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ADAM SMITH'S LEGACY TO THE ECONOMICS DISCIPLINE

Adam Smith, well-known as the father of Economics, wrote *The Wealth of Nations*, which is believed to have laid the foundation of economic thought and led to emergence of various schools of economic thought. Smith was a lecturer at the University of Glasgow where his concern was morality and ethics. Smith's writings were considered revolutionary in those times. It is worth to say that his views not only had an impact on the Europeans but also on those who mapped out the structure of the US government.

Smith left a legacy and had an impact on the discipline of economics even though his intentions were not to create a ripple effect. It has been argued that Smith did not aim to write just on economics, in fact, his writings focused around morality and economics. Amongst many things, Smith advocated that free exchange and competitive markets would harness self-interest as a creative force. Directed by the 'invisible hand' of market prices, individuals pursuing their own interests would be encouraged to produce the goods and supply of the resources that others value cost highly relative to cost [1, p. 246-255].

Smith's concept of invisible hand led to emergence of new classical economists who supported the classical view and opposed Keynesian view on the subject that market forces do not automatically adjust and the economy does not automatically come back to full equilibrium levels. He argued that the wealth of a nation did not lie in gold and silver, but rather in the goods and services produced and consumed by people. According to Smith, co-ordination, order and efficiency would result in the planning and direction of central authority [2, p. 11].

Smith's contribution to the economics discipline is invaluable. While it can be argued that Smith might not have had a deep insight into the various aspects of economics, however, the points he raised in *Wealth of Nations* led to various schools of thought to come with arguments and counter arguments [3, p. 69]. Thus, Smith cannot be considered to have all the answers for all the economic problems, but he has contributed by making economic writers think and re-

think and in many cases modify theories and explanations and helped economics discipline to explore various facets.

Smith's contribution can never be quantified; it would suffice to say that he laid down the foundation of economics. Various concepts and ideas that he had discussed in *Wealth of Nations* such as competition, specialization and division of labor, automatic adjustment of market forces have been keys in understanding the principles of macroeconomics. In summary it can be said that Smith has left behind a legacy laying down foundations for further research in economics.

References:

1. Farmer, D.J., Contemporary Conceptual Space: Reading Adam Smith, *Journal of Management History* 3 (3), pp 246-255
2. Gwartney, James D., *Economics Public and Private Choice*, 9th edition (2000), The Dryden Press, p.11
3. Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776; Cannan's ed. Chicago: University of Chicago Press, 1976), p.69

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SHADOW ECONOMY

Shadow economy is the part of an economy involving goods and services which are paid for in cash, and therefore not declared for tax.

Shadow economy is a significant element of all economic systems without exceptions. Also known as the informal sector, the black economy, the underground economy, or the gray economy, the shadow economy includes criminal activities such as drug dealing and smuggling, as well as legal jobs, such as gardening, working in construction, or selling products to car drivers at traffic lights [1].

Shadow economy is problematic for a lot of arguments. One of the goal of lawmakers and government is to provide rules and regulations that players in the economy have to comply with.