International

scientific and practical conference

DECEMBER 6
2024

2024



STDF

Science technology& Digital finance

Google Scholar

The main directions of socio-economic development of New Uzbekistan: problems and solutions

MINISTRY OF HIGHER EDUCATION, SCIENCE AND INNOVATION OF THE REPUBLIC OF UZBEKISTAN

JIZZAKH BRANCH OF THE NATIONAL UNIVERSITY OF UZBEKISTAN NAMED AFTER MIRZO ULUGBEK

Scientific journal of Science technology & Digital finance

The main directions of socio-economic development of New Uzbekistan: problems and solutions collection of materials of the international scientific and practical conference on the topic

(December 6, 2024)

(Part 2)

Jizzakh-2024

Department of Economics and tourism of Jizzakh branch of the National University of Uzbekistan named after Mirzo Ulugbek
6.12.2024

The main directions of socio-economic development of New Uzbekistan: problems and solutions collection of materials of the international scientific and practical conference on the topic – Jizzahk: Department of economics and tourism of Jizzakh branch of the national university of Uzbekistan named after Mirzo Ulugbek, December 6, 2024, 450 pp.

Editors in charge: DSc.prof. Turakulov O.X., PhD. O'ralov A.I.

In the collection of materials of the conference, the role and role of Science, Education and production in the era of globalization, the pressing problems of the issues of interaction of these processes, feedback on their solutions were presented by mature specialists of the field.

In addition, research on the scientific and practical topic, carried out in the economics, Exact Sciences, Natural Sciences and socio-humanities during the globalization period, information is presented in the scientific and practical fields, which includes the latest innovative technologies in the fields of production.

It can be argued that this collection is one of the specific intersections of current thoughts and innovative ideas of the world of science. This scientific and practical conference was actively attended by professors and scientific researchers engaged in scientific research in Uzbekistan and foreign countries. In increasing the position of the scientific and practical conference, the professors and teachers of domestic and foreign higher educational institutions made a significant contribution.

Professors and teachers of foreign higher educational institutions who actively participated in the work of the conference made a worthy contribution to the high level of interaction with scientists of our country. The processes of international cooperation with foreign countries and exchange with them in the field of Science in the era of globalization have a positive effect on the development of Higher Education, the fields of Science and production. The materials of this conference are special in that they include a wide range of research, from theoretical developments to practical solutions, demonstrating the diversity of approaches and directions in this area.

In conclusion, it should be noted that this scientific and practical conference will be a very useful collection for everyone who is interested in modern research in the fields of further development of Higher Education, Science, Education and production in the era of globalization. The authors are responsible for the content and quality of the articles and abstracts included in the collection.

KEYNESIAN THEORY OF GOVERNMENT INTERVENTION IN THE ECONOMY



Soy Marina Petrovna, Yakubova Eleonora Nailevna
Jizzakh branch of the National University of Uzbekistan named after Mirzo Ulugbek

Abstract: The Keynesian theory, developed by British economist John Maynard Keynes, revolutionized economic thought in the 20th century by emphasizing the role of government intervention in managing economic fluctuations. In contrast to classical economic theories that advocated for minimal government involvement, Keynesian economics argues that active fiscal and monetary policies are essential for stabilizing economies, especially during periods of economic downturn. This paper explores the fundamental principles of Keynesian economics, the role of government intervention, and the theory’s implications for contemporary economic policy.

Keywords: Keynesian economics, government intervention, aggregate demand, fiscal policy, monetary policy, public spending, multiplier effect, unemployment, economic stabilization, economic recession, inflation

Introduction

The Keynesian theory emerged during the Great Depression of the 1930s as a response to the economic stagnation and mass unemployment that plagued the global economy. John Maynard Keynes, through his groundbreaking work *The General Theory of Employment, Interest, and Money* (1936), argued that classical economic theories were inadequate in explaining or addressing the deep economic crises of the time. Keynes's ideas proposed a radical shift in thinking about the role of government in economic affairs, advocating for increased public spending and active policy measures to stabilize economic activity.

Keynesian economics has since become the foundation for many economic policies in developed economies, particularly during recessions. The theory suggests that government intervention, through fiscal and monetary tools, is necessary to mitigate the effects of economic downturns, reduce unemployment, and stimulate economic growth. This paper examines the core principles of Keynesian economics, the mechanisms of government intervention, and its relevance in the modern economic landscape.

Keynesian economics: core principles

The core of Keynesian economic theory is the belief that economies do not always function efficiently on their own and that government intervention is essential to ensure full employment and stable economic growth. The following are the key principles of Keynesian economics:

Department of Economics and tourism of Jizzakh branch of the National University of Uzbekistan named after Mirzo Ulugbek
6.12.2024

1. **Aggregate demand and economic output**:

Keynes argued that the total demand for goods and services in an economy (aggregate demand) is the key driver of economic output and employment. When aggregate demand is insufficient, economies can experience periods of unemployment and underproduction. Unlike classical economists, who believed that markets would naturally adjust to full employment, Keynes believed that insufficient demand could lead to prolonged recessions.

2. **Government spending and fiscal policy**:

In times of economic downturn, Keynes advocated for increased government spending to boost aggregate demand. He argued that the government should not rely solely on private sector investments but should play an active role in stimulating demand through public works, social programs, and infrastructure development. This fiscal intervention would compensate for the lack of private sector spending during recessions.

3. **The multiplier effect**:

One of the key concepts in Keynesian theory is the multiplier effect, which refers to the idea that an initial increase in government spending can lead to a larger increase in overall economic activity. For example, when the government spends money on infrastructure, it not only creates jobs but also stimulates demand for materials, services, and other goods, further boosting the economy.

4. **Monetary policy and interest rates**:

Keynes also recognized the importance of monetary policy in managing economic fluctuations. He argued that central banks should adjust interest rates to encourage investment and consumption. In times of low demand, reducing interest rates can encourage borrowing and spending, helping to stimulate the economy. However, Keynes also warned that during deep recessions, even low interest rates might not be enough to stimulate investment if business confidence is low.

5. **Uncertainty and the role of expectations**:

Another important aspect of Keynesian theory is the role of uncertainty in economic decision-making. Keynes believed that businesses and consumers often make decisions based on expectations about the future, which can influence investment, consumption, and overall economic activity. In times of economic instability, these expectations can become negative, leading to reduced spending and investment, which can worsen the recession.

The role of government intervention

Keynesian economics places significant emphasis on the role of government intervention to stabilize economic cycles. This intervention can take several forms:

1. **Counter-cyclical fiscal policy**:

Keynesians advocate for counter-cyclical fiscal policies, which involve increasing government spending and cutting taxes during recessions to stimulate demand. Conversely, during periods of economic boom, the government can reduce spending or increase taxes to prevent the economy from overheating and creating inflationary pressures.

Department of Economics and tourism of Jizzakh branch of the National University of Uzbekistan named after Mirzo Ulugbek
6.12.2024

2. **Public works and infrastructure investment**:

A key recommendation of Keynesian economics during times of high unemployment and economic stagnation is large-scale public works projects. These projects not only provide immediate employment but also improve long-term productivity through infrastructure improvements. Examples of such policies include building roads, bridges, schools, and hospitals.

3. **Automatic stabilizers**:

Keynes also highlighted the importance of automatic stabilizers, which are government policies that automatically increase spending or reduce taxes in response to a downturn. Examples include unemployment benefits and progressive tax systems, where people pay lower taxes when their income falls.

4. **Monetary easing**:

Keynesians support active monetary policy, which includes lowering interest rates or engaging in quantitative easing (QE) when the economy is weak. By making credit more accessible, the government can encourage businesses and consumers to spend and invest.

Keynesian economics in practice

The application of Keynesian principles has been widespread, particularly in the aftermath of major economic crises. For instance, during the Great Depression, President Franklin D. Roosevelt’s New Deal programs were heavily influenced by Keynesian ideas, focusing on public works and government spending to reduce unemployment and stimulate the economy.

Similarly, Keynesian economics played a critical role during the 2008 global financial crisis. Governments around the world, including the United States and the European Union, adopted stimulus packages that included increased government spending, tax cuts, and monetary easing to combat recession and restore economic growth.

In the modern era, Keynesian-inspired policies continue to shape the economic response to recessions. The COVID-19 pandemic also saw widespread government intervention, with stimulus checks, increased unemployment benefits, and substantial government spending to support individuals and businesses during the global shutdowns.

Criticisms of Keynesian economics

While Keynesian economics has been highly influential, it is not without its critics. Classical economists and proponents of free-market economics argue that government intervention distorts market signals, leading to inefficiencies and inflation. They suggest that long-term reliance on fiscal policy can result in budget deficits and growing public debt.

Additionally, critics argue that Keynesian policies may encourage "too much" government intervention, stifling innovation and individual entrepreneurship. Supply-side economists, for example, stress the importance of reducing taxes and regulation to encourage private sector growth and investment.

Department of Economics and tourism of Jizzakh branch of the National University of Uzbekistan named after Mirzo Ulugbek
6.12.2024

Furthermore, critics assert that Keynesian policies may be ineffective in situations of "stagflation"—a combination of stagnation and inflation—which Keynesian theory struggles to address. Stagflation occurred during the 1970s, challenging the basic assumptions of Keynesian economics and leading to the development of alternative economic theories.

Conclusion

Keynesian economics fundamentally altered how economists view the role of government in economic affairs. By emphasizing the importance of aggregate demand, fiscal stimulus, and government intervention, Keynesian theory provides a framework for addressing economic downturns and mitigating unemployment. Despite criticisms and challenges, Keynesian principles continue to inform economic policy worldwide, especially during times of crisis. The theory remains a crucial tool for managing modern economies and ensuring stability in a world of increasingly complex economic forces.

References:

1. Keynes, J. M. (1936). *The General Theory of Employment, Interest, and Money*. Macmillan.
2. Keynes, J. M. (1937). *The General Theory of Employment* (Vol. 1). Macmillan.
3. Krugman, P., & Wells, R. (2018). *Macroeconomics* (5th ed.). Worth Publishers.
4. Skidelsky, R. (2009). *Keynes: The Return of the Master*. PublicAffairs.
5. Minsky, H. P. (1986). *Stabilizing an Unstable Economy*. Yale University Press.
6. Blinder, A. S. (2013). *After the Music Stopped: The Financial Crisis, the Response, and the Work Ahead*. Penguin Press.
7. Цой М., Иброхимов Ш. СОВРЕМЕННАЯ СИСТЕМА ОБРАЗОВАНИЯ В УСЛОВИЯХ ЦИФРОВИЗАЦИИ В УЗБЕКИСТАНЕ //International Journal of scientific and Applied Research. – 2024. – Т. 1. – №. 3. – С. 24-28.
8. Цой М. П. Региональные особенности привлечения зарубежных инвестиций //Актуальные научные исследования в современном мире. – 2020. – №. 1-2. – С. 102-105.
9. Цой М., Зульфакарова Л. Региональные особенности привлечения зарубежных инвестиций //International Journal of scientific and Applied Research. – 2024. – Т. 1. – №. 2. – С. 278-282.
10. Цой М. Развития сферы услуг в Узбекистане: тенденции и перспективы //Science technology&Digital finance. – 2023. – Т. 1. – №. 3. – С. 73-86.
11. Цой М. П. ЭКОНОМИКА УЗБЕКИСТАНА И РОЛЬ РАЗВИТИЯ СФЕРЫ УСЛУГ //Экономика и социум. – 2023. – №. 5-2 (108). – С. 1272-1279.

Department of Economics and tourism of Jizzakh branch of the National University of Uzbekistan named after Mirzo Ulugbek
6.12.2024