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FUNCTIONS OF SHADOW ECONOMY

The article studies the definition of the term “shadow economy”. The interrelation between different principles of shadow economy is described. The clear boundaries of types of shadow activities from each other are presented. The role of the functions of the shadow economy is also presented.

In modern conditions, the shadow economy cannot exist without cost estimates and hidden cash flows and, consequently, shadow financial relations, the construction of which is its basis. The content of the shadow economic relations, aimed at minimizing the costs of economic activity and maximizing profits, is not reflected in the state and society. Outwardly, the phenomenon of shadow economic relations is manifested in the form of illegal actions of their subjects, as they are based on full or partial ignoring of formal rules of management in business activity [1, p. 10].

Not only differences in the subjects and objects of the shadow economy make it difficult to determine the signs of this activity, but also the secrecy, the lack of official statistics, and the difficulty of identifying the illegal economy itself are the reasons for the problem of identifying the signs of the shadow economy.

Speaking about the functions of the shadow economy, it should be noted that this concept is characterized by dualism, which is expressed in its dual role: positive - smoothing of negative conditions for business development; negative - anti-social redistribution of society income and reducing its welfare, reducing the effectiveness of economic management. The functioning of shadow finance has the following negative impacts on the socio-economic development of any country:

1) the problem of financial and economic security of economic entities is aggravated, which can lead to their bankruptcy. Theoretically and practically it is possible bankruptcy of not only the organization, but also of the state;

2) the budget system is deformed because of cuts in expenditures and changes in the structure of budgets. There is a significant scale of ineffective distribution of budgetary resources as a result of corruption and illegal lobbying, redistribution of money by means of illegal granting of privileges, licenses, quotas and other benefits;

3) there is a growing number of errors of macroeconomic regulation due to the lack of reliable data on the scale, structure and dynamics of the hidden part of the financial, economic and production activities of economic agents.

These impacts clearly demonstrate the functions of the shadow economy. In-depth studies in the field of defining the functions of shadow activity are presented in the scientific work of E.B. Golovanov. The author identifies three main functions of shadow economy: economic, social and positive. Which, in turn, are subdivided into other functions.

The positive functions, as E.B. Golovanov notes, were identified by the Swiss economist Dieter Kassel:

- allocative function (“economic lubrication”), which consists in smoothing out the differences in the economic conjuncture by redistributing resources between the legal and shadow economies (when the legal economy experiences a crisis, productive resources are not lost, but spill over into the “shadow”, returning to the legal economy after the crisis is over);

- the shadow economy fuels the legal economy with its resources, thereby performing a stabilizing function, acting as a “built-in” stabilizer. Most of the shadow operations are carried out to solve critical problems of the enterprise, prevent production stoppages, keep people in one or another area, introduce innovations that have not been sanctioned from above;

- distributive function (the function of “social shock absorber”), which consists in forming a non-state financial base for solving social problems, as well as in mitigating undesirable social contradictions (for example, informal employment eases the financial situation of the poor).

In the context of the above, the following conclusions seem preferable:

1. Having studied the above attributes, we can identify the main ones that reveal the essence of shadow operations, shadow entrepreneurship and the shadow economy as a whole. They include, first, concealment from the state of the results of economic activities in non-payment of taxes and non-tax deductions. This causes enormous damage to the state in the formation of the budget and the provision of social projects. Secondly, the effectiveness and high efficiency of the shadow economy is based on the gratuitous use of public property, which is associated with public education, health care, culture, social protection, taking into account other forms of state influence and support.

2. The functions of the shadow economy show that, in general, the impact of the shadow economy on society is more negative than positive. On the one hand, there is an anti-social redistribution of society’s income in favor of relatively small privileged groups, reducing the welfare of society as a whole. On the other hand, the system of centralized management of the economy breaks down: embezzlement creates a false sense of well-being for the government, although urgent reforms are necessary; “shadow” employment leads to the fact that excessive government efforts to create new jobs do not reduce imaginary unemployment, but increase the budget deficit, etc. If these tendencies go too far, people begin to lose any idea of the generally accepted “rules of the game,” live by the principle of “everything is permitted,” resulting in a society falling into the abyss of chaos and instability, which inevitably leads to the need for state intervention.

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THE AUTOMOTIVE INDUSTRY IN GERMANY

The automotive sector is the backbone industry in Germany, and the German automotive industry is a global leader. Germany is also one of the strongest countries in the world when it comes to high-tech automotive products, including autonomous driving technology.

The auto industry in Germany thrives as a result of the diversity of companies active in the sector: large and medium-sized auto manufacturers alike are to be found there, as are system and module suppliers – not to mention numerous small and medium-sized tier 2 and 3 suppliers. Around 85 percent of auto industry suppliers are medium-sized companies. All of these suppliers provide up to 70 percent of value added within the domestic auto sector – ensuring that the German auto industry remains ahead of the competition.

Moreover, auto manufacturers and suppliers located in Germany are among the world's leading patent applicants. Nine out of the country's top ten patent filing companies are predominately active in the automotive industry – proof positive of the country's importance within the world's automotive market and its enormous innovation power, for example, 24% of total domestic industry revenue generated by automotive industry. 75% of cars manufactured in Germany are destined for export markets. German automobile manufacturers produce over 16 million vehicles, and this number is growing.

Germany is the European car production leader: 3.1 German vehicles were produced in 2021. The German automobile industry is one of the pillars of the German economy and also an established heavyweight on the global economic stage. The country has moved swiftly to counteract the worst effects of the global Covid-19 crisis, implementing a far reaching financial support package for the industry. These include an effective doubling of cash incentives for electric vehicle purchases and significant investment in charging infrastructure as part of a broader EUR 130 billion economic stimulus package to jump-start the German economy. Still, because of pandemic, the result of 2021 was a decrease from the previous year at 3.5 million cars.

Our analysis of statistical data of automotive industry shows that German cars continue to enjoy a globally positive image and are in high demand across the world. 81 percent of those companies surveyed consider Germany to be the most competitive hub in terms of innovative power – ahead of Japan and South Korea, who polled 65 percent and 61 percent respectively. This survey has also proved that more than 40 percent of