

JOURNAL OF ADVANCE SCIENCE & EMERGING TECHNOLOGIES
THE ESSENCE OF ALTERNATIVE IDEAS TO THE CLASSICAL
ECONOMIC SCHOOL

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Annotation. *The Classical Economic School, championed by Adam Smith and David Ricardo, laid the foundation for modern economic thought. Its core tenets – free markets, individual self-interest, and the "invisible hand" guiding efficient resource allocation – have shaped our understanding of economic systems for centuries. However, the classical approach has faced increasing critique, giving rise to a diverse array of alternative ideas that challenge its core assumptions and offer alternative solutions to economic problems.*

Key words: *invisible hand, soil degradation, challenging rationality, economy, agriculture, economic systems.*

John Maynard Keynes, a towering figure in 20th-century economics, fundamentally challenged the classical view of government's role. Keynes argued that free markets, while efficient in ideal conditions, are prone to instability and recessions. In his seminal work, "The General Theory of Employment, Interest and Money" (1936), Keynes posited that government intervention through fiscal and monetary policies is necessary to stimulate demand, create jobs, and stabilize the economy during downturns. This marked a departure from the classical laissez-faire ideology, which advocated for minimal government involvement in the market. Agriculture, the foundation of human civilization, faces a complex web of challenges in the 21st century. These challenges are not merely economic in nature but intersect with ecological, social, and technological factors, creating a multifaceted landscape that demands innovative solutions and a holistic approach. This article examines the current problems facing the agricultural economy, delving into their root causes and exploring potential avenues for progress.

Climate change is perhaps the most pressing challenge facing the agricultural economy. Rising temperatures, erratic precipitation patterns, and extreme weather events are disrupting traditional agricultural practices and impacting crop yields.

- **Decreased Crop Yields:** Higher temperatures can negatively affect plant growth, leading to reduced yields and lower quality harvests.



- **Water Stress:** Climate change is altering rainfall patterns, leading to increased drought and water scarcity, threatening crop irrigation and livestock production.
 - **Increased Pests and Diseases:** Changing climates can create favorable conditions for pests and diseases, leading to crop losses and increased reliance on pesticides.
 - **Soil Degradation:** Extreme weather events and increased erosion can degrade soil fertility, reducing agricultural productivity and increasing the need for fertilizers.
- The global population is expected to reach 9.7 billion by 2050, placing immense pressure on the agricultural sector to produce enough food to feed everyone. This demand, coupled with changing dietary patterns, creates a complex scenario:
- **Growing Demand for Animal Products:** As incomes rise in developing countries, demand for meat, poultry, and dairy products is increasing, putting pressure on land and water resources used for livestock production.
 - **Changing Dietary Preferences:** Consumers in developed countries are increasingly demanding organic, sustainably produced food, requiring adjustments in agricultural practices.
 - **Food Waste and Loss:** Significant portions of food produced are wasted throughout the supply chain, highlighting the need for improved storage, transportation, and distribution systems.

The Marxist Critique: Capitalism's Inherent Flaws

Karl Marx, a revolutionary thinker, offered a scathing critique of capitalism, arguing that it inherently leads to exploitation and inequality. Marx viewed capitalism as a system where the wealthy, owning the means of production, extract surplus value from workers, leading to class struggle and societal conflict. His "Capital" (1867) detailed the mechanisms of capitalist exploitation and predicted its eventual downfall through revolution. While Marx's predictions haven't fully materialized, his critique of inequality and the power dynamics within capitalism remains relevant in modern discourse.

The Austrian School: A Libertarian Perspective

The Austrian School, spearheaded by Ludwig von Mises and Friedrich Hayek, emerged as a strong counterpoint to both classical and Keynesian economics. It emphasizes the importance of free markets and individual liberty, arguing that government intervention distorts the market, creates inefficiencies, and ultimately undermines freedom. Hayek, in his influential work "The Road to Serfdom" (1944), warned against the dangers of centralized economic planning and the potential for government overreach. Austrian thought often advocates for sound money, limited government, and free trade, influencing libertarian movements and critiques of government intervention in the economy.

Challenging Rationality: The Behavioral Economics School

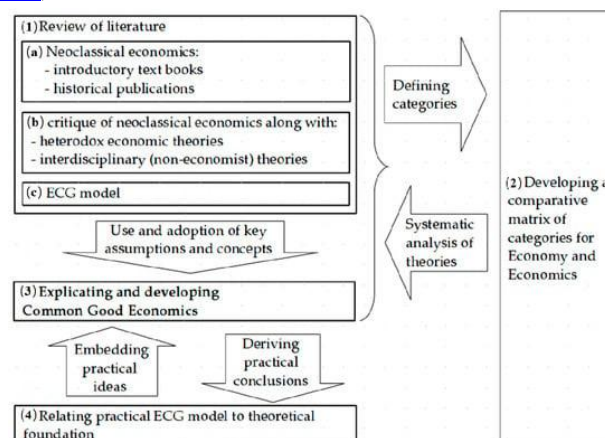
Behavioral economics, pioneered by Daniel Kahneman and Richard Thaler, takes a different approach, challenging the classical assumption of rational economic actors. It

acknowledges that human decision-making is often influenced by cognitive biases, heuristics, and emotional factors, leading to deviations from the ideal model of rational self-interest. Kahneman's "Thinking, Fast and Slow" (2011) explored the cognitive processes underlying decision-making, revealing the limitations of rational models. Thaler's work focused on applying behavioral insights to economic policy, advocating for "nudge theory" to encourage desirable behaviors and regulation to protect consumers from their own irrational decisions.

The Institutionalist School: Embracing Social and Historical Context

The Institutionalist School, rooted in the works of Thorstein Veblen and John R. Commons, emphasizes the role of institutions, social norms, and power structures in shaping economic behavior. It diverges from the classical model by rejecting the assumption of atomistic individuals operating in a neutral environment. Veblen's "The Theory of the Leisure Class" (1899) examined the impact of social status and consumption on economic activity. Institutionalists advocate for policies that address social justice, promote economic fairness, and ensure sustainable development.

In each section, we described briefly the essence of the existing neoclassical paradigm we found in current textbooks and historical sources, we synthesized existing critique with our own criticism of it, and contrasted it with the approach of the economy for the common good. Thereby, the most important implicit theoretical assumptions underlying the practical ECG model are made more explicit, defining for the first time a systematic "common good economics" (step 3 of our research process). Moreover, these theoretical assumptions are linked to theoretical assumptions found in the field of heterodox economics. In a forth step, we related the theoretical foundation of common good economics with the practical ECG model. This means that we derived practical conclusions from the theory and, vice versa, embedded some practical ideas into the theory. The results are summarized in a table at the end of the next chapter (see [Figure 1](#)).

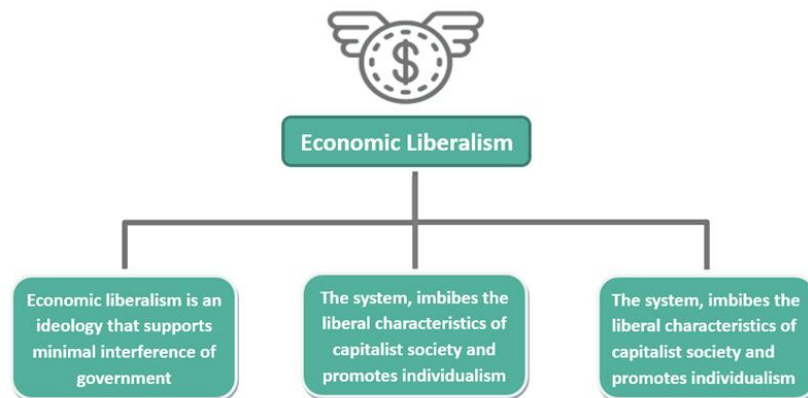


Economic liberalism refers to the ideology that supports the idea of an economic system governed by individual rights. It means that the government refrains from

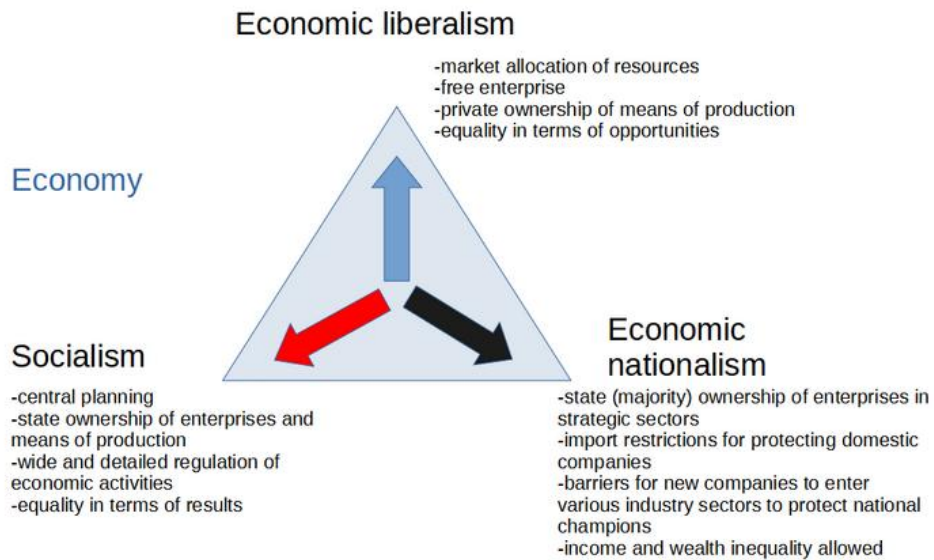
engaging in industrial and commercial activities and that it should not interfere with the economic relations between individuals, groups of people, classes, or entire nations.

Companies and their business making are affected by several factors. One group of these factors are economic policies and other policies, such as policies concerning education, science and industrial relations between employers and employees, as the readers of this article very well know. However, the readers may be less knowledgeable about the significance of ideology or ideologies in preparing and implementing these policies.

Economic Liberalism



While presentation I will deal with three ideologies – economic liberalism, economic nationalism and socialism - which have influence on economic behaviour of people and on economic policies made by the states. Beside economic ideologies, I will also treat three ideologies which affect the social (sub)system of society. They are social liberalism, social conservatism and socialism. Finally, I will shortly describe three ideologies which affect the political (sub)system of society. They are political liberalism, political conservatism and socialism.



Agriculture is not just about food production; it also shapes rural livelihoods and contributes to national economies. However, the sector faces significant challenges in this domain:

- **Smallholder Farmer Vulnerability:** Smallholder farmers, who make up a significant portion of the global agricultural workforce, are often vulnerable to market fluctuations, climate change, and lack of access to credit and technology.
- **Rural Poverty and Inequality:** Many rural areas struggle with high poverty rates and limited opportunities for income diversification, making agriculture their primary source of livelihood but often failing to provide a sustainable living.

Migration and Urbanization: Young people, seeking better economic opportunities and access to education, are migrating from rural areas to urban centers, leading to a decline in the agricultural workforce

Conclusion. These alternative schools of thought offer invaluable insights into the complexities of economic systems and the limitations of the classical approach. They provide a broader spectrum of economic thinking, challenging conventional wisdom and prompting reevaluation of existing policies. As we grapple with global economic challenges like inequality, climate change, and technological disruption, these alternative ideas remain essential for understanding the interconnectedness of economic, social, and environmental factors, paving the way for more just, equitable, and sustainable economic systems.

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