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Households as An Independent Subject in The System of Economic Relations: Content and Significance

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Abstract: This article studies households as one of the main subjects in the economic system. The economic activity of households, their role in market relations and the distribution of resources are analyzed. Also, the sources of income, consumption behavior of households and their impact on socio-economic stability in society are scientifically covered. The article reveals the essence and functional tasks of households in economic relations based on statistical data, practical examples and existing scientific views.

Keywords: Household, economic subject, income and expenditure, market relations, economic activity, consumption, economic system.

Introduction: In the system of modern economic relations, households occupy an important place as independent economic entities. They actively participate in economic processes as consumers of goods and services, suppliers of labor resources, and in some cases, producers. The actions of households in obtaining, distributing and consuming income directly affect the overall development of the national economy. Therefore, a thorough study of their economic essence, tasks and role in society is of urgent importance. This article analyzes the specific characteristics of households as economic entities, their role and significance in the economic system.

Literature review

Households, as one of the main microeconomic entities of the economy, have been studied in depth by many economists. In foreign literature, in particular, G. Becker viewed households as decision-making units and analyzed their economic behavior based on choice and opportunity cost. Economists such as D. Nordin and P. Samuelson have conducted research on the role of households in consumption, savings, and resource allocation. The World Bank (2022) report "Uzbekistan: Pathways to Poverty Reduction and Inclusive Growth" highlights the role of households in socio-economic development in Uzbekistan and strategies to support them.

This topic is also relevant in domestic research. D.T. Yuldashev (2019) developed mechanisms for increasing the economic activity of households through family entrepreneurship in his study. B.K. Goyibnazarov (2018) studied the financial stability of households through statistical analysis of their income and expenses. Also, in the textbook "Economic Security" published by O. Sattorkulov and A. Abduvohidov (2019), households are indicated as an important element of economic stability.

Of foreign scientists, G. Becker assesses households as an economic unit that makes decisions based on choice. According to him, households influence economic processes not only as consumers, but also as investors and producers. P. Samuelson considers their role to be a decisive factor in the balance of the market mechanism.

Of domestic scientists, D.T. Yuldashev believes that by increasing the economic activity of households, regional development and employment issues can be solved. B.K. Goyibnazarov, on the basis of statistical analysis, emphasizes the imbalance in household incomes and the variability of consumption patterns.

METHODOLOGY

This article uses the following methodological approaches to determine the place of households in economic relations:

• Analytical method - the activities of households are studied based on existing scientific literature, statistical data and reports;

• Comparative analysis - a comparative analysis of the economic behavior of households is carried out based on foreign and local experience;

• Empirical approach - household income and expenses are studied based on official statistical data (State Statistics Committee, World Bank data);

• Systemic approach - a comprehensive analysis of all roles and interdependencies of households in the economic system.

When talking about the household, we must first of all distinguish between the concepts of household and family. A family is understood as people living in the same house, connected by kinship ties. The household reflects the tasks, place of residence, budget, and a community of people living together. Views on the place of households in the system of economic relations and their essence have changed over the centuries. Views on households have transformed from the initial views of Greek philosophers (Xenophon) of the 5th-4th centuries BC to the new economic views on the family that emerged in the last 50-60s of the 20th century. The generalization of scattered ideas about the household first occurred in ancient Greece. Xenophon introduced the concept of "Oikonomia", that is, "Economics". He believed that in order for every citizen to become rich, it was necessary to properly distribute and ensure the timely fulfillment of rational economic tasks, to accumulate reserves, and to build housing. Since commodity-money relations had not yet taken deep root in the ancient world and natural consumption was high, Xenophon believed that households did not need to accumulate money. He emphasized that economic activity was based on the traditions behind it. The process of economic activity was considered a natural process. Because the relations inherent in the traditional system that prevailed at that time occurred in response to changes in customs. Aristotle considered the household to be the basis of the political and economic system and considered the process of economic activity as a condition for the survival of the family.

The view of the household in connection with agriculture and crafts was also characteristic of the Middle Ages. In economic views, dominant and dependent households were divided, since houses (households) were divided into such classes. Such views were also recorded in the regulations of crafts. In the West, there were regulations on the activities of artisan households belonging to the workshop, depending on the profession of the workshop members. These regulations established rules regulating relations within the workshop. In the East, including in the cities of Central Asia, the handicraft industry was essentially considered a home industry and had a family character. However, the labor of people such as masters, caliphs, and apprentices was also used in this field. Relations between them were carried out according to the requirements of special regulations - treatises. The labor of family members was also used in this. Therefore, family relations acquired economic content. However, these relations were not recorded in the treatises.

If earlier households were considered as a component of the traditional system, then later they were studied from the perspective of the market system. With the emergence of economic theory as a science, scattered ideas about the household took on a conceptual form and rose to the level of theory. In classical and neoclassical theory, it began to be considered as an agent of market relations.

Mercantilists emphasized trade and believed that the main function of households was to accumulate money and accumulate wealth.

The founders of classical theory, A. Smith and D. Ricardo, noted the distribution of wealth in society and the fact that working households have different wealth. D. Ricardo argued that the condition of workers is determined by real wages and that this depends on money income and the price of consumer goods. He considers it a natural state for working capitalists and landowners, households to appropriate different parts of wealth.

Representatives of the early neoclassical theory (marginalists) argue that household consumption is influenced by the law of diminishing returns. E. Gossen notes that as more goods are purchased and consumption becomes saturated, the profitability of additional goods tends to decrease. Marginalists believed that it is necessary to select goods for household consumption, and therefore it is necessary to offer new goods with higher profitability to a saturated market. They noted that in this case, the activities of consumer households and manufacturing firms are coordinated. The family budget was studied in detail by the Austrian economist E. Engel after F. Leple. He substantiates the relationship between the amount of family income and the composition of its expenses. The law embodied in his theory on this matter later received the theoretical name "Engel's law". Modern economic thought interprets the household as an economic unit consisting of one or more individuals, ensuring production and reproduction of human capital in a market economy, striving to satisfy its needs to the maximum extent, making independent decisions.

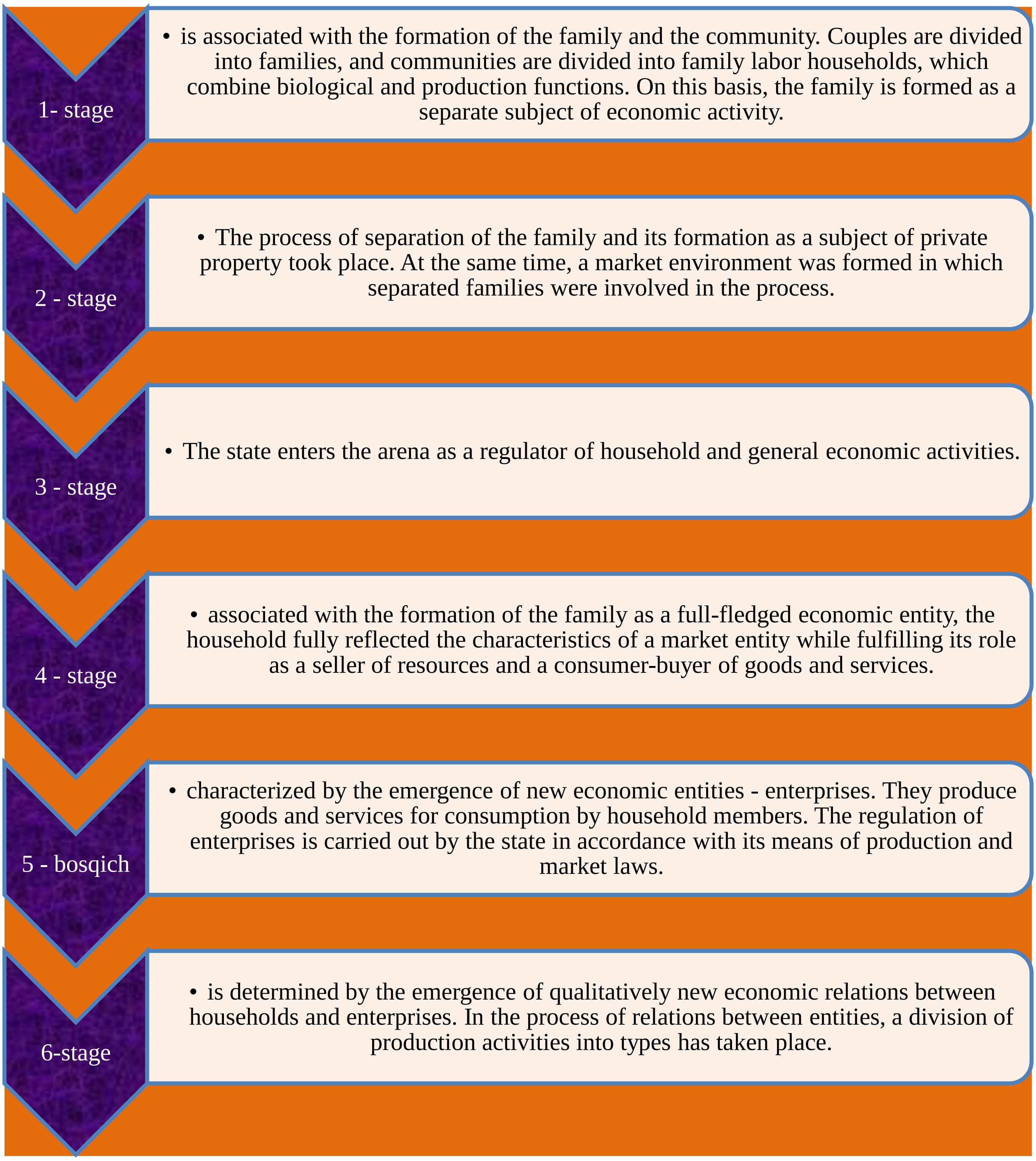

Figure 1. Main stages of development in the process of gradual development of the household

At different stages of the development of human society, the household as a separate institution within the framework of economic systems is distinguished by: having various organizational forms, performing a specific task in the national economy, and being regulated with the support of internal and external means.

In the process of the gradual development of the household, we can distinguish the following main stages of its development (Figure 1).

Clarifying the place of households in the economy of society at different stages of their development allows us to draw some conclusions.

In Figure 1, presented below, we will dwell on the stages of household development and their definition. In this, a separate definition of each period and its essence is given.

Firstly, the household, reflecting a set of formal and informal rules of behavior, has always been one of the main subjects of the national economy.

Secondly, the main force stimulating the economic activity of the household is the creation of the necessary conditions for a prosperous life of the family and the effective implementation of the main functions of the family and its comprehensive support.

Thirdly, at each stage of the development of human society, the household is manifested in its own organizational forms, in particular, in the traditional economic system it is a primitive community and a little later a separate family; in the ancient world - a slave economy, free citizens; in the Middle Ages - a feudal economy, a serf peasant economy, a free peasant, an artisan, a merchant, a usurer; and in the market economic system - an entrepreneurial economy, a hired worker, a free peasant, an artisan, a merchant.

Fourth, the main product and commodity of household activity is labor, which is used in one form or another within and outside the household under certain historical conditions.

– Fifth, the household must have a source of necessary goods to satisfy its needs as a consumer.

– Sixth, households, which in the traditional economic system form the basis of the economy of society as a whole and are at the same time its component, have been organized over the centuries on the basis of rules, customs and lifestyles of people formed in different conditions. In this case, each household, relying mainly on its own strength and capabilities, sought to realize its own interests.

– K. McConnell and S. Bruler interpret the household as an economic unit consisting of one or more individuals who provide the economy with resources and spend the monetary income received at the expense of these resources on the purchase of goods and services that satisfy the material needs of a person, having a common budget and place of residence. The concept of a household includes both employed and unemployed persons in social production, owners of means of production, land, large and small capital, hired workers, and all consumers. It is necessary to pay attention to the following aspects of this definition of a household:

– firstly, the household is an agent of the state economic system, united by common organizers with a single budget and a common place of residence;

– secondly, the household is a supplier (producer) of resources and at the same time a consumer of goods and services, that is, an active participant in the processes of social reproduction;

– thirdly, the household is a simple consumer, a hired worker, or a large or small owner of resources such as land, labor, capital;

– fourthly, the household includes not only those who are engaged in the process of social reproduction, but also those who are not engaged in it.

Depending on historical, religious and other socio-economic factors, households can have different shapes and sizes. Households are considered unincorporated units because they are not established as legal entities.” Two points should be made from the above definition:

First, a household is not only a socio-economic but also a socio-ethical category, since, as noted, its form and size depend on historical, religious, and many other factors.

Second, a household, being an organized group of people, is not considered a corporate unit and is not established as a legal entity, and is considered an individual.

Households as an economic entity of a market economy have been widely studied by economists of our republic since the first years of independence. “Ahousehold is a special entity in the economy consisting of a small group of people who, in a given economic system and social institutional situation, enter into relations with other entities in terms of consumption, reproduction and accumulation of labor power.” “A household is a small group of people who have common income and expenditure, consumption of property and a place of residence.” The study of households as an economic entity requires the definition of its objects, entities and economic relations (Figure 2).

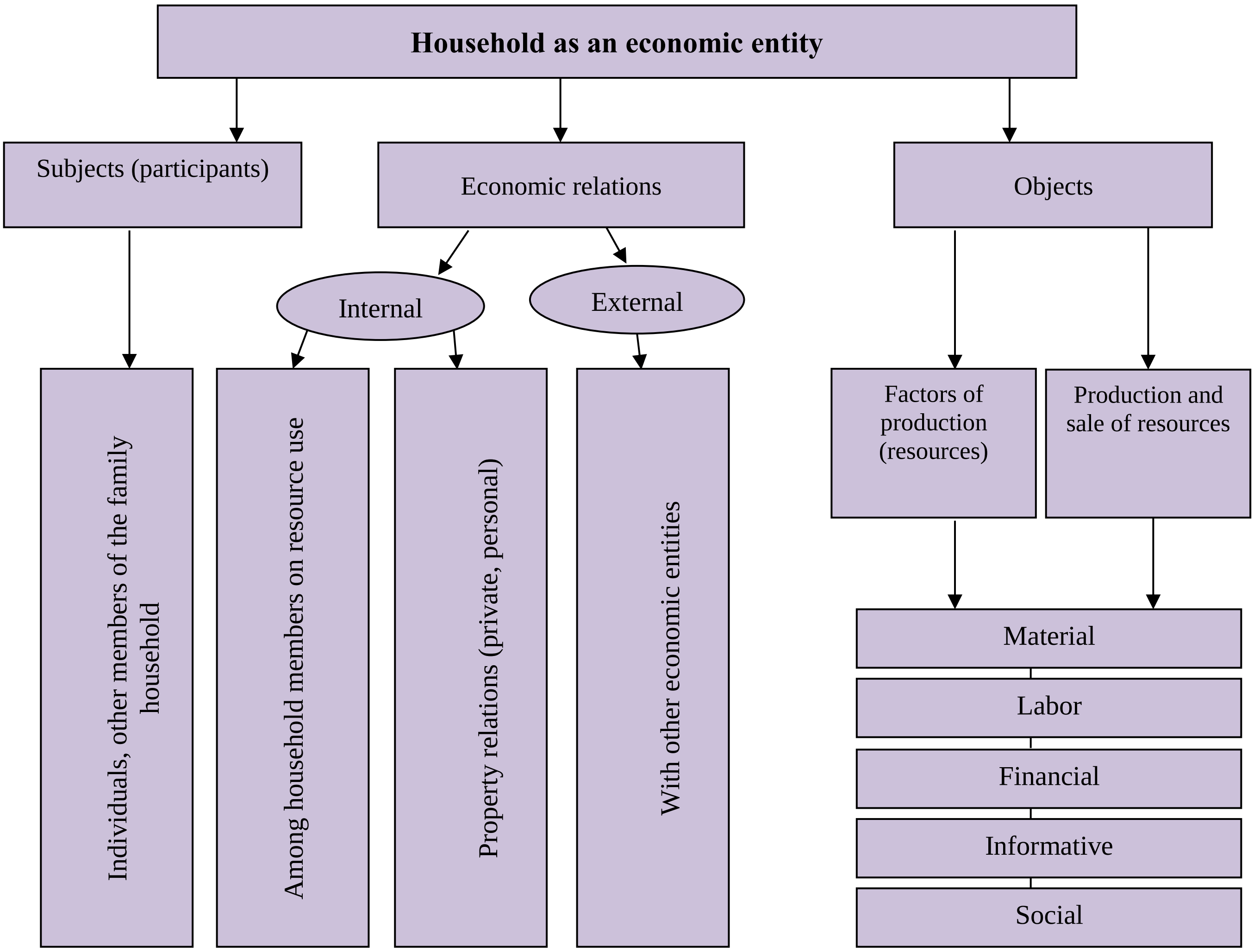

Figure 2. Household as an economic entity

Households are objects and are considered various factors of production (resources).

Household resources include: material (capital, land, tangible goods, real estate), labor (human capital, intellectual abilities and entrepreneurial skills), financial, information, social, and also specific (childbearing and care, time budget, leadership qualities). Households have advantages and disadvantages that are not inherent in formal organizations (for example, firms) (Figure 3).

Financial resources are considered to be related to the functions of consumption and savings, therefore, it is important for households to clarify the optimal proportions of funds allocated to one or another need, based on the current situation or strategic goals. From the point of view of savings, the household should make decisions on its credit policy.

Analyzing households as an economic entity allows us to identify their specific aspects (Figure 3).

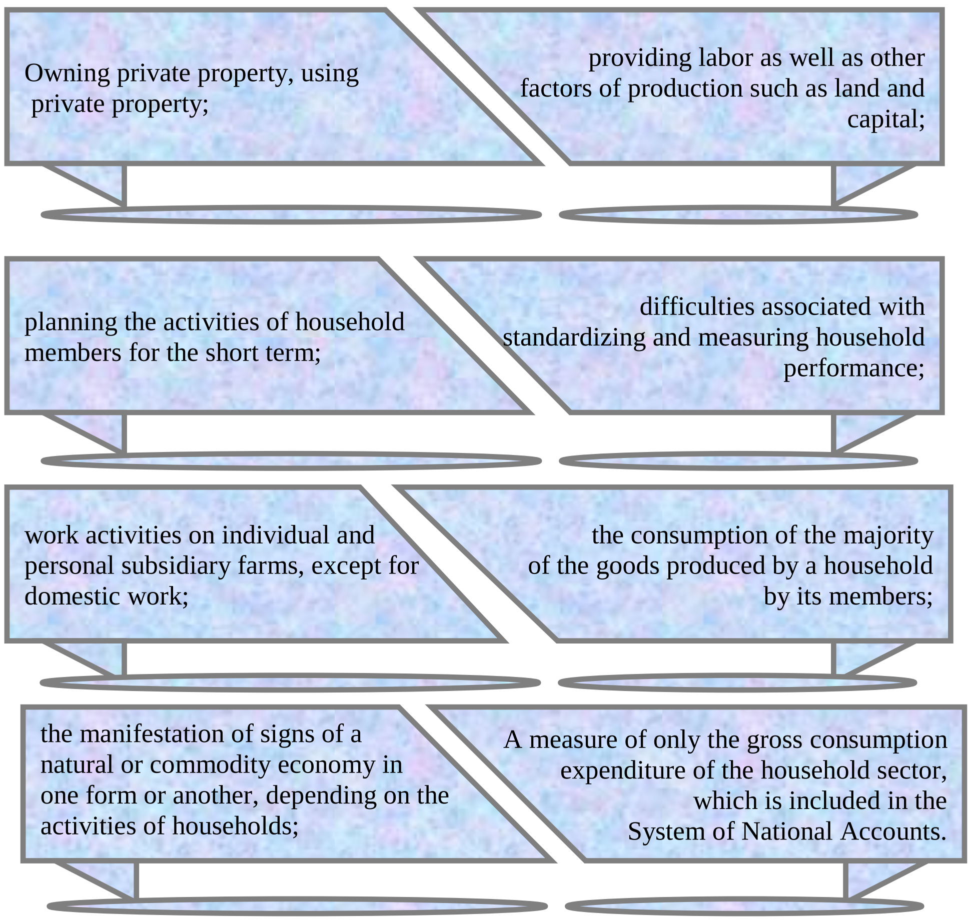

Figure 3. Specific aspects of analyzing households as economic entities

Based on the conducted analysis, it can be assessed that the household as an economic category is a multifunctional, economically isolated and popularized economic entity that enters into interactions with other economic entities (firms, the state) to jointly use property, make joint decisions, and exchange available resources in order to ensure the conditions of its life activity and the expanded reproduction of human capital in it. If in traditional societies the activities of households depend on social norms and rules, then in a market economy their activities largely depend on economic laws and the behavior of socio-economic institutions. Economic relations are diverse, they exist at all stages of the reproduction process, at all levels of management. At the same time, homogeneous economic relations that constantly arise in any sphere of socio-economic activity constitute the content of an independent economic category. The final result of the activities of households is the standard of living and the level of well-being. The concept of disposable household resources is used as a real indicator of the well-being of the population. They include cash expenditures of households (excluding material assistance from relatives and alimony) and income from personal subsidiary farms and other sources.

CONCLUSION

Households are one of the integral and active subjects of the modern economic system. They play an important role in economic relations not only as consumers of goods and services, but also as suppliers of labor resources, and in some cases as producers. Research shows that the sources of income, consumption habits and savings potential of households directly affect the macroeconomic indicators of the country's economy. Having thoroughly analyzed the role of households in the economic system based on domestic and foreign scientific views, it is necessary to create the necessary conditions for their development as economically active subjects, in particular, to support family entrepreneurship, increase financial literacy and improve social protection mechanisms. Also, by ensuring the economic stability of households, it is possible to have a positive impact on social equality, stability of domestic demand and macroeconomic growth factors in society. This, in turn, is an important component of strategies for the sustainable development of the national economy.

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