

SHADOW ECONOMY PROBLEM IN THE REPUBLIC OF BELARUS AND THE WAYS
OF ITS OVERCOMING

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There are many problems in the economic science which haven't been investigated yet. But, perhaps, it is difficult to find another example which could be more obvious for discussion than the problem of shadow economy which covers all spheres of human activities, but remains to be one of the most unstudied economic events.

The shadow economy is interesting first of all because of its influence on the majority of usual economic events and processes: the formation and distribution of income, trade, investment and economic growth as a whole. The consequences of "shadow" relations has recently become great enough in our country; they are very dangerous to economic safety and the state sovereignty, so it is necessary to analyze the problem of shadow economy and to find ways of its overcoming.

The shadow economy is a system of illegal economic actions. The most important forms of shadow economy are corruption and tax avoidance. Corruption is the practice of making private profit out of a public office or, in other words, jobbery. As a result of the corruption of the senior and junior management the central government ceases to receive information about a real state of affairs in the national economy and cannot realize their targets. Moreover, corruption seriously misrepresents the motives of government decisions. The corrupted politicians and officials are more likely to finance the manufacture of warplanes and other large investment projects than the edition of school textbooks and the salary of teachers.

Tax avoidance has become a standard of behavior for many business entities. The reduction of receipt of funds to the state budget leads to poor public sector financing; rules of fair competition are broken; corruption grows; the capitals got from tax avoidance leave abroad. Basically, tax avoidance is promoted by lack of the appropriate legislation system and weakness of its control.

The formation of modern shadow economy in the Republic of Belarus dates back to the late sixties – the early seventies when the growth of population needs caused gamble growth as an initial form of illegal business.

By the eighties the shadow economy progressed quickly, corruption of government officials increased and there were organized criminal groups closely connected with semi legal business owners. The turnover of the black market increased extremely quickly. Some branches that were focused on rendering of services to the population, turned "black" practically completely, for example, car service, sale of building materials, furniture, house making, repair of dwellings.

The failure of price reform in April, 1991 led to the total breakdown of the consumer market, general deficit and absence of note-issue controllability. Black market strengthened its influence in trade by selling traditional consumer goods.

Measurement of scales of shadow economy is a difficult problem, because of its latent character and willingness to avoid measuring. As calculations in shadow economy are usually made in cash but in the official economy by non-cash money the good indicator of the dynamics of "shadow" transactions is a quantity of money in circulation.

The actual size of shadow economy in the developed countries is rather small and accounts approximately for 5-15 % of GNP. But in the developing countries the "shadow" sector plays much more important role, and what is more, in some of them the shadow economy even surpasses the official one and accounts for 35-45 % of GDP (Nigeria, Bolivia and Thailand). In the countries of Eastern Europe shadow economy makes up 15-30 % of GNP, but this indicator is even more than 50 % in some post-Soviet countries (Georgia, Azerbaijan and Ukraine).

The size of shadow economy in the Republic of Belarus, according to the Ministry of Finance, accounts for 15 % of GDP today (though some independent experts suggest that this figure is much higher). As a result, the budget doesn't receive six trillion rubles of tax revenues annually.

Therefore, shadow economy problem is obvious and there should be two ways of its overcoming. Firstly, it is necessary to struggle against it with the help of law enforcement agencies. Secondly, it is necessary to input "shadow" in standard size by means of legalization so that the domestic manufacture benefits from it.

The suggested program may include:

Stimulation of non-cash monetary turnover in any possible way;

Exact adjustment of tax legislation and maintenance of its transparency;

Protection of rights of shareholders, investors and creditors as a state response to the problem;

Liberalization of economic activities and simplification of numerous rules;

Reduction of the amount and size of the state machinery of government and their staff.

Nowadays legalization of the "shadow" capitals directed to the legal economy is a unique source of large-scale investment in the national economy.