THE IMPLICATIONS OF THE FISCAL POLICIES IN THE MACROECONOMIC ADJUSTMENT

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ABSTRACT
In this paper I have tried to present the role of taxes and the state’s fiscal policies’ implication in adjusting the global variables of economy.

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INTRODUCTION
The fiscal policy is an important component of the financial policy which comprises the methods, the means, the instruments and institutions that interfere in the procurement of the financial resources for influencing the social and economical activity.

1.1. Taxes’ implications in adjusting externalities

The externalities are positive or negative phenomenon which appear in the situation in which the costs or advantages given by the production and consumption of goods and services do not affect entirely upon the components or the persons implied in economic report.

The compensation of the externalities’ effects can be made through several instruments: guidelines regarding technologies, establishing the prices, etc, but fiscal instruments are much more useful through their flexibility.

Including the tax in the price determines its growth determines the decrease of the requested quantities and the according adjustment of the offer. In practice, applying the indirect tax is used because the fiscal efficiency is higher, the costs being shared between consumers and producers.

1.2. Taxes’ implications in adjusting the employment offer

The taxes have an important role in adjusting the employment offer, especially through the impact upon individuals’ options between free time and productive activities. Thus under the incidence of taxes we record an effect of income through increasing the work time or an effect of substitution by reducing the time needed for production activities.

The empiric studies made on groups of individuals from different categories of the population lead to the following results for the fiscal policy orientated towards stimulating the employment offer:

- The substitution effect depends on the marginal tax quota applied on an income installment, while the income effect depends on the average tax quota, thus a system with high marginal quotas and with an average, reduced quota will determine the substitution effect, while a system with lower marginal quotas and with a higher average quotas will determine the appearance of the income effect.
- Adopting an income tax system with a proportional quota might determine the stimulation of interest for work by producing the income effect
- The substitution and income coefficients are higher for women than for men, and higher for elder persons than for the young ones
- Producing an effect or another depends on one’s family situation, reason for which the treatment in imposing for couples with children has a strong impact on the employment offer
- At low levels of income the income effect predominates, while in the case of medium income levels the substitution effect predominates, thus the employees with low income are less affected by the taxes progressivity, and those with higher incomes are strongly affected by the progressivity of taxes, but do not react to modifying the taxes through modifying the work time, this determining them to offer work a relative constant time.

1.3 Taxes’ implication in adjusting savings

The increase of savings represents a very important goal of fiscal-budgetary policy because using them in investments represents an important factor of economical growth and development. The implication of taxes in savings is manifested mostly in the proportion in which the resources are allocated for consumption and saving, for forming the capital.

Taxes influence people’s savings through their impact upon the available income as a source of consumption and savings.

Moreover, the effects that taxes on capital have upon savings are important because they influence the profitability of placements so at a variation of the placements’ profitability determined by the modification of taxes on income from capital some tax payers will prefer to major their current consumption in favor of the future one, reducing savings, while others will compress the current consumption increasing the amounts saved as to compensate the value loss due to the reduction of the placements’ profit.

It is considered that the saving process implies effects gets considerable effects in the economical growth because a growth in savings leads to the reduction of the interest rates on the financial market which will modify the marginal inclination towards saving or consumption, so the system will stabilize itself at an aggregated level of savings or investment.

It is of great interest the fact that public authorities from most countries have opted for upgrading the tax system by introducing in the individual persons’ incomes, some stimulants for savings:

Exemption from taxes of some incomes from capital by not including them in the area of tax application, thus some categories are exonerated: incomes from bonds in the USA, the interest from current bank deposits in Japan, the earnings of real estate capital in France, dividends in Canada, earnings from real estate in Switzerland

In influencing the savings of the companies we have more options of fiscal policies oriented towards the adjustment of amortizations and undistributed profit, main components of savings.

We emphasize the possibility of influencing undistributed profit through its tax regime, thus public authorities can choose between different possible options of taxing the profit, with different effects in the savings and investment plan.

A major impact on savings can be represented by other categories of taxes, such as consumption taxes which can influence the distribution of the available income between consumption and saving through the growth of prices and diminution of consumption effect.
1.4 Tax involvement in the stimulation of investments

Tax involvement in the stimulation of investments is determined by the inclination towards

From the ensemble of fiscal policy instruments, the profit tax has an important role in the adjustment of the investment through the impact that it has on the cost of capital, so the investors will accomplish the investments only when the economical profitability of the investment Ri will be equal to the cost of capital Cc, determined by adding the income rate rd and the depreciation quota cd according to the relationship Ri=rd+cd.

If we introduce in this relationship the tax on profit with a proportional quota t, the relationship becomes Ri-te=rd+cs-tc, with re=Ri*t-tc where tc is the fiscal credit for investments, te is the effective tax quota that is obtained by subtracting from the tax that would have been paid in the absence of the amortization Ri*t of the tax economy ta, due to the deduction of the amortization at the calculation of the imposable profit.

The tax economy depends on the tax quota and the amortization quota a, thus we obtain the efficiency rate: Ri=(I+a-ta-tc)/1-t.

From this we observe that the volume of investments rises if the taxing quota t is reduced or if the fiscal credit tc and the deductible amortization quota increase.

In the countries in course of development the governments practice exemptions from taxes on profit as well as giving fiscal facilities for stimulating scientific research and technological development: fiscal bonifications regarding the research activity by reducing the imposable profit proportional with increasing the expenses with scientific research and technological development in France and Japan, special regime of amortization for machineries used in scientific research in Belgium, Great Britain, Italy, Germany, Japan, etc.

Regarding the losses problem, it is desired that as an option of fiscal policy, choosing a fiscal treatment for loss, accepting or not the exemption of losses from the base of impose. Because the loss reduces the profitability rate of the investment, the probable gain, it reduces also the registered loss, that is why the intervention through taxes can increase the availability to accept the investment risk, which would orientate the savings in a greater measure to productive placements.

Attracting foreign investments represents another way of influencing the investments through the practices tax policies, especially in the countries in course of development through offering the foreign investors numerous fiscal facilities: tax exemptions for consumption if the goods resulted are sold on the internal markets, a profitable regime of amortization.

For favorising the foreign capital fluxes towards the countries in course of development we consider that it is necessary that the politics of taxing should be coordinated in a unitary way, in this purpose we need to take into consideration the debates on creating a world organization specialized in tax problematic, having as its goal coordinating the fiscal facilities given to foreign investors.

1.5 Tax involvement in adjusting international exchange

Stimulating the exports is one of the most important goals of the economic policies of numerous countries. In the economical literature numerous orientations uphold the economical development based on exports, this representing a strategy of economical growth, without inflation in comparison to the one based on stimulating the internal demand.
By using some fiscal mechanisms we follow to encourage the improvement of national resources at a higher level of processing and attracting in the process of processing the important resources for rising the production and sales on foreign markets.

By this, the decisions for fiscal policies were about using the fiscal facilities at the tax on profit, by reducing the owed tax according to the total value of the exported production or the volume of the expenses for promoting exports.

Moreover, another option is regarding the offering of customs tax exemptions for exports or practicing differential levels according to the level of processing the raw materials or exported goods.

The role of taxes in influencing economical foreign exchange is manifested not only in the stimulation of exports but in protecting the local producers from foreign competition, especially from the not loyal one.

From this point of view, the antidumping customs taxes contribute to the adjustment of the economic activities by keeping the foreign competition in certain limits of loyalty assuring an appropriate environment for developing the essential sectors for the national economy.

1.6. Tax involvement in accomplishing other goals of economic policy

The tax policy contributes to the upgrading of allocation and reallocation of resources between different sectors or branches of activities for stimulating some activities, especially those with high productivity and big potential of economical growth as well as stopping activities with negative impact.

In this way, an important role in structural adjustment is played by consumption taxes, by the impact upon price, consumption and incomes of the production factors, because their addressee is the consumer, by reducing the demand, it will partially conduct the fiscal task on the producer, on the production factors.

We can observe that the supplementary fiscal task by introducing the tax is split between producer and consumer, according to the elasticity of the demand and the offer, so the more higher this is, the higher the one supported by the producer becomes, this trying to put it on the production factors, thus at an elastic demand the production factors will not bear the fiscal task and will move on to other activities.

By introducing the tax, the production in that certain productivity range decreases, the resources will be oriented towards other activities, that is why practicing taxes on sales with a certain quota affects less the allocation of resources between sectors, that is why some measures of fiscal policy for practicing taxes with differential quota or special taxes on consumption are necessary for the efficient allocation of the productive resources between the activity branches.

By reducing the direct taxes, the level of income rises, the demand rises, the level of prices and inflation rise and the rise of indirect taxes lead to upholding the available income, the rise of inflation, diminution of the direct taxes lead to upholding the available income, reducing prices and inflation.

Conclusions

In most countries, the role of taxes has a special role, this manifesting on the financial, economical and social plan. On the financial plan the taxes represent the main way of procuring the resources for accomplishing the tasks and functions. In the economical plan, the taxes are used as bridges of financial politics for the public institutions’ interventions for balancing the economical activity according to their purpose. Socially, the state, through taxes, assures the
redistribution of the incomes to different categories of people. By the fiscal policy of taxing the investments, savings, the consumption of certain goods and services are stimulated, the negative externalities are correlated and the efficient allocation of resources on different sectors of activity are corrected and the disfunctionalities in occupying, establishing prices are balanced for the relaunching of the economical growth.

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