Financing and economic management

Financial theory, the theory of public finance and public sector institutions

Content:

1. Financial theory,
2. Institutions and structure of the public sector,
3. The range of the public sector,
4. Fiscal functions of the state,
5. Public goods.

1. Financial theory

Financial theory is part of the public sector financial theory. Financial theory of public sector deals with issues of financing the public sector - the public finances.

This financial theory of public sector generally differs from financial theory. The term "financial theory" is broader than the term "financial theory public sector" because of financial theory, for example, examines the money markets, private insurance or corporate finance.

1. Financial theory

The economic and financial theory

Normative

Non-normative

2. Institutions and structure of the public sector

Public administration is the core of the public sector; it is the management of public affairs within a society organized into a state. It is an exercise of public power in the state, which has primarily state and other subjects entrusted her performance.

Public power is divided into state power, which performs state administration and other public authorities; they do subjects other than the state.

2. Institutions and structure of the public sector

The concept of public administration has two meanings:

– organizational concepts,

– functional concept.

Public administration is divided into two basic subsystems in terms of organization:

1) state administration,
2) self-government.

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2. Institutions and structure of the public sector

The structure of the public sector

Organization refers to the formal organized group of people who have common goals and motivation, to measure the performance and are determinate against surroundings.

2. Institutions and structure of the public sector

The public sector can be divided into **the following blocks:**

1. Block societal needs,
2. Block sectors of human development,
3. Block knowledge and information,
4. Block technical infrastructure,
5. A block of private goods,
6. Block existential certainties.

3. The range of the public sector

The range of the public sector is continuously rising.

It is expressed through indicators. The most commonly used indicator of the proportion of expenditure on the public sector (EPS) to gross domestic product (GDP) in percent.

Expressed by:

(EPS / GDP) x 100.

3. The range of the public sector

Indicator of public expenditure elasticity (E)
((PEt+1 – PEt) : PEt)) : ((GDPt+1 – GDPt) : GDPt)).

If E > 1, the public expenditures grow faster than GDP.

If E = 1, the evolution of public expenditures is consistent with the growth of gross domestic product.

If E <1, the growth of public expenditure is less than the gross domestic product.

3. The range of the public sector

Factors affecting the scope and structure of the public sector:

- Economic Factors,
- Non-economic factors.

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4. Fiscal functions of the state

The market mechanism can fulfill its primary function, i.e. the production of goods or services cheapest way only under conditions of perfect competition.

Their market mechanism tends:

- ✓ to monopolize,
- ✓ the polarization of wealth and poverty.

4. Fiscal functions of the state

The government may intervene in the market economy most often in three basic ways:

A. in influencing externalities, especially negative,

B. in terms of social inequality,

C. in ensuring production efficiency.

4. Fiscal functions of the state

The essence of the fiscal competency of the state is:

- levying financial resources in the form of taxes, fees, duties, etc.,

- redistribution of financial resources in terms of ensuring the production of a number of public (collective) goods.

4. Fiscal functions of the state

Basic methods of state intervention in the economy of the state include:

- taxing method of individual economic entities (including households),

- the size of each expenditure budgets subordinates state.

5. Public goods

Public goods are goods of which they all have a common benefit in the sense that the consumption of that good by any by an individual does not limit the consumption of others.

According to financing method the production of goods and the way decisions about their production and consumption of goods are divided into:

A. private,

B. public (collective consumption goods).

5. Public goods

<u>Public goods (collective consumption goods)</u>

According to the method of obtaining public goods belong to non-market goods. This means that:

- consumers are unable to obtain through the market,
- these goods do not have a market price,
- production of these goods does not profits.

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5. Public goods

Public goods (collective consumption goods)

Three basic features of public goods:

- non-exclusion the consumption of certain goods citizen,
- indivisibility of consumption,
- economic component.

5. Public goods

Public goods (collective consumption goods)

Distribution of public goods:

- pure public goods,
- mixed public goods.

Dividing by the state's influence:

- Non-market public goods,
- Semi market public goods,
- Guardianship public goods.

Keywords:
Financial theory, normative and non-normative financial theory, fiscal functions, public good, production opportunities, economic factors, financial resources.

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List of tasks for students:

1) Explain the nature and content side of financial theory.
2) Explain the normative and non-normative economic and financial theory.
3) Characterize state and local governments.
4) Explain the structure of the public sector.
5) Explain the scope of the public sector.
6) Name and Discuss individual fiscal functions of the state.
7) Describe the structure of public goods.

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