PUBLIC DEBT - THEORETICAL CONSIDERATIONS

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Abstract

The article presents a point of view regarding the public debt management, in theoretical terms, characterized by a critical analysis both economically, financially and socially. Public debt has been, is and will be a topic of real interest for every society and for many of them it may be considered a way to modernize the mentality even of the population.

Public debt management is a process that is closely linked and dependent on monetary and budgetary policy and involves the involvement of all those who have a say or can influence the transformation of these issues.

Public debt management requires a permanent improvement through from the perspective of reforms which take place in the state administration process.

Keywords: *public debt, public expenditure, taxes and duties, indirect taxes, direct taxes.*

1. Introduction

The concept of *public debt*, this macroeconomic financial instrument present since ancient times in all the more or less developed socio-political systems, has led and still leads to strong disputes and even doctrinal controversies regarding the definition but, most of all, its sizing in a unitary manner.

In our opinion, there are two or even three reasons for these disputes in which all the great economists of the world have been and continue to be engaged.

The first category motivates the position of denial – up to exclusion – of the need for loan, on the grounds that it is not moral to transfer to future generations the today's effects of faulty financial management due to an unjustified lack of predictability in the programming of funding sources for future projects that generate budgetary remaining expenditures, at some point, without these resources. Promoters of this theory still exist today, but the idea has emerged since the 17th century.

In his Fifth book of "The WEALTH of NATIONS", published on March 9th 1776, Adam SMITH vehemently pleads against the very idea of public debt, stating that "...financing of public expenditure from taxes and fees or from selling government guarantees could become an activity generating public debt, which", says the author... "diminishes the effects of productive workforce in favour of nonproctive workforce".

In his work "On the Principles of Political Economy and Taxation", another important economist, David RICARDO, with more moderate opinions regarding the need for public debt, states: "The choice between financing through indirect taxes or debt - that is, future taxes - would be irrelevant to the real evolution of the economy, what matters being the actual levies made by public sector on the company's available resources."

The reluctance to use the loan as a financial instrument, but without excluding it, was also manifested by some contemporary economists.

Without denying the idea of external loan as a leverage of financial management, Henry KAUFMAN noted, however, that "...**nobody was able to explain either to taxpayers or to their elected representatives why the loan today will be tomorrow's expenditure, that will diminish the funds for other programs**".

In the same register, Paul A. SAMUELSON, winner of Nobel Prize for Economics in 1970, was asking himself, in his reference paper "Economics",: "...is it normal that the entire population bears the interests due to some persons, private creditors, through taxation?"

However, the one who violently attacked the idea of indebtedness of states, especially underdeveloped ones, was Karl MARX.

Although he did not directly address public debt as macroeconomic activity, Karl Marx was mentioning in "Das Kapital", his reference work: "...after they robbed the "BLACK" continent in order to support capitalism in England, its countries will be in such a shortage of resources that they will soon be forced to borrow and they will do it, usually also from the robbers".

The second category of economic analysts consists of those who not only accept the idea of public debt as an instrument of macroeconomic management, but also recommend it as a lever for the development of a state, conditioned by the use of resources attracted in this manner only into programs which bring added value.

Thus, claim the supporters of this theory, the level of transfer of additional budgetary obligations

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generated by the loan is much diminished due to the subsequent economic effects of the investments financed by it.

Significant in this regard is the equivalence assumption, promoted by David RICARDO, who accepts macrofinancing from both internal sources through indirect and external taxes, by loans, provided that the level of public sector leverage on the real financial resources of the company is balanced.

The dilemma tax or loan generated a third category of analysts, the moderates, who are supporters of a balanced system combining the two, based in particular on Ricardian theories. Today, the situation has not evolved much and how could we better explain the acidity of the remark of the British economist John Maynard KEYNES who, in connection with this or perhaps not only, states ... "all action people who think to be immunized against intellectual influences are in fact enthralled by some ideas of a few defunct economists".

These doctrinal differences have generated a vacuum of information in the area or, more correctly, they have not yet allowed to set a common definition for public debt, nor a common way to express its real dimension. And this is due to the fact that international norms of accounting representation in this area have not yet been established and institutionalized at international level.

2. Content

In his work, "Dette publique et deficits", the French teacher Jaques Le CACHEUX mentionned in this regard that..."at the moment, at international level, there are no unified public accounting rules that can be followed by all countries".

Paradoxically, this state of uncertainty still persists, considering that the need for loans has also seen – on the background of a certain economic stagnation – an unprecedented increase in the post-recession history, having as main effect the increase of budget deficits, a situation that imposed the adoption of decisions limiting both their size and the level of public debt.

For the purpose of the above and without limiting the scope of examples, we can consider as significant the provisions of the Treaty of the European Union, signed in Maastricht on 7 February 1992, which set out a series of very rigorous criteria for the sizing of the maximum levels of the main macroeconomic indicators, including those for the budget deficit and public debt.

At the same time, the international financial institutions were those who, in a certain way, had to define the main financial instruments in a way as accurate as possible but also acceptable for the borrowing countries, starting with the need to assess future creditors using unitary criteria.

One of the major financial institutions, namely the International Monetary Fund, in one of the protocols annexed to the Treaty of the European Union signed in Maastricht, defines the budget deficit as follows:..."the difference between the total government expenditure, including interest on public debt, but excluding its reimbursement and the total revenue, including tax, non-tax and asset transfers, but excluding loans".

3. Conclusions

The public debt is defined very briefly, being, in our opinion, "...the need for loan, at a certain moment, of a government", an understandable situation considering the creditor quality. I avoided the term "loan shark", although I confess that I would be terribly tempted to use it, considering that a treaty like the one signed in Maastricht introduces a definition for an important financial instrument without taking into account the fact that each Member State of the European Union has some specificity, a certain degree of development and thus a greater or lesser need for external loan.

Is it possible that, at this level, the famous remark from the not less famous work "The General Theory of Employment, Interest and Money", where John Maynard KEYNES was saying that ..."the set of consequences on public debt will not be the same if the economy (of a country n.a.) is experiencing a state of expansion or recession" was unknown?

Is it possible that, at this level, is was not known the fact that, unlike other unions, the European Union is a structure that unites primarily nations and not countries, and that each of its states has the capacity to preserve its identity and independence, including in its own economic space? Hard to believe, but also harder to accept, given that the analysis of some of the generous goals of the United Nations, especially those aimed at social progress and the improvement of the people's standard of living, reveal a perpetual endemic regression.

Considering this, we believe that, first of all, efforts should be intensified in the doctrinal space, in order to adopt rules for the implementation of macroeconomic policies that take into account the economic, social and even political realities of every country of the world!

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