



OPTIMAL FINANCIAL POLICY IN RELATION TO THE INTERESTS OF NATIONAL ECONOMY

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Abstract *In the following period, both the fiscal policy and the budgetary policy must be subordinated to the central objective of economic policy set by the Government Programme, for revival of economic growth to achieve the convergence criteria in order to continue and accelerate economic and financial development of Romania*

Key words:

Financial Policy,
National Economy

JEL Codes:

H 69 E 62

1. Introduction

From the perspective of developing a competitive economy through financial policy should be harmonized with the objective rigors of macroeconomic stability for sustainable growth. Financial policy should be addressed in terms of fiscal and budgetary policy.

In the next period, both the fiscal policy and the budgetary policy must be subordinated to the central objective of economic policy set by the Government Programme, for revival of economic growth to achieve the convergence criteria in order to continue and accelerate economic and financial development of Romania.

If the classical theory claimed that the budget balance (determined by equality between income and expenditure) is the golden rule of good financial management, this principle can be applied during this period in our country since the impact the real economy does not provide enough tax returns to cover annual public expenditure. In our country, the budget deficit requires a complex analysis, it must be judged in terms of fiscal and budgetary policy.

A feature of fiscal policy is relatively low share of gross domestic product income and systematic tendency to reduce general government revenues. This trend is common to most countries from Central and Eastern Europe. Amplitude falling of the budgetary incomes in Romania is however among the most pronounced. Of the budgetary incomes fall is mainly the result of delay measures to improve tax systems and tax administration in the difficult conditions of economic transformation.

Despite the downward evolution of revenues, general government deficit was kept under control especially by forcing compressing expenditures.

The persistence of budget deficits in 2009-2011, and in perspective of 2012 is a really bad development of the Romanian economy. Budget deficits absorb resources that would otherwise turn to future taxpayers, hit the public authority's ability to provide basic public services (health, education, national defense, public order and national security) and lead to the gradual removal for non-governmental sector credit market.

Another approach to control the size of its deficit budget and the need to refer to the dynamics of public debt and its service. In recent years, the pace of debt accumulation has accelerated significantly.

If the deficit is small enough to reduce the credit market pressures and inflation expectations do not reduce high interest rates affect the real economy reach and increase public debt service burden on the budget.

2. Size control of deficit budget

In Romania, fiscal policy was designed to achieve a correlation between a set of macroeconomic indicators and budget deficit. Systematic tracking of the level and evolution of macroeconomic indicators will allow diagnosis and default term, budgetary measures in accordance with state and evolution of the real economy.

The budgetary policy will also take account of employment size across the consolidated budget deficit correlation between investment and saving. One can predict that far exceeded the current recession and achieve sustainable economic growth, pressure on the

general government will fall, thus reducing the possibilities of direct taxes can increase.

We estimate that the deficit target established by the general consolidated budget of around 3% for 2012 is an achievable goal that can be financed inflationary conditions and also prudent, as it is maintained at a level consistent with other macroeconomic objectives: economic growth, mastering inflation, maintain external solvency.

For the period 2011-2012 among the priority objectives of fiscal and budgetary policy and control deficit budget is found. By achieving this objective will reduce the gap between national saving and investment, which will have beneficial effects on the macroeconomic situation: lower interest rates, on which will encourage investment.

Control deficit budget will be achieved by:

a) Fiscal policy

Fiscal policy is instrumental in accelerating and deepening will follow consistently reform in this area, which will result in reducing the tax by abolishing both the contribution of some special funds and the relocation of tax burden and the ratio of direct and indirect taxes in order to stimulate work, saving, investment, small and medium enterprises and exports.

Reducing taxes will result in a higher tax collection and budget reduction economy. This, although it has a large share in the Romanian economy, will be controlled and reduced functioning market mechanisms, efficient and a real competition.

b) Budgetary policy

In this area, in the next period is envisaged substantial increase efficiency and transparency of spending, both the as a result of public resource allocation based on projects and programs based on specific performance criteria and by establishing a coherent system of priorities.

These coordinated fiscal policies will result in the following actions:

- subsidies and bonuses to stimulate agriculture;
- supporting small and medium enterprises;
- reduce public spending by establishing rules on staff costs, materials and facilities of public institutions;
- domestic debt restructuring.

The main features of the budget expenditures will be rationality, justification and their size depending on certain income, feasible without resorting to inflationary finance.

The budgetary policy aims to:

1. conducted a thorough analysis of expenditures to determine spending priorities;

2. setting concrete tasks and responsibilities for both MPF and for the principal loan, as follows:

a) Ministry of Public Finance:

- sets spending limits for budget drafting of the principal officers, depending on the evolution of macroeconomic indicators and correlated with the sectorial priorities established by the Government Program;
- ensure the supply for the budget funds for specific activities of the principal officer;
- aimed at efficient use of fixed assets.

b) The principal credits:

- establish priorities regarding the objectives or activities to be financed from the budget (if entered in the priorities set by Government Program);
- consider the need, appropriateness and effectiveness of expenditure in the budget appropriation allocated to carry out;
- consider the desirability of maintaining or giving up some budgetary appropriations for which, based on legal provisions have been abolished or delayed tasks.

3. Improve budget management

a) Funding for based programs

This is a method that gives the government the opportunity to identify funds within the budget and budget form based on the results. The composition of based budget programs is a process that was introduced in the 60's when Robert Mc Namara, Secretary of Defense of President Kennedy brought this idea to the U.S. Department of Defense from Ford Motor Company. During of 60-70 years the concept of program was used at all levels of government in developed countries.

Each program includes three factors: goals, objectives and strategies and performance evaluation measures to be used to determine whether objective or purpose is fulfilled.

The ministries can use this way of building its own budget to clearly decide on their levels of performance and improvement plans.

Beginning with the 2012 state budget is expected to streamline the number of the principal loan which is based funding programs.

With this new funding method, which applies in our country is going to state budgeting annual tranche of budget appropriations in the program to choose and can run over several fiscal years (in each budget year will reflect the appropriate portion of the program to achieve the objectives set out for that year).

In the first phase, the programs will have the character of complementary tools to substantiate the traditional budget, followed according to generalize

results based budget programs for the entire budget of the institution.

The fact that each officer shall establish objectives (depending on the specific activity) that can be measured by specific performance indicators will allow transparent use of public money and increasing responsibilities in terms of efficient use of public resources.

b) The introduction of multi-annual budget as a tool for improved operating

The first phase is chosen only for an estimate of the aggregate budget parameters for a year following that for which the approved budget.

Depending on the results obtained in achieving macroeconomic indicators, in particular, in terms of growth, to achieve a certain level of economic stability will opt for broadening the horizon of time to develop budget estimates parameters (2 years, 3 years).

The estimates presented would be a means of information and control for Ministry of Public Finance on the need to finance the next period, however not be guaranteed resources for public institutions.

c) limitation, reduction and abolition of special funds will lead to restriction of use of the discretionary nature of their income.

As restructuring and stabilizing the economic and fiscal sectors, special funds will be included in the budget, which will allow better control of public money and will remove the excessive fragmentation of the state budget.

4. Specific aspects of the financing of national defense, public order and national security.

Sector financing of national defense, public order and national security is, for the most part, with funds from the state budget. In addition, financial resources can be provided from extrabudgetary funds (leverage of goods and services etc.) and foreign loans.

Public institutions in this sector are:

- Ministry of Defence;
- Ministry of Internal;
- The Romanian Intelligence Service;
- External Intelligence Service;
- Protection and Guard Service;
- Special Telecommunications Service;
- Ministry of Justice;
- General Directorate of Penitentiaries;
- Independent Service for Protection and Anticorruption.

Law no. 72/1996 on public finances, it was an important place for the financing of this field, so in art.9 states that the determination of public expenditure will have regard to financial policy of the state in key industries, such as is stated expressly, providing requirements of National Defense, public order and national security. "

It requires that, under an austerity budget, the expenditures required to be determined after analysis of each category of expenditure, both the public institutions within each component and the whole sector, while ensuring responsible management of funds approved.

The title of expenditure, these tests can be performed taking into account the following:

– Personnel costs will be established under the resizing to a minimum number of staff in accordance with commitments domestically and internationally, and the volume of its tasks has made every public institution, which will allow sizing them as real;

– Materials and services costs will be determined taking into analysis and existing stocks for some products, materials or other goods, as well as the opportunity of developing procurement programs to optimize the effect of budgetary effort to meet the requirements strictly necessary;

– Capital expenditures will be established in close correlation with the priorities for the completion of investment objectives within commissioning by the end of the calendar and budget expenditures only hiring new objectives strictly necessary and with the shortest completion time.

Also the list independent facilities will be completed only after careful consideration of priorities that involve the performance of obligations firm commitments arising from internal or international.

It should therefore shift to funding from the state budget based on programs, judiciously based, including the deployment phase out time-bound targets and efficiency.

Gradually, since 2012, to finance the state budget, both by current methods, which is predominant or preliminary extrapolation of actual achievements of the previous year for each category of expenditure budget (funding based on historical budgets) and the funding programs is crucial step towards transforming the state budget from a simple accounting framework reforms in of them promoter.

3. Conclusions and proposals

The method of financing the state budget based on concrete projects and programs will determine the award of a more active role in the state budget reform strategy of the accomplishment from the Romanian society.

It is necessary that the draft state budget for 2012 is configured, largely under the new methodology, the following budgets for the years 2013-2014 as it is extended. State budget so developed will be based on multi priorities, which increases the level of forecast economic and business policies.

The state budget will have to reflect, through its indicators on the one hand, financial needs arising from the implementation of the state government program proposed for the near future, in the national defense, public order and national security on the other hand, the possibilities for coverage of these resources, the concrete conditions of our country's economy (in transition to market economy).

In this situation must be even more necessary, correct sizing as income level and the amount of state budget expenditures.

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