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THEORETICAL CONSIDERATIONS REGARDING FISCAL POLICY

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Abstract

The main objective of this research article is to provide a complex theoretical approach regarding fiscal policy. Fiscal policy is one of the fundamental components of the mix of economic policies. This plays a very important role in the implementation of macroeconomic policies. Fiscal policy is an essential pillar in the process of ensuring budgetary resources, but respecting the condition of being properly sized and applied by political decision makers.

Index Terms – fiscal policy, budgetary resource, macroeconomic policies, tax, economical growth

I. INTRODUCTION

As a theoretical approach, fiscal policy can be defined as the complete set of fiscal decisions that the state takes in order to provide the financial resources necessary to carry out its tasks. The theoretical approach regarding the term of fiscal competition aims to expose certain points of view and opinions, sometimes divergent, with the help of which a comprehensive conceptual support can be crystallized. However, fiscal policy cannot play the role of a universal panacea in order to resolve all the dysfunctionalities in a crisis economy and neither has the possibility to maintain the process of macroeconomic stabilization, in the conditions of rising unemployment and a high inflation rate.

The principles of fiscal policy are correlated with the principles of financial policy, the social-political principles and the principles of economic policy.

The principles of financial policy cover the following aspects:

a) High fiscal efficiency, respectively the tax must be universal in nature, it is not possible to deduct from taxation and the size of the expenses regarding the establishment of taxable matter, the calculation, the pursuit and the collection of taxes be as small as possible.

b) Stability, respectively the yield of the tax is kept constant throughout the whole business cycle, because there are no constraints according to which the yield of a tax is not obligatory the increases with the increase of the volume of production and of the revenues, as well as the decrease during the crisis periods.

c) The elasticity that refers to the fact that the tax must be permanently adaptable to the conjunctural needs of state budget revenues, as well as to the dynamics of public expenditures.

The social-political principles are based on the concept of fiscal illusion focusing on the possibility of manipulating the choices made by the median voter with the help of the tax-specific levers.
The principles of economic policy imply the use of taxes as a tool to stimulate the development of certain branches or economic sub-sectors, to boost or to restrict the consumption of certain goods, goods or services.

II. CONCEPTUAL PERSPECTIVES OF FISCAL POLICY

The fiscal policy is considered to be a function of the economic and social objectives pursued by the individual governments, and these are determined by the views of the governing parties on the role of the state in the economy. Since the 1980s, economic discipline has been dominated by the idea that monetary policy is the superior instrument of economic decision-makers, while discretionary fiscal incentives should be avoided, and fiscal policy itself should be limited to automatic stabilizers (Taylor, 2000). Among economists and economic politicians, the main focus of disagreement is on how fiscal policy is conducted and its consequences is placed between the neo-classical and neo-Keynesian economies because the neo-classical economy favors a restrictive fiscal policy, while the Neo-Keynesian economy claims that fiscal relaxation during an economic crisis will bring the economy back on an upward slope on economic growth (Wiliński, 2019).
Văcărel (2007) argues that the process of income redistribution through fiscal instruments and budgeting was sustained by adherents of Keynesian doctrine, which was adopted as a state policy at the level of certain states, especially in developed countries. Inceu and Lazăr (2003) suggested that fiscal policy is defined as an integral part of the economic state policy and includes the set of methods, techniques, principles regarding the operations, reports, institutions and regulations specific to the establishment and collection of taxes and contributions, materializing the state's options, at some point in time in this area, but being influenced by certain factors, namely the state and the level of development of the respective national economy. Bretschger and Hettich (2002) have empirically demonstrated that the impact of tax competition on capital and labor mobility at the international level is inherently correlated with the size of tax revenues collected at regional and national levels.

In the literature there are opinions that argue that the relationship between taxation and the level of development of the economy is conditional, respectively a stable, developed economy always highlights a favourable environment for fiscal relaxation, because this fact is not always valid at the level of an economy in transition, diminishing the fiscal pressure not having the desired impact on the economic development due to the tendency of the economic operators to divert the additional revenues from the economic circuit (Dobrotă, 2010). Illegal phenomena such as tax evasion, including work without legal forms or "black work", negatively influence the level of budgetary resources collected through the application of taxes and taxes, and implicitly the economic development of the respective state.
On the other hand, an important role of any central bank is to ensure economic stability in the country, and for this purpose, it adopts various measures to ensure that inflation rates, GDP,

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interest rates, exchange rates, money supply and other target macroeconomic parameters remain under control. Thus, it is possible to observe the need for a balance between fiscal policy measures and monetary policy measures (Moid and Shamima, 2017). In fact, there are some researchers' opinions considering that the biggest challenge facing fiscal and monetary policy in a developing country is the continuation of the accelerated growth process, while maintaining the price and financial stability (Mohan, 2008). However, when monetary policy operates at a rapid pace, fiscal policy can help smooth aggregate shocks, but in the absence of central fiscal capacity, it requires economic policy coordination so that all countries contribute in this regard (Gaspar et al., 2016).
Any change in the tax system or the level of taxes should take into account the impact on the overall flow of tax revenues, because in many cases a reduction of the tax burden is compatible with maintaining or even increasing budget revenues if there is a simultaneous increase in output - similar to the expansion tax base. Thus, the rate of fiscal pressure can become a very important and very efficient macroeconomic variable in applying fiscal policy measures, whose levers are used to support economic growth (Cioponea and Dumitru, 2017).

III. CONCLUSIONS

The role of fiscal policies is crucial in implementing effective strategies for combating tax evasion. Fiscal policy is a fundamental component of the mix of economic policies. It also plays an essential role in the implementation of macroeconomic policies. Fiscal policy is an important tool in the dynamics of the process of ensuring budgetary resources, provided it is properly sized and applied by the political power.

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