PUBLIC FINANCES AND THEIR FISCAL COMPONENT

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Abstract: *The objective nature of public finances, implicitly of the fiscal system, attests to the fact that they exist to serve the achievement of precisely defined objectives. The fulfillment of tacks that could not be performed in other ways or by at her means. This means that the public finances have a certain purpose, a certain economic-social mission that they fulfill through the functions they exercise.*

Keywords*:* Public finances, Fiscal component, Tax system, Public money funds

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1. INTRODUCTION

Although there is no unanimous opinion regarding the functions of public finances and the tax system, they can be basically reduced to the following two: the distribution function and the control function.

The distribution function has two distinct, but organically linked phases, namely: the phase of establishing the money funds and the phase of distributing them. The first phase is characterized by: the participants, the concrete forms of mobilization, the origin of resources, the participating social sectors and the character of the mobilization.

Thus, the autonomous administrations and the companies with state, private or mixed, domestic or foreign capital, the cooperative organizations and the lucrative associations, the public institutions and their subordinated units, the population, the legal entities and the natural persons residing abroad participate in constituting the funds.

The concrete forms of participation in establishing the public money funds are: taxes, social security contributions, fines, penalties, payments from the profits of the public authorities, royalties and rents from concessions and leases of land and other property owned by the state or without a master, state loans from natural and legal persons, reimbursements from state loans, aid and other received transfers, other incomes; those of fiscal nature have significant shares.

The resources from which the public money funds are constituted come mainly from the gross or net domestic or national product, but also from the national wealth and from transfers received from abroad. These resources come from all economic branches and sectors of activity, but in different proportions, according to the way they are organized and managed and their degree of development, from all social and public, private, cooperative and mixed sectors, as well as from the population, but also differentiated according to their financial capacity.

The public money resources are mobilized for non-reimbursable purposes and without compensation, but there are also those mobilized for reimbursable purposes.

2. PUBLIC FINANCES AND INTERACTION WITH FINANCIAL FUNDS

Regarding the second phase, preceded by the inventory, quantification, preliminary stage, forecasting and ranking of social needs, we are particularly interested in the destination, priority and concrete forms of public expenditures. The main destinations of public expenditures are: education, health and culture; social insurance and social protection; communal housing; national defense; public order; economic actions; other actions; public duty. Within each destination, the resources are divided by beneficiaries, objectives and actions. Regarding the priority of these destinations, we note the sensitive differences caused by each country's development. Thus, in the developed countries, the social and cultural expenses have priority, respectively those included in the first three categories listed, while in the developing countries, the economic actions have priority. Therefore, the financial flows are directed differently toward social or economic actions, as the case may be. The concrete forms of the public expenses are: the payment of salaries and other personnel rights; the procurement of materials and the payment of services; the subsidies granted to some companies; the transfers to various individuals; the investments and the material reserves.

Therefore, the establishment and management of public money funds is a unitary and uninterrupted process, which is mainly carried out with the help of the public finance distribution function and plays an important role in social reproduction. This process is carried out both within the same form of ownership, as, for example, the withdrawal of financial resources from the economic units with state capital to the public funds and, respectively, the transfer of resources from these funds to the respective units, but also when changing the form of ownership, such as, for example, the withdrawal of resources from economic units with private, mixed, cooperative or from population to public funds and, respectively, the transfers of resources from these funds to beneficiaries from the mentioned sectors and population. However, in both cases, the transfer operates between separate administrations.

The significance of the distribution function of public finances can be measured both by the size of the transfers of resources from different legal and natural persons to the public money funds and from these to the various beneficiaries, as well as by the changes that occur in the company following the transfers of financial public resources, respectively by the economic, social, ecological, demographic or other effects caused by them.

Thus, the public finances and the fiscal system exercise an objective distribution function, which results from the fact that in all countries it is necessary to set up and distribute some money funds to exercise the functions and tasks of the state.

However, the actual process of establishing and distributing these funds has a subjective character, in the sense that it depends on the ability of the responsible factors to perceive and determine the social need at a given time, the degree of economic and social development of the country, the orientation of the empowered political forces. All of these influence the volume of financial resources that may be mobilized to public funds and to resource creation, in order to meet the social needs. According to these factors, the political decision-making bodies establish the sources to supply the public funds, the methods to mobilize the financial resources and to direct them to the various beneficiaries.

The public financial funds belong to an entire company or to large human communities, and these are interested in providing a volume of financial resources that allow them to meet the public needs, to direct these resources according to the priorities set by the competent bodies, to use the respective resources to the maximum economic and social efficiency and of another nature, to harmonize the immediate interests with those of perspective regarding the dimensioning of public financial funds and their orientation towards various destinations. There is a significant part of the gross domestic or national product in the public financial funds.

All of these make it necessary to exercise a control function through public finances, respectively to organize a rigorous control over the way of setting up, distributing and using the public financial funds on the preservation of the integrity and good administration of the public patrimony, on the integral and timely collection of the state's debts and the payments due to third parties. In most cases, the control of the state through public finances favors taking measures that increase the public patrimony, prevents its wastage, prevents illegal, inopportune and inefficient expenditure contributes to repairing the damage done to the public patrimony, to establishing order and discipline in money management and to other public values.

The control is more necessary nowadays as there are frequent cases of abusive behavior towards money and other public values, of violation of the work discipline, of irrational use of the material resources, labor and money, of waste, of speculation and unlawful pursuit. Therefore, the state must exercise not only systematic and organized control over the public sector of the economy. The control of the state through public finances has a wide scope of manifestation, in the sense that it covers all the fields of the economic and social life that belong to the private and mixed public sector, namely: the economic activity, the cultural-educational activity, the medical protection and social protection activity, the state social insurance, the public order, the country defense, the promotion of relations with other states, etc. As a result, the state control takes different forms, organizes and performs through different bodies and uses different instruments.

Each field of activity must be analyzed under three aspects, namely: a) of the specific tasks assigned to it, which concern, for example, the production, distribution, exchange and consumption, the development of the national culture, the improvement of the educational and training process, the improvement of medical care and social protection, etc.; b) of the financial effort of the state imposed by the normal evolution of the respective activities that finally get a monetary expression and c) of the useful effects of these activities, which can be quantified and expressed in money. Each field of activity has specific tasks and, therefore the control must be carried out by specialized bodies, which also trace efforts and effects that cannot be quantified and expressed in money. The control through the public finances is a control mediated by money, in other words, it is achieved once the money functions are completed.

As a measure of the economic activity, of the past and present expenses and results, the money allows the commensuration of the individual costs of production and their comparison with those recognized by the market as necessary, of the ordinary results and their comparison with the actual expenses, as well as the formulation of value judgments on the level of economic efficiency; thus, a systematic control is exercised on the production, distribution, circulation and consumption of the gross domestic product, on the level of the resource consumption or production factors in different fields of activity, as well as on the efficiency of the respective consumption. As a means of exchange or circulation, the money points out the existence of some deficiencies in the activity of the production units, in the sense that they did not take sufficient account of the sorting structure of the market requirements, that the products are qualitatively improper or technically outdated, that there are discrepancies between utility and price or that other businesses offer similar products under more favorable conditions. Inappropriate goods to the necessary level of prices mean the impossibility of establishing the money funds at the level required by the needs of the community, affecting also their degree of satisfaction.

As a means of payment, the money allows a systematic control over the achievement of the proposed objectives, the use of the resources available to the economic agents, the way of achieving the contractual obligations, because most of the money payments generate financial relations, which implies making profit, profit tax, personnel rights, making payments, withdrawals or payments to the national public budget, granting and reimbursing bank credits and interest payments, payment of different taxes, contributions for social insurance, financing of socio-cultural or economic actions and so on.

The failure to carry out these payments, withdrawals, refunds and findings under the stipulated amounts and in due time signifies the existence of some deficiencies in the social reproduction, especially in the production and circulation processes, for causes that most often relate to the internal activity of the economic agents and affects the exercise and achievement of the state functions and tasks.

It is understood that the two functions of public finances and the fiscal system are performed concurrently, so that there are close interconditioning relationships between them. However, the control function has a wider application than the distribution function, because, in addition to the establishment and distribution of public financial funds, it also concerns their use, respectively their legality, necessity, opportunity and efficiency. Meeting the distribution function facilitates the possibility of control, but the control needs may also determine, in their turn, some concrete forms of manifestation of the distribution function, a fact demonstrated by the use of several ways to take over a part of the gross domestic product by the state, in order to best meet the social and economic needs of a specific historical age.

3. DOCTRINAL CONCEPTS ABOUT PUBLIC FINANCES AND FISCAL SYSTEM

We note that there is no unanimous opinion among economists regarding the functions of the public finances, respectively of the fiscal system. In fact, some present their effects on the national economy, and others do not approach these issues regarding the public finances in general, but deal with the results coming from taxes, state loans, money issues, budgetary expenditures, etc., used by the public authorities as instruments of intervention in the economy.

Therefore, various points of view have been expressed in relation to the functions of the public finances and the fiscal system in the world economic literature, especially in the second half of the last century. This applies both to economically developed and developing countries, including those in a process of transition to a liberalized, competitive economy, including Romania. Thus, starting from the reality that the contemporary state no longer borders on its traditional functions and tasks (police and military), but intervenes in the social life to stimulate production during crises, to prevent price increase and to maintain the purchasing power of the currency during the inflation period, in order to ensure the best use of the technical, material, human, financial and currency potential, the French economist M. Duverger concluded that, under these conditions, the public finances can no longer be a means of covering the administration expenses but, in particular, a means of intervening in the social life, of exerting pressure on the citizens, to organize the entire nation.

Another French economist, Pierre Lalumiere, emphasizes the increase of the interventionist role of the state in the economy after the world crisis of 1929 - 1933, when it was proven that the private initiative alone was no longer able to ensure the economic and social balance. In order to intervene in the economic and social life, the state widely used the instruments specific to the public finances: public spending, taxes, etc.

The public expenditure was conceived as a means of intervention in the economic and social life, continuing to support the state administration, but it served to increase the production capacity of the economy or to redistribute the income in the interest of the disadvantaged social categories. Taxes are also considered instruments of intervention available to the state; they cover the public expenses related to the state administration, but at the same time, they must also allow a certain leveling of social conditions or cause economic development. Through taxes, the national public budget levies a part of the gross domestic product, and through public expenditures, it directs that part towards social and economic objectives.

The Americans Richard and Peggy Musgrave state that taxes and spending can influence the economy in several ways and aim at different goals, so that, in their opinion, the budgetary policy fulfills three functions, namely: a) the allocation function - means that the social goods that cannot be purchased on the market are distributed by the public authorities; b) the distribution function - means that the distribution of incomes and assets between the natural and legal persons within the market economy is influenced by the distribution of the production factors, by the forms of the private property; this distribution may be considered unfair from the point of view of a company, resulting in the need to redistribute the respective revenues through the specific instruments of the public finances - taxes, budgetary expenses, etc.; c) the stabilization function - means that the state aims, through its fiscal policy, at ensuring a high degree of employment, a reasonable degree of price stability, a solid situation of the balance of external payments, as well as an acceptable rate of economic growth.

Thus, the fiscal component is integrated in the exercise of both functions of the public finances. The points of view expressed in this regard in the economic literature of the former states with centralized economy may be grouped as follows:

a) some economists consider that, besides the distribution and control functions, the public finances also fulfill a production function, considered as their basic function. In order to support this point of view, one starts from the fact that the public finances participate in ensuring the money funds circuit in the serial reproduction; for this reason, the production function is also called the function of mediating the circuit of money funds on a broad basis;

b) other economists formulate the following three functions of the public finances: the function of assuring with money resources the economic activity of the enterprises, the function of control by means of money on the formation, distribution and use of resources in the national economy and the function of distribution of money income and accumulations;

c) other economists claim that the public finances fulfill four functions: the function of determining the total volume of the financial means necessary to achieve the projected objectives, the function of ensuring a judicious distribution of income, the function of rational spending of the money funds and the function of control over the economic and social activities;

d) there are some economists who advocate for three other functions of the public finances, namely: the function of mobilizing or accumulating the money means, that is, of forming the money funds for the state and for the other economic and social agents; the function of rational distribution and use of the money resources in the process of social reproduction to meet other needs of the society; and the control function. A similar point of view is also supported by some economists in our country, who formulate the mobilization function, the distribution function and the control function;

e) Finally, other economists question the distribution and control functions and formulate two other functions: the function of accumulating the financial resources and the function of guiding and using them.

We express our opinion that there are no convincing arguments that the public finances would perform functions other than those of distribution and control. If the public finances performed the production function, they should participate directly in the production process. It is known that in order to carry out the production process, the technical capital, the elements of labor force, known as production factors, along with some new emerging ones, are needed. It is true that under the conditions of the exchange economy, these are obtained through the money that generates financial reports to a large extent. However, this is outside the productive stage of the production funds circuit.

Those who support the existence of the production function consider that denying such a function is equivalent to denying the unit of the production factor circuit.

To argue that the public finances perform a production function means actually to confuse finance with money. The production function attributed to the public finances is only one aspect of the distribution function by which the money funds are created, distributed and used in the economy, at the disposal of the state and its bodies. The admission of the production function should logically lead to the admission of a function of consumption of public finances, especially if we consider that the consumption fund has the highest share in the gross domestic product.

One may notice that all the views regarding the functions of the public finances and the fiscal system start from the separation of the distribution function in its two moments, respectively the mobilization and the management of the funds, attributing to each of these moments the quality of a distinct function. However, there are no objective grounds for such a division, because the mobilization, establishment, distribution and use of public money funds are a unitary process, even given its complex character.

In the context of the aforementioned, we consider that it is necessary to conclude that in the evolution of the conceptions about the public finances, in the states with a developed competitive economy, in particular about their functions and roles, two stages may be distinguished: the first one corresponds broadly to the premonopoly capitalism and the conceptions promoted are considered classic, and the second corresponds to the period of monopoly domination, and its conceptions are considered modern. However, we should note that, at least in the last half century, parallel to modern conceptions, we are witnessing a development of conceptions about the public finances, specific to centralized economies, concepts that are abandoned as a new macroeconomic management system is adopted.

The classical conceptions reflect the liberal doctrine, specific to the rising bourgeoisie, according to which the economic activity must be carried out without the intervention of the public authority, which could disturb the private initiative, the free competition, and the action of the economic laws of the market. The role of the state must be limited to carrying out its traditional tasks and functions, such as maintaining public order, defending the country and maintaining diplomatic relations, so that its expenses are minimal. The methods of taking the money resources at the disposal of the state should have a neutral character that does not alter the existing economic and social relations. The fundamental problem of a good management would be to ensure the balance between the revenues and the budgetary expenses. The doctrine of economic liberalism directs the science of public finances mainly to cover the public expenditure.

The public budget deficit, generating inflation, was regarded as an undesirable phenomenon with negative effects on the functioning of the economic mechanism. Therefore, at that stage, named”the gendarme state”, the concerns for procuring the necessary financial resources for the state, for their economic use, for allocating the tax burdens by categories of payers, for contracting and repaying the loans, for the preparation and balanced execution of the budget, for obeying certain rules regarding the financial discipline and the good management of the funds were predominant. Therefore, the concept of public finances has a pronounced legal character.

In this century, especially after the great world economic crisis of 1929 - 1933, the place of ”the gendarme state” is taken by the so-called providence or welfare state, whose concerns are considerably enlarged. The internationalist doctrine is increasingly asserting that the public authority must play a more active role in the economic life, influence economic processes, correct cyclical evolution, prevent crises or take measures to remove their negative effects.

The main concern of the science of public finances becomes the study of the instruments with which the state can intervene in the economic life and influence the economic processes. However, this does not mean that the interest of public finance science disappears to cover the state's expenses, but that the redistribution of the gross domestic product is gaining new values.

New functions of economic nature join the traditional functions of public finances. Public finances are no longer a mere means of public authorities' intervention in the economy. The object of research is increasingly moving towards the analysis of the instruments of economic and social intervention of the state through public expenses and revenues.

The powerful interventionist conception in the social and economic life using the methods and instruments specific to public finances went to extremis in the former so-called socialist states of Central and Eastern Europe, where all the levers were concentrated in a single decision-making center, whose options were not always based on criteria of rationality and economic or social efficiency. The results came quickly and their implications on the way of life of the respective populations were among the most unfavorable.

Given the economic and social conditions created in the aforementioned states, including Romania, after the events of the end of 1989, it is expected that the range of conceptions about the content and functions of public finances will be enriched with a current peculiar to these states, because they cannot adopt strictly any of the concepts analyzed. Ensuring the social protection for the entire impoverished population and the pursuit after illicit enrichment do not allow a complete and immediate liberalization; at the same time, the decentralization of decision centers, against the background of democratization and liberalization of the economic and social life, absolutely normal and necessary, does not recommend any excessive state intervention. These states are therefore facing extremely complex financial problems, both theoretical and especially practical.

The existence of public finances and the tax system in contemporary societies has an objective nature, in the sense that all the conditions that led to their autonomy throughout the economic relations are maintained. In other words, it is absolutely necessary and possible to set up some money funds available to the state and to the public institutions and organizations and use them to meet certain needs; the cash flows generated by the respective processes are financial flows, directed mainly through fiscal instruments. The complex needs met by the public financial funds, render them a complex character, a fact requiring a differentiated treatment of their different segments.

4. CONCLUSIONS

All financial relationships form a system, which we call the public finance system or the public financial system, and its different segments, differentiated according to different criteria, form links, subsystems or structural elements thereof; the fiscal components of the public finance system may form, in their turn, a fiscal system.

The French economic literature considers that taxation constitutes the whole of the laws and rules that determine the tax.

Any fiscal system raises three basic problems: a) what amounts of money will be affected more by the indirect intervention of the state than by the individual use? What is the desired fiscal pressure? b) From whom are the fiscal resources taken and by what means: direct or indirect taxes, on wealth or on wages? c) How to rationally allocate the resources taken?

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