Information Horizons: AMERICAN Journal of Library and Information Science Innovation
Volume 02, Issue 01, 2024 ISSN (E): 2993-2777

Economic Efficiency

Normurodova Zarina
Student of Karshi state university

Abstract: Economic efficiency is when all goods and factors of production in an economy are distributed or allocated to their most valuable uses and waste is eliminated or minimized. A system is considered economically efficient if the factors of production are used at a level at or near their capacity.

Keywords: Economy, development, demand, supply, digitalization.

Introduction. Economic efficiency implies an economic state in which every resource is optimally allocated to serve each individual or entity in the best way while minimizing waste and inefficiency. When an economy is economically efficient, any changes made to assist one entity would harm another. In terms of production, goods are produced at their lowest possible cost, as are the variable inputs of production.

Some terms that encompass phases of economic efficiency include allocative efficiency, productive efficiency, distributive efficiency, and Pareto efficiency. A state of economic efficiency is essentially theoretical; a limit that can be approached but never reached. Instead, economists look at the amount of loss, referred to as waste, between pure efficiency and reality to see how efficiently an economy functions.

Productive firms seek to maximize their profits by bringing in the most revenue while minimizing costs. To do this, they choose a combination of inputs that minimizes their costs while producing as much output as possible. By doing so, they operate efficiently; when all firms in the economy do so, it is known as productive efficiency. Consumers, likewise, seek to maximize their well-being by consuming combinations of final consumer goods that produce the highest total satisfaction of their wants and needs at the lowest cost to them. The resulting consumer demand guides productive (through the laws of supply and demand) firms to produce the right quantities of consumer goods in the economy that will provide the highest consumer satisfaction relative to the costs of inputs. When economic resources are allocated across different firms and industries (each following the principle of productive efficiency) in a way that produces the right quantities of final consumer goods, this is called allocative efficiency.

Finally, because each individual values goods differently and according to the law of diminishing marginal utility, the distribution of final consumer goods in an economy is efficient or inefficient. Distributive efficiency is when the consumer goods in an economy are distributed so that each unit is consumed by the individual who values that unit most highly compared to all other individuals. Note that this type of efficiency assumes that the amount of value that individuals place on economic goods can be quantified and compared across individuals.

Measuring economic efficiency is often subjective, relying on assumptions about the social good, or welfare, created and how well that serves consumers. In this regard, welfare relates to the standard of living and relative comfort experienced by people within the economy. At peak economic efficiency (when the economy is at productive and allocative efficiency), the welfare of one cannot be improved without subsequently lowering the welfare of another. This point is called Pareto efficiency. Even if Pareto efficiency is reached, the standard of living of all individuals within the economy may not be equal. Pareto

efficiency does not include issues of fairness or equality among those within a particular economy. Instead, the focus is purely on reaching a point of optimal operation regarding the use of limited or scarce resources. It states that efficiency is obtained when a distribution exists where one party's situation cannot be improved without making another party's situation worse.

Economies depend on commodities and factors of production. If allocating these resources optimizes social value, economic efficiency is attained. The concept of scarcity of resources provides a clear understanding of this economic efficiency definition. Scarce resources must be distributed efficiently to guarantee optimal economic output and maximum benefit to producers and consumers.

This economic efficiency meaning confirms that efficiency is subject to consumption and production decisions by individual consumers and firms, respectively. Efficient distribution is necessary to achieve maximum economic output and benefit. Another critical feature of economic efficiency is waste reduction. Scarce resources need to be allocated optimally to reduce waste and serve consumers and producers in the most efficient way possible. Low production costs and minimal variable inputs characterize such an economic state.

Notably, the concept of economic efficiency is theoretical. Indeed, it is impossible to achieve optimal efficiency, but this limit can be approached. To understand the degree of efficiency within an economy, economic analysts determine the amount of waste, calculated as a loss. Remember, resources are scarce, meaning that they are not sufficient to ensure all aspects of the economy operate at optimal capacity. For this reason, efficient allocation is necessary to maximize benefit and reduce waste. Less economic waste indicates more efficiency.

Key characteristics of economic efficiency include affordable healthcare, equal access to opportunities, and adequate household income. Efficient transport and communication infrastructure also denotes a highly efficient economy. Stability is paramount in achieving economic efficiency. As such, an efficient economy has steady inflation rates, translating to a stable purchasing power. The cost of production is an important determinant of economic efficiency. In this case, low production costs are an inherent characteristic of efficient economies. Such economies must demonstrate a balance between benefits and costs. Once this balance is achieved, it becomes impossible to re-allocate resources without compromising specific individuals. Quantifying economic efficiency is difficult due to the complexities of measuring economic value. Essentially, the valuation of resources is dictated by the person paying the most money. One approach to computing economic efficiency is the benefit-cost analysis that calculates the net economic welfare to the society. Social welfare is determined by measuring observed market prices, average consumer value, and marginal production costs. However, this approach fails to provide crucial information concerning equality and access to scarce resources.

The term "efficiency" refers to the peak level of performance that uses the least amount of inputs to achieve the highest amount of output. Efficiency requires reducing the number of unnecessary resources used to produce a given output, including personal time and energy. Efficiency is a measurable concept that can be determined using the ratio of useful output to total input. Increased efficiency minimizes the waste of resources such as physical materials, energy, and time while accomplishing the desired output.

The term efficiency can be defined as the ability to achieve an end goal with little to no waste, effort, or energy. Being efficient means you can achieve your results by putting the resources you have in the best way possible. Put simply, something is efficient if nothing is wasted and all processes are optimized. This includes the use of money, human capital, production equipment, and energy sources. Efficiency can be used in a variety of ways to describe various optimization processes. As such, analyzing efficiency can help reduce costs and increase bottom lines. For instance:

- Corporations can measure the efficiencies of their production process, which can help them cut down costs while increasing output, which can lead to higher sales and revenue.

- Consumers can purchase energy-efficient appliances to cut down their energy bills while reducing greenhouse gases.
- Investors can determine the efficiency of their investments by using the return on investment (ROI), which highlights an investment's return relative to how much it costs.

Efficiencies can be divided into many different categories. There are some of the key types below, including economic efficiency, market efficiency, and operational efficiency.

Economic Efficiency

Economic efficiency refers to the optimization of resources to best serve each person in that economic state. No set threshold determines the effectiveness of an economy, but indicators include goods brought to market at the lowest possible cost and labor that provides the greatest possible output.

Market Efficiency

Market efficiency describes how well prices integrate available information. This means that markets are efficient when all information is already incorporated into prices. There is no way to beat the market since there are no undervalued or overvalued securities available.

Market efficiency was formalized in 1970 by economist Eugene Fama, whose efficient market hypothesis (EMH) states that an investor can't outperform the market. Fama also stated that market anomalies should not exist because they will immediately be arbitraged away.

Operational Efficiency

Operational efficiency measures how well profits are earned as a function of operating costs. The greater the operational efficiency, the more profitable the firm or investment. This is because the entity is able to generate greater income or returns for the same or lower cost than an alternative. In financial markets, operational efficiency occurs when transaction costs and fees are reduced.

When you're efficient, it means that you're able to achieve your goals with as little money and effort as possible without producing too much waste. Essentially, you use very little to get the biggest result possible. Efficiency is important for businesses and individuals alike. Businesses that run efficiently can reduce their costs and improve their bottom lines. Similarly, consumers who make choices to become more efficient, such as choosing energy-efficient appliances or investments that have the best possible returns while serving their investment needs, end up saving money and making more in the long run.

If you need proof, just use the formula noted above and use it as a guideline to help you make some important decisions about your financial health.

Energy efficiency occurs when you use less energy to achieve the same result. Being energy efficient reduces energy waste and greenhouse gases, as well energy demand. It also helps cut down on bills and overall costs using new and more efficient ways to consume energy. For example, consumers can purchase energy-efficient appliances to cut down on their energy bills while corporations may swap out older production equipment with new, more efficient ones to increase output while cutting down on production costs.

References:

1. Tuxliyev, I. S., Hayitboyev, R., Ibodullaev, N. E., & Amriddinova, R. S. (2010). The basics of tourism: A handbook. *Samarkand: SamISI*, *11*.
2. Tukhliyev, I., & Safarov, B. (2012). Tourism Basics. *T.:" New edition*, *34*.
3. Suyunovich, T. I., & Nuraliyevich, M. A. (2020). General architecture of a geopartal system created for tourism. *International Journal on Integrated Education*, *3*(2), 115-117.
4. Tukhliev, I. S., & Abdukhamidov, S. A. (2021). Strategic planning processes in regional tourism in the digital economy. *Central Asian Journal of Innovations on Tourism Management*

and Finance, *2*(5), 22-27.Gulbakhor, E. (2023). Possibilities of increasing the standard of living of the population of the regions in socio-economic development. *Best Journal of Innovation in Science, Research and Development*, *2*(9), 412-416.

5. Mardonova, D. (2023). MEHMONXONA BIZNESINI TASHKIL QILISH VA RIVOJLANTIRISHNING OBYEKTIV ZARURATI. Nashrlar, 333-337.
6. Mardonova, D. (2022). The Role of Innovation Activities in Tourism Industry. Central Asian Journal of Innovations on Tourism Management and Finance, 3(9), 52-55.
7. Mardonova, D. (2023). THE ROLE OF HOTEL BUSINESS IN DEVELOPMENT OF TOURISM INDUSTRY. Talqin va tadqiqotlar, 1(6).
8. Akmaljon, O., Erkin, G., & Nodira, M. (2022). DIGITAL MARKETING. Uzbek Scholar Journal, 10, 112-116.
9. Tukhliev, I. S., & Khayitbaev, R. (2014). Fundamentals of tourism. *Textbook-T: Science and Technology*.
10. Sadibekova, B., Saidakhmedova, N., Makhmudova, A., Abdukhamidov, S., & Mukhamadiev, A. (2021). To determine the role and importance of marketing research in the development of tourist routes. *Middle European Scientific Bulletin*, *8*.
11. Maftuna, N. (2023). MANAGING SYTEM OF THE TOURISM. *Open Access Repository*, *4*(2), 259-265.
12. Maftuna, N. (2023). The Importance of Advertising in Tourism. *Vital Annex: International Journal of Novel Research in Advanced Sciences*, *2*(4), 157-160.
13. Sadibekova, B., Makhmudova, A., Abdukhamidov, S., & Mukhamadiev, A. (2023). Monuments of Buddhism in the territory of Uzbekistan and the objective need for their use in tourism.
14. Abdukhamidov, A. S., Makhmudova, A. P., & Mukhammadiev, N. (2022). Ways to develop attractive tourist routes to buddhist monuments. *Builders Of The Future*, *2*(02), 154-160.
15. Makhmudova, A. P. (2022). PROBLEMS OF DEVELOPMENT OF RECREATIONAL TOURISM IN UZBEKISTAN AND THEIR ANALYSIS. *Builders Of The Future*, *2*(02), 161-166.
16. Suyunovich, T. I., & Pirmamatovna, M. A. (2023). Use of Digital Technologies Is Becoming One of the Main Tasks of the Tourism Industry. *Web of Scholars: Multidimensional Research Journal*, *2*(6), 134-137.
17. Раимова, М. Д., & Гуломхасанов, Э. М. (2022). МАРКЕТИНГОВОЕ ИССЛЕДОВАНИЕ В ТУРИЗМЕ. Scientific progress, 3(1), 475-479.