

THE EMERGENCE OF THE CLASSICAL ECONOMIC SCHOOL AND ITS EXPERIENCES

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Abstract

This article discusses the emergence of the classical economic school instead of mercantilism. The formation and consolidation of the classical school as a new method of production, as well as the history of the period when the history of the national economy and other social sciences were studied, it is explained what crafts, workshops and manufactures were, the absence of a clear division of labor in it, the emergence of capitalist relations are highlighted. In a different approach from the mercantilists, the representatives of the classical school studied the internal economic relations of capitalist relations that replaced feudalism.

Keywords: Mercantilism, classical economic school, history of the period, history of the national economy, social sciences, workshop, manufacture, handicraft, division of labor, capitalist relations.

Introduction

Mercantilism was replaced by the classical (Latin: exemplary, real) economic school. Because the previous teaching did not meet the needs of industrializing entrepreneurs (the term "classical school" was given by K. Marx). The solution of the emerging new problems fell to the supporters of the new direction. Its representatives took the field of human development as the basis of their scientific research and took the first important step towards the scientific analysis of capitalism. The classical school emerged at a time when a new method of development was being formed and consolidated. Capitalism developed differently in individual countries, depending on the degree of preservation of feudal relations, in accordance with historical conditions. These processes first began to occur in England in the 16th century. Feudalism was destroyed, and capitalist, that is, market relations were formed on its basis. The introduction of manufacture instead of home crafts was a great positive event. When studying history, the history of the national economy, and other social sciences, it is explained what crafts, workshops, and manufactures are. In home crafts, all the main work was done by one person or family (preparation of raw materials, processing, sale, etc.), there was no clear division of labor, while in manufacture (tapis - hand, facture - preparation) there was a division of labor, cooperation, hired labor, and therefore the beginnings of capitalist production appeared. Starting from the 16th century, the landlessness of peasants in England (land began to fall into the hands of large landlords) began, the yeomen class of peasants was eliminated, and as a result, capitalist farming emerged (they rented land from landlords for a long time), they widely used hired labor (not serfdom), and later they widely used technology and scientific and technical innovations. This change, called the Agrarian Revolution and Reformation, is associated with the development of manufacturing industry. In the early days,



weaving was the main industry in this industry. It eventually became a profitable industry. The demand for cloth increased, and to satisfy it, it was necessary to create a base of raw materials for industry. The raw material was wool, which was obtained from sheep. Wool was needed for the development of manufacture, and for this it was necessary to increase the number of sheep, and to graze many sheep, new, wide pastures were needed, as a result, thickets, swampy, gray lands were demarcated and turned into pastures (from which the expression "demarcating lands" came from), peasants (yomens) were driven out of their lands, and their lands were taken away and turned into pastures. This process has important implications: 1. Raw materials for manufacturing (industry) have increased; 2. A large and cheap labor force was supplied to industry (landless, evicted peasants went to the cities in search of work).

As a result, industry began to grow rapidly, new classes appeared. So, capitalist relations triumphed not only in industry (manufacturing), but also in agriculture. The path to the economic development of the country was opened. But the expropriation of many peasants, their forced recruitment into hired labor (because there was no other way) intensified the contradiction, and as a result, a revolution took place in England in 1641-1660. The second revolution, after the one in the Netherlands in the 17th century, was the bourgeois revolution, which put an end to feudal society in England. England was declared a republic, a parliament was established, and the democratic process was strengthened. Colonialism played a large role in the economy of England and the enrichment of businessmen. Thanks to the victory over Holland, and later France, at sea, England became the largest and most powerful maritime power in the world. Before the revolution and until the 1830s, a policy of protectionism (exports exceeded imports) was pursued here, which led to a sharp increase in trade (especially to its colonies). Therefore, trade, commodity-money relations also increased sharply. The high development of the national economy required scientific discoveries. During this period, natural sciences, especially mechanics, astronomy, and physics, developed rapidly in England. The greatest representative of this era is Isaac Newton (1643-1727), Thomas Hobbes (1588-1679) is of great importance as the founder of the system of mechanistic materialism. In his opinion, the idea that society is something like a mechanism, its simplest element is man. The expression "Man is a wolf to man" belongs to this scientist, in his opinion, egoism is the driving force of man. Despite the fact that this scientist has ideas that contradict history, in his opinion, there are objective laws in social life, just like in nature. In such conditions, the classical school of economics was formed and developed. During this period, the doctrine of mercantilism ceased to meet the demand and its collapse occurred. [1] In a different approach from the mercantilists (who analyzed only the sphere of circulation of the economy), the representatives of the classical school studied the internal economic relations of the relatively progressive capitalist relations that replaced feudalism and transferred their research mainly to the sphere of production. The classical economic school is understood as economic research starting with W. Petty, which studies and analyzes the internal relations of market relations in production. W. Petty is the father of the classical school and the discoverer of statistics. In England, W. Petty, in France, P. Boisguillebert were the leaders of this school, while in France, the physiocrats, a branch of this school, emerged (F. Quesnay, A. Turgot), and it ended with A. Smith and D. Ricardo. This period paved the way for the development of capitalist relations. According to the ideas of R. Heilbroner and L. Turow ("Economics for All"), the factors of



production were created: labor, land, and capital were converted into commodities, which before that were not commodities. [2] In modern terms, a market system, a market society, began to be built. The reason why the new doctrine is called classical is explained, first of all, by the truly scientific nature of many of the theories and methodological rules that underlie modern economics. It is thanks to the contributions of representatives of this school that economic theory was raised to the level of a scientific science. The importance of free private entrepreneurship was proven. P. - the independent and important role of money in economic life is not sufficiently appreciated, and others.

Boisguillebert deliberately absolutized the role of agriculture by denigrating industry and trade.

Long before Adam Smith, he saw the importance of personal interest (egoism) for society.

In 1691, he proposed a system to get France out of a difficult economic situation.

Having carried out various reforms according to his initial ideas (they were supposed to have a bourgeois democratic character), in 1707 his ideas were finalized and consisted of the following three parts:

1. Reform of the tax system. The tax system was supposed to be based on the principle of profit from the labor of peasants, and taxes outside of it were supposed to apply to everyone.
2. Freeing internal trade from all kinds of restrictions (freedom of internal trade); this measure was supposed to expand the internal market, ensure the growth of the division of labor, and strengthen commodity-money circulation;
3. Allowing free trade in grain, not limiting the influence of the natural price of grain. [4] The fact is that in the country the price of grain was artificially fixed, the costs of production were not covered, and grain production was stagnant. He considered it necessary for the state to patronize farmers in this area.

These reforms were to be the initial conditions for increasing the welfare of the country and the people and developing the economy. In order to advertise his idea, Boisguillebert spread the idea that this reform would provide the king with the amount he needed this month. Ministers can prepare the necessary set of laws in two hours, and the economy grows "like yeast," he says. He made several appeals with his proposals. But his efforts were in vain. He set out his ideas in books and published them. His main economic works are "Complete Description of France," "Pamphlet on France," "Treatise on the Nature of Wealth," and others. Some of his works, for example, "The Faults of France," published in 1707 in 2 volumes, were banned. They fully described the difficult economic situation of France at that time. The main reason for the backwardness of the national economy was the economic policy being pursued, the mercantilist views of Colbert (the head of finance) and others. He opposed only one-sided support for industrial development. [5] He defended the interests of agriculture, opposed restrictions on grain exports, advocated reform of the tax system, and advocated improving the conditions of the oppressed masses of the people (compare with V. Petty). The economic policy being pursued was contrary to the natural development of economic life. Boisguillebert says that in order to restore the prosperity of the previous era, it is not necessary to perform a miracle, but it is enough to put an end to the constant violence against nature. In the scientist's opinion, such tax and economic policy measures are needed that they do not contradict nature.



This idea is that there are laws in economics that cannot be violated with impunity (the same is true in ecology).

Samuelson believed that the new doctrine would lead to a transition to conditions of complete *laissez faire* (i.e., complete non-interference of the state in entrepreneurial activity) and a different development of events, and only at the end of the 19th century did a steady expansion of the economic functions of the state occur in almost all countries. Representatives of this doctrine, from W. Petty to D. Ricardo in England, and from P. Bauguilbert to S. Sismondi in France (until the middle of the 19th century), studied the real productive relations of the new society. In their opinion, the system of this period is considered perfect in free economic activity. Ya.S. Yadgarov distinguishes 4 stages in the development of the classical school (with certain conditions): Stage 1 - the end of the 17th century - the beginning of the 18th century. At this stage, the errors of the doctrine of mercantilism are exposed, and its founders, V. Petty and P.

Boisguillebert, without knowing each other, put forward the labor theory of value, and the amount of labor expended to create a commodity, product or other wealth is considered the source and measure of any value. It is shown that wealth and prosperity are created not in the sphere of circulation, but in the sphere of production. [3]

This stage ends with the physiocraticism, which was previously promoted by the Frenchmen F. Quesnay and A. Turgot in the middle and second half of the 18th century. They focused on land and labor, searching for the source of net product (national income). Mercantilism was criticized, and in the analysis, production was completely separated from the sphere of circulation in an unreasonable way.

The 2nd stage falls on the end of the 18th and beginning of the 19th centuries and is reflected in the economic ideas in the works of A. Smith.

The 3rd stage falls on the 1st half of the 19th century and is associated with the ideas in the works of the Frenchmen J.B. Say and F. Bastiat, the Englishmen D. Ricardo, T. Malthus and N. Senior, the American G. Carey and others.

The 4th final stage falls on the 2nd half of the 19th century and reaches its culmination in the ideas of J.S. Mill. K. Marx is also considered a representative of this stage, but, in our opinion, this is not entirely correct. The features of these stages are covered in the relevant chapters.

In our book, representatives of socialist ideas are considered as a group of alternative teachings to the market economy, since the main idea of these scientists was to oppose private property and the elements of the market and create a new socialist and communist society.

According to the general assessment, the classical school was created in the late 17th - early 18th centuries in the works of W. Petty (England) and P. Boisguillebert (France).

William Petty (1623-1687) was born in Romsey and is the founder of the classical economic school in England. Many highly appreciated the work of this scientist in the field of economics, considering him a great and unique economist-researcher. V. Petty was an exceptionally versatile and highly educated person. He was born into a small family of artisans-clothiers. He studied medicine at the universities of Leiden, Paris and Oxford. He was a very talented student, invented a copying machine (xerox) in 1647, and in 1649 received the scientific degree of Doctor of Physics. He also worked as a sailor and a doctor. Petty was also a large landowner, he became the founder of a dynasty of large English landlords. In 1652, on the instructions of



the Cromwellian government, he conducted a "land survey" (cadastre) of Ireland. He became known as the ideologist of English entrepreneurs, who gained strength after the English bourgeois revolutions of the 17th century. He considered the property of entrepreneurs, that is, private property, to be "sacred" and "inviolable" and protected it in various ways. He was a supporter of the development of industry and finance, but this work was carried out to the detriment of agriculture, feudal relations were fully preserved (remember, the bourgeois revolution in England took place in the 17th century, while in France this revolution took place in the 18th century), which was an obstacle to economic and social development. Manufactures appeared, but did not develop. The guild system was preserved and was an obstacle to development.

The land issue was not completely resolved, the principle of "no land without a lord" was preserved, small land ownership, the fact that peasants were subject to various taxes and dues did not encourage them to improve and develop land production in this system, although 3/4 of the population were peasants, and they were inactive in this area. For this reason, it was necessary to carry out reforms in this area, but the system of that time hindered it. The internal market was narrow and did not allow the growth of capitalist entrepreneurship.

This class was the main tax-paying class, the nobility and the clergy did not pay taxes at all, the urban bourgeoisie, which was still relatively small, skillfully evaded taxes.

Another important obstacle was the wars. Due to the wars waged by France, the main part of the funds was spent on these wars. The parties and feasts at the royal palace also caused great damage to the state treasury.

So, in France, in the second half of the 17th century, feudal relations reached their peak (compare with England), while in England, the bourgeois revolution took place, and capitalist relations began to take shape rapidly. In France, the upper class became the owners of all the land, and although the peasants were personally free, feudal obligations were extremely numerous. The capitalist system in the economy developed extremely slowly, the domestic market was extremely narrow, subsistence farming was the mainstay of the national economy, and industrial development was low. Only in the production of jewelry and perfumery did France take the lead in Europe.

Such conditions, the socio-economic situation in France in the late 17th and early 18th centuries, had a great influence on the economic views of Pierre Boisguillebert (1646-1714), one of the founders of classical economics in France. Pierre Lepezan was the real surname of the economist, and de Boisguillebert was the name of the family estate. However, the name Pierre Boisguillebert remained in history. Pierre Lenisan de Boisguillebert came from a noble Norman family, after receiving a good education, he became involved in literature, later he took up the position of a family professional judge (arbitrator) in the Rouen district; he took care of the peasants; he witnessed their plight with his own eyes; he retained this position until the end of his life and handed it over to his eldest son; he called himself the "lawyer-defender of agriculture".

The subject of the scientist's research can be briefly said to be the concept of public wealth. This wealth does not consist of the physical mass of money, but of various useful goods and goods, such as bread, wine, meat, clothing, and others. Even the possession of land and money



itself provides wealth. If the land is not cultivated, and money is not mixed with the necessities of life (for example, food and clothing), the owner of such "wealth" is doomed to poverty.

For this reason, the main task of economics should be to increase production, not to increase money in society.

The scientist's research style is characterized by the following:

- in conditions of free competition, there is automatic moderation in the economy;
- in determining the value (price) of goods and services, the cost principle is applied;
- in the interests of the national economy, the primacy of personal interests over public interests is recognized; As a supporter of wage restriction, he supported paying workers a minimum wage in physical terms and thereby contributing to the wealth of the new class. He advocated the exploitation of labor by capital. He also considered England's colonial policy to be legitimate. W. Petty was against taxation of capital, because it could limit production. At the same time, he was a supporter of taxing the income of workers. He wrote works on economic problems: "A Treatise on Taxes and Duties" (1662), "Words to the Wise" (1665), "The Political Anatomy of Ireland" (1672), "Political Arithmetic" (1683) and others. W. Petty is one of the most prominent figures of the 17th century (McCulloch's assessment in 1845). He used a new method in the study of economics, moving from the description of visible phenomena to the analysis of their essence. V. Petty's research subject is the analysis of the problems of the production sector. In his opinion, the emergence and growth of wealth occurs only in the sphere of the creation of material goods, this process occurs without any participation of trade and merchant capital.

Despite the fact that the scientist's research method contains elements of empiricism (this is evident, for example, in the interpretation of land prices), partially supports state intervention in economic activity (requires a reduction in the number of merchants in the country), he mainly applies the principles of a free economy (*laissez faire*) and, unlike the mercantilists, is a supporter of the liberalization of monetary circulation and trade. He uses a number of methodological (conditional) simplifications in his research:

- the negative impact of the circulation sector on production is denied;
- the interdependence of money and commodity markets is not taken into account;
- the nature of the formation of the value (price) of goods and services is based on the characteristic of costs (the principle of cause and effect);
- the interpretation of wages as the price of labor, as a result of which wages are minimal in conditions of free competition, etc.

He sought to show the internal legal connections inherent in economic processes and their causal relationships. He was interested in "only those causes that have a visible basis in nature." Petty introduced the method used in natural science into economics, and at the same time widely used the statistical method of economic analysis. In the early works of V. Petty, the influence of the mercantilists was quite strong, but in the later book "A Few Words About Money" (1682), he completely abandoned mercantilism. At first, he supported an active trade policy, state intervention in the economy, but he believed that this should help the development of production. He assessed wealth and poverty and came to the conclusion that this is an eternal and unchanging, cruel law of life. "Some people have always been and always will be poorer



than others," he said. But Petty considered it necessary to refrain from excessive embellishment.

If in England the beginning of classical economic ideas is associated with the name of V. Petty, then in France it begins with P. Boisguillebert, if in England these ideas reached their end with Ricardo, then in France they end with Sismondi.

The socio-economic situation in France was sharply different from that in England. In France, feudal relations were still strong and were strongly protected by the kings ("the sun king - Louis XIV") and his entourage. The policy pursued by Colbert did not lead to the overall development of the country's economy.

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