

Topic 3: Financial policy of the state

- * 1. Concept of financial policy.
- * 2. Fiscal policy.
- * 3. Monetary policy.
- * 4. Main directions of financial policy of RM.

* **Didactic purposes:**

- * • *Concept definition «financial policy».*
- * • *Description of the state social and economic policy components.*
- * • *Comparison of financial strategy and tactics.*
- * • *Analysis of the monetary policy tools.*
- * • *Identification of fiscal policy tools.*
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- * **Keywords:** *financial policy, price policy, financial strategy, financial tactics, fiscal policy, monetary policy, taxes, fees, transfers.*

1. Concept of financial policy.


- * The economic policy of the state is an activity of the centralised authorities which is carried out in the field of economy and influences process of production, an exchange and consumption of the goods and services, and also on capital creation.

Problems of social and economic policy:

- * 1. Providing of economic freedom.
- * 2. Providing a full employment of the population.
- * 3. Ensuring economic growth.
- * 4. Providing the fixed prices.
- * 5. Introduction of tax privileges for the population with the low income.

The social and economic policy of the state consists of the following components:

- * 1) Financial policy - which joins fiscal policy and monetary policy, currency policy.
- * 2) Price policy - which regulates expenses and level of a trading extra charge (the pharmaceutical goods - a margin to 15 %; power (NARE)).
- * 3) Wage policy (regulates the minimum salaries on the country and establishes living wage).
- * 4) Commercial policy (regulates activities for foreign trade).
- * 5) Industrial policy (the policy in the field of production).
- * 6) Agrarian policy.
- * 7) Education policy.
- * 8) Employment policy.

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- * The financial policy - reflects set of methods, means, tools, institutes which implement managing of financial resources which are used by the state for influencing on economic processes and the social relations for realization of macroeconomic tasks and achievement of the general macroeconomic balance.

Main objectives of financial policy:

- * 1. Providing of economic development and economic growth.
 - * 2. Decrease of unemployment.
 - * 3. Decrease of inflation.
 - * 4. Improvement of population's living standard
- * Considering financial policy, it is necessary to define financial strategy and tactics.

- * Financial strategy - means programs on long-term prospect.
- * Financial tactics - includes administrative acts of planning for the short-term period, and also the measures which are undertaken for implementation of financial plans.

The financial state policy depends on the following factors:

- * 1) The potential of each country.
- * 2) A method of management.
- * 3) A social orientation.

There are general and specific principles of realization of financial policy :

The general principles:

- * 1. Taking into account of actions of economic laws.
- * 2. Taking into account of historical conditions.
- * 3. Using of personal and world experience.

The specific principles:

- * 1. Providing rational structure of a financial system.
- * 2. Providing creation of the rational financial mechanism.
- * 3. Creating of balance in all areas of financial and economic system of the country.
- * 4. Creating of financial reserves.
- * 5. Concentrating of financial resources for realization of the social and economic purposes.
- * 6. Providing balance in financial and a monetary policy.

2. Fiscal policy.

- * **Fiscal (Budget) policy** is an activity which influences on social and economic processes through the income and state expenses for realization of the macroeconomic purposes and obtaining the general balance.

Fiscal policy tools:

- * 1. Taxes.
- * 2. Fees - generally in RM exists at local level.
- * 3. Transfers - gratuitous payments of the state in favor of individuals.
- * 4. The state purchases - expenses of the state on acquisition of the goods and services.
- * 5. Payments in favor of the state and the state taxes - paperwork, rendering of services, approving of documents - a payment for assurance of documents when obtaining passports.

3. Monetary policy.

- * **A monetary policy (MP)** - activities which influence on social and economic processes by means of the monetary offer for the purpose of realization of macroeconomic tasks.
- * **Monetary policy tools:**
 - * 1) Regulation of the rate of refinancing.
 - * 2) Norm of obligatory reserves.
 - * 3) Operations at open securities market (the state short-term bonds, realisation to commercial banks through the Central Bank).
 - * 4) Intervention in the currency market
(if level of purchase of foreign currency has raised, the course falls, and lei strengthens its positions).
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4. Main directions of financial policy of RM:

Main directions of financial policy of RM:

- * 1. Business stimulation by means of fiscal policy.
- * 2. Co-ordinating of level of the budgetary expenses with dynamics of gross domestic product.
- * 3. Implementation of financial obligations at all levels.
- * 4. Implementation of transparently, stable and simple financial policy.
- * 5. Providing of tax stability.

Actions in the field of financial policy of RM:

- * 1) Reduction of the budgetary expenses in compliance with real volume of the budgetary income.
- * 2) A budget equilibration, considering growth of workplaces.
- * 3) Restriction of growth of the budgetary expenses.
- * 4) Decrease in an external share of financing of gross domestic product (that is it is necessary to use own internal financing, without increasing credit burden of economy).
- * 5) Financing of the budgetary deficiency by means of home loans.