PUBLIC FINANCE CONNECTIONS WITH THE ROLE AND FUNCTIONS OF THE CURRENT STATE

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Abstract: Public finances approaches, with other accents but in the case of market economy, the three major topics of economic analysis, namely resource allocation, distribution or welfare distribution and economic stability, identified by reputable specialists (RA & Musgrave BP Musgrave., 1989) as the three functions of the state itself (the so-called Musgrave trilogy). All this call for developing a theory and practice proper control by finance, similarly, maybe to the more complex / comprehensive approach of the development of a theory of management.

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1. INTRODUCTION

The Public finances of a state, including Romania, are an organic and coherent system, which, in its totality and completeness, propels its financial support for the proper exercise and fulfillment of its functions and tasks in every stage of development, evolution, no matter how they are formulated. The components of the integrated public finance system can be delimited by various criteria, which justifies us to appreciate that there are several arguments in favor of their systemic approach. However, it is important to underline that the various components or sub-systems of public finances are delimited more for theoretical or research needs (without neglecting or ignoring the practical implications), because in reality they manifest themselves in a concrete way, a close interdependence for achieving / attaining the whole. So, when we talk about public finances, we also look at public finances at central level and local public finances. Their delimitation is determined by the fact that public finances, as a whole, are carried out at different levels of socio-economic and political-administrative organization, between different categories of social agents, through different funds for concrete purposes, and the examination / analysis under this can be deepened. We will summarize the aspects that we consider to be the most significant from this point of view, identified and subjected to the scientific analysis of the representative literature from the advanced states but also from Romania (Văcăre I., coordinator, 2007, pp. 70-79) in order to better outline the place of local finances in the globalizing system of public finances in our country. Subsystems or components of public finances, of
course, are self-contained, but act only within the system, hence the synergy effect they generate. It is the motivation for which, in our exposition, we use predominantly the phrase "public finances", but we also mean, at times, local public finances.

2. THE ROLE AND FUNCTIONS OF PUBLIC FINANCES IN THE CURRENT STATE

It is worth noting that the phrase "finance" is used quite widely to point out that it also refers to: a) relations expressing a transfer of non-equivalent and non-repayable money resources, meaning pure public finance, in the most meaningful sense of the word; b) relationships that express a loan of money resources over a determined period of time and which is an interest-bearing person, respectively the credit; c) relationships expressing a voluntary or mandatory transfer of money in exchange for a consideration that is dependent on the occurrence of a random event, i.e., the insurance of goods, persons or civil liability, and d) the relations that occur in the process of the formation and distribution of funds of money resources at the disposal of enterprises, respectively the finances of enterprises. It is undeniable that finances are social, economic, money-related relationships.

As a system, broad-based finances are presented and analyzed from four perspectives, as follows: a) as a system of economic relations in money / money expression, expressing a transfer of resources developed/produced under certain conditions - from this point of view we distinguish relations that are reflected in the state budget and in local budgets, relations that are reflected in the state social insurance budget, in the health insurance budget and in other social security budgets, the relations generated by the constitution and distribution of special extrabudgetary funds, banking relationships, insurance and reinsurance of goods, persons and civil liability, and the relationships arising from the provision of funds to enterprises (the first three components form the public financial system, and the latter three may fall within certain limits, refers to the private financial system - the public financial system is a subsystem of the financial system in a broad sense, but can also be seen as a self-standing system); b) as a system of funds of financial resources that are constituted in the economy at certain echelons or levels and are used for specified purposes; c) as a system of financial plans, reflecting certain planned processes to occur in the economy over a determined period of time, and d) as a system of institutions and bodies involved in the organization of relations, constitution and distribution of funds, and development, execution and control of financial plans.

The Romanian public finance system currently includes the following: a) financial relations generated by the activity of autonomous bodies and commercial companies with full or majority state capital; b) the financial relations reflected in the budget of the central state administration, in the budgets of the local administrations and in the state social insurance budget; c) the financial relations generated by the performance of the insurance of goods, persons and contractual civil liability through the specialized state-owned organizations; d) financial relations generated by the creation and use of special extra-budgetary funds; e) credit relations with state-owned banks, and f) state-borrowed loans.

The central issue of economic analysis or political economy, namely the use of rare resources in a manner capable or capable of ensuring or guaranteeing maximum economic and social well-being, is also of particular importance in public finances. However, attention is focused on market failures, their causes and consequences. In
principle, a normative criterion, namely Pareto's criterion, is mentioned which is of central importance to the welfare economy. It is possible, however, to refer to a positive criterion, namely that of perfect competition, according to which the balance towards a perfect competition market, under the pressure of buyers and sellers, consumers and producers, maximizing their well-being, is considered optimal for society in its entirety.

In the post-war period, the main theoretical contribution is the analysis of gaps, failures or market failures that occur when a good or rather a service presents separately or cumulatively the following two characteristics: a) it is non-competitive - in other words, good by an individual has a neutral effect on the possibility for more individuals to consume the same good, until full use of capacities, and b) is non-exclusive - the cost of exclusion by selling the service or the good for a price is particularly high, prohibitive.

In the case of pure collective goods and services, which is an extreme case, the beneficiaries can dispose of them without spreading their preferences, which leads to the failure of the markets. In such a situation, the market should be replaced by a voluntary decision (formation of a club), if the number of people involved and the cost of providing services are reduced, or through a process of collective decision or policy, if that is traces are high / high. Characteristics of the same nature are found in another source of gaps or failures, market failures, namely externalities. An economic, production or consumer activity generates two kinds of byproducts, effects one of which is desired and another is forcible.

Goods are structured, according to a certain criterion, in private consumer goods and collective consumer goods. Private consumer goods are normally the subject of an individual approach, and their use can create saturation or congestion. They are rival goods and are excluded by price. They are often called divisible economic assets, as the benefits they acquire for the user depend on how they are used by other users.

However, pure public goods meet, cumulatively, three conditions, namely the impossibility of exclusion, the obligation to use and the absence of the saturation effect (Gaumont D., 2006).

Externality or external effect is, by definition, the effect borne by an economic agent (the recipient of externality) uncompensated in an exchange or transaction through a production or consumption action of another economic agent (the emitter of extentiveness). The concept dates back to the last decade of the nineteenth century (Marshall A., 1898, p. 35), however, referring to the positive effects of economic agents / enterprises due, among other things, to the general development of scientific and technical knowledge and their location. As such, internal economies are defined as economies that depend on the resources of individual firms, their organization or their management - but we consider it necessary to say that such internal economies are in fact scale effects due to certain factors (especially organization and management), not externalities. The effects of the environment on rent, which can be assimilated to external economies (Catin M., 1985), differ from other rents, assimilated to the rents of classical theories, which is why they are defined as rents for the situation. The external effect concept is expanded at the end of the second decade of the last century (Pigou AC, 1920) by highlighting positive externalities when it is stated that the external effect is a difference or divergence between the marginal social product and the marginal private product - the focus is focused on how to correct these externalities, especially
through state intervention (regulations, taxing activities that generate negative externalities, subsidizing activities that generate positive externalities).

Starting with the second half of the last century (20th century), the concept of externality is rooted in economic theory, especially in neoclassical analysis (Meade JE, 1952, 62, pp. 54-67, Scitovsky T., 1954, 62, pp. 143-151), with the preoccupation of its integration into the theory of competitive equilibrium. The notion of externality is reduced exclusively to the external effects found between producers (unnecessarily restrictive hypothesis, subsequently abandoned). In both cases, Pareto's best is eluded or ignored. It is the classic example of the beekeeper whose bee pollinates somebody else's trees. Status goods generating external effects remained a problem less depth - is fcea distinction only between inputs unpaid and policy environment - the first was rather private property likely property rights well defined, while others were rather collective goods not liable of private property rights. It was attempted to clarify this aspect by differentiating externalities due to private property problems (arising for technical reasons, such as the indivisibility of certain goods) to externalities due to pure collective goods (Bator FM, 1958). Subsequent research has focused on externalities analysis due to proprietary rights ownership deficiencies (Coase R., 1960).

A predominant topic of public finances is the distribution of welfare, in this case the whole issue of it, or, in a more common language, income and wealth. Public finances mainly address interpersonal distribution; in addition, along with other specializations of economic sciences, share a curiosity about distributions between generations and between regions.

The starting point is the unequal, often blatant, or even frequent, inequality of income and wealth between individuals or, which is the same thing, the concentration of income and wealth by a less significant part of the wealthy - and social stratification under that eastern aspect grows, deepens, accentuates.

Public finances, on the other hand, make special contributions to measuring inequality, identifying the causes of inequality, designing / substantiating and developing redistribution policies, and examining / analyzing interdependence with the allocation function.

The economic crises at the beginning of the last century, especially the great economic crisis of 1929-1933, also called the Great Depression, had the effect of accountability to the state in stabilizing / stabilizing economic activity. The state should shape its expenditures, especially investment, and tax receipts so that it can provoke / induce or stimulate savings or shrinking effects to offset economic fluctuations and macroeconomic-social de-stresses. Budgetary policy is particularly well grounded on the theoretical level, but experience shows, however, that it remains, above all, a tool to fight deep-seated crimes. However, we state that it is very difficult to implement / implement in democratic and very open states to the rest of the world or to states that have been involved in budget deficits during an upward phase. For this reason, budgetary policy is today essentially passive in the sense that it is most likely to be the manifestation of the effect of automatic stabilizers provided by taxes and certain transfer costs, in particular unemployment benefits or social benefits.

In fact, modern and contemporary society has shaped two phases in the evolution of the concepts of public finances: the first, broadly corresponds to the pre-monopolistic stage of economic / industrial development, and the conceived concepts are classical and the second, corresponds to the period of domination monopolies,
during which time the political force of the state joined with the economic power of the monopolies and whose conceptions are considered modern (Vacarel I.: 1981, pp. 11-15; 1970, pp. 17-19; 2007, pp. 28-29).

Classical liberal doctrine concepts reflect specific rising bourgeoisie, that economic activity should be carried out without the intervention of public authorities that could disrupt private initiative, free competition action objective laws of market competition. The state's role should be limited to fulfilling its traditional functions and tasks, so its cost / related to minimum. The fundamental issue of proper / rational management would be to ensure a balance between budget revenues and expenditures. The doctrine of economic liberalism guides the public finances mainly to cover public expenditures. The emergence of the budget deficit, the inflation generator, was considered as an unwanted / negative phenomenon with harmful effects on the normal operation of the economic mechanism.

After the Great Depression, the gendarmerie state was replaced by the so-called providence state or welfare state, whose concerns expand considerably. The intervening doctrine is increasingly being stated (Lalumiere P., 1970, p. 17; Leon N., 1944, pp. 17-18, Vacarel I., coordinator, 2007, pp. 29-30), according to which the public authority should play a more active role in economic life, should influence economic processes, to correct cyclical evolution, to prevent crises, or to promote or implement measures to remove their negative effects. The main focus of public finances is studying instruments to which the State may intervene in economic life, ways of influencing economic processes. It is impossible to conclude, even in this context, that the public finances have disappeared in order to cover the state's expenses, but only the redistribution of the gross domestic product and of the national product gains new valences. The traditional function of public finances adds new functions of economic nature. It was a normal fact to set up joint ventures and joint ventures, and subsidies and other facilities to private businesses and the promotion of measures to combat unemployment and economic recovery are valued and encouraged. Tert public funding they are, above all, an instrument of intervention in the economy to public authorities, not just a means to cover the costs of state administration at central and local alike.

The strong interventionist concept in the economic and social life with the help of methods and instruments specific to public finances was taken in the extreme by the former socialist states in Central and Eastern Europe, where all the levers were concentrated in a single decision center, whose options were often based on criteria that ignored rationality and economic efficiency.

Under the economic and social conditions of the aforementioned states, including Romania, after the events of the late 1980s and early 1990s, it was to be expected that the palette or area of concepts about the content, functions and role of public finances would be complemented by a new current own country or with a specific school of thought, because it was impossible / inappropriate to adopt the stricto-sense of one or other of the conception presented. At the same time, however, the decentralization of decision-making centers amid the democratization and liberalization of the economic and social life, absolutely normal and necessary, was incompatible with any form of excessive intervention. These states were and are still faced with financial problems of a theoretical, but mostly practical, extremely complex nature.
The situation has become more complicated and has become even more acute with the emergence of the opportunity for the accession of the respective states (Central and Eastern Europe) to the European Union which requires a series of common rules in the field of public finances. The very preparation for accession imposed adopting the acquis communautaire. Upon accession, alignment has been and remains indisputable.

The use of levers and instruments of the nature of public finances for governmental intervention, both at central and local level, in economic and social life has a theoretical basis developed.

Contemporary national economies and, as a consequence, the world economy as a whole face serious problems, such as the recrudescence of inflationary processes, low levels of employment, under-utilization of production capacities, external debt burden, worsening economic downturn -financial, but not only. These phenomena are common to all countries, but they are also undergoing the impact of economic, social, political, ideological, technological-informational, ecological and other transformations in Central and Eastern European countries facing difficulties such as, for example, trade deficits and account deficits generated by the destruction of their national economies after the beginning of the transition period to the economy with a competitive market, and further to the requirements of nominal and real convergence for full integration into the structures of the European Union, the prospect of adopting the single currency for some of them, as well as the crisis affecting the world economy as a whole. Therefore, specialists, including those in the field of public finance, are concerned with finding solutions capable of giving impetus to economic life disturbed by a complex system of crises and imbalances, enlisting and maintaining economic life on an ascending trend. As already mentioned, concerns to substantiate the need for state intervention in the economy’s has emphasized during and after the Great Depression and continues today. The means and financial instruments provide the state with a number of possibilities to intervene in / participate in the proper development of social reproduction, namely to ensure social progress for all the inhabitants of the planet.

The starting point for supporting state intervention in the economy with the help of specific public finances is Keynesian theory. In his first studies, the constructor and promoter of this theory (Keynes JM, 1970) was a supporter of economic liberalism, in the sense that the balance in the economy is automatically established without any external intervention of its intrinsic mechanism. However, in time, social economy/social reproduction is unable to recover by disturbing phenomena such as the known world crises since the beginning of the last century and the present century. As such, he proposes, in order to restore balance, the intervention of the state both to stimulate private/private investment and to make some (non-productive) investments on the account of public budgetary resources. According to, non-productive state expenditures have the same importance/significance in counteracting crises and unemployment as productive investments.

In Hansen HA’s conception, of particular importance, is the fact that general government expenditure, in particular, public/state investment. In his opinion, crises can be prevented by raising taxes during periods of the business cycle to form a reserve fund which should serve to increase spending in its bad times. The higher tax burden reduces the solvable demand of the population.
According to Samuelson PA, the contemporary economy is governed by a larger number of factors, not only by demand and supply, and by free competition: political control elements combine with market makers to organize production and consumption, mediated by exchange and distribution. The state needs to intervene in the economic cycle as agent to influence consumption and investment. Public expenditures are, in principle, borne by taxes, duties and contributions, which is why state intervention becomes a means of redistributing income, increasing or reducing, as the case may be, demand for population consumption or investment.

According to Ardant G., the tools and categories such as *public finances* can have a special role in influencing economic processes; taxes, for example, are also used to limit consumption in times of shortage, not only to provide money to the central or federal government and its representatives in the territory, and Amato A. starts from the premise that the state must intervene decisive in economic life to correct the injustice that is made to social or socio-professional categories in the process of distributing the national product. Using the tax leverage, the state can act to redistribute the *overdraft* (*Vacarel I.*, 1981, pp. 307 et seq.).

The state can intervene in economic life and can influence its evolution / dynamics because it redistributes a significant part of the national product through *public finances*. The redistribution process is now much simplified compared to previous periods, which demons the increase of the state's economic strength. This economic strength is one that allows him to decide on how to resolve the problems facing contemporary social reproduction. Managing or guiding the economy through administrative-bureaucratic levers, including through super-centralized planning or programming, all-encompassing, imperative, it has proved to be inefficient or even inefficient, because the collectivist, state and cooperative property hinders / obsesses the free initiative. The best results are obtained only through intervention measures of the type of *public finances* which, however, and they themselves are unable to solve all the problems facing the economic and social life of individuals and human communities seen as a whole.

By using measures and levers of the nature of *public finances*, the state aims, in principle, to regulate social reproduction in the sense of preventing or eliminating the negative effects of extreme oscillations characteristic of the dynamics of current economic cycles, diminishing their amplitude, reorienting technical and economic structures, countering inflation, but not only. For this purpose, both the leverage of the taxation policy and the instruments based on the budget expenditure technique are used. Reducing tax rates during periods of economic recession would stimulate private consumption and investment. Tax increases are considered opportune in times of economic upswing, because it leads to the restriction of consumption and investments and to the diminution of the growth of the volume of activity, which avoids the overheating of the economy. The state intervenes through budget expenditures for the development of new economic sectors, subsidizing private enterprises or setting up own enterprises. State-funded programs based on the use of specific *public finance* techniques may also result in inappropriate outcomes due to the opposition of force / pressure groups in the economy / society whose interests might come in / contradiction. Contemporary countries, especially those economically developed, are promoting antitrust policies to counteract the tendencies of large monopolistic groups to get overweight just as a result of their privileged positions on the market. Public
expenditures lead to real consumption growth, production stimulation and employment growth only if they are prioritized towards economic and social objectives and actions with beneficial / beneficial effects for the vast majority of the population.

Intervention or action of the state or public authorities to regulate and stimulate economic and social life through the tools and levers specific to public finances (especially those with fiscal connotation) have peculiarities from one state to another, depending on a complex of factors, in which, in our opinion, the level of economic development and the political-ideological regime stand out. Thus, in economically developed nations in North America and Western Europe, as well as in Japan, but not only, budget expenditures are largely geared to financing social security and social protection, budget financing and state lending housing construction, but also for the development of war production, national defense actions. Specific aspects have embraced intervention in the economy / social life of countries with over-centralized macro-social management where decisions on the destination and use of budgetary resources emanated from a single center, as the product / income was mobilized and distributed overwhelmingly through the centralized budget.

Current economic theory, including the one with financial connotation highlights the increasingly important role of the state budget in economic life. The state budget is a document for the provision and authorization of public revenues and expenditures (Sempe H, 1988, p. 102), through which the state acts at all levels to direct, guide and correct certain economic and social processes. Proposed / suggested expanding state intervention in the economy by developing a budget of national economy, to cover all sides of social reproduction and to prefigure development / socio-economic dynamics in the next period. It is, however, one a non-statutory budget, so that its provisions are merely substantiating, indicative, anticipatory - serves only as a basis for the measures to regulate economic-social processes.

The way of drafting and presentation of the budget of the national economy differs from one state to another (Văcărel I., coordinator, 2007, p.518). For example, in the United States of America, the budget is drawn up by an Advisory Council that functions with the President and shows the available cash revenue, expenditure and balances among the main sectors of the national economy, based on gross national product information, national income, public revenues and expenditures in order to capture the changes that will occur in the economy; in the United Kingdom of Great Britain and Northern Ireland, appears in the form of the so-called white books that characterize the nation's revenue and expenditure for the year before that, the forecasts of production, consumption and external trade for the following year and the breakdown of resources from national income and loans and is published concurrently with the state budget; in France, appears in the form of forward-looking accounts for the current year which, together with national accounts and some assumptions for the future, it accompanies the draft Finance Act, namely the state budget - is developed using an econometric-mathematical model of simulation of the future evolution of the economy, a model providing medium and short term information (2-3 years) on the evolution of production, consumption, investments, distribution of financial assets, salary / profit ratios, but and other indicators.

In Romania, the needs for resource in society and local communities and the possibilities of coverage or funding of these needs are reflected in the consolidated budget. Law on public finance states (Article 1, paragraph 2) that public financial
resources are managed through a unitary system of budgets comprising: the state budget; state social insurance budget; special fund budgets; budget of the state treasury; the budgets of autonomous public institutions; the budgets of public institutions financed in whole or in part from the state budget, the state social insurance budget and the special funds budget, as the case may be; the budgets of public institutions fully financed from their own revenues; funds from external loans contracted or guaranteed by the State and whose repayments, interest and other costs are covered by public funds; the budget of the non-reimbursable foreign funds. More than half of these, namely 5 in number, directly target the public finances (Local Public Finance Act, Article 1, paragraph 2).

Starting from the premise that the financial equilibrium is a component (and at the same time a synthetic expression) of the general economic equilibrium, it has been concluded that the balance of the budget can balance the entire economic and social life.

By increasing budget spending and reducing budget revenues, the state is redressing the national economy, mitigating or countering the loss of purchasing power, boosting global property demand for individuals and increasing investment. It should be noted, however, that the increase in expenditures, together with the reduction of the budget revenues, can lead to the increase or accentuation of the budget deficit to be covered by the state loans. Income accumulated or hoarded of some social categories would be attracted to the real economic circuit and used for productive purposes. By creating / financing investment works, new jobs are created. This leads to an economic balance by promoting the budget deficit. Restoring the economic equilibrium entails the disappearance of the deficit and ensuring the budgetary balance. This type of deficit is often called a systematic deficit.

The issue of public finances can generally be addressed from the perspective of resource allocation, while state funding through mandatory levies, through fees, taxes and contributions is subject to a specific analysis. Examining the allocation / redistribution function of the public finances does little to define the fair distribution of tax burden / burden among individuals or even between regions. To this end, public finances Examines / investigates the possibility for legal taxpayers to meet the burden / burden of taxation on third parties and, possibly, the meaning and scope of such transposition; the public finances also study and analyze the mechanisms of tax evasion, even of tax fraud, sources of important tax revenue losses and the development of the underground economy.

3. Conclusions

From the resource allocation perspective, the analysis shows that taxes should be neutral. In other words, taxes should minimize welfare losses through excess tax burden resulting from that tax burden suffered by the economic and social impact on them, in principle, economic choices. In the same way, public finances are concerned about the positive or negative consequences of taxation on the will / inclination to work, save and invest.

At the same time, the reflection on taxation is paying increasing and coherent attention to the tax system taken as a whole, due to the fact that each tax taken separately has drawbacks that can be compensated or countered only by charging other taxes. This is also true with regard to / regarding the international compatibility of
taxes. In the light of these findings, public finances are also interested in the tax technique, and the ways in which different taxes, duties and contributions are levied.

Public finances also pay special attention to the relationships between the different levels of the public, in the sense that their concerns go beyond the traditional aspects of burden-sharing and tax deductions. Thus, public finances incite or encourage participation in financing the objectives or actions of lower-ranking colleges in the form of grants or the effort to reduce the financial capacity gap between communities through vertical and horizontal financial adjustment (compensation).

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