

WAYS TO REDUCE INCOME DISPARITIES BETWEEN URBAN AND RURAL AREAS

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Abstract. This article analyzes the main causes of income disparities between urban and rural areas and explores ways to reduce them. The study examines the impact of employment levels, infrastructure development, quality of education, entrepreneurial activity, and access to financial services on income formation. In addition, the importance of diversifying economic activities in rural areas, developing small businesses, and state support mechanisms is substantiated.

Keywords: urban and rural areas, income disparities, regional development, employment, infrastructure, quality of education, entrepreneurship, economic inequality

Maximum and minimum prices represent one of the forms of state intervention in the market mechanism, with the primary objective of ensuring social protection and economic stability. Maximum prices are usually applied in markets for socially significant goods and services and are intended to prevent excessive price increases. If a maximum price is set below the market equilibrium price, increased demand and reduced supply result in shortages. In such situations, the market mechanism does not function fully, inefficiencies in product distribution intensify, and negative consequences such as the emergence of shadow markets and quality deterioration may occur. Minimum prices, on the other hand, are introduced to protect the interests of producers or labor and, when set above the market price, lead to surplus supply. As a result, unsold products increase, and the state may need to intervene through additional market purchases, which can increase budget expenditures.

In the short run, the problem of profit maximization for a firm is directly related to determining the optimal level of output, as some production factors remain fixed during this period. A firm's profit is defined as the difference between total revenue and total costs, and to maximize profit, the firm chooses an output level at which marginal revenue equals marginal cost. If marginal revenue exceeds marginal cost, increasing production is beneficial; conversely, if marginal cost exceeds marginal revenue, reducing production is considered optimal. Even if a firm incurs losses in the short run, continuing production is economically justified as long as total revenue covers average variable costs. Only when revenue falls below average variable costs does the firm decide to temporarily shut down production, since continuing operations in such conditions would increase losses.

In the process of economic development, social and economic disparities between regions remain a significant challenge for many countries. In particular, income differences between urban and rural areas directly affect living standards, employment opportunities, and access to social services. These disparities have developed over many years and are rooted in differences in economic structure, levels of infrastructure development, and opportunities in education and labor markets. While industrial and service sectors are well developed in urban areas, economic activity in rural regions is predominantly based on agriculture. Therefore, analyzing this issue and identifying ways to reduce income disparities is of great relevance.

Income disparities between urban and rural areas remain one of the most pressing socio-economic problems in many developing countries, including Uzbekistan. These differences are

evident in living standards, employment opportunities, access to education and healthcare services, and the level of infrastructure development. According to statistical observations, the average income of urban residents is significantly higher than that of rural populations, a situation linked to long-standing economic and institutional factors.

One of the main reasons for low income levels in rural areas is limited employment opportunities. A large share of the rural population is engaged in agriculture, which is characterized by strong seasonality and lacks stable year-round income sources. According to World Bank data, incomes of those employed in agriculture are on average 30–40 percent lower than those of workers in the industrial and service sectors. Therefore, diversifying economic activities in rural areas is a crucial condition for reducing income disparities.

Another important factor contributing to the urban–rural income gap is the level of infrastructure development. Urban areas are almost fully covered by transport networks, electricity, gas, drinking water, and internet services, whereas rural areas still face significant challenges. For example, recent studies indicate that access to high-speed internet in remote rural areas is several times lower than in cities. This limits entrepreneurial activity, access to modern professions, and opportunities for remote work.

The education system plays a particularly important role in reducing income disparities. Urban schools and higher education institutions are superior to rural ones in terms of material and technical resources, qualified teaching staff, and access to additional educational opportunities. As a result, rural youth face difficulties in acquiring modern skills and securing high-income jobs. According to UNESCO, there is a direct correlation between education quality and income levels: regions that invest more in education experience higher economic activity and income growth.

Developing small businesses and private entrepreneurship in rural areas is one of the most effective tools for reducing income disparities. In recent years, Uzbekistan has implemented programs aimed at supporting family entrepreneurship, handicrafts, and processing enterprises. Such initiatives enable rural residents to generate additional income sources and help reduce internal labor migration. Practical experience shows that rural incomes are more stable in regions where the processing industry is well developed.

Another factor influencing income disparities between urban and rural areas is access to financial services. While urban populations have broad access to bank loans, insurance services, and digital payment systems, these services remain underdeveloped in rural areas. Expanding financial inclusion allows rural residents to develop their businesses, expand production, and increase income levels. International experience shows that poverty levels significantly decrease in rural areas where microcredit systems are introduced.

State policy plays a crucial role in reducing income disparities. Through comprehensive regional development programs, it is possible to establish industrial zones, create new jobs, and improve infrastructure in rural areas. Regional development programs implemented in Uzbekistan aim to increase the share of industry and services in rural economies, which in the long term will help narrow the economic gap between urban and rural areas.

In conclusion, income disparities between urban and rural areas and state regulation of the market mechanism are closely interconnected, and their effective management is essential for ensuring economic stability and social justice. Expanding infrastructure, education, financial services, and employment opportunities in rural areas can increase income levels, while price regulation mechanisms help balance the interests of consumers and producers. Maximum and minimum prices play an important role as tools of social protection; however, if they deviate significantly from market equilibrium, they may cause inefficiencies in resource allocation,

shortages, or surpluses. Therefore, state price policy should be implemented in harmony with regional development strategies. In the short run, firms' pursuit of profit maximization enhances production efficiency and serves as a key driver of market activity, although this process is directly dependent on cost structures and demand conditions. Overall, only a comprehensive approach based on reducing regional income disparities, rational price regulation, and consideration of firms' economic behavior can ensure sustainable and inclusive economic development.

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