

# ECONOMY OF PUBLIC SPENDING

## Content

FOREWORD	11
FIRST CHAPTER	
STATE IN MODERNITY OF ECONOMIC CHANGES AND FLOWS AND DEVELOPMENT OF DEMOCRATIC PROCESSES	19
1. Without economic there is also no political democracy	25
SECOND CHAPTER	
MODERN TENDENCIES OF EXPANSION OF THE STATE ECONOMIC FUNCTIONS – GLOBALIZATION AND REGIONS	31
1. What about national state	31
2. The knowledge about globalization – facts and visions	33
3. Processes of globalization of world economy and the path of transformation of the nationstate’s economic functions	37
3.1. Is there the embody of the globalization processes as a boundless prosperity of capital and economic functions of a supranational state	39
3.2. Real global flows – economic processes and political masters	42
3.2.1. Establishing of a hybrid flow of globalization with domination of “national interest”	46
4. The necessity of strengthening the institutional aspects of globalization	49
5. Expanding globalization of international economy and the role of supranational state	52
THIRD CHAPTER	
ECONOMIC FUNCTIONS OF THE STATE, SELF – DEVELOPMENT OF THE CAPITAL AND CONTEMPORARY MARKET	55
1. Capacity and dilemmas of building of state’s economic functions	56
2. Modern division of state’s economic functions	61
3. Public finance and public spending – economic efficiency, power and potency of stability and development	63
3.1. What is the public finances	64
3.2. Partition of public goods	65
3.3. Defining of the public finances	65

4. Public revenue - part of unified entirety of public finances	71
5. Public finances – expansion of the state’s economic functions	75
5.1. Public spending – public choice and public host	81
6. The necessity of changing economic picture of the world and the role of public spending	83
7. Building a modern state in function of the capital’s progressive intentions	88

#### FOURTH CHAPTER

PUBLIC SPENDING IN ECONOMIC FLOWS	93
1. Public spending and basis of the economy and civilization	94
1.1. General remarks	94
1.2. Clarification of concepts	95
2. Contemporary capitalism. Functional integrity of public, real and production Spending	99
2.1. Capitalism. Tendency of means of production towards the production for economic spending	99
2.2. Production to produce	102
3. Suppressed the appearance of real spending. Cyclical nature of capitalist reproduction	105
3.1. Consumption, subordinated and conditioned	105
3.2. Reproduction of constant capital and pull the boom	106
3.3. Periods of economic trends. Intensity and decrease of “indirect” and real consumption	110
3.4. Cycles in emerging of the economy	113
3.5. Internal laws of indirect and real consumption	117
4. Capitalism in the collision with the boundaries of its own economy. Public spending in intensity of reproduction law. The state, constant of social reproduction	123
4.1. Great depression (1929-33). The limit of spontaneous cyclic flow of capitalism	123
4.2. Uncontrolled collapse of self-movement law	125
5. Forms and meaning of public spending	131
5.1. Public spending in the fundamentals of economic laws of a new era of Capitalism	131
5.2. Areas and the typical tasks of public spending	133
5.2.1. Neomonetarism and opportunities of increasing of public spending	135
5.3. Wars (XX and the beginning of the XXI) century and public spending	137
5.4. Mixed economy and public spending. Present and future trends	140

#### FIFTH CHAPTER

PUBLIC SPENDING AND PUBLIC FINANCES IN THE PROCESSE OF REFORMS FROM SOCIALISM	143
1. Totalitarian public spending. Socialism	144
1.1. Socialist utopians in past epochs. All consumption is common character	144
1.2. Public spending in the fundamentals of the capitalist epoch of socialism	146
2. Public spending and chipped income for worker. Karl Marx	148

3. Scientific socialism. Public spending and the misery of people	150
4. Yugoslav practice of public spending in the economic flows and economic-system Regulation	153
4.1. Public spending as fate of the realization of totalitarian state economic functions	153
4.1.1. Public spending in the form of expenditures on social and public services Totalitarian socialist state sector	154
4.2. Economic reform in 1965 and the position of public spending	157
4.3. Financing of “general” spending – 1972	162
4.4. Financing of collective consumption – the free exchange of labor	163
4.5. The reform of public spending in long term plan of economic stabilization – 1982 and 1983	165
4.6. Public spending in the reforms of 1988 and 1989	169
4.6.1. Changes which preceded	170
4.6.2. Collapse of economic stabilization and a new program of economic reforms	171
4.6.3. Transition of public spending – the fiscal system and policy	172
4.6.4. Directions of the transition of public spending	173
4.6.5. Tendencies of practice	174
5. Public spending in the transition flows of post – socialist countries	181
5.1. Public spending in the convulsion of the transition processes	182
5.2. Public spending and the transition – evaluation of the World Bank	184
6. Theoretical points about the roads of the reform from socialism	187
7. Transition in the world affairs and adaptation of public spending functions in its Propagation	192

## SIXTH CHAPTER

POSSIBILITIES OF ECONOMIC POLICY AND THE ROLE OF PUBLIC FINANCE	195
1. Inevitability of capital flows and the role of economic policy	196
2. Economic policy – options and the necessities	198
3. Economic and budgetary policy – interdependence and institutional capacity to contribute to economic development	200
4. Political actors in economic policy and interest in public spending reforms	204
5. Budget and the consequences of the budgetary choices to economic policy and development strategy	206
6.1. Budget and the budget policy – determine the significance	206
6.1.1. Defining the budget	207
6.1.2. Determination of budget policy	209
6.2. Budget as the distinctive feature of economic policy – a condition of future	
6.3. Reforms	211
7. Face and reverse of omnipotent economic attempt of budget economic policy	217
8. Economic functions of the state, budget and the repetition of ruling in economic – social flows of society with anti – crisis measures	219

## SEVENTH CHAPTER

THE TRANSFORMATION OF THE ECONOMY AND INSTITUTIONS (TAXES AND PRICIPLES OF TAXATION) OF PUBLIC FINANC	225
1. Position of the public spending and public finances in the normative planning of economic affairs	226
2. What are the taxes as the basis of the public revenues and the public Expenditures	230
2.1. Definition of taxes	233
2.2. A brief overview of the historical development of tax forms	235
3. Tax principles	242
4. Influence of political decision in processes of the use of tax system	245
5. Tax policy in the contemporary function of citizens accumulation and savings	253
6. Directions and difficulties of normative development of public finances as a whole system change. Serbian problems	259
6.1. The inevitability of the reform of public finances and material foundations of the state	261
6.2. The necessity of changing the system, sources and policy of public revenues and public expenditures in our country	264

## EIGHTH CHAPTER

TWO TAX REFORM IN SERBIA – FAILURE AND MISCONCEPTIONS ABOUT THE OMNIPOTENCE OF THE STATE	269
1. Background of developing a comprehensive depending on the tax	270
2. “Transition” path of the tax reform in Serbia	273
2.1. Tax reform in 1992	271
2.2. Tax reform in Serbia in 2001	279
3. New changes in the tax system and tax policy – from 2002 until today	290
3.1. Regulating of tax procedure and tax administration	290
3.2. Value added tax as the beginning of a new reform	292
3.2.1. What is Value added tax	293
A) Our attempts	296
B) VAT in our contemporary practice	297
C) The content of the Law on VAT	299
3.3. Change of the financing system of compulsory social insurance	300
3.4. Customs	303
3.5. Fees, charges for the use of property in the public, voluntaries, public loans	305
3.6. Charges for the use of property in the public	306
3.7. Voluntaries	307
3.8. Public loans	307
4. Is it done the “second phase” of tax reform	309

5. Excessive fiscal pressures as the cause of flourishing of underground economy	312
5.1. Practical manifestation of the fiscal pressure when it comes to tax burden	313
5.2. Economic and social consequences of fiscal pressure	314
5.3. Tax and budget policy and strengthening of underground economy	317
6. Scientific and political dilemmas of how to implement a new reform of taxes, tax system and tax policy	322
7. Transition to the new tax policy and position of tax activities as the basis of political actions in the new reforms	328

## NINTH CHAPTER

### ECONOMIC POLICY WITH THE DOMINATION OF BUDGET PROCESSES AND CHARACTER OF PUBLIC SPENDING

	333
1. Macroeconomic aspects of the economic policy and budget options	334
2. Economic policy uses budget as a means of political domination	338
2.1. Direction of development of political action	342
3. Cunning tactics to ignore the inevitability of changes	345
4. National “economic policy” in the modernity of Serbia	348
5. Serbia – application of modern principles of budget and the role of budget Principles	352
5.1. Budget deficit	353
6. Our budget system and attempt of operation	355
6.1. Development, budgeting and implementation of budget	357
6.2. Establishment of a treasury system and public procurement	359
A) Treasury system	359
B) Budget expenditures and public procurement	361
7. Existence of the budget system is a distinct problem of Serbia	362
8. Budget increases its economic power and political influence forces	366
Literature	371
Register terms	375