

## **5. Emergence of classical economic school**

**Classical economic school essence**

**Members of school**

**Physiocrats**

The classical school, which is a progressive trend in the history of world economic thought, emerged in the second half of the 17th century during the manufacturing period of the development of capitalism as a theoretical weapon directed against the feudal rules that had lived through its time. It ended its life at the end of the 19th century and the beginning of the 20th century with the development of contradictions between labor and capital, passing into the era of machine industry.

In Great Britain, the foundation of this school began with the first major work of W. Petty (1623-1687), "Treatise on Taxes and Duties" (1662), and the English classical school completed its development with the works of D. Ricardo (1772-1823). His main work, "Principles of Political Economy and Taxation", was published in 1817. The founder of the classical school in France was P. Boaguilber (1646-1714). It found its development and consistent expression with A. Smith's "Treatise on the nature and causes of the wealth of nations". Classical school is characterized by a number of achievements. The classical school laid the foundations of the labor-value theory, according to which the value of commodities is determined by the socially necessary labor spent on their production.

The principle results of this school include the following: the necessity of competition in the development of the economy, the economy always being balanced, the economy itself eliminating imbalances, the full use of production factors that ensure the development of the economy, providing a scientific characterization of the concepts of gross and net income, the economy's wages, price, self-regulation using economic instruments such as interest rates. According to the classical school, full employment of the population is ensured. Representatives of the classical school, which divided the economy into monetary and real sectors, noted that these sectors are independent of each other

The founder of classical political economy was William Petty. Unlike the mercantilists, Petty saw the source of wealth not in circulation, but in production. Petty can be considered the creator of the labor-value theory. He clarified the prices of commodities, land, wages and rent based on the labor-value theory. U. Petty, trying to explain the origin of surplus value, showed rent as total surplus value. As types of rent, he distinguished land rent, money rent (debt interest), differential rent. He believed that raising wages was not in the capitalist's favor and that wages should provide the worker with a minimum standard of living.

Pierre Bouguilbert, the founder of classical bourgeois political economy in France, was born in 1646 in a noble family in Raun. His political and economic views are reflected in the works "Information about France during the reign of Louis XIV", "French retail trade", "Reflections on the nature of wealth, money and taxation".

Like Petty, P. **Bouaiguilber** looks for economic regularities not in circulation, but in production. As a supporter of free trade policy, he spoke out against the interference of the state in economic life and defended free entrepreneurship from a petty bourgeois position.

The founder of labor-value theory is P. Bouaiguilber in France. He looked for "real" or "fair" value behind market prices, quantifying it by labor costs.

**Physiocrats** (Greek: physis - nature, kratos - power) - being an economic doctrine created in the 18th century, its main idea is liberalism, which originates from natural harmony. They accepted the labor spent in agriculture as a source of wealth. Prominent representatives are F. Kene, A. R. Turgo, V. Mirabo.

In his work "Natural Law" (1765), Kene expressed the concept of "natural order", in which he put forward the idea of objectivity and regularities of social development and considered society as a living social mechanism, and economic life as a natural process with internal regularities. In the history of political economy, Kene was the first to apply the concept of "repetitive production" as the constant repetition of production and sales, and he himself used it.

The best explanation of the doctrine of the Physiocrats was reflected in the book "Rural Philosophy" (1763) written by F. Kenet and his student Marquis de Mirabeau (1715-1789). A.R.Jacques Turgot, like F.Kene, mentioned concrete forms of income, "wage", "rent" and "interest". Also, they have taken "profit" and given it their own interpretation. Turgot tried to explain the salary with the living wage, the profit with interest, and the interest with rent. He considered interest as a derivative form of rent.

Kene's teaching shows that in the system of physiocrats, society consists of three classes: the productive class (cultivators), the landowners, and the unproductive class (everyone else). Turgot makes a nice addition to this scheme. The latter class, according to **Turgot**, "is divided, as they say, into two grades: the manufacturing entrepreneurs, the manufacturing masters; all of these are owners of large capital. They use this capital to make a profit by doing business at the expense of their advances. The second grade consists of simple artisans who have nothing but their hands. ; they also give entrepreneurs only their daily labor as an advance, and their profit consists in receiving wages