

Secondly, the existence of cross-subsidies in Belarus gives a distorted picture of the average income. The government holds the tariffs for some public utilities at a certain level in exchange for people's loyalty.

Part of the tariffs unpaid by the population is covered by industrial enterprises. In the long run, cross-subsidization significantly increases production costs and reduces the efficiency of industry. In addition, the comparatively low cost of tariffs for heating and water supply does not motivate population to use these benefits rationally, which further increases the burden on enterprises. In this regard, the new program for eliminating cross-subsidies for 2016-2020 may lead to the growth of real income of the population, the development of a targeted assistance system for those in need. Eliminating cross-subsidies will stimulate the economy and ensure its dynamism.

The development of the financial market may be another way of raising income. For the population, this may provide additional opportunities to invest their savings in effective financial projects. The development of the financial market in Belarus can extend the opportunities for citizens to manage their income efficiently. As a result, the savings rate in the country can increase. This can also lead to extra investment opportunities.

It is also necessary to create basic conditions for the development of such structures as pension funds and insurance organizations in the country. Part of insurance and pension payments is provided by commercial organizations but their contribution is insignificant. By creating more favorable conditions for businesses, the government may provide effective social targeted assistance to citizens in need.

It should be noted that this goal can be achieved only if inflation is kept at a low level. According to the program of social and economic development of the Republic of Belarus for 2016-2020, inflation in 2020 is to be fixed at 5%.

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## **NEW PLAYER ON THE FINANCIAL MARKET**

The purpose of this work is to show the importance of the new international financial center (IFC) in Minsk.

The financial center is the center of concentration of banks and specialized credit and financial institutions that carry out international currency, credit and financial operations, transactions with securities and gold.

Historically, the IFC is not just a block of steep skyscrapers, it is a very deep infrastructure, state institutions that allow markets to function.

The largest financial centers in the world are in New York (the largest market for securities and government debt), Frankfurt (the largest interbank and foreign exchange market), and London (the largest market for monetary derivatives).

Belarus wants to be among the best players on the financial market. But now it is impossible due to several reasons:

1. Lack of clear and effective legislation for both financial institutions and related areas of the economy.
2. The need to increase the confidence of households and business entities in banks and financial instruments.
3. General underdevelopment of the financial and especially stock markets.

But despite all these reasons some countries invest in Belarus. The most investments came from the Russian Federation – 44.7 % of the total investment volume. In second place are the economic entities of the United Kingdom of Great Britain and Northern Ireland – 20.4 %, and “bronze” belongs to Cyprus-8.2 %. Direct investment accounts for the majority of all investments – 77.8 % or \$ 3.9 billion.

Now we see some chances to change the situation on the Belarusian financial market:

1. Experts note that Belarus should take the advantage of its advantages, such as the geographical location of Minsk in a time zone suitable for filling the gap between financial giants in the East and in the West, as well as a high degree of security, stability of the political system, and good human resources potential, especially in comparison with many neighboring countries.

2. There is a good prudent control by the National Bank and there is a niche in which there is demand. This niche is the Russian business. The Russian financial system, being under sanctions and experiencing capital outflows \$ 60 billion a year, needs infrastructure for the outflow of this capital. Someone has to serve them. It is obvious that Western and Chinese banks cannot do this.

3. Worldwide, the fastest-growing sector now is individual service for the super-rich. And Belarus can become a financial bridge between the West and the East for this group of climb.

In order to conquer this share of the financial market, Belarus should adhere to the following goals and tasks:

1. It is important to take measures to improve the investment climate in the country at large and take certain steps to create the IFC that could possibly become a growth point for the country's economy.

2. Belarus still lacks infrastructure and large banks with accounts in euros and dollars. The country should sell its stake in the National Bank to the one of the most influential banks in Europe, since cooperation with European banks is a prerequisite.

3. It is expected to follow English law – both civil and administrative – to ensure the ability to operate in foreign currencies and freedom to repatriate capital and income.

4. IFC should provide a full range of banking financial and support services, as well as be a single body that provides all related services such as licensing and registration of companies, land and property.

The implementation of the Minsk-Mir project as an international financial center will contribute to the inflow of investments from many partner countries, in the near

future will accelerate the development of the country and help Belarus reach a new level in the development of its economy.

When the project is fully launched, the impact will have a ripple effect. In particular, it is expected at least 1,000 investors to come here, which will contribute billions of dollars to foreign direct investment and companies both inside and outside the center. At least 10,000 direct and indirect jobs will be created.

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#### INVESTMENTS IN EDUCATION AS THE MAIN COMPONENT OF THE THEORY OF HUMAN CAPITAL

One of the main driving forces of any developed and developing economy is an objective assessment of labor resources. For this purpose, in the mid-20th century, a theory of human capital was developed, which is based on the assumption that formal education is extremely useful and necessary to improve the production potential of the population, since it increases the productivity and labor efficiency of workers by increasing the level of economically productive human capabilities.

W. Petty was the first to introduce and explore the category of “living acting forces of man”. He considered it in the context of national wealth as the most important factor in the growth of the country’s wealth and as its integral part. The famous economist Adam Smith in *The Wealth of Nations* (1776) laid the foundations of the theory of human capital [1].

In the framework of our study, we examined the educational system of the Republic of Belarus and we made its comparative analysis with indicators of developing countries similar in terms of population to the Republic of Belarus – Azerbaijan Democratic Republic and Czech Republic. This was done in order to analyze the work of the theory of human capital in the economic conditions our Republic.