

## THE ROLE OF PROTECTIONISM AND FREE MARKET IN THE ECONOMIC DEVELOPMENT OF STATES

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### **ABSTRACT**

*In this article I am going to describe the role and significance of protectionism and free market relations in the economic development of countries. Also, information is provided about the economic systems that have been highlighted in the history of economically stable countries.*

**Key words:** *protectionism, free market, capitalism, regulated market, political economy, competitive markets, price system.*

### **INTRODUCTION**

The role of protectionism and free market economy has long been a subject of debate among economists and policymakers. While protectionism emphasizes the need for government intervention to shield domestic industries from foreign competition, free market economy promotes minimal government interference and encourages competition. Both approaches have played significant roles in shaping the economic development of nations worldwide.

### **METHODS**

There are several arguments that economists mentioned about economic systems, their importance and advantages:

“Protectionist measures hinders competition and limits the potential gains from international trade. By allowing good and services to flow freely across borders,

nations are able to specialize in producing what they are most efficient at, leading to high productivity and wealth” ----- *Adam Smith*;

“Countries should specialize in producing goods and services in which they have a comparative advantage, even if they are not absolutely more efficient in producing them. By engaging free trade, countries can benefit from the gains of specialization and exchange, leading to increased economic efficiency and overall welfare ----- *David Ricardo*;

“During times of economic downturn or recession, when there is a lack of aggregate demand in the economy, protectionist policies, such as tariffs and import restrictions can help stimulate domestic industries and create employment. By protecting domestic industries from foreign competition, a country can boost its own production and consumption, leading to an increase in economic activity” ----- *John Maynard Keynes*.

## RESULTS

Proponents of protectionism argue that it can protect domestic industries, promote job creation, and ensure national security by reducing dependence on foreign goods. They argue that strategic protectionist measures can help level the playing field against countries with unfair trade practices, such as dumping or currency manipulation. On the other hand, critics of protectionism argue that it can lead to inefficiencies, higher prices for consumers, and retaliation from trading partners. They believe that free trade allows for specialization, economies of scale, and increased competition, leading to greater efficiency and overall economic growth. They argue that protectionist measures can distort markets, hinder innovation, and ultimately harm consumers. In the context of capitalism and free market economy, discussions often revolve around the role of government intervention. Supporters of capitalism and free markets argue that minimal government interference allows for efficient allocation of resources, innovation, and individual freedom. They believe that free markets lead to economic growth and prosperity. Critics of capitalism and free markets argue that unregulated markets can lead to inequality, exploitation, and

market failures. They advocate for government intervention to address these issues and promote social welfare. They argue that certain industries, such as healthcare or education, require government regulation or provision to ensure access and quality for all.

## **DISCUSSION**

Every country is economically weak at the time of independence. For example, when the countries of the Central Asian region became independent from the Former Soviet Union, they did not have any competitive production firms and enterprises. For this reason, countries such as Uzbekistan, Kazakhstan, Turkmenistan, Tajikistan and Kyrgyzstan have closed policies in some parts of the market, for example, the clothing and car manufacturers. In this way, they did not allow foreign competitors to take over the country's market. This in turn means twenty years of protection. In twenty years, they have managed to develop their production, service, industrial and agricultural sectors. Later, the free market economy, which was the demand of the time, was paved, because the conditions were created for it. Taxes on foreign goods were gradually reduced and the export-import volume increased.

## **CONCLUSION**

Overall, discussions about protectionism and free market economy are complex and multifaceted. Different perspectives emerge based on economic theories, political ideologies, and the specific context of each country's economy. These discussions continue to shape economic policies and trade relations at both national and international levels. In conclusion, every country needs protectionist systems in the initial period of economic development. Once they have their own competitive firms in the market, countries will be ready for transition to a free market economy.

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