

PUBLIC EXPENDITURE ANALYSIS IN THE LIGHT OF INCOME DISTRIBUTION. COMPARATIVE ANALYSIS

Mihai-Bogdan PETRIȘOR

Faculty of Economics and Business Administration
Alexandru Ioan Cuza University of Iasi, Romania
mihai.petrisor @uaic.ro

Abstract: *This article emphasizes the importance of income distribution, and most important investment in education, an old trend but current as it was before. We conducted a comparative analysis between the US and Romania in order to learn strategies applied successfully by specializing in social programs by the government of the most developed country in the world.*

JEL: *H50 – General, H53 - Government Expenditures and Welfare Programs*

Keywords: *public expenditures, Public expenditures on social programmes*

Acknowledgement: *This work was cofinanced from the European Social Fund through Sectoral Operational Programme Human Resources Development 2007-2013, project number POSDRU 159/1.5/S/134197 "Performance and excellence in doctoral and postdoctoral research in Romanian economics science domain"*

INTRODUCTION

In 2001, 33 million people in the US were classified as poor - nearly 12% of the total population. Despite the wealth and welfare of the United States, poverty remains a serious social problem. Poverty entails raising crime and social disorder. The aid for the poor is one of the functions of government worldwide. In the US, 13.5 percent of expenditures on a government are allocated to programs to combat poverty.

GOVERNMENT PROGRAMS TO COMBAT POVERTY IN THE US

The main anti-poverty programs mainly assist those who, for one reason or another, unable to work. In these groups falls handicapped, the elderly, families with many children who have only parent, etc. Families who meet these demographic tests meet the requirements for social assistance. Because these people, in their majority, are not part of the workforce, they have minimal effect transfers to create incentives for finding a job.

Due to the reform of fighting poverty in the United States, the test for admission to the social assistance programs has changed. Depending on the status of each individual, the vast majority of those benefiting from this program are asked to look for a job or do training for jobs and be put in mind that this support is only for a limited period of time. Thus, their status will become irrelevant because after expiry of the period in which they were offered assistance will be removed from the program. The exceptions are disabled.

Government programs to help the poor are: cash transfers; providing basic goods and services such as medical care; subsidies to help the poor to subsidized housing or food; various programs designed to help poor children and to stimulate to recover.

CASH ASSISTANCE TO THE POOR IN THE UNITED STATES: TEMPORARY ASSISTANCE FOR STRUGGLING FAMILIES AND ADDITIONAL INCOME FOR SOCIAL SECURITY

Two major programs provides assistance in the form of cash transfers: TANF (Temporary Assistance to needy Families) and SSI (Supplement Security Income). TANF provides support to families for a specific period. All states have started implementing the new federal welfare system from 1 July 1997. Tanfeste a federal program that provides funds to states for combating poverty. It is run entirely by member. Each state determines eligibility. For poor countries and helping in finding jobs, the new law also provides welfare funds to help states subsidize childcare for families with problems in order to search for a job.

The new law on social welfare has not fundamentally changed the SSI program. But in a shift regarding the criteria by which children are classified as disabled. The new law took into account a reduction in those who will be eligible under this program. SSI is a program financed by the federal budget that provides money transfers to the elderly, the blind, and those with disabilities who meet certain criteria. In addition, governments have general assistance programs for the poor, which provides financial aid for childless couples and individuals without relatives falling into some criteria but not eligible for TANF and SSI programs.

The federal government provides additional assistance for the poor through "tax credit in the earnings" (Earnd Income Tax Credit EITC), a program for families who work and have children for ensuring supplement income transfers paid when they complete their forms of payment taxes. The maximum credit was \$ 4,140 for families in 2002. EITC program has become the main means of support for the poor in the United States.

HELP IN GOODS AND SERVICES FOR THE POOR

The Federal State helps the poor through benefits "goods", which increases the amount of certain goods and services to be consumed by those concerned. These benefits are those obtained in some form other than money, which will improve the welfare of the person. These benefits include medical services, food, housing, and other services

provided directly to the beneficiaries or at subsidized prices to eligible families and to individuals. The figures speak, grants in kind are more important than cash transfers to the poor. Other people in need receive grants that reduce the prices that they pay for services such as household goods they purchase in markets.

Medical aid was established by Congress in 1965 and provides healthcare for the poor. The program is funded by the Federal State and the Member States but is administered by each state government. Provides services to the vast majority of those eligible TANF and SSI programs and other falling within certain criteria. Each state sets its reimbursement policies by healthcare providers. Governments should provide healthcare for children under 19 who come from families that have incomes below the poverty line.

Medical aid has become the most expensive program of public assistance to the poor. Based on Congressional Budget Office data, public spending on medical aid in 2003 amounted to 155 billion dollars or 7.4% of total public expenditure. For this program we have over 40 million inhabitants. The beneficiaries receive a card that you can use for payment of medical services: doctors, hospitals. Healthcare spending is projected to arrive in 2012-329 billion dollars.

"The program vouchers (coupons) (for food)" is a federal program that was initiated in 1971. This program administered by state governments, beneficiaries promote meal coupons or cards "electronic benefits transfer" (EBT) that can be used in stores. The number of food stamps depends on revenue. Food vouchers program in 2003 was 24 billion dollars.

SOCIAL POLICIES PROMOTED IN ROMANIA

Public expenditure on social security. In addition to financing important actions for quality of life members of society as education, culture, health, modern states moving important financial resources for social security. Within this group of social spending cultural include expenditures for aid, allowances, pensions, allowances to persons employed or unpaid (in the category of the latter including the elderly, the disabled, the handicapped, the unemployed, women, children, youth).

Social security covers a range of different benefits ensuring a minimum income individuals and families and it protects against risks regarded as social events, events that act negatively on the standard of living. Social risks may be physical risks (loss of ability to work fully or partially), economic risks (unemployment) or social risks themselves (which substantially affect personal income, such as family responsibilities, medical expenses, etc.).

Sources of funding social security expenses are different. For example, expenditure on social insurance line and unemployment benefits are financed at the expense of employees' contributions, the self-employed and employers, and sometimes they are supplemented by subsidies from budgetary funds. Expenditure on social assistance line is covered mainly through resources from budgetary funds or special funds and resources from donations, voluntary contributions, non-governmental organizations' resources.

Special attention in this context must grant funding and public debt because the statistical data clearly show that the sovereign debt has now become a real problem, given it reached a record level for many countries of the world (Deceanu L 2015). Also, analysis conducted by economist show that on Romania's public debt and its determinants following Romania's accession to the European Union (2007-2013) revealed that, although public debt's dynamics was not really particular to Romania, as other European Union member states have seen their public debts rapidly growing on the background of the crisis, the factors contributing to such dynamics were, to a great extent, specific to Romania (Bilan I, 2014).

In the same context in which we create effective programs should not be neglected aspects of decentralization and who has control to implement such programs. So, economists find that the majority of EU states exercising shared competences in education and health sector, which is a reflection of manifestation framework of the rule of law, where the major powers need to be addressed in a national context. On the second level of local government structures, powers are exercised in terms of health, education, culture, roads and highways, and economic development. In countries where there are third tier of local governments, they have functions in terms of education, roads, culture and economic development. Also, we find that an area of national importance, such as defense, is a competence which implies the involvement of the central authorities, without creating an exclusive competence of local authorities in any EU country (Cigu E, 2014)

Spending on unemployment benefits. Unemployment insurance is a form of material support of people over age are legally not engaged in remunerated work or are self-employed. Social protection of the unemployed in the European Union is achieved through a system comprising both unemployment insurance and the Social Assistance Service for the unemployed.

Unemployment insurance is granted in relation to salary levels had, by the length of time and the contribution and varies from country to country. Social policies on the unemployed includes two categories of measures: passive and active. Active measures are those that lead to the creation of new jobs, to retraining or those which offer facilities for those who hire unemployed. Passive measures are those which consist in granting or unemployment insurance benefits for the unemployed.

Spending on social assistance. It includes actions taken by the company to protect and support for families and the elderly without income, the poor, the handicapped, disabled, ex-combatants, migrants, refugees, etc. Among these, an important hold family allowances granted as child benefits or allowances husband (wife) who is single (A) and raise a child.

To increase the income of families with children, outside of the above allowance are granted a supplementary allowance; this benefit dependent families with two or more children aged up to 16 or 18, if they attend the day of an educational institution.

Family support, there are other forms of social assistance such as:
- Monthly social aid for wives of soldiers who do not have income and have children or are disabled;

- Allowance for newborn babies; is given to mothers, once for each of the first 4 children born;
- Maintenance monthly allowances for minor children given in foster care.

Elderly with no income are assisted through a range of services and social institutions, such as nursing homes, dormitories, hospital, social canteens. To help people affected by poverty to set minimum guaranteed income. The government sets the minimum guaranteed monthly income per person and the family and social support is the difference between it and the net monthly income of the person or family

Within social assistance, special attention is given to disabled people. Special protection measures aimed at both preventing and alleviating and eliminating the consequences of professional, economic and social disability. Disabled adults aided special monthly worth 50% of the gross minimum wage per economy, indexed and blind persons receive a social allowance does not preclude other revenue; children with disabilities receive state allowance for children increased by 100% and those who care for a disabled child receive a monthly salary from the gross minimum wage economy.

Within the Social Assistance Service there are some who have a strong social benefits of redress. They refer to the rights granted to disabled, orphans and widows, the rights of the politically persecuted or deported and the people who worked in labor units between 1950-1961, survivors and wounded during the Revolution of December 1989.

Investing in human resources. Investment in human resources include expenditures made for individual growth and development complex. These investments have several components, one of which is highlighted intellectual investment, health investment, cultural investment.

Intellectual investment corresponds to expenditures on education and training, performed the purpose of education, training and labor skills. Unlike tangible, which is reflected in components of fixed capital investments increased intellectual ensure qualification of persons enrolled in education equips them with the skills and professional knowledge capable of providing a high labor productivity.

Investing in health include expenditures directed towards providing medical assistance to members of society and those intended for preventive action and conservation of health.

The investment includes spending achieving cultural art and cultural activities that contribute to the enhancement of cultural and artistic education and civilization of society. These expenses are reflected in cultural and artistic goods and services that directly benefit the population (shows, books, films, radio and television.) or indirectly (libraries, museums, cultural heritage). Investments in human capital are considered as "allies" of the policies needed to ensure sustainable growth and provide opportunities for individuals to improve their living conditions.

CONCLUSIONS

As mentioned, social assistance expenditures are incurred mostly from state budget funds and local budgets. Since 1989 was founded Romanian Fond for Social Development which is a body of public and aims to "contribute to reducing poverty by

financing projects in poor communities and disadvantaged, improving managerial capacity of local support administrative decentralization, increase capacity local organization. "

Investing in human resources is very important as confirmed by all actors in society: government, private sector, employers, employees etc. However, in Romania it is likely that the same level of qualification, other criteria than competence to intervene in the selection and rewarding employees. Appropriate social relationships, extremely active and useful to Romanian society, but also worldwide postcommunist. The movement extended these examples considered abnormal but widely practiced by virtue of double standards, their existence with a frequency quite important, contributes but the distrust in the education system as fairly intensive university graduates migration is registered in Romania. Thus, more than ever need a closer and income distribution sector especially in the social and educational.

References

- [1] Bilan Irina - A CRITICAL ANALYSIS OF THE FACTORS LYING BEHIND RECENT PUBLIC DEBT ACCUMULATION IN ROMANIA, *Journal of Public Administration, Finance and Law*, www.jopafl.com, issue 6 2014
- [2] Cigu Elena - AN APROACH OF LOCAL FINANCIAL AUTONOMY AND IMPLICATION OVER SUSTAINABLE DEVELOPMENT IN THE KNOWLEDGE SOCIETY, *Journal of Public Administration, Finance and Law*, www.jopafl.com, issue 6 2014
- [3] Deceanu Liviu-Daniel–Sovereign Debt under scrutiny. What to do? Volumul conferintei international Interdisciplinary Management Research "Josip Juraj Strossmayer" University of Osijek, Croatia mai 2015
- [4] Văcărel, Iulian, (coord.) - *Finanțe publice*, Editura Didactică și Pedagogică, București, 2012
- [5] ***Raportul Comisie de Buget al Congresului American 2009
- [6] ***www.worldbank.org
- [7] ***<http://www.ecb.int/home/html/index.en.html>
- [8] ***<http://www.odi.org.uk/work/programmes/>