PUBLIC FINANCE FUNCTIONS

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***Abstract**: The emergence of public finances is a result of the needs but also of the causes determined objectively, having as main function the procurement of the financial resources that the state needs in the exercise of its role and attributions to intervene in the economy and society in general. Public finances are necessary, subjectively and objectively, because they contribute to the accomplishment of the tasks and functions of the state, which could not be accomplished without financial leverage. Public finances are necessarily linked to the state, and to the role of the public sector in the economy. Public finances express social relations through its links with society, these being of course of an economic nature, arising in the mechanisms of establishment and use of financial resources available to both parties, the state and members of society, in order to meet both the needs of the state and the needs of society as a whole, whether collective or of general interest.*

***Key words**: Conceptual premises, distribution function (resource) allocation function (resource); stabilization function (adjustment) of the economy, distribution function, control function.*
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1. Introduction

As a conceptual approach to financial functions, a generalized expression of a specific group of processes and economic relations, public finances must fulfill a certain social mission, meaning they are fulfilled through certain socio-economic processes and play a vital role in contributing to personal goals or the general development of society, including the implementation of various economic and social activities. The concept of public finance is the function of mediating (under conditions considered optimal) the achievement of economic processes and performance, forming appropriate relationships between participants, rather than influencing how they are achieved. Most often, the performance of public finance functions is reflected in the formation, distribution and use of public economic (financial) resources in the context of economic and social activities in which public authorities are involved. In our literature, most of the time, the public finance functions are assigned to the public finance distribution function and the control operation, plus sometimes a function to regulate the economy, each distribution process mediating a part of GDP, performing financial control, respectively stimulating positive phenomena or counteracting negative phenomena in the economy and society.

Public finances are assigned three functions, namely:

- distribution function (resource)
- allocation function (of resources)
- the function of stabilizing (regulating) the economy.

The distribution function appears as part of the distribution, meaning the mediation of general public finances, of the processes of redistribution of resources between individuals and legal entities, which involve public authorities. This function is manifested by taking over from the general public funds some parts of the income or assets of various individuals or legal types of taxes, fees, etc., then distributing the forms of public spending made in accordance with the criteria of equity and social justice. By default, its performance is reflected in the redistribution of a share of GDP among members of society. In turn, the allocative function is expressed through the mediation of public finances to meet social needs by providing public utilities, created at the expense of economic resources available to public authorities. It involves, in the foreground, the necessary resources for the various public entities to achieve socio-economic objectives and, on this basis, the provision of services or goods to members of society, either free of charge or at undervalued prices.

Finances are managed through such resources for the public consumption of products and services to the requirements of society and in correlation with the private economy, in accordance with the factors of economic and social optimum. The stabilization function expressed through the intervention of public finances exerts stabilizing influences on the development of character and social and economic life, these having the ability to contribute to ensuring price stability, high employment, maintaining balance in external relations, thus contributing to maintaining an appropriate pace of balanced synthesis of the economic process, taking into account the various approaches and also the main situations in which they exist.

2. Distribution function of public finance gross domestic product

The function of allocating public finances to GDP expressed its ability to mediate the cash distribution of the product created to the material activity, as a precondition for carrying out this process and in material form, for the needs of public consumption. In this capacity, public finances ensure the cash distribution and redistribution of a large part of this product and, in particular, the redistribution of revenues from the first phase of the primary distribution of natural and legal persons to public authorities. The financial event in this position implicitly requires the development of financial flows of money related to public consumption and their distribution at different levels of organization and functioning of society.

The easy processes of distributing and redistributing the national cash product, resulting in financial flows (as appropriate), fulfilling the functions of public finances require two phases (sides), namely:

- Creation of (public) funds to public authorities and entities;
- Allocation of funds to appropriate destinations to achieve these objectives and public actions.

The two-phase distribution function represents two closely related processes. Thus, the first phase is manifested by the mobilization of available financial resources to supply public entities and the formation of their funds, not as an end in itself, but in accordance with needs that need to be met, resulting in destinations for which financial resources are mobilized. The second phase involves the allocation of funds from established public funds to destinations, but inevitably depends on the process of prior development and mobilization of resources to these funds, the amount and timing to be met. Logically, it is recognized that the procurement of money to public financial resources funds, the emergence of this function is justified only in terms of their administration to meet certain public needs, and the distribution and use of these funds can take place only if the funds they were established.

In the interdependence relations between these two phases of the distribution function, each fulfills the role of determinants as well as of determining factor. Specifically, the creation of money in the first phase is objectively determined by the existence and size of the needs for fulfilling the financial commitments of the entity as an expression of the second phase. For these needs, it is mandatory to allocate funds to established destinations, depending on the actions for which resources are consumed from the first phase. Therefore, the size and types of public money that finances the first phase depend directly on the destinations that will provide the distribution of their expenses in the second phase, which implies the need to correlate the size of the needs to be covered with the possibilities of procuring resources. However, the proportions of these public money-making processes have an objective basis, given by the size of the actual domestic product, although they are sometimes used within the same framework and are part of the national wealth. Relevant is the way in which public money constitutes the funds in an objective and direct implementation of the second phase, first of all through the size that ensures the good processing of the latter. Thus, the distribution process can only be done to the extent that the funds were created in the first phase of the distribution function. At the same time, the financial resources are given destination according to the evolution of the constitution, formation, dynamics and sources of public funds.

However, we find that the interdependence of the two phases is enhanced by the fact that the destinations resulting in this second phase include the possibility of creating favorable conditions for the establishment of financial funds in the first phase. In this respect, public funding is typical of the economic objectives achieved by the national product in use, as a new value subject to the distribution and mobilization of new financial resources. However, if the size of the allocation of resources to such destinations is larger, the processes of formation and distribution of public interconnection funds are mutually conditioned to a greater extent. From a macroeconomic point of view (from the point of view of public finances) the performance of the financial flows characteristic of the training processes, namely the distribution and use of funds in the distribution function are dependent on the subject to create the distribution of GDP, including public finances. Thus, the product created and distributed in cash becomes the source of funds that reach consumers, later becoming solvent at market demand and thus in the sphere of production, thus generating new values.

The distribution of the value of the product created by the specific distribution takes the form of money, firstly by making cash income directly from participants in production processes, and secondly by creating and then distributing financial funds to public entities and the state. However, it is observed that the distribution of finances, in both its phases, is done by means other than financial ones. The financial forms that translate into the creation, distribution and use of public funds by various public entities, including the state, differ significantly in time and space, ie resource and tax allocations and funds. By allocating part of these funds to meet the various needs of consumers, those entities have met their own consumption needs in the form of goods and services in kind and materials. The aggregate consumption demand itself is made at the expense of financial resources, approaching the field of production to create goods and services of appropriate size and structure. Thus, the distribution function that performs public finances is intertwined with processes of creation, sharing and use of the national natural-material form, highlighting the interaction between cash flows and financial and real ones. In principle, incoming financial flows to public funds can have different sources of money (including financial markets), as data on (financial) outflows include a variety of cash resource destinations. Participants in the relations and financial flows characteristic of public finance functions are public entities, respectively the state and natural or legal persons able to contribute to the establishment of various public financial funds or to the beneficiaries of direct and indirect financial resources distributed in funds.

Individuals and legal entities lend part of their income or resources to create funds for various public entities or authorities. In the distribution phase, the participants in the financial relations benefit directly or indirectly, from money or social utility at the expense of the expenses financed from public funds.

The main form of the distribution function performed in the phase of setting up funds managed by public authorities or entities are: taxes, mandatory contributions, penalties, fines, royalties, revenues from public institutions, state financial aid loans, donations to the state. In turn, the forms that are reflected in the phase of allocating public financial funds within the same functions are mainly public spending, which differs in specific areas and actions (education, health, social security, national defense, public order, etc.). They take the form of material costs of setting up or operating public entities and of personal expenses. Allocations of public funds are also treated, the money being transferred in favor of individuals or legal entities, also known as grants. The function of distribution as an expression of the processes of formation and distribution of financial funds has an objective character, but technically it makes these processes, including the mentioned forms, have a subjective character. These are determined by the decisions taken by the governing bodies and the management of the various entities under the impact of the policies pursued at one time or another.

3. Public finance control function of economic and social activities

Public finance manifests itself as a mediator of exercising control over money and various aspects of economic and social life. Their ability to mediate the monetary and financial inspection of the exchange rate and the results of various economic activities and social control defines their function. In principle, resource management in general and financial resources in particular require more accurate records of their existence and movement, awareness and monitoring of their formation and use, ensuring maximum positive results, including compliance with certain principles of management and financial regulation, activity important in each entity or functional structure. In this context, public finances and exercise control intended to intervene with money on areas of economic activity and acting as social control.

The recognition of the function of control argues that the objective manifestation of financial phenomena creates the framework for the implementation of financial control. By comparison, the financial control activity performed by certain persons who fulfill the established legal framework, through the administrative functions with which they were entrusted results in the granting of financial controllers and a subjective component. The objective side of public finance control is that it can be conducted by persons designated to carry out such control activity in which, in the foreground, processes and financial relations involving the public authority or entity directly or indirectly, respectively public resources. Control may be exercised through public finances so as to meet the objective plan, which supports its public financial relations, including performance-based activities affecting the use of money, training and the use of public money resources, assuming the implicit expression of the distribution function, of the two phases. Normally seen as an expression of the functions of financial control, in order to carry out this control, it is grafted on the operations and financial relations regarding the formation and distribution of public funds. So between the two functions of public finances, the reports show a certain determination, highlighting in the foreground the fact that the financial activity that reflects the distribution function provides the basis for the implementation of financial control. On the other hand, serving as a financial control of the distribution function favors expression, including the purpose of generating new processes of formation and distribution of funds from public money.

It should also be noted that the scope of the event control function is mandatory, although the event is based on the distribution function, it is larger, extending to other socio-economic processes in relation to the financial. From this point of view, two main categories of actors are included in the sphere of material control of the distribution function, namely the consumers of financial resources, which capitalize and thus generate new financial resources. From this perspective, the exercise of financial control over public finances includes not only distribution but also the sphere of production, circulation and consumption, as each of these processes is accomplished by consuming or generating financial resources. So, for example, financial control is also exercised over production, because at this stage values are created that change and consumption and value added, which is subject to financial distribution, targeting expenses, revenues and recording of results. Similarly, financial control concerned the structure of the consumption stage, the proportion, the adequacy and the effectiveness of the expenditure incorporated in the intermediate and final consumption of public entities.

On a larger scale, expressing the financial capacity to mediate in the exercise of control over money, based on financial relations, it is known as control and manifestation which involves the use of money in their functions. So, for example, the cost of the investment volume, the value of the goods, etc., the value of the benefit is evaluated by using money as a value (standard), by the function of financial control taking into account the correlations between different factors that determine the value for choosing the advantageous options to achieve the goals or actions in question. Of particular importance is the money that serves as a means of preserving / accounting value that overlaps with the control function of public finances (in particular), by monitoring and analyzing the performance of processes of accumulation of financial resources in centralized and decentralized public funds, which exercises control, on the way in which they are administered and the efficiency of their use. The exercise of the right to control public finances requires the creation of an appropriate organizational framework, including regulations on the functioning of control structures and bodies in relation to the content of economic and social activities under control. In this sense, financial control can be exercised both within public entities and externally, through specialized institutions, distinguished as forms, internal control and external control. Internal financial control is integrated into the functional structures of public social and economic entities, most often in the form of preventive and operational control, especially in operational structures.

In turn, the external financial control is based on the creation and operation of institutions or bodies specialized in its exercise, usually located at the level of other administrative structures than that of the entities subject to control, and within it, the central place belongs to state financial control, through bodies of the Ministry of Finance (Public), respectively of the Court of Accounts, etc.

4. Public finance control function (stabilizing)

The existence of such a function in the economy of public finances is part of the state or other public bodies holding an active role in the economy, either through indirect involvement in economic activities or indirectly through the influence of private economic activities. In both cases, however, it is clear that the manifestation of public finances is done by influencing economic and social life and especially the economy in accordance with the objectives of public authorities in terms of general policy. By fulfilling these functions, public finances intervene in counteracting destabilizing events (recession, crisis, unemployment, etc.), deteriorating economic and social processes, on the one hand, and stimulating the positive development of these processes, on the other. Note the development of modern public finance theory by recognizing its possible impact in stabilizing the market economy subject to the action of specific factors that disrupt its imperfect mechanisms, providing scientific support for the implementation of this feature through appropriate public financial policies. On the other hand, the quantitative and qualitative dimensions of materials create new value processes that are interconnected with those of the formation and use of public funds.

The possible impact on public finances of the regulation of economic and social activities can be summarized in the following main directions:

- cyclic adjustment or stabilization;
- stimulating economic expansion (growth);
- modernization, restructuring and adaptation to the internal and external market economy.

First, the emergence of this feature stimulates the use of public financial instruments and techniques to counteract the economic crisis, which means that the real or probable occurrence of the phenomenon, as well as the accompanying unemployment, meant to ensure a certain stabilization of production activity and mitigation of cyclical fluctuations, caused by alternating periods of prosperity with economic decline, requires financial facilities or restrictions designed to help prevent major syncope. The second aspect concerns the use of financial techniques and instruments as drivers of economic activities, by stimulating investment and stimulating production growth by ensuring not only economic recovery or combating the slowdown of growth trends, but also its expansion.

The third aspect, which concerns the involvement of public finances through specific tools and techniques for modernizing and restructuring national economies, is to support the efforts of private economic agents or the direct development of segments, branches or sub-branches of the public economic sector or restricting development and ensuring adaptation to external and internal demand.

The regulation of the impact of public finances, based on the interaction with material financial processes, is reflected in economic and financial variables whose size makes the achievement of objectives, and the main tools used for this purpose are taxes, public spending, public budget. For example, the regulatory objectives allowed for the economy through public finances are to be considered dependent interrelationships, total revenue, disposable income and tax on the one hand, total consumption (expenditure), personal consumption and structured investment on the other, according to the following relations:

$$Vt = Vd + T \ (1)$$
$$Ct = Cp + I \ (2)$$

where: Vt = total revenue, Vd = disposable income, T = taxes, fees, contributions, Ct = total consumption, Cp = private consumption, I = investment.

The equalization of the two relations in the form Vt = Ct and the correlation of the structural variables, leads to the establishment of specific interactions, both between the two relations and between the variables contained in them. Consequently, the regulation of the tax economy means the full scale adjustment of income tax with its impact on disposable income and the volume of investments. Thus, if there is a trend of stagnation or recession, economic recovery is possible by reducing the share of taxes, which would increase disposable income, much of which can become a source of investment financing. This resizing of taxes becomes a precondition for increased investment and production capacity, including job creation and a significant reduction in unemployment. Such an intervention of financial resources is a specific situation that occurs when a decrease in economic activity, accompanied by the restriction of private investment and the increase of the total active population of the unemployed. Rather, recognizing that the production rate is too fast (corresponding to a small number of unemployed) that threatens to overheat the economy and create conditions for decline, it becomes possible to reverse regulatory intervention by increasing taxes, reducing disposable income, private investment and production and thus tempering the growth rate too high.

Similar but tailored content-specific processes take place through public spending and regulatory interventions, which are considered to have a variable financial impact on the size of total consumption, aggregate demand and therefore supply. It is materialized by adapting their size and structure according to the requirements in order to ensure the ascending, continuous tendencies of the economy. It consists in regulating the impact by increasing spending, meaning that both public demand for final consumption and public investment can increase investment, production and thus the economy in times of declining proportions, as opposed to the option of reducing public spending, leads to a slowdown in economic activity and thus to the attenuation of reverse cyclical fluctuations. In this context, promoted by the action of regulating public finances, it includes the realization of the public budget, by accepting the budget deficit and financing it with extraordinary resources, of the phases of economic decline, making it a factor of recovery and growth.

5. Conclusions

Public functions have emerged with the evolution of society and fall within the scope of the evolution of human society and require the existence of minimum conditions to be able to relate to the economic nature. The necessary conditions that made possible the appearance of public functions were:

a) the emergence and development of commodity-money relations, so as to allow the formation and use of state resources in cash;

b) the emergence of the state, which needs money to fulfill its internal tasks, which could not be purchased in the commodity-money relations.

Following the historical evolution of public finances on the basis of two conditions, it was concluded that public finances appeared with the ordering of the primitive state. This period established that the emergence of the state, monetary relations and the economy have a deep natural character. Without the state, government functions were performed by elected men from the community. The public authorities did not have a special coercive apparatus.

As the development processes that were marked by the social division of labor emerged, so did labor productivity, increased production, and the development of exchange.

Production, consumption exceeding individual needs, gave rise to private property, the emergence of inequalities of wealth and the division into social classes in society. This created the need for institutions to protect the private property and privileges of rich people. This institution was the state.

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