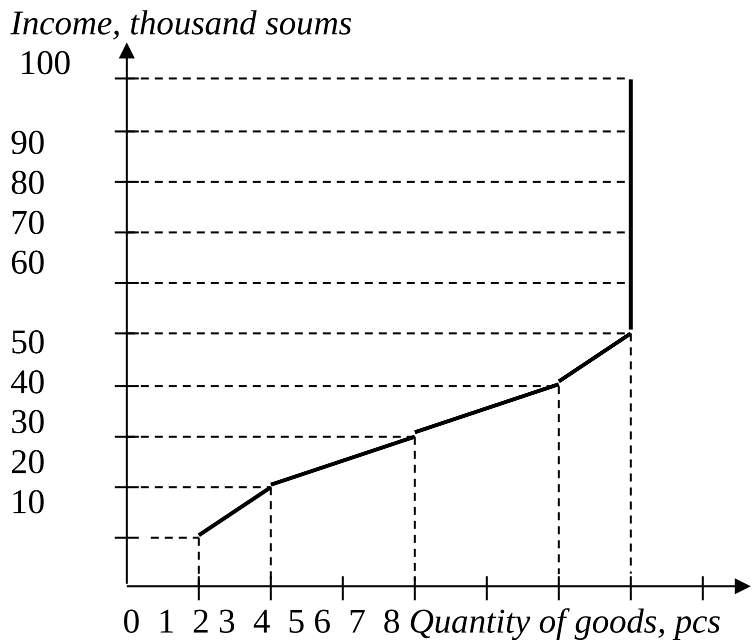


Figure 4. Engel curve.

The Engel curve provides information on how changes in consumer money income affect demand. This information is important for product manufacturers in assessing the potential sales volume and market conditions of their products.

4. When studying the impact of price changes on demand for interrelated goods, it is useful to divide them into two groups: 1) mutually substitutable or substitute goods; and 2) mutually complementary goods.

A change in the price of one of the goods that are substitutes for each other is directly related to the change in the demand for the other . For example, an increase in the price of butter leads to an increase in the demand for margarine. A decrease in the price of butter reduces the demand for margarine.

A change in the price of one of the goods that are complementary to each other will have an inverse relationship with the change in demand for the other. For example, if the price of a car increases, the demand for gasoline decreases. Conversely, if the price of a car decreases, the demand for gasoline increases.

5. Factors such as future consumer income, expectations of future price changes, and whether or not the quantity of goods is sufficient can change the quantity demanded. Expectations of a relative increase in future prices lead to an increase in current consumer demand. Conversely, expectations of a decrease in prices and an increase in income lead to a decrease in current demand for goods.

2. Concept of offer. Factors Affecting Bid Amount. The law of supply

Supply is the quantity of a particular type of good or service that producers or sellers are willing to supply at a given price level over a given period of time. Since the quantity supplied changes with changes in price, there are many alternatives to supply, just as there are to demand. An example of a producer and a market supply is shown in Table 5.

Supply indicates how much of a product will be offered for sale at different price levels.

As the price increases, the quantity supplied of goods offered for sale increases, and as the price decreases, the quantity supplied decreases. **The direct relationship between the quantity supplied and the change in price is called the law of supply.**

Table 5. The relationship between price and quantity supplied.

Price of 1 kg of flour (soums)	The amount of a single offer of flour for 1 month (kg)	Amount of market supply of flour for 1 month (tn)
350	60	6.0
300	50	5.0
250	30	3.0
200	20	2.0
150	10	1.0

If the price increase acts as a barrier for the consumer, it acts as an incentive for the producer.

The supply curve can be represented graphically, showing the direct relationship between the price level and the quantity supplied (Chart 6).

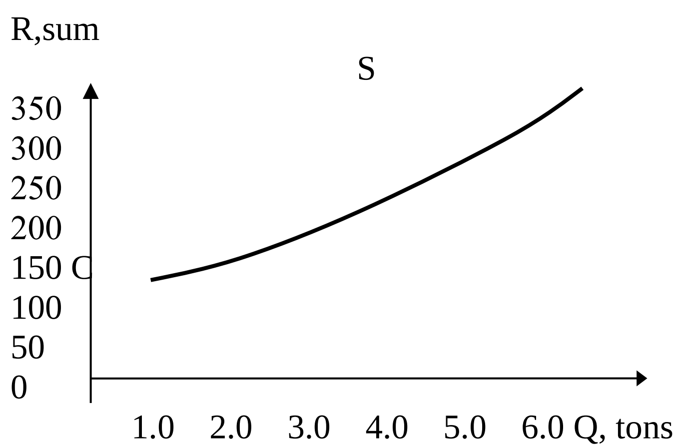


Figure 6. Supply curve.

In addition to price, a number of factors affect the volume of goods offered on the market . The main factors are:

1) the price of resources;
2) production technology;
3) taxes and subsidies;
4) price of other goods;
5) expectation of price changes;
6) the number of sellers in the market.

A change in one or more of these factors will result in a change in the volume of supply.

Let's look at the factors that affect the offer separately.

1. **Resource prices.** There is a strong correlation between production costs and supply. A decrease in resource prices reduces production costs and increases supply. Conversely, an increase in resource prices increases production costs and reduces supply. For example, a decrease in the price of mineral fertilizers increases the supply of wheat, while rain-fed The increase in costs reduces the supply of corn grain.

2. **Production technology.** Improvements in technology allow for more efficient production of a product unit. At the current price of resources, production costs will decrease and supply will increase. For example, the development of more effective biological methods against cotton pests will increase the quantity and quality of cotton fiber, and consequently the supply.

3. **Level of taxes and subsidies.** Most taxes are part of the cost of production. Therefore, an increase in taxes increases production costs and reduces supply. For example, an increase in tariffs on imported goods reduces its supply. Conversely, when the government subsidizes the production of a good or industry, this actually reduces costs and increases its supply.

4. **The price of other goods.** Changes in the prices of other goods also change the supply of that good. For example, a decrease in the price of mutton increases the supply of beef. Conversely, a decrease in the price of beef increases the supply of mutton.

5. **Expectation of price changes.** Anticipation of future price changes may also affect a producer's willingness to supply a product to the market today. For example, the expectation of a sharp drop in the price of oil in the future reduces the supply of oil.

6. **Number of producers (sellers).** The more producers there are, the greater the supply of goods. An increase in the number of producers in the network increases the supply because the production of the good increases.

The change in supply is influenced by the storage characteristics of the goods, storage costs, and transportation options. For example, the supply of non-perishable agricultural and food products is rarely variable.

The nature of the production process and the available level of natural resources also affect supply. For example, if there is an opportunity to expand production or switch to producing a different type of product in response to a change in price, supply will change. If land suitable for agriculture is limited, no matter how much its price (rent) increases, the supply of land cannot be increased.

The offer of the work of creative professionals (for example, scientists, poets, writers, artists, etc.) and unique works of art will also be constant.

The ratio between the amount of demand and the amount of supply. Market equilibrium.

We have seen above that the quantities of demand and supply change under the influence of various factors. However, the quantities of demand and supply are always in a certain ratio to each other, these ratios change. Sometimes the quantity of demand exceeds the quantity of supply, causing the price to rise, and sometimes the quantity of supply exceeds the quantity of demand, causing the price to fall. **The situation when the ratio between the quantity of demand and the quantity of supply is equal to each other is called market equilibrium** . **The price formed when market equilibrium is established is called the market price.**

Sometimes it is also called **the equilibrium price** . Market equilibrium and equilibrium price do not always exist, many factors affecting them cause the equilibrium to be disturbed. However, in the economy, there is always a desire for this equilibrium.

supply and demand allows us to move on to considering the alignment of the interests of sellers and buyers. This alignment is expressed in the equilibrium price.

By placing the supply and demand curves considered in the previous paragraphs on one graph, we create the market equilibrium point (Chart 7):

$T_b = T_f = N_m = M_m$, where: T_b - demand, T_f - supply, N_m - equilibrium price, M_m - equilibrium quantity of goods.

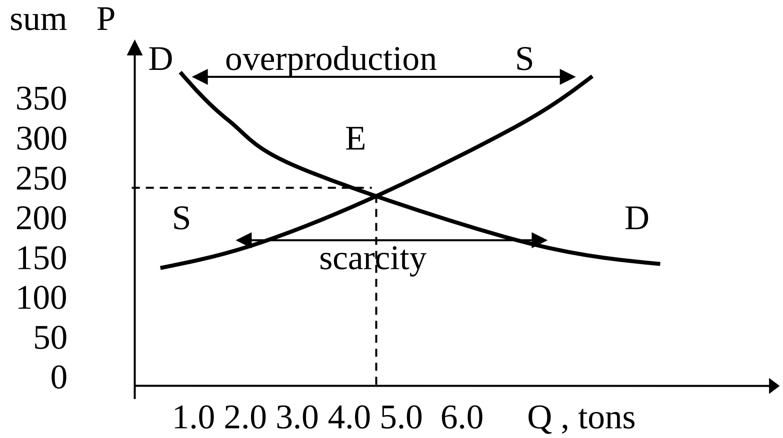


Figure 7. Equilibrium price.

corresponds to the equilibrium price (N_m) and the equilibrium quantity of the product (M_m). That is, when the price is 250 soums, buyers are ready to buy 3 tons of this product (flour), and sellers are ready to release 3 tons of flour to the market. At a price of 200 soums, the situation of sellers and buyers will change completely: sellers will be ready to sell only 2 tons of flour, and buyers will be ready to buy 5 tons, etc.

In the graph, the market situation at the level of 350 soums of the price shows the excess production of goods and represents a saturated market. On the contrary, in the market situation at the level of 150 soums, there is a shortage of goods (deficit) and characterizes the market of scarce goods.

The time factor is of great importance in understanding the equilibrium price. Therefore, it is necessary to distinguish between instantaneous, short-run, and long-run equilibrium in the market.

A constant or fixed quantity of goods supplied is characteristic of a temporary equilibrium. This is due to the inability of production to adapt quickly and suddenly to market conditions.

Short-run equilibrium requires the ability to increase production and supply using temporary factors.

Such temporary factors include working outside of working hours, on weekends and holidays, and extended work shifts.

includes investments in the re-equipment, modernization, and creation of additional capacities of production . During this period, it is also possible to build new enterprises and the emergence of new enterprises in this market.

The concept of price elasticity of demand is used to determine the degree of sensitivity of consumers to changes in the price of goods. For some products, small changes in the price can lead to large changes in the quantity of the product purchased. Such products are said to have relatively elastic demand. For other products, large changes in the price can lead to only small changes in the quantity purchased.

The price elasticity of demand is the percentage change in demand caused by a 1% change in price, other things remaining the same. This indicator is often simply called **the elasticity of demand .**

price elasticity of demand (E_t) is calculated according to the following formula:

$$Э_T = \frac{\Delta Q}{\Delta P},$$

Here: ΔQ is the percentage change in quantity demanded;

ΔP is the percentage change in prices.

There are a number of factors that determine the elasticity of demand. The main ones are:

1. Substitutability of products. The more substitutes a product is recommended to a consumer, the more elastic its demand will be. For example, in a perfectly competitive market, there are many substitutes for the products offered, so the demand for each individual seller's product is perfectly elastic.

2. The weight of the product value (price) in the consumer's income. The more the price of a product is a share of a consumer's income, the more elastic the demand for it will be. For example, a 10 percent increase in the price of a notebook or pen will result in a few soums, and this will lead to a very small change in the quantity demanded of the product. At the same time, a car or a house A 10 percent increase in the price of food will amount to 0.5 or 1.5 million soums, respectively. Such an increase in prices will account for a significant portion of the income of many families for several years and, one might say, will significantly reduce the amount of products purchased.

3. Consumption characteristics of products. The demand for jewelry is usually elastic, while the demand for necessities is inelastic. For example, bread and electricity are essential consumer goods, so an increase in their price will not lead to a sharp decrease in the consumption of bread or electricity. On the other hand, when the price of jewelry increases, they can easily be excluded from consumption.

4. Time factor. The longer the time interval for making a decision, the more elastic the demand for the product. For example, if the price of beef increases by 10%, the consumer may not immediately reduce his purchases. However, over time, he may shift his preference to chicken or fish.

There is also income elasticity of demand. As income increases, the demand for goods and services also increases. This shows that income affects demand. The income elasticity of demand is used to determine the degree of this effect.

The indicator representing the percentage change in demand for a 1% change in consumer income is called the income elasticity of demand and is determined using the following formula:

$$Э_Т = \frac{\Delta Q}{\Delta Д},$$

Here: ΔQ is the percentage change in quantity demanded;
ΔD is the percentage change in income.

The price elasticity of supply is the percentage change in supply caused by a 1% change in price, all other factors affecting supply remaining constant. This indicator is often simply called **the elasticity of supply .**

price elasticity of supply (E_{tf}) is calculated according to the following formula:

$$Э_{Тф} = \frac{\Delta Q}{\Delta P},$$

Here: ΔQ is the percentage change in the quantity supplied ;
ΔP is the percentage change in prices.

An important factor affecting the elasticity of supply is the time interval required for the product to take into account the current change in price. The longer the producer has to adjust to the current change in price, the greater the change in production volume and, accordingly, the greater the elasticity of supply. We have already analyzed the effect of the time factor on changes in supply in the very short, short and long run. This effect also remains important in the elasticity of supply.

II. 4 . Theory of consumer behavior.

Currently, many textbooks and manuals on economic theory attempt to explain the formation and manifestation of market demand through consumer behavior. In this regard, the theory of consumer behavior is presented as a separate direction, using various theories that have previously existed in Western literature. [11]Students are introduced to the essence of this theory In order to familiarize you with it, we will review its basic concepts.

Consumer behavior in the market is explained by the theory of marginal utility and the theory of consumer choice. We have already discussed the content of the theory of marginal utility in detail in Chapter 4. With the help of this theory, the rules of consumer preference are explained from the point of view of consumer interests.

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[11]See: Economic theory: Ucheb. for stud. higher fly zavedeniy / Pod ed. V. D. Kamaeva. - 10-e izd., pererab. i dop. - M.: Humanist. izd. center VLADOS, 2004, Chapter VI ; Kulikov L.M. Economic theory: ucheb. - M.: TK Webli, Izd-vo Prospekt, 2005, Chapter V , § 3; Economic theory: textbook. - Izd., ex. i dop. / Pod obshch. ed. Acad. V.I.Vidyapina, A.I.Dobrynina, G.P.Juravlevoy, L.S.Tarasevicha. – M.: INFRA-M, 2005, chapters X - XI ; Economics: Uchebnik, 3-e izd., pererab. i dop./Pod ed. It's Dr. nauk prof. A.S. Bulatova. – M.: Economist', 2005, Chapter IX ; Iokhin V.Ya. Economic theory: Uchebnik / V. Ya. Iokhin. – M.: Economist', 2005, Chapter IX ; Course economic theory: General basic economic theory. Microeconomics. Macroeconomics. Osnovy natsionalnoy ekonomiki: Uchebnoe posobie / Pod ed. d.e.n., prof. A. V. Sidorovicha. - M.: "Delo i Servis", 2001, Chapters VII - VIII .

If convenience is viewed from a consumer perspective, it refers to the satisfaction a consumer derives from consuming a good. **The consumer's assessment of the convenience level of various goods for himself is called consumer preference.**

The utility function represents the comparison of a given quantity of goods with another quantity. It is not important to measure utility in absolute terms, but rather to explain consumer choice in terms of the relative levels of utility. It is not possible to show to what extent the utility of one set of goods is superior to another.

The utility function represents the derivative of the utility derived from the goods consumed (X , Y):

$$U(X,Y) = XY \text{ .}$$

The final added benefit is the additional benefit obtained from consuming the next unit of a given good. Since the final added benefit is an increase in the total benefit, it is the derivative of the benefit function. Each successive good that satisfies a certain need has a lower benefit than the previous one. In conditions of a limited quantity of goods, there is always a "last copy" that satisfies the need to a minimum extent.

The last added benefit has a tendency to decrease, which is expressed as an economic principle. The essence of this principle is that, if we proceed from the situation of an individual consumer, as the volume of consumption of goods increases, starting from a certain point in time, the additional benefit received from consuming the next unit of a certain good decreases relative to the previous one.

The more goods a person consumes, the greater his or her total utility. **Gross (total) profitability is determined by summing up the last added profitability indicators.** If the consumer has negative marginal utility, then total utility decreases.

The law of diminishing returns to the last addition can be illustrated by Table 11 for the example of ice cream consumed.

Table 11. The final added and gross benefits from eating ice cream

Number of ice creams eaten	Last added nafl prayer (MU)	Gross profit (U)
0	-	0
1	4	4
2	3	7
3	2	9
4	1	10
5	0	10
6	-3	7

The table shows that as the positive sign of the last added surplus increases, the total surplus increases. However, the rate of this increase decreases with the addition of the next number of ice creams. The negative sign of the last added surplus leads to a decrease in the total surplus.

follows **the principle of utility maximization** when purchasing different sets of goods . The content of this rule is stated as follows: **the consumer should spend his income in such**

a way that the ratio of the last added utility obtained from the purchase of goods to the price of the goods should have the same value for all goods , that is:

$$\frac{MU_x}{P_x} = \frac{MU_y}{P_y},$$

here: *MU* – *X* and *Y* is the final added value of goods; *P* **-** their price.

This rule represents **the equilibrium position of the consumer** .

A consumer may prefer different bundles of goods according to his own taste and mood. In doing so, he compares a certain set of goods to another. The indifference curve plays an important role in explaining consumer choice.

The indifference curve shows the sum of consumption bundles that ensure the satisfaction of needs at the same level. That is, there will be no difference when choosing a set of goods located on the indifference curve for the consumer.

The indifference curve is downward sloping. The downward sloping indifference curve is explained by the fact that both goods that must be chosen are useless for the consumer. Accordingly, moving from one set of goods (for example, A) to another set of goods (for example, B), the consumer increases the amount of useless. However, at the same time, he gives up good A, which has the same amount of useless. In short, the more good B, the less good A is available, since there is an inverse relationship between goods A and B. Any curve in which there is an inverse relationship between the variables is downward sloping.

If the consumer's preferences for all sets of goods A and B are represented by curves, **an indifference map** is formed. Each indifference curve represents a set of goods for which the person has the same preference. Figure 12 shows three indifference curves that represent part of an indifference map. Indifference curve $_3$ represents the highest level of need satisfaction.

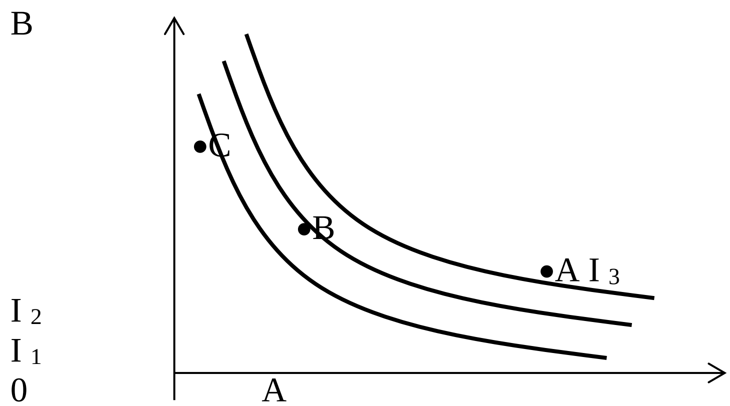

Figure 12. Indifference curve.

There can be an infinite number of indifference curves for each level of need. We have shown only three curves for simplicity. These three curves provide a ranking (order) of the bundle of goods. The ranking arranges the bundles in order from highest to lowest level of preference. However, this order does not indicate how much one bundle is preferable to another.

Consumerism in understanding consumer behavior **Budget constraints** are important. Budget constraints are expressed in the ability of a consumer to purchase a certain limited amount of a particular type of goods at a certain price level, given a certain amount of income. The consumer's budget constraints can also be represented graphically in the form of **a budget line showing various combinations of purchasing two types of goods.** possible.

The position of the consumer's budget line can be affected by changes in his income and the price of goods.

Main support concepts :

Demand is a consumer known in time prices every one at the level sell to take capable was goods and services is the amount .

Demand curve – graph shows the inverse relationship between price and quantity demanded.

The law of demand describes the inverse or counter-relationship between the price of a commodity and the quantity it is purchased.

Supply is the amount of goods that a producer is able to produce at a given time and which he can sell to the market at each price level.

A supply curve is a graphical representation of the direct relationship between price and quantity supplied.

The law of supply expresses the direct or indirect relationship between price and the quantity of goods offered for sale.

Elasticity of supply (demand) - shows the percentage change in demand when the price changes by 1%. This is also called price elasticity of demand.

The income effect is the increase in the purchasing power of a consumer's income when prices fall.

Questions and tasks for review:

1. Explain the law of demand. What factors affect demand? How will the demand curve change if each of these factors changes?
2. Explain the law of supply. What factors affect the offer? How will the demand curve change if each of these factors changes?
3. Let's assume that the total supply and demand for wheat on the grain exchange is characterized by the following data:

per thousand quintals	Based on the price of one centner (soums).	The offer is in the amount of one thousand centners	Over (+) or under (-)
85	3400	72	
80	3700	73	
75	4000	75	
70	4300	77	
65	4600	79	
60	4900	81	

a) What is the market price or equilibrium price?

What is the equilibrium quantity of wheat? Complete column 4 and explain your results; b) Using this information, draw a graph of the demand and supply of wheat. Determine the equilibrium price and equilibrium quantity; c) Why is 3,400 soums not the equilibrium price in this market? What about 4,900 soums? d) Now suppose the government sets a maximum price for wheat at 3,700 soums. Explain in detail what consequences such a price would have. Illustrate your answers on the graph.

4. How would each of the following changes in supply and demand affect the equilibrium price and equilibrium quantity of output in a competitive market? Use the supply and demand diagram to check whether your answers are correct.

a) supply decreases, and demand remains unchanged; b) demand decreases, while supply remains unchanged; c) supply increases, and demand remains unchanged; g) demand increases and supply also increases; d) demand increases, while supply remains unchanged; e) supply increases, and demand decreases; j) demand increases, and supply decreases; z) demand decreases and supply also decreases.

Chapter 8. COMPETITION AND MONOPOLY

8.1. Nature, forms, types and methods of competition.
8.2. The economic basis of monopolies and their types.
8.3. Measures to create a competitive environment in Uzbekistan and anti-monopoly legislation.

With the development of the market economy, the conditions of competition improve and change their forms.

In this topic, we reveal the nature and objective foundations of competition, types and forms of competition, the nature, types and forms of monopoly and its advantages and socio-economic consequences.

Issues such as measures aimed at increasing the competitiveness of the national economy and anti-monopoly legislation will be considered in Uzbekistan.

8.1. Nature, forms, types and methods of competition

Competition is a multifaceted economic phenomenon that represents complex relations between all market subjects. Competition consists of the conflict of economic interests of market subjects, which means the struggle between them for higher profits and higher productivity.

Resource-suppliers compete to sell their economic resources, i.e. capital, natural resources, and labor at high prices. Competition also occurs between consumers: they try to buy goods at convenient and low prices, that is, buyers try to get more enjoyment for each unit of money spent.

in the current market economy can be distinguished:

1. The task of regulation is to influence supply in order to align production with demand, that is, consumption. It is with the help of this task that supply in the economy is determined by demand, and the structure and volume of production is determined by individual and social needs, that is, the economy is regulated on the basis of market laws.

2. The task of placing resources allows to rationally place the factors of production in the enterprise, territory and regions where they will be most effective.

3. Innovative task - refers to the introduction of innovations of various forms, which are based on the achievements of scientific and technical development and require the development of subjects of the market economy.

4. The task of adaptation is directed to the rational adaptation of enterprises to the conditions of the internal and external environment, and means their transition from economic survival to the expansion of the spheres of economic activity.

5. Distributive function - the gross volume of goods produced has a direct and indirect effect on the distribution of the gross domestic product among consumers.

6. The task of control is aimed at preventing monopolistic domination of some participants in the market over other participants.

of the meaning of competition, it is necessary to consider its main forms and signs.

In the economic literature, four forms of competition within the same industry are distinguished. These are free competition, monopolistic competition, monopoly and oligopoly.

Under conditions of free competition, there will be a large number of enterprises in the industry producing the same product. In a highly organized market, many sellers offer their products.

In a free competitive market, individual enterprises exercise subtle control over product prices. Because the total volume of production in each enterprise will not be very large. Therefore, an increase or decrease in production in a particular enterprise does not have a significant effect on the total supply, and therefore on the price of the product.

Under conditions of free competition, new enterprises can enter the network freely, and existing enterprises can leave it freely. In particular , there will be no legal, technological, financial and other serious economic obstacles to the emergence of new enterprises and the sale of their products in the competitive market.

In a pure monopoly, since the industry consists of one firm, it is the sole producer of the available product and service, and a single monopoly is formed.

In a monopoly, the firm exercises significant control over price. The reason for this is simple. It is the sole producer of goods and services and controls the total volume of the offer.

Monopolistic competition includes elements of both monopoly and competition. In this case, dozens of producers of the same type of product in the network compete with each other to achieve a favorable price and production volume. However, at the same time, each producer becomes a monopoly producer of his product by differentiation, i.e. differentiating it from other products of the same type in terms of quality, form, packaging, sales conditions, etc.

Oligopoly is the existence and dominance of a small number of enterprises in a network. This is the most important sign of oligopoly. An industry in which a relatively small number of producers dominate the market for goods and services is an oligopolistic industry.

An oligopolistic industry can produce a uniform or differentiated product. Most industrial products: steel, copper, aluminum, lead, iron, etc. are considered to be one type of products in the physical sense and are produced under oligopoly conditions. Industries that produce consumer goods: cars, detergents, cigarettes, household electrical appliances, and the like are stratified oligopolies.

In an oligopoly, competition between enterprises is mutual. In an oligopolistic industry, no company dares to independently change its price policy.

Currently, with the development of various levels of monopolistic structures, the forms of competition between them are also appearing in different forms. In particular, the following types of competition can be distinguished according to the existence between structures of different levels of monopolization:

1. Competition between non-monopolized enterprises.

2. Competition between monopolies and producers who are not part of monopolistic associations.

3. Competition between different monopolies.

4. Competition within monopolistic associations.

According to its scale, competition is divided into two types - intra-industry and inter-industry competition.

Intra-industry competition takes place between enterprises of the same industry in order to obtain more favorable conditions for production and sales, and to obtain additional profits. Since there are enterprises in each industry with different levels of equipment and labor productivity, the individual value of goods produced in these enterprises will not be the same.

Competition within the network determines and determines the social value of goods, in other words, the market value. This value usually corresponds to the value of goods produced under average conditions and which make up a large part of the goods of a certain industry.

As a result of competition within networks, enterprises with high technical level and labor productivity get additional profits, and vice versa, technically weak enterprises lose a part of the value of their produced goods and suffer losses.

Interindustry competition is a struggle between enterprises of different industries to obtain the highest rate of profit. Such competition causes the flow of capital from industries with a low rate of profit to industries with a higher rate of profit. New capitals tend to the more profitable sectors, which leads to the expansion of production, increase in supply. On this basis, prices start to fall. Also, the profit margin will decrease. The outflow of capital from low-profit sectors has the opposite effect: here the volume of production changes, the demand for goods exceeds the supply, as a result of which prices rise, while the rate of profit increases. As a result, inter-industry competition objectively creates some kind of dynamic equilibrium.

This balance ensures the pursuit of equal return for equal capital regardless of where the capital is invested. Therefore, inter-industry competition makes the profit rates of the same industry equal to the average profit rate, regardless of which industry the capital is invested in.

Also, in the economic literature, fair and honest competition methods are distinguished. The use of non-traditional, unrecognized by society, non-economic methods of competition, i.e. use of physical force, coercion, harming the reputation of competitors, etc., is considered unfair competition. Through fierce competition, firms can aggressively and ruthlessly eliminate their rivals' network penetration. Forcing banks and resource suppliers to refuse to provide materials and loans, to steal leading experts, and to drastically reduce prices are simple methods of unfair competition.

Halal competition is based on rules recognized by the society, using economic methods, avoiding situations that conflict with the interests of the general society in achieving one's own goals and interests.

Two methods of competition are distinguished: price competition and non-price competition.

The main method of struggle in price competition is the reduction of the price of the goods of the producers compared to the price of such products of other producers.

Its main and most widely used form is called a price war, in which large manufacturers lower prices periodically or over a long period of time in order to squeeze their rivals out of the network. To use this method, the manufacturer will have to introduce more efficient technology, hire more skilled workers and organize production better than other competitors. Only then, the individual value of his goods is lower than the market value, which gives the opportunity to lower the price of these goods.

One way to compete on price is to use dumping prices. In this case, national producers sell their goods to other countries at prices lower than domestic market prices, and in some cases even lower than cost.

In this way, they try to achieve price stability in the domestic market, lose surplus products in the country, enter new markets and strengthen their economic position there.

In some cases, the methods of price competition such as discounting the fixed prices, adding other goods to the main purchased goods, setting preferential prices in certain cases are also used.

Currently, market economy has no place in developed countries to compete with the help of price, because if one of the producers lowers the price of his product, it requires his competitors to do the same. This does not change the position of the firms in the market, but only reduces the profits of the industry.

Non-price competition is characterized by the fact that the main factor of competition is not the price of goods, but its quality, service, reputation of the manufacturing company.

At the same time as non-price competition, implicit price-assisted competition may also exist. For this, the quality of new goods and the improvement of consumer characteristics should occur faster than the increase in their prices. In the current period, the increase of one type of product-laming leads to the use of advertising and trademarks that encourage their sale. Attracting customers by providing additional services is becoming widespread in the consumer market.

There is also a method of non-price competition, such as product quality differentiation, in which goods can satisfy the same need and belong to the same type, but have different consumption properties.

In conditions where goods are in excess of demand, producers can outbid their competitors by selling their goods on credit. In this case, only a part of the price of the goods is initially paid, and the rest of it is paid in specific terms agreed in the contract.

In the current environment of rapid scientific and technical progress, the struggle for control over the latest advances in technology is becoming one of the main methods of competition. In addition, manufacturing enterprises provide warranty and post- warranty service for durable consumer goods in order to attract customers . For example, a computer manufacturing enterprise not only buys its products, but also installs them , trains its employees to use them, performs repairs during the guaranteed period and beyond, and provides technical service; sizes of products closer to the customer's needs.

Among the methods of non-price competition, marketing is important, and it consists of a system of activities that adapts the process of production and sale to demand. In the conditions of the market economy, enterprises that have studied the demand well and are able to fully satisfy the needs of consumers will always win in the competition.

Large producers reduce the supply of goods by reducing the use of their production capacity in order to change the market situation. Therefore, the price remains stable even during periods of economic instability.

Thus, in the conditions where monopolies prevail, non-price competition plays an important role. This is due to the fact that, firstly, monopolies can increase the volume of goods sold by improving the quality of goods and improving customer service. Second, because they are financially strong, they can spend the necessary funds on updating their products, re-equipping production and advertising.

8.2. The economic basis of monopolies and their types

The origin of the term "monopoly" comes from market concepts, from the Greek words "monos" - single, and "poleo" - sale, but its economic basis actually goes back to production. A monopoly is an association of large enterprises, companies, and corporations that exercise dominance over industries, markets, and the overall macro-economy in order to set high prices and obtain high monopoly profits.

The material basis for the creation of monopolies is the concentration of production. The concentration of production shows the concentration of means of production, labor force and production volume in large enterprises.

The main reason for the accumulation of production is the increase in the amount of profit. In order to regularly increase the profit, the entrepreneur capitalizes a part of the obtained additional product, that is, he buys additional means of production and labor. This leads to the growth of some enterprises and the expansion of production scales. At the same time, competition creates a tendency for voluntary or forced consolidation and centralization of existing capitals. Thus, the material basis of production accumulation is the accumulation and centralization of capital.

Capital accumulation is an increase in the amount of capital as a result of the accumulation or capitalization of part of the surplus value. This process is characterized by the following indicators: - the number of employees in the enterprise, the production capacity of the enterprise, the amount of processed raw materials, the volume of turnover, the volume of profit.

The accumulation of capital is further supplemented by the process of centralization of capital. Centralization of capital is an increase in the size of capital through the acquisition by one capital of another or the voluntary unification of several independent capitals in the form of a joint-stock company.

monopolies , it is important to consider its types. Types of monopolies can be divided according to several criteria.

1. According to the degree of market coverage: pure monopoly, oligopoly and monopsony.

A pure monopoly is a situation in which the sole producer or seller in the network determines the price and production volume. Examples of pure monopolies in Uzbekistan include JSC "Uzbekiston havo yollari" and JSC "Uzbekiston temir yollari". In fact, they are the only producers of related activities in their industry. Also, in some cases, the increase in the number of monopolistic producers in the network causes the emergence of a situation of monopolistic competition. Monopolistic competition **-** there is a large number of producers or sellers in the network and there is a certain degree of competition between them, but each producer or seller has different, special characteristics of their goods or services, so their prices and production is considered to be a state of dominance to a certain extent in determining the volume of output. Examples of this include many manufacturers of furniture, clothing, laundry detergents, and other products.

Oligopoly is a situation in which a few large producers or sellers in the network dominate the price and production volume. An example of oligopolistic producers in Uzbekistan is the production of cement (mainly located in the cities of Bekobad, Kuvasoy, Ohangaron, Navoi), coal (located in the city of Angren, Sariosia (Shargun) and Boysun (To'da) districts of the Surkhandarya region). .

Monopsony is a monopoly situation in which the number of producers or sellers in the network is so large that there is only one consumer or buyer of their goods or services. "GM Uzbekistan" is a clear example of this. This large enterprise will have a monopoly position in the purchase of many spare parts and components necessary for the production of passenger cars in our country from their relatively small manufacturers.

2. According to the reason and description of the emergence of monopoly: natural monopoly, legal monopoly, artificial monopoly.

Natural monopoly includes owners and economic organizations that have rare and non-reproducible elements of production (rare metals, minerals, etc.). Also, this monopoly includes some branches and types of production that cannot be developed due to the use of specific technology.

A natural monopoly is a state of the market of goods in which, due to the technological characteristics of the enterprise, meeting the demand for the product is carried out more efficiently in the absence of competition. Such efficiency is manifested in a significant decrease in farm costs per unit of goods with an increase in the volume of production. At the same time, the consumption of products produced by natural monopoly subjects cannot be replaced by other types of products.

A legal monopoly is a legally organized monopolistic state. They include the following forms of monopoly that protect against competition:

1. **The patent system** is a system that certifies inventions, utility models, industrial samples created by the inventor and the author and gives them exclusive rights. This process is carried out through special certificates - patents;

2. **Copyright** is a form of legal regulation of relations of creation and use of scientific, artistic and artistic works, phonograms of performing arts, broadcasts, broadcasting and cable image transmission. Copyright only allows the author to sell, copy and reproduce his work for a certain period of time or completely ;

3. **Trademarks** are a form of legal regulation of relations arising from the registration, legal protection and use of trademarks, signs, special symbols, names, etc.

Artificial monopoly is a name to distinguish associations formed for the purpose of monopolistic profit from conditional, natural monopolies.

An artificial monopoly deliberately changes the structure of the market environment for its own benefit, i.e.:

- creates various barriers to prevent new competitors from entering the market (takes over raw materials and energy sources; tries to prohibit banks from lending to new enterprises, etc.);

- achieves the highest level of production technology and does not allow other competitors to reach this level;

uses a relatively large amount of capital, which allows more efficient use of the efficiency of the production scale ;

- tries to push other competitors out of the market by advertising their activities at a high level.

Artificial monopolies appear in specific forms such as cartel, syndicate, trust, consortium, concern.

A cartel is an association of several enterprises in one industry, whose participants retain their ownership of the means of production and products, and the sale of the created products is a quota, that is, the share of each participant in the total volume of production, sales it is carried out on the basis of an agreement on prices, division of markets, etc.

A syndicate is an association of several enterprises producing the same product. In this case, while the ownership of the means of production remains with the participants of the association, the products produced by them are sold through a specially established single sales organization.

A trust is an association of producers in the form of a legal entity that provides joint ownership of means of production and finished products.

Consortium is a union of entrepreneurs for the purpose of joint implementation of large-scale financial operations (for example, providing large-scale and long-term loans or investments in large-scale projects).

A concern is a formally independent association that includes a set of multi-sectoral enterprises (enterprises of various sectors such as industry, trade, transport and banking).

Usually, such an association is formed from enterprises and organizations of various fields, which are necessary for the step-by-step implementation of certain production activities. In this case, the main organization carries out financial control over the activities of the remaining participants. Currently , among the listed forms of artificial monopolies, concerns are widespread.

Monopoly has both positive and negative effects on economic development. Its positive side is mainly manifested through the following two aspects:

1. Monopoly is relatively effective in certain industries and leads to cost savings;

2. Compared to non-monopolistic, small, competitive industry enterprises, monopolistic enterprises have more incentives and opportunities to introduce scientific and technical progress into production.

The following aspects can be pointed out as the negative side of monopoly:

1. Non-rational distribution of resources.

2. Increasing income inequality.

3. Economic stagnation and slowing down of scientific and technical progress.

4. Blocking of democratic actions in the economy.

It is clear from this that monopolistic activity can have a serious impact on economic development and can be a hindrance to development. Accordingly, today in the economy of almost all countries, measures of state regulation of monopolies are applied, which is called anti-monopoly policy. Antimonopoly legislation forms the basis of the antimonopoly policy of the state, and it is developed to different degrees in different countries.

It is generally believed that antitrust legislation in the USA was developed relatively earlier and more thoroughly. It is based on the following three pieces of legislation:

1. **Sherman Act** (passed in 1890). This law prohibits secret monopolization of trade, acquisition of sole control in one or another industry, agreements on prices.

2. **Clayton Law** (adopted in 1914). This law prohibits restrictive practices in the sale of products, price discrimination, certain types of mergers, interlocking directorates, etc.

3. **Robinson-Patman Act** (adopted in 1936). This law prohibits restrictive practices in trade, price gouging, price discrimination, etc.

In 1950, the Seller-Kefover Amendment was introduced to the Clayton Act. It clarified the concept of illegal mergers and prohibited mergers by acquisition of assets. If the Clayton Act prevented horizontal mergers of large corporations, the Seller-Kefover Amendment restricted vertical mergers.

8.3. Measures to create a competitive environment and anti-monopoly legislation in Uzbekistan

The existence of competition requires the existence of certain conditions. These conditions can exist only in an environment where market relations are established. Therefore, the creation of a market economy means the formation of a competitive environment at the same time.

In countries with developed market relations, the competitive environment has evolved over a long period of time. This gradually created an environment of free competition.

As the principles of monopolization in the economy become stronger, competition is limited, therefore the state also participates in creating a competitive environment. This, as noted above, is reflected in the state's anti-monopoly policy. Depending on the exact situation in each country, i.e., the degree of monopolization of the economy, depending on its scale and description, this policy focuses on creating a new environment of free competition, maintaining it, restoring it if necessary, and deciding on the methods of competition.

In countries transitioning from administrative-command economy to market economy, including our republic, preparation of conditions for healthy competition, increasing the independence of economic subjects and attracting them to competition are important aspects of measures aimed at implementing economic reforms . After all, as the President noted, today "... strong demand and competition make the deepening of economic reforms an objective condition. There are still many unsolved problems in this regard. That is, the current goal of completely abandoning the patterns of the old administrative-distributive system, further limiting the state's intervention in the economy, providing practical guarantees for free entrepreneurship, sustainable development of the economy and business, and the formation of a full-fledged market infrastructure. - we need to remove obstacles."

Today, monopolies in the form of associations, concerns, corporations, and companies are preserved in Uzbekistan, and they often have the positions and duties of line ministries. The old system of distribution of certain types of products and raw materials in the form of limits and funds, as well as the existing administrative barriers for business implementation, such as issuing permits, licenses, certificates, agreements, create more opportunities for monopolistic tendencies.

Thus, the main way to create a competitive environment in Uzbekistan is to move from a state monopoly that denies competition to a non-state market system based on the existence of various economic forms and requiring free competition as much as possible. The formation of competitive relations here requires, first of all, the emergence of independent free producers of goods, because the main condition of competition is the existence of independent economic subjects who have their own interests on the basis of property responsibility and undertake entrepreneurial risks. , is their communication through the market.

For this purpose, the Law "On Limiting Monopoly Activities" (August 1992) was enacted in Uzbekistan and a series of regulatory documents aimed at the development of competition were developed based on it. According to this law, creating a shortage in the market, monopolizing prices, preventing competitors from entering the market, and using inappropriate methods of competition are prohibited. Violators of the law must compensate for the damage caused to their opponent, pay a fine, and be deprived of the profit they received by bribery.

Significant changes in the field of economics and antimonopoly practice required further improvement of the relevant legal framework. Accordingly, on December 27 , 1996, the Oliy Majlis of the Republic of Uzbekistan adopted a new law "On restriction of monopolistic activity and competition in commodity markets". This law defines the organizational and legal basis for preventing, restricting and stopping monopolistic activity and unfair competition , and is aimed at forming and effective implementation of competitive relations in the commodity markets of the republic .

Also, the law mainly has two important areas, namely, firstly, a fundamentally new form of antitrust regulation, which aims to prevent and eliminate the abuse of a dominant position in the market by existing and remaining monopolists. za , secondly, it is determined that the elimination of monopoly and the creation of a healthy competitive environment are considered to be the most important issues.

In 1992, an anti-monopoly unit was established in Uzbekistan as the main anti-monopoly and price policy department of the Ministry of Finance to implement active anti-monopoly measures. The board was given the right to regulate the prices and profitability of the products of the listed monopoly enterprises. In 1996, on the basis of this department, the Committee for Exclusion of Monopoly and Development of Competition under the Ministry of Finance was established. In 2000, the anti-monopoly department was removed from the Ministry of Finance and turned into an independent state committee based on the Decree of the President of the Republic of Uzbekistan "On the establishment of the State Committee for the Elimination of Monopoly and Promotion of Competition". Later, in order to further improve the activity of this committee and increase its effectiveness, according to the Decree of the First President of the Republic of Uzbekistan dated April 30, 2005, this committee was transformed into the State Committee for Support of Competition and Entrepreneurship.

The world experience and specific aspects of the transition period are taken into account when setting the criteria for entering the enterprises with a monopoly position in the Republic into the State Register.

Currently, in the Republic, if the specific products produced by an enterprise are more than 35% of the same type of products on the market, this enterprise is entered into the State Register as a monopolistic enterprise. For the group of food products, such a criterion level is set at 20%.

The state uses a number of methods to regulate the market position of enterprises or industries included in the list of monopolies in the republic . Two of these methods should be distinguished:

1. Establishing the highest level of prices or the limit of profitability for the products of enterprises in a monopoly position.

2. Break up or break up monopolistic associations that have abused their monopoly position. This method is carried out on the basis of the "Regulation on the procedure for the withdrawal of objects from the structure of economic societies and companies" approved by the decision of the Cabinet of Ministers (No. 366 of July 18, 1994). On the basis of the Law of the Republic of Uzbekistan "On the Protection of Consumer Rights" (April 1996), it is also necessary to create a mechanism that does not allow unfair competition, including the release of goods that do not meet the specified requirements into the markets of the Republic. 'attention is given.

State regulation of natural monopolies includes the establishment of price and tariff levels for products and services, as well as the basic indicators of the type of goods and services offered .

All the work carried out to create a competitive environment in the republic serves to create a market economy.

Anti-monopoly legislation means the anti-monopoly policy of the state. The anti-monopoly legislation was mainly formed in the following directions.

First, laws governing production (industry). According to these laws, generally, no single enterprise (corporation) is allowed to control more than half of the production of any type of product.

Second, it stipulates that participants in all large corporations cannot own more than a certain limited amount of stock in other corporations.

Thirdly, anti-cartel laws will be introduced, prohibiting prices from being higher or lower than the level determined by market equilibrium, and prohibiting price collusion.

The first law against trusts, which prohibits attempts to establish a monopoly in the market and the abuse of a monopoly position - the Sherman Act, was adopted in the USA in 1890. Anti-monopoly legislation and measures necessary for its implementation apply in each country in the form required by the circumstances. In order to protect the environment of healthy competition, state regulation of various types of monopolistic activities is carried out.

Clayton Act - (1914) - Prohibits price gouging, binding contracts, and stock buybacks that weaken competition. Seller-Kefaver Act - (1950) this law amended the Clayton Act, prohibiting not only acquisitions that weaken competition, but also acquisitions of the means of production.

The main directions of regulation of anti-monopoly activities:

- limiting the monopolization of the market;
- prohibiting the merger of competing companies;
- prohibition of setting monopoly prices;
- is to support the cultured conduct of competition.

If the regulated price is equal to the average total cost, the monopolist will not earn any economic profit. Economic monopolies are formed as a result of the accumulation of production and capital, as well as the merger of enterprises in various ways. Take the cartel for example. A cartel is a union of enterprises in a single industry, whose participants maintain complete economic independence, only agreeing on the volume of production, sales markets and prices. Or take the syndicate. A syndicate is an association of enterprises producing a type of product, whose members retain their independence in the field of production, and the product is sold as the property of the syndicate. In addition, it is a group of enterprises that jointly owns the means of production and the product, and profits can be distributed according to the amount of capital contributed.

In a natural monopoly, average total cost is reduced and average total cost is less than marginal cost. Therefore, the price will be lower than the average total cost and the monopolist will suffer a loss.

If regulatory costs are not clearly accounted for by the monopolist when setting prices, that monopolist will have low costs but no profit. In practice, monopolists try to avoid this problem by reducing costs in order to obtain higher profits and not using some of the requirements of marginal economic costs. A third policy used by the government to deal with monopoly is public ownership policy.

With the decision of the Anti-Monopoly Committee (registered on 04/19/2019 with No. 3155), the methodology for assessing the impact of legal acts on competition was approved.

During the assessment of the impact on competition, circumstances that directly or indirectly restrict competition in the commodity and financial markets are identified. In this case, the evaluation is carried out based on two different methods:

.«ex-ante» - in relation to laws, decisions of the President, chambers of the Oliy Majlis, Cabinet of Ministers, decrees of the President, drafts of normative legal documents of ministries, state committees and agencies (hereinafter - NHH drafts);

"ex-post" - in relation to the current legislation.

Evaluation of NHH projects

According to the methodology, the impact of the NHH project is considered to be negative for competition when it has caused or may cause one of the following consequences:

• limits the scope and number of business entities that produce goods or provide services;

• limits the ability of suppliers to compete with each other or reduces their interest in it;

.• limits the ability to choose the necessary information for consumers.

If there are specific guidelines in NHH drafts, they will be submitted to the Anti-Monopoly Committee (NHH with higher legal force) or its territorial divisions (drafts of documents of local authorities) for evaluation. For example: introduction of new types of authorization documents and licenses; introducing requirements or conditions that may cause excessive costs to market participants; increase the price (tariff) of goods (work, services) of natural monopoly subjects, as well as other regulated price (tariff), etc. There are 10 items in total. The list is detailed.

According to the results of the assessment, a conclusion is made in two copies, one copy is sent to the organization that developed the project, which must consider it. The received conclusion together with the project will be submitted to the Ministry of Justice for legal examination. When the project is submitted to the Oliy Majlis, the President's Administration, the Cabinet of Ministers, the conclusion is attached to it in a mandatory manner.

Assessment of documents in use

According to the "ex-post" method, the current NHH is reviewed at least twice a year in order to determine the violation of competition legislation. If they are identified, the Anti-Monopoly Committee and its regional divisions:

• submits proposals to the Presidential Administration and the Cabinet of Ministers regarding legal acts with high legal force;

- regarding the legislation of ministries, state committees, agencies, governorates - submits a report on the elimination of violations of legislation.

Official and unofficial information is used in conducting the assessment. Official information includes international agreements, official resources of the Internet, statistical information and reports of competent state bodies, court practice. Informal information can be obtained by means of petitions submitted by NGOs and citizens to the Anti-Monopoly Committee, informal Internet resources, commercial information, public surveys.

Basic concepts

Competition is a conflict of economic interests of market subjects, which means the struggle between them to have higher profits and more benefits.

Competition within networks is a struggle between enterprises of the same network to have more favorable conditions for production and sale, to obtain additional profits.

Interindustry competition is a struggle between enterprises of different industries to obtain the highest profit rate.

Monopolies are associations of large enterprises (firms, corporations) that exercise control over industries, markets, and the overall macro-economy in order to establish monopolistically high prices and obtain monopolistically high profits.

Pure monopoly - the situation of sole dominance of a single producer or seller in the network in determining the price and production volume and, consequently, in obtaining profit.

Oligopoly is a situation in which a few large producers or sellers in the network dominate in determining the price and production volume.

Monopolistic competition - there is a large number of producers or sellers in the network and there is a certain degree of competition between them, but each producer or seller, due to the presence of special characteristics of their goods or services, can set their prices and prices. a certain degree of dominance in determining the output volume.

Monopsony is a situation of sole dominance in a situation where there are a large number of producers or sellers in a network, and there is a single consumer or buyer of their goods or services.

A natural monopoly is a state of the market of goods in which, due to the technological characteristics of the enterprise, meeting the demand for the product is more effective in the absence of competition.

A cartel is an association of several enterprises in one industry, whose participants retain their ownership of the means of production and products, and the sale of the created products is a quota, that is, the share of each participant in the total volume of production. , sales prices, marketing, etc. are carried out on the basis of an agreement.

A syndicate is an association of several enterprises producing one type of product. In this case, while the ownership of means of production remains with the participants of the association, the products produced by them are sold through a specially established single sales organization.

A trust is an association of producers in the form of a legal entity that provides joint ownership of means of production and finished products.

Consortium is a union of entrepreneurs for the purpose of joint implementation of large financial transactions.

A concern is a formally independent association that includes a set of multidisciplinary enterprises. Usually, such an association is formed from enterprises and organizations of various fields, which are necessary for the gradual implementation of information production activities.

Questions and assignments for revision

1. Explain the nature and purpose of the competition.
2. What are the main tasks of competition? This distinguish the tasks from each other.
3. Explain the forms of competition and show the characteristics of each of them.
4. Explain the difference between intra-industry and inter-industry competition.
5. Under what conditions is the method of applying dumping prices of competition implemented?
6. What is a monopoly and what are the economic foundations of its creation? What types of monopoly are there?
7. What is the difference between concentration and concentration of capital?
8. Show the difference between natural, legal and artificial monopolies.
9. What are the positive and negative aspects of monopoly?
10. What is the essence of antitrust policy and antitrust legislation?

Chapter 9. NATURE AND FORMATION OF PRICES

9.1. The essence, functions, and types of prices.
9.2. Market mechanism of price formation, factors influencing prices.
9.3. Price policy and its implementation in Uzbekistan.

Price is one of the important constituent elements of the market mechanism. Through its functions, it contributes to the sustainable development of the economy, ensuring the balance of market equilibrium, distribution of national income among various sectors and branches of the economy, as well as creating conditions for the social protection of the population. Additionally, it influences the stimulation of producers and the creation of a healthy competitive environment. In this regard, we will discuss the economic essence and functions of prices, formation methods, factors influencing their level, types of prices, as well as the state's price policy and its unique aspects in Uzbekistan.

9.1. Essence, Functions, and Types of Prices

Price - the monetary expression of the social value and societal usefulness of goods and services in the real market economy.

Price does not only reflect the individual preferences of producers or the psychological evaluation given by individually received goods or services, but also represents the social expenditures made and the quantity and quality created for society, which are necessary for society. Social usefulness created and chosen by society, i.e., the utility value, finds its expression in the price. The increase in the basic form of social expenditures made for goods and services or the improvement in the quality indicators of goods and services leads to an increase in the price of these goods.

Therefore, in real life, two types of changes in various goods and services are taken into account when measuring their volume, which leads to two types of prices being taken into account (Figure 9.1).

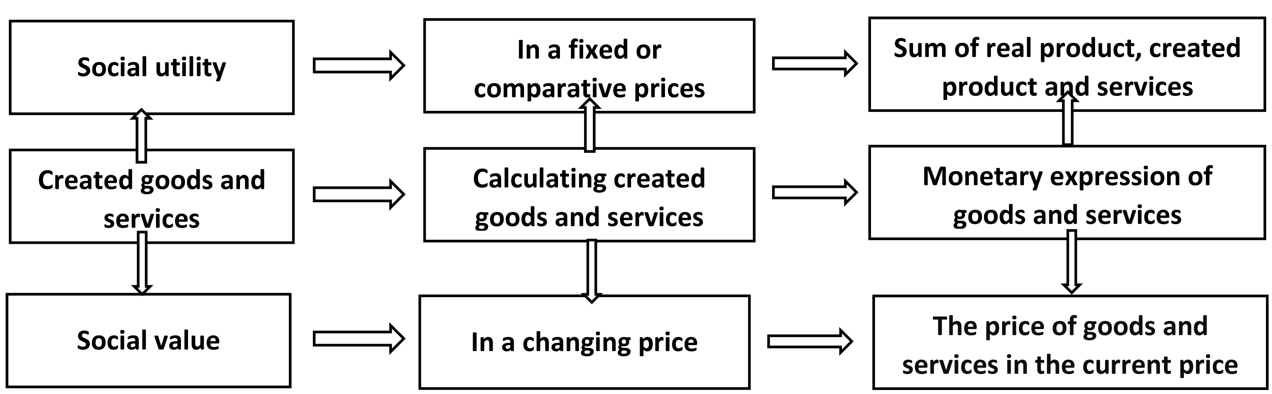

Figure 9.1. The use of prices that represent two different characteristics of goods in calculating the volume of product.

The price performs the following main functions:

1. Ensuring equilibrium: In this function, the price brings demand and supply into equilibrium by influencing their volume and composition in the market.

2. Measurement of value and utility: We refer to price as the expression of value and utility in money, because expenses incurred and results obtained, i.e., profits or losses, are calculated based on prices. The natural indicators of production and its results are also present (tons, kg, m2, m3, kW-hours, etc.). These indicators cannot be directly compared to each other but are converted into a common measure, which is the price expressed in money. Current and comparative prices are used for accounting. Current prices are actual prices used to calculate the results of production over the year. Comparative prices are based on a certain year, meaning the results of production of that year are calculated in those prices and compared with other years.

3. Regulatory function: It involves regulating the market situation according to the demand and supply, as well as their ratio. An increase in demand indicates the expansion of production of a certain product, while a decrease indicates an excess of the product and the need to shorten its production. Prices affect the activities of producers through their incomes. If prices are high while production costs are kept low, the amount of profit increases; conversely, if prices fall, profits decrease, and producers may even incur losses. This affects the activities of producers. If prices rise, production expands. Other capitals also begin to flow into sectors and industries where profits are high. In conclusion, prices regulate production, adjust it, and ensure its development.

4. Competition facilitation function: Price is considered the most important tool in competition. Producers can use the method of adjusting prices to surpass their competitors. Therefore, the method of changing prices is widely used in competition.

5. Social protection function: Price also performs the function of social protection by safeguarding certain segments of the population with low income. This function of price is realized when goods and services are sold at socially subsidized prices. In this case, they are sold at the expense of the state budget and various charity funds.

The diversity of production and sales conditions in various sectors and industries of the economy, as well as the development level of market relations, necessitates the differentiation of price types. All types of prices in operation in the economy constitute the price system. Let's briefly examine the economic essence of some of these types of prices:

Wholesale prices: Wholesale prices are used when large quantities of goods produced by manufacturers are sold to a single buyer. Wholesale prices cover the expenses of producers and distribution organizations, as well as ensuring a certain level of profit for them. Wholesale prices are also used in commodity exchanges and trade houses.

Contract prices: These are prices specified in contracts concluded by sellers and buyers with the terms of sale and purchase. Contract prices usually do not change during the term of the contract. These prices are used in both national and international markets. In the international market, the prices of goods and services tend to be close to world prices.

Retail prices: These prices are directly sold to end consumers. The retail price includes the wholesale price of the goods, the expenses of retail trade organizations, and the profit they make. Retail prices can be high or low depending on the demand and supply of goods and services and their relationship.

State regulation of prices introduces regulated and subsidized prices. Regulated prices set the upper and lower limits of state prices, which can change within this range. Through regulated prices, the state controls inflation and monitors prices. Subsidized prices are prices subsidized from the state budget. These prices are used to provide essential goods to low-income families, widows, orphans, unemployed, and the disabled at a minimal cost.

Dumping price: Companies use special prices in the market to strengthen their position and eliminate competitors, these are called dumping prices or entry prices. In dumping prices, part of the official price is sent off.

To achieve high profits without increasing sales volume, companies utilize **influential prices**. Market competition is restricted to increase this price, necessitating a monopolistic situation. In such a scenario, demand does not depend on price, so price increases do not sharply decrease product sales. Additionally, affluent segments of the population purchase influential goods at high prices.

In developed countries, affluent segments of the population engage in luxury consumption, such as leisure in famous resorts, wearing the latest fashion, or driving new model cars. Luxury consumption brings influential prices to the forefront, which are usually much higher than ordinary prices. When using influential prices, factors such as production costs and profitability, market demand, its fluctuation, and market competition are taken into account. Thus, fixed prices and variable prices are used until a certain period. Products that have fixed prices are preferred by consumers because of their price stability. For example, tariffs for utilities and transportation services fall under such prices.

Free market prices are market prices that emerge based on supply and demand. In establishing regulated market conditions, free market prices allow all subjects of society and market relations to align their interests in the most acceptable manner.

The price range reflects the range of prices in terms of money. The price range encompasses low, medium, and high prices. The larger the price range, the faster the market situation changes because price is closely linked to demand.

When considering the market scope, regional, national, and international prices exist. Regional prices are specific to a particular local market and are influenced by factors within that region. National market prices are those that operate within a country and reflect its characteristics. National prices take into account the social expenditures within the country, the demand and supply in the national market, the utility of the product, and its appreciation. The world market price considers specific international expenses incurred in delivering the product, the degree to which the product meets international standards, and the demand and supply ratio in the international market.

Although prices consist of various types, they are interrelated because they reflect the utilization of economic resources in society. In economic theory, there is the concept of ratio of prices, and it is also referred to as price parity. Prices and processes in economics are interrelated, and prices emerge based on these interactions.

9.2. The market mechanism of price formation, factors influencing prices.

The state of the market directly influences the formation of prices because the ratio of supply and demand in the market is one of the primary factors affecting price formation.

Price formation in conditions of perfect competition. One of the first economists to study the characteristics of price formation in conditions of perfect competition was A. Marshall. According to his theory, until the process of buying and selling the goods takes place, there are two types of prices: seller's and buyer's prices. Theoretically, both prices have upper and lower levels. For the seller, it is advantageous for the price of their product to be as high as possible, as such a price increases their profit. However, in conditions of perfect competition, setting the price higher than others may lead the seller to be squeezed out of the market. The seller must cover the costs incurred in producing the goods at the lowest possible price. For the buyer, it is beneficial to purchase the goods at the lowest possible price. However, in conditions of perfect competition, there is a risk that the buyer will not be able to purchase the goods at all.

Price formation under monopoly conditions. In a monopoly situation, price formation has its own characteristics. If small-scale producers can only adjust their individual prices, monopolies, acting as market participants, can determine market prices themselves. In this case, monopolies take advantage of the increase in public demand to raise prices, as well as the decrease in public supply to raise prices in their own unique way.

In public order, seller monopolies take advantage of the tendency for prices to rise when supply is low in order to benefit themselves.

Price formation under monopsony conditions. Monopsony refers to situations where large-scale buyers purchase a large portion of goods from producers and use their own unique methods to take advantage of the price based on demand laws.

Price formation under oligopoly conditions. Price formation under oligopoly conditions is explained by the "competition" and "collusion" actions used by producers in the market sector.

In the "competition" scenario, when one oligopolist makes a change in price, other oligopolists are also observed to make similar changes, meaning that such adjustments lead to either a decrease or increase in price. Typically, when an oligopolist decides to increase the price of their goods to increase the number of consumers and sales volume, other oligopolists left in response to their actions also adjust their prices.

In the "rejection" scenario, when one oligopolist makes a change in price, other oligopolists are observed to refrain from making any changes, meaning that they do not respond to the changes. Often in such cases, when an oligopolist increases the price of their goods, the remaining oligopolists do not raise their prices. As a result, the oligopolist raising the price loses their consumers and is pushed out of the market.

Price-setting strategy. Price strategy refers to the guidelines and actions of market participants regarding pricing. The outcome of a company's operations depends on the correctness of the price selected based on the selling price of the goods. The pricing strategy of companies aims to achieve three main goals: increasing product sales, maximizing profit, and maintaining a certain position in the market.

Creating and implementing a price-setting strategy involves the following stages:

- Defining the pricing objectives;
- Developing the pricing policy;
- Selecting and implementing the pricing strategy;
- Creating mechanisms for adjusting prices.

The pricing objective. In the market economy, the pricing objective of any operating organization is primarily determined by the following factors:

- Increasing sales volume;
- Maximizing profit;
- Ensuring survival in competitive conditions;
- Maximizing long-term profitability;
- Stabilizing the market;
- Defining the average purchase price for consumers;
- Deterrence of competitors by preventing prices from rising too high, among others.

Price adjustments aimed at increasing sales volume are determined by market conditions, demand and supply, or the desire to stimulate sales.

The volume of sales depends on the demand for the product. Demand and price are usually inversely proportional, that is, demand is inversely proportional. The sensitivity level of demand to price is determined by the elasticity coefficient of demand. When choosing the pricing objective, it is necessary to take into account whether there is a demand for technical means.

To evaluate demand sensitivity, it is assessed at different prices or special surveys are conducted among buyers.

If the demand for technical means is low ([Ed] < 1), then it may be associated with the following conditions:

- There is no substitute for the product;
- Buyers do not immediately respond to price increases;
- Buyers slowly change their purchasing habits;
- Buyers perceive the increase in price as justified by the high quality of the technical means.

In situations of low demand elasticity, price increases diminish the attractiveness of sales volume. Therefore, if an organization seeks to increase its sales, it must focus on the determinants of demand in this scenario and take action to understand and influence consumers' demands.

If there is a high demand elasticity for technical means ([Ed] > 1), it is necessary to consider raising prices to increase sales. Increased prices generate higher overall revenue from sales. However, this method earns profit only up to the point where the increase in production costs and proportional growth of sales balance out.

Price adjustments aimed at maximizing profit typically involve assessing demand and aligning with investment or production costs and expenses related to production and sales. The price that maximizes profit is chosen, while the minimum price is determined by production and transaction costs. Pricing must adhere to a fair measure of benefit for production, development, sales, and incurred expenses.

Prices set to maintain competitiveness. When such a pricing objective is chosen, it becomes essential for competitors to know the price and quality of their goods. Companies can use this information as a primary point of reference for setting their own prices. Such a strategy is reliable when the organization has confidence in its ability to manage expenses effectively.

A company may have multiple pricing objectives within the market subject. For example, maximizing profit and targeting average buyers. They may also set long-term and short-term pricing goals. Fundamentally, these objectives should align with the company's strategic and current plans. For instance, if a company's strategic planning is cost-controlled, the pricing objective may focus on increasing short-term profitability, while in the long term, it may aim to target average buyers. Thus, when choosing a pricing objective, the structure and scale of demand, competitors' expenses, and prices are essential factors.

Creating a pricing policy. A pricing policy is usually presented in the form of a document that answers the following questions:

- Which method of pricing is chosen to determine the price for new goods and for goods that have found their place in the market;
- the relationship of competitors' prices;
- the speed of price changes;
- depending on the frequency of the product's life cycle, the change in price;
- use of price reductions.

Choosing a method of pricing is considered one of the most important points of the pricing policy. The method of pricing new goods is related to whether they are new or already available in the market.

Pricing for new goods. The determination of the entrance price or the application of a firm pricing strategy is based on the goals of increasing sales volume. This method is based on the release of goods at an initial low price in order to attract a large number of buyers and gain a large share of the market. Such pricing can be used if the new product has a high demand and even if it is not intended to suppress competitors' exits.

Influence-based pricing. Influential prices are set for products that have unique and valuable features, separate from the products of other companies. For example, the "Tissot" company's watches are 5 times more expensive than watches from other companies and 20 times more expensive than local ones. In order to set such prices, the company must be confident in the uniqueness of these products and know for sure that similar products on the market do not have the same qualities, in order to prepare consumers to pay more.

"Costs - plus" or average costs + profit; cost - plus. This method consists of adding a known benefit to the cost price of the product. This is the simplest method of pricing: the "costs - plus" pricing formula is available.

$$\textbf{Price} = \frac{\textbf{General regular expenditures+general variable expenditures+profit}}{\textbf{Quantity of produced product}}$$

Although this method is simple, it has some drawbacks, for example, it is not tied to demand, profit is expressed as a percentage of costs, and there is a risk of interest in saving costs to a minimum in the company. This method is not suitable for companies engaged in high-level research and development.

Skimming pricing method (S.p.) - this method is based on setting a high initial price for the product to capture the upper segment of demand. This method is oriented towards achieving profit-based goals. S.p. involves allocating significant financial resources for product development, advertising, i.e., high expenditure, and the release of a similar product by competitors in the near future is expected, the product is new and the market is slow, demand is not yet determined, then the recommendation is not. S.p. summary about its high level depends on two factors:

- from the possibilities of competitors to enter the market;
- availability of price stability in the upper part of the demand. If competitors are expected to quickly bring their exactly the same products to the market, the market is high, if competitors have produced exactly the same products over the years, then S.p. prices should not be very high. Price stability in the upper part of the demand is low, besides, if there are no exact or close substitutes, then counter-stability is also low. Therefore, considering the novelty of the product and the instability of demand, high S.p. prices can be set to quickly recoup. If demand is doubtful, and the initial price is too high, it can be lowered. It is better to set a low price at the beginning than to raise it later. If price stability is expected to be high, then relatively low prices are more profitable and bring more income.

Pricing based on competition. Price setting taking into account the price policy of the market leader. When a new product is introduced to the market, it is determined based on the price policy of the market or region. The price of a new product rises only if it is related to a higher quality product similar to the leader's price. Pricing based on competition. The main point is not information about demand or costs, but competitors' prices. This method is famous for several reasons.

When choosing a pricing method for products, it is possible to use 3 different methods.

1. Price retention. If the market segment shaping the bulk of sales is not affected by competition and other factors, and pricing objectives have been achieved, this method can be used for the entire product life cycle. The following types of prices are typical in this method:

1.1. Long-term prices. Prices that undergo minimal changes over a long period, such prices are usually present for products with high public demand.

1.2. Elastic prices. Prices that quickly respond to changes in supply and demand.

1.3. Consumer segment prices. Different prices for the same products for different consumer segments in the market.

2. Price reduction. This method is a protective measure in competitive conditions, if expenses decrease, an offensive strategy is possible. In this case, the following types of prices can be applied:

2.1. Unpredictable lowering prices. Based on supply and demand considerations. If the market is saturated, demand decreases, if the product has a high price stability, reducing the price can attract the attention of consumers.

2.2. Premium prices. This is one of the types of protective strategies. This method can be used if the company controls a large part of the market and the product has a high influence on consumers. A slight decrease in price helps the company maintain an advantage over both existing and new competitors in the market.

2.3. Prices lower than most competitors are applied to products that usually take a significant share of the market. They can be sold at ordinary prices with the main emphasis on attracting attention to the main product, while discounted prices are their own advertisement.

3. Price increase. Price increases can occur for various reasons. In economics, prices may rise due to inflation, which is the increase in all types of expenses, and to ensure adequate profitability, price increases may be necessary. Price increases may react to changes in demand relative to the decline in income. Such a situation may occur in conditions of monopoly in production. A sharp increase in demand may also call for price increases.

Understanding the essence of price includes knowing the factors that influence its level. These include the basic ones such as cost or production expenses; the utility level of the product or service; the demand and supply ratio for the product; the state of competition; the economic policy of the state, various taxes, the value of money, etc. Among these factors, the price and profitability of the product are the main factors determining its price.

9.3. Price policy and its implementation features in Uzbekistan.

Price liberalization is one of the fundamental directions of economic reforms, and the social-economic consequences of these reforms are largely dependent on solving this issue. Price liberalization differs from the differentiation of prices between certain types of goods, the relationship between prices and the income of the population and enterprises. Based on these considerations, prices are liberalized through the following methods:

1. Setting prices at once or in a "shock" manner.
2. Gradually reducing the increase in prices.
3. Partially retaining price management and control by the state.

Each country undergoing market reforms needs to consider how well each of these methods fits its existing real conditions, how much it affects the financial situation of the main part of the population, how well it responds to the goals of reform, and the potential negative consequences expected.

In Uzbekistan, the peculiarities of economic reform are determined by considering the state of the economy and the living standards of the population, and the gradual and phased liberalization of prices has been chosen as the path. Our first President I. Karimov pointed out in his work "On the Deepening of Economic Reforms in Uzbekistan" that "Price liberalization is one of the most fundamental issues in economic reform, and the success of the reform process and its socio-economic consequences depend entirely on which path the reforms take." [20].

The specific requirements for reforming the national economy, taking into account the country's situation and the living standards of the population, led to the decision to gradually liberalize prices in a phased manner. In order to protect the population, the maximum prices for certain types of food and industrial goods were established, and the highest tariffs for certain types of services were set. Serious changes in price liberalization occurred in our country during the years 1991-1994. During this period, the prices of various consumer and industrial products were gradually liberalized from predetermined prices, and state control over the prices of all consumer goods was completely abolished.

According to the decision of the Cabinet of Ministers on "Measures for Price Liberalization", starting from January 10, 1992, the prices and tariffs for a wide range of products, certain types of consumer goods, completed works, and services in Uzbekistan were liberalized. In 1993, there was a significant reduction in the list of goods and services subject to strict regulation.

A notable feature of the price liberalization in 1993 was that the regulation of negotiated wholesale prices was completely discontinued during this phase.

The period of October-November 1995 was a crucial stage in the process of price liberalization. During this period, the prices of basic types of consumer goods were fully liberalized, and tariffs for transport and municipal services were increased. Prices were determined based on free market principles. The first phase of economic reform, involving the full liberalization of prices, was completed.

"I believe that we are all aware of the current situation. It is being observed that in the future, in neighboring countries and in the world market, there is a sharp rise in food prices," the President said.

In such circumstances, ensuring the reliable provision of our population with food products holds particular importance. With this in mind, reaching our independence in the 90s, the task of meeting the demand of the population for vital food products such as flour and bread, as well as other essential food items, has been a priority. Our success in achieving this task demonstrates that it has been a well-thought-out and rational endeavor.

Currently, Uzbekistan not only fully meets its internal needs for staple food products such as wheat, flour, cotton, vegetables, dried fruits, and grapes but also exports them abroad. The demand for meat, dairy products, poultry, potatoes, and other essential food items is being met from domestically produced goods, and we consider such a situation as a significant achievement for our country.

Goods and services purchased in daily life directly affect the inflation rate and the change in prices, thereby impacting the "consumer basket." The "consumer basket" consists of a set of at least 300 goods and services that an average-income consumer uses. If in 1994 our country's consumer basket included 267 items, by 2015, it had expanded to include 315 items (in developed countries, this figure ranges from 1000 to 2000).

The significant increase in the number of goods and services included in the consumer basket in developed countries is due to the fact that some goods are divided into 10 or more types, each of which is included in the consumer basket as a separate item. The difference in the consumer baskets between developed and developing countries mainly reflects variations in the consumption patterns of food and services.

In calculating the inflation rate, it is necessary to include the goods and services purchased by the average-income population, which represent their average income.

International standards are usually based on the living standards and mentality of Western countries. According to these standards, it is assumed that consumers purchase goods and services in the same quantities throughout the year, divided into 12 months and 4 seasons.

For Central Asian countries, particularly in Uzbekistan, it may not be applicable for certain fruits and vegetables (such as quince, apricot, and cherry) to be available in the market throughout the year.

Therefore, a new methodology was developed in Uzbekistan since 2003 for calculating the inflation rate, which takes into account seasonality.

According to the Decree of the President of the Republic of Uzbekistan "On the Strategy for Actions on Further Development of Uzbekistan" No. PF-4947 dated February 7, 2017, in Section 4.2, measures are outlined to strengthen social protection and healthcare system, improve the activity of women in social and political life, further develop the pharmaceutical industry, ensure the availability of affordable and quality medicinal products and medical equipment, and implement measures to prevent the uncontrolled increase in prices for medicines.

10. ENTREPRENEURSHIP ACTIVITY AND ITS FORMS. ENTREPRENEURIAL CAPITAL AND ITS EXPANSION

10.1. The essence of entrepreneurial activity, its tasks, and development conditions.
10.2. Forms of entrepreneurial activity.
10.3. Entrepreneurial capital and its stages of operation.
10.4. The expansion of entrepreneurial capital. Primary and circulating capital.
10.5. The efficiency of reproducing and utilizing primary capital.

In an economy based on market relations, entrepreneurship capacity is considered an economic resource, forming an integral part of human factors. Elaborating on the nature, purpose, and forms of entrepreneurship activity in the context of transitioning to market economy conditions, analyzing the content of entrepreneurial capital and its operational forms, explaining the processes that occur in capital operations and its manifestations, as well as highlighting issues related to increasing the speed of capital circulation and its efficiency utilization are considered the main tasks of this topic.

10.1. The essence of entrepreneurial activity, its tasks, and conditions for development.

Entrepreneurship is an activity related to the creation of products, production, and provision of services based on innovation and entrepreneurship. Business, on the other hand, is a more comprehensive concept, generally oriented towards profit in terms of overall benefit.

According to the Law of the Republic of Uzbekistan "On Guarantees of Entrepreneurship and Entrepreneurs' Activities," entrepreneurship is defined as "economic activity carried out by legal and physical persons under the responsibility of property, within the framework of existing laws, for the purpose of generating income or profit, with risk involved" [3].

K. MacConnell and S. Brue consider entrepreneurship as an important type of activity characterized by specific conditions and requirements. **Firstly**, an entrepreneur combines factors of production in the process of producing goods and services and performs the function of an "organizer." **Secondly**, in managing a business, they take on the difficult task of making decisions. **Thirdly**, as an entrepreneurial-organizational person, they introduce new production technologies and engage in the production of new products. **Fourthly**, an entrepreneur is a risk-taker. They not only take risks with their own capital, time, and effort but also with the funds contributed by their partners and shareholders [49].

Summarizing the various opinions and approaches mentioned above regarding entrepreneurial activity, it is possible to provide the following concise definition. Entrepreneurial activity is an economic activity aimed at profit generation and effective utilization for the purpose of benefiting from it.

The development of entrepreneurship, in turn, requires the presence of a number of conditions, based on which the general socio-economic conditions for production of goods are formed.

Firstly, entrepreneurship involves choosing a specific type of business, implementing the production process, adapting it to changes, selecting sources, selling products, determining their value, managing benefits, and having rights and freedoms in these matters. Secondly, an entrepreneur must have ownership rights over production tools, produced goods, and acquired income. Entrepreneurial activity can be carried out both by the owner of the property itself and by a subject managing the business based on its property.

Thirdly, the entrepreneur must have the freedom to choose the path of production, create investment opportunities, and create a specific economic environment and social and political conditions that provide real guarantees.

Fourthly, entrepreneurship necessitates the presence of various forms and types of ownership and privatization in the fields of ownership and privatization. Different forms of ownership and privatization in these fields are an objective phenomenon, which in turn leads to the development of productive forces as a consequence.

Fifthly, having sufficient financial resources, good knowledge and skilled training, general trade legislation, tax benefits, a conducive entrepreneurial environment, and the presence of societal benefit in developing entrepreneurship are considered the next conditions for development.

In countries where all the conditions mentioned above are present, entrepreneurship thrives, otherwise, this type of activity may decline and exit the economic arena.

10.2. Forms of Entrepreneurial Activity

Currently, in the world, it is observed that the level of production forces and their unique aspects are increasingly intertwining. There are various types of production forces that are used for social, general state, and ultimately, group, community, special, and personal purposes. Accordingly, various forms of entrepreneurship are developing: state, community, personal, special, mixed, and other forms.

Based on the conditions mentioned above, it is possible to classify state enterprises into three groups:

1. Budget enterprises. According to their status, they fall under the state's administrative and managerial system and directly report to a ministry, court, or local self-

government body, or are considered as integral parts of them. They do not pay taxes on their profits. All revenues and expenses are managed through the state budget.

2. State production enterprises - these enterprises have a wide organizational and legal structure. They have independent assets, engage in economic activities, and also perform tasks assigned by the state in a specific area, i.e., state corporations consolidate their indicators with industrial enterprises and state bodies.

3. Joint-stock companies - formed in the form of joint-stock companies with limited liability and obligations, their shares are owned by the state and private investors. Joint-stock companies operate under the law on joint-stock companies and are considered legal entities, participating in commercial activities with special enterprises. They benefit from certain privileges compared to private enterprises. These privileges include providing financial assistance and subsidies from the state, obtaining licenses from foreign countries on favorable terms, purchasing raw materials and semi-finished products from other state enterprises at fixed prices, ensuring market access for the products produced, and so on.

In addition to ownership positions, various organizational-legal forms are also available for enterprises. Enterprises can be structured as industrial associations and companies, community enterprises, leasing enterprises, and industrial complexes.

Cooperative entrepreneurship is a specific form of collective entrepreneurship that is based on collective ownership and requires the participation of cooperative members with their own labor in its activities. The main characteristics of cooperative entrepreneurship based on ownership are as follows: direct involvement of workers with production tools; wide utilization of production tools by cooperative members; their economic equality; self-management of the community; and the compatibility of community and personal interests, etc.

Private entrepreneurship is formed based on individual initiative by a person or a company. In this form of entrepreneurship, the results of ownership and production are related to specific individuals, and the organization of production is based on individual labor efforts.

Individual entrepreneurship is based on personal ownership, and the organization of production is carried out based on the individual's own initiative or the labor efforts of family members. The owner of the individual enterprise is also considered its manager and is personally responsible for all obligations of the enterprise. From a legal point of view, individual entrepreneurship is not considered a legal entity, so its owner is not shielded from liability and only pays income tax that is levied on citizens. This type of entrepreneurship is usually organized in the form of small shops, service providers, agricultural businesses, as well as various skilled professionals such as lawyers, doctors, and so on.

One of the important forms of carrying out entrepreneurial activities is joint-stock companies, i.e., shareholder companies. Issuing shares and freely placing them in the market is one of the important aspects of shareholder relations.

A share is a valuable document that certifies the ownership of a certain portion of the shareholder company's capital and the right to receive income from its profits in the form of dividends.

In addition, owning shares also gives the right to participate in the management of the company.

Shares are sold and bought as special goods, and they have their own price. The monetary amount stated on the share is called its nominal value. The price at which shares are traded on the stock market is called the share rate, which corresponds to the amount of dividend it will receive. The percentage amount corresponds inversely. If the buyer expects a higher income from the share than the interest received from the money deposited in the bank, they will buy the share.

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The share price is determined as follows:

When interest rates rise, the share price falls. If the dividend is higher than the interest rate on a loan, the share price rises.

Shareholder companies also issue bonds along with shares.

A bond confirms that the owner has deposited money with the company under the condition of receiving interest specified by the company. Bonds are issued to raise funds for shareholder companies.

The shareholder is the owner of the company, while the bondholder is considered its creditor. Unlike shares, bonds provide the owner with an annual guaranteed income, but they do not give the bondholder the right to vote on the company's affairs. The income generated by bonds does not exceed the usual interest rate on loans. Its value is determined by the company with a specific maturity date. The amount invested in shares cannot be transferred to bonds based on shareholder demand and can only be recovered through selling.

The formation of a shareholder company is related to the profitability of the business. The profitability of the business is based on the difference between the amount paid for the sold shares and the actual amount deposited with the company.

In a shareholder company, profit is formed in the form of dividends, similar to a dividend.

Dividend - income paid to the shareholder. Through dividends, the shareholder receives a portion of the money placed on valuable paper in this category, representing their ownership rights in the capital from an economic perspective. Dividends only distribute a portion of the benefits received by the shareholder company. The rest goes towards accumulation, taxes, and similar expenses. The amount of dividends depends on the profit gained and the amount of shares issued, and is usually higher than the interest rate on loans.

Establishing and managing entrepreneurial activities are of great importance as modern systems of marketing and management.

Marketing and management play a significant role in organizing entrepreneurial activities in the context of product-money relations, with the system of organizing entrepreneurial activities being crucial in solving production problems, meeting market demands, and meeting customer needs for goods and services.

The goal of marketing is to ensure the profitability and efficiency of production by increasing the highest level of product usage, consumption, improving product quality, and ensuring a wide selection of products and services for sale to meet the necessary volume of production.

Management - a set of methods, tools, techniques, and concepts used to improve production efficiency and achieve high results in production, based on existing material and labor resources in accordance with consumer needs, as well as organizing production and service delivery and ensuring the profitability of the company's activities and its stable position in the market.

Entrepreneurial capital and its stages of operation

Entrepreneurial capital, as a tool for profit generation, encompasses all material resources, goods, and monetary funds used for this purpose. Entrepreneurial capital is constantly in operation in the production and transaction process and goes through a series of stages in this process.

In any investment operation related to production, the use of resources starts from the monetary form. Money (M) from the relevant resource market is used to purchase necessary goods, namely production tools (Pt) and labor force (Lf). In this case, money is not just used for purchasing goods but rather for acquiring the economic factors necessary for production. In this field of transactions, monetary capital goes through the first stage of its operation.

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$$\begin{tikzcd} & & \mathrm{Pt} \\ \mathrm{M} \arrow[r] & \mathrm{P} \arrow[ur] \arrow[dr] & \\ & & \mathrm{Lf} \end{tikzcd}$$

As a result of this process, the funds in the form of money are transformed into capital and they are directed towards the potential factors of production of the production process. The second stage of capital operation is considered to be production (I), and as a result, it obtains the form of a finished product (P). The value of the produced goods here exceeds the cost spent on production tools and labor force.

$$P \begin{array}{l} \nearrow Pt \\ \searrow Lf \end{array} \quad \dots I \dots P$$

Because the value of the produced goods includes the cost of production tools, the equivalent of labor force, and the additional value created by them.

In the third stage, the goods produced are sold, P -> M, in this stage, the goods are exchanged for money and return to their initial form. Initially, the funds spent in the form of money are returned in the form of money again, but in a greater amount in terms of quantity.

The capital gained from selling goods is used again for purchasing production factors, and this process repeats itself without interruption.

Entrepreneurial capital goes through three distinct stages in its operation, transitioning from one form to another in a continuous manner, and returning to its initial form. This cyclical transition is known as its circular movement.

The first and third stages of circular movement take place in the field of transactions, i.e., in the resource and commodity markets, while the second stage occurs in production. Therefore, the formula shows the relationship between the production process and the market space (...).

In each stage, capital enters a specific form of operation. In the first stage, it is in monetary form, in the second stage, it takes the form of capital or production factors, and in the third stage, it appears in the form of goods. In the cyclical movement of capital, each form serves a specific function, and they are referred to as the operational forms of capital.

The operation of capital in monetary form is essential for economic activity. This involves acquiring production factors and labor force through advance payments. The operation of fixed capital is aimed at ensuring the growth of value in the production of goods and achieving an increase in value during this process.

The operation of capital in the form of goods results in the emergence of prices in the form of exchange value, and the transformation of the created value into money ensures the profitability of the enterprise.

For entrepreneurial capital to continue its operation seamlessly, it must transition from one form to another, and all three forms must exist simultaneously. If entrepreneurial capital remains stuck in one of these forms, its operation will be disrupted.

Entrepreneurial capital simultaneously exists in all three forms and undergoes its cyclical movement at the same time.

The cyclical movement of entrepreneurial capital in monetary form:

$$\nearrow Pt$$

$$M \longrightarrow \quad \searrow Lf \qquad P \longrightarrow \ldots I \ldots P \qquad M$$

The cyclical movement of fixed capital:

$$P \begin{matrix} \nearrow Pt \\ \searrow Lf \end{matrix} \quad \ldots I \ldots P \longrightarrow \quad P \longrightarrow M \quad P \begin{matrix} \nearrow Pt \\ \searrow Lf \end{matrix}$$

The cyclical movement of entrepreneurial capital in commodity form:

$$P \longrightarrow M \longrightarrow P \begin{matrix} \nearrow Pt \\ \searrow Lf \end{matrix} \quad \ldots I \ldots P$$

The circulation of capital and its movement should not be limited to only social-economic forms, as we emphasized above, it is generally characterized by cyclical motion and the phases of its movement. Along with this, in some forms of entrepreneurial activity, the cyclical movement of capital, its phases, and forms of movement differ in terms of their economic content.

10.4. Entrepreneurial capital circulation. Primary and cyclical capital

The movement of entrepreneurial capital does not end with a single cyclical circulation, but rather continues seamlessly, repeating itself. The continuous repetition and updating of cyclical movements constitute the circulation of entrepreneurial capital.

Due to various parts of capital moving at different speeds, the velocity of capital expenditure varies accordingly. For instance, the cost of raw materials and materials used in production may experience different rates of change compared to, for example, the cost of labor equipment, which may revert to its initial form after several cyclical movements.

According to the description of its circulation, capital is divided into two parts: primary and cyclical capital.

Primary capital - participates in a series of cyclical movements during the production process, maintaining its value as it is being prepared for production.

Cyclical capital - is used in a cyclical movement, fully utilized during its production process, transferring its value to the results of production and also undergoing changes in its physical form.

The distinction between primary and cyclical capitals is based on the following characteristics.

1. Characteristics of movement in the production process:

Primary capital does not enter directly into the material composition of the produced product, it operates over a long period, for example, machinery and technology may operate for 10 years, a building for 50-100 years, retaining its previous natural-form throughout several cyclical movements. Conversely, cyclical capital, such as crops, wool, metal, is fully consumed in each cyclical movement, discarding its physical form and transforming with new types.

2. Attribute of transferring its value to production outcomes:

Primary capital operates over several years in the production process, gradually transferring its value to the goods. Raw materials, fuel, and energy, elements of cyclical capital, are fully utilized in each cyclical movement, and their value gradually transfers to the value of products and services.

3. Method of value circulation:

Based on the method of value circulation, the value of primary capital is divided into two parts. The portion that has passed into goods and services is dealt with in transactions, transitioning from the form of goods to money during the cyclical movement and gradually accumulating in the fund of accumulation. The portion not yet converted into products remains in the primary capital involved in the production process. The value of labor objects utilized gradually circulates, entering into the value composition of new products.

4. Method of reinvestment:

In the reinvestment method, the value transferred to the outcomes of primary capital during a certain period is gradually absorbed into these means, and after being withdrawn from circulation, it is reinvested in the form of new primary capital. Cyclical capital is reinvested in the form of reproduction in each cyclical movement, returning to its physical form.

Entrepreneurial capital passes through production and transaction phases in its movement. Therefore, its circulation time (Ct) consists of production time (Pt) and transaction time (Tt):

Ct = Pt + Tt

The time spent in the production process consists of the time taken from the purchase of production factors to the production of finished goods, and the time taken in the transaction process, i.e., the time spent from the purchase of production factors to the sale of finished goods.

The production time is divided into three parts:

1. Direct labor process or working time (Wt);
2. Various intervals of rest (It);
3. The time of production factors in the production reserve (Rt).

Pt = Wt + It + Rt

The working time is the fundamental structural component of the production time. During this time, the product is influenced directly by labor. The length of the working time depends on the characteristics of the product being produced, the quantity of labor applied, and the degree of its productivity.

Rest periods are necessary to compensate for the effects of natural processes on labor growth and are determined by organizational factors. Firstly, labor growth occurs under the influence of physical, chemical, and biological processes, to varying degrees and durations. This results in achieving certain beneficial outcomes or altering the form of utility values.

While labor growth may be partial or complete, the production process continues. Rest periods, according to organizational factors, are determined by the work regime of enterprises, as well as the characteristics of organizing production.

The time allocated for the acquisition and precautions of production tools is necessary to ensure the continuity of the production process. The adoption of new technologies and techniques that accelerate technological processes leads to a reduction in rest time and consequently shortens the production time. Developing transportation networks, establishing efficient systems for industrial relations, shaping the market for production tools, estimating the demand for raw materials, and reducing transaction time are crucial for shortening the production time.

The utilization of these factors significantly influences the effectiveness of capital utilization. The speed of circulation is determined by the number of circulations (n) or the duration of a single circulation (a) within a specific period (A): n = A/a; a = A/n.

10.5. The efficiency of repeated production and utilization of primary capital

The efficiency level of capital is shaped by various factors. Among them, the composition of primary capital, its structure according to sectors and types, the efficiency of utilization and distribution of primary capital, and the methods and ways of replenishing worn-out labor tools are of crucial importance.

The composition of primary capital by sectors divides its distribution into various sectors, defining the proportion of each sector's share in the total value of capital. If the distribution of sectors within the composition of primary capital leans towards sectors that indicate technological advancement and determine production efficiency, it indicates the optimization of sector composition.

The composition of primary capital by types describes each type's share and proportion in the total value and is defined accordingly.

Different types of primary capital participate in production in a similar manner based on their intrinsic involvement. For instance, if buildings mainly provide the conditions for the production process to proceed smoothly, forming the general conditions for labor, and if they influence the efficiency of production, labor tools actively participate in the production process and directly affect the efficiency of production.

The composition by forms of ownership of primary capital describes each form's share in the total value of capital.

The process of repeated production of primary capital is internally linked to the process of depreciation, meaning the depreciation process, and the use of the depreciation fund for the physical replacement of labor tools.

There are two forms of physical wear and tear of labor tools: usage-related wear and tear during utilization and wear and tear due to motionlessness, which is considered natural force influence-related physical wear and tear.

When labor tools undergo physical wear and tear as a result of utilization in the production process, they gradually lose their technical characteristics and utility value. At the same time, primary capital may also undergo physical wear and tear due to the influence of natural forces. Such wear and tear is unaccounted for and signifies a loss. This loss corresponds to the wear and tear of primary capital due to motionlessness.

Physical wear and tear of labor tools is also accompanied by a psychological aspect. There are two types of psychological wear and tear, which differ from each other.

The first type of psychological wear and tear occurs in sectors where labor productivity has increased as a result of the growth of labor skills, which leads to a decrease in their value. This type of wear and tear does not necessitate replacing the existing technical equipment with new ones because the technical level of the existing and new equipment remains the same. However, the broadening of the range of labor tools with significantly lower prices leads to the loss of part of the value of previously purchased labor tools.

In the second type of psychological wear and tear, more advanced, cheaper, and more efficient machinery supersedes previously purchased labor tools in line with the goal of production cost reduction, and consequently, they are replaced with new ones. Overcoming the potential negative consequences of psychological wear and tear is considered quite beneficial for efficient use of primary capital.

Part of the expenses incurred for the repeated production of primary capital is covered through the depreciation fund. Depreciation, due to the wear and tear of primary capital, involves gradually accumulating a portion of its value equivalent to the depreciation amount of the product during production, which is later used for the purposes of reconditioning the primary capital.

The depreciation rate is determined as a percentage of the annual amount of depreciation allowances relative to the value of this primary capital. The overall depreciation rate of depreciation allowances is divided into two parts based on the specific characteristics of the repeated production of primary capital: one part is allocated to the complete replacement of primary capital, i.e., reconstitution, and the other part is allocated to partial replacement, i.e., capital repair.

In practice, to determine the overall annual depreciation standards (An), the value of the primary capital (Kas), the expenses for capital reconstitution (Tk) over the duration of the primary capital's operation, the amount obtained from the disposal of worn-out labor tools (Mt), and the service life of these tools (Xd) are taken into account:

$$A_n = \frac{K_{as} + T_k - M_t}{K_{as} \times X_d} \times 100\%$$

The depreciation standards reflect the real amount of physical and moral wear and tear on labor tools. Increased standards promote the artificial inflation of product prices, while reduced standards prolong the duration of primary capital investment and thus contribute to development.

In today's context, depreciation allowances are considered a primary source of capital formation in developed countries. Therefore, governments often allow accelerated depreciation to be applied to corporate taxes. Establishing higher rates for accelerated depreciation enables the rapid extraction of funds relative to the value of primary funds within a shorter period. Typically, accelerated depreciation is allowed for the active portion of the primary capital. However, this situation not only accelerates the renewal of primary capital but also exacerbates the decline in the portion of capital expenses attributable to depreciation allowances.

The increase in the efficiency of using primary capital first finds its expression in increasing production volume without additional capital expenditure. On one hand, the growth rates of national product or national income, and on the other hand, the average rates of growth of primary capital usage in the national economic context serve as a comprehensive indicator of the efficiency of using primary capital.

The efficiency of using primary capital is characterized by the relationship between the value of primary capital and the volume of manufactured products and is expressed by two interrelated indicators taken from primary capital and product output: returns obtained from primary capital (K s) and the capital output ratio (K Sig). The rate of return obtained from primary capital in the national economic context accurately reflects the proportional increase in each unit of national income or national product produced by the primary capital, while the capital output ratio describes the relationship of primary capital value to a unit of national income or total product output, defining the proportionality of the primary capital value.

$$K_s = \frac{YAIM}{K_{as}} \text{ yoki } K_s = \frac{MD}{K_{as}}$$

$$K_{sig'} = \frac{K_{as}}{YAIM} \text{ yoki } K_{sig'} = \frac{K_{as}}{MD}$$

The rate of return obtained from capital in a company context is defined by the proportion of primary capital value to the quantity of products manufactured by the company, denoted as (M). Meanwhile, the capital output ratio describes how much the primary capital value corresponds to a unit of products manufactured in the company (M), defining the proportionality of the primary capital value.

$$K_{samara} = \frac{M}{K_{as}} \qquad K_{sig'\,korx.} = \frac{K_{as}}{M}$$

The efficiency of using various types of labor resources in a company is determined using natural indicators. For example, in a textile factory, the output might be measured in meters per day, while in an automobile plant, it could be tons of cargo transported per day, and so on.

Primary capital, or funds, is intricately linked with the movement of circulating capital and transaction funds. Therefore, determining the efficiency of using circulating capital and transaction funds and indicating factors for its improvement are also of significant importance.

In the economic context, the comprehensive indicator of the utilization of circulating capital is determined by the ratio of the material output (M Output) to the value of circulating capital used in production, expressed either as domestic product (GDP) or national income (NI).

$$M_{sig'} = \frac{AK}{MD}$$

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The material turnover within the company (M Sig<kor) is determined by the ratio of the value of circulating capital used to produce to the value of the manufactured product.

$$M_{sig'.korx.} = \frac{AK}{M}$$

The amount of produced goods is inversely proportional to the material turnover ratio, calculated based on the ratio between the amount of material turnover and the unit of capital used.

The efficiency of using circulating capital with turnover is directly related to the ratio with turnover capital. The higher the turnover of circulating capital during direct production processes, the more efficiently the turnover of circulating funds is utilized.

In practice, the efficiency of using turnover funds is indicated by their turnover coefficient. This coefficient is determined as the ratio of the average annual amount of turnover funds to the average annual amount of sold product value within a year.

The duration of turnover (a) is determined by the ratio of the number of days in a year to the number of turnover cycles (n) within a year.

$$a = \frac{360}{n}$$

According to paragraph 3.2 of the Decree No. PF-4947 of the President of the Republic of Uzbekistan dated February 7, 2017, "On the Strategy for Further Development of the Republic of Uzbekistan" states, deepening structural reforms to enhance competitiveness in terms of modernizing and diversifying the leading sectors of the national economy: ensuring the sustainability and stability of the national economy, promoting industry, service provision, small business, and private entrepreneurship;

In paragraph 3.4 of the decree, it emphasizes continuing institutional and structural reforms aimed at reducing state involvement in the economy, protecting private property rights, strengthening its leading position, and enhancing the attractiveness of small business and private entrepreneurship development:

- Ensuring reliable protection of property rights and guarantees, eliminating all levels and barriers to small business and private entrepreneurship development, granting them full freedom, implementing the principle "If the people are rich, the state will also be strong and powerful".

- Creating a favorable entrepreneurial environment for the broad development of small businesses and private entrepreneurship, ensuring the effective interaction of state, legal, protective, and supervisory bodies in the activities of entrepreneurial structures;

- Further diversifying state ownership and streamlining its management processes, reducing state participation in charter capital mergers of corporate entities, creating favorable conditions for the development of private entrepreneurship based on objects with privatized state property;

- Improving and enhancing the efficiency of procedures and mechanisms for connecting entrepreneurial entities to engineering networks.

Basic key concepts:

Entrepreneurship activity - an economic activity aimed at obtaining definite profit and efficient utilization from it.

Joint-stock company - an association that issues shares to raise capital for combining labor, labor tools, and other means of production, as well as monetary resources.

Share - a valuable paper that certifies the owner's share in the capital of the joint-stock company and the right to receive income from it in the form of dividends.

Share price - the price at which shares are traded in the stock market.

Bond - a valuable paper confirming the deposit of money with the company on the condition of receiving interest payments to the owner.

Profitability - the difference between the amounts actually invested in the sold shares and the joint-stock company.

Dividend - a type of income that the shareholder receives.

Entrepreneurial capital - all the financial resources, goods, and monetary assets necessary to carry out entrepreneurial activities.

Working capital - the part of fixed capital that undergoes complete transformation in the production process, being converted into the finished product, and also includes the portion used for replenishing the product or service, and the intangible part that does not change its form.

Basic capital - the part of fixed capital involved in production and service provision, consisting of a series of continuous processes, contributing to the creation of its own value in the product or service provided, and being a component of both the product and service provided and the intangible part that does not change its form.

Amortization norm - the expression of the annual amount of depreciation allowances in relation to the value of the basic capital.

Questions for review

1. Define entrepreneurial activity. Explain the terms "entrepreneurial activity" and "business".
2. Identify the tasks of entrepreneurship. Why is entrepreneurship often associated with risk-taking?
3. What are the conditions for the development of entrepreneurship?
4. Describe the forms of entrepreneurship and their characteristics.
5. Provide a definition of a joint-stock company. How is the stock price determined? Explain the factors affecting the stock price.
6. What is entrepreneurial capital? How is its organizational structure?
7. What are the methods and forms of capital production and operations management?

8. How is the speed of capital turnover determined? If we assume that the capital turnover consists of two months, how many times a year does it occur, and how long does each turnover take?

9. What does the economic content of amortization consist of? How is its norm defined?

10. How is the efficiency of using basic capital determined? Compare the indicators of using working capital and fixed capital efficiency.

11. Chapter. EXPENSES AND PROFIT OF THE COMPANY (FIRM)

11.1. The content, composition, and types of production costs.
11.2. Changes in production costs in the short and long term.
11.3. Company's revenue and profit. Profit rate and margin, factors influencing them.
11.4. Bankruptcy of companies and liquidation.

A significant factor determining the level of operating expenses that identify the capacity of companies to deliver products to the market. Producing any goods incurs economic resource costs, and they also have a specific price.

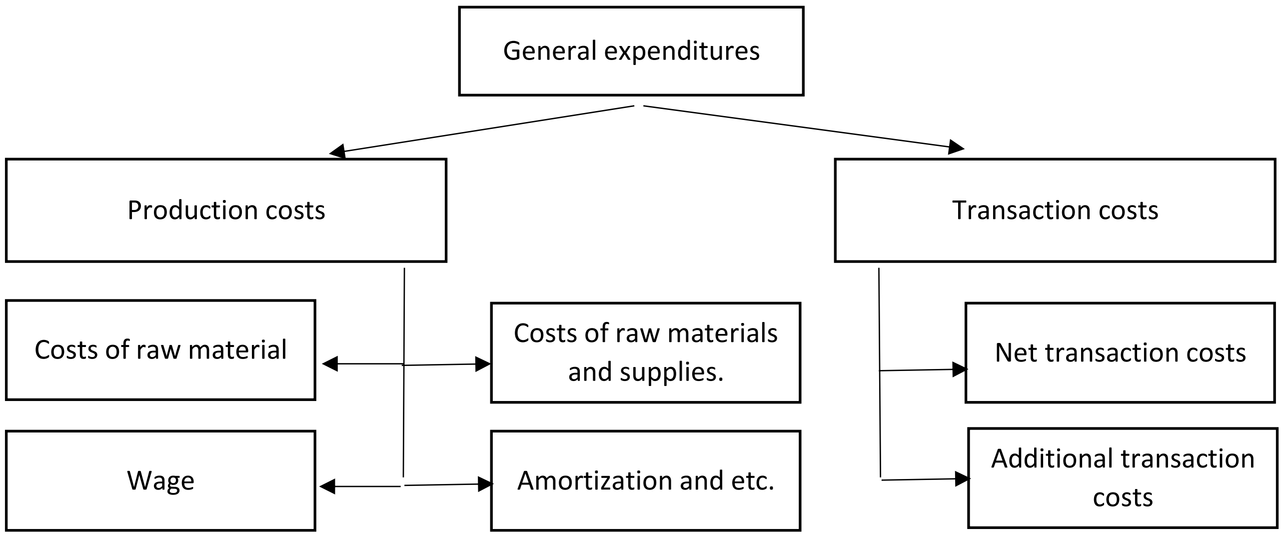
The quantity of goods offered by companies to the market is related to economic costs, resource prices, efficiency of resource utilization, and market prices at which goods are sold.

In this context, we will discuss the general nature and composition of operating expenses and analyze the formation of profit, as well as provide insights on the bankruptcy and liquidation of companies.

11.1. Content, composition, and types of production costs

When we talk about production costs, we mean all expenses incurred in producing goods and services and delivering them to consumers. Production costs include raw materials, primary and auxiliary materials, expenses for equipment and energy, depreciation of fixed capital, labor costs, and social security contributions, interest payments, and other expenses. The reflection of all production expenses in money terms forms the cost price of the product.

The production costs can be divided into two categories: production costs and transaction costs (Figure 11.1). The cost of production only constitutes a part of the product's value. Production costs are lower than the profit amount. The concept of transaction costs is related to the process of selling goods and is defined as the expenses incurred until the goods are taken from the producer and delivered to the consumer. They are divided into two groups: additional transaction costs and primary transaction costs. Costs such as sorting, packaging, labeling, transportation, loading, and storage are considered as additional transaction costs. These types of transaction costs are considered as a continuation of production costs and are included in the product's value, increasing its price. The costs are deducted from the total amount received after selling the goods.



11.1. Structuring of Expenses in the Visible Expenditure diagram.

Visible costs in the field of the production are the seller's salary, marketing, advertising, and similar expenses. The visible costs of production do not increase the value of the goods, and the profit obtained after selling the produced goods is calculated from the income received after selling the goods.

The concepts of production costs in the second direction are formulated by marginalists and neoclassicists, and they take into account classical theories to a certain extent. However, the unique aspect of these concepts lies in the fact that they consider the constraint of resources in understanding production costs and the possibilities of using them.

It is known that the use of a specific resource in one direction of production expenditure restricts the possibility of using it in other directions to a certain extent. Therefore, an entrepreneur or resource owner tends to move towards the direction that generates the highest profit from the mentioned resource.

To attract economic resources for its highest possible utilization in other alternative directions, it is called opportunity cost.

Economic expenses are one of the economic indicators in microeconomics, and it plays an important role in indicating the efficiency level of producing a certain type of product or providing a service within the framework of a company (firm).

According to the theory of marginal cost, resources that can be used in the production process can be either own resources or resources acquired. Therefore, expenses can be internal or external expenses (Figure 11.2).

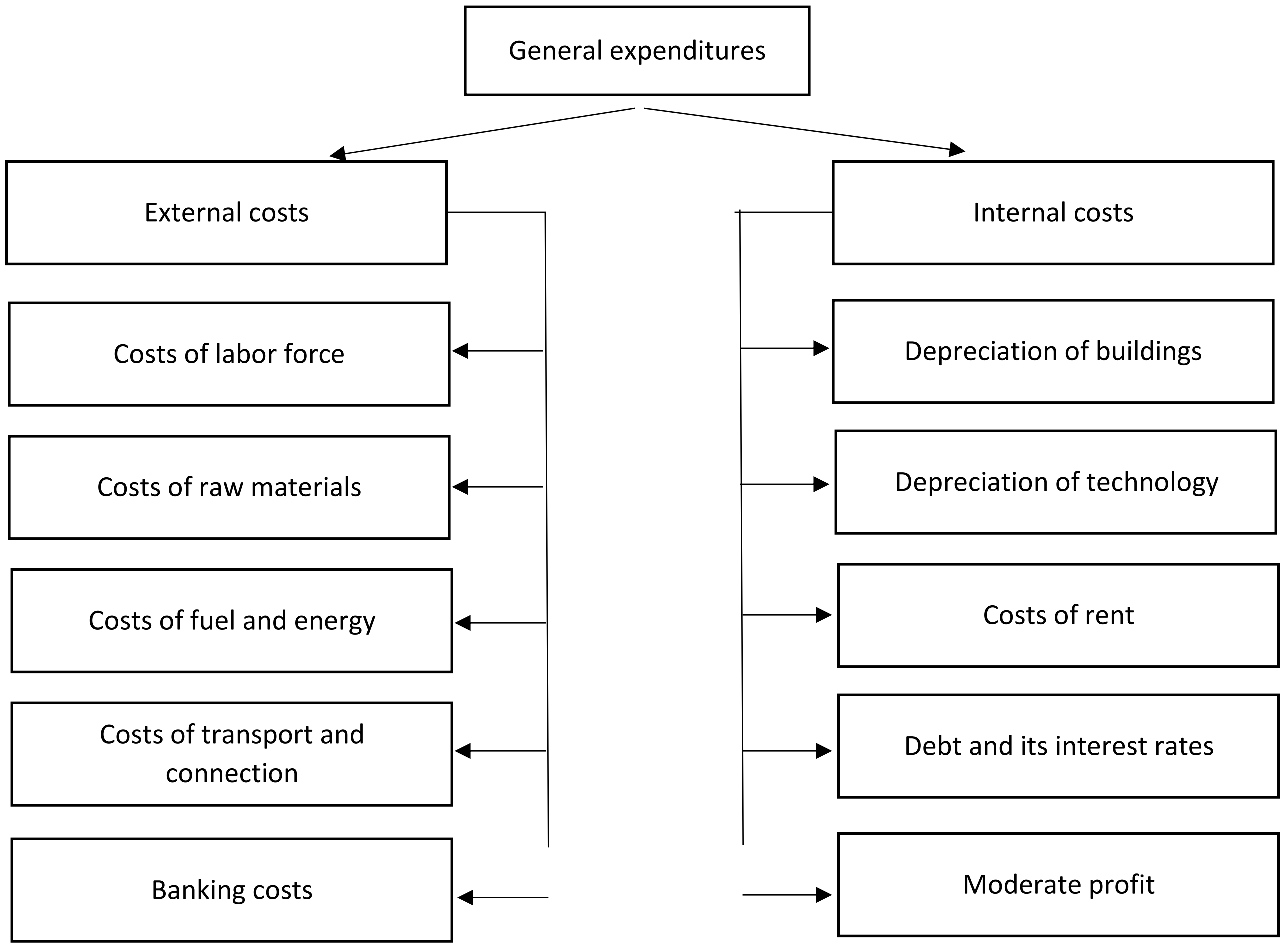


Figure 11.2. The cost is based on the source of attraction classification.

External costs refer to the resources and services acquired by a business from outside sources in exchange for payment. These costs encompass expenses such as wages for hired employees, procurement of raw materials, payments for materials, interest on loans, rent for leased land, transportation services, and various other services. They are formalized through payment documents and are hence termed accounting expenses.

On the other hand, internal costs are those incurred using the company's own resources. These expenses do not manifest as direct payments but are evaluated by comparing the value of the company's resources to similar resources in the market. These costs include normal profit, which comprises components like rent and salary necessary to maintain business activity.

Normal profit differs from economic profit. Normal profit represents the compensation for entrepreneurship as an economic resource. If a particular business activity fails to yield normal profit, entrepreneurs tend to cease that activity and redirect their efforts elsewhere.

The classification of expenses into internal and external categories provides a basis for comparative analysis aimed at enhancing the efficiency of economic activities. Additionally, expenses can be categorized based on their responsiveness to changes in production volume, distinguishing between fixed and variable costs.

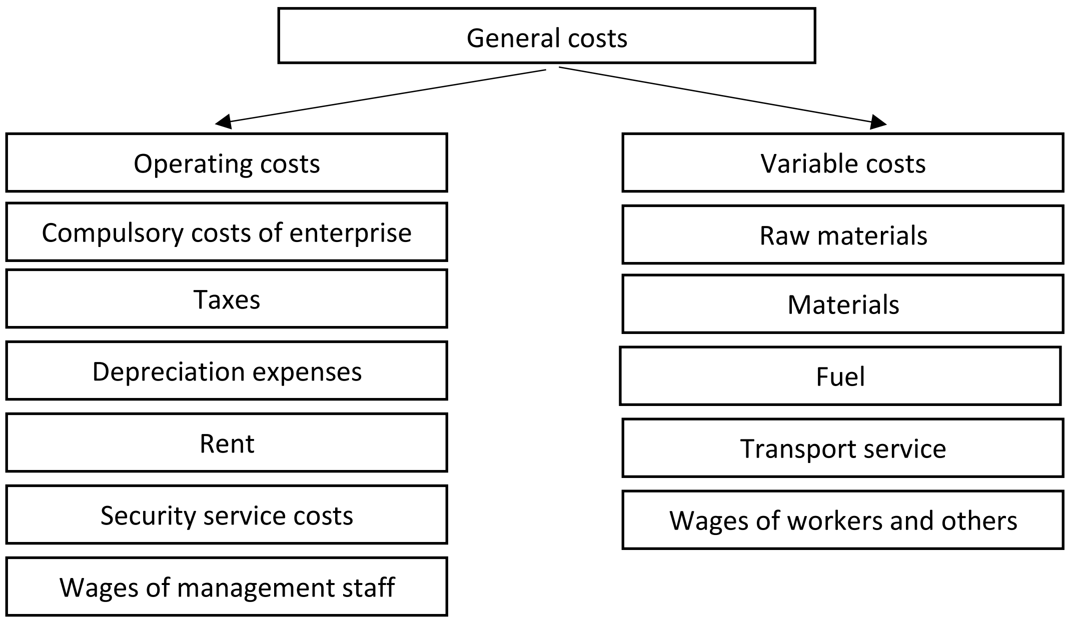


Figure 11.3. Depending on the change in production volume cost classification.

Fixed costs (FC) are expenses that remain constant regardless of changes in the volume of production. Increasing production volume does not directly impact fixed costs. Examples of fixed costs include loan interest payments, taxes unrelated to production volume, depreciation expenses, rent, security service fees, technology service costs, and salaries of management staff.

Variable costs (VC), on the other hand, are expenses that fluctuate with changes in the volume of production and directly affect income. Examples of variable costs include raw materials, supplies, fuel, transportation services, and wages of production workers.

At any given level of production, the sum of fixed costs (FC) and variable costs (VC) constitutes the total costs (TC). This relationship can be visualized through Figure 11.4 on the graph.

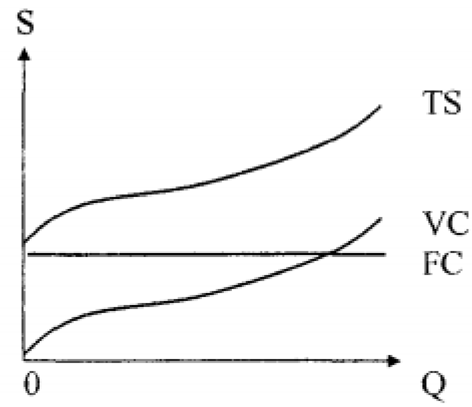


Image 11.4. Fixed, variable, and total costs.

The concepts of average total, average fixed, and average variable costs are used to calculate the cost of production per unit. Average total costs are equal to the total costs divided by the quantity of the produced goods.

$$AC = \frac{TC}{Q}$$

Here:

AC - Average total costs;

TC - Total costs;

Q - Quantity of produced goods.

Average fixed costs are determined by the ratio of fixed costs to the quantity of goods produced.

$$AFC = \frac{TFC}{Q}$$

Here:

AFC - Average fixed costs;

TFC - Total fixed costs.

Average variable costs are determined by the ratio of variable costs to the quantity of goods produced.

$$AVC = \frac{TVC}{Q}$$

Here:

AVC - Average variable costs;

TVC - Total variable costs.

Average total costs can also be expressed as the sum of average fixed and average variable costs.

$$AC = AFC + AVC$$

Here:

This graph illustrates the curves of average total, fixed, and variable costs in the following manner (Figure 11.5).

To achieve maximum profitability, it is necessary to determine the optimal quantity of goods to produce. In this regard, economic analysis facilitates the concept of marginal cost, which represents the additional cost incurred by producing one more unit of output.

Moreover, the term "marginal cost" refers to the additional costs associated with producing an additional unit of the product.

$$MC = \frac{\Delta TC}{\Delta Q}$$

Here:

MS - Marginal cost;

ATS - Average total cost change;

AQ - Change in quantity of product.

It is possible to determine the additional costs for each additional unit of output. The costs incurred for producing each additional unit of goods or services are referred to as marginal costs.

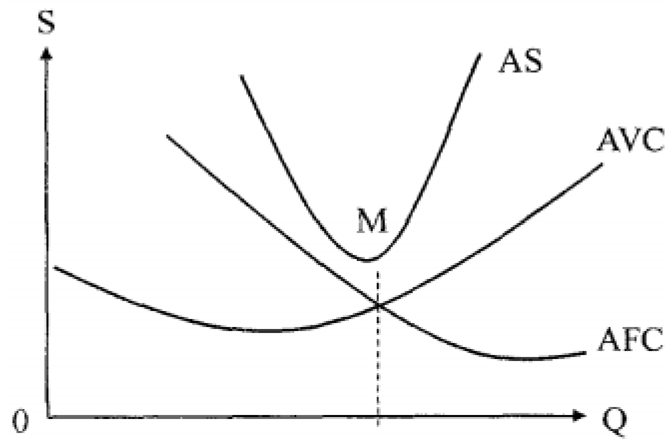


Figure 11.5. Curves of average costs.

11.2. The Dynamics of Production Costs in the Short and Long Run

In the determination of production costs, time is a significant factor. The passage of time can significantly influence the outcome until the costs incurred yield final results. Therefore, considering the factor of time, production costs are analyzed separately for short and long periods.

To increase the production capacity in the short term, it is only possible to increase the quantity of variable costs. These are short-term costs. However, the production facilities (such as manufacturing buildings and equipment quantity) remain constant and only sufficient to increase the degree of their utilization.

Long-term period refers to a period during which a company has enough time to adjust its production capabilities and the quantity of all fixed resources. The change in production capabilities is determined by the continuous adjustment of the company's resources and may vary depending on specific industry and company characteristics.

Short-term period, on the other hand, refers to a period during which a company can increase its production capacity only by increasing the quantity of its variable resources. These are short-term costs. However, the company's production facilities (fixed resources) remain constant and sufficient only to increase the degree of their utilization.

This situation is explained by marginalists through the law of diminishing returns in production. According to this law, starting from a certain period, each additional unit of variable resource, i.e., labor or any other factor, yields diminishing returns, meaning it produces less additional output.

The law of diminishing returns is based on the assumption that all variable resources, or labor in particular, are homogeneous. Thus, each additional unit of employed labor is considered to possess equal intelligence, knowledge, skills, speed of movement, and other characteristics.

Therefore, the diminishing returns of the additional labor do not result from the fact that each subsequent worker possesses less skill, but rather from the fact that, due to the need to employ increasingly larger numbers of workers in relation to the available quantity of capital or funds, the marginal productivity decreases. This is where the proportional relationship between the factors of production is disrupted.

It should be noted that the law of diminishing returns is not a natural law in itself but rather results from changes in factors of production, specifically from the increase in some and the lack of change in others.

Due to the convenient economic environment, the widespread expansion of production capabilities results in an increase in average total costs alongside the expansion of production capabilities over a certain period of time. However, in practice, further increasing production capabilities leads to an increase in average total costs. Such cases cannot be explained by the law of diminishing returns, as it considers the unchanging quantity of one of the resources used in production. In the long run, the quantity of all resources changes. Furthermore, in our analysis, we assume that all resources are considered fixed in quantity in the long run. Therefore, in the long run, we consider all resources to be fixed. Consequently, the explanation of the change in average costs in the long run can be elucidated through the positive and negative consequences of increasing production capacity.

The positive consequence of increasing production capacity is evident. As the volume of production increases in the company, a series of factors begin to influence the decrease in average costs. These factors include:

1. Specialization of labor.
2. Specialization of managerial staff.
3. Efficient utilization of capital.
4. Economies of scale in the production of additional types of products.

With the passage of time, the expansion of the firm leads to negative economic consequences, and as a result, the unit cost of production may increase.

The negative consequence of expansion is mainly due to the difficulties faced by the management in effectively monitoring and adjusting the activities of the enlarged firm. In a large company, where a single manager may not be able to personally make all important decisions related to its activities, the effective control and adjustment of all aspects of production become more challenging. Due to the size of the firm, the manager can have a good understanding of the entire production process and quickly adapt all directions of the firm's activities, analyze information from subordinates, and make clear and effective decisions based on them.

However, such a convenient situation may not last with the expansion of the firm's scale. Administrative staff and management layers responsible for overseeing and coordinating the production process multiply; the top management remains somewhat detached from the actual production process. Gathering, understanding, and reworking all the necessary information for decision-making becomes beyond the capacity of one individual. The deepening and broadening of the management apparatus exacerbates information exchange and coordination issues, as well as bureaucratic red tape. Decisions made by various branches of management may contradict each other, potentially undermining effectiveness and leading to an increase in average production costs. In other words, while the quantity of all resources may increase by 10%, the volume of production may not correspondingly increase by 5% in an orderly manner.

The long-term consequence of the expansion of production capacity may sometimes result in a significant discrepancy between the positive consequence of increasing production volume with the positive consequence of increasing average costs and the negative consequence of increasing production volume with the negative consequence of increasing average costs. In both scenarios, a 10% increase in the quantity of all resources leads to a 10% increase in production volume in proportionate terms.

The expansion of production capacity through deep specialization allows management to make much better use of specialized labor. Consequently, this leads to an increase in efficiency and a decrease in production costs per unit.

11.3. Revenue and Profit of the Company. Profit margin and its determinants.

Assessing the company's performance relies heavily on the volume of goods sold, the incurred expenses, and the profit concepts.

The revenue generated from selling goods and services in companies is referred to as sales revenue or revenue. For instance, if a company produces 200,000 units of "Motor" product in one month, and each unit is sold for $2000, then the company's monthly revenue would be $400 million (200,000 x $2000).

However, the revenue of the company alone cannot adequately assess its performance. This is because this revenue does not reflect the company's costs incurred. Therefore, the portion of revenue remaining after subtracting expenses - profit - is essential.

After covering all expenses from the company's revenue, the remaining portion is referred to as profit. In some literature, this economic profit is also referred to as profit. In our example, let's say the monthly expenses for producing the "Motor" product amount to 100 million som. In this case, the company's monthly profit would be 300 million som (400 million som - 100 million som).

Profit composition consists of two stages:

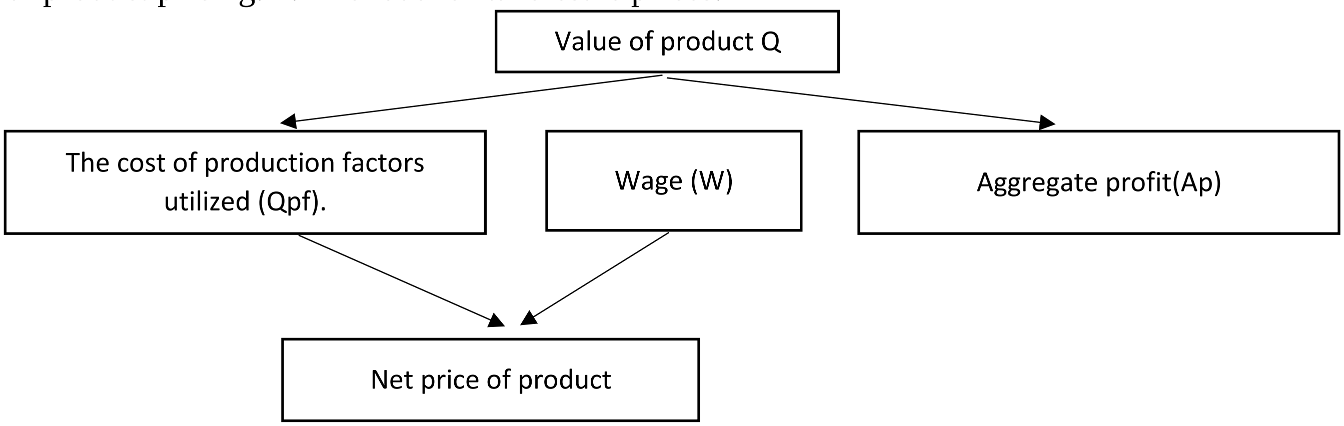
1. Profit is generated during the creation of new value in the production process. The additional value created is considered the main source of profit, although it may not yet be apparent in its final form.

2. Profit becomes evident in the form of surplus revenue after subtracting expenses from the sales revenue of goods and services sold.

Thus, when goods and services are sold, their total value corresponds to revenue, while the surplus value represents profit. From this perspective, the true basis of profit is the surplus product or surplus value. Typically, large-scale enterprises in the production sector produce goods in large quantities and sell them at wholesale prices. Therefore, if their wholesale price exceeds their cost price, they make a profit. Producer surplus (PS) is the difference between the product's cost price (C) and its wholesale price (P):

Producer profit = wholesale price – product net price

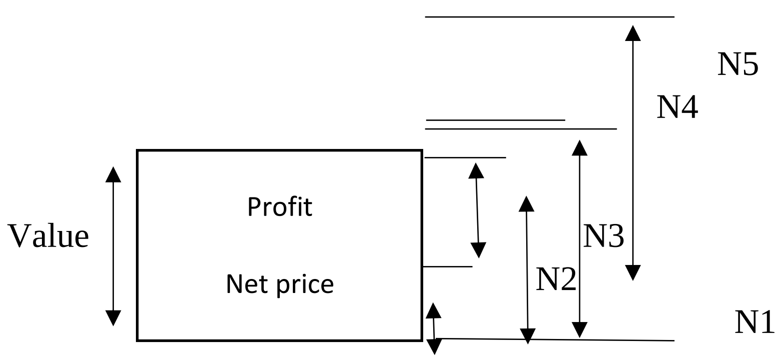
So, the profit derived from the product unit depends on two main factors: 1. The degree of product pricing. 2. The level of wholesale prices.



11.6 diagram. Composition of Product Price.

Market price - this is the reflection of the expenses incurred in producing the product in money. In this case, it is necessary to distinguish the product price from its value. It is known that the product price (Q) includes both the cost of production factors (Qc) and the newly created value (Qnew). In turn, the newly created value is divided into labor costs (LH) and total profit (Py). This situation can be seen through Figure 11.6.

The second factor influencing the amount of profit is the selling price set by the company, which in this case represents the market price of the product, showing five main situations of the relationship between the product price, its value, and its cost price (Figure 11.7).



11.7-rasm. Product price and the ratio of price to value.

In the diagram, in the first scenario, the price is significantly lower than the product's value (N1 degree), resulting in a possible loss if sold. In the second scenario, with the price at the N2 degree, it equals the expenses incurred by the company, meaning only covering the cost of production is ensured. The third scenario at the N3 price level is higher than the cost but lower than the value, resulting in a reduced profit for the company due to the less comprehensive benefit in the product. The fourth scenario at the N4 price level is equal to the value, allowing the company to capture all the benefits integrated into the product. Finally, setting the price level at N5 provides the company with the opportunity to gain more profit than just the product's value.

The allocation of total profit is also crucial (Figure 11.8). Initially, the total profit is distributed to various economic entities through different channels. These channels may include lease fees for the use of others' land and buildings, interest for borrowed funds, taxes paid to the state and local government bodies, as well as contributions to various charity and other funds.

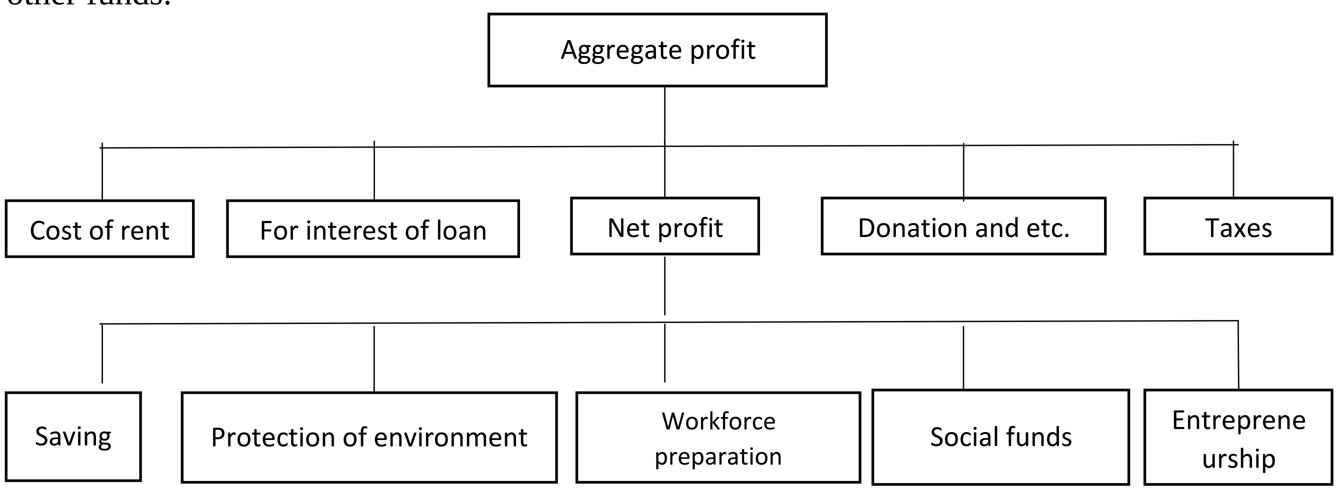


Diagram 11.8 Distribution of aggregate profit

The remaining portion of Mablag4 constitutes the surplus profit of the company. It is allocated towards expanding the production, meeting social needs such as community development, environmental conservation, employee training and retraining, and other objectives.

The accounting profit is determined by subtracting the external expenses of production from the total monetary sum received for the sold goods. Therefore, the accounting profit exceeds the economic profit due to internal costs. Internal costs always include the normal profit within themselves.

The absolute amount of company profit constitutes its magnitude. The ratio of profit mass to production expenses and its utilization in percentage terms is called the profit rate.

In practice, there are two methods for calculating the profit rate. These are based on the current expenditures - the company's expenses or advances made, and the basic and variable capital ratio.

These are determined as follows:

Here: $P' = (P/W) \times 100\%$

P' - profit rate;

P - profit mass;

W - production costs.

$$P' = (P/K_{avans}) \times 100\%$$

Here:

P' - profit margin;

P - profit mass.

Kavans (basic capital + working capital) - the average value of the company's advanced funds or the average value of basic and working capital.

The profit margin is inversely proportional to the volume of the product being produced as well as to the cost of production or the value of the advanced funds. Therefore, the profit margin is considered an integral indicator of the company's production efficiency.

To increase profit, the overall volume of the product can be increased in two ways: by reducing production costs or by increasing the price.

11.4. The bankruptcy (insolvency) and liquidation of companies

The declaration of bankruptcy, meaning the cessation of activity by industrial subjects or companies, necessitates the identification of factors that influence this event objectively and subjectively. Objective factors include the specific actions, scope of operations, and conditions of activity of industrial subjects, as well as the effects resulting from the implementation of existing economic laws. Most of the characteristics peculiar to small businesses and entrepreneurial activities that define the economic nature of this sector are evident as objective factors in the cessation of their activities.

Companies with a high level of insolvency in our country are recognized and liquidated as economically insolvent according to the Law "On Bankruptcy" adopted on May 5, 1994, and amended on April 23, 2003. Currently, the implementation of the above-mentioned law is carried out by the State Committee for Supporting Monopoly Elimination, Competition, and Entrepreneurship and its territorial departments.

Bankruptcy is derived from the Italian word "banco rotto," meaning "broken bench." Although it is often interpreted as the "end of the line," in reality, it signifies the downfall of a debtor into a state of insolvency, leading to their ruin.

While the term "bankruptcy" in Uzbek translates to "sinish," implying a negative connotation, it actually yields significant benefits when compared to the dire financial situation of the debtor. Bankruptcy proceedings, recognized by business courts, are aimed at selling insolvent business entities to entrepreneurs. Additionally, legal procedures and external management appointments are utilized.

Bankruptcy is a phenomenon predetermined in the market economy. It indicates the economic insolvency of a company, in which case, it fails to fulfill the demands of creditors concerning debt repayments or compulsory payments. If applicable obligations or payment obligations are not met within three months from the date they become due, bankruptcy can be declared.

The identification of a company as bankrupt occurs only through legal proceedings initiated by business courts, and creditors, lenders, and the prosecutor have the right to appeal to the business court with a petition concerning bankruptcy. Furthermore, a company may also be declared bankrupt due to its failure to fulfill compulsory payments. In such cases, creditors, the prosecutor, state tax authorities, and other authorized bodies have the right to appeal to the business court with a petition concerning bankruptcy. If a company foresees its inability to meet its obligations within three months, it has the right to appeal to the business court with a petition concerning bankruptcy in advance.

When the bankruptcy procedure is initiated, the interests of all creditors are protected by either the formation of a creditors' meeting according to the Law "On Bankruptcy" or by a creditors' committee. The business court, having accepted the petition for bankruptcy proceedings, does not allow individual appeals from creditors until the completion of the negotiation process. The decision to convene a creditors' meeting is made by the absolute authority of the creditors' assembly.

The creditors' assembly determines the members of the creditors' committee, specifies its numerical composition, and decides on the premature termination of the powers of such committee members;

The decision on submitting a petition to the business court with a request to approve the current bankruptcy proceedings or extend their duration, along with the accompanying application;

The decision to initiate and conduct bankruptcy proceedings and termination thereof by submitting a petition to the business court with the accompanying application;

The decision to approve the schedule for repayment of debts and to confirm the plan for their repayment;

The decision to approve the external management plan.

The organization and regulation of bankruptcy proceedings are carried out by the Cabinet of Ministers of the Republic of Uzbekistan and the state body responsible for bankruptcy matters. The decisions adopted by this body are binding for ministries, state committees, agencies, state administration bodies, and other legal and natural persons within the framework of its powers.

The system of indicators is of particular importance in identifying the instability of the balance sheet of financially distressed companies. The system of indicators is based on current liquidity, self-sufficiency, and the possibility of ensuring payment capacity. Based on these indicators, the instability of a company's balance sheet is determined, and the insufficient possibilities for ensuring payment capacity are identified.

It is well known that the termination of activities by economic entities is generally perceived as a negative state. Because the termination of any company's operations is usually associated with the emergence of certain negative conditions, as follows:

- The depletion of economic resources attracted to the activities, leading to their depletion;

- An increase in the number of unemployed individuals due to the cessation of operations, leading to an increase in social instability;

- The emergence of distrust among society members in engaging in entrepreneurial activities, relative to cooperation among society members in general.

Studying the termination of entrepreneurial activities primarily involves paying attention to subjective factors that highlight this situation. Subjective factors, unlike objective ones, arise as a result of various specific circumstances, conditions, and individual actions, and they can be addressed or mitigated through specific measures or interventions.

In order to create the possibility for economic entities to accurately assess their own economic situation and to utilize the legal institutions of economic courts and external management for bankruptcy proceedings, the bankruptcy procedure is considered as a legal measure taken by the economic courts towards a legal entity debtor in relation to its payment capacity assessment and management of debt repayment to creditors in order to achieve the goal of creating the opportunity to accurately assess their own economic situation. The bankruptcy procedure is considered as a legal measure taken by the economic courts towards a legal entity debtor in relation to its payment capacity assessment and management of debt repayment to creditors in order to achieve the goal of creating the opportunity to accurately assess their own economic situation. The restructuring process can be divided into the following directions:

1. Restructuring the production activities or production capacities of the enterprise.

By analyzing the production structures of the enterprise, it is determined whether some production capacities should be retained or phased out in the future due to the decline in market demand and the loss-making production capacities for the enterprise. This halt is seen as an opportunity to establish new production based on the market demand of the retained production capacities or to establish additional enterprises based on the production capacities of other enterprises (revised profile).

2. Restructuring the finances and economy of the enterprise. In this case, it is considered advisable to carry out work in three main ways using anti-crisis management methods.

Firstly, mobilizing internal reserves of enterprises and organizations. The following activities are carried out for this purpose:

- One of the main problems of enterprises operating in our country is the delay in receiving payment for sold products and provided services, i.e., being retained as debtors. Therefore, one of the main methods of restructuring is to enable debtors to have access to financial resources by means of timely payment;

- Due to the fact that production management is not correctly organized in many enterprises, excessive production reserves are being accumulated. This, in turn, leads to enterprises not being able to repay debts on time. The sale of excess production reserves is considered in the systems of ensuring enterprises with financial resources.

- In many enterprises in our country, the utilization rate of labor resources is low. Mobilizing internal reserves of enterprises is another important direction of restructuring, as well as restructuring labor resources. This involves optimizing or reducing the number of employees based on the current activities of the enterprise or the goals set for the enterprise, either reducing or optimizing the number of employees.

- To increase the liquidity of circulating assets of enterprises, in addition to the circulating assets mentioned above, selling or attracting circulating assets that have been lying in the balance sheet in a frozen form for several years. When analyzing the processes of individual enterprises (construction enterprises, for example), it is observed that the shares of enterprises are being sold to each other by necessity and have not received dividends until now. Therefore, by selling circulating assets, funds are attracted to the enterprise.

Secondly, restructuring the debts of enterprises' creditors.

This process involves extending the payment terms to a certain period based on negotiations with creditors, decisions of economic courts, or decisions of state creditor committees regarding the debts owed to the state. Issues related to extending the payment deadlines of creditors or restructuring creditor debts are considered.

According to the Law of the Republic of Uzbekistan "On Bankruptcy," there are three types of restructuring processes:

1. Implementing a temporary suspension of payments to the enterprise. The temporary suspension of payments is carried out until the bankruptcy proceedings are completed. In case of bankruptcy signs, the leader of the debt must inform the participants of the debt, management bodies, or the owner of the debt in writing. In order to prevent bankruptcy, measures are taken to financially stabilize the debtor until the debtor is declared bankrupt. The measures taken to financially stabilize the debtor may also be considered by creditors or other individuals involved in the agreement with the debtor.

The main measures of implementing a temporary suspension of payments are as follows:

- Fully or partially repaying the overdue debts that have been postponed, or selling them, specializing in production to produce competitive products, and attracting highly skilled experts from abroad.

- Providing financial assistance by legal and physical persons who benefit from continuing the activities of the debtor, training and retraining employees, ensuring the debt repayment capacity, and continuing its activities, reaching an agreement on postponing the deadline for repayments announced to creditors between the debtor and creditors or restructuring the debts, or providing benefits from debts, and restructuring the legal entity of the debtor to execute the mandatory payment obligation and repay the loans to extend the deadline for implementing the temporary suspension of payments and restructuring the debtor. The implementation of a temporary suspension of payments with the assistance of the state is carried out in accordance with the decision of the authorized body granted by the Cabinet of Ministers of the Republic of Uzbekistan.

2. Implementing a temporary suspension of payments for a company.

The temporary suspension of payments is implemented based on the decision of the creditors' meeting convened by the bankruptcy trustee. In the decision to implement the temporary suspension of payments, the duration of the temporary suspension of payments, the schedule for repaying the debt approved by the bankruptcy trustee, the entities providing the guarantee for fulfilling obligations, the amount and forms of such guarantees, the appointment of the temporary administrator, and the information on the amount of fees to be paid to them must be indicated. It is possible to file a complaint against the decision to implement the temporary suspension of payments. Filing a complaint against such a decision does not suspend its execution. The temporary suspension of payments is usually implemented for a period of up to twenty-four months, and this period may be extended by the bankruptcy trustee for up to six months to meet the demands of the creditors providing the guarantee for fulfilling obligations. At the time of implementing the temporary suspension of payments: the actions taken to meet the demands of the creditors are canceled, restrictions on disposing of the debtor's assets and managing the debtor's assets in favor of the debtor are only imposed in a different manner within the scope of bankruptcy proceedings, and penalties, fines, and other economic sanctions that must be imposed are not applied.

3. Introduction of external management to a company.

External management is implemented based on the current situation: the leader of the debtor is relieved of performing his duties, the management of the debtor's affairs is entrusted to the external manager, and the powers of the debtor's management bodies are terminated. The leader of the debtor and other management bodies of the debtor transfer their powers to the external manager, and within three business days from the date of appointment of the external manager, the debtor's accounting documents and other documents, seals and stamps, material and other assets are handed over to the external manager, ensuring the transfer of the debtor's assets for disposal in favor of the debtor. Actions taken to meet the demands of the creditors are canceled, restrictions on disposing of the debtor's assets and managing the debtor's assets in favor of the debtor are only imposed in a different manner within the scope of bankruptcy proceedings, and penalties, fines, and other economic sanctions that must be imposed are not applied. A moratorium is imposed on the payment of the debtor's financial obligations or mandatory payments to creditors in relation to the satisfaction of creditors' demands. After the external management is completed, the debtor must pay fines (penalties, fines), as well as the amounts of damages incurred, in the current amounts for the implementation of external management.

Thirdly, restructuring some of the obligations of companies. Such restructuring cases are mainly carried out in additional companies, where it is envisaged to extend the repayment terms of loans in foreign currency borrowed from banks or the acquisition of such loans by other legal entities.

Restructuring the product sales market of companies. Financial stabilization and restructuring of low-profit large industrial enterprises are considered as one of the main issues in financial stabilization and restructuring, as emphasized above, increasing the volume of production and sales is one of the main issues.

Companies are expected to work in the following main directions in restructuring the product sales market:

- Taking the company out of the crisis through the production of new products in the new assortment;

- Increasing the profitability of products by selecting cheaper raw material markets;

- Entering new markets as a result of marketing research;

- Defining the work regulations to improve product quality and certification.

3. At the stage of restructuring companies and organizations, attracting external and internal investments to companies is crucial.

The State Commission conducting tender sales to foreign investors for the sale of state property operates in two main directions in this regard:

In our Republic, the State Commission conducts tenders for the sale of shares of large industrial enterprises or the entire property complex of the enterprise to foreign investors under investment obligations, based on the decisions of the Cabinet of Ministers of the Republic of Uzbekistan No. 368 of August 26, 2003, "On additional measures to improve the privatization of economically inefficient state enterprises and objects" and No. 209 of May 5, 2004, "On additional measures to provide certain state property objects for investment obligations free of charge."

The actions of issuing additional shares in companies or changing company owners can be implemented. This issue is considered one of the current pressing issues of the day.

4. Restructuring the management systems of companies. It is envisaged to restructure the management systems of companies in accordance with the market economy conditions, establish new systems, and update information technology systems in companies.

In this restructuring process, the main focus is on taking businesses to new levels, increasing their value, gaining access to new markets, and implementing new technologies. This, in turn, leads to the restructuring process being carried out in large companies, aimed at reducing their monopolistic positions in the market.

In the Presidential Decree of the Republic of Uzbekistan No. PF-4947 dated February 7, 2017, "On the Strategy of Actions for the Further Development of Uzbekistan," in paragraph 3.2 of the Decree, to increase its competitiveness in terms of deepening structural changes, modernizing and diversifying the leading sectors of the national economy:

- It is envisaged to significantly enhance the development of producing high-value added products through deep processing of local raw materials, primarily by advancing the production of high-tech reprocessing industries, thereby further modernizing and diversifying the industry;

- Creating an efficient competitive environment for economic sectors and gradually reducing monopolies in the product and service market;

- Actively promoting the competitiveness of national products in both domestic and foreign markets by fundamentally diversifying new types of products and technologies.

Network programs are planned to be implemented to attract 649 investment projects with a total value of 40 billion US dollars in the years 2017-2021. As a result, in the next 5 years, the production of industrial products will increase by 1.5 times, with an increase in the share of its total domestic production from 33.6% to 36%, and an increase in the share of reprocessing industries from 80% to 85%.

Main concepts:

- Production costs: all expenses incurred in producing goods and services and delivering them to consumers.
- Internal costs: costs incurred as a result of using resources relevant to the enterprise.
- External costs: expenses incurred to pay for resources obtained from outside.
- Fixed costs: costs that do not affect the volume of production and do not change even if the quantity changes.
- Variable costs: costs that affect the change in the volume of production.
- Average costs: costs that vary depending on the product unit.

Additional costs - costs incurred in producing an additional unit of the product.

Direct costs - costs directly added to the product price and included in its composition.

Indirect costs - costs that indirectly affect the product price and vary with changes in price.

Economic or pure profit - the remaining portion after deducting all costs from the total revenue.

Profit margin - the percentage representation of the ratio of profit mass to production costs.

Bankruptcy - the inability to meet creditors' demands to settle debts and obligations due to insolvency;

Settlement - the end of the dispute based on the parties' agreement to end the proceedings;

Creditors' meeting - participation in the bankruptcy proceedings by a representative appointed by the creditors' meeting or creditors' committee;

Monitoring - the process of ensuring the preservation of the property of a legal entity debtor relative to its financial situation analysis for the purpose of finding the debtor bankrupt, an application for bankruptcy is accepted and used until the next action;

Obligatory payments - taxes and other mandatory payments announced to the state budget and state targeted funds;

Moratorium - stopping the execution of financial obligations and (or) mandatory payments by a legal entity debtor;

Financial obligation - the obligation to pay a specific amount of money to a creditor based on the terms of a civil-law contract and other principles stipulated in legal documents;

Bankruptcy trustee - a person appointed by the bankruptcy estate to carry out bankruptcy proceedings;

Bankruptcy proceedings - measures taken by the participants of a legal entity debtor, its owners, creditors, and other individuals to assess the debtor's payment ability and prevent bankruptcy.

Judicial administration - bankruptcy proceedings carried out by the bankruptcy trustee appointed by the production court to manage the debtor's affairs in order to assess their payment ability and to collect the debt owed to creditors;

External administration - bankruptcy proceedings carried out by the external administrator appointed by the production court to manage the debtor's affairs in order to assess their payment ability;

Liquidation proceedings - bankruptcy proceedings initiated by the production court to liquidate the debtor's assets in a manner that is appropriate and to declare the debtor bankrupt in order to satisfy the claims of creditors in a proper manner;

Legal entity or sole proprietor unable to satisfy the claims of creditors regarding debt obligations or to fulfill their obligations regarding mandatory payments;

Representative of the creditors or owner of the debtor's assets - a person authorized by the bankruptcy trustee to represent the interests of the debtor's creditors or the owner of the debtor's assets during bankruptcy proceedings;

Representative of the debtor's employees - a person authorized to protect their own interests during bankruptcy proceedings when the debtor's employees are appointed by the bankruptcy trustee.

12. EMPLOYMENT RIGHTS AND LABOR RELATIONS

12.1. Distribution mechanisms of created products and revenues.
12.2. Economic content of labor rights, various theories, and forms of its organization and systems.
12.3. Economic content of labor relations and the essence of collective agreements.
12.4. State policy on labor rights.

The topic of labor rights, distribution mechanisms, forms, and methods of national products created in the country is of great importance. In particular, analyzing the main type of labor rights, which identify the life and standard of living of individuals, issues related to the economic nature of labor rights, factors influencing its level in the conditions of labor market relations, issues of differentiation of labor rates, as well as various types of contracts and the importance of collective agreements in shaping labor relations are emphasized. In addition, information is provided on the state's labor rights policy.

12.1. Distribution mechanisms of created products and revenues

Various theories exist regarding the distribution mechanisms of goods and services produced in the country. The theory related to market economics known as the "three factors" theory is widely discussed, with one of its main proponents being the French economist J.B. Say, who put forward the statement "the three factors of production in manufacturing" where labor, land, and capital all participate together in producing goods, with all revenues being derived from these factors and distributed among them. This theory serves as the basis for the American economist J.B. Clark's added factor of productivity, providing services. In his work "The Distribution of Wealth," Clark indicates that wealth is distributed among these three factors based on the amount of goods produced by each factor, meaning their productivity.

The positive aspects of the theories put forward by Say and Clark are as follows:

1. Each aspect of capital, land, and labor power contributes to the usefulness of a good or service in creating value;

2. There is a relationship between the amount of productivity created and the productivity and wealth of these three factors, where if these factors are proportional to each other in terms of quantity and quality, the volume of goods and services will also increase.

However, these theories have limitations because their above-mentioned assumptions do not correspond to the current conditions of market economics.

1. Sey and Clark, living in a time when economic theory had not yet developed sufficiently, due to their lack of understanding of the two main aspects of intensified labor in goods and services, and the two distinct characteristics of the resulting goods not being recognized, passively participated in the creation of value in goods through capital and land without actively contributing to it, attributing the value solely to depreciation deductions, not acknowledging the transformation of equal value into new goods through intensified labor, and only highlighting the creation of new value through intense labor.

2. The law of diminishing returns of the productivity of intensified labor, as formulated by Clark, has not been ensured to correspond to the interrelation of various factors, costs have been increasing, and scientific and technological progress has fallen behind, making it incompatible with the current conditions of a developed market economy.

3. Just as Sey and Clark stated, in the present era, all domestically produced goods are not distributed based on the quantity and productivity of these three factors, but rather the portion remaining after depreciation deductions and the establishment of centralized funds are distributed among these factors' owners.

Likewise, other representatives of different schools argue that labor is the source of all wealth and culture, therefore emphasizing the necessity of equal distribution of income among all members of society. They forget that wealth is not only the result of labor but also requires the participation of land, natural resources, and capital in its creation, meaning its productivity is the result of all three factors. Secondly, their idea that all members of society should equally share the created goods is completely incorrect, as in such a situation, producers have no incentive to increase production.

Taking into account the theoretical ideas and practical experiences mentioned above and the requirements of the economic policies being implemented in our country at the present time, we move towards indicating the following main directions of distributing the created goods:

1. Distribution of income is not always uniform but depends on the economic system in place at the time, including property relations. The material conditions of production, i.e., various forms of ownership of capital, and under the condition of state ownership of land, the national product created is distributed among the owners of property (state, society, private, personal) and workers who own labor power. Some portion of the income naturally goes to the state which carries out activities benefiting the overall society.

2. Firstly, the value of the means of production involved in creating the national product, their depreciation amounts, are deducted, as this sum is essential for the replacement of the primary means of production, i.e., capital.

3. Funds are allocated for insurance, pensions, allowances, and various other social welfare funds to ensure the mitigation of various natural disasters and extraordinary events, as well as to carry out production and service provision smoothly and without interruption.

4. Funds are allocated for governing the state, strengthening national defense, improving the quality of life and labor of the population, developing science and culture at the country level, improving the education system, and maintaining public health.

The remaining part of the internal product, as mentioned above, is distributed among capital owners, landowners, and labor force owners in the current market economy conditions and benefits the members of society. This process reveals the contribution of labor force owners and other factors of production-owners of property in the created product and shapes their individual incomes. This is where income in the form of wages, interest, rent, and profit is manifested.

12.2. The economic essence of wages, various theories, and forms of organizing and systems of wages

A certain part of the total internal product, related to workers and service providers, or in other words, the part related to labor, is distributed among its producers, i.e., the workers, based on the quantity, quality, and productivity of their labor, which is referred to as wages. Wages hold an important place in the economy of all countries in the present era. Therefore, economists pay great attention to the essence of wages. Various economists approach the definition of the essence of wages from different perspectives. In the concept of the "subsistence wage" by D. Ricardo and T. Malthus, wages are considered to be the same as the physiological minimum of necessary means of subsistence for living. However, this view is not entirely accurate. This minimum also includes the requirements dictated by the economic, social, and cultural conditions that shape the labor force. Determining the minimum amount of necessary means for maintaining the lower limit of the wage level, along with the physiological minimum, can lead to the realization that workers are forced to accept wages below this level. Monitoring the degree of wages in the economic activities of developed countries shows that the average level of physical means necessary for subsistence is significantly higher than the minimum required for survival. The labor theory of value's shortcomings consider the labor force as a separate, unique commodity. Therefore, this theory views the value of labor as an expression of its worth in money and identifies the cost of the necessary means for reproducing the labor force as the value of the labor force as a factor required for repeated production. The proponents of this theory show that a number of factors influence the value of the labor force, including natural conditions, the cultural development of the population, their skills, and the conditions for preserving the labor force and the natural conditions for its repeated production. In addition, this theory emphasizes the dependence of vital needs and their satisfaction methods on the scientific-technical, socio-economic, and cultural development of the country.

These ideas are being widely discussed by economists and scholars in the current economic discourse. For example, A.F. Shishkin and E.F. Borisov in their textbook "Economics Theory" define wages as the expression of the worker's labor power in terms of money [60, 66]. These authors criticize the idea that labor is sold in the market due to the absence of a difference between labor process and labor power, and hence argue that labor is not sold in the market but rather as a commodity of labor power. They make efforts to prove that the process of paying wages to labor resembles paying for labor, which is similar to granting rights to labor. However, viewing wages as the expression of labor power in terms of value in money does not adequately consider the overall productivity of labor, labor intensity, demand, and supply factors when determining the wage level.

In contemporary economic theory, some authors (including the textbook "Economics Theory" published under the guidance of V.D. Kamayev in "Economics") [49, 62] present wages as the price of labor, while others [72, 75] attribute the equilibrium price of demand and supply in the labor market. They mainly rely on the concept that labor is sold in the market. Labor is considered as a specific activity aimed at achieving a certain goal, closely related to the worker's skills, intensity, and outcomes. By summarizing various theories regarding the essence of wages, the following conclusions can be drawn:

1. In theories regarding wages, there is a tendency to focus on one aspect of it, overlooking its complex and multi-faceted economic nature. However, each theory provides a valid perspective on wages, containing potentially useful content.

2. The general level of wages in each country always depends on the economic development level, i.e., the overall labor productivity, national product volume, and the amount directly related to the well-being of the population. This is because a portion of these products is distributed based on the quantity and quality of labor. Therefore, different countries have varying wage levels.

3. The amount of wages should be sufficient for the worker to reproduce their labor power, support themselves, and their families at a certain level.

4. The amount and level of wages are closely related to the worker's labor power, labor intensity, and productivity.

5. The level of wages in each company or corporation is related to the level of production achieved, i.e., the volume of produced and sold goods and the amount corresponding to the labor of a worker. Therefore, even though the quantity of labor and productivity may be similar, it may vary in different companies.

Wages represent the expression of the labor quantity, quality, and productivity of workers and employees, reflecting the value derived from national production.

The wage is directly related to the necessary product created in the production process. This is because wages constitute its main component.

The main task of wages is to ensure the correlation between the living and working conditions of workers and employees, in other words, to ensure the relationship between the wage fund and the labor fund. Understanding the content of wages requires knowledge of the concepts of nominal and real wages. It is essential not only for the worker to know in what form and in what amount wages are received but also how much goods and services can be purchased with it. Hence, the distinction between nominal and real wages.

Nominal wages are the amount of money received or the wage in monetary terms over a certain period. Real wages are the quantity of goods and services that can be purchased with nominal wages. In other words, real wages represent the purchasing power of nominal wages.

It is clear that real wages depend on both nominal wages and the prices of goods and services that can be purchased. Therefore, when the conditions are the same, real wages are directly proportional to nominal wages and inversely proportional to the level of consumption and the price of services. These quantities can be described in the following formula:

$$V_r = \frac{V_n}{R}$$

Here:

Vr - real wage;

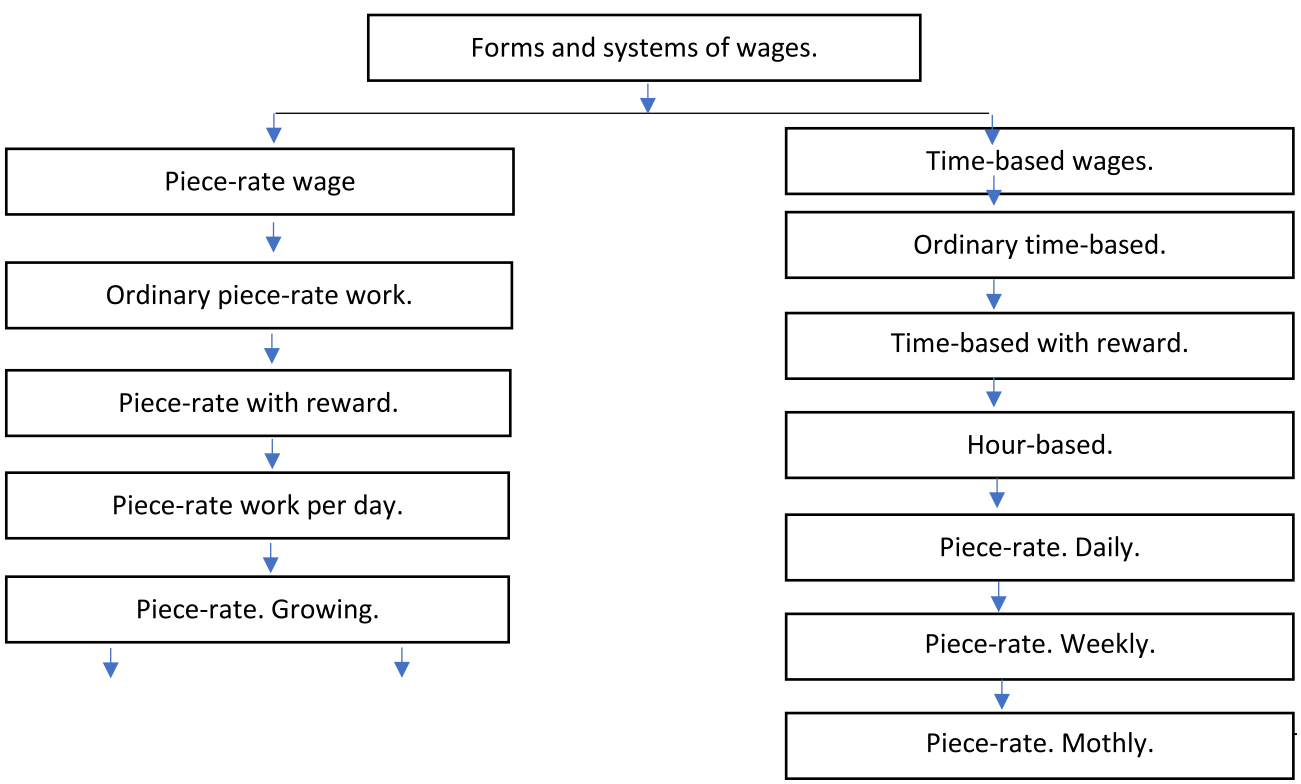
Vn - nominal wage;

R - the price level of consumption and services.

Nominal wage represents the monetary income earned from work, while real wage describes the employee's purchasing power and standard of living. Wages constitute a fundamental component of household income and will continue to be the main source of income in the future.

Time-based wage reflects the employee's skills, the quality of their work, and the work done at a given time. It is usually calculated based not only on the results of labor but also on the specific tasks performed within a certain time frame (for example, engineers, technicians, managers, contractors, electricians, etc., are paid based on the completion of specific tasks, or workers in the production process are paid based on the progress of the technological production process and not directly related to the employee (working on conveyors and automatic lines).

There are two main forms in the formation of wages: time-based and piece-rate. The types can be seen in the following figure (12.1).



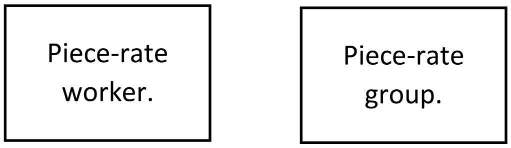


Figure 12.1. Forms and systems of wages.

Piece-rate wage is a type of wage that is determined based on the quantity and quality of the product produced by the worker or the volume of work performed.

Piece-rate wage is the amount of wage allocated for a unit of product for a piece-rate worker, determined by dividing the rate in the tariff schedule by the production norm.

The wage system encompasses a variety of forms of wage payment that take into account specific work conditions. For example:

- In the simple piece-rate wage system, the wage is determined based solely on the completion of the production norm for a single unit of product.

- The salaried worker wage system considers several indicators, such as exceeding the assigned quota, ensuring a high level of quality, and providing incentives for others.

- In the salary-based wage system, the wage is determined based on the worker's performance within the established criteria, with a wage set for a unit of product according to the tariff, and a bonus or additional payment is made based on exceeding the norm or tariff.

Additionally, wage payment for individual and group work differs in the piece-rate wage system. The quality of the finished product and the costs of production are taken into account when determining the wage. In the group form of wage payment, the wage is based on the collective efforts of the workers and is tied to the overall results of their work. Each employee benefits not only from personal tasks but also from the overall work volume of the team.

The most effective way to classify workers' wages is through the state tariff system. The tariff system classifies workers' wages based on the region, industry, types of work, various categories of employee skills, and work conditions.

The tariff system includes:

- Tariff job descriptions that detail specific skills and requirements for different professions and types of work, as well as the grades required for tariffing the work.

- In addition to grades in the tariff schedule, there are tariff coefficients that indicate the ratio of wages between the first-grade workers and those in subsequent grades (the tariff coefficient for the first grade is always equal to one).

- Tariff rates determine the amount of wage allocated to a worker based on the grade they hold.

- Additional rights are specified in the tariff rates for workers engaged in heavy and hazardous work. The wage in the form of a master's wage (differentiated by grades) is determined for professional skills.

Separating wages and salary differentials in practice is important for the economy of a particular sector. Recruiting experienced and skilled personnel to leading sectors that are crucial for the country aims to create conditions that ensure the stability of the workforce and staff in these specific sectors.

In the republic, the tariff schedule consists of 22 grades. Workers are hired based on grades 1-8, specialists and staff members based on grades 9-16, and senior managerial staff based on grades 17-22, with wages paid according to these grades. In order to ensure social protection for the population in the republic, the process of inflation in economic development is taken into account to determine the lowest level of wages. Additionally, the wage system categorizes wages and identifies a single grade for wage payment for various professions and types of work. As prices rise, the minimum wage level (grade 1) and the ratio between all grades are adjusted accordingly.

On May 21, 2019, Presidential Decree PF-5723 was adopted to improve the system of determining wages, pensions, and other social benefits.

According to the decree, starting from February 1, 2020, the following minimum amounts for wage payment were determined:

- Minimum wage payment - 679,330 soums;
- Basic calculation amount - 223,000 soums;
- Basic calculation amount for pension calculation - 238,610 soums.

Moreover, it is used to determine the minimum amount of wages, salaries, additional payments, bonuses, royalties, compensation for additional work, and other types of payments specified in the legislation, as well as to determine the amount of other payments compared to the previous minimum wage, as well as to determine the amount of social assistance needed for the support of families and the unemployed due to unemployment.

12.3. The economic content of labor relations and the role of trade unions

Labor relations refer to the relations between employers and employees regarding the conditions of labor and remuneration for labor.

The relationship between the company management and workers regarding employment is shaped through labor contracts. Labor contracts are legal documents that demonstrate and regulate the relationship between company management and workers regarding employment. Labor contracts primarily address issues such as the wage rate, overtime rates, work hours and breaks, pension funds and health care contributions, as well as arrangements for adjusting the value of wages based on changes in prices. Additionally, labor contracts address labor conditions and resolve organizational issues. Usually, agreements are concluded for several years, typically three. In some cases, the state may also influence the relations between company management and workers, such as in matters related to job allocation. However, the right to employment is part of the fundamental social and economic rights and freedoms enshrined in the "International Covenant on Economic, Social and Cultural Rights."

In most countries, the development of labor relations is primarily aimed at ensuring social security against unemployment, improving the working conditions of employees, and increasing wages. The main situation in solving these problems lies in collective bargaining.

In most labor markets, workers organize themselves into communities through trade unions to offer their labor force. Trade unions negotiate with a significant number of employees and their main economic function is to increase wages. Trade unions can achieve this goal through various means.

1. Increasing labor demand. Trade unions consider expanding the demand for labor as the most convenient way to increase wages. The increase in labor demand leads to an increase in the wage rate and the number of available jobs. Trade unions can increase labor demand by changing one or more factors: increasing demand for goods or services produced; increasing labor productivity; adjusting the prices of factors of production used jointly with labor.

2. Shortening the supply of labor. Trade unions can increase wages by shortening the supply of labor through the method of reducing the labor force. This can be achieved through measures such as restricting immigration, reducing child labor, supporting timely retirement, and advocating for shorter workweeks. In addition to these measures, trade unions may compel their members to enter the workforce, thereby exercising control over the labor supply. Trade unions artificially shorten the labor supply by reducing their membership numbers. This, in turn, contributes to an increase in the wage rate.

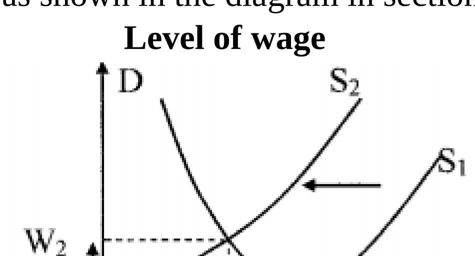
3. Licensing the skill level in the profession. This is considered a means of checking the type of labor offered. In this case, trade unions influence the acceptance of employment if certain requirements are met by the company management. These requirements typically include the worker's level of education, professional work experience, test results, and personal qualifications.

4. Trade unions may also increase wages by opposing monopolistic entrepreneurs in negotiating collective agreements. As a result, with increased wages, additional expenses incurred and an increase in the volume of additional products obtained as a result of the alignment of the new labor force.

Trade unions can be formed in both closed and open forms, taking into account the specific characteristics of the professional skills of the group of workers they protect, in order to fulfill their economic tasks.

Public sector trade unions take action to shorten labor supply in order to increase wage levels. They are typically formed in the form of sector-specific unions, such as for teachers, civil servants, electricians, etc., to unite individuals with the same profession. Sector-specific unions compel employees to only seek employment through their union, thereby controlling the labor supply in relation to wage offers. When necessary, they artificially reduce membership in the union to reduce labor supply and consequently shorten wage offers. They may do this through the following means:

- Limiting the duration of training and preparation for the profession;
- Increasing the requirements for joining the union;
- Restricting or completely prohibiting the acceptance of new members. Based on these measures, the process of shortening labor supply and increasing wage levels can be visualized as shown in the diagram in section 12.2.



0 Q2 Q1 Number of labor force

Diagram 12.2. The impact of the closed workers union on wage levels.

As shown in the diagram, trade unions were able to increase wage levels from W1 to W2 by reducing labor supply from S1 to S2. However, the reduction in labor supply due to the decrease in the labor supply curve from Qi to Q2 led to a decrease in the number of employed workers.

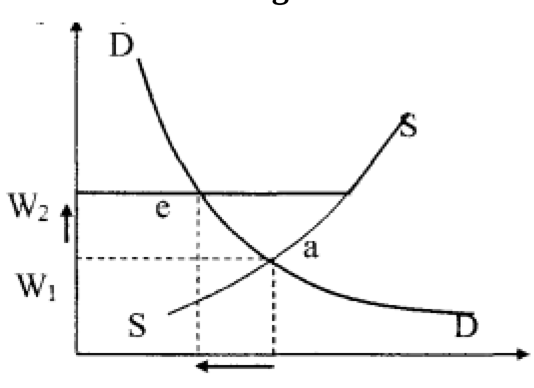
Most open sector unions do not act to restrict their membership numbers. On the contrary, they strive to unite all existing or potential future employees. This characteristic is specific to open sector unions, as they aim to include all workers in the sector in their ranks, regardless of their skills. In this regard, if the union consists solely of highly skilled professionals, it may also be formed in an open manner.

Because employers cannot afford to dismiss such a large number of highly skilled professionals and would not be able to hire others in their place, a union that brings together low-skilled or unskilled workers cannot limit membership. In such a situation, employers may be forced to deal with non-unionized workers, leading to the necessity for the union to act.

If a sector-wide union can bring together almost all workers in that sector, then in terms of negotiating wage levels, the union can influence the company management within its own sphere. If the terms set by the management are unacceptable, the union may deprive the company of employees by discouraging workers from taking up employment, thereby forcing the company to reconsider its terms.

The impact of an open sector union on wage levels can be seen through the following diagram (Figure 12.3).

Level of wage



0 Q2 Q1 Number of labor force

Diagram 12.3. The impact of the open sector union on wage levels.

The open sector or sectoral unions almost always work to consolidate all workers into their composition. Conversely, they act to amalgamate all available or prospective workers in their industry. This is particularly specific to open sector unions, whereby they aim to pool all workers, regardless of their skill levels or qualifications. In this regard, if the union consists solely of highly skilled professionals, it can also be formed in an open manner.

Since employers cannot dismiss such a large number of highly skilled professionals, they cannot recruit others. However, the open sector union is unable to restrict membership, so in this case, employers may hire non-union workers, which in turn prevents the union from working. If the sectoral union can bring together almost all workers in the industry, then it can determine the terms of the collective agreement within the framework of its influence on the corporate governance of the enterprise. If the terms set by them are rejected by management, the union may prevent the hiring of workers by preventing the hiring of workers by refusing to work. The ability of the employer to restrict hiring in this way contributes to the stability of the union's functioning. If the sectoral union can bring together almost all workers in the industry, then it can determine the terms of the collective agreement within the framework of its influence on the corporate governance of the enterprise. If the terms set by them are rejected by management, the union may prevent the hiring of workers by preventing the hiring of workers by refusing to work. The ability of the employer to restrict hiring in this way contributes to the stability of the union's functioning. If the sectoral union can bring together almost all workers in the industry, then it can determine the terms of the collective agreement within the framework of its influence on the corporate governance of the enterprise. If the terms set by them are rejected by management, the union may prevent the hiring of workers by preventing the hiring of workers by refusing to work. The ability of the employer to restrict hiring in this way contributes to the stability of the union's functioning.

- The tasks of significantly increasing the size of the budgetary institutions' wages, pensions, scholarships, and social benefits have been set given the high inflation rates.

The role of the state in wage regulation.

It is known that in the market economy conditions, the regulation of wages is primarily carried out through local regulations. Direct determination of the wage rate in a centralized manner is only used for the management of state authorities and budgetary sectors.

The state affects wage issues in the following three main directions:

- Setting the minimum wage;
- Determining the wage structure;
- Ensuring the current forms of remuneration.

Taking into account factors such as gender, nationality, ethnicity, language, social origin, as well as other aspects unrelated to the employees' qualifications, the Government, employers, and trade unions have achieved significant successes in eliminating discrimination in wage payment.

Minimum wage guarantees.

The most important factor in determining the amount of the minimum wage, which reflects the wage situation across the country, is the minimum wage rate.

In many countries (such as the USA, France, Spain, Canada, Belgium, Portugal, Australia, New Zealand, Israel), the minimum wage is set by the state (usually at the minimum hourly wage level). At the same time, in several other countries (Germany, Italy, Switzerland, Austria, Norway, Denmark, Ireland), the minimum wage is not set at the national level. For example, in 21 out of 28 EU member states, the minimum wage is set by the state (usually at the minimum hourly wage level) (Table 12.1).

In the Republic of Uzbekistan, the minimum wage rate is determined by the Decrees of the President of the Republic of Uzbekistan.

According to the Decree of the President of the Republic of Uzbekistan No. PQ-1675 dated December 30, 2011, titled "On the Forecast of the Main Macroeconomic Indicators of the Republic of Uzbekistan for 2012 and the Parameters of the State Budget for 2019", effective from January 1, 2012:

- The initial grade of the Unified Tariff Scale for remuneration was determined based on the first grade, and the zero grade was abolished;
- The minimum wage amount was set below the first grade of the Unified Tariff Scale for remuneration in all organizations of the republic.

In accordance with this, amendments were made to Article 155 of the Labor Code, and the minimum wage amount was determined as follows:

"The monthly wage of an employee who performs labor tasks according to a specific period set by labor regulations cannot be lower than the amount established for the first grade of the Unified Tariff Scale for remuneration. Additional payments to the minimum wage, bonuses, allowances for qualification, additional payments for work performed beyond normal working hours (Articles 157, 158), as well as regional coefficients (the fourth part of Article 153), are not included."

On May 21, 2019, the Presidential Decree No. PF-5723 "On Improving the Procedure for Determining the Amounts of Wages, Pensions, and Other Benefits" was adopted. According to the decree, effective from February 1, 2020, the minimum wage amount was determined as follows:

- The minimum wage amount for remuneration is 679,330 Uzbekistani som;
- The basic calculation amount is 223,000 Uzbekistani som;
- The basic calculation amount for pension payments is 238,610 Uzbekistani som.

In this regard, the minimum wage amount for remuneration includes salaries, bonuses, additional payments, royalties, compensation payments for additional work, and other types of payments specified by law, as well as determining the amount of other payments specified relative to the minimum wage, as well as determining the amount of social assistance for families in need and unemployment benefits.

The basic calculation amount is used to determine taxes, contributions, fines, state duties, and other payments for state services provided.

- The cost of patents, licenses, and other fees associated with engaging in entrepreneurship, the amount of capital (funds) of organizations' charters and other funds, the value of shares issued in non-monetary form, the value of other valuable securities, the balance value of legal entities' assets, microcredits and leasing, as well as other financial and economic indicators are determined.

The basic calculation amount for pension payments includes pensions, bonuses, additional fees, and compensation payments, as well as amounts provided to employees for covering damage incurred.

All types of remuneration, additional fees, rewards, and other compensation and incentive payments relative to the minimum wage are recalculated, retaining the amounts expressed in sums.

Starting from February 1, 2020, the remuneration for employees of budgetary institutions and organizations, pensions, scholarships, allowances for low-income families, and financial assistance provided to needy families are increased by 1.7 times.

In accordance with the President of the Republic of Uzbekistan's decree No. PF-5723 of May 21, 2019, "On improving the procedure for determining the amounts of remuneration, pensions, and other payments":

- The number "634880" in the second paragraph is replaced with "679330" (the minimum wage for remuneration);
- The number "202730" in the third paragraph is replaced with "223000" (the basic calculation amount);
- The number "223000" in the fourth paragraph is replaced with "238000" (the basic calculation amount for pension payments).

According to the decree, starting from February 1, 2020, the amounts of remuneration for employees of budgetary institutions and organizations, pensions, scholarships, and allowances are increased by an average of 1.7 times.

Starting from February 1, 2020, in the territory of the Republic of Uzbekistan:

- The minimum wage for remuneration is 679,330 som;
- The basic calculation amount is 223,000 som;
- The basic calculation amount for pension payments is 238,610 som;
- The minimum pensions for elderly people are 466,680 som;
- The allowance for children from infancy to the age of majority is 466,680 som per month;
- The allowance for unemployed citizens who do not have the necessary work experience and do not qualify for work is set at 286,390 som per month.

Starting from August 1, 2019:

- The minimum amount of pensions for individuals in Group II of disability was increased from 50% to 75% of the minimum pension age;
- The pensions of individual single pensioners in Group II of disability were increased from 50% to 75% of the minimum wage;

- The amount of the survivor's benefit for the dependents of deceased breadwinners was determined based on the percentage of the number of family members eligible for employment, starting from the minimum amount of the pension for individuals of retirement age.

Starting from August 1, 2019, additional allowances equal to 25% of the minimum wage are provided monthly to recipients of Group I survivor benefits, as well as to recipients of survivor benefits for children over 16 years old.

The amount, form, and procedures of remuneration.

According to Article 153 of the Labor Code, the amount of remuneration is determined based on negotiations between the employer and the employee. The minimum wage specified in legislative acts cannot be exceeded, and its maximum amount is not limited in any way.

Main terms and concepts

Wage - the amount of money paid for the labor and services of workers and employees, reflecting the quantity, quality, and overall value of their work derived from national production.

Time-based wage - remuneration based on the time spent working (daily, weekly, monthly), representing compensation for labor performed.

Piece-rate wage - remuneration based on the quantity or volume of work produced or completed by the worker.

Nominal wage - the amount of wages received in monetary terms.

Real wage - the purchasing power of the nominal wage, determined by the quantity of goods and services that can be purchased with it or the purchasing power of the nominal wage.

Incentive-based wage system - a system that involves adding rewards based on various performance indicators achieved through the completion of work.

Fixed-wage system - a system in which remuneration is determined based on a specified rate according to the worker's output, with an increase in the rate for exceeding productivity standards set within the framework of established criteria.

Tariff system - a system that organizes the wage level of workers and employees according to sectors and regions, with subcategories based on types of production, the skill level of employees, and labor conditions.

Tariff-proficiency specifications - detailed descriptions of various professions and types of labor, including the knowledge and skills required by workers and specialists, as well as the classification of tasks for tariffing purposes.

Tariff scale - a combination of various grades and tariff coefficients, indicating the proportion of compensation for labor between workers in different grades, starting from the lowest grade worker to those in higher grades.

Tariff rate - the total amount of compensation allocated to various grades established for specific types of work.

Labor contracts - documents regulating the relationship between the company's management and its employees regarding employment, specifying the wage rate, overtime pay for exceeding productivity standards, rest days, and vacations, as well as allocations for pension funds and insurance premiums, and accounting for changes in prices.

Trade Union - a community organization that protects the interests of workers and ensures the realization, implementation, and regulation of labor relations between employers and employees.

13. AGRICULTURAL RELATIONS AND AGRIBUSINESS

13.1 The economic content of agrarian relations. Specific features of agricultural production.

13.2 Land rent and its types.

13.3Agro-industrial complex and its sectors.

13.4Agribusiness and its types.

The application of economic laws and categories is common to all sectors, branches and units of the economy, but depending on the natural and socio-economic conditions in them, it also acquires its own specific features. This specific feature is especially clearly manifested in the agricultural sector. Therefore, this topic will consider the general aspects of the economy, as well as its specific features manifested in the agricultural sector.

This topic first analyzes the content of agrarian relations, then focuses on land rent. Different views on the problem of the emergence and distribution of land rent are outlined, and their brief description is given. The content of agro-industrial integration and the agro-industrial complex, their composition and tasks are discussed, and finally agribusiness and its types are described.

13.1. The economic content of agrarian relations. Specific features of production in agriculture

Production in the agricultural sector is largely related to land. The relations associated with the ownership, disposal and use of land are called agrarian relations.

One of the important features of agricultural reproduction is that the production process here is directly related to living beings - land, plants, livestock, and natural laws are intertwined with economic laws. In this, land participates as a means of labor and an object of labor. The difference between land and other means of production is that it is not consumed or worn out during its use. On the contrary, if it is used correctly, its productivity increases.

The ability of the earth to produce crops is called soil fertility. It can be natural or economic. The formation of various substances that can nourish plants in the upper layer of the earth as a result of natural changes over many years, without any human intervention, is called natural fertility of the earth.

If soil fertility is achieved as a result of human influence on nature, that is, through artificial improvement of soil composition and farming methods, through organic and chemical fertilization of the soil, mechanization of production, the introduction of scientifically based production methods such as irrigation, drainage and land reclamation, and other similar methods, this constitutes economic productivity.

associated with the preservation and increase of the soil fertility of this land, that is, with the active impact of man, or rather, labor, living labor on the land . In agriculture, as in other sectors of the economy, it occurs on the basis of the direct combination of production factors. In this, labor is active and occupies the main place. In agricultural enterprises, all means of production, except land, can be in the form of private, personal, collective property. In this way, they are used to improve the living standards of all members of society. Currently, the main forms of farming in agriculture are the forms of farmer and peasant farming, in which production processes are carried out in various climatic and soil conditions.

In agricultural enterprises, fixed capital also consists of various tractors, machines, vehicles, buildings, structures, perennial trees, productive livestock, as well as various equipment with a service life of more than one year.

Land, which is an important means of production in agriculture, is not included in the capital value because it is not valued in money, that is, its value cannot be measured. Some types of fixed capital available in agriculture, such as perennial trees, productive livestock, draft animals, irrigation facilities, etc., are not available in industrial sectors.

In addition, buildings, irrigation facilities, etc., which are considered means of production, have an active effect on increasing the output of production, while in the industrial sector they have a somewhat weaker and indirect effect. Accordingly, in the structure of capital in agriculture, the contribution of various structures, buildings, transmission mechanisms, etc. is greater. In agriculture, fixed capital also participates in the implementation of repeated production. In agricultural enterprises, circulating capital consists of: young and breeding animals, land, crop funds, chemical fertilizers, various means of production-inventory with a service life of less than one year, fuel and lubricants, etc. The production process In agriculture, most of the circulating capital is in the form of unfinished production. In the process of producing and selling agricultural products, capital circulates in a circular manner, as in other sectors, that is, it passes from the form of money to the form of production, from there to the form of goods, and then returns to the form of money again. It should also be noted that the amount of agricultural products directly depends on the fertility of the land and its quality. Improving the natural, biological, economic and technical conditions of the land also directly affects the circular circulation of capital in agriculture. Therefore, the full use of these factors is an important task of every farm. Although natural factors directly affect the increase in agricultural products, they do not increase the value of the product, that is, they cannot create value. Since production is related to natural conditions, the period between the working period and the total production time is somewhat longer here than in industry. For example, in agriculture, production time lasts from the time various crops are planted until the harvest is harvested. The working period is the number of days during which agricultural crops are under the influence of labor .

The production process in agriculture is characterized by seasonality. This directly affects the time of use of the means of labor available in agriculture, namely, combines, various sowing devices, etc. In other words, these means of labor are used only during certain periods of the year, and the rest of the time they are idle. Therefore, the level of capital and energy equipment of labor in agriculture is higher than in other sectors of material production.

requires, but the movement of fixed and circulating capital is slower here. In addition, due to the seasonality of agricultural production and labor processes, the consumption of circulating capital is not uniform throughout the year. There are some differences in the composition of circulating capital spent in the winter and summer seasons. For example, in the winter season, most of the circulating capital is in the form of seeds, fertilizers, and spare parts for the production of various feeds, while in the summer season, the share of unfinished production, equipment components, oil products, and the like increases. In organizing agricultural production, taking into account the above-mentioned features, organizing work is of great importance in ensuring its efficiency.

In our country, given the relative density of the population and the limited availability of land suitable for agriculture, private ownership of land has not been introduced, and state ownership has been retained. However, based on the requirements of a market economy, agrarian reforms are being implemented and this process is being successfully carried out. Since land in Uzbekistan is state property and national wealth, we will consider the issues of land ownership, land tenure and land use separately.

Land ownership means the recognition of the right of ownership of individuals and legal entities to a certain land plot on historically established grounds or in accordance with the procedure established by law. Land ownership primarily means the right of ownership of land and its economic use. Land ownership is exercised by the owner of the land, that is, the state. As stated in the Land Code of the Republic of Uzbekistan, "Land plots may be granted to legal entities and individuals for permanent and temporary ownership and use."

The right to use land is the right to use it according to established customs or legal procedures. The user of the land does not have to be the owner of the land. In real economic life, land ownership and use are often carried out by various individuals and legal entities, in particular, in our country, mainly farmers and farms.

In summary, agricultural production involves four factors: land, capital, entrepreneurial ability, and labor.

In this, land plays an important role as a means of production. However, as we said earlier, the factor that sets all means of production, including land, in motion in the production process, uses it productively, and increases its economic productivity is the human factor, that is, entrepreneurial ability and labor force.

13.2 Land rent and its types

Land rent is a form of economic realization of land ownership. There are several historical manifestations of land rent. For example, feudal rents in three forms: barshchina (production), obrok (tax in kind) and money tax are among them. Currently, rents existing in different countries, depending on the causes and conditions of their occurrence, are divided into the following types: absolute land rent, differential (stratified) rent I and II, monopoly rent, rent from industrial and construction sites.

The main difficulty in understanding the nature of rent is to reveal the conditions and reasons for the emergence of additional net income that is not redistributed among entrepreneurs. One of the reasons for this is the limited and non-renewable availability of land suitable for effective farming. The second reason is the existence of a monopoly on land or other natural resources as an object of ownership or as an object of farming. The third reason is the fragmented capital structure in agriculture in many countries, that is, the low ratio between fixed and variable capital.

Part of the additional income that arises from differences in the productivity and location of land plots takes the form of rent and is called differential rent.

The most important means of production in agriculture is land, the quantity and quality of which are limited by nature itself and cannot be increased by humans.

Therefore, agricultural production cannot be concentrated only on well-fertile land plots. If the produced product is provided with a solvent demand, then poor conditions in terms of land productivity or location are considered socially normal conditions regulating the formation of prices for agricultural goods. As a result, producers operating on average or good land receive additional products and profits.

Therefore, the natural condition for the formation of differential rent is the differences in the quality, that is, the productivity, of limited land, and its socio-economic cause is the economically isolated independent management of the land used.

Differential rent is divided into differential rent I and differential rent II, depending on the conditions of its origin.

Differential rent I arises on serunum land plots, which are associated with the natural fertility of the land and are located close to industrial centers, markets, and communication routes.

Differential rent II arises in connection with the intensive development of farms, additional costs to increase land productivity, that is, the use of chemical fertilizers in agriculture, improvement of land reclamation, and the level of mechanization and electrification of agriculture.

The difference between the social value of agricultural products and their individual value constitutes the surplus product of farms. That is, differential rent includes I and II. Differential rent consists of the difference between the specific social value of products I and II and the individual value of the farm taken separately or by location. The income generated by this is distributed between the state and the farm. The part of it paid to the state takes the form of land rent.

Differential rent I arises in natural conditions that are not related to the activities of farms. Therefore, this type of rent generated by agricultural enterprises, since the land is state property, should be accumulated in the centralized state budget for the purpose of spending it in its interests. This does not undermine the economic interests of farms located on medium and good fertile land, but rather allows equalizing economic conditions with other farms. This differential rent I funds, which are deposited in the centralized state budget, can be directed to the implementation of the tasks facing the country, in particular, to implement measures related to the development of new lands and increasing land productivity.

differential rent **II** is associated with the intensive use of land, that is, with increasing its economic productivity, it is logical that the main part of this type of rent should be left with the farms themselves. Only a part of it can be attracted to the state budget, since the state To a certain extent contributes to the generation of this rent, that is, it spends capital funds on the construction of transport roads, irrigation and land reclamation works, supplies machinery, personnel, mineral fertilizers. Thus, differential rent **I** and differential rent **II** are distributed between the state, which is the owner of the land, and economic entities.

Absolute rent. In many countries, agriculture is carried out under the conditions of a private monopoly of land ownership. This monopoly of land ownership allows landowners to receive a rent called absolute rent, regardless of the quality of all land plots leased. The mechanism for the emergence of absolute ground rent is that landowners lease the land to tenants who work it and receive payments from them for the use of the land. This payment is called absolute ground rent. If, when the land is leased, various structures and buildings are built on it, their rent is calculated separately.

There is another type of rent in agriculture **-** monopoly rent. Natural conditions that are not found elsewhere, sometimes create the opportunity to grow unique agricultural products, special varieties of grapes, citrus crops, tea, etc. Such goods are sold at monopoly prices. The highness of these prices is often determined by the level of effective demand. As a result, monopoly prices can be much higher than the individual cost of such products. This allows landowners to receive monopoly rent.

only in agriculture , but also in the manufacturing industry . It is known that the location of mineral deposits differs from each other in terms of convenience for work and the richness of the deposit. Just as in agriculture, enterprises in medium and good deposits receive additional profit , which also turns into differential rent.

Rent. When considering rent relationships, it is necessary to pay attention to the difference between rent and lease. If no capital investments have been made on the land being leased in connection with the construction of buildings, structures, etc., then rent and lease will be equal in amount. Otherwise, rent will differ from land rent. The lease formula is as follows:

$$IX = R + r + A$$

here,

R - rent paid for the use of land;

r - interest on capital previously invested in land;

A - depreciation of structures built on the land plot before it was leased.

As is known, in a market economy, land is not only an object of rent, but also an object of purchase and sale. Land is purchased for the cultivation of agricultural products and the extraction of natural resources, for the construction of various industrial and residential buildings, structures, roads, airports, etc. In such cases, what determines the price of land?

It is known that land, since it is not a product of human labor, has no exchange value. Accordingly, theorists call the prices of land and other natural gifts irrational prices. The owner of a plot of land sells the land only if the interest income it generates when selling it is deposited in a bank is not less than the rent received from this plot of land. In other words, the price of land is capitalized rent. Other things being equal, the same amount of rent determines the price of land. It is directly proportional to the amount of rent and inversely proportional to the rate of interest on the loan. Thus, the price of land depends on two quantities:

1. The amount of land rent that the owner of the land plot can receive;
2. Loan interest rate.

Based on this, the price of Land is determined by the following formula:

$$B = \frac{R}{r'} \times 100\%$$

here,

B - land price;

R - rent;

r' is the loan interest rate.

If the amount of rent increases and the interest rate decreases, the price of land increases. This method of determining the price of land is of theoretical importance. In practice, the price of land depends on many factors affecting the supply and demand for land. In particular, the increase in the price of land can be explained by the increase in the demand for its use for non-agricultural purposes. In conditions of inflation and, in particular, hyperinflation, the demand for land increases sharply, which leads to a corresponding increase in the price of land. In Western countries based on a market economy, from the beginning of the 20th century to the present, land prices have had a principle of stable growth , with only occasional periods of decline.

13.3 Agro-industrial complex and its sectors

In the process of economic development, it is necessary to take into account that agriculture has always been closely linked with industry, trade and other sectors. Because the satisfaction of the country's needs for food products and goods made from agricultural raw materials depends not only on the state of agriculture, but also on its harmonious development with industrial sectors. This very situation serves as the basis for creating a single, integrated system of sectors subordinated to the realization of a single final result in the agro-industrial complex of the economy.

Agro-industrial integration is the process of developing production links and their integral integration between agriculture and related sectors that serve it and deliver products to consumers.

Agro-industrial integration is multifaceted and manifests itself in a variety of forms, depending primarily on the level at which this process occurs: nationally, regionally, or at the enterprise level.

Agro-industrial integration within the country and regions is expressed in the strengthening of inter-sectoral relations in agriculture, the formation and development of food and regional agro-industrial integrations.

The agro-industrial complex (ASM) is an economic sector engaged in the production, storage, processing and delivery of agricultural products to consumers. ASM includes four sectors. The first sector is the industrial sector supplying agricultural products with means of production, as well as sectors engaged in providing technical services to agricultural production; the second sector is agriculture; the third sector is the sector ensuring the delivery of agricultural products to consumers: preparation, processing, storage, transportation, sale; the fourth sector is the infrastructure ensuring the general conditions of human life and activity: road and transport, communications, material and technical services, product storage systems, warehouses and glass industries.

Production infrastructure includes sectors that directly serve production, while social infrastructure includes sectors that provide general conditions for people's living activities: housing, cultural and household services, trade, public catering, and so on.

13.4 Agribusiness and its types

Business activities in the agricultural sector are called agribusiness. The concept of agribusiness also includes types of businesses that are not directly related to agriculture, but are engaged in activities related to it. This is a business activity related to the provision of technical and repair services to agriculture, processing its products and delivering them to consumers . In short, agribusiness covers all links of the agro-industrial complex that emerged as a result of agro-industrial integration.

The goal of agribusiness activities is to profit by continuously supplying the consumer market with sufficient quantities of quality agricultural products and the industry with raw materials.

The main form and primary link of agribusiness are farms and peasant farms. Because they directly produce agricultural products. These farms operate on their own land or on leased land, where the owner and producer are the farmer himself and his family members, and in some cases they can also use hired labor. The advantage of a farm is that it directly combines property and labor, which ensures high production efficiency. Since farms are independent structures, they can quickly adapt their activities to market conditions, in which economic benefit and responsibility for the final result are two sides of the same activity.

One type of agribusiness is agrofirms. An agrofirm is an enterprise that combines the cultivation of certain types of agricultural products and their processing to the final product level.

Agro-enterprises use agricultural and industrial resources to create products ready for consumption. These types of enterprises can be based on different ownership, can be organized on the basis of family farms, and can merge with small enterprises. Agro-industrial associations and enterprises are new types of agribusiness.

Agro-industrial associations are associations of several farms and enterprises that produce one type of product and are engaged in related production activities. That is, farms engaged in horticulture and viticulture, enterprises that process their products, and trading enterprises that supply them, unite in one technological process and form agro-industrial associations. While the participants of the association retain their production, economic and financial independence, their common property is also formed.

Agro-industrial enterprises are a group of farms and enterprises in a certain territory that serve the entire technological process of growing, processing and delivering agricultural products to consumers. The type of agribusiness can also include various associations organized on the basis of voluntary and joint-stock funds.

State-owned enterprises in agriculture, collective farms and partnerships, and joint ventures organized on the basis of various forms of ownership also operate as a type of agribusiness.

emphasized that farms should function as the basis for organizing agricultural production . Therefore, the fennerization of agriculture in our republic is a component of agrarian reforms. In the republic, this process is carried out by transforming state farms, which have fallen into a difficult situation as a result of loss-making, into joint-stock organizations consisting of fenner farms, establishing farms within existing state and collective farms at the expense of their resources, and creating dehkan farms based on the property of farmers. The common feature of all organizational forms of farms is that they operate on leased state land. The organization, development and regulation of farm and peasant farms are based on the laws of the Republic of Uzbekistan "On Farming", "On Peasant Farming", "On Agricultural Cooperatives (Company Farms)", as well as other legal agreements and government resolutions aimed at deepening reforms in agriculture.

These legal documents established the right of farmers to lease land allocated to them for a long period of time, subject to inheritance. At the same time, a system of protection of these farms was established by creating state guarantees for the preservation and increase of land fertility. Thus, legal and organizational conditions were created to stimulate the development of farms.

A system of infrastructure - agrofirms, machine and tractor parks, repair shops, preparation points, and small enterprises processing agricultural products - providing the necessary services for the effective operation of farms has been formed in the republic.

To achieve this goal, work has been continuing in recent years to develop rural social infrastructure and implement a program to provide rural residents with drinking water and natural gas. .

Decree of the President of the Republic of Uzbekistan No. PF-4947 dated February 7, 2017 "On the Strategy of Actions for the Further Development of the Republic of Uzbekistan" 3.3. Modernization and sustainable development of agriculture:

- deepen structural reforms and consistently develop agricultural production, further strengthen the country's food security, expand the production of environmentally friendly products, and significantly increase the export potential of the agricultural sector;
- further optimization of arable land by reducing the area under cotton and cereal crops, planting potatoes, vegetables, fodder and oilseed crops on the vacated land, as well as by placing new intensive orchards and vineyards;
- creation of favorable conditions for the promotion and development of farms, primarily multi-sector farms that, in addition to the production of agricultural products, are also engaged in processing, preparation, storage, sale, construction work and provision of services;
- implementation of investment projects for the construction of new processing enterprises equipped with the most modern high-tech equipment for the deep processing of agricultural products, the production of semi-finished and finished food and packaging products, and the reconstruction and modernization of existing ones;
- further expansion of the infrastructure for the storage, transportation and sale of agricultural products, agrochemicals, financial and other modern market services;
- further improving the reclamation status of irrigated lands, developing a network of reclamation and irrigation facilities, introducing intensive methods into agricultural production, primarily modern agrotechnologies that save water and resources, and using highly productive agricultural machinery;
- expanding scientific and research work on the creation and introduction into production of new selection varieties of agricultural crops and highly productive animal breeds that are resistant to diseases and pests and adapted to local soil, climate and environmental conditions;
- Taking systematic measures to mitigate the negative impact of global climate change and the drying up of the Aral Sea on agricultural development and the livelihoods of the population.

Basic concepts

Agrarian relations are relations that arise in the process of owning, disposing of, using land, and appropriating the results of production.

Rent relations are relations that arise in connection with the distribution and appropriation of additional net income resulting from the use of land.

Differential rent is the additional net income that arises from differences in the productivity and location of land plots.

Differential rent is the additional net income arising from differences in the natural fertility of land.

Differential rent II - additional net income resulting from increasing the economic productivity of land.

PRACTICAL TRAINING

Chapter 1. **SUBJECT 1. SUBJECT AND KNOWLEDGE METHODS OF ECONOMIC THEORY**

1. Economy and its main issue.
2. Formation of economic theory as a science.
3. Subject and tasks of the science of economic theory.
4. Economic laws and categories (scientific concepts).
5. Methods of scientific knowledge of economic processes .

Chapter 2. Production process and its results

1. Factors of production and their composition.
2. Content of the production process.
3. General and final results of production.
4 . Production possibilities and its limits.
5 . Production efficiency and its indicators.

Chapter 3. SOCIO-ECONOMIC SYSTEMS AND PROPERTY RELATIONS

1. Stages of socio-economic development and different approaches to their knowledge.
2. Economic systems and their various models.
3. The nature and economic content of property relations. Property objects and entities.
4. Different forms of ownership and their economic content.
5. Purpose of expropriation and privatization of property in Uzbekistan, ways and methods.

Chapter 4. THE DEVELOPMENT OF COMMODITY-MONEY RELATIONS IS THE BASIS FOR THE FORMATION AND IMPLEMENTATION OF A MARKET ECONOMY

1. Characteristics and differences between natural and commodity production.
2. The product and its characteristics.
3. The labor theory of value and the theory of added value.
4. The origin, essence and functions of money.
5. Programs aimed at introducing the national currency - the soum - into circulation in Uzbekistan and strengthening its stability.

Section II. THEORY OF MARKET ECONOMY

Chapter 5. CONTENT AND IMPLEMENTATION OF THE MARKET ECONOMY

1. The essence of a market economy and its development.
2. Advantages and disadvantages of a market economy.
3. The concept of the market, its functions and types.
4. Market infrastructure and its elements.

6. Chapter. THE PERIOD OF TRANSITION TO A MARKET ECONOMY AND ITS CHARACTERISTICS IN UZBEKISTAN

7. The content and paths of the transition to a market economy.
8. Principles and features of the transition to a market economy in Uzbekistan.
9. Implementation of market reforms in the republic and its main directions.
10. The content and tasks of the stages of national development in Uzbekistan.
11. The essence, principles and directions of the country's modernization process.

7- SUBJECT. THEORY OF SUPPLY AND DEMAND. MARKET EQUILIBRIUM

1. The concept of demand and factors affecting its amount. Law of demand.
2. Concept of offer. Factors Affecting Bid Amount. The law of supply.
3. A change in the ratio between the amount of demand and the amount of supply. Market equilibrium.
4. Theory of consumer behavior.

Chapter 8. COMPETITION AND MONOPOLY

1. Nature, forms, types and methods of competition.

2. The economic basis of monopolies and their types.
3. Measures to create a competitive environment in Uzbekistan and anti-monopoly legislation.

Chapter 9. NATURE AND FORMATION OF PRICES

1. The essence, functions, and types of prices.
2. Market mechanism of price formation, factors influencing prices.
3. Price policy and its implementation in Uzbekistan.

Chapter 10. ENTREPRENEURSHIP ACTIVITY AND ITS FORMS. ENTREPRENEURIAL CAPITAL AND ITS EXPANSION

1. The essence of entrepreneurial activity, its tasks, and development conditions.
2. Forms of entrepreneurial activity.
3. Entrepreneurial capital and its stages of operation.
4. The expansion of entrepreneurial capital. Primary and circulating capital.
5. The efficiency of reproducing and utilizing primary capital.

11. Chapter. EXPENSES AND PROFIT OF THE COMPANY (FIRM)

1. The content, composition, and types of production costs.
2. Changes in production costs in the short and long term.
3. Company's revenue and profit. Profit rate and margin, factors influencing them.
4. Bankruptcy of companies and liquidation.

12. EMPLOYMENT RIGHTS AND LABOR RELATIONS

1. Distribution mechanisms of created products and revenues.
2. Economic content of labor rights, various theories, and forms of its organization and systems.
3. Economic content of labor relations and the essence of collective agreements.

4. State policy on labor rights.

13. AGRICULTURAL RELATIONS AND AGRIBUSINESS

1. The economic content of agrarian relations. Specific features of agricultural production.
2. Land rent and its types.
3. Agro-industrial complex and its sectors.
4. Agribusiness and its types.

METHODOLOGY GUIDE
on the organization of INDEPENDENT WORK

REPUBLIC OF UZBEKISTAN
MINISTRY OF HIGHER EDUCATION, SCIENCE AND INNOVATIONS
NAMANGAN STATE UNIVERSITY

FACULTY OF ECONOMICS

DEPARTMENT OF “GREEN ECONOMY AND SUSTAINABLE BUSINESS”

METHODOLOGICAL GUIDE

on the organization of independent education

ECONOMIC THEORY

Academic years 2024/2025 For 1st year students

Field of knowledge:	400000	- Business, Management and Law
Field of Education:	410000	- Business and Management
Course of Study:	60410100	- Economics (sectors and fields)
	60410500	- Finance and financial technologies
	60410200	- Accounting
	60410600	- Banking

Year: 1

SEMESTER: 1

NAMANGAN – 2024

This methodological guide was developed in accordance with the "Model for the organization of Independent Education of students in higher education institutions“ which is approved by the order of the minister of Higher Education, Science and innovation of the Republic of Uzbekistan No. 136 of April 29, 2024 and was prepared on the basis of the “Rules for organizing Independent Education of students of Namangan State University” that is approved by the NamSU Council on June 28, 2024. This methodological guide is intended to methodically assist students in the process of performing independent education in the subject of “Economic Theory”, with sufficient data on the order in which students perform Independent Education.

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1. The form and content of the organization of Independent Education

The independent work of the student is based on the law of the Republic of Uzbekistan "On education", the "State educational standard and Basic Rules of Higher Education", which was taken into account by the Ministry of Justice of the Republic of Uzbekistan No. 43 on October 20, 2021, the "State standard of Higher Education", registered on October 8, 2018 No. 3076, Regulation “On the system of control and assessment of students’ knowledge in higher education institutions”, approved by the order of the Minister of Higher Education, Science and innovation of the Republic of Uzbekistan No. 136 dated April 29, 2024, “Model rules for organizing independent education of students in higher education institutions”, approved by the NamSU Council 2024 and was developed in accordance with the “Rules for organizing Independent Education of students of Namangan State University” approved on June 28, and sets out the rules for organizing independent education of students and their assessment in the subject of “Economic Theory”.

Independent work of a student is a systematic activity aimed at mastering a certain part of the knowledge, skills and qualifications specified in the curriculum of a particular subject by the student based on the advice and recommendations of the subject teacher in the classroom and outside the classroom.

Taking into account the characteristics of a particular subject, it is recommended to use the following forms when preparing a student's independent work:

- preparation of analytical information on the topic;
- performing calculation-drawing work;
- preparing an analytical presentation (presentation) on a specific topic;
- find a clear solution to the given problem and analyze it;
- extensive analysis of the given problem, definition and conclusions;
- in-depth study and high-level analysis of the given topic;
- implementation of experimental work;

- preparation of calculation-graphic-design developments;
- to find a solution to an existing problem in practice, to form the skills of working with projects by preparing tests, controversial questions and tasks;
- preparation of scientific articles, theses and lectures;
- solving non-standard problems of practical content and creative work.
- Completing science laboratory assignments

The content, essence, form and size of students' independent work, as well as the sources, are indicated in the work curricula for the taught subjects. In accordance with the time allocated in the curriculum for the student's independent work, organizational forms and assignment options are developed for each subject.

- In order to perform independent work, teachers of science give instructions and recommendations to students regarding each independent work and convey them to students during classes.

2. The main tasks of independent education

1. Teaching the student to work independently;
2. Deepening and expansion of knowledge;
3. Formation of interest in creative activity;
4. Acquisition of educational methods;
5. Development of understanding and thinking ability;
6. It includes the formation of the skills of drawing independent conclusions.

3. Forms of control of independent work and acceptance of assignments

The supervision of students' independent work is carried out directly by the professor-teacher who conducts training in the subject. It is recommended to accept independent work assignments in the following forms based on the nature of the taught subject.

• in the form of preparation of a device or prototype related to the subject

• in the form of calculation, drawing and graphing in various programs

• abstract

• slides

• handouts

• test questions

• analyzing the topic

Assessment of students' independent work is carried out after the completion of each independent work topic. In the course of independent education, the student finds and prepares assignments from the University, faculty libraries or Internet networks, notes the summary and submits them in the specified forms. In this case, the student completes the work on each subject and receives a grade for the independent work shown to the teacher. Accumulated values are taken into account in the interim control.

4. The following criteria can be used to evaluate each student's independent work.

• Topic coverage:

• Use of library and internet information;

• The student's speech in explaining the work

• Scientific approach to work

In addition, the student's oral answers to questions regarding independent work, scientific, spelling and methodological mistakes made during the work are also taken into account.

5. The following aspects should be taken into account when determining the form and size of students' independent work

- study stage;
- the characteristic of a certain subject and the degree of difficulty in mastering it;
- the ability of the student and the level of theoretical and practical training (basic knowledge);

- level of provision of science with information sources;talabaning axborot manbalari bilan ishlay olish darajasi.

6. The student acquires the following skills during independent work

- to acquire the skills of independent and thorough assimilation of new knowledge;
- to determine convenient methods and means of searching for necessary information;
- effective use of information sources and addresses;
- working with traditional educational and scientific literature, regulatory documents;
- work with electronic educational literature and data bank;
- purposeful use of the Internet;
- determining the rational solution of the task;
- defining the database;
- a systematic and creative approach to tasks;
- justification and protection of the developed project or idea;
- directing to the creative process, analyzing problems, learning to work independently, performing exercises during the course of theoretical and practical training in science;
- Analyzing scientific issues, materials, working on logical reasoning, etc.

Mustaqil ish uchun beriladigan topshiriqlarning shakli va hajmi, qiyinchilik darajasi semestrdan-semestrga ko`nikmalar hosil bo`lishiga muvofiq ravishda o`zgarib, oshib boradi.

7. Duties of a science teacher in the implementation of independent education

Independent work assignments are given to the student based on the independent work assignments in the science program. Independent work hours related to one subject are not allowed to be completed in exactly the same way. The number of hours of independent work allocated for science ensures that each student can do it. He supervises the implementation of independent education by the student based on the established plan, and gives assignments on getting acquainted with textbooks, study guides, scientific pamphlets, and scientific articles. Recommends primary literature, information, and other resources on the subject and consults with students to complete the work.

8. Organization of independent education of students in "Economic Theory".

The subject "**Economic Theory**" is taught in the 1st-2nd semesters of the 1st year according to the curriculum of the **60410100 - Economics (branches and sectors)** specialization. Taking into account the nature of science, students' independent work on this subject is organized in a somewhat improved order, and depending on the level of students' mastery, it is envisaged to use the following forms:

- independent assimilation of some topics of science with the help of educational literature, working with educational resources;
- preparing for laboratory exercises;
- analyzing the results obtained in the laboratory;
- developing problems and examples for practical exercises;
- prepare and explain a report on a specific topic;
- performing calculation and graphic works;
- finding a solution to an existing problem in practice, preparing tests, controversial questions and tasks;
- doing homework, etc.

Requirements for successful completion of independent work assignments:

- clear justification of the goal (strengthening of knowledge, assimilation of new knowledge, increase of creative activity, formation of practical skills and qualifications);

- clear definition of duties and assignments;

- students should be sufficiently aware of the methods of completing tasks;
- correct determination of advice and other types of assistance;
- clearly defining the submission form and assessment criteria;
- clearly defining the time, form and types of control.

Based on the goals of applying the credit module system in the evaluation of students' knowledge, independent work hours, lectures and practical training are distributed and evaluated accordingly. Assessment of students' independent work is carried out in proportion to the allocated hours.

In the hours of independent education allocated for lecture hours, it is envisaged to study the educational materials given in the lecture in an in-depth manner.

In the hours of independent education allocated for the hours of practical training, it is assumed that the problems and questions given as homework, the preparation of drawings, and the preparation of answers to basic phrases are provided.

The independent education of the student in the subject "Economic theory" is a component of the process of learning this subject, it should be fully provided with methodological and informational resources, resources should be placed in the HEMIS system.

The independent body of work from the subject "Economic theory" covers all subjects of the subject and is formed in the form of 15 subjects.

8.1. Lectures, practical and laboratory hours of independent work distribution of classes

Semester	Total work load	Auditorium work load	Independent work	Total hours allocated for lecture hours			Total hours allocated for practical training hours			Total hours allocated for laboratory training hours		
				Lecture hours	Independent work for Lecture classes	Total	Practical class hours	Independent work for practical classes.	Total	Laboratory hours	Independent work for laboratory hours	Total
I	300	120	180	60	90	150	60	90	150	0	0	0

8.2. A calendar-thematic plan for organizing a student's independent work

№	Topics for Independent Education	Class type	Assignments	Completion Deadline	Size (in hours)
For 1st semester					
1.	**The subject of "Economic theory" subject and methods of knowledge**	Lecture	Exploring the Foundations of Economic Theory: Understanding the Subject, Scope, and Methods of Economic Knowledge.	1-week	3
2.	**Production process and its results**	Lecture	Analyzing the Production Process and Its Outcomes: A Case Study of Manufacturing Factories in Namangan	**2**-week	3
3.	**Economic systems and property relations**	Lecture	Exploring Economic Systems and Property Relations: A Comparative Analysis of Ownership Structures	3-week	3
4.	**The development of commodity-money relations is the basis of the formation and functioning of the market economy.**	Lecture	The Evolution of Commodity-Money Relations: Foundations of Market Economy Development	**4**-week	3

5	**The development of commodity-money relations is the basis of the formation and functioning of the market economy.**	Lecture	The Evolution of Commodity-Money Relations: Foundations of Market Economy Development	5-week	3
6	**Content and implementation of market economy**	Lecture	Understanding the Market Economy: Principles, Structure, and Practical Implementation	6-week	3
7	**The period of transition to the market economy and its characteristics in Uzbekistan**	Lecture	Uzbekistan's Transition to a Market Economy: Key Phases, Policies, and Challenges	7-week	3
8	**The period of transition to the market economy and its characteristics in Uzbekistan**	Lecture	Uzbekistan's Transition to a Market Economy: Key Phases, Policies, and Challenges	8-week	3
9	**Theory of supply and demand. Market equilibrium**	Lecture	The Dynamics of Supply, Demand, and Market Equilibrium: A Fundamental Analysis	9-week	3
10	**Competition and Monopoly**	Lecture	Understanding Market Structures: The Roles of Competition and Monopoly in Economic Efficiency	10-week	3
11	**The nature of the price and the characteristics of its formation.**	Lecture	The Nature of Price and Its Formation: Key Determinants and Mechanisms in the Market	11-week	3
12	**Entrepreneurial activity and its forms. Entrepreneurial capital and its circulation**	Lecture	Exploring Entrepreneurial Activity: Forms, Capital, and Circulation in Modern Economies	**12**-week	3
13	**Enterprise (firm) costs and benefits**	Lecture	Analyzing Costs and Benefits in Enterprises: A Comprehensive Overview	**13**-week	3
14	**Wages and labor relations**	Lecture	Wages and Labor Relations: Analyzing Dynamics and Impacts on the Workforce	**14**-week	3

15	**Agrarian relations and agribusiness**	Lecture	Exploring Agrarian Relations and Agribusiness: Dynamics and Challenges in Modern Agriculture	15-week	3
16	**National economy and its macroeconomic dimensions. Gross domestic product and its forms of movement**	Lecture	Understanding the National Economy: Macroeconomic Dimensions and the Dynamics of Gross Domestic Product	16-week	3
17	**Aggregate demand and aggregate supply**	Lecture	Analyzing Aggregate Demand and Aggregate Supply: Foundations of Macroeconomic Equilibrium	17-week	3
18	**Consumption, savings and investments**	Lecture	The Interplay of Consumption, Savings, and Investments: Building Blocks of Economic Growth	18-week	3
19	**Economic development, economic growth and national wealth**	Lecture	Distinguishing Economic Development, Economic Growth, and National Wealth: Understanding Their Interconnections	19-week	3
20	**Balanced and proportionate development of the national economy**	Lecture	generate an Independent work topic for this theme. For 1st year undergraduate students.	20-week	3
21	**Economic cyclicality and macroeconomic instability**	Lecture	Understanding Economic Cyclicality and Its Impact on Macroeconomic Stability	21-week	3
22	**Labor force, its employment and unemployment**	Lecture	Analyzing the Labor Force: Employment Trends and Unemployment Challenges	22-week	3
23	**Financial system and financial policy**	Lecture	Exploring the Financial System and Financial Policy: Foundations for Economic Stability and Growth	23-week	3
24	**Monetary system. Banks and their role in the market economy**	Lecture	The Monetary System and the Role of Banks in Facilitating Economic Activity	24-week	3
25	**The role of the state in regulating the market economy**	Lecture	The Role of the State in Regulating the Market Economy: Balancing Growth and Equity	25-week	3

26	**Population income and social policy of the state**	Lecture	generate an Independent work topic for this theme. For 1st year undergraduate students.	26-week	3
27	**Population income and social policy of the state**	Lecture	generate an Independent work topic for this theme. For 1st year undergraduate students.	27-week	3
28	**World economy and its evolution**	Lecture	The Evolution of the Global Economy: Key Milestones and Their Impact on Development	28-week	3
29	**International economic integration and Uzbekistan's entry into the world community**	Lecture	Uzbekistan's Path to International Economic Integration: Opportunities and Challenges	29-week	3
30	**World market. International currency and credit relations**	Lecture	The Role of International Currency and Credit Relations in Shaping the World Market	30-week	3
	Jami				**90**

8.3. Self-study calendar plan for practical training

№	**Independent education topics**	**Class Type**	**Assignments**	**Completion deadline**	**Size** (hours)
			1st semester		
1.	**The subject of "Economic theory" subject and methods of knowledge**	Practical	Case study and word problems. Principles of Economics. George Mankiw 2018	1-week	3
2.	**Production process and its results**	Practical	Case study and word problems. Principles of Economics. George Mankiw 2018	**2**-week	3
3.	**Economic systems and property relations**	Practical	Case study and word problems. Principles of Economics. George Mankiw 2018	3-week	3

4.	**The development of commodity-money relations is the basis of the formation and functioning of the market economy.**	Practical	Case study and word problems. Principles of Economics. George Mankiw 2018	**4**-week	3
5.	**The development of commodity-money relations is the basis of the formation and functioning of the market economy.**	Practical	Case study and word problems. Principles of Economics. George Mankiw 2018	5-week	3
6.	**Content and implementation of market economy**	Practical	Case study and word problems. Principles of Economics. George Mankiw 2018	**6**-week	3
7.	**The period of transition to the market economy and its characteristics in Uzbekistan**	Practical	Case study and word problems. Principles of Economics. George Mankiw 2018	7-week	3
8.	**The period of transition to the market economy and its characteristics in Uzbekistan**	Practical	Case study and word problems. Principles of Economics. George Mankiw 2018	**8**-week	3
9.	**Theory of supply and demand. Market equilibrium**	Practical	Case study and word problems. Principles of Economics. George Mankiw 2018	**9**-week	3
10.	**Competition and Monopoly**	Practical	Case study and word problems. Principles of Economics. George Mankiw 2018	**10**-week	3
11	**The nature of the price and the characteristics of its formation.**	Practical	Case study and word problems. Principles of Economics. George Mankiw 2018	**11**-week	3

12	**Entrepreneurial activity and its forms. Entrepreneurial capital and its circulation**	Practical	Case study and word problems. Principles of Economics. George Mankiw 2018	**12**-week	3
13	**Enterprise (firm) costs and benefits**	Practical	Case study and word problems. Principles of Economics. George Mankiw 2018	13-week	3
14	**Wages and labor relations**	Practical	Case study and word problems. Principles of Economics. George Mankiw 2018	14-week	3
15	**Agrarian relations and agribusiness**	Practical	Case study and word problems. Principles of Economics. George Mankiw 2018	15-week	3
16	**National economy and its macroeconomic dimensions. Gross domestic product and its forms of movement**	Practical	Case study and word problems. Principles of Economics. George Mankiw 2018	16-week	3
17	**Aggregate demand and aggregate supply**	Practi cal	Case study and word problems. Principles of Economics. George Mankiw 2018	17-week	3
18	**Consumption, savings and investments**	Practical	Case study and word problems. Principles of Economics. George Mankiw 2018	18-week	3
19	**Economic development, economic growth and national wealth**	Practical	Case study and word problems. Principles of Economics. George Mankiw 2018	19-week	3
20	**Balanced and proportionate development of the national economy**	Practical	Case study and word problems. Principles of Economics. George Mankiw 2018	20-week	3

21	**Economic cyclicality and macroeconomic instability**	Practical	Case study and word problems. Principles of Economics. George Mankiw 2018	21-week	3
22	**Labor force, its employment and unemployment**	Practical	Case study and word problems. Principles of Economics. George Mankiw 2018	22- week	3
23	**Financial system and financial policy**	Practical	Case study and word problems. Principles of Economics. George Mankiw 2018	23- week	3
24	**Monetary system. Banks and their role in the market economy**	Practical	Case study and word problems. Principles of Economics. George Mankiw 2018	24- week	3
25	**The role of the state in regulating the market economy**	Practical	Case study and word problems. Principles of Economics. George Mankiw 2018	25- week	3
26	**Population income and social policy of the state**	Practical	Case study and word problems. Principles of Economics. George Mankiw 2018	26- week	3
27	**Population income and social policy of the state**	Practical	Case study and word problems. Principles of Economics. George Mankiw 2018	27- week	3
28	**World economy and its evolution**	Practical	Case study and word problems. Principles of Economics. George Mankiw 2018	28- week	3
29	**International economic integration and Uzbekistan's entry into the world community**	Practical	Case study and word problems. Principles of Economics. George Mankiw 2018	29- week	3

30	**World market. International currency and credit relations**	Practical	Case study and word problems. Principles of Economics. George Mankiw 2018	30- week	3
	Total				**180**

9. Assessment of independent education

A student who does not get a satisfactory grade in the intermediate examination according to the credit module system cannot enter the final examination. Therefore, there are two approaches to taking into account independent learning assignments in student assessment:

1. 1. It is recommended to plan the mid-term control 2 times, in one of which the mid-term control questions should be compiled based on the activities completed during the lesson, and in the second one, the questions should be based on the tasks given as independent educational tasks.
2. 2. Assignments given in independent education can be used when composing intermediate and final control questions. For example, if you want to make 5 questions in one ticket, 3 of them can be done on the lessons during the lesson, and 2 on independent educational tasks.

10. Recommended literature and sources for doing independent work on Economic Theory

Basic literature

1. N. Gregory Mankiw. Principles of Economics, 9th edition. USA, 2020.
2. Mc. Connell, Brue. Economics. 19 th edition. McGraw-Hill/Irwin, USA, 2014.
3. Paul A. Samuelson, William D. Nordhaus. Economics. 19th edition. Mc Graw-Hill Companies. USA, 2015
4. Khodiyev B.Yu., Shodmonov Sh.Sh.Economic theory. Textbook. - T.: "Barkamol fayz-media", 2017. - 783 pages.
5. Khajiyev BD, Mamarakhimov BE, Mambetzhanov QQ Economic theory. Textbook (in Russian). - T.: "Economics", 2019.-548 pages
   Olmasov A., Vahobov AV Theory of economics. Textbook. - T.: "ECONOMY-FINANCE", 2014. - 480 pages.

Additional literature

1. Constitution of the Republic of Uzbekistan. - Tashkent, Uzbekistan, 2017. - 46 p.
2. Decree of the President of the Republic of Uzbekistan dated February 7, 2017 No. PF-4947 "On the strategy of actions for the further development of the Republic of Uzbekistan". Source:www.lex.uz
3. PF of the President of the Republic of Uzbekistan dated January 17, 2019 "On the state program for the implementation of the strategy of actions on the five priority directions of the development of the Republic of Uzbekistan in 2017-2021 in the "Year of active investments and social development"" -Decree No. 5635.
4. Address of the President of the Republic of Uzbekistan Shavkat Mirziyoyev to the Oliy Majlis // Xalq sozi gazeta, December 29, 2018.
5. Shodmonov Sh.Sh., Mamarahomov BE Economic theory. Text of lectures. - T.: Economy - finance, 2010. - 728 pages.
6. Shodmonov Sh.Sh., G'furov. UV Theory of Economics. Textbook.-T.: Economy-finance, 2010.-728 pages.
7. Economic theory: Uchebnik dlya bachelorov / pod obo'. Ed. A.A. Kochetkova. 5 – izd., pererab. I dop. - M.: izdatel'sko - torgovaya corporation "Dashkov i K", 2014.-696 p.
8. Economic theory. Ekonomicheskie sistemy: formirovanie i razvitie: Uchebnik / Pod ed. I.K.Larionova, S.N.Sil'vestrova. - M.: izdatel'sko - trade corporation "Doshkov i K", 2015.-876 p.
9. Economic theory. Ed. It's Dr. Nauk, prof., zasl. Deyatelya nauki RF GP. Juravlevoy. -5-e izd. - M.:
   INFRA – M, 2014,-864 p.- (Vysshee obrazovanie).
10. Economic theory: uchebnoe posobie / collective author: pod ed. V.M. Sokolinskogo.- 7th izd., ster. - M.: KNORUS, 2014. -464p.
11. Economic theory: uchebnoe posobie / R.G. Yanbasirov.- M.: ID "FORUM": INFRA - M, 2013. -624 p.:- (Vysshchee obrazavanie).

Internet sites

1. www.press-service.uz- Press service of the President of the Republic of Uzbekistan.
2. www.gov.uz- Government portal of the Republic of Uzbekistan.
3. www.lex.uz- National database of information on legislation of the Republic of Uzbekistan.
4. www.edu.uz- Portal of the Ministry of Higher and Secondary Special Education of the Republic of Uzbekistan.

5. www.stat.uz- Official website of the State Statistics Committee of the Republic of Uzbekistan.
6. www.cbu.uz- Official website of the Central Bank of the Republic of Uzbekistan.
7. www.mineconomy.uzThe official website of the Ministry of Economy of the Republic of Uzbekistan.
8. www.mf.uz- Official website of the Ministry of Finance of the Republic of Uzbekistan.
9. www.norma.uz- Website of the legislation of the Republic of Uzbekistan.
10. www.tsue.uz- Official website of Tashkent State University of Economics.
11. www.tradingeconomics.com-ekonomicheskieshow
12. www.ereport.ru-Obzornaya information and human economy.
13. www.catback.ru– nauchnye stat'i uchebnye materialy po economie

site

RECOMMENDED LIST OF REFERENCES

Basic literature

3. Mc. Connell, Brue. Economics. 19 th edition. McGraw-Hill/Irwin, USA, 2014.
4. N. Gregory Mankiw. Principles of Economics, 7th edition. Amazon, USA, 2014.
5. Paul A. Samuelson, William D. Nordhaus. Economics. 19th edition. Mc Graw-Hill Companies. USA, 2015
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   a. INFRA – M, 2014,-864 p.- (Vysshee obrazovanie).
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5. www.stat.uz- Official website of the State Statistics Committee of the Republic of Uzbekistan.
6. www.cbu.uz- Official website of the Central Bank of the Republic of Uzbekistan.

7. www.mineconomy.uzThe official website of the Ministry of Economy of the Republic of Uzbekistan.
8. www.mf.uz- Official website of the Ministry of Finance of the Republic of Uzbekistan.
9. www.norma.uz- Website of the legislation of the Republic of Uzbekistan.
10. www.tsue.uz- Official website of Tashkent State University of Economics.
11. www.tradingeconomics.com-ekonomicheskieshow
12. www.ereport.ru-Obzornaya information and human economy.
13. www.catback.ru– nauchnye stat'i uchebnye materialy po economie
site

GLOSSARIES

A

ability-to-pay principle the idea that taxes should be levied on a person according to how well that person can shoulder the burden

absolute advantage the ability to produce a good using fewer inputs than another producer

accounting profit total revenue minus total explicit cost

adverse selection the tendency for the mix of unobserved attributes to become undesirable from the standpoint of an uninformed party

agent a person who is performing an act for another person, called the principal

aggregate-demand curve a curve that shows the quantity of goods and services that households, firms, the government, and customers abroad want to buy at each price level

aggregate-supply curve a curve that shows the quantity of goods and services that firms choose to produce and sell at each price level

appreciation an increase in the value of a currency as measured by the amount of foreign currency it can buy

Arrow's impossibility theorem a mathematical result showing that, under certain assumed conditions, there is no scheme for aggregating individual preferences into a valid set of social preferences

automatic stabilizers changes in fiscal policy that stimulate aggregate demand when the economy goes into a recession without policymakers having to take any deliberate action

average fixed cost fixed cost divided by the quantity of output

average revenue total revenue divided by the quantity sold

average tax rate total taxes paid divided by total income

average total cost total cost divided by the quantity of output

average variable cost variable cost divided by the quantity of output

B

balanced trade a situation in which exports equal imports

bank capital the resources a bank's owners have put into the institution

behavioral economics the subfield of economics that integrates the insights of psychology

benefits principle the idea that people should pay taxes based on the benefits they receive from government services

bond a certificate of indebtedness

budget constraint the limit on the consumption bundles that a consumer can afford

budget deficit a shortfall of tax revenue from government spending

budget surplus an excess of tax revenue over government spending

business cycle fluctuations in economic activity, such as employment and production

C

capital the equipment and structures used to produce goods and services

capital flight a large and sudden reduction in the demand for assets located in a country

capital requirement a government regulation specifying a minimum amount of bank capital

cartel a group of firms acting in unison

catch-up effect the property whereby countries that start off poor tend to grow more rapidly than countries that start off rich

central bank an institution designed to oversee the banking system and regulate the quantity of money in the economy

circular-flow diagram a visual model of the economy that shows how dollars flow through markets among households and firms

classical dichotomy the theoretical separation of nominal and real variables

closed economy an economy that does not interact with other economies in the world

club goods goods that are excludable but not rival in consumption

Coase theorem the proposition that if private parties can bargain without cost over the allocation of resources, they can solve the problem of externalities on their own

collective bargaining the process by which unions and firms agree on the terms of employment

collusion an agreement among firms in a market about quantities to produce or prices to charge

commodity money money that takes the form of a commodity with intrinsic value

common resources goods that are rival in consumption but not excludable

comparative advantage the ability to produce a good at a lower opportunity cost than another producer

compensating differential a difference in wages that arises to offset the nonmonetary characteristics of different jobs

competitive market a market with many buyers and sellers trading identical products so that each buyer and seller is a price taker

complements two goods for which an increase in the price of one leads to a decrease in the demand for the other

compounding the accumulation of a sum of money in, say, a bank account, where the interest earned remains in the account to earn additional interest in the future

Condorcet paradox the failure of majority rule to produce transitive preferences for society

constant returns to scale the property whereby long-run average total cost stays the same as the quantity of output changes

consumer price index (CPI) a measure of the overall cost of the goods and services bought by a typical consumer

consumer surplus the amount a buyer is willing to pay for a good minus the amount the buyer actually pays for it

consumption spending by households on goods and services, with the exception of purchases of new housing

core CPI a measure of the overall cost of consumer goods and services excluding food and energy

corrective tax a tax designed to induce private decision makers to take into account the social costs that arise from a negative externality

cost the value of everything a seller must give up to produce a good

cost–benefit analysis a study that compares the costs and benefits to society of providing a public good

cross-price elasticity of demand a measure of how much the quantity demanded of one good responds to a change in the price of another good, computed as the percentage change in quantity demanded of the first good divided by the percentage change in price of the second good

crowding out a decrease in investment that results from government borrowing

crowding-out effect the offset in aggregate demand that results when expansionary fiscal policy raises the interest rate and thereby reduces investment spending

currency the paper bills and coins in the hands of the public

cyclical unemployment the deviation of unemployment from its natural rate

D

deadweight loss the fall in total surplus that results from a market distortion, such as a tax

demand curve a graph of the relationship between the price of a good and the quantity demanded

demand deposits balances in bank accounts that depositors can access on demand by writing a check

demand schedule a table that shows the relationship between the price of a good and the quantity demanded

depreciation a decrease in the value of a currency as measured by the amount of foreign currency it can buy

depression a severe recession

diminishing marginal product the property whereby the marginal product of an input declines as the quantity of the input increases

diminishing returns the property whereby the benefit from an extra unit of an input declines as the quantity of the input increases

discount rate the interest rate on the loans that the Fed makes to banks

discouraged workers individuals who would like to work but have given up looking for a job

discrimination the offering of different opportunities to similar individuals who differ only by race, ethnic group, sex, age, or other personal characteristics

diseconomies of scale the property whereby long-run average total cost rises as the quantity of output increases

diversification the reduction of risk achieved by replacing a single risk with a large number of smaller, unrelated risks

dominant strategy a strategy that is best for a player in a game regardless of the strategies chosen by the other players

E

economic profit total revenue minus total cost, including both explicit and implicit costs

economics the study of how society manages its scarce resources

economies of scale the property whereby long-run average total cost falls as the quantity of output increases

efficiency the property of a resource allocation of maximizing the total surplus received by all members of society

efficiency wages above-equilibrium wages paid by firms to increase worker productivity

efficient markets hypothesis the theory that asset prices reflect all publicly available information about the value of an asset

efficient scale the quantity of output that minimizes average total cost

elasticity a measure of the responsiveness of quantity demanded or quantity supplied to a change in one of its determinants

equality the property of distributing economic prosperity uniformly among the members of society

equilibrium a situation in which the market price has reached the level at which quantity supplied equals quantity demanded

equilibrium price the price that balances quantity supplied and quantity demanded

equilibrium quantity the quantity supplied and the quantity demanded at the equilibrium price

excludability the property of a good whereby a person can be prevented from using it

explicit costs input costs that require an outlay of money by the firm

exports goods and services that are produced domestically and sold abroad

externality the uncompensated impact of one person's actions on the well-being of a bystander

F

factors of production the inputs used to produce goods and services

federal funds rate the interest rate at which banks make overnight loans to one another

Federal Reserve (Fed) the central bank of the United States

fiat money money without intrinsic value that is used as money by government decree

finance the field that studies how people make decisions regarding the allocation of resources over time and the handling of risk

financial intermediaries financial institutions through which savers can indirectly provide funds to borrowers

financial markets financial institutions through which savers can directly provide funds to borrowers

financial system the group of institutions in the economy that help to match one person's saving with another person's investment

firm-specific risk risk that affects only a single company

fiscal policy the setting of the level of government spending and taxation by government policymakers

Fisher effect the one-for-one adjustment of the nominal interest rate to the inflation rate

fixed costs costs that do not vary with the quantity of output produced

fractional-reserve banking a banking system in which banks hold only a fraction of deposits as reserves

free rider a person who receives the benefit of a good but avoids paying for it

frictional unemployment unemployment that results because it takes time for workers to search for the jobs that best suit their tastes and skills

fundamental analysis the study of a company's accounting statements and future prospects to determine its value

future value the amount of money in the future that an amount of money today will yield, given prevailing interest rates

G

game theory the study of how people behave in strategic situations

GDP deflator a measure of the price level calculated as the ratio of nominal GDP to real GDP times 100

Giffen good a good for which an increase in the price raises the quantity demanded

government purchases spending on goods and services by local, state, and federal governments

gross domestic product (GDP) the market value of all final goods and services produced within a country in a given period of time

H

horizontal equity the idea that taxpayers with similar abilities to pay taxes should pay the same amount

human capital the knowledge and skills that workers acquire through education and on-the-job training

I

implicit costs input costs that do not require an outlay of money by the firm

imports goods and services that are produced abroad and sold domestically

incentive something that induces a person to act

income effect the change in consumption that results when a price change moves the consumer to a higher or lower indifference curve

income elasticity of demand a measure of how much the quantity demanded of a good responds to a change in consumers' income, computed as the percentage change in quantity demanded divided by the percentage change in income

indexation the automatic correction by law or contract of a dollar amount for the effects of inflation

indifference curve a curve that shows consumption bundles that give the consumer the same level of satisfaction

inferior good a good for which an increase in income reduces the quantity demanded

inflation an increase in the overall level of prices in the economy

inflation rate the percentage change in the price index from the preceding period

inflation tax the revenue the government raises by creating money

informational efficiency the description of asset prices that rationally reflect all available information

in-kind transfers transfers to the poor given in the form of goods and services rather than cash

internalizing the externality altering incentives so that people take into account the external effects of their actions

investment spending on business capital, residential capital, and inventories

J

job search the process by which workers find appropriate jobs given their tastes and skills

L

labor force the total number of workers, including both the employed and the unemployed

labor-force participation rate the percentage of the adult population that is in the labor force

law of demand the claim that, other things being equal, the quantity demanded of a good falls when the price of the good rises

law of supply the claim that, other things being equal, the quantity supplied of a good rises when the price of the good rises

law of supply and demand the claim that the price of any good adjusts to bring the quantity supplied and the quantity demanded for that good into balance

leverage the use of borrowed money to supplement existing funds for purposes of investment

leverage ratio the ratio of assets to bank capital

liberalism the political philosophy according to which the government should choose policies deemed just, as evaluated by an impartial observer behind a "veil of ignorance"

libertarianism the political philosophy according to which the government should punish crimes and enforce voluntary agreements but not redistribute income

life cycle the regular pattern of income variation over a person's life

liquidity the ease with which an asset can be converted into the economy's medium of exchange

lump-sum tax a tax that is the same amount for every person

M

macroeconomics the study of economy-wide phenomena, including inflation, unemployment, and economic growth

marginal change a small incremental adjustment to a plan of action

marginal cost the increase in total cost that arises from an extra unit of production

marginal product the increase in output that arises from an additional unit of input

marginal product of labor the increase in the amount of output from an additional unit of labor

marginal rate of substitution the rate at which a consumer is willing to trade one good for another

marginal revenue the change in total revenue from an additional unit sold

marginal tax rate the amount by which taxes increase from an additional dollar of income

market a group of buyers and sellers of a particular good or service

market economy an economy that allocates resources through the decentralized decisions of many firms and households as they interact in markets for goods and services

market failure a situation in which a market left on its own fails to allocate resources efficiently

market for loanable funds the market in which those who want to save supply funds and those who want to borrow to invest demand funds

market power the ability of a single economic actor (or small group of actors) to have a substantial influence on market prices

market risk risk that affects all companies in the stock market

maximin criterion the claim that the government should aim to maximize the well-being of the worst-off person in society

median voter theorem a mathematical result showing that if voters are choosing a point along a line and each voter wants the point closest to his most preferred point, then majority rule will pick the most preferred point of the median voter

medium of exchange an item that buyers give to sellers when they want to purchase goods and services

menu costs the costs of changing prices

microeconomics the study of how households and firms make decisions and how they interact in markets

model of aggregate demand and aggregate supply the model that most economists use to explain short-run fluctuations in economic activity around its long-run trend

monetary neutrality the proposition that changes in the money supply do not affect real variables

monetary policy the setting of the money supply by policymakers in the central bank

money the set of assets in an economy that people regularly use to buy goods and services from other people

money multiplier the amount of money the banking system generates with each dollar of reserves

money supply the quantity of money available in the economy

monopolistic competition a market structure in which many firms sell products that are similar but not identical

monopoly a firm that is the sole seller of a product without any close substitutes

moral hazard the tendency of a person who is imperfectly monitored to engage in dishonest or otherwise undesirable behavior

multiplier effect the additional shifts in aggregate demand that result when expansionary fiscal policy increases income and thereby increases consumer spending

mutual fund an institution that sells shares to the public and uses the proceeds to buy a portfolio of stocks and bonds

N

Nash equilibrium a situation in which economic actors interacting with one another each choose their best strategy given the strategies that all the other actors have chosen

national saving (saving) the total income in the economy that remains after paying for consumption and government purchases

natural level of output the production of goods and services that an economy achieves in the long run when unemployment is at its normal rate

natural monopoly a type of monopoly that arises because a single firm can supply a good or service to an entire market at a lower cost than could two or more firms

natural-rate hypothesis the claim that unemployment eventually returns to its normal, or natural, rate, regardless of the rate of inflation

natural rate of unemployment the normal rate of unemployment around which the unemployment rate fluctuates

natural resources the inputs into the production of goods and services that are provided by nature, such as land, rivers, and mineral deposits

negative income tax a tax system that collects revenue from high-income households and gives subsidies to low-income households

net capital outflow the purchase of foreign assets by domestic residents minus the purchase of domestic assets by foreigners

net exports spending on domestically produced goods by foreigners (exports) minus spending on foreign goods by domestic residents (imports)

nominal exchange rate the rate at which a person can trade the currency of one country for the currency of another

nominal GDP the production of goods and services valued at current prices

nominal interest rate the interest rate as usually reported without a correction for the effects of inflation

nominal variables variables measured in monetary units

normal good a good for which an increase in income raises the quantity demanded

normative statements claims that attempt to prescribe how the world should be

O

oligopoly a market structure in which only a few sellers offer similar or identical products

open economy an economy that interacts freely with other economies around the world

open-market operations the purchase and sale of U.S. government bonds by the Fed

opportunity cost whatever must be given up to obtain some item

P

perfect complements two goods with right-angle indifference curves

perfect substitutes two goods with straight-line indifference curves

permanent income a person's normal income

Phillips curve a curve that shows the short-run trade-off between inflation and unemployment

physical capital the stock of equipment and structures that are used to produce goods and services

political economy the study of government using the analytic methods of economics

positive statements claims that attempt to describe the world as it is

poverty line an absolute level of income set by the federal government for each family size below which a family is deemed to be in poverty

poverty rate the percentage of the population whose family income falls below an absolute level called the poverty line

present value the amount of money today that would be needed to produce a future amount of money, given prevailing interest rates

price ceiling a legal maximum on the price at which a good can be sold

price discrimination the business practice of selling the same good at different prices to different customers

price elasticity of demand a measure of how much the quantity demanded of a good responds to a change in the price of that good, computed as the percentage change in quantity demanded divided by the percentage change in price

price elasticity of supply a measure of how much the quantity supplied of a good responds to a change in the price of that good, computed as the percentage change in quantity supplied divided by the percentage change in price

price floor a legal minimum on the price at which a good can be sold

principal a person for whom another person, called the agent, is performing some act

prisoners' dilemma a particular "game" between two captured prisoners that illustrates why cooperation is difficult to maintain even when it is mutually beneficial

private goods goods that are both excludable and rival in consumption

private saving the income that households have left after paying for taxes and consumption

producer price index (PPI) a measure of the cost of a basket of goods and services bought by firms

producer surplus the amount a seller is paid for a good minus the seller's cost of providing it

production function the relationship between the quantity of inputs used to make a good and the quantity of output of that good

production possibilities frontier a graph that shows the combinations of output that the economy can possibly produce given the available factors of production and the available production technology

productivity the quantity of goods and services produced from each unit of labor input

profit total revenue minus total cost

progressive tax a tax for which high-income taxpayers pay a larger fraction of their income than do low-income taxpayers

property rights the ability of an individual to own and exercise control over scarce resources

proportional tax a tax for which high-income and low-income taxpayers pay the same fraction of income

public goods goods that are neither excludable nor rival in consumption

public saving the tax revenue that the government has left after paying for its spending

purchasing-power parity a theory of exchange rates whereby a unit of any given currency should be able to buy the same quantity of goods in all countries

Q

quantity demanded the amount of a good that buyers are willing and able to purchase

quantity equation the equation $M \times V = P \times Y$, which relates the quantity of money, the velocity of money, and the dollar value of the economy's output of goods and services

quantity supplied the amount of a good that sellers are willing and able to sell

quantity theory of money a theory asserting that the quantity of money available determines the price level and that the growth rate in the quantity of money available determines the inflation rate

R

random walk the path of a variable whose changes are impossible to predict

rational expectations the theory that people optimally use all the information they have, including information about government policies, when forecasting the future

rational people people who systematically and purposefully do the best they can to achieve their objectives

real exchange rate the rate at which a person can trade the goods and services of one country for the goods and services of another

real GDP the production of goods and services valued at constant prices

real interest rate the interest rate corrected for the effects of inflation

real variables variables measured in physical units

recession a period of declining real incomes and rising unemployment

regressive tax a tax for which high-income taxpayers pay a smaller fraction of their income than do low-income taxpayers

reserve ratio the fraction of deposits that banks hold as reserves

reserve requirements regulations on the minimum amount of reserves that banks must hold against deposits

reserves deposits that banks have received but have not loaned out

risk aversion a dislike of uncertainty

rivalry in consumption the property of a good whereby one person's use diminishes other people's use

S

sacrifice ratio the number of percentage points of annual output lost in the process of reducing inflation by 1 percentage point

scarcity the limited nature of society's resources

screening an action taken by an uninformed party to induce an informed party to reveal information

shoeleather costs the resources wasted when inflation encourages people to reduce their money holdings

shortage a situation in which quantity demanded is greater than quantity supplied

signaling an action taken by an informed party to reveal private information to an uninformed party

social insurance government policy aimed at protecting people against the risk of adverse events

stagflation a period of falling output and rising prices

statistical discrimination discrimination that arises because an irrelevant but observable personal characteristic is correlated with a relevant but unobservable attribute

stock a claim to partial ownership in a firm

store of value an item that people can use to transfer purchasing power from the present to the future

strike the organized withdrawal of labor from a firm by a union

structural unemployment unemployment that results because the number of jobs available in some labor markets is insufficient to provide a job for everyone who wants one

substitutes two goods for which an increase in the price of one leads to an increase in the demand for the other

substitution effect the change in consumption that results when a price change moves the consumer along a given indifference curve to a point with a new marginal rate of substitution

sunk cost a cost that has already been committed and cannot be recovered

supply curve a graph of the relationship between the price of a good and the quantity supplied

supply schedule a table that shows the relationship between the price of a good and the quantity supplied

supply shock an event that directly alters firms' costs and prices, shifting the economy's aggregate-supply curve and thus the Phillips curve

surplus a situation in which quantity supplied is greater than quantity demanded

T

tariff a tax on goods produced abroad and sold domestically

tax incidence the manner in which the burden of a tax is shared among participants in a market

technological knowledge society's understanding of the best ways to produce goods and services

theory of liquidity preference Keynes's theory that the interest rate adjusts to bring money supply and money demand into balance

total cost the market value of the inputs a firm uses in production

total revenue the amount a firm receives for the sale of its output

trade balance the value of a nation's exports minus the value of its imports; also called net exports

trade deficit an excess of imports over exports

trade policy a government policy that directly influences the quantity of goods and services that a country imports or exports

trade surplus an excess of exports over imports

Tragedy of the Commons a parable that illustrates why common resources are used more than is desirable from the standpoint of society as a whole

transaction costs the costs that parties incur during the process of agreeing to and following through on a bargain

U

unemployment insurance a government program that partially protects workers' incomes when they become unemployed

unemployment rate the percentage of the labor force that is unemployed

union a worker association that bargains with employers over wages and working conditions

unit of account the yardstick people use to post prices and record debts

utilitarianism the political philosophy according to which the government should choose policies to maximize the total utility of everyone in society

utility a measure of happiness or satisfaction

V

value of the marginal product the marginal product of an input times the price of the output

variable costs costs that vary with the quantity of output produced

velocity of money the rate at which money changes hands

vertical equity the idea that taxpayers with a greater ability to pay taxes should pay larger amounts

W

welfare government programs that supplement the incomes of the needy

welfare economics the study of how the allocation of resources affects economic well-being

willingness to pay the maximum amount that a buyer will pay for a good

world price the price of a good that prevails in the world market for that good

ATTACHMENTS

REPUBLIC OF UZBEKISTAN
MINISTRY OF HIGHER EDUCATION, SCIENCE AND INNOVATIONS
NAMANGAN STATE UNIVERSITY

«Approved by»
Vice-rector for academic affairs ____________
D. Xolmatov
«___» ______________2024

CURRICULUM OF ECONOMIC THEORY

2024/2025 academic year, full-time form of education, for 1st-year students

Field of knowledge:	**400000**	**- Business, Management and Law**
Field of Education:	**410000**	**- Business and Management**
Course of Study:	**60410100**	**- Economics (sectors and fields)**
	60410500	**- Finance and financial technologies**
	60410200	**- Accounting**
	60410600	**- Banking**

Namangan-2024

<table>
<tr><td colspan="2">Subject/module code
IQN11210</td><td>Academic year
2024/2025</td><td>Semester
1-2</td><td>ECTS-Credits
10</td></tr>
<tr><td colspan="2">Subject/module type
Compulsory</td><td colspan="2">Education language
Uzbek</td><td>Hours per week
4</td></tr>
<tr><td rowspan="2">1</td><td>Name of the subject</td><td>Auditorium hours</td><td>Independent education (hours)</td><td>Total laod (hours)</td></tr>
<tr><td>Economic theory</td><td>120</td><td>180</td><td>300</td></tr>
<tr><td>2</td><td colspan="4">Module 1. General principles of economic development
Topic 1. The subject of "Economic theory" subject and methods of knowledge
The concept of economy and its types in terms of coverage. The content of economic activity. Phases of reproduction: production, distribution, exchange, consumption. Content of needs and their categorization. The law of growth of needs. Content and classification of economic resources. The relationship between economic resources and the level of satisfaction of needs. Problems facing the economy. Formation and development of economic knowledge. Economic ideas in ancient Eastern and Western nations. The main currents in the formation of economic theory as a science: mercantilism, physiocrats, the English classical economic school, Marxism and marginalism. The main currents in modern economic theory. Different approaches to the subject of economic theory. Subject of economic theory. Economic phenomena and processes. Economic relations in the process of production, distribution, exchange and consumption of material and spiritual goods.
Tasks of the subject of economic theory. Interrelationship of economic theory with other subjects. That economic theory is the methodological foundation of all economic sciences and the scientific basis of state economic policy. The role of the science of economic theory in the formation of modern economic thinking, analysis and knowledge of socio-economic development problems. The importance of the science of economic theory in the formation of a scientific worldview and instilling the idea of national independence in the minds of students. Economic laws and categories. Classification of economic laws. Methods of knowledge of economic phenomena and processes: economic laws, dialectical rules of scientific knowledge of phenomena and processes, scientific abstraction, induction and deduction, analysis and synthesis, unity of rationality and historicity, dual approach, use of empirical method and hypotheses. Micro and macroeconomic analysis. Use of mathematical, statistical and graphic methods in economic analysis. Positive and normative methods. The scientific-methodical importance of studying the lectures of the President of our country Sh. Mirziyoyev and the strategy of actions for the further development of the Republic of Uzbekistan.
Topic 2. Production process and its results
Opinions and views of representatives of different schools about the importance of production. Factors of production and different approaches to their classification. Interdependence and substitutability of factors of production. The content of the production process and its economic basis. Structural structure of production. Two sides of the production process. Short and long term production. The importance of production in the life of society. Interdependence of production and service. The role of production factors in the creation of usefulness and value of goods and services. General and final results of production. Gross social product. Repeat account. Intermediate product, final product, added product, pure product. Necessary and additional product. By-product rate and mass. The need and</td></tr>
</table>

importance of by-products. Production function. Total, average and last added product, their calculation procedure. The last added factor is productivity. The law of diminishing returns.

The concept of production possibilities. Full employment. Production possibilities frontier. Production possibilities curve. Opportunity costs. FTT and expansion of the production possibilities frontier. Production optimization. Rapid development of high-tech processing industries in Uzbekistan in 2017-2021, first of all, production of finished products with high added value based on deep processing of local raw materials. Production efficiency. The law of saving time. Law of conservation of economic resources. Labor productivity and factors affecting it. A system of performance indicators. Factors to improve production efficiency. Evolutionary and revolutionary forms of FTT. Continuation of structural changes and economic diversification processes in our country. Policy to promote localization of production.

Topic 3. Economic systems and property relations

Different approaches to knowing the stages of socio-economic development: historical-formational, culturalization (civilization) level, technical and technological level, approach in terms of changes in economic systems. The productive forces of society. Industrial relations. Production method. Socio-economic formation. Types of historical development of civilization. Theory of the exchange of civilizations. Technological method of production. Simple cooperation, manufacturing and large-scale mechanized production. Pre-industrial society, industrialized society, highly industrialized (informed) society. Concept of economic system.

Economic system models: traditional economy, administrative-command economy, market economy. Stages of market economy: based on free competition and modern market economy. The economic content of property relations: ownership, use and disposal. Object and subject of property. Economic and legal aspects of ownership. Classification of property forms. State property, community property, private property, private property and mixed property.

The role of ownership in economic reform. Methods of changing ownership: nationalization, expropriation and privatization. Methods of privatization of state property. Stages of implementation of the process of expropriation and privatization of ownership in the Republic of Uzbekistan.

In 2017-2021, further expansion of privatization of state property and simplification of its procedures, reduction of state participation in chartered funds of economic entities, creation of favorable conditions for the development of private entrepreneurship on the basis of privatized objects of state property, private property ensure reliable protection of rights and guarantees.

Topic 4. The development of commodity-money relations is the basis of the formation and functioning of the market economy.

Forms of social economy. Signs and differences of natural and commodity production. Reasons for the emergence and development of commodity production.

Product and its features. Product usefulness and exchangeability (value). The amount of the value of the goods. Individual and social necessity. Individual and socially necessary labor costs. Socially necessary working time. Two-sided description of labor: concrete labor and abstract labor. The impact of labor productivity and intensity on the amount of commodity value.

The labor theory of value. The law of value. Conditions for mutual differentiation of commodity value and price. The next added quantity benefit theory. Total and net worth. Decreased appetite. The interrelationship and complementarity of the labor theory of value

	and the subsequent theory of utility. The paradox of value. Origin and content of money. Rationalist and evolutionary concepts of money. Forms of value. Metallist, nominalist and quantity theories of money. The main functions of money: a measure of value, a medium of exchange, a means of accumulation, a means of payment. Price scale (scale). The nature and content of modern money. The relationship between gold and paper money. Features of cash and credit money. Stages of introducing national currency - soum into circulation in Uzbekistan and their importance. Programs for solving the tasks of increasing the stability of the national currency. **MODULE 2. THEORY OF MARKET ECONOMY** **Topic 5. Content and implementation of market economy** The content of the market economy and its development. Subjects of the market economy: households, business sector, public sector and banking. The main features of the market economy. Self-regulating mechanism of the market system. Classical and modern market economy, their similarities and differences. Modern market economy models. Ways to solve constant problems and effective use of resources in the market economy. Advantages of market economy. Efficiency of resource allocation. Economic activity and freedom of choice. Ensuring the movement of economic entities. Other positive aspects of the market economy. The main contradictions and negative aspects of the market economy. Difference between the concepts of "market" and "market economy". Content and main features of the market. Market mechanism. Objects and subjects of the market. Functions of the market. Market segmentation. Circular diagram of resources, products and income. Market infrastructure. Directions for grouping market infrastructure institutions. Structure of market infrastructure. **Topic 6. The period of transition to the market economy and its characteristics in Uzbekistan** The content of the period of transition to the market economy. The transition to a market economy is a common process for all countries. Ways to transition to a market economy. Revolutionary and evolutionary forms of the transition to the market economy. Features of the transition from an economy based on administrative-command to a market economy. The main directions of formation of the market economy in the transition period. The main features of the transition economy. National models of transition to market economy. The Uzbek model of transition to a market economy, its principles and features. The Uzbek model embodies a means of protection against the negative effects of the current global financial and economic crisis. Stages of transition to a market economy in Uzbekistan. The content of economic reforms. The concept and strategy of implementing economic reforms in Uzbekistan and the main directions. Stages of economic reforms and their tasks. The main directions of deepening reforms and economic liberalization in Uzbekistan. The content of the country's modernization process and its role in ensuring the transition to a market economy. Principles, main signs and components of the modernization process. The main directions of modernization processes in Uzbekistan at the present time. Priority directions of socio-economic development of our country in 2017-2021. **3-MODUL. MIKROIQTISODIYOTNING AMAL QILISH VA RIVOJLANISH QONUNIYATLARI** **Topic 7. Theory of supply and demand. Market equilibrium** Demand concept. Individual demand and market demand. Law of demand. Giffen effect. Demand curve. Factors affecting the amount of demand: consumer tastes, the number of

consumers in the market, their monetary income, the price of substitute goods, the possibility of future price and income changes. High and low class goods. Engel's law. Engel curve.

The concept of an offer. The law of supply. Supply curve. Factors affecting the amount of supply: the price of resources, production technology, taxes and subsidies, the price of other goods, the expectation of price changes, the number of producers. Characteristics of supply and demand for economic resources.

Matching of supply and demand quantities. Changes in demand in the short and long periods. Market equilibrium. Private and public balance. Demand and supply elasticity and their determinants. Methods of calculating the coefficient of elasticity. Theory of consumer behavior. Consumer preference. The funcion function. The last added benefit. The rule of maximization of utility. Equilibrium position of the consumer. Indifference curve. Indifference card. Limited consumer budget. Budget line. Effects of price and income changes on consumer choice.

Topic 8. Competition and Monopoly

The nature and objective foundations of competition. Approach to the content of competition from different angles. Tasks of competition. Types of competition: intra-industry and inter-industry competition. Forms of competition: pure competition, monopolistic competition, oligopoly and pure monopoly. Methods of competition: price and non-price competition, unfair and fair competition. Application of dumping prices. Modern forms of competition: product quality improvement, product renewal, service quality, advertising, service, marketing, etc

The essence of monopoly and the reasons for its emergence. Concentration and concentration of production and capital. Types of monopolies: pure monopoly, oligopoly, monopsony. Natural monopolies. Legal and artificial monopolies. Lerner coefficient. Forms of monopolistic associations. Advantages and socio-economic consequences of monopolies. Schumpeter's hypothesis. State anti-monopoly measures. Experiences of antimonopoly policy in developed countries. Anti-monopoly legislation.

Measures to strengthen the competitive environment in Uzbekistan. Formation of anti-monopoly legislation. Methods of regulation of monopolistic enterprises. Measures aimed at increasing the competitiveness of the national economy. Formation of an effective competitive environment for economic sectors in our country in 2017-2021 and gradual reduction of monopoly in the market of products and services.

Topic 9. The nature of the price and the characteristics of its formation

The content of the price and its objective basis. Different theories of price. Price expression of two different characteristics of a product. Factors influencing price formation. Functions of price in market economy.

Price types: wholesale and retail prices. Prestigious, dumping and subsidized prices. Contractual, free and regulated prices. Regional, national and world market prices. Price range. Price parity.

Market mechanism of price formation. Characteristics of price formation under conditions of perfect competition. Seller and buyer prices. Price formation in monopoly conditions. Price changes in public offering. Price formation in monopsony conditions. Price changes due to popular demand. Price formation in oligopoly. "Follow" and "deny" cases. Price leadership.

Price policy and features of its implementation in Uzbekistan. Ways and stages of price liberalization.

Topic 10. Entrepreneurial activity and its forms. Entrepreneurial capital and its circulation

Content of business activity. Stages of development of the theory of entrepreneurial activity. The essence of entrepreneurial activity and conditions of development.

Forms of entrepreneurial activity: state, collective, private, mixed and other derivative forms. Cooperative, private and sole proprietorship. The enterprise is the main and initial link of business activity. Organization of enterprise activities. Joint stock company and share capital. Action and its types. Share price. Dividend and profit of founders. Control package. Bonds. Marketing, its purpose, tasks and principles. Management as a management system of enterprises. The main purpose and tasks of management.

Further liberalization, encouragement and state support of small and family business and private entrepreneurship in Uzbekistan. At the present time, eliminating all obstacles and restrictions on the way of private entrepreneurship and small business development, giving it complete freedom, creating a favorable business environment for the wide development of small business and private entrepreneurship.

The essence of entrepreneurial capital. Manifestation of the dual nature of entrepreneurial capital and its movement. Functional forms of entrepreneurial capital: money, productive capital and goods. Movement stages of capital. Circular circulation of different forms of entrepreneurial capital.

Circulation of entrepreneurial capital. Fixed and working capital, their differences. Time and speed of capital turnover. Reproduction of fixed capital: physical, spiritual and economic wear and tear. Depreciation and its rate. Accelerated depreciation. Efficiency of use of fixed and working capital and its indicators. Ways to improve the efficiency of the use of fixed capital. Implementation of laws, decrees, decisions and state programs on the development of business capital.

Topic 11. Enterprise (firm) costs and benefits

Approaches to the study of production costs. Social production costs. Enterprise production costs. Content, composition and types of production costs. Direct manufacturing costs and handling costs. Internal and external costs. Moderate profit. Fixed and variable costs. Graphic representation of fixed, variable and total (gross) costs. Average and total costs. Average cost curves. The concept of recent added costs. Cost minimization rule.

Production costs in the short and long term. Effect of the Law of Diminishing Productivity on Variation in Outcomes. Positive effect of production scale. Cost.

Cash receipts and profits of the enterprise (firm). Cost and revenue curve. The point of no harm. Total benefit. Steps to find useful content. Factors affecting the amount of profit. Product cost structure. Distribution of gross profit. Difference between economic profit and accounting profit. Net profit. Profit rate and mass and their calculation. Factors affecting the rate of profit. Bankruptcy (breaking) and rehabilitation of enterprises. The condition of maximizing the profit of enterprises and the ways of increasing it. The importance of saving material resources in increasing the amount of profit.

The strategy of actions for the development of the economy for 2017-2021 and the main tasks for the development of local production and increasing the efficiency of products are defined in its priorities.

Topic 12. Wages and labor relations

Principles of distribution of generated products and income. "Three factors of production", added factor productivity and other theories. Disadvantages of these theories. The main directions of distribution of the created product.

Different theories about wages. The economic content of wages. Nominal and real wages. Factors affecting the level and change of real wages. Classification of wages. Forms and systems of wage organization. Tariff system. Minimum wage.

Labor relations. Employment contracts. Relations of trade unions with entrepreneurs and the state. Ways to increase the wage level of trade unions. Changing labor supply and demand. Licensing of professional qualifications. Collective agreements and social insurance system. The impact of open and closed trade unions on the wage level. The role of the state in regulating labor relations.

State wage policy. Implementation of the policy aimed at encouraging work, increasing wages and ensuring the growth of the population's income in the republic. In 2017-2021, a consistent increase in the amount of wages, pensions and social benefits set for the further development of the Republic of Uzbekistan.

Topic 13. Agrarian relations and agribusiness

Agrarian relations and their characteristics in the market system. Specific characteristics of land as a resource. Natural and economic fertility of the land. Peculiarities of reproduction in agriculture. Object of land ownership and management. Land ownership and land use rights.

Different approaches to the theory of ground rent and their historical forms. Content and types of land rent: differential rent, absolute rent, monopoly rent, rent from industrial and construction plots. Rent. The price of land and its determinants.

Agro-industry integration. Agro-industry and its branches. Agribusiness and its types. Peasant, farmer and cooperative farms. Agrofirm, agro-industry association, agro-industry combine.

The main directions of implementation of agrarian reforms in Uzbekistan. Land ownership relations. Measures to improve land reclamation. Expansion of homesteads. Improvement of the structural structure of agricultural production. The main directions of modernization of production in rural areas and rapid development of social infrastructure in 2017-2021.

MODULE 4. LAWS OF IMPLEMENTATION AND DEVELOPMENT OF THE NATIONAL ECONOMY (MACROECONOMY)

Topic 14. National economy and its macroeconomic dimensions. Gross domestic product and its forms of movement

The declaration of state independence of the Republic of Uzbekistan and the formation of the national economy. The content of the national economy and its structure. Macroeconomics. Macroeconomic analysis and its tasks. Key macroeconomic indicators.

Social reproduction. The economic content of the national product and its forms of action. Gross national product and gross domestic product. Nominal and real GDP. Price index. Structural structure of gross domestic product. Net national product, national income and personal income. Secret economy, its dimensions and forms of manifestation. Factors and ways to increase GDP.

System of national accounts. A value-added approach to calculating GDP. Expenditure approach to GDP calculation. Household consumption expenditures. Investment costs. State expenditure. Expenditures of foreigners. Income approach to calculating GDP.

Modernization of the leading sectors of the economy of Uzbekistan, acceleration of technical and technological updating and expansion of its scope, diversification of production as a priority direction of increasing the national product. Strategy for increasing GDP in Uzbekistan in 2017-2021 and opportunities for its implementation.

Topic 15. Aggregate demand and aggregate supply

	The concept of aggregate demand and its composition. Aggregate demand curve. Factors affecting the amount of aggregate demand: changes in consumer spending, investment spending, government spending, changes in net exports. The concept of a gross offer and its composition. The aggregate supply curve. Horizontal, intermediate and vertical sections of the aggregate supply curve. Factors affecting the amount of aggregate supply: changes in the price of resources, changes in efficiency, changes in legal norms. Equilibrium between aggregate demand and aggregate supply and its changes. AD-AS model. The intersection of the aggregate demand and aggregate supply curves. Hrapovik effect. Saturation level of the national market. Economic nature of deficit and ways to eliminate it. A decrease in aggregate demand in the current environment, where the effects of the global financial and economic crisis continue and tensions between some countries have increased. Measures to support the growth of aggregate demand. **Topic 16. Consumption, savings and investments** Content of consumption and its types. Consumer fund and consumer spending. Fund and its purpose. Changes in the ratio between consumption and savings. Factors determining the level of consumption and savings. Consumption and savings function. Factors affecting consumption and savings other than income. Mean and marginal propensities to consume and save and their definition. The content of the fund and its sources. Production and non-production accumulation. Accumulation rate. Nominal and real savings. Content and tasks of investments. Sources and structure of investments. Factors determining the level of spending on investments. Gross and net investments. The effect of changes in the ratio of gross investment and depreciation on the economy. Ratio between savings and investment. Classical and Keynesian models of equilibrium between savings and investment, differences between them. Ensuring investment activity in Uzbekistan and its conditions. The importance of mobilizing domestic investment resources and attracting foreign investment in the development of the national economy. Improving the creation of a favorable investment environment in the consistent implementation of structural changes. In 2017-2021, to carry out an active investment policy aimed at the modernization of production, technical and technological upgrading, implementation of transport-communication and social infrastructure projects. **Topic 17. Economic development, economic growth and national wealth** Content and indicators of economic development. Different aspects of economic development from economic growth. Extensive and intensive types of economic development. Theories, concepts and models of economic growth. Keynesian and neo-Keynesian models of economic growth. Content of the Cobb-Douglas model. R. Harrod and Ye. Domar models. V. Leontev's "costs-results" model. Concept of "zero economic growth". Content, criteria and indicators of economic growth. Economic growth rate. "Rule of 70". Extensive and intensive types of economic growth. Indicators describing specific aspects of economic growth. Factors of economic growth. Impact of aggregate demand and aggregate supply on economic growth. Private indicators determining economic growth. Factor productivity indicators added next. Factors determining the growth of real output. National wealth and its components. Tangible, intangible (intellectual) and natural wealth. Economic potential of the

country. Effective use of economic potential of Uzbekistan and problems of economic growth. The importance of economical use of natural, material and financial resources in ensuring the efficiency of economic growth. To ensure long-term stable growth rates of economic growth in our country based on the implementation of large-scale programs for 2017-2021.

Topic 18. Balanced and proportionate development of the national economy

The concept of economic equilibrium. Macroeconomic and private equilibrium. Stable and constantly evolving balance. Methods of determining the level of economic equilibrium. Principles of operation of economic balance and forms of manifestation. Economic balance and its types. Classification of proportions. Balanced development of national production by ensuring balance. Proportionate development of the economy in Uzbekistan based on structural changes, diversification and modernization. Implementation of macroeconomic stabilization policy. Ensuring the balance and stability of the national economy according to the action strategy, increasing the share of industry, service sector, small business and private entrepreneurship in its structure.

Topic 19. Economic cyclicality and macroeconomic instability

Inequality in economic development and forms of their manifestation. Cyclical development of the economy. Economic cycle phases. Cyclic vibrations. Economic cycle theories. External and internal theories. Pure monetary theory. The under-consumption theory. Accumulation theory. Psychological theory. Types of economic cycle. Content, causes and types of economic crisis. Monetary and credit crisis, currency crisis, stock market crisis, environmental crisis, industry crisis, structural crisis, agrarian crisis. Periodic, intermediate, irregular crises. Crises of overproduction and underproduction.

The nature of the world financial and economic crisis that started in 2008, its causes and negative consequences. Measures of developed countries to get out of the world financial and economic crisis. The impact of the world financial and economic crisis on the economy of Uzbekistan and the factors underlying the prevention and mitigation of its consequences.

Topic 20. Labor force, its employment and unemployment

Socio-economic content of the total labor force. Reproduction of labor force. Quantitative and qualitative determination of labor force. The impact of FTT on the qualitative improvement of the workforce. Population law. Natural population growth. Labor migration and its forms.

Labor market. Demand and supply of labor force and its determining factors. Labor cost. Socio-economic characteristics of the labor market. Phillips curve. The market mechanism of labor force release from certain sectors and its redistribution.

Different theories about labor force employment. Neoclassical, Keynesian, monetarist, institutional-sociological school concepts. Theory of employment based on CONTRACT. Employment models. The concept of a flexible labor market.

Unemployment and its types. Frictional, structural and cyclical unemployment. Institutional, technological, territorial, hidden, stagnant unemployment. Natural rate of unemployment. Unemployment rate and its determination. Economic and social consequences of unemployment. A. Oaken's law. The relationship between unemployment and inflation.

The main directions of the state policy in Uzbekistan in 2017-2021 in terms of ensuring the employment of the workforce, reducing the level of unemployment, the balance of the labor market and the development of its infrastructure.

Topic 21. Financial system and financial policy

Meaning and importance of finance. Objects and subjects of financial relations. Functions of finance. Financial system and its links. State budget and its importance in the formation of financial resources. Structure of the state budget of the Republic of Uzbekistan. The composition of revenues and expenses of the state budget and their curve. Budget deficit and public debt, their impact on the economy. State internal debt. State loan. State foreign debt. Ensuring proportionality at all levels of the state budget in Uzbekistan in 2017-2021. Taxes and their tasks in a market economy. Principles of taxation. Tax benefits. Classification of taxes. Laffer curve. Determining the tax burden and its level. Distribution of the tax burden. Financial policy. Fiscal (tax-budget) policy. Reducing the tax burden and simplifying and unifying the taxation system in Uzbekistan.

Topic 22. Monetary system. Banks and their role in the market economy

Money circulation. Monetary system and its components. Determining the amount of money needed for a transaction and the factors affecting it. Money circulation laws. The velocity of money. Different approaches to determining the amount of money. Application of the equation MV=PQ. Monetary aggregates. Demand and supply in the money market. Money supply and its multiplier.

Inflation and its causes. Rate and rate of inflation. Supply and demand inflation. Types of inflation: creeping, rapid and hyperinflation. Socio-economic consequences of inflation, anti-inflation policy of the State.

The essence, tasks and types of credit. Objects and subjects of credit relations. Sources of credit resources. Principles of lending. Factors determining the interest rate and its level. Regulation of the credit-money system by the state.

Economic content of banks. Banking system. Central Bank and its functions. Commercial banks and their functions. Bank operations and the generation of bank profits. Improvement of the banking system. Budget-tax and monetary credit policy in the IS-LM model.

Implementation of the national currency strengthening policy in Uzbekistan. Increasing the purchasing power of the soum and ensuring its stability. Conducting a well-thought-out anti-inflation policy. Linking the increase in the amount of money with the corresponding increase in the amount of goods and services. Achieving stability of the national currency exchange rate. In 2017-2021, further improvement of the monetary policy using the instruments used in the best international experience, as well as the gradual introduction of modern market mechanisms in currency regulation, ensuring the stability of the national currency.

Topic 23. The role of the state in regulating the market economy

The essence and necessity of economic regulation. Classical, monetarist, Keynesian theories of economic regulation.

The purpose of state regulation of the economy. The economic role and tasks of the state: legal protection of the participants of market relations, creating a competitive environment; redistribution of resources, products and income; ensuring the stability of the economy and money circulation; regulation of foreign economic activity. The role of the state in the implementation of scientific and technical development, structural, social and regional policy.

Direct and indirect methods of the state in regulating the economy. The public sector of the economy and its boundaries. State orders and public purchases. Administrative means of direct regulation of the economy. Consumer and producer surplus. Monetary policy. Monetary policy. Budget policy. State economic programs. Foreign economic methods.

Changing views on the role of the state in regulating the economy in the current environment. In Uzbekistan in 2017-2021, reducing state participation in the regulation of the country's socio-economic development processes, decentralizing and democratizing the state management system, expanding public-private partnership, increasing the role of non-governmental, public organizations and local self-government bodies duties.

Topic 24. Population income and social policy of the state

Population incomes, their types and sources of formation. Nominal and real income. Reasons and factors of income stratification. Standard and quality of life. Indicators of living standards and poverty. Family budget: composition of income and expenses. The lower limit of well-being. Lifestyle. Living minimum. Shopping cart.

Determining income inequality and its level. Lorentz curve. Ditsel and Gini coefficients. Kuznets hypothesis. Common factors causing income inequality in a market economy.

The idea, purpose and levers of income redistribution by the state. Social payments. Social policy. The main directions of social protection of the population in the conditions of transition to the market economy of Uzbekistan.

Protection of the domestic consumer market. Social protection and support of disadvantaged groups of the population. Increasing the population's real money income and purchasing power, further reducing the number of low-income families and the level of income inequality of the population.

Module 5. World economy

Topic 25. World economy and its evolution

Organization, stages and main features of the world economy. Subjects of the world economy. Indicators of economic development of world countries. Internationalization of production. International division of labor. The growth of economic interdependence and the formation of direct international production. The role of FTT and transnational capital in the internationalization of the economy.

The essence and main directions of the globalization process. Conflicting aspects of the globalization of the world economy. Uneven economic development in different countries. Widening gap between rich and poor countries. Increasing threats of ecological destruction. Differences in population change in different countries. The impact of globalization processes on the emergence of the world financial and economic crisis in 2008.

Content and forms of international economic relations. International movement of capital. International labor migration. International exchange of scientific and technical achievements.

Development of world infrastructure. International regulation of world economic relations. Regulatory structures in the fields of finance, currency and credit, world trade.

In Uzbekistan in 2017-2021, priorities in the field of foreign policy are well thought out, mutually beneficial and practical, strengthening the independence and sovereignty of the state, increasing the status and role of the country as an equal subject of international relations, among developed democratic states. access, formation of an environment of security, stability and harmonious neighborhood around Uzbekistan.

Topic 26. International economic integration and Uzbekistan's entry into the world community

Different theories about international economic integration processes and their main directions. Content of international economic integration. The main forms of international economic integration. Factors requiring the process of international economic integration. Features of implementation of the main integration groups in the world. Open economy and its characteristics.

Conditions for the development of interstate economic integration. Main integration groups in different regions. European Union (EU), North American Free Trade Agreement (NAFTA), Association of Southeast Asian Nations (ASEAN), Commonwealth of Independent States (CIS).

Conditions of Uzbekistan joining the world economy. Global, transcontinental, interregional, regional levels of integration of the republic into the world economy. The main directions of foreign economic activity of Uzbekistan.

Strengthening of mutually beneficial bilateral cooperation relations between Uzbekistan and various countries, development of open industrial economic zones in our country. Increasing economic cooperation of Uzbekistan with neighboring countries.

Topic 27. World market. International currency and credit relations

Different theories of international trade. Theories of absolute advantage and comparative advantage. Heckscher-Ohlin-Samuelson model. The theory of the ratio of factors of production. Workforce skills model. Opportunity cost model. Product life cycle theory.

Content of international trade. Export and import, changes in the ratio between them. Comparative export specialization ratio. Export quota. Export and import multiplier. The impact of changes in the volume of exports and imports on the volume of gross national production. Features of international trade. Protectionism and free trade policies. Export promotion methods.

Balance of payments and its composition. Foreign trade balance. Absorption. Balance of capital movements. Main views of official reserves. Operations on official reserves. The effect of increasing imbalances in foreign debt and foreign trade balance in the emergence of the world financial and economic crisis in 2008.

International currency-credit relations. National and international currency system. Stages of development of the world monetary system: gold standard, gold-currency and floating currency system. Exchange rate and factors influencing it. Theory of purchasing power parity.

Development of activities of interstate organizations in the field of currency and finance. International Monetary Fund. European currency system. International Bank for Reconstruction and Development. International Financial Corporation. Organization for Economic Cooperation and Development. European Bank for Reconstruction and Development. Asian Development Bank.

II.2. Distribution of lecture topics

#	Topics	Hours
	Module 1. General principles of economic development	
1	Topic 1. The subject of "Economic theory" science and methods of knowledge	2
2	Topic 2. Production process and its results	2
3	Topic 3. Economic systems and property relations	2
4	Topic 4. The development of commodity-money relations is the basis of the formation and functioning of the market economy	4
	MODULE 2. THEORY OF MARKET ECONOMY	
5	Topic 5. Content and implementation of market economy	2
6	Topic 6. The period of transition to the market economy and its characteristics in Uzbekistan	4
	MODULE 3. LAWS OF IMPLEMENTATION AND DEVELOPMENT OF MICROECONOMICS	
7	Topic 7. Theory of supply and demand. Market equilibrium	2
8	Topic 8. Competition and monopoly	2
9	Topic 9. The nature of the price and the characteristics of its formation	2
10	Topic 10. Entrepreneurial activity and its forms. Entrepreneurial capital and its circulation	2

	11	Topic 11. Enterprise (firm) costs and benefits	2
	12	Topic 12. Wages and labor relations	2
	13	Topic 13. Agrarian relations and agribusiness	2
	MODULE 4. LAWS OF IMPLEMENTATION AND DEVELOPMENT OF THE NATIONAL ECONOMY (MACROECONOMY)		
	14	Topic 14. National economy and its macroeconomic dimensions. Gross domestic product and its forms of movement	2
	15	Topic 15. Aggregate demand and aggregate supply	2
	16	Topic 16. Consumption, savings and investments	2
	17	Topic 17. Economic development, economic growth and national wealth	2
	18	Topic 18. Balanced and proportionate development of the national economy	2
	19	Topic 19. Economic cyclicality and macroeconomic instability	2
	20	Topic 20. Labor force, its employment and unemployment	2
	21	Topic 21. Financial system and financial policy	2
	22	Topic 22. Monetary system. Banks and their role in the market economy	2
	23	Topic 23. The role of the state in regulating the market economy	2
	24	Topic 24. Income of population and social policy of the state	4
	Module 5. World economy		
	25	Topic 25. World economy and its evolution	2
	26	Topic 26. International economic integration and Uzbekistan's entry into the world community	2
	27	Topic 27. World market. International currency and credit relations	2
		Total:	**60**

Module 1. General principles of economic development

Topic 1. The subject of "Economic theory" science and methods of knowledge

The concept of economy and its types in terms of coverage. The content of economic activity. Phases of reproduction: production, distribution, exchange, consumption. Content of needs and their categorization. The law of growth of needs. Content and classification of economic resources. The relationship between economic resources and the level of satisfaction of needs. Problems facing the economy.

Formation and development of economic knowledge. Economic ideas in ancient Eastern and Western nations. The main currents in the formation of economic theory as a science: mercantilism, physiocrats, the English classical economic school, Marxism and marginalism. The main currents in modern economic theory.

Different approaches to the subject of economic theory. Subject of economic theory. Economic phenomena and processes. Economic relations in the process of production, distribution, exchange and consumption of material and spiritual goods.

Tasks of the science of economic theory. Interrelationship of economic theory with other sciences. That economic theory is the methodological foundation of all economic sciences and the scientific basis of state economic policy. The role of the science of economic theory in the formation of modern economic thinking, analysis and knowledge of socio-economic development problems. The importance of the science of economic theory in the formation of a scientific worldview and instilling the idea of national independence in the minds of students.

Economic laws and categories. Classification of economic laws.

Methods of knowledge of economic phenomena and processes: economic laws, dialectical rules of scientific knowledge of phenomena and processes, scientific abstraction,

	induction and deduction, analysis and synthesis, unity of logic and historicity, dual approach, use of empirical methods and hypotheses. Micro and macroeconomic analysis. Use of mathematical, statistical and graphic methods in economic analysis. Positive and normative methods. The scientific-methodical importance of studying the lectures of the President of our country Sh. Mirziyoyev and the strategy of actions for the further development of the Republic of Uzbekistan. **Topic 2. Production process and its results** Opinions and views of representatives of different schools about the importance of production. Factors of production and different approaches to their classification. Interdependence and substitutability of factors of production. The content of the production process and its economic basis. Structural structure of production. Two sides of the production process. Short and long term production. The importance of production in the life of society. Interdependence of production and service. The role of production factors in the creation of usefulness and value of goods and services. General and final results of production. Gross social product. Repeat account. Intermediate product, final product, added product, pure product. Necessary and additional product. By-product rate and mass. The need and importance of by-products. Production function. Total, average and last added product, their calculation procedure. The last added factor is productivity. The law of diminishing returns. The concept of production possibilities. Full employment. Production possibilities frontier. Production possibilities curve. Opportunity costs. FTT and expansion of the production possibilities frontier. Production optimization. Rapid development of high-tech processing industries in Uzbekistan in 2017-2021, first of all, production of finished products with high added value based on deep processing of local raw materials. Production efficiency. The law of saving time. Law of conservation of economic resources. Labor productivity and factors affecting it. A system of performance indicators. Factors to improve production efficiency. Evolutionary and revolutionary forms of FTT. Continuation of structural changes and economic diversification processes in our country. Policy to promote localization of production. **3-mavzu. Iqtisodiy tizimlar va mulkchilik munosabatlari** Different approaches to knowing the stages of socio-economic development: historical-formational, culturalization (civilization) level, technical and technological level, approach in terms of changes in economic systems. The productive forces of society. Industrial relations. Production method. Socio-economic formation. Types of historical development of civilization. Theory of the exchange of civilizations. Technological method of production. Simple cooperation, manufacturing and large-scale mechanized production. Pre-industrial society, industrialized society, highly industrialized (informed) society. Concept of economic system. Economic system models: traditional economy, administrative-command economy, market economy. Stages of the market economy: based on free competition and modern market economy. The economic content of property relations: ownership, use and disposal. Object and subject of property. Economic and legal aspects of ownership. Classification of property forms. State property, community property, private property, private property and mixed property. The role of ownership in economic reform. Methods of changing ownership: nationalization, expropriation and privatization. Methods of privatization of state property.

Stages of implementation of the process of expropriation and privatization of ownership in the Republic of Uzbekistan.

In 2017-2021, further expansion of privatization of state property and simplification of its procedures, reduction of state participation in chartered funds of economic entities, creation of favorable conditions for the development of private entrepreneurship on the basis of privatized objects of state property, private property ensure reliable protection of rights and guarantees.

Topic 4. The development of commodity-money relations is the basis of the formation and functioning of the market economy

Forms of social economy. Signs and differences of natural and commodity production. Reasons for the emergence and development of commodity production.

Product and its features. Product usefulness and exchangeability (value). The amount of the value of the goods. Individual and social necessity. Individual and socially necessary labor costs. Socially necessary working time. Two-sided description of labor: concrete labor and abstract labor. The impact of labor productivity and intensity on the amount of commodity value.

The labor theory of value. The law of value. Conditions for mutual differentiation of commodity value and price. The next added quantity benefit theory. Total and net worth. Decreased appetite. The interrelationship and complementarity of the labor theory of value and the subsequent theory of utility. The paradox of value.

Origin and content of money. Rationalist and evolutionary concepts of money. Forms of value. Metallist, nominalist and quantity theories of money. The main functions of money: a measure of value, a medium of exchange, a means of accumulation, a means of payment. Price scale (scale). The nature and content of modern money. The relationship between gold and paper money. Features of cash and credit money.

Stages of introducing national currency - soum into circulation in Uzbekistan and their importance. Programs for solving the tasks of increasing the stability of the national currency.

MODULE 2. THEORY OF MARKET ECONOMY

Topic 5. Content and implementation of market economy

The content of the market economy and its development. Subjects of the market economy: households, business sector, public sector and banking. The main features of the market economy. Self-regulating mechanism of the market system. Classical and modern market economy, their similarities and differences. Modern market economy models.

Ways to solve constant problems and effective use of resources in the market economy. Advantages of market economy. Efficiency of resource allocation. Economic activity and freedom of choice. Ensuring the movement of economic entities. Other positive aspects of the market economy. The main contradictions and negative aspects of the market economy.

Difference between the concepts of "market" and "market economy". Content and main features of the market. Market mechanism. Objects and subjects of the market. Functions of the market. Market segmentation. Circular diagram of resources, products and income. Market infrastructure. Directions for grouping market infrastructure institutions. Structure of market infrastructure.

Topic 6. The period of transition to the market economy and its characteristics in Uzbekistan

The content of the period of transition to the market economy. The transition to a market economy is a common process for all countries. Ways to transition to a market economy. Revolutionary and evolutionary forms of the transition to the market economy. Features of the transition from an economy based on administrative-command to a market economy. The main directions of formation of the market economy in the transition period.

The main features of the transition economy. National models of transition to market economy. The Uzbek model of transition to a market economy, its principles and features. The Uzbek model embodies a means of protection against the negative effects of the current global financial and economic crisis. Stages of transition to a market economy in Uzbekistan.

The content of economic reforms. The concept and strategy of implementing economic reforms in Uzbekistan and the main directions. Stages of economic reforms and their tasks. The main directions of deepening reforms and economic liberalization in Uzbekistan.

The content of the country's modernization process and its role in ensuring the transition to a market economy. Principles, main signs and components of the modernization process. The main directions of modernization processes in Uzbekistan at the present time. Priority directions of socio-economic development of our country in 2017-2021.

MODULE 3. LAWS OF IMPLEMENTATION AND DEVELOPMENT OF MICROECONOMICS

Topic 7. Theory of supply and demand. Market equilibrium

Demand concept. Individual demand and market demand. Law of demand. Giffen effect. Demand curve. Factors affecting the amount of demand: consumer tastes, the number of consumers in the market, their monetary income, the price of substitute goods, the possibility of future price and income changes. High and low class goods. Engel's law. Engel curve.

The concept of an offer. The law of supply. Supply curve. Factors affecting the amount of supply: the price of resources, production technology, taxes and subsidies, the price of other goods, the expectation of price changes, the number of producers. Characteristics of supply and demand for economic resources.

Matching of supply and demand quantities. Changes in demand in the short and long periods. Market equilibrium. Private and public balance. Demand and supply elasticity and their determinants. Methods of calculating the coefficient of elasticity.

Theory of consumer behavior. Consumer preference. The funcion function. The last added benefit. The rule of maximization of utility. Equilibrium position of the consumer. Indifference curve. Indifference card. Limited consumer budget. Budget line. Effects of price and income changes on consumer choice.

Topic 8. Competition and monopoly

The nature and objective foundations of competition. Approach to the content of competition from different angles. Tasks of competition. Types of competition: intra-industry and inter-industry competition. Forms of competition: pure competition, monopolistic competition, oligopoly and pure monopoly. Methods of competition: price and non-price competition, unfair and fair competition. Application of dumping prices. Modern forms of competition: product quality improvement, product renewal, service quality, advertising, service, marketing, etc

The essence of monopoly and the reasons for its emergence. Concentration and concentration of production and capital. Types of monopolies: pure monopoly, oligopoly, monopsony. Natural monopolies. Legal and artificial monopolies. Lerner coefficient. Forms of monopolistic associations. Advantages and socio-economic consequences of monopolies. Schumpeter's hypothesis. State anti-monopoly measures. Experiences of antimonopoly policy in developed countries. Anti-monopoly legislation.

Measures to strengthen the competitive environment in Uzbekistan. Formation of anti-monopoly legislation. Methods of regulation of monopolistic enterprises. Measures aimed at increasing the competitiveness of the national economy. Formation of an effective competitive environment for economic sectors in our country in 2017-2021 and gradual reduction of monopoly in the market of products and services.

Topic 9. The nature of the price and the characteristics of its formation

The content of the price and its objective basis. Different theories of price. Price expression of two different characteristics of a product. Factors influencing price formation. Functions of price in market economy.

Price types: wholesale and retail prices. Prestigious, dumping and subsidized prices. Contractual, free and regulated prices. Regional, national and world market prices. Price range. Price parity.

Market mechanism of price formation. Characteristics of price formation under conditions of perfect competition. Seller and buyer prices. Price formation in monopoly conditions. Price changes in public offering. Price formation in monopsony conditions. Price changes due to popular demand. Price formation in oligopoly. "Follow" and "deny" cases. Price leadership.

Price policy and features of its implementation in Uzbekistan. Ways and stages of price liberalization.

Topic 10. Entrepreneurial activity and its forms. Entrepreneurial capital and its circulation

Content of business activity. Stages of development of the theory of entrepreneurial activity. The essence of entrepreneurial activity and conditions of development.

Forms of entrepreneurial activity: state, collective, private, mixed and other derivative forms. Cooperative, private and sole proprietorship. The enterprise is the main and initial link of business activity. Organization of enterprise activities. Joint stock company and share capital. Action and its types. Share price. Dividend and profit of founders. Control package. Bonds. Marketing, its purpose, tasks and principles. Management as a management system of enterprises. The main purpose and tasks of management.

Further liberalization, encouragement and state support of small and family business and private entrepreneurship in Uzbekistan. At the present time, eliminating all obstacles and restrictions on the way of private entrepreneurship and small business development, giving it complete freedom, creating a favorable business environment for the wide development of small business and private entrepreneurship.

The essence of entrepreneurial capital. Manifestation of the dual nature of entrepreneurial capital and its movement. Functional forms of entrepreneurial capital: money, productive capital and goods. Movement stages of capital. Circular circulation of different forms of entrepreneurial capital.

Circulation of entrepreneurial capital. Fixed and working capital, their differences. Time and speed of capital turnover. Reproduction of fixed capital: physical, spiritual and economic wear and tear. Depreciation and its rate. Accelerated depreciation. Efficiency of use of fixed and working capital and its indicators. Ways to improve the efficiency of the use of fixed capital. Implementation of laws, decrees, decisions and state programs on the development of business capital.

Topic 11. Enterprise (firm) costs and benefits

Approaches to the study of production costs. Social production costs. Enterprise production costs. Content, composition and types of production costs. Direct manufacturing costs and handling costs. Internal and external costs. Moderate profit. Fixed and variable costs. Graphic representation of fixed, variable and total (gross) costs. Average and total costs. Average cost curves. The concept of recent added costs. Cost minimization rule.

Production costs in the short and long term. Effect of the Law of Diminishing Productivity on Variation in Outcomes. Positive effect of production scale. Cost.

Cash receipts and profits of the enterprise (firm). Cost and revenue curve. The point of no harm. Total benefit. Steps to find useful content. Factors affecting the amount of profit. Product cost structure. Distribution of gross profit. Difference between economic profit and accounting profit. Net profit. Profit rate and mass and their calculation. Factors affecting the rate of profit.

Bankruptcy (breaking) and rehabilitation of enterprises. The condition of maximizing the profit of enterprises and the ways of increasing it. The importance of saving material resources in increasing the amount of profit.

The strategy of actions for the development of the economy for 2017-2021 and the main tasks for the development of local production and increasing the efficiency of products are defined in its priorities.

Topic 12. Wages and labor relations

Principles of distribution of generated products and income. "Three factors of production", added factor productivity and other theories. Disadvantages of these theories. The main directions of distribution of the created product.

Different theories about wages. The economic content of wages. Nominal and real wages. Factors affecting the level and change of real wages. Classification of wages. Forms and systems of wage organization. Tariff system. Minimum wage.

Labor relations. Employment contracts. Relations of trade unions with entrepreneurs and the state. Ways to increase the wage level of trade unions. Changing labor supply and demand. Licensing of professional qualifications. Collective agreements and social insurance system. The impact of open and closed trade unions on the wage level. The role of the state in regulating labor relations.

State wage policy. Implementation of the policy aimed at encouraging work, increasing wages and ensuring the growth of the population's income in the republic. In 2017-2021, a consistent increase in the amount of wages, pensions and social benefits set for the further development of the Republic of Uzbekistan.

Topic 13. Agrarian relations and agribusiness

Agrarian relations and their characteristics in the market system. Specific characteristics of land as a resource. Natural and economic fertility of the land. Peculiarities of reproduction in agriculture. Object of land ownership and management. Land ownership and land use rights.

Different approaches to the theory of ground rent and their historical forms. Content and types of land rent: differential rent, absolute rent, monopoly rent, rent from industrial and construction plots. Rent. The price of land and its determinants.

Agro-industry integration. Agro-industry and its branches. Agribusiness and its types. Peasant, farmer and cooperative farms. Agrofirm, agro-industry association, agro-industry combine.

The main directions of implementation of agrarian reforms in Uzbekistan. Land ownership relations. Measures to improve land reclamation. Expansion of homesteads. Improvement of the structural structure of agricultural production. The main directions of modernization of production in rural areas and rapid development of social infrastructure in 2017-2021.

MODULE 4. LAWS OF IMPLEMENTATION AND DEVELOPMENT OF THE NATIONAL ECONOMY (MACROECONOMY)

Topic 14. National economy and its macroeconomic dimensions. Gross domestic product and its forms of movement

The declaration of state independence of the Republic of Uzbekistan and the formation of the national economy. The content of the national economy and its structure. Macroeconomics. Macroeconomic analysis and its tasks. Key macroeconomic indicators.

Social reproduction. The economic content of the national product and its forms of action. Gross national product and gross domestic product. Nominal and real GDP. Price index. Structural structure of gross domestic product. Net national product, national income and personal income. Secret economy, its dimensions and forms of manifestation. Factors and ways to increase GDP.

System of national accounts. A value-added approach to calculating GDP. Expenditure approach to GDP calculation. Household consumption expenditures. Investment costs. State expenditure. Expenditures of foreigners. Income approach to calculating GDP.

Modernization of the leading sectors of the economy of Uzbekistan, acceleration of technical and technological updating and expansion of its scope, diversification of production as a priority direction of increasing the national product.

Strategy for increasing GDP in Uzbekistan in 2017-2021 and opportunities for its implementation.

Topic 15. Aggregate demand and aggregate supply

The concept of aggregate demand and its composition. Aggregate demand curve. Factors affecting the amount of aggregate demand: changes in consumer spending, investment spending, government spending, changes in net exports.

The concept of a gross offer and its composition. The aggregate supply curve. Horizontal, intermediate and vertical sections of the aggregate supply curve. Factors affecting the amount of aggregate supply: changes in the price of resources, changes in efficiency, changes in legal norms.

Equilibrium between aggregate demand and aggregate supply and its changes. AD-AS model. The intersection of the aggregate demand and aggregate supply curves. Hrapovik effect. Saturation level of the national market. Economic nature of deficit and ways to eliminate it. A decrease in aggregate demand in the current environment, where the effects of the global financial and economic crisis continue and tensions between some countries have increased. Measures to support the growth of aggregate demand.

16-mavzu. Iste’mol, jamg’arma va investitsiyalar

Content of consumption and its types. Consumer fund and consumer spending. Fund and its purpose. Changes in the ratio between consumption and savings. Factors determining the level of consumption and savings. Consumption and savings function. Factors affecting consumption and savings other than income. Mean and marginal propensities to consume and save and their definition.

The content of the fund and its sources. Production and non-production accumulation. Accumulation rate. Nominal and real savings.

Content and tasks of investments. Sources and structure of investments. Factors determining the level of spending on investments. Gross and net investments. The effect of changes in the ratio of gross investment and depreciation on the economy. Investment function.

Ratio between savings and investment. Classical and Keynesian models of equilibrium between savings and investment, differences between them.

Ensuring investment activity in Uzbekistan and its conditions. The importance of mobilizing domestic investment resources and attracting foreign investment in the development of the national economy. Improving the creation of a favorable investment environment in the consistent implementation of structural changes. In 2017-2021, to carry out an active investment policy aimed at the modernization of production, technical and technological upgrading, implementation of transport-communication and social infrastructure projects.

Topic 17. Economic development, economic growth and national wealth

Content and indicators of economic development. Different aspects of economic development from economic growth. Extensive and intensive types of economic development. Theories, concepts and models of economic growth. Keynesian and neo-Keynesian models of economic growth. Content of the Cobb-Douglas model. R. Harrod and Ye. Domar models. V. Leontev's "costs-results" model. Concept of "zero economic growth".

Content, criteria and indicators of economic growth. Economic growth rate. "Rule of 70". Extensive and intensive types of economic growth. Indicators describing specific aspects of economic growth.

Factors of economic growth. Impact of aggregate demand and aggregate supply on economic growth. Private indicators determining economic growth. Factor productivity indicators added next. Factors determining the growth of real output.

National wealth and its components. Tangible, intangible (intellectual) and natural wealth.

Economic potential of the country. Effective use of economic potential of Uzbekistan and problems of economic growth. The importance of economical use of natural, material and financial resources in ensuring the efficiency of economic growth.

To ensure long-term stable growth rates of economic growth in our country based on the implementation of large-scale programs for 2017-2021.

Topic 18. Balanced and proportionate development of the national economy

The concept of economic equilibrium. Macroeconomic and private equilibrium. Stable and constantly evolving balance. Methods of determining the level of economic equilibrium. Principles of operation of economic balance and forms of manifestation.

Economic balance and its types. Classification of proportions. Balanced development of national production by ensuring balance.

Proportionate development of the economy in Uzbekistan based on structural changes, diversification and modernization. Implementation of macroeconomic stabilization policy. Ensuring the balance and stability of the national economy according to the action strategy, increasing the share of industry, service sector, small business and private entrepreneurship in its structure.

Topic 19. Economic cyclicality and macroeconomic instability

Inequality in economic development and forms of their manifestation. Cyclical development of the economy. Economic cycle phases. Cyclic vibrations.

Economic cycle theories. External and internal theories. Pure monetary theory. The under-consumption theory. Accumulation theory. Psychological theory. Types of economic cycle.

Content, causes and types of economic crisis. Monetary and credit crisis, currency crisis, stock market crisis, environmental crisis, industry crisis, structural crisis, agrarian crisis. Periodic, intermediate, irregular crises. Crises of overproduction and underproduction.

The nature of the world financial and economic crisis that started in 2008, its causes and negative consequences. Measures of developed countries to get out of the world financial and economic crisis. The impact of the world financial and economic crisis on the economy of Uzbekistan and the factors underlying the prevention and mitigation of its consequences.

Topic 20. Labor force, its employment and unemployment

Socio-economic content of the total labor force. Reproduction of labor force. Quantitative and qualitative determination of labor force. The impact of FTT on the qualitative improvement of the workforce. Population law. Natural population growth. Labor migration and its forms.

Labor market. Demand and supply of labor force and its determining factors. Labor cost. Socio-economic characteristics of the labor market. Phillips curve. The market mechanism of labor force release from certain sectors and its redistribution.

Different theories about labor force employment. Neoclassical, Keynesian, monetarist, institutional-sociological school concepts. Theory of employment based on CONTRACT. Employment models. The concept of a flexible labor market.

Unemployment and its types. Frictional, structural and cyclical unemployment. Institutional, technological, territorial, hidden, stagnant unemployment. Natural rate of unemployment. Unemployment rate and its determination. Economic and social consequences of unemployment. A. Oaken's law. The relationship between unemployment and inflation.

The main directions of the state policy in Uzbekistan in 2017-2021 in terms of ensuring the employment of the workforce, reducing the level of unemployment, the balance of the labor market and the development of its infrastructure.

Topic 21. Financial system and financial policy

Meaning and importance of finance. Objects and subjects of financial relations. Functions of finance. Financial system and its links. State budget and its importance in the formation of financial resources. Structure of the state budget of the Republic of Uzbekistan.

The composition of revenues and expenses of the state budget and their curve. Budget deficit and public debt, their impact on the economy. State internal debt. State loan. State foreign debt. Ensuring proportionality at all levels of the state budget in Uzbekistan in 2017-2021.

Taxes and their tasks in a market economy. Principles of taxation. Tax benefits. Classification of taxes. Laffer curve. Determining the tax burden and its level. Distribution of the tax burden. Financial policy. Fiscal (tax-budget) policy.

Reducing the tax burden and simplifying and unifying the taxation system in Uzbekistan.

Topic 22. Monetary system. Banks and their role in the market economy

Money circulation. Monetary system and its components. Determining the amount of money needed for a transaction and the factors affecting it. Money circulation laws. The velocity of money. Different approaches to determining the amount of money. Application of the equation MV=PQ. Monetary aggregates. Demand and supply in the money market. Money supply and its multiplier.

Inflation and its causes. Rate and rate of inflation. Supply and demand inflation. Types of inflation: creeping, rapid and hyperinflation. Socio-economic consequences of inflation, anti-inflation policy of the State.

The essence, tasks and types of credit. Objects and subjects of credit relations. Sources of credit resources. Principles of lending. Factors determining the interest rate and its level. Regulation of the credit-money system by the state.

Economic content of banks. Banking system. Central Bank and its functions. Commercial banks and their functions. Bank operations and the generation of bank profits. Improvement of the banking system. Budget-tax and monetary credit policy in the IS-LM model.

Implementation of the national currency strengthening policy in Uzbekistan. Increasing the purchasing power of the soum and ensuring its stability. Conducting a well-thought-out anti-inflation policy. Linking the increase in the amount of money with the corresponding increase in the amount of goods and services. Achieving stability of the national currency exchange rate. In 2017-2021, further improvement of the monetary policy using the instruments used in the best international experience, as well as the gradual introduction of modern market mechanisms in currency regulation, ensuring the stability of the national currency.

Topic 23. The role of the state in regulating the market economy

The essence and necessity of economic regulation. Classical, monetarist, Keynesian theories of economic regulation.

The purpose of state regulation of the economy. The economic role and tasks of the state: legal protection of the participants of market relations, creating a competitive environment; redistribution of resources, products and income; ensuring the stability of the economy and money circulation; regulation of foreign economic activity. The role of the state in the implementation of scientific and technical development, structural, social and regional policy.

Direct and indirect methods of the state in regulating the economy. The public sector of the economy and its boundaries. State orders and public purchases. Administrative means of direct regulation of the economy. Consumer and producer surplus. Monetary policy. Monetary policy. Budget policy. State economic programs. Foreign economic methods.

Changing views on the role of the state in regulating the economy in the current environment. In Uzbekistan in 2017-2021, reducing state participation in the regulation of the country's socio-economic development processes, decentralizing and democratizing the state management system, expanding public-private partnership, increasing the role of non-governmental, public organizations and local self-government bodies duties.

Topic 24. Population income and social policy of the state

Population incomes, their types and sources of formation. Nominal and real income. Reasons and factors of income stratification. Standard and quality of life. Indicators of living standards and poverty. Family budget: composition of income and expenses. The lower limit of well-being. Lifestyle. Living minimum. Shopping cart.

Determining income inequality and its level. Lorentz curve. Ditsel and Gini coefficients. Kuznets hypothesis. Common factors causing income inequality in a market economy.

The idea, purpose and levers of income redistribution by the state. Social payments. Social policy. The main directions of social protection of the population in the conditions of transition to the market economy of Uzbekistan. Protection of the domestic consumer market. Social protection and support of disadvantaged groups of the population. Increasing the population's real money income and purchasing power, further reducing the number of low-income families and the level of income inequality of the population.

Module 5. World economy

Topic 25. World economy and its evolution

Organization, stages and main features of the world economy. Subjects of the world economy. Indicators of economic development of world countries. Internationalization of production. International division of labor. The growth of economic interdependence and the formation of direct international production. The role of FTT and transnational capital in the internationalization of the economy.

The essence and main directions of the globalization process. Conflicting aspects of the globalization of the world economy. Uneven economic development in different countries. Widening gap between rich and poor countries. Increasing threats of ecological destruction. Differences in population change in different countries. The impact of globalization processes on the emergence of the world financial and economic crisis in 2008.

Content and forms of international economic relations. International movement of capital. International labor migration. International exchange of scientific and technical achievements. Development of world infrastructure. International regulation of world economic relations. Regulatory structures in the fields of finance, currency and credit, world trade.

In Uzbekistan in 2017-2021, priorities in the field of foreign policy are well thought out, mutually beneficial and practical, strengthening the independence and sovereignty of the state, increasing the status and role of the country as an equal subject of international relations, among developed democratic states. access, formation of an environment of security, stability and harmonious neighborhood around Uzbekistan.

Topic 26. International economic integration and Uzbekistan's entry into the world community

Different theories about international economic integration processes and their main directions. Content of international economic integration. The main forms of international economic integration. Factors requiring the process of international economic integration. Features of implementation of the main integration groups in the world. Open economy and its characteristics.

Conditions for the development of interstate economic integration. Main integration groups in different regions. European Union (EU), North American Free Trade Agreement (NAFTA), Association of Southeast Asian Nations (ASEAN), Commonwealth of Independent States (CIS).

Conditions of Uzbekistan joining the world economy. Global, transcontinental, interregional, regional levels of integration of the republic into the world economy. The main directions of foreign economic activity of Uzbekistan.

Conditions of Uzbekistan joining the world economy. Global, transcontinental, interregional, regional levels of integration of the republic into the world economy. The main directions of foreign economic activity of Uzbekistan.

Topic 27. World market. International currency and credit relations

Different theories of international trade. Theories of absolute advantage and comparative advantage. Heckscher-Ohlin-Samuelson model. The theory of the ratio of factors of production. Workforce skills model. Opportunity cost model. Product life cycle theory.

Content of international trade. Export and import, changes in the ratio between them. Comparative export specialization ratio. Export quota. Export and import multiplier. The impact of changes in the volume of exports and imports on the volume of gross national production. Features of international trade. Protectionism and free trade policies. Export promotion methods.

Balance of payments and its composition. Foreign trade balance. Absorption. Balance of capital movements. Main views of official reserves. Operations on official reserves. The effect of increasing imbalances in foreign debt and foreign trade balance in the emergence of the world financial and economic crisis in 2008.

International currency-credit relations. National and international currency system. Stages of development of the world monetary system: gold standard, gold-currency and floating currency system. Exchange rate and factors influencing it. Theory of purchasing power parity.

Development of activities of interstate organizations in the field of currency and finance. International Monetary Fund. European currency system. International Bank for Reconstruction and Development. International Financial Corporation. Organization for Economic Cooperation and Development. European Bank for Reconstruction and

	Development. Asian Development Bank.		
	III.2. Distribution of practical class topics		
	№	**Topics of practical classes**	**Hours**
	Module 1. General principles of economic development		
	1	Topic 1. The subject of "Economic theory" science and methods of knowledge	**2**
	2	Topic 2. Production process and its results	2
	3	Topic 3. Economic systems and property relations	2
	4	Topic 4. The development of commodity-money relations is the basis of the formation and functioning of the market economy	2
	5	Topic 4. The development of commodity-money relations is the basis of the formation and functioning of the market economy	2
	MODULE 2. THEORY OF MARKET ECONOMY		
	6	Topic 5. Content and implementation of market economy	2
	7	Topic 6. The period of transition to the market economy and its characteristics in Uzbekistan	2
	8	Topic 6. The period of transition to the market economy and its characteristics in Uzbekistan	2
	MODULE 3. LAWS OF IMPLEMENTATION AND DEVELOPMENT OF MICROECONOMICS		
	9	Topic 7. Theory of supply and demand. Market equilibrium	2
	10	Topic 8. Competition and monopoly	2
	11	Topic 9. The nature of the price and the characteristics of its formation	2
	12	Topic 10. Entrepreneurial activity and its forms. Entrepreneurial capital and its circulation	2
	13	Topic 11. Enterprise (firm) costs and benefits	2
	14	Topic 12. Wages and labor relations	2
	15	Topic 13. Agrarian relations and agribusiness	2
	MODULE 4. LAWS OF IMPLEMENTATION AND DEVELOPMENT OF THE NATIONAL ECONOMY (MACROECONOMY)		
	16	Topic 14. National economy and its macroeconomic dimensions. Gross domestic product and its forms of movement	2
	17	Topic 15. Aggregate demand and aggregate supply	2
	18	Topic 16. Consumption, savings and investments	2
	19	Topic 17. Economic development, economic growth and national wealth	2
	20	Topic 18. Balanced and proportionate development of the national economy	2
	21	Topic 19. Economic cyclicality and macroeconomic instability	2
	22	Topic 20. Labor force, its employment and unemployment	2
	23	Topic 21. Financial system and financial policy	2
	24	Topic 22. Monetary system. Banks and their role in the market economy	2
	25	Topic 23. The role of the state in regulating the market economy	2
	26	Topic 24. Population income and social policy of the state	2
	27	Topic 24. Population income and social policy of the state	2
	Module 5. World economy		
	28	Topic 25. World economy and its evolution	2
	29	Topic 26. International economic integration and Uzbekistan's entry into the world community	2

	30	Topic 27. World market. International currency and credit relations	2
		Grand total	**60 hours**
		IV. Independent education and independent work	
	№	**Independent study topics**	
	1	The concept of economy, the content of economic activity.	**2**
	2	Phases of reproduction: production, distribution, exchange, consumption.	**2**
	3	Content of needs and their categorization.	**2**
	4	Economic laws and categories.	**2**
	5	Micro and macroeconomic analysis.	**2**
	6	Factors of production and their classification.	**2**
	7	The content of the production process and its economic basis.	**2**
	8	Production efficiency. Labor productivity	**2**
	9	Evolutionary and revolutionary forms of FTT.	**2**
	10	Socio-economic development and its stages	**2**
	11	Concept of economic system. Economic system models.	**2**
	12	Market economy and its stages.	**2**
	13	Economic content and forms of property relations.	**2**
	14	Expropriation and privatization of ownership in Uzbekistan.	**2**
	15	Forms of social economy. Natural and commodity production.	**2**
	16	Reasons for the emergence and development of commodity production.	**2**
	17	The labor theory of value. The law of value.	**2**
	18	Origin and content of money.	**2**
	19	Introduction of the national currency - the soum - into circulation in Uzbekistan.	**2**
	20	The content of the market economy and its development.	**2**
	21	Advantages and disadvantages of market economy.	**2**
	22	Market segmentation. Circular diagram of resources, products and income.	**2**
	23	Market infrastructure and its composition.	**2**
	24	The content of the period of transition to the market economy.	**2**
	25	The main signs of the transition economy.	**2**
	26	The Uzbek model of transition to a market economy, its principles and features.	**2**
	27	The content of economic reforms. Concept and strategy of implementation of economic reforms in Uzbekistan.	**2**
	28	Stages of national development in Uzbekistan.	**2**
	29	The content and importance of the modernization process.	**2**
	30	Demand concept. Law of demand. Demand curve.	**2**
	31	The concept of an offer. The law of supply. Supply curve.	**2**
	32	Market equilibrium. Private and public balance.	**2**
	33	Demand and supply elasticity and their determinants.	**2**
	34	Theory of consumer behavior.	**2**
	35	Indifference curve. Indifference card. Budget line.	**2**
	36	The essence and objective bases of competition, tasks.	**2**
	37	Types and forms of competition, methods.	**2**
	38	Types of monopolies. Forms of monopolistic associations.	**2**

	39	Experiences of antimonopoly policy in developed countries.	**2**
	40	Measures to strengthen the competitive environment in Uzbekistan	**2**
	41	The content of the price and its objective foundations. Theories about price.	**2**
	42	Functions of price in market economy.	**2**
	43	Price types Price range and price parity.	**2**
	44	Price policy and features of its implementation in Uzbekistan.	**2**
	45	Content, essence and conditions of development of entrepreneurial activity.	**2**
	46	Liberalization and promotion of small business and private entrepreneurship in Uzbekistan.	**2**
	47	The essence of entrepreneurial capital.	**2**
	48	Circulation of entrepreneurial capital. Fixed and working capital.	**2**
	49	Content, composition and types of production costs.	**2**
	50	Cost.	**2**
	51	Steps to find useful content. Factors affecting the amount of profit.	**2**
	52	Distribution of gross profit. Difference between economic profit and accounting profit.	**2**
	53	Bankruptcy and rehabilitation.	**2**
	54	The importance of saving material resources in increasing the amount of profit.	**2**
	55	Different theories about wages. Its economic content.	**2**
	56	Nominal and real wages.	**2**
	57	Forms and systems of wage organization. Minimum wage.	**2**
	58	Labor relations.	**2**
	59	Changing labor supply and demand.	**2**
	60	The role of the state in regulating labor relations.	**2**
	61	Agrarian relations and their characteristics in the market system.	**2**
	62	Specific characteristics of land as a resource. Natural and economic fertility of land.	**2**
	63	Specific features of reproduction in agriculture.	**2**
	64	Content and types of land rent.	**2**
	65	Agro-industry integration. Agro-industry and its branches. Agribusiness.	**2**
	66	Main directions of implementation of agrarian reforms in Uzbekistan.	**2**
	67	The content of the national economy and its structure.	**2**
	68	Macroeconomic analysis and its tasks. Main macroeconomic indicators.	**2**
	69	The economic content of the national product and its forms of action.	**2**
	70	System of national accounts. GDP calculation methods	**2**
	71	The concept of aggregate demand and its composition.	**2**
	72	Concept of general offer and its composition. Aggregate supply curve.	**2**
	73	Equilibrium between aggregate demand and aggregate supply and its change.	**2**
	74	Economic nature of deficit and ways to eliminate it.	**2**
	75	Content of consumption and its types.	**2**
	76	Fund and its purpose. Change in the ratio between consumption and savings.	**2**
	77	Content and tasks of investments.	**2**
	78	Ensuring investment activity in Uzbekistan and its conditions.	**2**
	79	The concept of economic development is its economic description	**2**
	80	Keynesian and neo-Keynesian models of economic growth.	**2**
	81	National wealth and its components.	**2**
	82	Economic potential of the country.	**2**

	83	The concept of economic equilibrium. Macroeconomic and private equilibrium.	**2**
	84	Economic balance and its types. Classification of proportions.	**2**
	85	Structural change, diversification, modernization of the economy in Uzbekistan.	**2**
	86	Results of implementation of macroeconomic stabilization policy.	**2**
	87	Disparities in economic development and cyclical development of the economy.	**2**
	88	Economic cycle phases. Cyclic vibrations. Economic cycle theories.	**2**
	89	Content, causes and types of economic crisis.	**2**
	90	Labor market. Labor supply and demand	**2**
		Total	**180**

3 **V. Results of science training (competencies to be formed)**

- As a result of mastering the science, the student will:
- have an idea and knowledge about the role, object and subject, formation, development, modern structure of the science of economic theory in the system of sciences;
- Knowledge of the foundations of economic theories, laws, basic concepts, features of processes and skills to use them;

The student should have the skills to apply the methods of analysis of economic theory from simple to complex development processes, to accept solutions to economic problems.

4 **VI. Educational technologies and methods**

- lectures;
- interactive case studies;
- seminars (logical thinking, quick questions and answers);
- work in groups;
- individual projects
- projects for teamwork and protection

5 **VII. Students to receive credits**

Credits allocated to science are provided to students in case of positive results in each semester.

Midterm (MC) and final (FC) control types are used to assess students' knowledge of science. Evaluation by control types: 5 - "excellent", 4 - "good", 3 - "satisfactory", 2 - "unsatisfactory" assessment criteria.

Midterm control is conducted in the form of written work once per academic semester.

During the semester, students are regularly assessed and graded on each subject in practical (seminar) classes. In this case, the student's timely and complete completion of practical (seminar) training and independent educational tasks, and his activity in training are taken into account.

In addition, the grades received for practical (seminar) training and independent educational tasks are taken into account in the assessment of the type of interim control. In this case, the average of the grades obtained during each intermediate control type is re-averaged with the grade obtained from the intermediate control type.

The grade obtained from the intermediate controls is recorded in the record as the result of the intermediate control.

	The final control type is conducted at the end of the semester in the form of written work according to the approved schedule. In midterm (MC) and final (FC) control types: A student makes independent conclusions and decisions, can think creatively, observes independently, can apply the acquired knowledge in practice, understands the essence of science (topic), knows, can express, tell, and is considered to have an idea about science (topic) – 5 (excellent) grade; When the student observes independently, can apply the acquired knowledge in practice, understands the essence of the science (topic), knows, can express, tell and has an idea about the science (topic) - 4 (good) grade; When the student is able to apply the acquired knowledge in practice, understands the essence of science (topic), knows, can express, tell and has an idea about science (topic) - 3 (satisfactory) grade; When it is considered that the student has not mastered the science program, does not understand the essence of the science (topic) and does not have an idea about the science (topic), he is evaluated with a grade of 2 (unsatisfactory).
6	**Basic literature** 6. Mc. Connell, Brue. Economics. 19 th edition. McGraw-Hill/Irwin, USA, 2014. 7. N. Gregory Mankiw. Principles of Economics, 7th edition. Amazon, USA, 2014. 8. Paul A. Samuelson, William D. Nordhaus. Economics. 19th edition. Mc Graw-Hill Companies. USA, 2015 9. Khodiyev B.Yu., Shodmonov Sh.Sh.Economic theory. Textbook. - T.: "Barkamol fayz-media", 2017. - 783 pages. 10. Khajiyev BD, Mamarakhimov BE, Mambetzhanov QQ Economic theory. Textbook (in Russian). - T.: "Economics", 2019.-548 pages Olmasov A., Vahobov AV Theory of economics. Textbook. - T.: "ECONOMY-FINANCE", 2014. - 480 pages. **Additional literature** 12. Constitution of the Republic of Uzbekistan. - Tashkent, Uzbekistan, 2017. - 46 p. 13. Decree of the President of the Republic of Uzbekistan dated February 7, 2017 No. PF-4947 "On the strategy of actions for the further development of the Republic of Uzbekistan". Source:www.lex.uz 14. PF of the President of the Republic of Uzbekistan dated January 17, 2019 "On the state program for the implementation of the strategy of actions on the five priority directions of the development of the Republic of Uzbekistan in 2017-2021 in the "Year of active investments and social development"" -Decree No. 5635. 15. Address of the President of the Republic of Uzbekistan Shavkat Mirziyoyev to the Oliy Majlis // Xalq sozi gazeta, December 29, 2018. 16. Shodmonov Sh.Sh., Mamarahomov BE Economic theory. Text of lectures. - T.: Economy - finance, 2010. - 728 pages. 17. Shodmonov Sh.Sh., G'furov. UV Theory of Economics. Textbook.-T.: Economy-finance, 2010.-728 pages. 18. Economic theory: Uchebnik dlya bachelorov / pod obo'. Ed. A.A. Kochetkova. 5 – izd., pererab. I dop. - M.: izdatel'sko - torgovaya corporation "Dashkov i K", 2014.-696 p. 19. Economic theory. Ekonomicheskie sistemy: formirovanie i razvitie: Uchebnik / Pod ed. I.K.Larionova, S.N.Sil'vestrova. - M.: izdatel'sko - trade corporation "Doshkov i K", 2015.-876 p.

	20. Economic theory. Ed. It's Dr. Nauk, prof., zasl. Deyatelya nauki RF GP. Juravlevoy. -5-e izd. - M.: INFRA – M, 2014,-864 p.- (Vysshee obrazovanie). 21. Economic theory: uchebnoe posobie / collective author: pod ed. V.M. Sokolinskogo.- 7th izd., ster. - M.: KNORUS, 2014. -464p. 22. Economic theory: uchebnoe posobie / R.G. Yanbasirov.- M.: ID "FORUM": INFRA - M, 2013. -624 p.:- (Vysshchee obrazavanie). **Internet sites** 14. www.press-service.uz- Press service of the President of the Republic of Uzbekistan. 15. www.gov.uz- Government portal of the Republic of Uzbekistan. 16. www.lex.uz- National database of information on legislation of the Republic of Uzbekistan. 17. www.edu.uz- Portal of the Ministry of Higher and Secondary Special Education of the Republic of Uzbekistan. 18. www.stat.uz- Official website of the State Statistics Committee of the Republic of Uzbekistan. 19. www.cbu.uz- Official website of the Central Bank of the Republic of Uzbekistan. 20. www.mineconomy.uzThe official website of the Ministry of Economy of the Republic of Uzbekistan. 21. www.mf.uz- Official website of the Ministry of Finance of the Republic of Uzbekistan. 22. www.norma.uz- Website of the legislation of the Republic of Uzbekistan. 23. www.tsue.uz- Official website of Tashkent State University of Economics. 24. www.tradingeconomics.com-ekonomicheskieshow 25. www.ereport.ru-Obzornaya information and human economy. 26. www.catback.ru– nauchnye stat'i uchebnye materialy po economie site
7	**Developed and approved by Namangan State University** - It was discussed and recommended for approval at the ___ meeting of the "Economics" department in "____" ____________, 2024. -It was approved and recommended for approval at the meeting of the "Economics" faculty council on ___, 2024 in ____________. -It was discussed and approved at the session of NamSU Council in 2024, "____" ____________.
8	**Responsible for subject/module: U.Atahanov**
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Head of the educational and methodological department:	**X. Mirzaaxmedov**
Dean of the department of Economics:	**N. Narzullaev**
Head of the department of Economics:	**K.Sirojiddinov**
Compiler:	**U.Atahanov**

REVIEW QUESTIONS

Chapter 1

1. What is the concept of economics and its main issue?
2. What is the need? What types of it do you know?
3. Define the concept of economic resource and its types.
4. Why is the production and supply of means of life the most basic of the
5. various human activities?
6. What is the subject of economic theory? How does it rank among other
7. economic disciplines?
8. What scientific schools and trends emerged in the formation of economic
9. theory as a science?
10. What are the tasks of economic theory? What is the importance of these
11. tasks today?
12. What are economic laws and what are their types? What is the difference
13. between economic laws and economic categories?
14. What methods are used in the study of economic theory?
15. What is the difference between macroeconomic analysis and microeconomic
16. analysis?

Chapter 2

1. What are factors of production?
2. Define the concept of capital and explain what it includes.
3. Explain the content of the production process and its two sides.
4. Explain the general and final results of the production.
5. What are the natural and value components of the created product?
6. Explain what is the necessary and by-product, and write the formula for the
7. rate and mass of the by-product.
8. Explain the concepts of labor added, capital added and output added.
9. What is the essence of the recently added law of diminishing returns to labor
10. and capital, and does it still apply today?

Chapter 3

1. What is the production method and what are its components?
2. The most important of production methods highlight the distinctive features. Discuss the reasons for changing one production method to another.
3. List the components of the technological method of production. What is the impact of scientific and technical progress on the technological method of production? How do the stages of technological methods of production differ from each other?
4. List the main features that distinguish copies of the economic system.
5. Define the nature of ownership and explain the economic content of its various forms. Distinguish the economic and legal content of ownership.

6. What is the reason for multilevel property entities? What underlies the differentiation of ownership forms?
7. Why does the transition to a market economy require different forms of ownership? Why is the disposal and privatization of state property an objective necessity at the current stage? Describe the stages and forms of privatization.
8. What methods of personalization do you know? What factors influence the choice of one of these methods?

Chapter 4

1. Give a general description of forms of social economy. Product production and the emergence of the market explain the general conditions.
2. What are the main differences between natural and commodity economy?
3. Why is commodity utility considered as a unit of consumption value and exchange value?
4. What is the origin of these two different characteristics of the product?
5. Explain what the utility of the next added quantity is and why it decreases.
6. Explain the meaning of money and the general conditions of its creation.
7. Show the similarities and differences between gold money and paper money.
8. What determines the value and stability of paper and credit money?
9. What is the content of rationalist and evolutionary concepts of money?
10. What are the functions of money? Explain the meaning of each task.

Chapter 5

1. What are the content and main features of the market economy?
2. Explain the common aspects and differences between classical and modern market economy.
3. What are the advantages and disadvantages of the market economy?
4. Who are the main participants of the market economy and how are the economic relations between them?
5. Define the concept of the market and show its main tasks.
6. What criteria are used to categorize the market? List them.
7. What types of market are divided according to the level of maturity?
8. What is market infrastructure? Describe its components and main elements.

Chapter 6

1. Describe the main ways (models) of the transition to the market economy tested in the world experience. Show their common and unique aspects.
2. What are the characteristics of Uzbekistan's transition to market relations? What are the principles for reforming the republic's economy?
3. Explain in detail the content of the principle of step-by-step decisionmaking of market relations. Describe in detail the goals and tasks of each step.

4. What are the directions of economic reform in the republic? Give your opinion on each direction.
5. What are the tasks of economic reforms in the transition to market relations? Give a full description of these duties.
6. Explain what the leadership activity of the state is during the formation of the market economy.
7. Do you know what state programs for establishing a market economy in Uzbekistan? Analyze how they are related to each other.
8. Explain the meaning of economic liberalization and deepening reforms.
9. What are the tasks of economic liberalization in our republic?
10. Describe the main priorities of economic modernization and reform.

Chapter 8

1. Explain the nature and purpose of the competition.
2. What are the main tasks of competition ? This distinguish the tasks from each other.
3. Explain the forms of competition and show the characteristics of each of them.
4. Explain the difference between intra-industry and interindustry competition.
5. Under what conditions is the method of applying dumping prices of competition implemented?
6. What is a monopoly and what are the economic foundations of its creation? What types of monopoly are there?
7. What is the difference between concentration and concentration of capital?
8. Show the difference between natural, legal and artificial monopolies.
9. What are the positive and negative aspects of monopoly?
10. What is the essence of antitrust policy and antitrust legislation?

Chapter 10

1. Define entrepreneurial activity. Explain the terms "entrepreneurial activity" and "business".
2. Identify the tasks of entrepreneurship. Why is entrepreneurship often associated with risk-taking?
3. What are the conditions for the development of entrepreneurship?
4. Describe the forms of entrepreneurship and their characteristics.
5. Provide a definition of a joint-stock company. How is the stock price determined? Explain the factors affecting the stock price.
6. What is entrepreneurial capital? How is its organizational structure?
7. What are the methods and forms of capital production and operations management?
8. How is the speed of capital turnover determined? If we assume that the capital turnover consists of two months, how many times a year does it occur, and how long does each turnover take?
9. What does the economic content of amortization consist of? How is its norm defined?
10. How is the efficiency of using basic capital determined? Compare the indicators of using working capital and fixed capital efficiency.

CASE STUDIES

IN THE NEWS

Why Tech Companies Hire Economists

Many high-tech companies find expertise in economics a useful input into their decision making.

Goodbye, Ivory Tower. Hello, Silicon Valley Candy Store

By Steve Lohr

For eight years, Jack Coles had an economist's dream job at Harvard Business School.

His research focused on the design of efficient markets, an important and growing field that has influenced such things as Treasury bill auctions and decisions on who receives organ transplants. He even got to work with Alvin E. Roth, who won a Nobel in economic science in 2012.

But prestige was not enough to keep Mr. Coles at Harvard. In 2013, he moved to the San Francisco Bay Area. He now works at Airbnb, the online lodging marketplace, one of a number of tech companies luring economists with the promise of big sets of data and big salaries.

Silicon Valley is turning to the dismal science in its never-ending quest to squeeze more money out of old markets and build new ones. In turn, the economists say they are eager to explore the digital world for fresh insights into timeless economic questions of pricing, incentives and behavior.

"It's an absolute candy store for economists," Mr. Coles said. . . .

Businesses have been hiring economists for years. Usually, they are asked to study macroeconomic trends—topics like recessions and currency exchange rates—and help their employers deal with them.

But what the tech economists are doing is different: Instead of thinking about national or global trends, they are studying the data trails of consumer behavior to help digital companies make smart decisions that strengthen their online marketplaces in areas like advertising, movies, music, travel and lodging.

Tech outfits including giants like Amazon, Facebook, Google and Microsoft and up-and-comers like Airbnb and Uber hope that sort of improved efficiency means more profit.

At Netflix, Randall Lewis, an economic research scientist, is finely measuring the effectiveness of advertising. His work also gets at the correlation-or-causation conundrum in economic behavior: What consumer actions occur coincidentally after people see ads, and what actions are most likely caused by the ads?

At Airbnb, Mr. Coles is researching the company's marketplace of hosts and guests for insights, both to help build the business and to understand behavior. One study focuses on procrastination—a subject of great interest to behavioral economists—by looking at bookings. Are they last-minute? Made weeks or months in advance? Do booking habits change by age, gender or country of origin?

"They are microeconomic experts, heavy on data and computing tools like machine learning and writing algorithms," said Tom Beers, executive director of the National Association for Business Economics.

Understanding how digital markets work is getting a lot of attention now, said Hal Varian, Google's chief economist. But, he said, "I thought it was fascinating years ago."

Mr. Varian, 69, is the godfather of the tech industry's in-house economists. Once a well-known professor at the University of California, Berkeley, Mr. Varian showed up at Google in 2002, part time at first, but soon became an employee. He helped refine Google's AdWords marketplace, where advertisers bid to have their ads shown on search pages. . . .

For the moment, Amazon seems to be the most aggressive recruiter of economists. It even has an Amazon Economists website for soliciting résumés. In a video on the site, Patrick Bajari, the company's chief economist, says the economics team has contributed to decisions that have had "multibillion-dollar impacts" for the company. . . .

A current market-design challenge for Amazon and Microsoft is their big cloud computing services. These digital services, for example, face a peak-load problem, much as electric utilities do.

How do you sell service at times when there is a risk some customers may be bumped off? Run an auction for what customers are willing to pay for interruptible service? Or offer set discounts for different levels of risk? Both Amazon and Microsoft are working on that now.

To answer such questions, economists work in teams with computer scientists and people in business. In tech companies, market design involves not only economics but also engineering and marketing. How hard is a certain approach technically? How easy is it to explain to customers?

"Economics influences rather than determines decisions," said Preston McAfee, Microsoft's chief economist, who previously worked at Google and Yahoo. ■

Questions to Discuss

1. Think of some firms that you often interact with. How might the input of economists improve their businesses?
2. After studying economics in college, what kind of businesses would be most fun to work for?

Source: *New York Times*, September 4, 2016.

IN THE NEWS

Economics within a Marriage

An economist argues that you shouldn't always unload the dishwasher just because you're better at it than your partner.

You're Dividing the Chores Wrong

By Emily Oster

No one likes doing chores. In happiness surveys, housework is ranked down there with commuting as activities that people enjoy the least. Maybe that's why figuring out who does which chores usually prompts, at best, tense discussion in a household and, at worst, outright fighting.

If everyone is good at something different, assigning chores is easy. If your partner is great at grocery shopping and you are great at the laundry, you're set. But this isn't always—or even usually—the case. Often one person is better at everything. (And let's be honest, often that person is the woman.) Better at the laundry, the grocery shopping, the cleaning, the cooking. But does that mean she should have to do everything?

Before my daughter was born, I both cooked and did the dishes. It wasn't a big deal, it didn't take too much time, and honestly I was a lot better at both than my husband. His cooking repertoire extended only to eggs and chili, and when I left him in charge of the dishwasher, I'd often find he had run it "full" with one pot and eight forks.

After we had a kid, we had more to do and less time to do it in. It seemed like it was time for some reassignments. But, of course, I was still better at doing both things. Did that mean I should do them both?

I could have appealed to the principle of fairness: We should each do half. I could have appealed to feminism—surveys show that women more often than not get the short end of the chore stick. In time-use data, women do about 44 minutes more housework than men (2 hours and 11 minutes versus 1 hour and 27 minutes). Men outwork women only in the areas of "lawn" and "exterior maintenance." I could have suggested he do more chores to rectify this imbalance, to show our daughter, in the *Free to Be You and Me* style, that Mom and Dad are equal and that housework is fun if we do it together! I could have simply smashed around the pans in the dishwasher while sighing loudly in the hopes he would notice and offer to do it himself.

But luckily for me and my husband, I'm an economist, so I have more effective tools than passive aggression. And some basic economic principles provided the answer. We needed to divide the chores because it is simply not *efficient* for the best cook and dishwasher to do all the cooking and dishwashing. The economic principle at play here is increasing marginal cost. Basically, people get worse when they are tired. When I teach my students at the University of Chicago this principle, I explain it in the context of managing their employees. Imagine you have a good employee and a not-so-good one. Should you make the good employee do literally everything?

Usually, the answer is no. Why not? It's likely that the not-so-good employee is better at 9 a.m. after a full night of sleep than the good employee is at 2 a.m. after a 17-hour workday. So you want to give at least a few tasks to your worse guy. The same principle applies in your household. Yes, you (or your spouse) might be better at everything. But anyone doing the laundry at 4 a.m. is likely to put the red towels in with the white T-shirts. Some task splitting is a good idea. How much depends on how fast people's skills decay.

To "optimize" your family efficiency (every economist's ultimate goal—and yours, too), you want to equalize effectiveness on the final task each person is doing. Your partner does the dishes, mows the lawn, and makes the grocery list. You do the cooking, laundry, shopping, cleaning, and paying the bills. This may seem imbalanced, but when you look at it, you see that by the time your partner gets to the grocery-list task, he is wearing thin and starting to nod off. It's all he can do to figure out how much milk you need. In fact, he is just about as good at that as you are when you get around to paying the bills, even though that's your fifth task.

If you then made your partner also do the cleaning—so it was an even four and four—the house would be a disaster, since he is already exhausted by his third chore while you are still doing fine. This system may well end up meaning one person does more, but it is unlikely to result in one person doing everything.

Once you've decided you need to divide up the chores in this way, how should you decide who does what? One option would be randomly assigning tasks; another would be having each person do some of everything. One spousal-advice website I read suggested you should divide tasks based on which ones you like the best. None of these are quite right. (In the last case, how would anyone ever end up with the job of cleaning the bathroom?)

To decide who does what, we need more economics. Specifically, the principle of comparative advantage. Economists usually talk about this in the context of trade. Imagine Finland is better than Sweden at making both reindeer hats and snowshoes. But they are much, much better at the hats and only a little better at the snowshoes. The overall world production is maximized when Finland makes hats and Sweden makes snowshoes.

We say that Finland has an *absolute advantage* in both things but a *comparative advantage* only in hats. This principle is part of the reason economists value free trade, but that's for another column (and probably another author). But it's also a guideline for how to trade tasks in your house. You want to assign each person the tasks on which he or she has a comparative advantage. It doesn't matter that you have an absolute advantage in everything. If you are much, much better at the laundry and only a little better at cleaning the toilet, you should do the laundry and have your spouse get out the scrub brush. Just explain that it's efficient!

ROBERT NEUBECKER

In our case, it was easy. Other than using the grill—which I freely admit is the husband domain—I'm much, much better at cooking. And I was only moderately better at the dishes. So he got the job of cleaning up after meals, even though his dishwasher loading habits had already come under scrutiny. The good news is another economic principle I hadn't even counted on was soon in play: *learning by doing*. As people do a task, they improve at it. Eighteen months into this new arrangement the dishwasher is almost a work of art: neat rows of dishes and everything carefully screened for "top-rack only" status. I, meanwhile, am forbidden from getting near the dishwasher. Apparently, there is a risk that I'll "ruin it." ■

Questions to Discuss

1. In your family, do you think tasks are divided among family members according to comparative advantage? If so, how? If not, how might the allocation of tasks be improved?
2. Do you think being married to an economist would facilitate family harmony or just the opposite?

Ms. Oster is a professor of economics at Brown University.

Source: *Slate*, November 21, 2012.

IN THE NEWS

Price Increases after Disasters

When a disaster such as a hurricane strikes a region, many goods experience an increase in demand or a decrease in supply, putting upward pressure on prices. Policymakers often object to these price hikes, but some economists disagree.

Economists don't think price gouging is a problem. But what about our social values?

By Adriene Hill

Charging flood victims $30 for a case of water or $10 for a gallon of gas doesn't sit right.

And a majority of states, including Texas, have laws against price gouging. The state attorney general has threatened to prosecute people who jack up their prices in the wake of the flooding caused by Hurricane Harvey. He said his office has received hundreds of reports of profiteering.

But most economists think those high prices can actually benefit communities during a crisis. Sky-high prices are the market at work, the basic laws of supply and demand in action.

"Price gouging laws stand in the way of the normal workings of competitive markets," explained Michael Salinger, an economics professor at Boston University and former director of the Bureau of Economics at the Federal Trade Commission.

To make his point, Salinger recounted a "Dennis the Menace" cartoon he remembers from his childhood.

Dennis asked his father what causes tides. "The moon," his father answered. Dennis offered up another explanation, that the tides were caused by a big whale in the ocean. When the whale swishes his tail one way, the tide goes in, and when he swishes his tail the other way, the tide goes out.

"You don't really believe that?" asked the father. "No," said Dennis, "but it makes a lot more sense than the moon."

Salinger said letting the markets work, allowing price hikes during disasters is the moon answer. It isn't intuitive, he said, but it's right.

There are a couple of reasons economists don't like laws against price gouging.

On the demand side, laws that keep prices artificially low can encourage overbuying. They benefit the people who get to the store first.

"If prices don't rise," explained Texas Tech economics professor Michael Giberson, "they just get plenty."

If water is cheap, I might be tempted to buy as much as I can jam in my car—just in case. If, on the other hand, prices shoot up, Giberson said, "it encourages consumers to be a little more careful in using the goods."

There's also a supply-side argument that economists make.

"When the price of vital goods go up in an area affected by an emergency, that sends a signal to areas not affected by the emergency to bring more," explained Matt Zwolinski, director of the University of San Diego's Center for Ethics, Economics, and Public Policy.

Zwolinski argues that the practice of price gouging can actually be admirable from a purely moral perspective: "It allocates goods and services in a way that best meets human needs."

But, as with so much of economics, there is disagreement.

What are economists missing when they make these arguments?

"They are misunderstanding that if you piss people off, you pay a price," said Richard Thaler, an economist at the Booth School of Business at the University of Chicago. Thaler co-wrote a well-known paper on price gouging that looked at what people think is fair.

It begins with the following scenario: A hardware store has been selling snow shovels for $15, and the morning after a blizzard, it raises the price to $20.

Thaler and his colleagues asked people if they thought that was fair.

JOAT/SHUTTERSTOCK.COM

How much would you pay for this in an emergency?

"And people hate it," he said. "They all think that's a terrible idea."

Thaler argued that any business that wants to still be in business tomorrow shouldn't raise prices, because when it's time to rebuild, no one is going to want to buy new flooring from the guy that sold them the generator for double the normal rate.

Businesses and economists should pay more attention to our shared social values, argued Thaler. "During a time of crisis, it's a time for all of us to pitch in, it's not a time for us to grab."

We have to think beyond the laws of supply and demand, he said, beyond pure economics. ■

Questions to Discuss

1. After a disaster, do you think you are more or less likely to find water for sale if sellers are allowed to increase prices? Why?
2. If sellers of scarce resources are not allowed to increase prices to equilibrate supply and demand after a disaster, how do you think these resources should be allocated among the population? What are the benefits of your proposal? What problems might arise with your proposal in practice?

Source: Marketplace.org, September 1, 2017.

CASE STUDY

THE MINIMUM WAGE

An important example of a price floor is the minimum wage. Minimum-wage laws dictate the lowest price for labor that any employer may pay. The U.S. Congress first instituted a minimum wage with the Fair Labor Standards Act of 1938 to ensure workers a minimally adequate standard of living. In 2018, the minimum wage according to federal law was $7.25 per hour. In addition, many states and cities mandate minimum wages above the federal level. The minimum wage in Seattle, for instance, was $15 per hour in 2018. Most European nations also have laws that establish a minimum wage, often much higher than in the United States. For example, even though the average income in France is almost 30 percent lower than it is in the United States, the French minimum wage is more than 30 percent higher.

To examine the effects of a minimum wage, we must consider the market for labor. Panel (a) of Figure 5 shows the labor market, which, like all markets, is subject to the forces of supply and demand. Workers supply labor, and firms demand labor. If the government doesn't intervene, the wage adjusts to balance labor supply and labor demand.

Panel (b) of Figure 5 shows the labor market with a minimum wage. If the minimum wage is above the equilibrium level, as it is here, the quantity of labor supplied exceeds the quantity demanded. The result is a surplus of labor, or unemployment. While the minimum wage raises the incomes of those workers who have jobs, it lowers the incomes of would-be workers who now cannot find jobs.

To fully understand the minimum wage, keep in mind that the economy contains not a single labor market but many labor markets for different types of workers. The impact of the minimum wage depends on the skill and experience of the worker. Highly skilled and experienced workers are not affected because their equilibrium wages are well above the minimum. For these workers, the minimum wage is not binding.

The minimum wage has its greatest impact on the market for teenage labor. The equilibrium wages of teenagers are low because teenagers are among the least skilled and least experienced members of the labor force. In addition, teenagers are often willing to accept a lower wage in exchange for on-the-job training. (Some teenagers, including many college students, are willing to work as interns for no pay at all. Because internships pay nothing, minimum-wage laws often do not apply to them. If they did, these internship opportunities might not exist.) As a result, the minimum wage is binding more often for teenagers than for other members of the labor force.

Many economists have studied how minimum-wage laws affect the teenage labor market. These researchers compare the changes in the minimum wage over time with the changes in teenage employment. Although there is some debate about the effects of minimum wages, the typical study finds that a 10 percent increase in the minimum wage depresses teenage employment by 1 to 3 percent.

One drawback of most minimum-wage studies is that they focus on the effects over short periods of time. For example, they might compare employment the year before and the year after a change in the minimum wage. The longer-term effects on employment are harder to reliably estimate, but they are more relevant for evaluating the policy. Because it takes time for firms to reorganize the workplace, the long-run decline in employment from a higher minimum wage is likely larger than the estimated short-run decline.

In addition to altering the quantity of labor demanded, the minimum wage alters the quantity supplied. Because the minimum wage raises the wage that teenagers can earn, it increases the number of teenagers who choose to look for jobs. Studies have found that a higher minimum wage also influences which teenagers are employed. When the minimum wage rises, some teenagers who are still attending high school choose to drop out and take jobs. With more people vying for the available jobs, some of these new dropouts displace other teenagers who had already dropped out of school, and these displaced teenagers now become unemployed.

The minimum wage is a frequent topic of debate. Advocates of the minimum wage view the policy as one way to raise the income of the working poor. They correctly point out that workers who earn the minimum wage can afford only a meager standard of living. In 2018, for instance, when the minimum wage was $7.25 per hour, two adults working 40 hours a week for every week of the year at minimum-wage jobs had a joint annual income of only $30,160. This amount was only about 40 percent of the median family income in the United States. Many proponents of the minimum wage admit that it has some adverse effects, including unemployment, but they believe that these effects are small and that, all things considered, a higher minimum wage makes the poor better off.

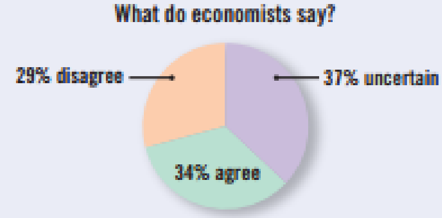
Opponents of the minimum wage contend that it is not the best way to combat poverty. They note that a high minimum wage causes unemployment, encourages teenagers to drop out of school, and prevents some unskilled workers from getting on-the-job training. Moreover, opponents of the minimum wage point out that it is a poorly targeted policy. Not all minimum-wage workers are heads of households trying to help their families escape poverty. In fact, less than a third of minimum-wage earners are in families with incomes below the poverty line. Many are teenagers from middle-class homes working at part-time jobs for extra spending money.

ASK THE EXPERTS

The Minimum Wage

"If the federal minimum wage is raised gradually to $15-per-hour by 2020, the employment rate for low-wage U.S. workers will be substantially lower than it would be under the status quo."

What do economists say?



Source: IGM Economic Experts Panel, September 22, 2015.

CASE STUDY

LINES AT THE GAS PUMP

As we discussed in Chapter 5, in 1973 the Organization of Petroleum Exporting Countries (OPEC) reduced production of crude oil, thereby increasing its price in world oil markets. Because crude oil is used to make gasoline, the higher oil prices reduced the supply of gasoline. Long lines at gas stations became common, with motorists often waiting for hours to buy a few gallons of gas.

What was responsible for the long gas lines? Most people blame OPEC. Surely, if OPEC had not reduced production of crude oil, the shortage of gasoline would not have occurred. Yet economists blame the U.S. government regulations that limited the price oil companies could charge for gasoline.

Figure 2 reveals what happened. As panel (a) shows, before OPEC raised the price of crude oil, the equilibrium price of gasoline, P_1, was below the price ceiling. The price regulation, therefore, had no effect. When the price of crude oil rose, however, the situation changed. The increase in the price of crude oil raised the cost of producing gasoline and thereby reduced the supply of gasoline. As panel (b) shows, the supply curve shifted to the left from S_1 to S_2. In an unregulated market, this shift in supply would have raised the equilibrium price of gasoline from P_1 to P_2, and no shortage would have occurred. Instead, the price ceiling prevented the price from rising to the equilibrium level. At the price ceiling, producers were willing to sell Q_S, but consumers were willing to buy Q_D. Thus, the shift in supply caused a severe shortage at the regulated price.

CASE STUDY

RENT CONTROL IN THE SHORT RUN AND THE LONG RUN

One common example of a price ceiling is rent control. In many cities, the local government places a ceiling on rents that landlords may charge their tenants. The goal of this policy is to help the poor by making housing more affordable. Economists often criticize rent control, arguing that it is a highly inefficient way to help the poor raise their standard of living. One economist called rent control "the best way to destroy a city, other than bombing."

The adverse effects of rent control are less apparent to the general population because these effects occur over many years. In the short run, landlords have a fixed number of apartments to rent, and they cannot adjust this number quickly as market conditions change. Moreover, the number of people searching for housing in a city may not be highly responsive to rents in the short run because people take time to adjust their housing arrangements. Therefore, the short-run supply and demand for housing are both relatively inelastic.

Panel (a) of Figure 3 shows the short-run effects of rent control on the housing market. As with any binding price ceiling, rent control causes a shortage. But

IN THE NEWS

Should the Minimum Wage Be $15 an Hour?

In 2016 California legislators passed a law increasing the state minimum wage to $15 an hour by 2022. An economist who studies the issue says there are better ways to help the working poor.

Why market forces will overwhelm a higher minimum wage

By David Neumark

The slogans are everywhere: Fight for 15; People Not Profits; One Job Should Be Enough. Worsening income inequality and the persistence of poverty have spurred a movement to raise the minimum wage, at both the national and state levels. Some West Coast cities have already voted to boost their minimum wage to $15, or more than double the federal standard. And Los Angeles is now considering a similarly aggressive move.

The labor market problems that these higher minimum wages are intended to fix are very real. But would a higher wage floor address the underlying problems? A large body of research shows that the answer is almost certainly no, and that there are better solutions, although they are harder for policymakers to embrace.

There are several reasons why workers' wages are currently too low to provide what many view as an acceptable standard of living. One big factor is that technological changes have increased the value of higher-skilled work and reduced the value of lower-skilled work. Globalization, meanwhile, has brought many lower-skilled American workers into greater competition with their counterparts in other countries.

Simply requiring employers to pay $15 won't provide much ballast against these market forces. In fact, data indicate that minimum wages are ineffective at delivering benefits to poor or low-income families, and that many of the benefits flow to higher-income families. That's because minimum wages target low wages rather than low family incomes. And many minimum-wage workers are not poor or even in low-income families; nearly a quarter are teenagers who will eventually find better-paid jobs. Moreover, most poor families have no workers at all.

As a result, for every $5 in higher wages that a higher minimum imposes on employers, only about $1 goes to poor families, whereas roughly twice as much goes to families with incomes above the median.

Higher minimum wages also reduce employment for the least-skilled workers. Certainly not every one of the hundreds of studies on the topic confirms this conclusion. But there are also studies claiming that humans have not contributed to climate change, and that supply-side economics did not contribute to massive budget deficits. The most comprehensive survey of minimum wage studies, which I conducted with William Wascher of the Federal Reserve System, found that two-thirds of studies point to negative employment effects, as do over 80% of the more credible studies.

Yet another reason to be wary of raising the minimum wage is that modest job loss overall may mask much steeper job loss among the least skilled. Economists use the phrase "labor-labor substitution" to describe employers responding to a higher minimum wage by replacing their lowest-skilled workers with higher-skilled workers, whom they are more willing to hire at the higher minimum.

Based on my research, I think it is likely that a $15 minimum wage in Los Angeles will lead some teenagers currently focused on their education to take part-time jobs at the new, higher minimum, and displace low-skilled workers from the jobs they now hold. That seems like a bad outcome.

If we really want to help low-skilled workers, we need to recognize that the solutions that actually work are expensive, difficult to achieve or both.

Guaranteeing a minimally acceptable standard of living for those who work entails redistribution of some kind. Minimum wage is one form of redistribution—although we don't always think of it as such—but it's a blunt instrument. Using the tax system is clearly better.

The Earned Income Tax Credit, for instance, targets low-income families very well. Research establishes that it provides generous government subsidies to these families' labor market earnings and that it leads more people to work, which probably explains its bipartisan support.

Some decry the EITC as "corporate welfare," because the labor market entry it encourages pushes down market wages. But that is precisely why it increases employment. If it did not lower wages, employers would not hire additional workers, and those not hired would be more dependent on public programs.

Of course we could still do more. We could make the EITC more generous, including increasing it for those without children who are eligible only for minuscule payments. More radically, we might consider whether all low-income families, irrespective of employment, should receive more general income support in the form of direct cash payments. One might think of these payments as a "public dividend" from the extraordinary productivity of the U.S. economy, which has permitted those at the top to earn dramatically increasing salaries while incomes at the bottom have stagnated.

AP IMAGES/LYNNE SLADKY

These alternative policies would have to be financed by higher taxes, but that's a good thing. Redistribution through taxes is paid for by those with the highest incomes. In contrast, higher minimum wages are paid for by those who happen to own businesses in low-wage industries, and the consumers of the products of those industries, who are more likely to be poor.

Progressives who want to help low-income families by pushing for higher minimum wages would do better to channel their energy toward methods of redistribution that do less to harm the least-skilled, and more to help them.

And assuming that something is going to change in response to stagnating incomes, conservatives may be happier with the consequences of well-designed redistribution policies than the kind of high minimum wage floor Los Angeles is contemplating. For now, redistribution is a dead letter that provokes anguished cries of "socialism." But it doesn't have to be. ■

Questions to Discuss

1. Suppose you are an economist in charge of designing policy to help low-wage workers. Would you prefer a minimum wage or an earned income tax credit? Why?
2. Suppose now you are a politician running for office. Would it be easier to campaign on a platform of a higher minimum wage or a more generous earned income tax credit? Why?

David Neumark is Chancellor's Professor of Economics at University of California at Irvine.

Source: *Los Angeles Times*, May 9, 2015.

CASE STUDY

CAN CONGRESS DISTRIBUTE THE BURDEN OF A PAYROLL TAX?

If you have ever received a paycheck, you probably noticed that taxes were deducted from the amount you earned. One of these taxes is called FICA, an acronym for the Federal Insurance Contributions Act. The federal government uses the revenue from the FICA tax to pay for Social Security and Medicare, the income support and healthcare programs for the elderly. FICA is an example of a *payroll tax*, which is a tax on the wages that firms pay their workers. In 2018, the total FICA tax for the typical worker was 15.3 percent of earnings.

Who do you think bears the burden of this payroll tax—firms or workers? When Congress passed this legislation, it tried to mandate a division of the tax burden. According to the law, half of the tax is paid by firms, and half is paid by workers. That is, half of the tax is paid out of firms' revenues, and half is deducted from workers' paychecks. The amount that shows up as a deduction on your pay stub is the worker contribution.

Our analysis of tax incidence, however, shows that lawmakers cannot dictate the distribution of a tax burden so easily. To illustrate, we can analyze a payroll tax as simply a tax on a good, where the good is labor and the price is the wage. The key feature of the payroll tax is that it places a wedge between the wage that firms pay and the wage that workers receive. Figure 8 shows the outcome. When a payroll tax is enacted, the wage received by workers falls, and the wage paid by firms rises. In the end, workers and firms share the burden of the tax, much as the legislation requires. Yet this division of the tax burden between workers and firms has nothing to do with the legislated division: The division of the burden in Figure 8 is not necessarily 50–50, and the same outcome would prevail if the law levied the entire tax on workers or if it levied the entire tax on firms.

This example shows that the most basic lesson of tax incidence is often overlooked in public debate. Lawmakers can decide whether a tax comes from the buyer's pocket or from the seller's, but they cannot legislate the true burden of a tax. Rather, tax incidence depends on the forces of supply and demand. ●

CASE STUDY

WHO PAYS THE LUXURY TAX?

In 1990, Congress adopted a new luxury tax on items such as yachts, private airplanes, furs, jewelry, and expensive cars. The goal of the tax was to raise revenue from those who could most easily afford to pay. Because only the rich could afford to buy such extravagances, taxing luxuries seemed like a logical way of doing just that.

Yet, when the forces of supply and demand took over, the outcome was different from the one Congress intended. Consider, for example, the market for yachts. The demand for yachts is quite elastic. A millionaire can easily not buy a yacht; he can use the money to buy a bigger house, take a luxurious vacation, or leave a larger bequest to his heirs. By contrast, the supply of yachts is relatively inelastic, at least in the short run. Yacht factories are not easily converted to alternative uses, and workers who build yachts are not eager to change careers in response to changing market conditions.

Our analysis makes a clear prediction in this case. With elastic demand and inelastic supply, the burden of a tax falls largely on the suppliers. That is, a tax on yachts places a burden largely on the firms and workers who build yachts because they end up getting a significantly lower price for their product. The workers, however, are not wealthy. Thus, the burden of a luxury tax falls more on the middle class than on the rich.

The mistaken assumptions about the incidence of the luxury tax quickly became apparent after the tax went into effect. Suppliers of luxuries made their elected representatives well aware of the hardship they experienced, and Congress repealed most of the luxury tax in 1993. ●

VALENTIN RUSSANOV/E+/GETTY IMAGES

"If this boat were any more expensive, we'd be playing golf."

CASE STUDY

SHOULD THERE BE A MARKET FOR ORGANS?

Some years ago, the front page of *The Boston Globe* ran the headline "How a Mother's Love Helped Save Two Lives." The newspaper told the story of Susan Stephens, a woman whose son needed a kidney transplant. When the doctor learned that the mother's kidney was not compatible, he proposed a novel solution: If Stephens donated one of her kidneys to a stranger, her son would move to the top of the kidney waiting list. The mother accepted the deal, and soon two patients had the transplants they were waiting for.

The ingenuity of the doctor's proposal and the nobility of the mother's act cannot be doubted. But the story raises some intriguing questions. If the mother could trade a kidney for a kidney, would the hospital allow her to trade a kidney for an expensive, experimental cancer treatment that she could not otherwise afford? Should she be allowed to exchange her kidney for free tuition for her son at the hospital's medical school? Should she be able to sell her kidney and use the cash to trade in her old Chevy for a new Lexus?

As a matter of public policy, our society makes it illegal for people to sell their organs. In essence, in the market for organs, the government has imposed a price ceiling of zero. The result, as with any binding price ceiling, is a shortage of the good. The deal in the Stephens case did not fall under this prohibition because no cash changed hands.

Many economists believe that allowing a free market for organs would yield large benefits. People are born with two kidneys, but they usually need only one. Meanwhile, some people suffer from illnesses that leave them without any working kidney. Despite the obvious gains from trade, the current situation is dire: The typical patient has to wait several years for a kidney transplant, and every year thousands of people die because a compatible kidney cannot be found. If those needing a kidney were allowed to buy one from those who have two, the price would rise to balance supply and demand. Sellers would be better off with the extra cash in their pockets. Buyers would be better off with the organ they need to save their lives. The shortage of kidneys would disappear.

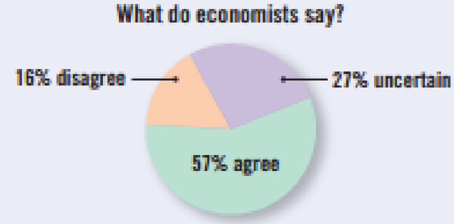
Such a market would lead to an efficient allocation of resources, but critics of this plan worry about fairness. A market for organs, they argue, would benefit the rich at the expense of the poor because organs would then be allocated to those most willing and able to pay. But you can also question the fairness of the current system. Now, most of us walk around with an extra organ that we don't really need, while some of our fellow citizens are dying to get one. Is that fair?

ASK THE EXPERTS

Supplying Kidneys

"A market that allows payment for human kidneys should be established on a trial basis to help extend the lives of patients with kidney disease."

What do economists say?



Source: IGM Economic Experts Panel, March 11, 2014

CASE STUDY

THE DEADWEIGHT LOSS DEBATE

Supply, demand, elasticity, deadweight loss—all this economic theory is enough to make your head spin. But believe it or not, these ideas are at the heart of a profound political question: How big should the government be? The debate hinges on these concepts because the larger the deadweight loss of taxation, the larger the cost of any government program. If taxation entails large deadweight losses, then these losses are a strong argument for a leaner government that does less and taxes less. But if taxes impose small deadweight losses, then government programs are less costly than they otherwise might be, which in turn argues for a more expansive government.

So how big are the deadweight losses of taxation? Economists disagree on the answer to this question. To see the nature of this disagreement, consider the most important tax in the U.S. economy: the tax on labor. The Social Security tax, the Medicare tax, and much of the federal income tax are labor taxes. Many state governments also tax labor earnings through state income taxes. A labor tax places a wedge between the wage that firms pay and the wage that workers receive. For a typical worker, if all forms of labor taxes are added together, the *marginal tax rate* on labor income—the tax on the last dollar of earnings—is about 40 percent.

The size of the labor tax is easy to determine, but calculating the deadweight loss of this tax is less straightforward. Economists disagree about whether this 40 percent labor tax has a small or a large deadweight loss. This disagreement arises because economists hold different views about the elasticity of labor supply.

Economists who argue that labor taxes do not greatly distort market outcomes believe that labor supply is fairly inelastic. Most people, they claim, would work full-time regardless of the wage. If so, the labor supply curve is almost vertical, and a tax on labor has a small deadweight loss. Some evidence suggests that this may be the case for workers who are in their prime working years and who are the main breadwinners of their families.

Economists who argue that labor taxes are highly distortionary believe that labor supply is more elastic. While admitting that some groups of workers may not change the quantity of labor they supply by very much in response to changes in labor taxes, these economists claim that many other groups respond more to incentives. Here are some examples:

"What's your position on the elasticity of labor supply?"

- Some workers can adjust the number of hours they work—for instance, by working overtime. The higher the wage they receive, the more hours they choose to work.
- Many families have second earners—often married women with children—with some discretion over whether to do unpaid work at home or paid work in the marketplace. When deciding whether to take a job, these second earners compare the benefits of being at home (including savings on the cost of child care) with the wages they could earn.
- Many of the elderly can choose when to retire, and their decisions are partly based on the wage. Once they are retired, the wage determines their incentive to work part-time.
- Some people consider engaging in illegal economic activity, such as the drug trade, or working at jobs that pay "under the table" to evade taxes. Economists call this the *underground economy*. In deciding whether to work in the underground economy or at a legitimate job, these potential criminals compare what they can earn by breaking the law with the wage they can earn legally.

In each of these cases, the quantity of labor supplied responds to the wage (the price of labor). Thus, these workers' decisions are distorted by taxes on their labor earnings. Labor taxes encourage workers to work fewer hours, second earners to stay at home, the elderly to retire early, and the unscrupulous to enter the underground economy.

The debate over the distortionary effects of labor taxation persists to this day. Indeed, whenever you see two political candidates debating whether the government should provide more services or reduce the tax burden, keep in mind that part of the disagreement may rest on different views about the elasticity of labor supply and the deadweight loss of taxation. ●

CASE STUDY

THE LAFFER CURVE AND SUPPLY-SIDE ECONOMICS

One day in 1974, economist Arthur Laffer sat in a Washington restaurant with some prominent journalists and politicians. He took out a napkin and drew a figure on it to show how tax rates affect tax revenue. It looked much like panel (e) of our Figure 6. Laffer then suggested that the United States was on the downward-sloping side of this curve. Tax rates were so high, he argued, that reducing them might actually increase tax revenue.

Most economists were skeptical of Laffer's suggestion. They accepted the idea that a cut in tax rates could increase tax revenue as a matter of economic theory, but they doubted whether it would do so in practice. There was scant evidence for Laffer's view that U.S. tax rates had in fact reached such extreme levels.

Nonetheless, the *Laffer curve* (as it became known) captured the imagination of Ronald Reagan. David Stockman, budget director in the first Reagan administration, offers the following story:

> [Reagan] had once been on the Laffer curve himself. "I came into the Big Money making pictures during World War II," he would always say. At that time the wartime income surtax hit 90 percent. "You could only make four pictures and then you were in the top bracket," he would continue. "So we all quit working after four pictures and went off to the country." High tax rates caused less work. Low tax rates caused more. His experience proved it.

When Reagan ran for president in 1980, he made cutting taxes part of his platform. Reagan argued that taxes were so high that they were discouraging hard work and thereby depressing incomes. He argued that lower taxes would give people more incentive to work, which in turn would raise economic well-being. He suggested that incomes could rise by so much that tax revenue might increase, despite the lower tax rates. Because the cut in tax rates was intended to encourage people to increase the quantity of labor they supplied, the views of Laffer and Reagan became known as *supply-side economics*.

Economists continue to debate Laffer's argument. Many believe that subsequent history refuted Laffer's conjecture that lower tax rates would raise tax revenue. Yet because history is open to alternative interpretations, other economists view the events of the 1980s as more favorable to the supply siders. To evaluate Laffer's hypothesis definitively, we would need to rerun history without the Reagan tax cuts and see if tax revenues would have been higher or lower. But that experiment is impossible.

Some economists take an intermediate position on this issue. They believe that while an overall cut in tax rates normally reduces revenue, some taxpayers may occasionally find themselves on the wrong side of the Laffer curve. Other things being equal, a tax cut is more likely to raise tax revenue if the cut applies to those taxpayers facing the highest tax rates. In addition, Laffer's argument may be more compelling for countries with much higher tax rates than the United States. In Sweden in the early 1980s, for instance, the typical worker faced a marginal tax rate of about 80 percent. Such a high tax rate provides a substantial disincentive to work. Studies have suggested that Sweden would have indeed raised more tax revenue with lower tax rates.

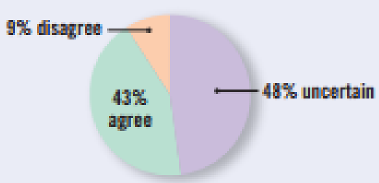
Economists disagree about these issues in part because there is no consensus about the size of the relevant elasticities. The more elastic supply and demand are in any market, the more taxes distort behavior, and the more likely it is that a tax cut will increase tax revenue. There is, however, agreement about the general lesson: How much revenue the government gains or loses from a tax change cannot be computed just by looking at tax rates. It also depends on how the tax change affects people's behavior.

An update to this story: Arthur Laffer rose to prominence again during the 2016 presidential campaign, when he was an adviser to Donald Trump. As recounted in his book with Stephen Moore, *Trumponomics*, he encouraged the candidate to propose a large tax cut. Laffer's argument was similar to the one he made years earlier: Why settle for the 2 percent growth that most economists were projecting? Wouldn't all our problems be easier to handle with a more rapidly expanding economy? The book quotes Trump as saying, when announcing his tax plan, that it would not increase the government's budget deficit (the shortfall of tax revenue from government spending) because it would raise growth rates to "3, or 4, 5, or even 6 percent." Most economists, however, were skeptical. They believed that the tax cuts, which went into effect in 2018, would increase growth to some degree but would also reduce tax revenue and increase the budget deficit. The early evidence suggests that the skeptics were right. ●

ASK THE EXPERTS: The Laffer Curve

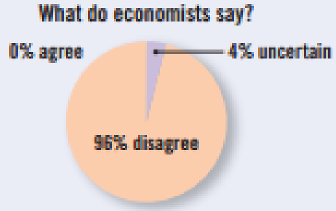
"A cut in federal income tax rates in the United States right now [2012] would lead to higher national income within five years than without the tax cut."

What do economists say?



"A cut in federal income tax rates in the United States right now would raise taxable income enough so that the annual total tax revenue would be higher within five years than without the tax cut."

What do economists say?



Source: IGM Economic Experts Panel, June 26, 2012.

TRADE AGREEMENTS AND THE WORLD TRADE ORGANIZATION

CASE STUDY

A country can take one of two approaches to achieving free trade. It can take a *unilateral* approach and remove its trade restrictions on its own. This is the approach that Great Britain took in the 19th century and that Chile and South Korea have taken in recent years. Alternatively, a country can take a *multilateral* approach and reduce its trade restrictions while other countries do the same. In other words, it can bargain with its trading partners in an attempt to reduce trade restrictions around the world.

One important example of the multilateral approach is the North American Free Trade Agreement (NAFTA), which in 1993 lowered trade barriers among the United States, Mexico, and Canada. Another is the General Agreement on Tariffs and Trade (GATT), which is a continuing series of negotiations among many of the world's countries with the goal of promoting free trade. The United States helped to found GATT after World War II in response to the high tariffs imposed during the Great Depression of the 1930s. Many economists believe that the high tariffs contributed to the worldwide economic hardship of that period. GATT has successfully reduced the average tariff among member countries from about 40 percent after World War II to about 5 percent today.

The rules established under GATT are now enforced by an international institution called the World Trade Organization (WTO). The WTO was established in 1995 and has its headquarters in Geneva, Switzerland. As of 2018, 164 countries have joined the organization, accounting for more than 97 percent of world trade. The functions of the WTO are to administer trade agreements, provide a forum for negotiations, and handle disputes among member countries.

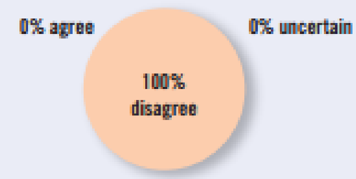
What are the pros and cons of the multilateral approach to free trade? One advantage is that the multilateral approach has the potential to result in freer trade than a unilateral approach because it can reduce trade restrictions abroad as well as at home. If international negotiations fail, however, the result could be more restricted trade than under a unilateral approach.

In addition, the multilateral approach may have a political advantage. In most markets, producers are fewer and better organized than consumers—and thus wield greater political influence. Reducing the Isolandian tariff on textiles, for example, may be politically difficult if considered by itself. The textile companies

ASK THE EXPERTS — Tariffs and Trade Deals

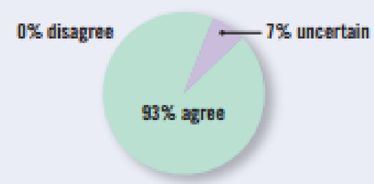
"Imposing new U.S. tariffs on steel and aluminum will improve Americans' welfare."

What do economists say?



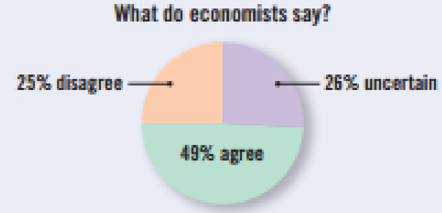
"Past major trade deals have benefited most Americans."

What do economists say?



"Refusing to liberalize trade unless partner countries adopt new labor or environmental rules is a bad policy, because even if the new standards would reduce distortions on some dimensions, such a policy involves threatening to maintain large distortions in the form of restricted trade."

What do economists say?



Source: IGM Economic Experts Panel, March 12, 2018, November 11, 2014, and March 27, 2013.

CASE STUDY

TECHNOLOGY SPILLOVERS, INDUSTRIAL POLICY, AND PATENT PROTECTION

A potentially important type of positive externality is called a *technology spillover*—the impact of one firm's research and production efforts on other firms' access to technological advance. For example, consider the market for industrial robots. Robots are at the frontier of a rapidly changing technology. Whenever a firm builds a robot, there is some chance that the firm will discover a new and better design. This new design may benefit not only this firm but also society as a whole because the design will enter society's pool of technological knowledge. That is, the new design may have positive externalities for other producers in the economy.

In this case, the government can internalize the externality by subsidizing the production of robots. If the government paid firms a subsidy for each robot produced, the supply curve would shift down by the amount of the subsidy, and this shift would increase the equilibrium quantity of robots. To ensure that the market equilibrium equals the social optimum, the subsidy should equal the value of the technology spillover.

How large are technology spillovers, and what do they imply for public policy? This is an important question because technological progress is the key to raising living standards over time. Yet it is also a difficult question about which economists often disagree.

Some economists believe that technology spillovers are pervasive and that the government should encourage those industries that yield the largest spillovers. For instance, these economists argue that if making computer chips yields greater spillovers than making potato chips, the government should encourage the production of computer chips relative to the production of potato chips. The U.S. tax code does this in a limited way by offering special tax breaks for expenditures on research and development. Some nations go further by subsidizing specific industries that supposedly yield large technology spillovers. Government intervention that aims to promote technology-enhancing industries is sometimes called *industrial policy*.

Other economists are skeptical about industrial policy. Even if technology spillovers are common, pursuing an industrial policy requires the government to gauge the size of the spillovers from different markets. This measurement problem is difficult at best. Without accurate measurements, the political system may end up subsidizing industries with the most political clout rather than those that yield the largest positive externalities.

Another way to deal with technology spillovers is patent protection. The patent laws protect the rights of inventors by giving them exclusive use of their inventions for a period of time. When a firm makes a technological breakthrough, it can patent the idea and capture much of the economic benefit for itself. The patent internalizes the externality by giving the firm a *property right* over its invention. If other firms want to use the new technology, they have to obtain permission from the inventing firm and pay it a royalty. Thus, the patent system gives firms a greater incentive to engage in research and other activities that advance technology. ●

CASE STUDY

WHY IS GASOLINE TAXED SO HEAVILY?

In many nations, gasoline is among the most heavily taxed goods. The gas tax can be viewed as a corrective tax aimed at addressing three negative externalities associated with driving:

- *Congestion*: If you have ever been stuck in bumper-to-bumper traffic, you have probably wished that there were fewer cars on the road. A gasoline tax keeps congestion down by encouraging people to take public transportation, carpool more often, and live closer to work.
- *Accidents*: Whenever people buy large cars or sport utility vehicles, they may make themselves safer but they also put their neighbors at risk. According to the National Highway Traffic Safety Administration, a person driving a typical car is five times as likely to die if hit by a sport utility vehicle than if hit by another car. The gas tax is an indirect way of making people pay when their large, gas-guzzling vehicles impose risk on others. It would induce them to take this risk into account when choosing what vehicle to purchase.
- *Pollution*: Cars cause smog. Moreover, the burning of fossil fuels such as gasoline is widely believed to be the primary cause of global climate change. Experts disagree about how dangerous this threat is, but there is no doubt that the gas tax reduces the threat by discouraging the use of gasoline.

So the gas tax, rather than causing deadweight losses like most taxes, actually makes the economy work better. It means less traffic congestion, safer roads, and a cleaner environment.

How high should the tax on gasoline be? Most European countries impose gasoline taxes that are much higher than those in the United States. Many observers have suggested that the United States should also tax gasoline more heavily. A 2007 study published in the *Journal of Economic Literature* summarized the research on the size of the various externalities associated with driving. It concluded that the optimal corrective tax on gasoline was $2.28 per gallon in 2005 dollars; after adjusting for inflation, that amount is equivalent to about $2.95 per gallon in 2018 dollars. By contrast, the actual tax in the United States in 2018 was only about 50 cents per gallon.

The tax revenue from a gasoline tax could be used to lower taxes that distort incentives and cause deadweight losses, such as income taxes. In addition, some of the burdensome government regulations that require automakers to produce more fuel-efficient cars would prove unnecessary. This idea, however, has never been politically popular. ●

CASE STUDY

ARE LIGHTHOUSES PUBLIC GOODS?

Some goods can switch between being public goods and being private goods depending on the circumstances. For example, a fireworks display is a public good if performed in a town with many residents. Yet if performed at a private amusement park, such as Walt Disney World, a fireworks display is more like a private good because visitors to the park pay for admission.

Another example is a lighthouse. Economists have long used lighthouses as an example of a public good. Lighthouses mark specific locations along the coast so that passing ships can avoid treacherous waters. The benefit that the lighthouse provides to ship captains is neither excludable nor rival in consumption, so each captain has an incentive to free ride by using the lighthouse to navigate without paying for the service. Because of this free-rider problem, private markets usually fail to provide the lighthouses that ship captains need. As a result, most lighthouses today are operated by the government.

In some cases, however, lighthouses have been closer to private goods. On the coast of England in the 19th century, for example, some lighthouses were privately owned and operated. Instead of trying to charge ship captains for the service, however, the owner of the lighthouse charged the owner of the nearby port. If the port owner did not pay, the lighthouse owner turned off the light, and ships avoided that port.

When deciding whether something is a public good, one must determine who the beneficiaries are and whether these beneficiaries can be excluded from using the good. A free-rider problem arises when the number of beneficiaries is large and exclusion of any one of them is impossible. If a lighthouse benefits many ship captains, it is a public good. If it primarily benefits a single port owner, it is more like a private good. ●

CASE STUDY

HOW MUCH IS A LIFE WORTH?

Imagine that you have been elected to serve as a member of your local town council. The town engineer comes to you with a proposal: The town can spend $10,000 to install and operate a traffic light at a town intersection that now has only a stop sign. The benefit of the traffic light is increased safety. The engineer estimates, based on data from similar intersections, that the traffic light would reduce the risk of a fatal traffic accident over the lifetime of the traffic light from 1.6 to 1.1 percent. Should you spend the money for the new light?

To answer this question, you turn to cost–benefit analysis. But you quickly run into an obstacle: The costs and benefits must be measured in the same units if you are to compare them meaningfully. The cost is measured in dollars, but the benefit—the possibility of saving a person's life—is not directly monetary. To make your decision, you have to put a dollar value on a human life.

At first, you may be tempted to conclude that a human life is priceless. After all, there is probably no amount of money that you could be paid to voluntarily give up your life or that of a loved one. This suggests that a human life has an infinite dollar value.

For the purposes of cost–benefit analysis, however, this answer leads to nonsensical results. If we truly placed an infinite value on human life, we should place traffic lights on every street corner, and we should all drive large cars loaded with the latest safety features. Yet traffic lights are not at every corner, and people sometimes choose to pay less for smaller cars without safety options such as side-impact air bags or antilock brakes. In both our public and private decisions, we are at times willing to take on additional risk to save some money.

Once we have accepted the idea that a person's life has an implicit dollar value, how can we determine what that value is? One approach, sometimes used by courts to award damages in wrongful-death suits, is to look at the total amount of money a person would have earned if she had lived. Economists are often critical of this approach because it ignores other opportunity costs of losing one's life. It thus bizarrely implies that the life of a retired or disabled person has no value.

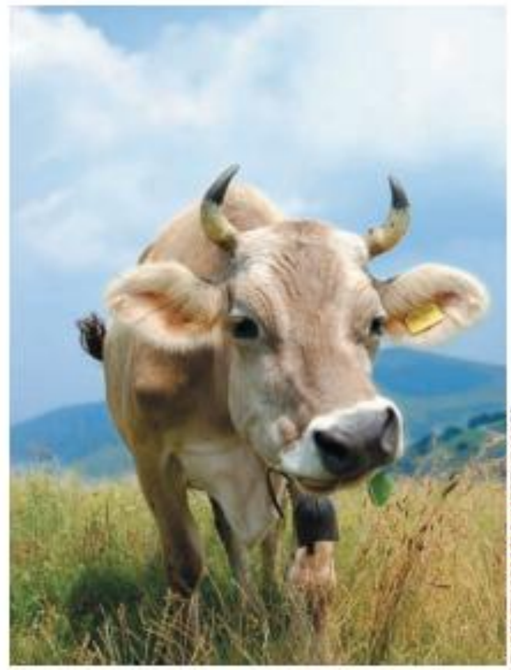
A better way to value human life is to look at the risks that people are voluntarily willing to take and how much they must be paid for taking them. For example, mortality risk varies across jobs. Construction workers in high-rise buildings face greater risk of death on the job than office workers do. By comparing wages in risky and less risky occupations, controlling for education, experience, and other determinants of wages, economists can get some sense about what value people put on their own lives. Studies using this approach conclude that the value of a human life is about $10 million.

We can now return to our original example and respond to the town engineer. The traffic light reduces the risk of fatality by 0.5 percentage points. Thus, the expected benefit from installing the traffic light is 0.005 × $10 million, or $50,000. This estimate of the benefit exceeds the cost of $10,000, so you should approve the project. ●

CASE STUDY

WHY THE COW IS NOT EXTINCT

Throughout history, many species of animals have been threatened with extinction. When Europeans first arrived in North America, more than 60 million buffalo roamed the continent. Unfortunately, however, hunting the buffalo was so popular during the 19th century that by 1900 the animal's population had fallen to about 400 before the government stepped in to protect the species. In some African countries today, elephants face a similar challenge, as poachers kill them for the ivory in their tusks.



"Will the market protect me?"

Yet not all animals with commercial value face this threat. The cow, for example, is a valuable source of food, but no one worries that the cow will soon be extinct. Indeed, the great demand for beef seems to ensure that the species will continue to thrive.

Why does the commercial value of ivory threaten the elephant, while the commercial value of beef protects the cow? The reason is that elephants are a common resource, whereas cows are a private good. Elephants roam freely without any owners. Each poacher has a strong incentive to kill as many elephants as she can find. Because poachers are numerous, each poacher has only a slight incentive to preserve the elephant population. By contrast, cattle live on ranches that are privately owned. Each rancher makes a great effort to maintain the cattle population on her ranch because she reaps the benefit.

Governments have tried to solve the elephant's problem in two ways. Some countries, such as Kenya, Tanzania, and Uganda, have made it illegal to kill elephants and sell their ivory. Yet these laws have been hard to enforce, and the battle between the authorities and the poachers has become increasingly violent. Meanwhile, elephant populations have continued to dwindle. By contrast, other countries, such as Botswana, Malawi, Namibia, and Zimbabwe, have made elephants a private good by allowing people to kill elephants, but only those on their own property. Landowners now have an incentive to preserve the species on their own land, and as a result, elephant populations have started to rise. With private ownership and the profit motive now on its side, the African elephant might someday be as safe from extinction as the cow. ●

CASE STUDY

SHOULD INCOME OR CONSUMPTION BE TAXED?

When taxes cause people to change their behavior—such as inducing Carmen to buy less pizza—the taxes can cause deadweight losses and make the allocation of resources less efficient. As we have seen, much government revenue comes from the personal income tax. In a case study in Chapter 8, we discussed how this tax discourages people from working as hard as they otherwise might. Another inefficiency caused by this tax is that it discourages people from saving.

Consider a 25-year-old deciding whether to save $1,000. If he puts this money in a savings account that earns 8 percent and leaves it there, he will have $21,720 when he retires at age 65. Yet if the government taxes one-fourth of his interest income each year, the effective interest rate is only 6 percent. After 40 years of earning 6 percent, the $1,000 grows to only $10,290, less than half of what it would have been without taxation. Thus, taxes on interest income make saving much less attractive.

Some economists advocate eliminating the current tax system's disincentive toward saving by changing the basis of taxation. Rather than taxing the amount of income that people earn, the government could tax the amount that people spend. Under this proposal, all income that is saved is free from taxation until the saving is later spent. This alternative system, called a *consumption tax*, would not distort people's saving decisions.

Various provisions of current law already make the tax system a bit like a consumption tax. Taxpayers can put a limited amount of their income into special savings accounts, such as Individual Retirement Accounts and 401(k) plans. This income, along with the accumulated interest it earns, avoids taxation until the money is withdrawn at retirement. For people who do most of their saving through these retirement accounts, their tax bill is, in effect, based on their consumption rather than their income.

European countries tend to rely more on consumption taxes than does the United States. Most of them raise a significant amount of government revenue through a value-added tax, or a VAT. A VAT is like the retail sales tax that many U.S. states use. But rather than collecting all of the tax at the retail level when the consumer buys the final good, the government collects the tax in stages as the good is being produced (that is, as value is added by firms along the chain of production).

Various U.S. policymakers have proposed that the tax code move further in the direction of taxing consumption rather than income. In 2005, economist Alan Greenspan, then Chair of the Federal Reserve, offered this advice to a presidential commission on tax reform: "As you know, many economists believe that a consumption tax would be best from the perspective of promoting economic growth—particularly if one were designing a tax system from scratch—because a consumption tax is likely to encourage saving and capital formation. However, getting from the current tax system to a consumption tax raises a challenging set of transition issues." ●

HOW THE TAX BURDEN IS DISTRIBUTED

CASE STUDY

The debate over tax policy often concerns whether the wealthy pay their fair share. There is no objective way to make this judgment. In evaluating the issue for yourself, however, it is useful to know how much families with different incomes pay under the current tax system.

Table 5 presents some data on how federal taxes are distributed among income classes. These figures are for 2014, the most recent year available as this book was going to press, and were tabulated by the Congressional Budget Office (CBO). They include all federal taxes—personal income taxes, payroll taxes, corporate income taxes, and excise taxes—but not state and local taxes. When calculating a household's tax burden, the CBO allocates corporate income taxes to the owners of capital and payroll taxes to workers.

To construct the table, households are ranked according to their income and placed into five groups of equal size, called *quintiles*. The table also presents data on the richest 1 percent of Americans (who represent the top sliver of the highest quintile). The second column of the table shows the average market income of each group. Market income measures what a household earns from its economic activity, including wages and salaries, business income, interest, capital gains, dividends, and pension benefits. The poorest fifth of households had average market income of $14,800, and the richest fifth had average market income of $270,900. The richest 1 percent had average market income of over $1.7 million.

The third column of the table shows total taxes as a percentage of income (the average tax rate). As you can see, the U.S. federal tax system is progressive. The poorest fifth of households paid 2.7 percent of their incomes in taxes, and the richest fifth paid 27.7 percent. The top 1 percent paid 33.8 percent of their incomes.

These numbers on taxes paid provide a good starting point for understanding how the burden of government is distributed, but they give an incomplete picture. Money flows not only from households to the government in the form of taxes but also from the government back to households in the form of transfer payments, including Social Security, unemployment insurance benefits, Medicare (a health program for the elderly), Medicaid (a health program for the poor), SNAP benefits (a program formerly known as food stamps), and housing assistance. In some ways, transfer payments are the opposite of taxes.

Treating transfers as negative taxes substantially changes the distribution of the tax burden, as shown in the last column of the table. The richest quintile of households still pays about one-quarter of its income to the government, even after transfers are subtracted, and the top 1 percent still pays about a third. By contrast, the average tax rates for the lowest three quintiles become negative numbers. That is, most households in the bottom three-fifths of the income distribution receive more in transfers than they pay in taxes. This is particularly true for those with the lowest incomes. While the bottom quintile has average market income of only $14,800, its average income after taxes and transfers is $31,100. The lesson is clear: To fully understand the progressivity of government policies, one must take into account both what people pay and what they receive.

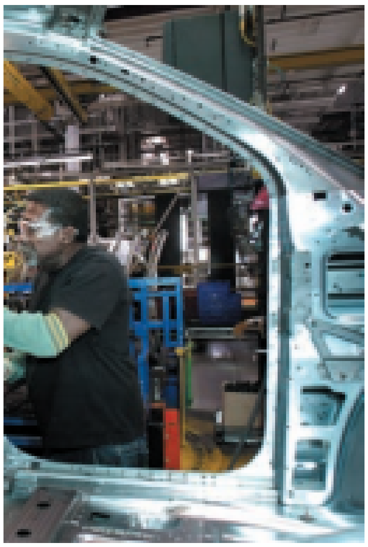
Finally, it is worth noting that the numbers in Table 5 are a bit out of date. In late 2017, the U.S. Congress passed and President Trump signed a tax bill that reduced taxes, especially for taxpayers at the top of the income distribution. Preliminary estimates suggest that the legislation reduced the average tax rate by about 1.4 percentage points for taxpayers in the middle quintile and by about 2.2 percentage points for taxpayers in the highest quintile.

CASE STUDY

WHO PAYS THE CORPORATE INCOME TAX?

The corporate income tax provides a good example of the importance of tax incidence for tax policy. The corporate tax is popular among some voters. After all, corporations are not people. Voters are always eager to get a tax cut and let some impersonal corporation pick up the tab.

But before deciding that the corporate income tax is a good way for the government to raise revenue, we should consider who bears the burden of the corporate tax. This is a difficult question on which economists disagree, but one thing is certain: *People pay all taxes*. When the government levies a tax on a corporation, the corporation is more like a tax collector than a taxpayer. The burden of the tax ultimately falls on people—the owners, customers, or workers of the corporation.



orate income tax.

Some economists believe that workers and customers bear much of the burden of the corporate income tax. To see why, consider an example. Suppose that the U.S. government decides to raise the tax on the income earned by car companies. At first, this tax hurts the owners of the car companies, who receive less profit. But over time, these owners will respond to the tax. Because producing cars is less profitable, they invest less in building new car factories. Instead, they invest their wealth in other ways—for example, by buying larger houses or by building factories in other industries or other countries. With fewer car factories, the supply of cars declines, as does the demand for autoworkers. Thus, a tax on corporations making cars causes the price of cars to rise and the wages of autoworkers to fall.

This issue arose to prominence in the early days of the Trump administration. The tax bill signed into law by President Trump in 2017 cut the corporate tax rate from 35 to 21 percent. The president's economic advisers argued that the long-term effect of the policy would be increased capital accumulation, productivity, and wages. Critics of the bill agreed that these growth effects would occur but believed they would be small. In their view, the main benefits of the corporate tax cut would accrue to the corporations' owners, who tend to be wealthy. Yet advocates and critics did agree on one thing: Evaluating the fairness of any tax change requires paying careful attention to tax incidence. ●

CASE STUDY

NEAR-EMPTY RESTAURANTS AND OFF-SEASON MINIATURE GOLF

Have you ever walked into a restaurant for lunch and found it almost empty? Why, you might have asked, does the restaurant even bother to stay open? It might seem that the revenue from so few customers could not possibly cover the cost of running the restaurant.

When deciding whether to open for lunch, a restaurant owner must keep in mind the distinction between fixed and variable costs. Many of a restaurant's costs—the rent, kitchen equipment, tables, plates, silverware, and so on—are fixed. Shutting down during lunch would not reduce these costs. In other words, these costs are sunk in the short run. When the owner is deciding whether to serve lunch, only the variable costs—the price of the additional food and the wages of the extra staff—are relevant. The owner shuts down the restaurant at lunchtime only if the revenue from the few lunchtime customers would fail to cover the restaurant's variable costs.

An operator of a miniature-golf course in a summer resort community faces a similar decision. Because revenue varies substantially from season to season, the firm must decide when to open and when to close. Once again, the fixed costs—the costs of buying the land and building the course—are irrelevant to this short-run decision. The miniature-golf course should open for business only during those times of year when its revenue exceeds its variable costs.

CASE STUDY

MONOPOLY DRUGS VERSUS GENERIC DRUGS

According to our analysis, prices are determined differently in monopolized markets and competitive markets. A natural place to test this theory is the market for pharmaceutical drugs because this market takes on both market structures. When a firm discovers a new drug, patent laws give the firm a monopoly on the sale of that drug. But eventually, the firm's patent expires, and any company can make and sell the drug. At that time, the market switches from being monopolistic to being competitive.

What should happen to the price of a drug when the patent expires? Consider Figure 6, which shows the market for a typical drug. In this figure, the marginal cost of producing the drug is assumed to be constant. (This is roughly true for many drugs.) During the life of the patent, the monopoly firm maximizes profit by producing the quantity at which marginal revenue equals marginal cost and charging a price well above marginal cost. But when the patent expires, the profit from making the drug should encourage new firms to enter the market. As the market becomes more competitive, the price should fall to equal marginal cost.

Experience does, in fact, support our theory. When the patent on a drug expires, other companies quickly enter and begin selling generic products that are chemically identical to the former monopolist's brand-name product. Just as our analysis predicts, the competitively produced generic drugs are priced well below the price that the monopolist was charging.

The expiration of a patent, however, does not cause the monopolist to lose all of its market power. Some consumers remain loyal to the brand-name drug, perhaps out of fear that the new generic drugs are not actually the same as the drug they have been using for years. As a result, the former monopolist can continue to charge a price above the price charged by its new competitors.

For example, the drug fluoxetine, an antidepressant taken by millions of Americans, was originally sold under the brand name Prozac. Since the expiration of the patent in 2001, consumers have had a choice of the original drug, Prozac, and generic versions of the same medicine. Yet Prozac today sells for about three times the price of generic fluoxetine. This price differential persists because some consumers are not convinced that the two pills are perfect substitutes.

CASE STUDY

HOW ADVERTISING AFFECTS PRICES

What effect does advertising have on the price of a good? On the one hand, advertising might make consumers view products as being more different from each other than they otherwise would. If so, it would make markets less competitive and firms' demand curves less elastic, thereby inducing firms to charge higher prices. On the other hand, advertising might make it easier for consumers to find the firms offering the best prices. In this case, it would make markets more competitive and firms' demand curves more elastic, which would lead to lower prices.

In an article published in *The Journal of Law and Economics* in 1972, economist Lee Benham tested these two views of advertising. In the United States during the 1960s, the various state governments had vastly different rules about advertising by optometrists. Some states allowed advertising for eyeglasses and eye examinations. Many states, however, prohibited it. For example, the Florida law justified the advertising ban as "in the interest of public health, safety, and welfare." Professional optometrists enthusiastically endorsed these restrictions on advertising.

Benham used the differences in state law as a natural experiment to test the two views of advertising. The results were striking. In those states that prohibited advertising, the average price paid for a pair of eyeglasses was $33, or $272 in 2018 dollars. In states that did not restrict advertising, the average price was $26, or $214 in 2018 dollars. Thus, advertising reduced average prices by more than 20 percent.

A similar natural experiment occurred in 1996 when the U.S. Supreme Court struck down a Rhode Island law that banned advertising the prices of liquor products. A study by Jeffrey Milyo and Joel Waldfogel, published in the *American Economic Review* in 1999, examined liquor prices in Rhode Island after the legal change, compared with liquor prices in the neighboring state of Massachusetts (where there was no legal change). According to this research, stores in Rhode Island that started advertising cut their prices substantially, often by more than 20 percent, but only on those products that they or their rivals advertised. In addition, after these stores began advertising, they attracted a larger share of customers.

The bottom line: In many markets, advertising fosters competition and leads to lower prices for consumers. ●