



THE ROLE OF THE STATE IN THE MARKET ECONOMY

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Abstract

This article analyzes the role of the state in a market economy and its impact on economic processes. It justifies the necessity of government intervention to address the shortcomings of the market mechanism alongside its advantages. The article examines the instruments of state economic policy — fiscal, monetary, price, and foreign trade policies. Using the example of Uzbekistan, it also analyzes the active role of the state in deepening market reforms, fostering a competitive environment, and ensuring social justice.

Keywords: Market mechanism, fiscal policy, monetary policy, prices, foreign trade, competition, equilibrium, stability, efficiency.

Introduction

The achievements reached in Uzbekistan over a historically short period demonstrate the consistency and effectiveness of the economic reforms being implemented. These reforms have produced tangible results in solving key issues of the national economy and in activating the vital foundations of social development. Although the reforms cover all sectors of economic life, special importance is given to the development of small and medium-sized businesses. Indeed, in recent years the role of small and private business has been steadily increasing in the economic policies of all developed countries. Research shows that small businesses possess a number of important socio-economic characteristics. In particular, they contribute to the creation of a healthy competitive environment, enhance the flexibility and efficiency of large enterprises, exert a positive influence on market supply and demand, and help meet the needs of both the population and production sectors. In countries with well-developed market economies, small and private businesses have become a



leading sector that determines the pace of economic growth as well as the structure and quality of gross national product, and they continue to expand further. In such countries, this sector accounts for nearly 70 percent of gross national product¹. The experience of developed countries shows that the small and private business sector is a powerful factor in solving important socio-economic problems, such as supplying the market with goods and services, eliminating intersectoral and regional monopolies, strengthening competition, introducing achievements of science and technology, expanding national export potential, and promoting the development of rural areas and small towns.

Main Part

A market economy is an economic system organized and regulated on the basis of the laws of commodity production, exchange, and monetary circulation. Such an economy is based on free commodity-money relations, and its foundation lies in the movement of goods and money in various forms. It rejects economic monopolism and relies on competitive market principles. In a market economy, market relations encompass the entire system, including all stages of economic activity—production, exchange, distribution, and consumption—as well as all subjects of economic relations. It should also be noted that under current conditions in a moderately developed economy there are more than 24 million types of goods, and about one-tenth of them are renewed each year. In such circumstances, it is impossible to regulate supply and demand in terms of product types and volumes without the participation of the market. This clearly demonstrates that no centralized planning institution can successfully perform the functions of the market. Therefore, a market economy is considered the most efficient socio-economic system capable of resolving economic problems rapidly and effectively.

In our country, as in foreign states, special attention is being paid to the development of small and private businesses in order to create new jobs, prevent the growth of unemployment, strengthen family incomes, increase revenues to local budgets, and generally accelerate the pace of economic development. For this purpose, as mentioned above, the necessary legal framework has been established. However, it should be particularly emphasized that although the

¹ Karimov, A., Kholmatov, B., Rahimov, D. Macroeconomics: Textbook. – Tashkent: Iqtisod-Moliya Publishing House, 2022. – 356 p.

development of small and medium-sized business entities is encouraged and regulated by central government authorities, achieving the intended goals becomes difficult if appropriate conditions are not created for them by local and regional administrative bodies. This is because, by their economic nature and essence, small and private businesses are primarily an integral part of the local economy and are adapted to operate within the existing conditions of a specific region. Their dependence on the local and regional economy is manifested in several ways. First, small and private business enterprises are mainly established to make effective use of local labor resources and to meet employment needs, while consumers also tend to satisfy their demands by building relationships with the nearest producers. Second, when such enterprises are established, the possibilities of using local raw materials and natural resources are taken into account².

Research Method

In any scientific study, the research method plays an important role. The impact of the state on the market is identified through specific methodological approaches. The following methods were applied in this study.

Analysis and synthesis method: Using this method, economic processes related to the influence of the state on the market were examined by dividing them into separate structural components, and later their interrelationships were generalized. This approach made it possible to gain a deeper understanding of the essence of market mechanisms and state regulation instruments.

Comparative (comparative analysis) method: The degree of state intervention was compared across different countries and economic systems. In particular, the role of the state in a free market model and in a mixed economy was analyzed comparatively. This method made it possible to draw conclusions regarding the implementation of effective economic policy.

Historical-consistency method: Using this method, the impact of the state on the market was examined based on historical stages of development. The evolution of economic thought, the formation of classical and Keynesian approaches, and their practical outcomes were analyzed.

² Tursunova, M. The Impact of Fiscal and Monetary Policy on Economic Growth // *Financial Research*. – 2022. – pp. 61–70.



Logical analysis method: Economic laws and cause-and-effect relationships were explained in a logical and consistent manner. The positive and negative aspects of state intervention were evaluated on a theoretical basis, and scientific conclusions were drawn.

By applying these methods, a comprehensive analysis of the state's influence on the market can be carried out. The main purpose of using these methods is to present the scientific research in a broader and simpler form.

Scientific Novelty and Discussion. One of the concepts that rapidly entered our lives during the transition to a market economy is management. In a broad sense, management is a type of activity related to the administration of production processes. The organization of effective management is considered a key factor in achieving high production efficiency in enterprises and firms. It is well known that when a person works individually, without joining any collective group, they manage their own labor independently. In other words, individual labor activity does not require a special management system. However, when people's labor activities are brought together and become interdependent, the need for management arises, and the establishment of a management apparatus becomes necessary. This apparatus must integrate all stages of production into a unified system and coordinate the activities of relevant departments. As the size of the workforce increases, management functions become more complex, and the financial requirements for solving technical, technological, social, and economic issues through the management apparatus also grow. In an organized production process, the activity, creativity, and initiative of employees are influenced by various motivating factors. Therefore, the management apparatus addresses a wide range of social, psychological, legal, technological, and other issues that arise during production. Among the relationships associated with managing a workforce, organizational relations play a decisive role. These relations ensure the coordination of collective activity and determine the effectiveness of management decisions, making them a fundamental component of successful production management.

The functions of economic management, regardless of the scale of the managed object, can be divided into the following groups:

research and design;

standardization and planning;



organization and coordination;

supply provision;

reporting and control.

Research and design functions include conducting scientific studies, developing future plans, and analyzing relevant economic data. Standardization and planning involve the fundamental principles of organizing management. In regulating production according to current plans, it is necessary to standardize labor and costs, ensure the balance of business processes, technical and production activities, and determine the efficient use of production resources. Organizational and coordination functions form the core of production management. They include designing the structure of the management apparatus, selecting and assigning personnel, and providing engineering leadership in production processes. In production management, the supply function also plays an important role, since ensuring that enterprises (firms) are provided with the necessary raw materials, materials, and equipment, as well as organizing the sale of manufactured products, are among the key responsibilities of the management apparatus. The reporting and control function of an enterprise includes carrying out statistical, accounting, and operational reporting and monitoring activities. These functions make it possible to evaluate production performance, ensure transparency, and support effective managerial decision-making.

Conclusion

In conclusion, it should be emphasized that this scientific article has analyzed the issue of the state's influence on the market from both theoretical and practical perspectives. The research process revealed that the interaction and balance between the free functioning of market mechanisms and state regulatory measures are of great importance. It has been substantiated that both excessive state intervention and the complete withdrawal of the state from market processes may negatively affect economic stability under market economy conditions.

The analysis shows that the state's influence on the market is mainly manifested through legal and regulatory frameworks, fiscal and monetary policies, the formation of a competitive environment, and social protection mechanisms. These instruments play an important role in stimulating economic growth, eliminating market failures, preventing monopolies, and supporting vulnerable segments of the population. Especially in conditions of economic crises,

inflationary pressure, and employment challenges, an active and well-founded state policy becomes essential.

Furthermore, the results of the study indicate that the effectiveness of state intervention in the market largely depends on the level of institutional development, the quality of governance, and the transparency of economic policy. State intervention should not be oriented toward short-term interests but toward long-term sustainable development goals. Therefore, under market economy conditions, the main task of the state is not to exercise full control over economic processes but to create fair and favorable conditions for the efficient functioning of the market. Overall, the interaction between the state and the market is a key factor in economic progress, and their harmony serves to ensure the country's stable and sustainable economic development.

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