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Review paper

PUBLIC SPENDING AND MACROECONOMIC STABILITY

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Abstract. *In today's conditions of world economic globalization and regionalization, macroeconomic stability is an increasingly important factor in the growth and development of national economies. It is conditioned and influenced by numerous factors which are subject to national economic policies, as well as global and regional factors which are also a product of the actions of their institutions. The area of public spending, especially the problem of balancing the budget, is extremely important, both from the standpoint of regulating the internal economic processes and the international economic position of each country. It is largely the responsibility of nation states, which regulate this area within the scope of their economic and social functions, while respecting the standards and principles agreed upon within the framework of international organizations and institutions, or by special agreements. The situation in the public spending sector, especially its balance or imbalance, is an important area of economic political action which influences: the relationship between current spending and savings, trends in global demand, the standard of living and prevention of poverty and the scope of investments - which economic growth and employment depend upon to a great extent. In these relationships the burden of public spending is distributed between different layers of society (its social strata), establishing the relationship between the present and future time in the economy and economic conditions of people's lives. The objective of this paper is to research the relationship between public spending and macroeconomic stability, taking into account contemporary trends and problems in these areas in individual countries and in the world.*

Key Words: *public spending, macroeconomic stability, investments, taxation, savings.*

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THE STATE OF PUBLIC SPENDING AND ITS TENDENCIES IN THE MODERN WORLD

In recent history, during the last century and until the present, almost all countries have recorded an increase in their public spending. Its upward trend is most apparent when considering its share in the domestic national product of individual countries and in the world as a whole [1, p.7]. When observed over a shorter period of time, sudden expansion in public spending is recorded during wars and times of economic crisis. For example, extremely high growth was recorded during the First and Second World Wars, while during the post-war periods it calmed down [14, p.277-279]. Also, the share of public spending in the GDP is greater in economically developed countries compared to those which are less developed. Countries with a higher income (economically developed), are able to allocate greater funds for their defense and security, education, health, culture and social welfare. In this way they provide their citizens with a higher living standard by way of better living conditions and greater social and other security.

The level and pace of economic development are important factors in the growth of public spending, though they are not the only ones its size depends upon (measured by its share of GDP) [2, p.217]. Economic crises, social unrest, environmental accidents and adverse climatic conditions (drought, floods, earthquakes and similar) all lead to an increase in the economic role of the state in the economic sphere, and therefore cause a short-term increase in public spending. At the time of these unforeseen events, there is an increase in government expenditure on damage repair, civil protection, material goods and the protection of state institutions from their adverse effects. In extreme situations they may threaten the macroeconomic stability of a country, leading to higher inflation, rising production costs and a rise in the cost of living, even to a decline in production. For example, social unrest in a country (strikes, demonstrations, large-scale conflicts of social and other groups), have an economic dimension reflected in public spending. The subsidence of such conflicts and tensions entails an increase in spending on public order and security, care for those who suffered damages in such events, cleaning up after the events and similar. This includes damages resulting from a suspension of work in manufacturing and other industries, an increased cost for businesses and individuals because of, for example, traffic non-functioning and so on. The state is very often in a situation where it has to compensate for these expenses or reduce liabilities towards the state for those who suffered by reducing their taxes and other or giving them other benefits.[1] In such situations the priority task of the state is to prevent such effects, for which it needs financial resources which it secures through an increase in public spending from the current GDP, and in extreme cases through emergency international loans. The question is what happens when such events are over: Does public spending return to its previous level or not? As a rule it is not the case, it remains long-term at the higher level.

[1] The drought in Serbia during 2012, for example, caused a large drop in agricultural production in that year. It caused a decrease in GDP growth, which dropped from 1.6% in 2011 to -1.7%. Expressed in absolute values, Serbia's total GDP in 2011 was 31,472 million EUR, and in 2012 it was 29,932 million EUR (source:http://www.nbs.rs/internet/latinica/ available: May /2013). The large drop in agricultural production was the greatest but not the only factor in the GDP reduction. To a certain extent, also contributing to this situation were the current transitional problems of the Serbian economy connected to a stagnation in production and a lack of investment, as well the negative effect of the global recession.

Table 1 Flow of total government expenditure in the most developed countries during the period of 1870-2015 (in % of GDP)

State	1870	1937	1960	1980	1990	2000	2010	2012	2015*
Austria	10.5	20.6	35.7	48.1	38.6	51.9	52.5	51.1	49.7
Canada	...	25	28.6	38.8	46	40.6	42.3	41	40.1
France	12.6	29	34.6	46.1	49.8	51.7	56.6	56.6	55.2
Germany	10	34.1	32.4	47.9	45.1	45.1	47.9	45	44.7
Italy	13.7	31.1	30.1	42.1	53.4	45.9	50.3	50.7	50.4
Japan	8.8	25.4	17.5	32	31.3	37.2	41.7	41.3	39.7
Norway	5.9	11.8	29.9	43.8	54.9	42.3	45.8	43.4	45.4
Sweden	5.7	16.5	31	60.1	59.1	55.1	52.7	50.1	48.8
UK	9.4	30	32.2	43	39.9	36.8	50.4	43.5	43.2
USA	7.3	19.7	27	31.4	32.8	34.5	41.2	40.2	39.1
Average	9.3	24.3	29.9	43.3	45.1	44.1	48.1	46.3	45.6

* projection

Source: http://www.imf.org/external/pubs/ft/weo/2013/01/weodata/weorept.aspx? Available: June/2013

Data in the table confirm the above-mentioned facts. Affirmation of the welfare state after the Second World War resulted in almost a three-fold increase in public spending in relation to the beginning of the reference period. From 1980 onwards, in the group of countries observed, there is a tendency towards the stabilization of public spending which approximately in the range between 43 and 48%. The increase in the share of public spending in each observed year was not accompanied by a sufficient increase in public revenue, as a result of which there are certain fluctuations in the direction of their increase, namely, their decrease. Divergent trends in the flow of public revenue and expenditure show that there are limits to the growth of public spending. As long as the fiscal burden, the burden of public debt and monetary expansion caused by financing the budget deficit do not become an obstacle to economic growth, public spending may increase. If the limits are exceeded, reduction in public spending is imperative as well as its alignment with real GDP growth [7, p.43].

At the beginning of the twenty first century, with the strengthening of the globalization process, strengthening regional connections between countries, the field of state action has become more substantial, that is, there is a further strengthening of the economic and social functions of the state. The state, in the true sense of the word, guarantees the provision of public goods in order to meet the public needs of its citizens. The escalation of the world economic crisis in 2008 opened a series of new problems in the world economy, but also reinforced the importance of state regulation and the need to strengthen its economic functions. Irrespective of the degree of being affected by the economic crisis, public spending, in the years since the first crisis hit, has remained high at a global level. Increased public spending has created conditions for sustainable growth aimed at overcoming the negative effects of the crisis more quickly, and according to the data in the previous table, it is evident that the trend of increase in or maintenance of the current level of public spending will continue in the near future.

Budget Balancing and Macroeconomic Stability

The problem of budget deficit is present in all modern economies, regardless of their level of development achieved. Although economic theories have not yet precisely proved nor denied the statement that a budget deficit slows down economic growth, its negative impact on the movement of individual macroeconomic aggregates is indisputable, as it is, therefore, on the total macroeconomic stability of a particular economy. Regardless of whether the budget deficit arises as a consequence of reducing the fiscal burden or a result of growth in public expenditure, it contributes to a number of economic problems such as: inflation, a high interest rate, unemployment, foreign trade deficit and similar. Public income and spending are part of GDP and each of their changes influences changes in the total effective demand and spending in a way that is not only in proportionate, but also multiplying. For this reason there are many conflicts over the budget, which are essentially contradictory and cover the social and political interests in each society [10, p.146-157].

Bearing in mind that budgetary imbalance has a long-term negative impact on macroeconomic stability, each country will strive to achieve its own balance without causing additional problems in its economy. To what extent the budget deficit of a country influences its macroeconomic stability depends on the ability of the country to absorb the resulting deficit. A long term budget deficit is more easily absorbed by counties with a high level of private savings and those with fully developed financial markets [8, p.58]. In contrast to them, the problem of covering the budget deficit is more pronounced in less developed countries which have limited private savings and less developed financing markets. In this group of countries, a reduction in public revenue is recognized as a common cause of a budget deficit, and it may occur: because of a reduction of the tax base due to a fall in production, bad tax policy, evasion of taxes and a large share of the shadow economy in economic activities. Given these specificities, such countries have to start with an analysis of the causes of the budget deficit and take steps towards its reduction which will cause minimal disruption to the movement of macroeconomic aggregates and prevent possible further macroeconomic problems.

The budget deficit implies that a state is spending more than it is earning and it illustrates the level of spending regardless of whether the generator is in the economic sector, the population or the state. Because of the different sectors in which it occurs, it is very difficult to precisely quantify its impact on the economy as a whole and on individual economic variables. However, there is a strong correlation between constant budget deficit lasting for decades and financial crisis, and all states that have entered the crisis have had long continuous period of current balance deficit, in other words, no state with a current balance surplus has ever gone into crisis, apart from Russia in 1998.[2]

Selecting a way to balance the budget (cover the budget deficit) depends on the economic policy of the particular country. The budget deficit may be covered by issuing government bonds, raising taxes, reducing public expenditure or borrowing from International financial institutions.[3] All countries, regardless of their level of economic

[2] When oil prices fell in 1998, the Russian state, which up to then, thanks to fiscal income from oil achieved a budget surplus, found itself with a problem. The fall in oil prices caused a reduction of fiscal income, and Russia found the solution to its new crisis in borrowing from the IMF and other financial institutions.

[3] Great Britain covered its budget deficit amounting to 35 billion pounds in 2003/2004 by issuing government bonds. The German budget deficit is almost 80 billion EUR (in fact about 85% of its GDP) and there are heated

development and extent of their budget deficit use borrowing as primary or combined measure of covering their budget deficit. However, the continued application of this measure leads to an increase in public debt, that is, the cost of correcting the present budget imbalance becomes the burden of future generations of tax payers. "They can pay higher taxes, have lower public spending or both to provide funds for paying off debt and accumulating interest. Or, they may postpone such a decision and increase the state's debt with more borrowing in order to pay off old debt and interest. In fact, when a government is confronted with a budget deficit and when it issues debt securities, it allows present tax payers to transfer part of the expenditure for public spending to future tax payers. Inheriting such a great debt indisputably reduces the living standard of future generations [3, p.802]." An increase in public debt, together with a substantial share of external (foreign) debt results in the inability to maintain financial stability, which also has a negative impact on the overall macroeconomic stability of a country.

Table 2 Participation of public debt in GDP (in%) for the period 2000 until 2012 with projections until 2018

	2000	2005	2010	2012	2014*	2016*	2018*
EU (27)	62.2	62.7	80.1	87.0	89.6	88.1	84.9
USA	54.8	67.4	98.2	106.5	109.2	107.5	106.7
Japan	140.1	186.4	215.9	237.9	244.6	243.7	242.8
Central And Eastern Europe	48.3	46.4	46.8	45.4	45.5	44.3	42.4
Developing countries	48.6	41.2	38.8	34.7	33.3	31.4	28.7

* projection

Source: http://www.imf.org/external/pubs/ft/weo/2013/01/weodata

The International Monetary Fund data in Table 2 clearly show there are great differences among groups of countries concerning the participation of public debt in GDP. It is noted that the level and growth of public debt reached are in positive correlation with the level of economic development in their particular part of the world. Also, it is obvious that in more developed parts of the world (EU, USA, Japan), during the years of world economic crisis, the level of public debt records a sharp increase, whereas for Central and Eastern Europe and developing countries it remains at pre-crisis level, that is, there is actually a slight decrease. One of the basic characteristics of the post-crisis period in the world economy is an increase of state intervention, accompanied by a rise in the use of public debt funds. High debt, limited production activities and accumulated development problems in the last two country groups in the table are a barrier to potentially more intensive growth of public debt and highlight a clear difference between their level of public debt and that of economically developed parts of the world.

There is a view that in certain situations and phases of the economic cycle, the government should not intervene in balancing the budget. A budget deficit is considered to be justified during times of war or military intervention when there is a temporary and abrupt increase in public spending which, under the circumstances, justifies being financed by borrowing rather than by creating an additional burden for tax payers. Also

debates between protecting citizens from additional taxation, that is, reducing taxes on one hand, and on the other hand additional borrowing to increase current savings. Time weekly (nedeljnik Vreme) No. 965.2, July 2009 (p.7) during times of recession, when there is a fall in real revenue and earnings, the solution for covering the budget deficit should not be found in tax increases or spending reduction, but rather in investment borrowing. Despite the opinion that continuously high public debt may be a generator of a financial crisis, analyses have shown that there is no great correlation between the level of public debt and the start of a crisis, but rather the fact that borrowing is often used as an instrument to remedy the consequences and prevent escalation of the negative effects of the crisis. Having this in mind, it may be said that a crisis affects the growth of public debt. So, for example, before the escalation of the 2008 World economic crisis, Irish public debt (in % of GDP) was 44.4%, South Korea's public debt was 30.1%, for Spain 40.2%, Germany 66.8%, Greece 115.5%, Italy 106.1% and Japan as high as 191.8% of GDP. All of these countries suffered the consequences of recession and in the following few years came a significant increase of their public debt. Thus in 2012, public debt of South Korea was 33.7%, Ireland 117.1%, Germany 82%, Spain 84.1%, Greece 158.5%, Italy 127% and Japan an astonishing 237.9% of GDP [15, www.imf.org]. Tolerating a budget deficit during the phase of recession, and borrowing in order to foster investment spending, is considered to be a reasonable government decision, because in that way opportunities are created for an increase in spending which may be directed towards education, health, infrastructure and various social benefits. For example, In Great Britain, according to the frame of government fiscal policy, there is the difference between government borrowing for financing investments and borrowing for ongoing public spending (...)This is precisely shown in two fiscal rules that Great Britain government calls "the golden rule" and "the rule on sustainable investments". The golden rule says that during the economic cycle the government shall borrow only to invest, and not to finance current spending. The rule on sustainable investments understands that, during the economic cycle, the relationship between government debt and GDP shall be at a "stable and reasonable" level which is defined by the Minister as no higher than 40% of GDP [3, p.804].

It is understood that, in the long run, population growth and technological progress will contribute to a rise in the total revenue of a national economy and this will cause a rise in the nation's ability to pay off its liabilities incurred as a result of state borrowing.

INVESTMENTS AND DEFICIT IN PUBLIC SPENDING

Economic literature often points out that the size and efficiency of the public sector influences the potential economic growth. This connection is measured and expressed by the participation of public spending in the total achieved GDP. Some are of the opinion that a high level of public spending slows down the economic activities of entrepreneurs and individuals, which may ultimately lead to a pronounced crowding out of private investment from financial flows (the crowding-out effect) [1, p.84]. Whether or not the crowding-out effect will occur depends on whether the funds spent or invested by the state are directly substituted or supplemented by private spending and investments.[4] Crowding out of investments is conditioned by the fact that the budget deficit is not

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[4] For example: public spending which provides free education and health protection may be substituted by private spending in these sectors, even though, in terms of avoiding market failure, it would be desirable that the services provideed in some of these sectors no longer be provided at the expense of private spending.

eliminated by consolidation of public revenue and expenditure, but results in increased borrowing of the state in the capital market. As a consequence of increased state borrowing, there is a rise in interest rates and a reduction in private spending and investment.

State investments are an expenditure category, but they have a positive effect on economic development, bearing in mind that their ultimate objective is growth in the capital fund into which investments are made. There are projects whose implementation, in the absence of state funds, may be invested in by the private sector. However, there are also projects (for example: communication, infrastructure, transport and similar) in which investments are more desirable from public investment funds. The rate of productivity of state investments depends on the actual project into which funds are invested, and in order for the investment to have a positive effect on the overall economic activity of a country and limit the possibility of minor interest groups participation, it is essential for the investment to be carried out with strict conformance to legal regulations. The optimal extent of the share of investment in total public spending varies from country to country and depends on initial capital – created up to the moment of investment. The volume of this capital will be greater in developed countries than in developing countries, which also means that the effect of the investment as a part of public spending will be more visible in the economic development of developing countries, that is, in those countries which at the moment of investment have a smaller capital fund.

Table 3 Investment spending during the period from 2001 until 2011 (in % of GDP)

	2001	2006	2011
EU (27)	20.2	20.6	18.5
Austria	23.5	21.3	21.4
Italy	20.5	21.4	19.6
Ireland	22.4	27.1	10.1
Germany	20.1	18.1	18.1
France	18.9	20.0	20.1
UK	16.8	17.0	14.2
Norway	18.1	19.9	20.2
Sweden	17.9	18.7	18.4
Russia	22.4	20.0	23.2
USA	19.7	20.1	15.2
Japan	24.3	22.7	20.7
Croatia	19.5	26.0	18.8
Serbia	17.2	21.0	18.9
Montenegro	-	-	19.4
Macedonia	14.8	17.6	19.9
Turkey	15.9	22.3	21.8

Source: Eurostathttp://epp.eurostat.ec.europa.eu/statistics_explained/index.php; data for Russia: http://www.imf.org/external/pubs/ft/weo/2013/01/weodata/weorept.aspx; Data for Serbia and Montenegro: WB WDI database all available: June/2013

The data in the table show that during the period between 2001 and 2006 in most countries there was an increase in the share of investment spending in GDP. The exceptions are Austria, Germany, Russia and Japan. In the following period, 2006 to 2011, quite the opposite is true of the trends in investment spending, that is almost all countries record a reduction of its participation in GDP. Globally speaking, this was contributed to by the world economic crisis; in the Euro-zone countries the Eurozone crisis may be included as a destabilizing factor, and as for countries in transition, the transitional crisis and current macroeconomic problems depending on their marginal situation in relation to European Union member countries are factors. By analyzing data in the table, it may be seen that the reduction of investment spending in the second observed period was less severe in those countries which during the first observed period had stagnation or even reduction of this spending (such as Germany and Austria), while, for example in Ireland, its increase of investment spending in GDP of almost 5% during the period of 2001 to 2006 was compensated for by its drastic reduction of up to 17% in 2011. The effects of the world and European economic crisis on the reduction of investment spending have been felt in all of the countries in transition apart from Macedonia where, in 2011, it experiences a slight increase. Investment spending in 2011 increased in Russia, which due to its leadership position in the export of gas did not feel the consequences of the economic crisis so strongly.

In recent years, as part of the measures to come out of the crisis, there has been an emphasis in the growth of public spending and within it in particular, investment spending. However, as with the application of any other measures, it also has to begin from the basic performances which describe the macroeconomic situation and the level of development of a particular economy. An increase in public spending will not in the short-term give the same results in an export oriented economy which has a stable exchange rate and a developed market as one which is import oriented and burdened with current macroeconomic problems. In the latter group, more unpopular measures are often applied such as increase in national savings, tax burdens or freezing salaries, pensions and social benefits. These measures, in the short term may give a positive effect, primarily seen in GDP growth, stagnation or reduction of unemployment and an increase in economy activity. Only when these measures are combined to stimulate economic development can the conditions for initiating the investment cycle be created by the state, in which there is expansionary public (and investment) spending which will, in the long term, have positive effects on development [12, p.198].

Up to now there has been no confirmed universal recipe which guarantees each economy an increase in its public spending leading to long term growth, but it is understood that in public spending (especially investment spending) the basic principles of efficiency should be respected and that public spending should not in any way burden and limit development possibilities of a national economy.

CURRENT SAVINGS AND TAXATION

One of the greatest unknowns in terms of the economics of growth and development today is found in the fact that after almost seven decades of research into the fundamental determinants of saving, spending and economic growth and development, economists have still have not determined whether savings stimulate growth or that economic growth causes an increase in savings – or that both variables act simultaneously, which creates a way for multiple savings balances and economic growth [13, p.3]. This cause-and-effect relationship is of utmost importance both for understanding the process itself and for defining recommendations to the economic policy creators of different states. If we start from the assumption that economic growth causes an increase in savings, then economic growth policies should be directed to improving the investment climate and increase competitiveness, and growth in saving will be the consequence of successfully implementing these policies.[5] However, if the process went in the opposite direction, the government would have to focus on policies which stimulated both growth in savings and in the rate of saving.

In economically developed countries, national saving is a very important and reliable source of financing for economic development. In today's economy, depending on the level of economic development and economic policy, it may be created from two sources: from a budget surplus, that is a surplus of public revenue over public expenses and savings by public companies. Economically developed countries have a better chance of directing current savings into improving the level and quality of their economic development. Putting the budget surplus on the capital market stimulates the efficiency of the allocation of investment funds and has positive effects on the dynamics of economic growth. However, developing countries are not able to have a budget surplus policy and in this way invest in their economic development. They are more often confronted with problems of budget deficit, which itself represents negative public savings and as such results in a reduction of the total national savings. The consequences of reducing public savings are an increase in the interest rates and slowing of investment activities, that is a reduction of capital investments.

Capital deficit in the economy causes a decline in production, a decline in work productivity and real wages and an increase in unemployment. In order to overcome these difficulties and move towards a balanced budget, the governments of these countries, as a rule, borrow from the private sector or from international financial institutions, which increases the level of public debt and may start the cycle of harmful effects mentioned above.

If we consider the savings of the different income-group countries, which according to the World bank methodology are divided into four categories: countries with high, higher, middle and low income, it may be concluded that, in the observed period, in all country groups, national savings shows a tendency of growth.

In the high income group of countries, until 2008, the savings rate, with minor oscillations, record an increasing trend, and after that, under the influence of the world economic crisis, a sharp fall. In contrast to this is the country groups with higher and middle income, which until 2000 experienced more intensive oscillations in their rate of saving, after which there was rapid growth until 2008, followed by a decline, though one which was milder than that of the high income countries. Low income countries, throughout the whole period record a strong increase in the rate of savings which continued after 2008, despite the world economic crisis and its consequences.

[5] "The right time for saving is the time of growth, not the time of crisis", John Maynrad Keynes according: Paul Krugman , "Keynes Was Right", The New York Times, published: 29 December, 2011 A version of this op-ed appeared in print on December 30, 2011, on page A23.

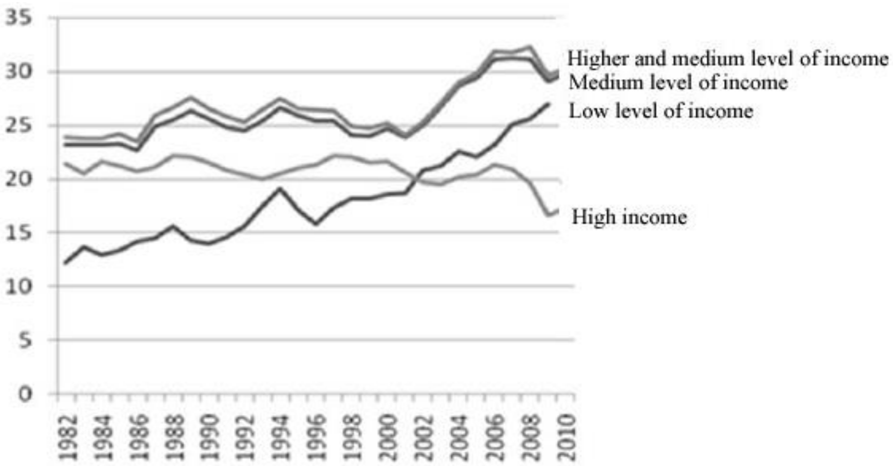

Fig. 1 Saving rate of different income groups during the period 1982 until 2010 (in %)
Source: World Bank Database

By analyzing the movement of gross national savings, this time in relation to the national income of EU member countries, Japan and the USA, we come to similar conclusions. At the beginning of the observed period, the countries with the highest gross national savings rate were: Finland, Norway, Switzerland and the USA. After ten years, Norway and Switzerland have maintained their high rate of gross national savings, while it dropped sharply in Finland and the USA.

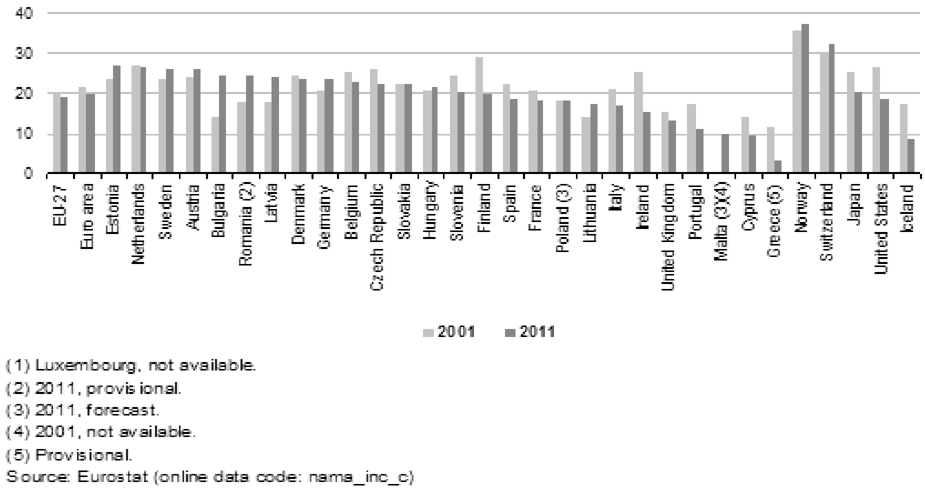

Fig. 2 Gross national savings 2001 and 2011 (in % of national disposable income)
Source:http://epp.eurostat.ec.europa.eu/statistics_explained/index.php?title=File:Gross_national_savings,_2001_and_2011_(1)_(%25_of_gross_national_disposable_income).png&filetimestamp=20121204110800; available: June/2013

Of the EU country members, Austria and Germany recorded an increase in the rate of their gross national savings during the observed period as well as the majority of East European countries which joined the European Union after 2000. Only in Greece was there a drastic decrease in gross national savings in 2011, which can be attributed to the economic and political crisis in that country, present for several years prior to that. Future trends in the savings of these countries will be hard to predict given the current state of their economies, in particular the uncertain fate of their common currency [9,2011].

The strategy of raising public revenue by increasing existing tax rates and/or widening the tax base influences the flow of the total level of savings in a particular country. Additional taxes may increase state savings, but this may cause, to a greater degree, a decrease in private savings. Also, the additional fiscal burden may negatively influence the efficiency of businesses which will certainly slow down economic development. Another mechanism for increasing national savings is the savings of its public corporations. However, here there are significant differences between developed and developing countries. In most developing countries, the savings of public corporations are low because the sector is small. Analogously, their performance is below the level achieved by public corporations in industrially developed countries.

Each country, regardless of its level of development often faces the problem of inefficient use of budget funds. In this regard, the logical question arises as to whether there are items in the state budget which are wasteful, excessive, or represent the inefficient use of household savings. We are often witnesses to an affirmative answer to this question, and the cause of the problem is often of a political nature. In fact, the state does not often direct the savings of its citizens towards financing economic development, but uses it instead for the growth of its bureaucratic machinery, for investing in projects which have political importance and similar. This form of redirecting savings towards non-economic activity can significantly limit or even eliminate the consistent implementation of economic policies which respect legal regulations.

CONCLUSION

In politically organized and economically stable states, the level of public spending reflects the social and economic preferences of the society. With this in mind, it is logical that industrial and civil development lead to the necessary growth of public spending. If growth in public spending goes over certain limits, then financing it may lead to numerous problems in the economy and cause financial crises. The risk of public spending, as with all other spending, comes as a result of the way it is financed, rather than from its level. For example, in countries where high taxes secure a high level of public spending (such as Germany, Norway, Sweden and Finland), the level of dependence between public spending and the onset of financial crisis is low, whereas for countries which have restrictive tax policy, the possibility is greater.

Each country tries as much as possible to achieve balanced policies of budget revenue and expenditure. However, budget imbalance, most often expressed in budget deficit is one of the problems faced by all countries regardless of their level of development. The effects of budget deficit in the economy are diverse: developmental, redistributive, monetary and stabilizing. The budget deficit causes many changes in the allocation of resources from the private into the public sector of the economy, which disrupts the functioning of the overall market mechanism. First and foremost, there is an increase in the overall cost due to the inefficient use of capital and an increase in inflation and the level of public debt. Also, the budget deficit absorbs large amounts of savings that could have been invested in the capital market, and what stands out as a particularly negative effect is the crowding out of private capital from the financial market, leading to a slowdown in the overall economic growth. On the other hand, countries whose budget imbalance is reflected in a budget surplus can target that surplus towards an increase in investment activity, that is, financing the development of the economic sector on a commercial and competitive basis. Another possibility is placing the budget surplus on the capital market, thus achieving a more efficient allocation of resources and an increase in domestic savings.

An increase in public spending, even its deficit financing, in essence is determined on an economic and social basis. For less economically developed countries and those with greater economic problems, economic reasons have to be more acceptable because the effects of such growth can be seen in the growth of state investments, which in the long run, leads to higher production and employment, therefore reducing social problems and more easily facilitating their resolution.

There are many public costs, the reduction of which would free significant funds which could then be used to finance investments on a macro scale. Whether the state uses these opportunities depends on its policy and social psychology. Often in a society of economic laymen it can be noticed that some decisions connected to public spending are irrational and that funds may be used in a more productive way. However, decisions on the level and distribution of public spending funds are under the direct control and influence of the state, that is, of the political party currently in power. Therefore, whether the given combination of political and economic action results in the effective economic development of a country or not depends on the knowledge and abilities of its representatives.

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JAVNA POTROŠNJA I MAKROEKONOMSKA STABILNOST

U savremenim uslovima globalizacije i regionalizacije svetske privrede, makroekonomska stabilnost dobija sve više na značaju kao faktor rasta i razvoja nacionalnih privreda. Nju uslovljavaju i na nju deluju brojni faktori koji su predmet delovanja nacionalnih ekonomskih politika, kao i oni faktori koji dolaze iz globalnog i regionalnog okruženja i koji su proizvod delovanja njihovih institucija. Oblast javne potrošnje, posebno problem uravnoteženja budžeta, naročito je značajna, kako sa stanovišta regulisanja unutrašnjih ekonomskih tokova tako i sa stanovišta međunarodnog ekonomskog položaja svake zemlje. Ona je najvećim delom u nadležnosti nacionalnih država koje u okviru svojih ekonomskih i socijalnih funkcija regulišu ovu oblast, poštujući pritom standarde i načela dogovorene u okviru međunarodnih organizacija i institucija, ili posebnim ugovorima. Stanje u sektoru javne potrošnje, posebno njegova ravnoteža ili neravnoteža, predstavlja važno područje delovanja ekonomske politike, kojim se utiče na: odnos tekuće potrošnje i štednje, tokove u globalnoj tražnji, životni standard stanovništva i sprečavanje siromaštva, obim investicija - od koga u najvećoj meri zavisi privredni rast i zaposlenost. U tim odnosima se raspoređuje teret javne potrošnje između različitih delova društva (njegovih socijalnih slojeva), uspostavljaju se odnosi između sadašnjeg i budućeg vremena u ekonomiji i ekonomskim uslovima života ljudi. Zadatak ovog priloga jeste da istraži odnose između javne potrošnje i makroekonomske stabilnosti, imajući u vidu savremene trendove i probleme u tim oblastima u pojedinim zemljama i svetu.

Ključne reči: *javna potrošnja, makroekonomska stabilnost, investicije, oporezivanje, štednja.*