

METHODS BY WHICH THE STATE CAN EXERCISE ITS PREROGATIVES AND FUNCTIONS

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In this paper we will discuss about the methods by which the state can make the public choice real and how diferent tipe of states manage to solve this item. Welfare state in opposition with the laissez-faire conception could guide to an interesting approach of the taxation problem.

Welfare state, instruments (by which the state could intervene in the process of taxation), self regulators

We have seen that the phylosophers and economists sustain the idea (some of them more and some of them less) that the state can intrervene in the economic and social processes in order to adjust and stabilize them. No doubt that this entity, so many times disputed, has some tasks and functions to fulfill. In this respect, it has some instruments to work with, according to the governing doctrine in different situations. Here we have to say the fact that according to the doctrines which have been mentioned earlier, there are several senses of the state notion, each of them with its characteristics and according to the implication degree in the mentioned processes, using a bigger or smaller number of tools.

Appealing to some papers of economical policy, we will try to emphasize which governmental types are more often met and which are the characteristics of them. The government is absolutely clearly linked to the political factor, even though it takes decisions in the economic field, like the economy being linked to policy. The relationship between doctrine and administration is detected by Aurel Iancu in his work entitled "*Policy and Economy. Guide marks of a Superior Economic System*"¹⁵ where he notices the fact that "... the political objectives are taken from the doctrine of the party... the administration not having the role of choosing, but mostly that of application." In the same context, the author mentions the fact that the choosing of the instruments does not have a political relevance, because there are predetermined sets of instruments which are used in some doctrinarian situations.

Regarding these types of doctrines, and respectively, the sets of instruments, we have to say that independent of these, the state has some functions to carry out. In the lines above, we have mentioned Bastiat, the pamphleteer and the theoretician, who wanted to exist an award for the person who could give a simple and correct definition of the government. In the same paper¹⁶, the author shows an entire list of requests belonging to the citizens of a state, in accordance with what they think the government should do, as an exponent of the state in a certain moment. Of course, it is not useful to adopt everything written in that article, because there are several specifications made, but we will only say that putting al the requests of the citizens in a hierarchical order, we will obtain the functions of the state. They are all the functions a state should carry out, no matter what political doctrine leads, in order to have a proper present and future.

Regarding these functions and roles of the state, in the paper that we have already mentioned, Aurel Iancu brings into discussion some types of state, named by him, archetypes:

- The protective state;
- The productive state;
- The bureaucratic state.

In the following lines, we will try to mention some of the characteristics of each type. But before doing this, it is necessary to say that as time passed they succeeded according to the orientations determined by the philosophical trends, being in an inherent succession.

¹⁵ Aurel Iancu – *Policy and Economy. Guide marks of a Superior Economic System.*, Expert Press, Bucharest, 2000, p. 59;

¹⁶ Bastiat F. – *What Is Seen and What Is not Seen*, eseul publicat in *Selected Essays on Political Economy*, ed. Irvington-on-Hudson, NY. Disponibil la <http://www.econlib.org/library>

The same author gives definitions of each type. We will not reproduce all his assertions, but we will take out short passages which will help us to realize which the characteristics of each category are. In this direction we will approach all the four archetypes in the sense of their anterior enumeration. Thus, the protective state is, in the opinion of the above mentioned author, that state which fits best the definition of Adam Smith, regarding the so called “invisible hand”. A state which is concerned with the creation and the maintaining of a legal frame of the “*free relations of the market and without any risk*” without interfering in another way with the economical life. In this context, the state does not do anything else but it creates the general rules of the game, in order to create a climate of competition, which he, afterwards it protects in order to maintain their functionality and the functionality of the economical background. The liberal economists were the ones who imagined such a state and the ones who fought and are still fighting in this respect.

The productive state followed the protective state, in the moment when the people realized that they were facing a failure of the markets. It was the moment when people observed that *laissez-faire* is not a sufficient principle in the case of the human race which determined generally the character of the economic and social environment. The defective way in which the market mechanisms functioned, determined the appearance of some different kinds of errors which led to unwanted results. According to the author mentioned above, there are six such errors: the monopolies, the externalities – which have already been discussed, the public services and goods, the information and the transactions, the redistribution of the incomes, and the macro economical disorders. All these economical categories, with profound social implication determined the appearance of the so called “built-in stabilizer”, that is, the internal adjusting and stabilizing mechanisms of the process with a state contribution.

The third category is that of the state as a negotiator state. This has a more difficult task than the other ones, because it does not impose anything, but it always negotiates in the position of the mediator of processes or of conflicts between the possessors of the production factors. The author mentioned above mentions among these interests groups and private organizations. We will stick to this conception and we will remain only to the notion of owner of production factors. But, interesting at this author is, the perspective of the positions of the state in these processes. The state can be interested in negotiations, in fact it can be a part which is directly implied and interested, it can also have a neutral position, from which it mediates, arbitrates or moderates the negotiation processes between other parties. It can also try to attract the owners of the production factors in achieving some economical and political goals¹⁷. In the case of this category, the state has to be capable of giving up its purely decorative role imposed by the liberal principles and it also has to know how to draw, by his side, partners from the interior and from the exterior of the country, in achieving the goals from the governing program. What we have to keep in mind is the fact that, it relies on the agreement of the production factors possessors or of the groups of possessors factors of this kind.

The last state archetype is the bureaucratic one which, in its pure form, is characteristic of the classical socialist regimes, with a maximization of the state implication in economy, in fact with its union with the economic factors of decision. The social equality is a priority and in the name of this the state has the role of decision factor in the economical field. The social implications are evident, and the results are evident as well, for some economies in the Eastern part of Europe. The majority of these have been accustomed with the state matrix of the economic implication and the changes presumed by this, being difficult to achieve again the coordinates of the market economy.

A kind of state which is relatively different from the fourth one is the one of the welfare state, having an organization based on social-democratic doctrine that exists in the Northern countries of our continent. Here, the main concern of the state was to assure the equally allocation of the results between all the citizens of the respective states. Among all the functions of the state, the most important one was that of redistribution. The failure of this type of state appeared at the end of the ninth decade of the last century, when the first results appeared, being not according to the requests concerning the economical performances. The assistant character of this subtype of state determined the appearance of some social effects illustrated by voluntary unemployment, the lack of desire for work and some other effects.

If we have already mentioned the redistribution function of the state, it is the moment to talk about some other functions that the state has to have. But, before that, we will mention the fact that, the four state archetypes are not found anywhere in their pure forms. The form of existence of the state will always be a mixture between the four, an intersection of their characteristics.

¹⁷ Aurel Iancu – op.cit. p.71;

About the functions of the state, we will say that they are owned by the new idea of state, the modern type of state, which, as we have noticed before, it is a hybrid type. In the work entitled “*Economics and Public Finances*”, the author Nicolae Hoanta, underlines four functions of the state, as well, functions which have to be carried out in order that the political, economical and social objectives to be fulfilled. These four basic functions are:

- the allocation function;
- the distribution function;
- the stabilizing function;
- the regulation function.

We notice the fact that among these we discover the attributes of the first three archetypes, the protective state – the last function, the productive state – the first two, as well as the negotiator state – the third one.

Each of these functions has some characteristics, some results and some parameters.

The allocation function is claimed by the market deficiencies, from their incapacity to assure the optimal allocation. According to the above mentioned author, this is possible only when the costs are supported entirely by the producer, consumers and traders. In fact, this is not possible because of the dissonance between the common action and the option of the clandestine passenger. The last one will choose to enjoy the consumption of some goods and services without participating at their costs. This is the reason why for the presumptive entrepreneurs from the respective domains, things would unfavorably change. Thus, the state is forced by circumstances to accept the role of these entrepreneurs and the respective goods and services to gain public connotations.

In the case of the distribution function, things are a little bit more complicated, because this is made by the participation results of the production factors’ owners in the economic process. We have already said that it is somehow strange to give up a part of the results of your work, or, in other words, “*the result of the income distribution, of the wealth and of welfare may not be in accordance with what the society considers to be correct.*”¹⁸

The state’s function of stabilization derives from the necessity of smoothening the market’s failures, the prevention of these and from the attempt to appropriate the evolution of the optimum paretian phenomenon. As we have already noticed, the market cannot cover all the segments of goods and services demands necessary to the population of a state in a given circumstance. Because of this, it is necessary for the state to intervene in the regulation of the economical mechanisms.

The fourth function of the state, the regulating one, has the roots in the liberal conception of creating the legal background and the maintaining of this for the assurance of a certain correctness of the economical climate, for a good competition, with results in the near future. The regulation does not have to pass over some thresholds, considered to be significant, in order not to disturb the development of the economy. But, there are some other conceptions regarding the functions of the state, from the economical point of view. A group of authors, under the coordination of Gheorghe Manolescu, notices the fact that there are three economical functions of the state: the efficiency, the uprightness and the stability¹⁹. Making a certain rapport between these and the others mentioned above, we can use the term equivocal in order to describe the relationships between uprightness and distribution, between efficiencies and allocation, and the stabilization can be found in both visions. Probably, this group of authors considers the regulating function standing to reason. For accuracy we will mention the first approach and going on we will refer to this.

These functions result from the interpenetration of the generic types of the state, from the hybridization of the phenomenon and from the impurity, in the good sense, of this phenomenon. In order to manifest its prerogatives in the direction of fulfilling these functions, the state have different methods to obtain the anticipated results.

Nora Chiriță and Emil Scarlat in their book entitled “*Macro Economical Politics. Theory and Applications*”, in the chapters IV-IX, underline some instruments grouped in sets afferent to many economical orientations. From the paper’s perspective, two orientations are interesting for us: one towards demand, concretized in two sets of measures named fiscal policy and monetary policy, and the other one towards offer. Between these, the one which will gain a bigger interest will be the fiscal policy, with its tools by which it hints to give an impulse to the aggregate demand in the economy of a state in a certain moment.

¹⁸ idem, p. 80;

¹⁹ Gh. Manolescu (coord.) – *Economical Politics. Concepts, Instrument and Experiences*. Economical Press, Bucharest, 1997, p 21;

There are three basic instruments by which the state can influence the aggregate demand: governmental purchases, social transfers and taxes. Initially, we will discuss each category, in order to see the particular elements of the intervention by their help, and then we will enlarge our approach, in the case of the taxes, where we will discuss the way in which they can stimulate the demand.

The governmental acquisitions, subject to so many suspicions, represent a modality by which the state tries to stimulate the demand of goods and services, as well as the production of these. In the theory, there is the notion of multiplication of these acquisitions, which refers to the mathematic way by which we obtain results, and which can be these, by applying this coefficient of multiplication to the entire amount of acquisitions. An American author names this multiplier *Cape Canaveral*, after the events that took place in that region, approximately forty years ago. Everybody knows the fact that the above mentioned name is linked to the spatial programs of the United States. This country is no part of the region that we study, but the example is too eloquent not to use it as an argument. Before beginning the American spatial program, Things were very peaceful in that part of Florida. But along with the steps made by NASA in order to create the necessary facilities, all this peacefulness was destroyed. Among all the sectors, the economical component was the mostly disturbed. Some jobs were created in the *Greenfield* manner, and this thing supported the appearance of some other economical activities proper to a community: shops, hotels, etc. These hinted the personnel involved in the NASA programs, in fact, the high incomes of this, but these also requested a relatively high number of qualified personnel. Everything started to look like a huge snowball, from the perspective of the number of persons who moved in the neighbourhood, fact that determined the appearance of a growing spiral line of incomes from economical activities. When if later this spiral line stopped growing, it still remained at its highest level. All these happened because the American government decided to make some investments in the area. We will not make some mathematical calculus, but we will focus upon the social transfers.

These represent the totality of the amounts paid by the state in order to fulfil its functions of income distribution. The liberals struggle against these transfers because they can easily induce an assisted behaviour among the hinted persons. One of the reasons because the so called *welfare-state* failed is this behaviour. The states which have been in this situation have benefit from a flowering economical position and as a consequence they promoted generous social program, and the results started to appear. The voluntary unemployment, on one hand, and the lack of interest towards work on the other hand are only two such results. The substitution effect between the supplementary incomes, significantly taxed, and the free time as an alternative, has been predictable. Although the social transfers, judiciously made, represent a good thing for a society. The children and the young persons need resources in order to prepare themselves for the work in the society, and the aged persons, who contributed to the prosperity of the community, need decent pensions and proper health care. All these can be achieved by transfers from the welfare produced by the ones involved in production. Besides the work schooling of the young persons and the rewards given for the effort made by the aged persons, the social transfers generate jobs in schools, universities and other educational facilities, as well as in clinics and hospitals.

These two means by which the state makes possible the growing of the demand and subsequently the growth of the aggregate offer are completed by fiscal drawings, which contribute significantly to the achieving of these goals.

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