

BUDGETARY POLICY AND ITS DIRECTIONS. FROM GLOBAL TO PARTICULAR FOR THE EMERGING ECONOMIES INSIDE THE EUROPEAN UNION

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Abstract:

The cognitive approach which represents the fund of the present article aims, as order of the discussed issues, the definition of budgetary politics (the starting point being the term of "policy", in its general acknowledge), as a subcomponent of the financial policies and respectively public policies, the identification of the motivation for the necessity of formulation and implementation of such policies, the directions in which they act and some examples of it for the emerging economies inside the European Union. There then followed, inside the present article, the terminology subordinated to the public politics notion, the approach of the public revenues and expenditures – as budgetary structures and the identification of certain economic effects imposed by the state of persistent budgetary deficit.

Key words: budgetary politics, revenues, expenditures

JEL classification: H10, H11, H62

INTRODUCTION

Generally putting the problem, the term of "policy" is characterized by inconsistency when is reporting on specific aspects, reason for which was put the accent on making a clear distinction regarding the use of this concept and, respectively, the one of public policy. This statement is based by using, for example, in English, of terms such as „policy” if we talk about an action program set of group or party and, respectively, „politics”, if designating State decisions vis-a- vis of various aspects of social life. Also, in French are using terms such as „politique” to describe the policy as a whole and, respectively „politique publiques”, the designation public politics. As a source of occurrence, the necessity pf economic/public politics (as dimension which includes the subset of fiscal policy) is related to State intervention on a variety of variables with economic and social character, to achieve certain objectives which are producing positive changes over the state of the existing economy at a time. The large number and complexity of the problems with the state is facing, in the current economy, and which are trying to solve, requires a significant and varied number of public politics fact that make almost impossible to describe them fully. The refining of the public politic term on the criterion of public decision centers reporting, represented by the central or local public authorities, make appropriate the term presentation and some of its subordinate concepts (Table 1).

Table 1 The expression of public policy and its subordinated concepts

Concept	Associated definition
Public politics	The contextual frame that creates the conditions necessary for the achievement of the government policy directed to areas of public life such as education, national defense, welfare, cultural activities etc.
Financial politics	Main component of public policy identified by an instrument of action in the direction of the economic policy set by Government, the ultimate goal

Concept	Associated definition
	being the economic growth and the public needs.
Budgetary politics	Represents the budgetary options of a public decision center (governmental or central authority, local authority) targeting the economic and social finalities.
	Basic policy through which is achieved the budget forecasting and authorization role, as main policy with operative and binding nature of the state; The state's concept and actions looking the public revenues and expenses, the means to raise revenues, the expenses types and dimensions through which can interfere directly in case of instability or for economic revival; Express the economic relations in cash formed inside the process of the GDP's (gross domestic product) distribution, according to the goals of the economic, social and financial policy; Instruments of the state for the implementation of the state's different objectives.

CONCEPTUAL ELEMENTS OF BUDGETARY POLITICS, OBJECTIVES AND FISCAL IMPLICATIONS OF IT

Being dependent of legislative and, respectively, executive authorities behavior, the budgetary politics may be associated to a course of action targeting decisions that will be applied in order to achieve objectives smaller than the one which are affecting the economy and the national interests as a whole (whose implementation is envisaged macroeconomic policy type, the government intervention being perceived as being in the interest of the whole society even if, not infrequently, their implementation by the executive makes them ineffective), but superior, as effects, to the satisfaction of the individual interest. In terms of structure, the budgetary politics (subordinated as dimension to the financial one and, implicitly, to the public one) follows the budget composition targeting the budgetary revenues, the expenses of the same nature and finally, the budgetary outcome towards secure and maintaining the balance state.

PUBLIC REVENUES – ELEMENTS FOR TARGETING THE BUDGETARY POLICIES

The relevance of realistic sizing of the public revenues lies in the fact that they are identified with the monetary expression of the resources used to finance the public expenses. Their collecting is based on the coercive power of the state, they are reflected over the state functionality, are permanently necessary and connected to the growing needs of the society. As consequence, we can identified as targets of the budgetary politics, looking the revenues part, the following aspects: the identifying of the sources of the funds which are necessary to the public sector; the mode in which these are collected to the budget; the actions with economic, social or any other character towards which the State resources are channeled. Given that, as is evident from Table 2, inside the composition of the budgetary resources of Romania, as part of the Europe emerging economies, the most important place is occupied by the current revenues (consisted mostly of tax revenues) we intend, further on, the addressing of certain issues related of these.

Table 2 The ratio of tax revenues in the current revenues for Romania's state budget case
(mil.lei)

Indicator	2007	2008	2009	2010	2011	2012
Current revenues	48.438,5	59.125,3	53.530,0	64.825,1	77.058,3	32.769,6
Tax revenues	44.916,7	54.980,0	49.405,0	56.305,1	69.527,7	30.312,3
Weight (%)	92,7	92,9	92,3	86,8	90,2	92,5

Own processing by source: Ministry of Finance, Accounts of the state budget execution, 2007- 2012 (May), <http://www.mfinante.ro/execbug.html?pagina=buletin>

Perceived as „instruments of income redistribution between the society's members, of protection for the one with low economic capacity, for limiting the consumption of products harmful to human health” etc. [10], taxes give consistency to the formulation and implementation of fiscal politics, with action on the budgetary revenues. In order to achieve these objectives, the State decision bodies make their presence felt in fiscal policy, by setting the required number of taxes (even if no one can say with certainty about its dimension) and, respectively, of their amount. An important aspect to be taken into account, in the particular case of the emerging economies, is that such countries are characterized by none past accumulations of funds which may be subject to subsequent redistribution. Among the factors which cause such a situation we can mention: there is a surplus of fixed assets in relation to the current assets (production structures static and oversized etc.), with a lesser degree of liquidity; conditioning the economic development of internal financial resources, usually undersized; the tendency to support certain social protection oversized systems; the existence of inefficient industries or businesses by the fact that the output released by their activity does not justify, most times, the input represented by the high level of the financial resources consumed. Such conditions requires that fiscal dimension of the revenues budgetary fiscal politics can be focused only in two directions: economic, in detrimental of the social component, or vice versa. In another order of ideas, the structure and the dimension of the fiscal base, as a source of budget revenues mobilization, proves its major importance in the distribution of the tax burden on taxpayers. And we say that because, the desire to implement modern tax systems in the public sector of the emerging economies neglected the aspect of lack of modern infrastructure by the same nature, fact which had led to an inadequate tax legislation, characterized by focusing the tax burden mainly on economic agents and on employees. The vicious effect of this situation was established in the altering of the economic development by inhibiting the accumulation of capital, reducing the investments, the discouragement of individual consumption etc. The efforts was focused, as consequence, on one hand, on the adoption of fiscal policies widening the tax base. That will compensate, on one side, the relaxation of existing tax burden on economic agents and on the middle class (considered to be the real engines of economic growth), and on the other side, towards resources ensuring which are necessary to finance the deficits arising from the inability of the State to reduce public spending. In the context of this exposure, a picture of the tax burden inside the emerging economies of the European Union is described in Table 3.

Table 3 Comparative situation of the fiscal pressure inside the European Union emerging economies at the level of the consolidated state budget (mil. national currency)

Year	2007	2008	2009	2010	2007	2008	2009	2010
Bulgaria				Hungary				
Total revenues	24.627	27.697	24.832	24.608	11.386.91	12.085.84	12.015.09	12.080.34
Tax revenues	14.955	16.692	14.357	14.143	6.577.46	6.971.79	6.820.67	6.803.85
Fiscal pressure (%)	60,70	60,26	57,81	57,47	57,76	57,68	56,76	56,32
Average fiscal pressure (%)				59,06	Average fiscal pressure (%)			57,13
Latvia				Lithuania				
Total revenues	5.236	5.606	4.519	4.602	33.366	37.994	31.544	32.181
Tax revenues	3.165	3.323	2.339	2.385	20.482	23.185	15.992	15.673
Fiscal pressure (%)	60,44	59,27	51,75	51,82	61,38	61,02	50,69	48,70
Average fiscal pressure (%)				55,82	Average fiscal pressure (%)			55,44
Poland				Romania				
Total revenues	474.292	503.979	499.215	531.088	127.108	164.466	156.624	168.598
Tax revenues	267.245	290.667	272.985	290.930	76.365	94.044	88.324	93.060
Fiscal pressure (%)	56,34	57,67	54,68	54,77	60,07	57,18	56,39	55,19
Average fiscal pressure (%)				55,86	Average fiscal pressure (%)			57,20

Own processing by sources: Eurostat, Government Finance Statistics 2011,
http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/data/main_tables;
 Ministry of Finance, Romania's consolidated budget, 2007 – 2012 (May),
<http://www.mfinante.ro/execbug.html?pagina=buletin>

According to the Table 3 data, the tax burden, identified with the tax burden imposed on taxpayers or contributors and reflected by the weight of the tax revenues in the budgetary revenues as total, registered a 56,75% average at the level of the European Union emerging economies group. From other approach, the decreasing of the same kind of public expenses (salaries) leads to the increasing of the number of unemployed people, followed by the necessity to allocate resources for their support and retraining programs, with direct impact on budgetary revenues. And last but not least, because examples may continue, the reducing of the public expenses discouraged the consumption, acting negatively on the financial results of the economic agents, on the inability to build or maintain property assets, creating a new negative impact on budgetary revenues (by reducing their part represented by the indirect taxes – VAT, property taxes etc.). The reducing of the public expenses, concentrated as previously stated, on the salary component of it, "bypassed" in greater or less measure the tax

arrears. All of this situation have resulted in failure of the programmed level of state revenues, followed by the impairment of available resources (and so scarce) in the maintenance of existing structures, most often characterized by inefficiency. What is needed to be said about the successful formulation and implementation of revenues policies is the negative impact that it has on them the impossibility of effectively managing public expenses, associated with a number of issues caused by tax evasion and due to its nature of phenomenon difficult to quantify, impossible to eradicate and caused by deficiencies in current legislation, excessive taxation, the subject of taxation behavior, corruption of tax authorities etc.

THE APPROACH OF THE BUDGETARY POLICIES THROUGH THE PUBLIC EXPENSES AND THEIR SIZING AT ROMANIA'S GENERAL CONSOLIDATED BUDGET LEVEL

The existence of the budgetary expenses lies in the need to fulfill state functions and represents how to use budgetary resources, to meet the economic and social needs released by the interconnection relations between the state and various individuals or juridical persons. As consequence, the adoption of financial politics in the budgetary expenses domain is following elements such as: determining their volume and structure; identifying methods and tools used for their financing; defining objectives that the state is considering carrying out such expenditures and defining lines of action needed to achieve them. As finality, public expenses are reflected in payments that the state carried out on different destinations, for the proper functioning of public authorities and institutions which gives the dimension and intensity of state's intervention in the economy (central and local administration, defense, public order and national security, social-cultural costs, public development, housing, environment and water, economic actions etc.). Value judgments on the size and structure of budgetary expenses refers to two different approaches, first by quantitative nature and the second one with qualitative meaning (Table 4).

Table 4 The comparative of the concepts looking the public expenses

Typology approach	Characteristics	Comments
Quantitative	Conditioning the budgetary sizing by the volume of the same type expenses	The existence of the risk to affect public funds on not justified destinations (military expenses for the situation when the respective country is not a recognized fighting force etc., public acquisitions of fixed assets which are not proving their necessity and, in no case, their efficiency etc.) or the impossibility of collecting budgetary revenues in a volume to assure the meet of those expenses. A possible occurrence of an excessive taxation channeled to the desire of expenses covering or to the call for internal or external credits with the purpose to assure the necessary revenues, with consequences in the direction of the budgetary deficit appearance or increase.
Qualitative	Establishes priority the revenues possible to be mobilized at the budget and after that the expenses dimension and structure	Realistic approach in which, according to the dimension of the revenues possible to be mobilized it will proceed to a "destinations screening" on which it will be channeled to satisfy the urgent needs with economic and social character (investments, increasing literacy, improvement of public health, ensuring decent living conditions for the retired persons, as former supporters of the proper state through the been paid budgetary contributions etc.).

For Romania, the volume and the structure of the general consolidated budget expenses (current and capital), are presented in Table 5.

Table 5 Volume and structure of expenses inside Romania's general consolidated budget (mil. lei)

Expenses structure	2007	2008	2009	2010	2011	2012 (May)
Total expenses	136.556,5	189.121,7	193.025,4	201.903,6	205.403,6	84.777,6
Current expenses	122.127,8	166.371,3	172.340,9	182.985,3	182.835,4	78.297,4
Staff costs	25.588,9	43.344,5	46.710,7	42.806,5	38.496,3	16.142,6
Goods and services	25.835,1	33.225,5	28.835,0	29.801,2	31.770,8	13.152,5
Interests	2.739,7	3.893,3	6.061,8	7.274,0	8.882,9	4.861,1
Subsidies	6.873,7	7.835,6	7.215,4	6.734,6	6.406,6	2.887,9
Capital expenses	14.410,4	23.203,4	3.175,3	19.368,9	23.055,9	6.766,6

Own processing by source: Ministry of Finance, Romania's consolidated budget, 2007 – 2012 (May), <http://www.mfinante.ro/execbug.html?pagina=buletin>

As reflected from the examination of the data systematized in Table 5, the total volume of the public expenses registered a continuous increasing on the period under review (data for the year 2012 are partial so we take into discussion as such). Of structurally point of view, the personnel costs prevail in the total public expenses for the general consolidated budget, in comparison with the capital expenses. This situation can only be the sign of a budgetary politics of Romania oriented to the personnel, to the detriment of the investment expenses whose effects would manifest both in increasing public sector efficiency (by upgrading the existing infrastructure), in the private business development (by launching commands procurement of fixed and current assets) and even in terms of increased budgetary revenues, the related tax gains arising from investments in financial assets (tax on dividends). For a better illustration of where the expenses budgetary politics was oriented in 2007-2012 (May) we are mentioning that, reported to the total expenses, personnel expenses recorded as weight the values: 18,73%; 22,91%; 24,20%; 21,20%; 18,74% and 19,04%. In contrast, the situation of the capital expenses reported to the total expenses was, as a percentage, the following one: 10,55%; 12,26%; 12,00%; 9,59%; 11,22% and, respectively, 7,98%. As consequence, for the period under review, the medium values represented by the weight of the personnel expenses (15,51%) and, respectively, by the weight of the capital expenses (10,60%) in the total public expenses for the general consolidated budget shows a clear orientation of fiscal policy to the social aspect, to the detriment of the economic one.

THE BUDGETARY RESULT– INFLUENCE FACTOR FOR COUNTRY'S BUDGETARY POLITICS

The part of the budgetary politics focused on the revenues direction and, respectively, to the expenses is followed by the one related to the budgetary result. That is an instrument of economic politics because in both forms (surplus or deficit) influence the level of aggregate demand. The situation characterized by budgetary surplus is working to restrict demand direction (the public needs are fully met) while the state of budgetary deficit is, According to the keynivist concept, a measure of unmet and growing demands, which can stimulate the economic recovery (to get the revenues needed to cover the expense it can proceed to boost consumption, investments, increasing employment of labor etc.). Contrary to this ideology, Liberals promote not only the idea of the impossibility of persistent budget deficits to adjust the economy but, more, sustain its disruption through the effects it generates and which represents real

issues facing not only emerging economies, but even highly developed countries (Table 6).

Table 6 Economic effects imposed by the persistent budgetary deficit situation

Effect's type	Comments
Increasing indebtedness	To decrease the deficit, government can apply for loans from the private sector under the form of bond loans.
Higher interest payments	Loans contracting and their costs (interests) have the effect of increasing public debt which, to be repaid, put pressure over the future generations through bigger taxes.
Tax increasing and public expenses decreasing	The budgetary diminution, on one or other of this ways, will have impact over the labor market by the reducing of the individual interest to work because of the fact that the bigger part of the work earnings will be lost on taxes or because peoples consider that their work is not sufficiently rewarded to ensure a comfortable living.
Increasing interest state loans	In an effort to identify potential investors that would provide financial resources necessary for the budgetary deficit financing, the state can increase the interest rate on contracted bond loans, fact that can entail other interest rates increase.
Eviction of the private sector	Increasing state debt may result, on one way, in loss of investor confidence in the state economy and, as consequence, to the restriction of the private capital flows (with effect over the business environment dimension); on the other way, can lead to a taxation increasing (in desire to get the resources needed to repay debt), with the same deterrent effect on businesses which, put into the situation of budgetary revenues furnisher, will proceed (because of the impossibility to remain profitable) to its reduction.

Looking the budgetary deficit situation, a retrospective look at human evolution shows that, from ancient times to the present, humanity has experienced an increase in individual and collective needs, amid limited resources. This has led, as expected, to tilt the balance of public revenue to the expenses of the same nature. Severely criticized in the past and sought to be removed by any means, the budgetary deficit, crystallized in the modern market economy, can not be regarded as an expression of the health of the economy and public finances and a prerequisite for economic general equilibrium. Frequently, economies today, not only but also emerging and developed, are registering budget deficits, vis-a-vis the concern of the state on the financial policies line is not necessarily that of eradication at all costs but, ordinarily, the maintenance of it within acceptable limits.

CONCLUSIONS

The role of public politics in general, particularly of the budgetary ones, aims to adopt the best decisions by a public authority center, allow the entry of the actions on the trajectories traced by government and have, as ultimate objective, the economic growth and the satisfaction of public needs. According to this idea, the adoption of fiscal politics, with addressability to any of the three components of the budget (revenues, expenses or result) must take into account the following aspects: the implementation of fiscal revenue politics is, mostly, an option to governments, based on real knowledge of the economic and social aspects required by economic specificities (thereby, fiscal policy stance towards direct taxes is possible in an economic complex in which the revenues have character of diversity and the business environment is well organized; at the opposite pole, an economy in which most people achieved very low income and the business environment is restricted to activities that produce modest income - agriculture, mining quarrying and manufacturing, will proceed with tax policy orientation towards indirect taxes on final consumption); in terms of expenses budgetary

politics, it must, and at a minimum level of consumed resources, to work towards the establishment of size, destination and nature of the public expenses, of the objectives and to the identification of the methods and tools of action; the question arises is related to how that politics are directed (to the social component, respectively to the economic one) because the border between the two options is very fragile; thereby, tilting the balance towards the social component would have the effect of reducing expenses affected on economic destination, with direct and negative impact on investments (in schools, hospitals, cultural institutions etc.) which will be reduced in size and will affect, finally, interests of society as a whole; at the opposite pole, the strict orientation of politics towards economic component, to the detriment of the social one, may constitute cradle discontent in society favoring a tense climate, can give rise to public riots, with impact on economic and political stability; looking the budgetary deficit, government policies are oriented, especially, to keep it within acceptable limits, given that the state budget deficit eradication is the carrier of associated costs that, for the emerging economies would result, most times, in lowering of population's living standards or increasing the public debt. In other words, the existence of effective fiscal politics, regardless of the direction in which it operates, must be assessed in terms of economic effects that they releases.

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