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ECONOMIC GROWTH: FISCAL POLICY AND RESULTS OF QUANTITATIVE ANALYSIS



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INTRODUCTION

The functioning of the state budget occurs through special economic forms - income and expenses, expressing successive stages of redistribution of the value of the social product concentrated in the hands of the state. Revenues serve as the financial base of the state, and expenses serve to meet social needs. Budget revenues express the economic relations that arise between the state and organizations, enterprises and citizens in the process of forming the country's budget fund.

Fiscal policy is a key element of government financial regulation. The financial policy of the state is sometimes called fiscal policy. In general, we can agree with this definition, although financial policy is not related exclusively to the budget and taxes. If we decompose financial policy into its components, then budget policy is the policy associated with government spending; tax policy - government revenues. [2, p.189]

Actuality of the research work is to determine the economic significance of fiscal policy, as well as to analyze the impact of fiscal policy on the development of the economy in general and in particular.

Object of the work is the fiscal policy of the Republic of Uzbekistan and its impact on the macroeconomic situation.

Subject of the research: fiscal policy, its types, goals, methods, tools, as well as the effectiveness of fiscal policy.

Aim of the research is explained by the fact that the economy of the Republic of Uzbekistan, the budget and the tax sphere, in particular, are still in an unstable stage of formation. In accordance with the goal, the following tasks were identified:

1. consider the theoretical aspects of fiscal policy;
2. conduct an analysis of the fiscal policy of the Republic of Uzbekistan;

3. study the main directions of the fiscal policy of the Republic of Uzbekistan.

Currently, there are many publications related to the fiscal policy of the state. Thus, the problems of budget policy in the system of state regulation were considered at different times by J. M. Keynes, V. Leontiev, A. Marshall, P. Samuelson, H. Hauser, S. Fisher, E. Prescott. Certain aspects of tax policy and fiscal regulation are set out in the works of such Belarusian scientists as G.A. Shmarlovskaya, I.V. Novikova, E.F. Kireeva, E.G. Kashtanova. To write the monograph, various sources were used: textbooks, analytical reports, electronic resources, publications and articles in periodicals, as well as various journals: Bezh, Bankovsky Vestnik, FAA, Economist, Economic Issues, Economics Finance Management, etc.

Scientific basis: The features of the formation and functioning mechanisms of the current fiscal policy have also not become the subject of special research. Scientifically, in relation to transitional societies, the issues of the impact of one or another fiscal policy on achieving macroeconomic and financial stabilization have not been developed. Taking into account the above-mentioned features, the economic and institutional foundations for possible changes in fiscal policy still remain undeveloped.

The theoretical and methodological basis of the study consists of the works of domestic and foreign scientists devoted to issues of fiscal policy.

The **conclusion** contains brief conclusions on the results of the work done.

The bibliography contains the most known and important research for the given work of teachers-innovators and scientists: psychologists, methodologists. In the process of finding ways to solve the tasks set, we turned to the study of psychological, pedagogical and methodological literature of the late XX - early XXI centuries (Barmenkova O.V., Gez N.I. Elukhina N.V., Zimnaya I.I.,

Shcherbakova I.A., Shchukin A.N., Allan M., Harmer J., Scrivener J., Willis D. et al.) The list of references contains 72 printed sources and Internet materials.

CHAPTER 1. Theoretical aspects of fiscal policy

1.1. Concept and main provisions of fiscal policy

Fiscal policy is a set of financial measures of the state to regulate the economy through changes in government revenues and expenditures. Often, instead of the term “budgetary and tax”, its synonym “fiscal” is used (from the Latin *fiscus* - state treasury and *fiscalis* - related to the treasury).

Taxes and government spending are the main instruments of fiscal policy, so we will look at them in more detail below.

Fiscal policy can have both beneficial and quite painful effects on the stability of the national economy. It changes significantly depending on the strategic objectives set, such as anti-crisis regulation, ensuring high employment, and fighting inflation. [3, p.47]

Modern fiscal policy determines the main directions for using 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.

The state is recognized to bring a stabilizing effect to the economy, providing the best conditions for economic growth. It must have the necessary resources to complete its tasks. Part of this can be found through valuable sources, such as income from state-owned enterprises. However, in a market economy, the main production unit is not the state, but the private enterprise. Therefore, to form state resources, the government withdraws part of the income of enterprises and citizens. The withdrawn income, changing the owner, turns into a tax. [4, p.201]

Taxes are mandatory payments by individuals and legal entities levied by the state. [5, p.205]

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 pace, strengthening or weakening capital accumulation, expanding or reducing the effective demand of the population. The expansion of the tax method in mobilizing national income for the state causes constant contact between the state and participants in production, which provides it with real opportunities to influence the economy and at all stages of the reproduction process.

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

Direct taxes are imposed directly on income or property.

Indirect taxes are taxes on goods and services paid in the price of goods or included in the tariff. When selling goods or services, the owner receives tax amounts, which he transfers to the state. In this case, the connection between the payer and the state is mediated through the taxable entity. [6, p.628]

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

Depending on the body that collects the tax and manages its amount, state and local taxes are distinguished. State taxes are collected by the central government based on state legislation and sent to the state budget. These include income tax, corporate income tax, customs duties, etc. Local taxes are levied by local authorities in the relevant territory and go to the local budget. Local authorities levy primarily individual excise taxes and property taxes. [7, p.122] Taxes on their use are divided into general, they go to the state's unified treasury, and special (targeted) (for example, the tax on the sale of gasoline, fuel, lubricating oils in the USA is sent to the road fund). [8, p.251]

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 increases is called progressive. A regressive tax involves reducing the percentage of withdrawals from the amount as it grows.

1.2. Tax principles

The principles of taxation are manifested in the ways taxes are collected.
[10, p.225]

There are many such principles:

- principle of benefit;
- the principle of donation;
- progressiveness of income tax rates;
- equality of taxes on income of enterprises of different forms of ownership;
- combination of the stability of the tax system with its flexibility;
- determination of the level of tax rates that do not undermine the reproduction process;
- eliminating the possibility of shifting the tax burden;
- simplicity and clarity of the taxation system and procedure.

The benefit principle involves linking the tax to the resource used. For example, someone who uses clean drinking water for technical purposes must pay a tax for it. [11, p.226]

The principle of donation is based on the fact that everyone pays for the use of benefits provided by the state to individual citizens or enterprises, including those who do not receive these benefits. This is the payroll tax paid to the pension fund.

Modern income taxation relies on the use of progressive rates. Rates increase as income increases. Progressive taxation takes into account the different capabilities of social strata of the population in financing government spending. [12, p.175]

The principle of equality. Equality of taxes on income of enterprises of different forms of ownership provides equal starting conditions for their development. In this case, competition should realistically reflect the conditions laid down in taxes for efficient management.

In a command-administrative system that did not take into account the laws of the market, tax privileges always accompanied state and collective management. The private economy was essentially “strangled” by taxes.

Among the principles of taxation, flexibility and adaptability to changing socio-political needs are usually mentioned. However, this flexibility must be respected without compromising the sustainability of the current tax system. If tax rates are constantly changing, as in modern Russia, and even retroactively, business loses the guidelines necessary for developing a long-term strategy. Investment activity acquires additional risks, which strengthens the desire of businesses to limit themselves exclusively to speculative operations.

The level of the tax rate should be set taking into account the capabilities of the taxpayer and the amount of income he receives. Violation of this principle undermines the functioning of the market, reduces the number of taxpayers, and reduces the supply of goods. For consumers, excessive taxation reduces demand, which leads to a reduction in market capacity and thereby has a depressing effect on production incentives. [13, p.51-55]

The principle of eliminating double and multiple taxation is very difficult to implement. The need to observe this principle is recognized by all states, but rarely does anyone manage to fully follow it. For example, taxation of joint stock companies is usually based on double taxation. Tax is imposed on the company's retained earnings and dividends from its members. This system operates in the Benelux countries, USA, Sweden, Switzerland, and Russia. The solution to eliminating multiple taxation of raw materials used is to introduce a value added

tax. With this tax, the premium on the price of raw materials that occurs as the product moves through the production chain is taxed only once. Tax is imposed only on those results of activities that are added to semi-finished products received from outside.

In taxation, it is important to observe the principle that excludes the possibility of shifting the tax burden. In countries with developed market economies, income tax is considered not the best tax, since the entrepreneur usually tries to include this tax in the price in order to compensate for the rise in costs. As a result, the tax burden is shifted to the buyer. It is he who pays the tax, and the entrepreneur is, in essence, the collector of this tax. [14, p.281]

The system and procedure for paying taxes should be simple, convenient and understandable for all tax subjects. In developed market countries, the main tax is personal income tax or personal income tax. [15, p.155] In the USA, the share of income tax in the federal tax system is only 10%, while the personal income tax is close to half of it. The share of personal income tax is slightly more than 3% of the total volume of all payments. This tax structure is explained by its roots, which for decades nourished a society of state socialism, organized on economic principles that were contrary to the market. This manifests itself in the following areas:

- the state is faced with weak tax collection, since business has many ways to hide taxes;
- taxation provokes inflationary processes, as entrepreneurs seek to shift the tax to selling prices;
- the possibility of shifting taxes onto the shoulders of buyers increases the social differentiation of society, the polarization of the real incomes of citizens, which aggravates social tension.

In the future, as the population's incomes grow, Kazakhstan should shift the emphasis of taxation, increasing taxes on personal income, mitigating business taxation.

1.3. Main directions of fiscal policy

Fiscal policy in the upcoming medium term will be aimed at ensuring the stability of the national economy.

To achieve the goals of balanced and high-quality economic growth in the field of fiscal policy, the following is provided:

- effective use of fiscal instruments (budget expenditures, regulation of the tax burden, the size of the guaranteed transfer from the National Fund and the budget deficit, etc.) in order to achieve the specified parameters for the country's development, as well as promptly respond to changes in the situation;
- improvement of tax and budget legislation;
- establishing clear priorities for budget expenditures in the main socio-economic areas;
- development of strategic planning in government bodies, interconnected with development priorities for the medium term.

In the context of the transition to managing economic growth, a close linkage of budget expenditures with the projected parameters for the development of industries will be ensured, ensuring the fulfillment of targets for economic growth. Summing up the results of the consideration of fiscal policy, we can conclude that the impact of government spending and taxes on the economy is contradictory: on the one hand, government spending creates additional effective demand and thereby makes it possible to stimulate economic growth, but on the other hand, taxation used for this purpose population may reduce its consumer demand. The state is trying to bring temporarily free funds into circulation and create, through redistribution, optimal conditions for the reproduction process.

As the largest economic reality covering all spheres of a country's life, government spending plays a central role in determining the pattern of consumption, investment and profit in the economy.

CHAPTER 2. FISCAL POLICY AND RESULTS OF QUANTITATIVE ANALYSIS

2.1. The role of taxes in state regulation of the economy

The effectiveness of the taxation system is determined by the role of taxes. This role is positive if the potential of taxation is realized in practice to the maximum extent possible and a relative balance is achieved between the functions. This is manifested in optimizing the level of tax withdrawals, namely in the formation of a budget that does not infringe on the interests of payers. Ensuring the positive impact of taxation on the spheres of financial and economic activity is a complex and contradictory task: for the state, the primary and main thing is maximization, and for the taxpayer, minimizing tax withdrawals. Taxation in real economic life reflects the level of economic and political maturity of society

When influencing the economy, the state, as a rule, pursues the following goals:

- ensuring price stability for basic goods and services;
- ensuring a certain minimum level of income of the population;
- achieving constant sustainable economic growth;
- ensuring full employment of the working population;
- creation of a system of social protection of the population, primarily pensioners, disabled people, and families with many children;
- balance in foreign economic activity.

The main instrument of government regulation is tax policy. The system of taxes and fees serves as a mechanism of economic influence on social production, its structure and dynamics, and the acceleration of scientific and technological progress. Taxes can stimulate or, conversely, limit business activity, help the development of certain sectors of business activity; create the prerequisites for reducing production and circulation costs of private enterprises, to increase the competitiveness of national enterprises in the world market. With the help of taxes,

a protectionist economic policy is pursued; the freedom of the commodity market depends on them. Taxes create the bulk of state and local budget revenues, providing the opportunity for financial impact on the economy through the expenditure side.

In a number of countries, through taxation, it is practiced to stimulate investment in certain regions, for example, investments in areas located on the outskirts of cities. In economically backward areas, capital investments are being stimulated for the reconstruction and modernization of production. In some cases, an investment premium is allocated that is not subject to taxation. Regardless of the allowance or in addition to it, a direct subsidy for capital investments may be paid from the budget.

Many countries use tax methods that stimulate the creation of new high-tech industries.

Currently, the task is to reorient industry towards the development of new advanced industries, accompanied by modernization of infrastructure, and retraining of the workforce. It is solved with the active participation of the state, using broad tax incentives and other methods of financial influence.

The financial impact on economic development can be not only stimulating, but also restraining. This need arises, first of all, to regulate the development of areas with a high concentration of production and population, where the aggravation of problems of the natural environment, population, resource supply, etc. is inevitable.

Additional taxation or licensing of business activities are used as deterrent measures by the state and local governments.

Raising taxes in one form or another turns out to be the most effective and reliable means when it comes to curbing too high an environment. Another method is the abolition of tax benefits. [8, p. 70]

Thus, taxes play a decisive role in the process of redistribution of the country's gross domestic product and national income. If, in fulfilling their fiscal function, they influence only when capital changes from its commodity form to its

monetary form and vice versa, then the tax regulation system, among other things, affects both the production and consumption stages. This allows the state to control the mass demand and supply of not only goods, but also capital, since income is the basis of the population's demand and the end result of the functioning of capital in the production phase.

2.2. The specific nature of the mechanisms of the impact of fiscal policy on economic growth

Achieving sustainable economic growth is the goal of any economic policy. Budget and tax regulation plays a significant role in solving this problem. Providing the state with the greatest opportunities to influence the economy as a whole (in comparison with other types of regulation), fiscal policy, at the same time, carries the risks of deterioration of the macroeconomic situation in the event of making erroneous or ineffective decisions. Consequently, the prospects for the development of the economy as a whole largely depend on the correct assessment of these risks and the effectiveness of fiscal policy.

The specific nature of the mechanisms of the impact of fiscal policy on economic growth is that there are a large number of both positive and negative effects that arise when it changes, and the effects themselves can be significantly spaced over time. Thus, an increase in real spending on medicine and education will improve the quality of human capital and, in the medium term, the pace of economic development. On the other hand, if additional budget expenditures required an increase in tax rates, this will lead to a decrease in the profit of commodity producers and disposable income of the population. The result will be a reduction in savings and a drop in investment activity of enterprises. The negative effect on growth will occur faster than the positive effect of increasing the quality of human capital discussed above. If the growth of budget expenditures is accompanied by a corresponding increase in the budget deficit, then in the short term, the likely consequence will be an increase in money issuance and

acceleration of inflationary processes, an increase in interest rates, and the emergence of other problems and factors that hinder economic growth.

The complexity of quantifying all these effects is also due to the fact that the multidirectionality and timing of their manifestation is superimposed on the specifics of the economy of a particular state, the features of the chosen strategy for its regulation, determining the peculiarity of the laws of the relationship between the parameters of budget and tax regulation and economic growth.

The most relevant issues for transition countries are those related to the justification of optimal (from the point of view of accelerating economic development) relations between budget revenues and expenditures, their structure, relations between budget and macroeconomic indicators (for example, the share of government spending in GDP), and expenditures of individual items in terms of per capita. This article is devoted to these issues, which are studied in relation to the transition economy of Uzbekistan.

The stationary nature of the absolute majority of time series of budget expenditure and revenue indicators allows us to conduct an econometric analysis and test hypotheses about the presence of statistically significant relationships, both within the framework of budget regulation and relationships with other types of economic policies.

As the results of the analysis of budget statistics show, in the last 6-8 years of the reporting period, there has been a steady trend towards reducing budget expenditures. The results of the econometric analysis confirmed the hypothesis of different sensitivity (vulnerability) of different types of budget expenditures to budget revenue reduction.

The existing budget statistical reporting makes it possible to analyze four types of budget expenditures: expenditures on state investments GI, expenditures on maintaining social needs (education, healthcare, etc.) GS, expenditures on social protection GOTH, and expenditures on public administration GRX, and obtain regression equations for these indicators. The conducted econometric analysis showed (see Table.1) that GRX public administration expenditure was the

most vulnerable to revenue decline in the reporting period. A reduction in the growth rate of total budget revenues by almost 1 percentage point led to a drop in the rate of this item of expenditure by an average of 2.4 percentage points against 14 percentage points for state investments. Spending on social needs and social protection was the least sensitive. The corresponding elasticity coefficients for them were 0.79 and 0.88. In general, this confirms the conclusion about the social orientation of budget policy, which contributes to the growth of the quality of human capital - one of the most important factors in the growth of the economy as a whole.

In turn, the growth rate of budget revenues depends on the growth of the economy as a whole. This is evidenced by the parameters of the equation linking GR with GDP. At the same time, each additional percentage point increase in GDP growth increases the dynamics of budget revenues by 0.45 percentage points.

Approximately the same elasticity is typical for the relationship: income tax ~ average salary. An increase in wages by 1 percentage point leads to an increase in the growth rate of budget revenues for this item by 0.43 percentage points. Indirect taxes are more sensitive to GDP dynamics. A change in the tax base of $GDP \cdot rVAT$ (where $rVAT$ is the VAT rate in industry) by one percentage point changes the dynamics of $INDTAX$ by 0.98 percentage points.

Thus, budget revenues and expenditures are closely related to economic dynamics. Consequently, improving the situation in the branches of budget regulation is possible only if the development of the real sector of the economy is accelerated, its structure is improved, and the efficiency of using all potential factors of economic growth is increased.

The key issue of justifying the parameters of fiscal policy is the justification of the optimal level of government spending at various stages of its development. There are a very large number of studies on this issue in the world. Their general conclusion is that within a sufficiently long time interval, there is a statistically significant negative relationship between government spending and economic growth. However, some researchers consider the reliability of such a link to be

insufficient. Their main argument is that as the sample size (the number of States analyzed) increases, the explanatory power of the resulting regressions decreases sharply. So, if for 24 countries – $R^2 = 0.4$, then for 166 countries the value of this coefficient is reduced to 0.0411.

The reason for this lies in the heterogeneity of the countries used in the single sample, i.e. in its heterogeneity. This is evidenced by the results of research. They analyzed 46 potential predictors (predictor factors) that determine government spending. As a result, it was found that the statistical uniformity of the sample, and therefore the reliability of the resulting regressions, significantly increases when all countries were divided into 4 categories by population (less than 1 million people, from 1 to 5 million people, from 5 to 20 million people, over 20 million people) and three categories by level of population. development (up to 3 thousand dollars per capita by GDP, from 3 to 9 thousand dollars). and more than 9 thousand dollars). According to this classification, Uzbekistan falls into the 4th group (the 4th category in terms of population and the 1st category in terms of income-the group of large poor countries).

This group includes 14 developing countries and countries with economies in transition. The average level of state revenues for the group was 19.7% of GDP (according to the consolidated budget), government expenditures – 24.2%, and the budget deficit-4.5%.

Uzbekistan's budget parameters differ from these average estimates primarily by the lower level of the budget deficit (no more than 1% over the last 3-4 years) and the higher level of state revenues and expenditures (32-34%).

The equations obtained as a result of econometric analysis for each group showed that three out of nine of them are characterized by a positive relationship between growth and the size of the state (according to the budget expenditure indicator, in % of GDP). These are states with a population of less than 1 million people. For all the others, the relationship was negative. At the same time, the fourth group, which includes Uzbekistan, was characterized by the highest degree of this relationship. A 1 percentage point reduction in government spending

boosted GDP growth by an average of 0.32 percentage points. Research by Russian scientists has also shown the critical size of the state. For the 4th group, this is about 35%. If it is exceeded, steady growth stops and a decline begins.

For the countries of the fourth group, this estimate is 20-24%, while for Russia it is in the range of 18-21%. The values of the corresponding points for Uzbekistan were estimated on the basis of statistics for 1991-2013. As an approximation curve, we used a polynomial of the 2nd degree: the obtained results correspond to the critical point, the level of government spending in 43-44%, and the optimal one - in 36-37% ⁴. The dynamics of actual expenditures in recent years has had a downward trend, and their value in 2013 was about 33% of GDP, i.e. the optimal value of this parameter has already been passed. Thus, further reduction of this parameter will contradict the goals of accelerating GDP, which requires a review of the priorities of tax reform. The mechanical reduction of tax rates and numerous tax incentives should be replaced by the principles of a more even distribution of the tax burden, increasing the role of direct taxes and rent payments, and the maximum possible legalization of small and private business income circulating in the shadow sector of the economy. The center of gravity of tax policy should be shifted from the sphere of production to the sphere of consumption, to expand the tax base primarily through resource payments and market valuation of real estate.

The impracticality of further reducing the size of government spending in the current circumstances is also confirmed by the fact that in addition to the relative level of spending, it is important to take into account their absolute value, and above all in terms of per capita. If we use the direct account and the official dollar exchange rate, then in terms of per capita in 2002-2013, they amounted to only \$ 120-140, compared to \$ 330-400 for Thailand and Turkey, and \$ 1200-1500 for Malaysia and South Korea, which indicates that the country's budget potential is insufficient. Further reduction of the share of budget expenditures in the context of strengthening the integration of Uzbekistan into the world economy will further reduce this level. This can only lead to a rapid loss of the remaining foundations of

free medical and secondary education, reduce the level of pensions, allowances, and average salaries in budget-funded organizations, increase social tensions, exacerbate gender problems, reduce the quality of public services, and initiate additional instability in society and in the economy.

At the same time, it should also be taken into account that the result obtained corresponds to the specific conditions of the reporting period (1991-2013), and the recommendation that further relative reduction in government spending is inappropriate is valid only for a short-term period, provided that the current pace and priorities in implementing reforms are maintained. In the long run, however, as the dollar estimate of government spending per capita increases, the downward trend in relative budget expenditures should be restored. The estimate obtained for the fourth group of states, which, as shown above, amounted to 20-20% of GDP, can serve as a guide for the optimal amount of government spending. Overcoming the trends in budget regulation identified and discussed above and ensuring an optimal combination of budget and macroeconomic indicators will require improving tax policy in the direction of consistently reducing the tax burden on producers in non-resource sectors of the economy and on low-income segments of the population, simplifying the mechanism and equalizing tax conditions, and bringing the current tax code to the requirements and standards generally accepted in other countries. To do this, it is necessary as a matter of priority: - to review the tax legislation in the direction of limiting the total number of types of tax exemptions, simplifying methods for their assessment, and bringing in line with international standards methods for determining the tax base of income tax; – when determining the size of marginal tax exemptions in the raw materials and extractive sectors of the economy, of manufacturing industries to extractive industries, while maintaining the necessary conditions for the latter to maintain a normal level of profitable production and self-financing opportunities – - indirect taxation should be improved in order to reduce the impact on inflationary processes, reduce the tax burden on production. - the introduction of fixed excise tax rates on tobacco and alcohol products will facilitate the simplification of indirect taxation. Ensure

gradual reduction of the list of excisable goods, as well as gradual unification of excise tax rates for imported and manufactured products in the republic (establishment at the first stage of uniform excise tax rates for imported products that are part of the same product group) – - cancellation of most of the existing tax benefits, which will contribute to ensuring conditions of equal competition and limiting corruption in the in the tax sphere, will increase the transparency of the taxation mechanism, simplify the work of enterprises in calculating taxes, and facilitate control over the performance of tax duties; – take measures to ensure greater stability of the tax system by legally limiting the frequency of adoption of new resolutions and changes in bylaws and departmental instructions in the tax sphere.

Simultaneously with these measures, it is necessary to strengthen the role of local taxes and fees in shaping the revenue base of local budgets. As a matter of priority, it is necessary to introduce a mechanism to encourage local authorities to strengthen the revenue base of local budgets. The ratio of tax revenues to the national and local budgets should be reviewed. Local budgets should accumulate more revenue from indirect taxes, resource payments, and other non-tax revenues.

2.3. Impact of fiscal policy on aggregate demand and GDP

The economic development of all countries is cyclical.

As J. M. Keynes noted, " by cyclical movement we mean a development of the economic system, for example, in the direction of an upswing, in which the forces that cause it accumulate and strengthen each other, but then gradually weaken, until at a certain moment they are replaced by forces acting in the opposite direction."

The tortuous path of development of economic powers after World War II, a vivid example of which is the economic development of Japan, largely confirms the cyclical path of development of the country's economy. To demonstrate the cyclical nature of the transition economy, we are impressed by the experience of

Japan's economic recovery. We are interested in the experience of this country in the context of post-war economic recovery and further stages of achieving economic growth. Since 1955, ten years after the end of the war, Japan has moved towards building a modern economic power. After a long and tedious debate in political and business circles, post-war Japan adopted a policy of settling the economic situation through foreign trade. In this case, the experience of Japan demonstrates a clear state intervention, or in other words, state regulation of foreign trade processes, which, in turn, focuses on increasing export volumes. This suggests stimulating the volume of aggregate supply in an open economy. Today, it is clear that for a country like Japan – a country with scarce natural resources, a large population and a small territory-this decision was the right one. At that time, the Japanese government did not even realize to what extent the achievement of economic development goals depends on the scale of foreign trade. In 1959, Japanese exports totaled only \$ 3 billion. 400 million dollars, and the volume of steel production is only 18 million tons. By agreeing on quantitative indicators and taking into account demographic growth, so that per capita incomes double (the "Income Doubling Plan" developed at the initiative of Prime Minister Ikeda in 1960), it was calculated that in 10 years, i.e. in 1970, exports should be increased to 10 billion dollars, and the annual steel production will be at least 50 million tons. At the time, public institutions and the private sector were not confident of meeting these targets. However, it turned out that in 1970, the volume of Japanese exports reached not 10, but 20 billion dollars. In 1973, the corresponding figure was \$ 40 billion. At the same time, 92 million tons of steel were produced in 1970 and 120 million tons in 1973. By the way, this latest figure – 120 million tons - is the highest for the entire post-war period, up to the 90s of the last century.

Meanwhile, in the 70s, the Japanese economy took another major turn. The reason was the first oil crisis of 1973. Before that, Japan, which has become the world's largest oil importer, paid more than two dollars per barrel of oil. As a result of the oil crisis, the price immediately jumped to \$ 10.50, and then increased even more. This was a terrible blow to Japan's growing economy. Therefore, measures

aimed at curbing economic growth, reducing imports, especially oil imports, and rebuilding the industrial structure based on the mass consumption of oil as an energy raw material were immediately on the agenda.

The example of cyclical development, even if the phenomenon of the "Japanese miracle" exists, once again convincingly shows that external and internal factors generated by crisis phenomena, in an open economy, will still cause an appropriate reaction of the national economy to regulate aggregate demand and aggregate supply in order to achieve planned economic growth indicators. The question is what tools should be used to make state intervention in the course of business management decision-making. The opinions of representatives of schools of economic theory on this issue have distinctive characteristics. Before answering the question – what tool should be used for state influence on the value of aggregate demand or GDP-it is necessary to find out for what purposes such influence is implemented, what goals does the state pursue? In the case of post-war Japan, the state conducts a coordinated financial and monetary policy in order to reduce the amount of consumption (oil imports), while restraining economic growth, which on the surface is understood as the impact of the oil crisis. In fact, here the state responded to the state of the global economy in an appropriate way, which is a clear example of successful and coordinated actions of state bodies to prevent the consequences of global crises.

We are interested in the experience of Japanese reforms in the context of developing further measures and measures for constructive state intervention in the course of economic and social development of the Republic of Uzbekistan.

Throughout the modern world, cyclical development is characterized by active state intervention in the course of the economic cycle in order to achieve greater sustainability of economic growth. As can be seen from the history of the development of economic powers, sometimes it is necessary to restrain economic growth through fiscal or monetary policies. But we are of the opinion that government intervention is appropriate during a downturn in the economic cycle.

Government spending and taxes are actively used by the authorities to influence the economic situation. By manipulating them, the state can influence aggregate demand and GDP to achieve the planned values for the development of the national economy. When considering government spending, it should be noted that it increases the amount of total spending in the market and stimulates the growth of aggregate demand, and therefore an increase in GDP. As a result of public procurement, aggregate demand will increase by the amount of government spending. Conversely, a reduction in government spending means a reduction in total spending and a reduction in GDP production.

Consequently, government spending has a direct impact on national output and employment.

Now let's look at how taxes, another component of fiscal policy, affect aggregate demand. An increase in taxes leads to a decrease in real net income, and consequently to a reduction in consumer spending of the population, which will affect the entire amount of total expenditures. If investment and government spending remain the same, a decline in consumer spending will reduce GDP and employment.

High taxes reduce incentives to work, produce, invest, and save, thereby reducing economic growth. At the same time, it is often noted that the complexity of accounting and tax reporting, the complexity and ambiguity of legislation, and the cumbersome procedures related to the calculation and payment, as well as reimbursement of taxes, can be equated with an additional tax burden. High taxes increase incentives for tax evasion, which reduces the quality of tax administration, all other things being equal. Here it is appropriate to present the results of the analysis of the tax burden on the economy of Uzbekistan as a share of tax revenues in the value of GDP.

We will translate the data from the table into corresponding diagrams to compare the growth rates of three interrelated indicators in the framework of tax burden analysis, namely: GDP dynamics, actual tax payments to the budget, and the share of taxes in GDP. Thus, it is easy to see that GDP in monetary terms for

the analyzed period, that is, from 2000 to 2022, maintained a constant upward trend. Almost the same trend, but with only a slight difference, continued in the dynamics of the share of taxes in GDP, that is, in the tax burden.

Accordingly, the actual tax payments to the budget repeated the same dynamics. Almost the same trend, but with only a slight difference, continued in the dynamics of the share of taxes in GDP, that is, in the tax burden.

It would seem that it is possible to formulate initial conclusions based on the share of taxes in GDP, the level and quality of the tax burden, interpreting the correspondence of the trend dynamics of all three indicators. It is even possible to draw initial conclusions that the share of taxes in GDP is not so large and has not reached its critical value. However, we had to take into account some characteristics of the national economy in order to have a more correct view of the state of affairs related to the tax burden, in order to provide answers regarding the overall tax collection rate. Among these characteristics, in our opinion, the main ones are the following:

- the analyzed statistical data are somewhat exaggerated in terms of GDP growth rates. To get a more correct conclusion, it is necessary to analyze other parameters of changes in the GDP indicator in the transition economy.
- It is necessary to take into account the fact that the main producers of GDP in Uzbekistan are, in fact, households. This is primarily due to the structure of the share of GDP producers in Uzbekistan.

According to the Statistics Agency, the main macroeconomic indicators in the Republic of Uzbekistan have not yet reached the level of 1991. (beginning of market reforms).

The study of macroeconomic indicators for the Republic of Uzbekistan leads to the conclusion that before 1996, the country experienced a systematic decline in real GDP, and only since 1997 there has been a trend of rapid growth. According to official statistics, GDP in 1996 amounted to 32.5% of the level of 1991, while GDP per capita during this period decreased to 30.8% of the level of 1991. The same pattern is observed in the dynamics of GDP per employee, which is an

indicator of the productivity of the labor factor at the level of macroeconomics. It should be noted that the dynamics of GDP, GDP per capita and GDP per employee are taken into account here not by chance, but on purpose. Thus, we decided to note that the functioning of any macroeconomic agent is closely interrelated with the overall picture of the functioning of the national economy. This is explained by the fact that the effective functioning of the national economy is closely intertwined with the functioning of its individual subjects (in our case, taxpayers).

It should be noted here that taxes generally lead to a decrease in the income of the population, but it should be noted that not all income is directed to consumption. Some of it goes into savings. If this did not happen, then the entire amount of taxes would mean only a deduction from consumption. But since disposable income is divided into two parts – consumption and saving, then a decrease in income will cause a reduction in both consumption and savings.

It should also be noted that "firms consider taxes as costs, so an increase in taxes leads to a reduction in aggregate supply, and a reduction in taxes leads to an increase in business activity and output."

Thus, taxes are not only the main source of state revenue, but also an important tool for stabilizing the economy. It can be noted that the increase in taxes causes a decrease in disposable income, and this leads to a reduction in consumption and savings. In addition, tax cuts, by stimulating an increase in aggregate supply, affect investment activity and contribute to the growth of economic potential, i.e. they affect the economy not only in the short term, but also in the long term, ensuring economic growth.

In this regard, it should be noted that the state can change the volume of aggregate demand and aggregate supply by increasing or reducing taxes and public spending.

In the modern economy, the share of public finances in total GDP is steadily increasing (including the state budget with its main components

– government expenditures and taxes). Manipulation of government spending and taxes is associated with specific business activities, either during recessions or during highs.

Thus, during the recovery period, the state reduces its spending in order to reduce the growth of aggregate demand and GDP. In times of recession, on the contrary, the authorities increase budget expenditures to support both aggregate demand and GDP.

The trends in GDP growth and government spending have a direct correlation between them (although not very strong), which is dictated by the laws of economic theory as a science. Thus, it can be noted that, in contrast to maneuvers with public spending, during the period of economic recovery, the state usually raises taxes, thereby reducing the income of the population and firms, and with them – and expenses. As a result, aggregate demand decreases, and consequently GDP growth slows down.

The main conclusions on the impact of government revenues and expenditures on aggregate demand and GDP can be formulated as follows:

1. In modern conditions, the role of the state budget with its components is particularly increasing: in essence, it is an instrument through which the state forms and uses centralized funds of financial resources. In addition, taxes and government expenditures, as components of the state budget, have a direct impact on the volume of national production, employment, consumption, savings, and consequently on aggregate demand and aggregate supply, thereby acting as a tool for stabilizing the economy.

2. Due to the cyclical development of the economy, the state, through public spending and taxes, should intervene (especially during a downturn) in the course of the economic cycle in order to ensure macroeconomic equilibrium and more sustainable economic growth. As one of the components of government spending, the growth of public procurement increases the equilibrium level of output. This mechanism of influence of public procurement on output suggests that during a

downturn, public procurement can be used to increase output, thereby increasing the volume of aggregate demand and output.

In turn, tax cuts, while stimulating an increase in aggregate supply, also affect investment activity and contribute to the growth of economic potential, thereby ensuring economic growth.

3. The tax burden as a macroeconomic indicator that characterizes the role of taxes in stimulating economic growth is important in the interests of our research work. Only an optimal tax burden can contribute to the effective implementation of fiscal policy. Based on the results of the analysis, it can be assumed that the share of taxes in GDP in the country is not so large, but it is necessary to take into account the indicators of tax collection.

CONCLUSION

Taxes, as one of the most important economic instruments of state regulation of the interests of all subjects of society, can be either a prerequisite or an obstacle to the well-being of the country. Therefore, each state, especially during the period of socio-political and economic reforms, should pay close attention to the formation of an effective tax regulation mechanism - the main task of tax policy.

Such a mechanism will not only ensure the necessary centralization of public funds, but also manage economic growth, regulate foreign economic activity, attract foreign investment and ensure the movement of these investment flows in the direction of the priorities chosen in society and thereby contribute to the structural restructuring of the economy. The level of taxation in any country reflects the basis of budget revenues and characterizes the degree of state participation in economic processes.

An effective tax system requires, on the one hand, ensuring sufficient and stable revenues to the state budget, and on the other, reducing the tax burden on the economy and implementing the stimulating function of taxation.

The predominance of the regulatory function of taxes, low tax rates should be positively reflected:

- on incentives for work and entrepreneurial activity;
- Increasing production volume, increasing labor productivity;
- Increased consumption due to an increase in non-taxable income;
- more efficient use of the state budget, limiting government intervention in favorable sectors of the economy;
- Price level and inflation;
- The relationship between the legal and “shadow” economy.

The main goal of reforming the tax system is to achieve a balance of interests of the state (in terms of tax collection) and business (in terms of economic development opportunities).

As the main directions for reforming the tax system of our country, we can propose a step-by-step solution to the following most pressing tasks for representatives of the real sector of the economy:

- Reduction to a minimum, and subsequently the abolition of taxes paid from revenues (turnover taxes);
- Reducing the tax burden on the payroll fund;
- Reducing the number of payments by combining similar or eliminating small taxes and fees with high costs of their administration;
- Revision of the mechanism for forming the base for calculating income tax;
- Reducing the rates of certain types of taxes as the base for their calculation expands;

Thus, the need to maximize state revenues based on stimulating production growth and the limited capabilities of business entities and the population are overcome through tax rates and benefits. It is precisely this manipulation of the main instruments and levers of tax regulation (rates, benefits, tax base) that will help to get out of the financial crisis as quickly as possible and can play a decisive role in a rapid economic recovery.

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