FACTORS FOR IMPROVING AND DEVELOPING THE ECONOMY OF OUR COUNTRY

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Abstract: It is often said that improving of the economy is very difficult. This article provides main information about factors for improving and developing the economy of our country. A number of essential factors are express to improve the economy of our country in the article.

Keywords:factors, economy, Uzbekistan, education, digital economy, natural resources.

Nowadays, Economy is the heart of the country. There is no developing and improving without economy in every country. Economists generally agree that economic development and growth are influenced by four factors: human resources, physical capital, natural resources and technology. Highly developed countries have governments that focus on these areas. Less-developed countries, even those with high amounts of natural resources, will lag behind when they fail to promote research in technology and improve the skills and education of their workers.

The Impact of Human Resources. The skills, education and training of the labor force have a direct effect on the growth of an economy. A skilled, well-trained workforce is more productive and will produce a high-quality output that adds efficiency to an economy.A shortage of skilled labor can be a deterrent to economic growth. An under-utilized, illiterate and unskilled workforce will become a drag on an economy and may possibly lead to higher unemployment. Investment in Physical Capital improvements and increased investment in physical capital – such as roadways, machinery and factories – will reduce the cost and increase the efficiency of economic output. Factories and equipment that are modern and well-maintained are more productive than physical labor. Higher

productivity leads to increased output.Labor becomes more productive as the ratio of capital expenditures per worker increases. An improvement in labor productivity increases the growth rate of the economy.

Quantity and Availability of Natural Resources. The quantity and availability of natural resources affect the rate of economic growth. The discovery of more natural resources, such as oil or mineral deposits, will give a boost to the economy by increasing a country's production capacity.The effectiveness of a county at utilizing and exploiting its natural resources is a function of the skills of the labor force, type of technology and the availability of capital. Skilled and educated workers are able to use these natural resource to spur the growth of the economy.

Improvements in Technology. Improvements in technology have a high impact on economic growth. As the scientific community makes more discoveries, managers find ways to apply these innovations as more sophisticated production techniques.The application of better technology means the same amount of labor will be more productive, and economic growth will advance at a lower cost.Countries that recognize the importance of the four factors that affect economic growth will have higher growth rates and improved standards of living for their people. Technological innovation and more education for workers will improve economic output which lead to a better living environment for everyone. Increases in labor productivity are much easier to achieve when investments are made on better equipment that require less physical work from the labor force.

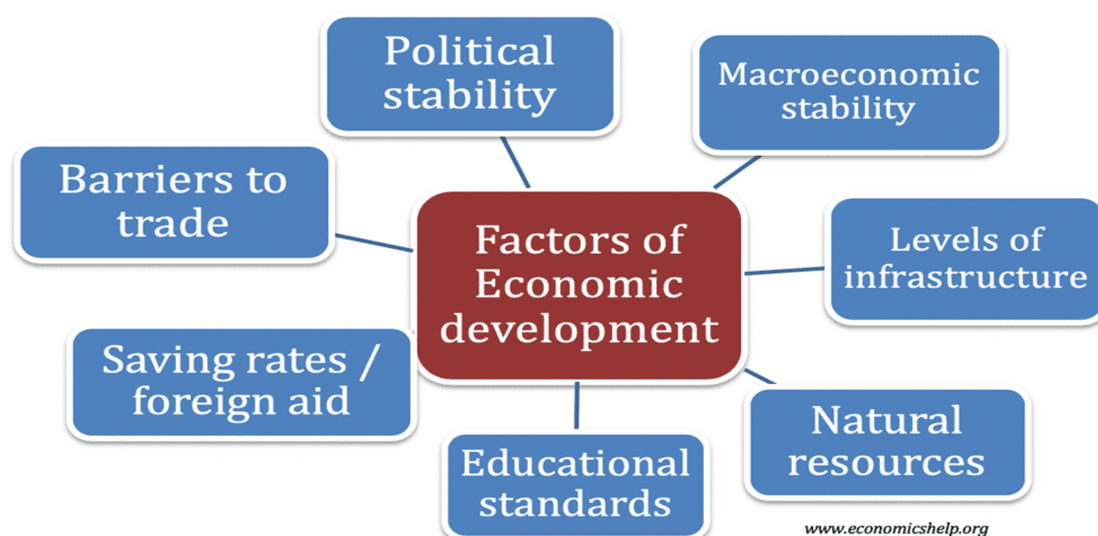

Fig 1. The main factors affecting economic development include

Levels of infrastructure – e.g. transport and communication. In recent years, economic development in Central Africa has been improved due to increased investment in roads, railways and seaports. Part of this investment has come from Chinese companies who have a vested interest in transporting raw materials from Africa to China.

Education. Levels and standards of education have a significant influence on labour productivity. Without basic literacy and numeracy, it is difficult for an economy to develop from manual labour to new higher tech industries in the service sector. For example, good levels of education in India have given opportunities for growth in service industries, such as IT and call centres.

Levels of inward investment. Developing countries that can attract inward investment can see significant growth in development due to higher levels of capital and benefits of attracting multinational companies into their economy. For newly industrialised countries (NICs), inward investment has played a significant role in increasing economic development. For example in 2011, inward investment in Brazil stood at $101bn.

Levels of savings/capital. In growth models, such as HarodDomar, levels of savings and capital are seen as a key factor in determining economic growth.

Higher savings enables a virtuous circle of increased investment, higher growth, and therefore, higher savings.

Political stability / Law and order. Political stability and the protection of private property was ranked as the most important factors for encouraging firms to invest in developing economies. Any sign of instability increases the economic and personal risk of investing in developing countries.

The biggest block to development is prolonged civil unrest/military conflict as this causes investment to dry up and resources to be wasted in unproductive means.

Macroeconomic stability. Similar to political stability, macroeconomic stability encourages investment and development. This involves low rates of inflation and exchange rate stability. Rapid devaluation can cause capital flight and a decline in growth.

Labour mobility. Is labour able to move from relatively unproductive agriculture to more productive manufacturing?

Foreign aid. Targeted aid, can help improve infrastructure and living standards. It can be important for developing economies with low levels of savings and capital investment. Aid depends on how it is used – whether it is tied to trade deals or used to overcome market failure in areas such as education and health care. There is also some criticism of foreign aid that it can influence incentives and

Regional effects. Economic development is strongly influenced by the development of an economies neighbours. For example, in the 1980s and 1990s, south east Asia showed strong levels of economic growth and development. However, Sub-Saharan African countries experienced very slow growth. This is partly due to the gravity effect – the theory that trade is most profitable and efficient with near neighbours. If a neighbour does well, there tends to be spill over effects, such as increased trade and increased investment.

Natural resources. Ceteris paribus countries with higher levels of natural resources can use this for economic development. For example, the revenues

gained from oil have enabled the Gulf states to develop rapidly gaining high levels of real GDP. For African and Asian countries, raw materials are an important source of revenue and export earnings which enables higher development.

However, the link between natural resources and development is not straightforward. One theory suggests raw materials can lead to a 'resource curse' where an economy is stuck in producing primary products with no incentive to diversify the economy. It can also depend on whether natural resources are owned by developing economy and actually filter through to different sections of society.

Tax rates and levels of corruption – e.g what percentage of tax rates are actually collected and spent on public services. For foreign multinationals, a low tax rate may be important to encourage investment. However, there needs to be a balance as the government need to collect tax to fund public services and public infrastructure.

Tourism. For developing economies with an attractive climate and environment, tourism can be an important source of foreign earnings and incentive to develop infrastructure and new hotels.

Political system. Some argue a Command economy can lead to economic stagnation, e.g. Cuba. China has successfully managed a partial economic shift to free-market based economy (with still political control of Communist Party)

Regulation/free market system. Free market economists, such as Milton Friedman argue the openeness of an economy is important. For example, privatisation and deregulation, reduces barriers to invesment and economic growth.

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