

THE ECONOMY

KHASANOVA KAMOLA

SALOKHIDDIN QIZI

*Student of "STARS" International
University Business administrations
salokhiddinovna@bk.ru*

YOQUBOVA NIGORA

NIZOMIDDINOVNA

*STARS International University
in Tashkent Senior Teacher
eshmurodovanigora707@gmail.com*

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Abstract: *The economy is the one and only system by which money, industry, and trade are organized, nevertheless, the economy is the part of our life. When someone asks from us to image what is the economy, we simply think about money or how money works, but when they ask about money, we think about notes, coins, bills, or credit cards. So when and why money was created? What is the economy, is it money or the system? Why do we need an economy? Although, we know the answer for these questions, we always misunderstand the actual meaning of these statements.*

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When and why money was created?

Money was created 5000 years ago, but why? We still do not know how, why, who created money but we all know that now money plays an important role in the world's economy. The main reason of money creation is the rock bottom of trade exchange, which made people to create thing that will be more valuable than the things that they own.

Let's first define money in detail before delving deeper into where it originated. Coins like nickels, dimes, and quarters are likely to come to mind when you think of money, along with of course, dollar notes. Money is anything that people generally accept as payment for the exchange of goods and services, according to economists. The usage of other items as money is common, even though each nation has its own system of coins and paper money. Farmers may barter with one another, exchanging a set quantity of animals for goods or services, for instance. Then animals also would serve as currency.

People couldn't occasionally agree on the value of the commodities being exchanged. In other circumstances, folks might just not be interested in trading for

what you have. The emergence of commodity money was influenced by these circumstances.

Almost everyone uses commodities, which are basic goods. In the past, salt, tea, cattle, and seeds were common commodities. By using these forms of payment, some of the issues with bartering were resolved. Nevertheless, using commodities brought about new issues. The transportation and storage of commodities were frequently problematic and they were frequently perishable.

People started making coins made of precious metals to use as money as a result of the problems with commodities. Although, no one can say for certain who created this type of currency, historians believe metal objects were originally utilized as currency as early as.

Now to have money is a priority for people and it is much more valuable than all the world's stuffs. In modern word we call money differently such as "Economy system", simple paper created not only trade exchange but the whole system by which all the countries run.

What is the economy, is it money or system?

The economy is the system, which controls money circulation. The circulation of money is part of the one and only way to survive in this world. Money – notes, coins, and credit cards are the things that were created to have the perfect standards of trade exchange, which all of them are controlled by the ES. Have you ever been interested in the shop about where your money will go after you paid it, let's imagine you gave \$99.99 for brand new shoes, money that you paid will be used as change or will be given to the renter or maybe paid as tax, no matter what, that money is not going to stay forever in that shop that you bought your shoes? The point of the circulation of money is the understanding that money was created to be used to be saved as an exhibit at the museum, and the system that controls it – is the Economy System. However, what money does do? Money generates that Economy System. There would not even be the epithet of "Economy" if there would not money. Thus, the money and Economy are tightly interconnected, as well as, money circulation and ES.

Why do we need an Economy?

As it mentioned before the economy is the system that controls money circulation, which is necessary to keep order in the world. As people are born, they will always need something to eat and drink, and, place to stay and live, which is the stuffs that cost money, and the system that controls it – is the Economy.

We go to school to get General Certificate of Secondary Education, which will help us to apply for University (Higher education), we study at the University to get a job, and we get the job to earn money. Today money is being created by central banks, companies buy that money from the banks, people (workers) get that money as a salary, and the banks collect them back as tax & loans, but when that circulation is not working smoothly, banks create money again to make circulation work better. However, banks are not always able to create money, because, if everyone will have a lot of money, the money will

lose its worth and the economy will collapse, which means there will be chaos in the world.

Let's take an example where hyperinflation happened (Hyperinflation is the process when the cost of products and services increases by more than 50% every month). Germany was a wealthy nation before World War I, with a booming economy, a currency backed by gold, and a position of global leadership in manufacturing, chemicals, and optics. All of the currencies—the German Mark, British shilling, French franc, and Italian lira—had almost the same value and could be exchanged for four or five dollars. A wheelbarrow full of cash in 1923, during the height of the German hyperinflation, could not even buy a newspaper due to the one trillion Mark to one \$ exchange rate between the two currencies. The value of the currency was gone. The hyperinflation made it difficult for average Germans to survive, the majority of whom were members of the working classes who worked in industries. Even necessities like bread, meat, and coal for house heating became difficult to come by as a result of the exponential price increase. Pay received one day was frequently useless the following. There are several stories of Germans hurrying to the bakery or the store during their lunch breaks because they knew that if they waited until closing time, their money would have declined so badly that they would no longer be able to purchase the necessary supplies. Formerly highly precious banknotes were reduced to being worth barely a fraction of a Pfennig (penny), to the point where some people started using them as toilet paper or even as wallpaper.

So, here we have to realize the importance of the Economy, as not understanding it – is able to destroy the country's money circulation at all. It is really necessary to have a strong Economy System, as a strong economy means – a strong currency. The present day, ES of many countries is getting worse as most of people are not able to return the loans that they took out of the bank. In the past one member of the family (mostly men) was working and it was enough to feed 9 – a membered family, but year by year the economy was growing and the second member of the family started to work, but the modern economy made people live beyond their means, and now even if all the members of a family will work it's difficult to earn enough to survive, therefore people are borrowing more than they are earning. This issue is making the ES of countries face to Economic growth even more. So, the importance of the Economy in our life is to clarify the ES to survive in this world.

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