



TAXES, GOVERNMENT SPENDING AND THEIR ROLE IN REGULATING NATIONAL PRODUCTION

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Abstract: Fiscal policy is the government's policy in the area of taxation, public expenditure, and the state budget, aimed at ensuring employment of the population and preventing and suppressing inflationary processes. It is the core part of financial policy and an integral part of the state's economic policy.

Key words: Fiscal policy, taxes, state budget, production, government spendings, economy.

Introduction

This topic is very relevant today, since our economy, budget and tax sphere, in particular, are still in an unstable stage of formation.

In the past, for a long time, economists understood only the fact that the state through fiscal policy determines in what proportion the volume of the country's production should be distributed between collective and private consumption, as well as how the burden of payments for collective goods should be divided among the population.

The budget plays an important role in the life of every state. It is an item of state income and expenditure, to a greater or lesser extent of concern to every citizen, affecting the well-being of each. Since ancient times, the budget has worried and excited the minds of professional politicians, economists and many other great people of this world. For centuries, its formation and distribution has caused heated debates and constant discussions.

As is known, the budget at all its levels plays a huge role in the development and prosperity of the state, the promotion of scientific and technological progress (budgetary funding of research and development), the development of the economy (especially non-profitable but socially significant sectors of the economy) through investment, subsidies, etc.

Methods

The fiscal policy of the state is an important direction of its financial policy, which plays a major role in regulating the economy through taxes and income and expenditure policies.

Fiscal policy is one of the main instruments of state regulation of the economy. Some economists argue that it is, like an atomic bomb, too powerful a weapon to allow individuals and governments to play with it; so it would be better if fiscal policy were never used.

Every government always carries out some fiscal policy, whether it realizes it or not. The real question is whether this policy will be constructive or will it be unconscious and inconsistent.

This topic is very relevant today, many other countries, is in the conditions of the global financial crisis. The country's economy is experiencing far from its best days, and the fate of each person living in our country and the fate of the entire country as a whole depends on how the government will implement budgetary and tax policy.

During an economic downturn, the government pursues a stimulating fiscal policy. It includes: an increase in government spending or a reduction in taxes, or a combination of these measures. In other words, if at the starting point there is a balanced budget, fiscal policy should move towards a federal budget deficit during a recession or depression. Conversely, if the economy has inflation caused by excess demand, this is a contractionary fiscal policy. Contractionary fiscal policy includes: a decrease in government spending, or an increase in taxes, or a combination of both. Fiscal policy should be oriented towards a positive balance of the federal budget if the economy faces the problem of inflation control.

Modern fiscal policy defines the main areas of use of the state's financial resources, methods of financing and the main sources of replenishment of the treasury. Depending on the specific historical conditions in individual countries, such a policy has its own characteristics. At the same time, a common set of measures is used. It includes direct and indirect financial methods of regulating the economy.

Discussion

The state uses indirect methods to influence the financial capabilities of producers of goods and services and the size of consumer demand. The tax system plays an important role here. By changing tax rates on various types of income, providing tax breaks, reducing the non-taxable minimum of income, etc., the state seeks to achieve, perhaps, more sustainable rates of economic growth and avoid sharp ups and downs in production.

Among the important indirect methods that promote capital accumulation is the policy of accelerated depreciation. In essence, the state exempts entrepreneurs from paying taxes on a portion of the profit artificially redistributed into the depreciation fund.

Fiscal policy is based on the use of two economic regulators: taxes and government spending. They can be used in various combinations, which provides many options for influencing the real volume of national production and its structure, employment and inflation. Both levers are subordinated to one goal and are closely related to each other.

The state is recognized to bring a stabilizing effect to the economy, providing the best conditions for economic growth. To fulfill its tasks, it must have the necessary resources. They can be partly found at the expense of valuable sources, for example, the income of state enterprises. However, in a market economy, the main production unit is not a state enterprise, but a private enterprise. Therefore, to form state resources, the government seizes part of the income of enterprises and citizens. The seized income, changing its owner, turns into a tax.

Taxes are mandatory payments of individuals and legal entities collected by the state.

In modern conditions, taxes perform two main functions: fiscal and economic.

The fiscal function is the main one, characteristic of all states. With its help, state monetary funds and material conditions for the functioning of the state are created.

The economic function means that taxes as an active participant in redistribution relations have a serious impact on reproduction, stimulating or restraining its rates, strengthening or weakening the accumulation of capital, expanding or reducing the solvent demand of the population. The expansion of the tax method in mobilizing national income for the state causes constant contact between the state and the participants in production, which provides it with real opportunities to influence the economy, at all stages of the reproduction process.



In modern conditions, in connection with the expansion of the social functions of the state, contributions to the social insurance fund have become widespread. They are essentially targeted taxes, since they have a specific purpose.

Depending on the body that collects the tax and manages its amount, a distinction is made between state and local taxes. State taxes are collected by the central government on the basis of state legislation and are sent to the state budget. These include income tax, corporate profit tax, customs duties, etc. Local taxes are collected by local authorities in the relevant territory and are sent to the local budget. Local authorities collect mainly individual excise taxes and property taxes.

Taxes on their use are divided into general, they are sent to a single state cash desk, and special (targeted) (for example, the tax on the sale of gasoline, fuel, lubricating oils in the USA is sent to the road fund) [5; p. 25]

Depending on the nature of the collection of tax rates, taxes are divided into: proportional, progressive and regressive.

A proportional tax is a tax whose rate is the same for all taxable amounts. A tax whose average rate increases as the amount grows is called progressive. A regressive tax assumes a decrease in the percentage of withdrawal from the amount as it grows. The latter type of tax usually includes indirect taxes.

The ratio of different types of taxes has changed at different stages of social development. In the 19th - early 20th centuries, indirect taxes played the main role, after the Second World War, direct taxes began to play the leading role. The modern tax system is characterized by an increase in contributions to the social security fund, which is growing faster than both direct and indirect taxes.

Three stages of development of views on the role of taxes in the implementation of state interests can be distinguished:

- at the initial stages of the market economy, taxes were considered exclusively in fiscal interests as a means of replenishing the state treasury
- then they came to the conclusion that it was necessary to introduce restrictions on the fiscal function of taxation. Such a restriction was the requirement not to undermine the reproductive process in the micro economy
- to date, it has become characteristic to increasingly use taxes to adjust economic proportions in society.

This direction of tax policy has been developed more widely in developed countries. It is believed that taxes should not dampen the desire of the producer to increase output. This will allow him to find and calculate the zone of positive effect of scale of production, in which it is possible to receive the greatest profit on the invested capital. In this case, not only the income of the entrepreneur increases, but also the state, whose treasury will be replenished with additional resources, since increased income allows to increase the amount of taxes collected.

The next stage of development of the concept of taxation is associated with the understanding that manipulation of tax rates, linking taxes with the use of resources turns them into a powerful regulator of economic proportions. For example, the introduction of payment for resources (land, clean water, etc.) contributes to the saving of resources in economic activity. Payment for land usually leads to an increase in the height of industrial buildings. Reducing tax rates or introducing an accelerated depreciation regime stimulates production growth.

In the second half of the 20th century, taxes are actively used as a regulator of the general equilibrium of the market economy. In particular, such use of taxes is envisaged in numerous anti-cyclical programs. These programs assign different roles to taxes as regulators of the economy, which depends on the concept that the government is guided by.

According to the theory of monetarists and the concept of economics, the proposal to reduce taxes becomes a significant incentive for efficient production. M. Friedman, the ideologist of the monetary school, recommends reducing the tax burden when the economic crisis passes its lowest point and leaves only efficient producers on the market, ruining the rest. In this case, lower tax rates for strong producers will provide them with greater investment opportunities and allow the country to move to a higher level of production efficiency.

The supply theory recommends supporting the competition regime by easing the tax burden, including tax holidays for small businesses or for those who produce goods that best meet the interests of society.

The modern tax system includes various types of taxes. Their main group is direct and indirect taxes.

Direct taxes are imposed directly on income or property.

Indirect taxes are taxes on goods and services paid for in the price of goods or included in the tariff. The owner of goods or services receives tax amounts when selling them, which he transfers to the state. In this case, the connection between the taxpayer and the state is mediated through the object of taxation [2; p. 315]

Taxes are the main source of covering public expenditure, the essence and nature of which are revealed in various models of building tax systems, or tax theories.

Public expenditure is the continuous use by the state of funds from the budget, extra-budgetary funds and own funds of state enterprises, associations and organizations for the purposes and objects determined by the law on the budget, extra-budgetary funds, regulatory acts of the government, ministries and departments and the charters of enterprises and organizations.

The structure of public expenditure and its share in the gross national product depend on the stage of social development of the state structure, foreign and domestic policy of the state, the general level of the economy, the level of well-being of the population, the size of the public sector in the economy, traditions.

Public expenditure, firstly, is caused by the very fact of the existence of the state. Secondly, public expenditure serves the reproduction of economic and social relations existing in a particular state at a particular time. Thirdly, the main source of formation of public expenditure are taxes, which are deductions from earnings and income. Fourthly, the bulk of government spending is unproductive, since it is a share of national income that is eliminated from the reproduction process.

Government spending is divided into four main groups:

- expenses on social and cultural needs;
- expenses on the national economy and economic support;
- military spending;
- management costs.

The listed groups of expenses are defined by their subject feature. But government spending can also be classified by other features.

According to their role in the reproduction process, they are divided into expenses on the sphere of material production, expenses on the non-production sphere, and expenses on the creation of state reserves.

According to their intended purpose, government spending is divided into:

- capital expenditures - expenses on expanded reproduction and reconstruction;
- current government expenses - management costs, military expenses, expenses on pensions and benefits, etc.;
- expenses on the formation and maintenance of insurance and reserve funds [1; p. 234]

By economic content, government expenditures are divided into the following types: wages, stipends, pensions and benefits, medicines, food, office expenses, expenses for the purchase of furniture, expenses for current and major repairs, etc.

By territorial feature, expenditures are divided into national, expenses of the subjects of the federation and local expenditures.

By sources, government expenditures are divided into:

- budgetary appropriations;
- expenses from reserve and insurance funds;
- credit sources of financing;
- self-financing.

Government expenditures in the economy are a constant item of expenditure. No matter how significant the fluctuations in government expenditures in the economy within a particular country, the general tendency to stabilize their level is explained by their structure-forming role. The general purpose of these expenditures is to create the most favorable conditions for private entrepreneurship.

The instability of financial systems, the aggravation of social problems and the slowdown in economic growth force governments of many countries to take various measures to stabilize the situation and stimulate the economy, including fiscal policy measures. As historical experience of implementing stimulating economic policy during periods of crisis shows, in most cases the main role was played by monetary policy measures due to their greater efficiency and comparatively higher effectiveness. However, discretionary fiscal policy can also be used, but with some limitations, especially in countries with developing economies.

Conclusion

Taxes, government spending and their role in regulating national production are studied in the work.

Fiscal policy is one of the main instruments of macroeconomic regulation. In practice, fiscal policy is actively used to stabilize the economy. Expansion of government spending and reduction of taxes are used when it is necessary to help the economy get out of the crisis. Reduction of spending and increase of taxes are practiced when it is necessary to slow down excessive growth.

Currently, fiscal policy and the budget are inseparable from each other. This policy is the most important instrument for forming the state budget. On the other hand, it includes a theoretical basis and in practice determines the expenditure items of budget funds.

Fiscal policy measures are not always successful. Sometimes they are accompanied by burdensome manifestations and can even hinder the stabilization of the national economy. Sometimes these are inevitable growing pains, and the result will be beneficial.

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