Economic Agents Interaction with the State Through Public Consolidated Budget

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Abstract: The proper functioning of market economy is influenced mostly by the state interaction with the economic agents, respectively, by the way the financial relations between the public consolidated budget and the economic agents run for the purposes of building the public budgetary resources and allocation of resources in economic benefit. In the given below it is presented several important issues relating to financial relations between the private and the public enhanced.

Keywords: economic, finance, financial relations, taxes, economic agents, income, expenses.

Jel Classification: H 25, H32

1 Introduction

In current conditions, the major trend is towards the internationalization of economic markets, it can be concluded that the specific economic, and implicitly, the financial activity of economic agents, it is becoming more complex and in a continuously changing.

Current economic environment is the market economy, the basic pillar of the system is economic, and specifically between the market economy and an economic relationship of interdependence, in that environment can influence economic, and these, under certain conditions and in certain forms can influence the environment. In this specific market economy, the state has an important role as the legislative and executive power that has the capacity to coordinate and manage economic activities that are conducted in its territory.

2 The Consolidated Budget

State, through its institutions, contribute to ensuring the necessary enterprise functionality (law, stability, security agreements with other states) and organizes the provision of services of public utility behave in some cases as a trader. Traders eligible for allowances in the form of subsidies for certain sectors of protectionist measures, the state orders, exemptions and tax reductions or customs premiums for export or promote productions etc. In performing the role or use the resources collected in the form of taxes from businesses. State, adopted by the tax in the economy and the allocation of budgetary resources can create economic growth factors, or on the contrary, can generate negative effects, in case of inappropriate policies.

Private agencies are legal entities, established companies with private capital, carrying out economic activities in order to gain, such as stock companies, Limited Liability Company, partnership with simple societies, authorized persons.

All operators, regardless of legal form of organization, areas of activity or form of ownership operate in an organized, well-regulated with strict rules laid down by public authorities to support mainly the proper functioning of society.

Interactions between economic agents and state not only shapes the legal dimension, in which the state through its legislative institutions and coordinating executive management firms, but also a dimension of nature fiscal budget resulted in the mobilization of significant financial resources from economic to the state more specifically to the consolidated budget of the state and also the allocation / use of resources in such a benefit directly or indirectly firms.

So is the entity that manages consolidated budget which can be defined as all budgets, the budget components, aggregate and consolidated to form a whole, except that this budget is a budget self-standing in design, approval, execution and reporting, but is the sum of the budgets within the Romanian budget.

Term budget, in the etymological comes from French, specifically the word "bougette" that mean bag money, and the first act that could identify the concept of budget has been met in England at the beginning of XIII century, note that appeared in a number of income and expenditure on the activity of its institutions. In our country, the notion of budget has been discovered for the first time in a formal act in Organic Regulations of Moldova and Muntenia (1831-1832), but similar elements are dated since the reign of Constantin Brâncoveanu in "Book income and expenses".

Looking at the current level of economic and social development, the term budget means in fact a set of budgets that are managed by public authorities: the state budget, local budgets, budgets of the state social insurance - pensions, welfare, social health insurance etc.

From a legal standpoint, the budget is "a formal act that is scheduled and approved annual revenue and expenditure of the state." Addressing the economic notion of "state budget" put their footprint in a more visible on the economic and social life. Under this approach, the state expressed in the form of economic relations that monetary form in the distribution of gross domestic product, in accordance with the objectives of economic policy, social and financial standing of each period. These relationships occur in a double sense: on the one hand there are relationships to mobilize resources at the state and on the other hand there are relations of distribution of these resources.

In economic interaction with the state, and more specifically the financial resources of public budgets, a default occurs in what is called "a financial management company. This notion may be briefly described as representing the overall decisions and activities that contribute to the regulation and adjustment of financial flows of funds and the management of financial resources to firms.

Regarding resource mobilization in the consolidated budget, or in other words, the revenue of public budgets, the economic category are significant contributors to public budgets, whose effective functioning is a very important condition for ensuring a high level of budgetary incomes taxes.

3 Forms Financial Relations between Private and Economic Agents on Formation of State Budget Public

Financial relations are conducted between the private and the public budget consolidated itself in the payments made by operators, which take the form of payments of taxes, fees and other mandatory contributions that public financial resources component of the state.

Public financial resources for the consolidated public budget coming from businesses can be structured in financial resources of the state budget, including taxes, fees, income revenues, donations and sponsorships, the financial resources of the state social insurance that are made up of contributions social security; resources of local budgets, consisting of taxes, income taxes and revenues of local financial resources of special funds consisting of contributions.

Taxation is the most important form of sampling to the state part of the earnings or economic wealth and the main form of public financial resources. As known since slavery times, taxes are considered to be the first element of public finance. The concept of duty means the first obligation imposed on state individuals and businesses, to surrender part of their earnings or assets in order to cover public spending.

In the processes of economic redistribution, especially GDP, the owners of income or wealth, the state in order to meet public needs, it notes the economic tax. Taxes presents a social role in that, generates a social relationship between agents (which give a portion of their income or wealth), and State or public authorities - that take on those resources with a view to establishing the necessary funds and staff to cover their expenses related to the performance of its functions and to meet members of the general interests of society.

Literature, they assigned duties, main sampling forms part of the income or economic wealth, the public budgets attached consolidated public budget, the following defining characteristics.

Tax as follows a binding, and where payment is not made in accordance with the laws, the state may resort to coercive measures such as enforcement.

Tax levy is on a non-refundable, meaning that a transfer is final, meaning that the amounts concerned are repaid taxpayers.

Another feature is that the levy of taxes to the state without a service provided direct from it. Even if the tax levy does not exclude in certain circumstances and conditions, obtaining benefits from the state, it is done in an indirect way. There is a correlation between the size of the tax levy and the size of incumbent benefits taxpayers especially that of the state services and benefit some taxpayers are not affected by the payment of some taxes.

Taxes are essentially the cost of the services that the state and committed to provide its members, directly or indirectly, and permanent in the near future. Furthermore, statistically analyzing the problem in the construction of the state budget deficit, can say with certainty that the "price" of services through state and semi-public utilities, is greater than the value of taxes and duties which they are obliged to pay at a time, in that fiscal year, exactly the size of the budget deficit.

A content tax in most cases is the newly created value and wealth in some cases individuals and businesses. In this context it can be, even only in theory, that taxes are a transfer of wealth from the state and they are carried out public expenditure, and if these expenses are targeted with predilection for expenses involving unproductive consumption of resources, that public resources have been not just about correct. Following statistical analysis shows that taxes have on the public share of 90% of them, depending on a number of factors, namely: economic power of that state, the correct assessment of taxable matter of financial policy of fiscal that promotes parties are in power in that state.

Regarding taxes and they all materialize in the form of levies from the budgets of public consolidated budget, but the essential difference lies in the fact that, unlike taxes, fees if there is a direct benefits receiving payer (e.g. fee sanitation - sanitation service). So taxes are another important form of levies, with a view to public resources and payment of legal entities and individuals, for the services rendered by the State or public institutions. They can be treated as meeting the same taxes as features: binding, definitive evidence, prosecution in the event of default. Charges must be made to the following principles: the principle of universality, that any public service requested is subject to tax, the uniqueness that promotes the idea that a service is due only once, and the payment anticipated, which requires payment before the taxes so previously related services. The main forms of taxes are: legal fees, notary fees, extra charges, other charges.

Romania has a burdensome tax system, such as annual, companies must pay taxes to the state 113. This was reported and the CE in the evaluation report in detail for each stage of implementation of structural reforms under the Lisbon Strategy in the context of the European economic recovery for 2008 and the following recommendation: "measures to substantially reduce excessive regulation (red-tape), to eliminate a major source of corruption, and improving the business environment". It refers to the commitment and our country about this subject, and to reduce administrative fees by 25% until 2012.

Another source of public revenue, along with taxes, is the contributions, which materialized in the amounts paid in voluntary or mandatory by legal entities and individuals for the establishment of public financial resources, to ensure activities in the public domain. There are a number of features by which the contributions are similar to taxes, namely: some contributions are required by specific regulations, public resources, built on the contributions are intended to finance certain requirements of the public: health care, supporting people exceeding a certain age or lose their working capacity, improve infrastructure. Also, there are features that allow distinction between contributions and taxes: some contributions are paid by certain individuals and legal persons established by the laws of the action and requirements in the public domain, public contributions cover requirements defined by the cover from the state or local budgets, some contributions are mandatory, others are optional.

Allocation of financial resources is included in the category of public spending, which in fact constitutes economic processes of allocation of GDP aimed to achieve goals considered in the public interest. Public expenditure can be found on the supply of public utilities that are aimed at both individuals and the legal and constitute an important leverage for the state institutions in ensuring the functioning of society and the economy as a whole, in achieving optimum social and economic mirrored by maximizing their gross domestic product where the most consistent contribution they have businesses. The last time was observed trend rational use of these resources for the purposes of their use not only for final consumption of resources, but also to finance economic activities whose beneficiaries are the operators (public and private) to ensure a balanced development economy and social stability. In these situations, firms can benefit both directly through subsidies, and indirectly, if the actions financed by the public turn on them.

The financial support of eligible firms can be divided into direct financial benefits, such as grants, investments, loans with subsidized interest rate, repayable advances, financial aid and indirect nature of the loans guaranteed by state tax benefits. Both types of financial assistance (direct and indirect) involve a transfer of financial resources from the state that they give to the firms that receive them.

When for economic and financial support directly and indirectly that can benefit materializes by increasing financial resources from their management regarding the approach of the two forms of financial aid may be different. Thus, the transfer of money from the consolidated budget allows precise knowledge of the amount of aid granted by the state, and waiving the collection of budgetary revenues shows some weaknesses in this regard. Moreover, how to transfer money, specifically to provide grants, involves the collection of budgetary revenues, which leads to increase the size of public budgets, which is not valid to support waiving the collection of revenue budgets public. Where public funds are not used by rational economic agents, this form of financial support may become unprofitable, unlike the granting of tax incentives such as exemption from income tax, which is subject to profit by beneficiaries of this measure.

These aids have been assimilated into practice the concept of subsidies. Most recently, the concept of subsidies has become a very large size, the scope there may be included any form of state aid to even non-financial nature such as access to unskilled labour. Depending on the nature of which they are intended, in practice have highlighted two types of grants for significant economic aid and the investment and operating subsidies. Subsidies for investment are those allocated amounts from public budgets to support investment, indicating that these subsidies are mostly recoverable, and operating grants are intended to support the current activity (operating) companies.

Grants or capital investment as are called in literature represents amounts allocated from public budgets in order to cover expenses for investments that would support a trader. Practice has shown that these amounts of money are intended to cover only part of the investment effort that we are economic, the reasoning that a total grant not interested firms in the same way to conduct effective investment, so is not as the incentive.

Investment subsidies affect financial management in the economic sense of reducing the total cost of investment and consequently there is a diminution of effort equal to the investment subsidy. This type of grant is to supplement the resources for investment, whether own or borrowed, or internal and external present a feature to specify that this resource should not be paid, unlike the other two types of resources mentioned above. Support they enjoy a trader who receives a subsidy for investments can be easily observed using the internal rate of return (RIR), which is the minimum rate of return for that investment is warranted.

Equation 1

$$I = \sum_{t=1}^{n} (1 + RIR)^t = \sum_{t=1}^{n} CF_t$$

- a situation where an investment does not benefit from the subsidy

Equation 2

$$I_{SV} = \sum_{t=1}^{n} (1 + RIR_{SV})^t = \sum_{t=1}^{n} CF_{tSV}$$ - a situation in which an investment subsidy benefit

RIR = Internal rate of return for a situation where an investment does not benefit from the subsidy;

RIRsv = internal rate of return to a situation in which an investment subsidy benefit;

CFT = cash flow generated for the situation where an investment does not benefit from the subsidy;

CFTsv = cash flow generated for the situation in which an investment subsidy benefit;

I = investment of effort related to the economic investment;

The equation number is 1 if the trader does not receive subsidy for investment, and the equation number 2 represents a situation in which a trader receives a grant to finance investment. It may logically follow that if both investments (for equations 1 and 2) generates the same cash-flow sites (CFT = CFTsv) then the internal rate of return of investment qualifying for subsidy will be greater than the internal rate of return on investment that not receive the subsidy, because less effort investment in subsidized investment (I_{SV} <I).

Operating subsidies are amounts allocated from public budgets to cover part of the current expenditures of the firms. While these grants are intended economic objectives pursued their aims by providing an area of much greater interest, therefore in most cases are supported economic initiating and developing activities of an important social and economic. Financial aid grants to the nature of exploitation to be found for example in support in order to stimulate production for export to increase employment work, those aimed at keeping prices for basic foods at low levels. Reducing unemployment and ensuring a satisfactory consumption of goods and services by maintaining prices at a certain level, pursuing social protection of individuals or certain categories of support businesses and represent goals that justify their funding by public funds, and aims to stimulate exports increased competitive strength of a country on foreign markets, and increasing revenues in foreign currency, which influence the balance of payments and exchange rates. Regarding the use of export subsidies (premiums for export) it must be carried out subject to the principles and rules of international trade established by the World Trade Organization. These complex rules are designed to prohibit or discourage those subsidies effects on the conduct of international trade.

Another important aspect with regard to subsidies (all kinds) is that these financial aids from public budgets are the result of influences exerted by several factors among which economic, social, international regulations, the interest groups, and factors policies, subsidies represent important levers by which the political class tries to win the electorate. Thus, interferences because so many factors, but not exclusively, grants cannot always effectively reach objectives for which they were designed, analyzed and used. Because the subsidies is in fact government intervention in market mechanisms, the last time the trend is to reduce domestic subsidies to limit the intervention of public authorities and to allow free operation of market mechanisms.

4 Conclusions

Analyzed of the above, which shows the importance of interdependence between these two main actors of the economic environment (state and businesses) generated by the large flows of resources that is developing between them, and making a parallel to the current economic context in which the economy is threatened of recession, we can ask to what extent this situation out of the crisis depends on a compromise between the needs of important resources in the budgets of general government consolidated budget and possible economic aid for the economy (the main engines of economic development) by adoption of financial policies relaxing.

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