

**ICEST 2021****II International Conference on Economic and Social Trends for Sustainability of Modern Society****STATE FISCAL POLICY**

G. N. Ismoilov (a)\*, D. Ya. Rodin (b), A. L. Zolkin (c), O. S. Zinisha (d)

\*Corresponding author

(a) Economics department, Saint Petersburg State University, St. Petersburg, Russia, ismoilov.gn@gmail.com

(b) Department of Monetary Circulation and Credit, Federal State Budgetary Educational Institution of Higher Education "Kuban State Agrarian University named after I.T. Trubilin", Krasnodar, Russia

(c) Computer and Information Sciences Department, Povolzhskiy State University of Telecommunications and Informatics, Samara, Russia

(d) Department of Monetary Circulation and Credit, Federal State Budgetary Educational Institution of Higher Education "Kuban State Agrarian University named after I.T. Trubilin", Krasnodar, Russia

**Abstract**

The article studies the theoretical basis and practical approaches to formation of fiscal policy in terms of state economic processes management. It is noted that the state fiscal policy at any stage of the development of society plays a significant role, especially in conditions of economic and social instability. Processes of transformation of system of state management determine the formation and evolution of fiscal policy in the economic development of the country. The attention is also focused on the ambiguity of the interpretation of the definition of fiscal policy in scientific research of domestic and foreign authors. It is proposed to consider the concept of "fiscal policy" in a broad and narrow sense (from the point of signs of an objective and subjective order; economic content and forms of manifestation, etc.). The optimal choice of an approach to the formation and implementation of fiscal policy requires considering the influence of exogenous and endogenous factors that determine the process of decision-making. The reforms carried out in Russia and, as a result, socio-economic transformations need in strengthening of the economic situation and increasing of the level of public confidence in government decisions and programs of their support. In these conditions, the flexibility of the state fiscal policy in relation to external factors and the ability of the authorities to transform and adjust it, taking into account the processes taking place inside the country, becomes extremely important.

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## 1. Introduction

The complex and contradictory processes of modern social transformations and the need to overcome the crisis phenomena in the economy require the appropriate influence of the state and a well-functioning system of socio-economic management through the formation and implementation of an effective state economic policy.

## 2. Problem Statement

The aim of the study is to determine and improve the theoretical and methodological basis for the implementation of state fiscal policy in the context of modern economic transformations in the Russian Federation.

The implementation of state economic policy is a dynamic and permanent process of achieving the set goals, in which various government bodies and civil society institutions are participating. Implementation begins immediately after the approval and legitimation of the state economic policy or a separate program (fiscal direction) and is the main activity of state authorities.

In general, the basic goal of the socio-economic policy of a democratic state is to ensure all rights and freedoms for each member of society, a constant increase in the level of their quality of life, and the achievement of sustainable development parameters. The means of implementation of all of these is the fiscal policy of the state, the content of which is still ambiguously interpreted in world and Russian science, which leads to contradictions between social policy and fiscal policy.

## 3. Research Questions

In modern economic literature, fiscal policy is associated with government regulation of government spending and taxation.

Thus, the famous American economists K. McConnell and S. Brue are arguing that fiscal policy is changes in government spending and taxation aimed at achieving full employment and non-inflationary domestic output (as cited in Moskalenko, 2018).

R. Dornbusch and S. Fischer give the following definition of fiscal policy: fiscal policy is the policy of the government that deals with the volume of government purchases, transfer payments and taxes (as cited in McConnell & Stanley, 2003).

P. Samuelson and V. Nordhaus understand the fiscal policy as a process of changes in the taxation system, government spending in order to: to reduce fluctuations in business cycles (as the first); to promote the rapid growth of the economy with high employment and without high uncontrolled inflation (as the second) (as cited in Kspkanschikova & Kapkanschikov, 2015).

Domestic researchers Egorushkina T.N., Egorushkina A.S., Minaev V.S. believe that budget and tax (fiscal) policy includes government measures aimed at ensuring full employment and production of non-inflationary GDP by changing the government spending, taxation and approaches to the formation of the state budget as a whole (as cited in Dornbusch & Fisher, 1997).

Krimskaya (2019) defines fiscal policy as a set of measures by which the state influences the economy through the structure of tax revenues to the state budget, directions of public spending and methods of attracting borrowed funds, in order to maximize the possibilities of tax support for the functioning of the state and the potential fiscal effect of economically justified state borrowing for effective financing of socially necessary expenditures aimed at increasing the efficiency of the economy and stimulating economic growth.

#### 4. Purpose of the Study

The fiscal burden, in accordance with Russian legislation, is presented in the form of taxes and payments entering the country's budget system. This economy burden as a percentage of GDP for the period 2013 - 2017, determined according to the latest reporting data from the Ministry of Finance of the Russian Federation, is reflected in Table. 1 (Russia took the 96th place in the rating for well-being (among African countries, 2020).

**Table 1.** Fiscal burden on the Russian Federation economy in 2013 - 2017 (% to GDP)

	2013	2014	2015	2016	2017
Total incomes	33.42	33.80	32.29	32.71	33.73
Including					
Fiscal burden	31.61	32.03	29.82	29.20	31.08
Tax incomes and payments	30.80	31.29	28.86	28.46	30.29
Incomes related to oil and gas industry	9.65	10.01	7.39	6.11	6.85
Incomes that do not related to oil and gas industry	21.15	21.28	21.47	22.35	23.44
Income from other fees and non-tax payments	0.81	0.74	0.95	0.74	0.79

#### 5. Research Methods

In general, economic theory considers two main forms of functioning of fiscal policy: automatic and discretionary, and the instruments of these forms of fiscal policy are: expenditure policy, income policy, tax system, transfer policy (The main directions of budgetary, tax, custom and fee policy for 2019 and for the planning period of 2020 and 2021, 2020).

The main objectives of discretionary fiscal policy are changes in tax rates, public works and public engagement projects. A special place in discretionary fiscal policy is occupied by temporary cuts in tax rates in order to prevent a decrease in disposable income and a rapid fall into a deep recession. Changes in tax rates can be used both to stimulate the economy and to contain it.

Among the instruments of fiscal policy, domestic and foreign scientists distinguish, first of all, the following: tax revenues, government spending and transfer payments. In our opinion, the tool kit of the state's fiscal policy shall be considered in the broad sense of the word, since taxes are the main, but not the only, source of the budget.

In addition, contributions to state trust funds (in Russia, this is a unified social tax, UST) shall be included to the components of fiscal policy. As for expenditures, as a component of fiscal policy, they shall include not only the expenditures of the state and local budgets, but also the expenditures of state trust funds.

## 6. Findings

Based on the above, fiscal policy shall be considered as a system of measures with the help of which the state influences the economy through the structure of tax and non-tax payments to budgets of all levels and state trust funds and the corresponding expenditures from them.

In Russia, an important feature of fiscal policy shall be such a feature as "the quality of fiscal policy", which is not yet given with due attention in economics. It is explained by the complexity of this category. It is an important factor influencing the quality of life of citizens and the indicator of the quality of life has a reverse effect on fiscal policy.

The quality of life of citizens is determined through the personal perception of each individual person of the state of satisfaction of their needs. The indicator of the quality of life of citizens of villages, townships, cities has several features that make it a unique tool for modernizing the entire system of public administration (Samuelson & Nordhaus, 2009).

The first key feature is that the assessment of the degree of satisfaction of the needs of an individual and their totality in communities becomes both a highlighting of the level of self-realization of a person and the determination of the final results of the activities of power structures (in other words an assessment of the effectiveness of this activity). There is a phenomenal opportunity to realize the responsibility of the authorities to citizens.

The second feature is that the quality of life of citizens reflects a person's subjective perception of the state of his mental comfort, self-realization through the satisfaction of his needs and interests. At the first sight there is no objective statistical indicators that can do this. This subjective approach to determination of the quality of life of citizens has only one disadvantage - it is the emotional background, which in a certain way can distort this perception. But there is a way to avoid this disadvantage.

The third feature is that this quality is measured by a quantitative measure as the degree of satisfaction of basic human needs. It is a quantitative measure that makes it possible to assess the effectiveness of the activities of power structures over a certain period.

The fourth feature is associated with the quantitative measurement of the quality of life of citizens - from an individual to their totality in villages, townships, cities. This makes it possible to form integral indicators of the quality of life of citizens of a district, region, country, with the help of which it is possible to implement feedback in the system of public administration from the bottom to the top. Based on the above, it is necessary to include the fiscal component among the components of the quality of life of citizens, which is practically not studied in Russia.

About 46% of GDP is redistributed through the budget and state trust funds in the Russian Federation, while in Korea the value is 30%, in Australia it is 34%, in the United States and Japan it is 42%. This fact indicates the high tax pressure. At the same time, in terms of the Citizens Prosperity Index, the Russian Federation takes the 96th place in the world out of 150 countries, as evidenced by a 2018 study conducted by the Legatum Institute (the British analytical center). At the same time, Russia takes 63rd place in terms of the quality of its economy; 60s place in terms of business environment development; 124th place in terms of public administration (Akhmetshin et al., 2018; Karpukhno et al., 2019).

All this negatively affects the quality of life of citizens in the country, provoking the growth of the shadow economy. The high level of shadowing of the economy (which is two to three times higher than in developed countries) in its' turn features the low quality of the fiscal policy of the state and the fiscal component of the quality of life of citizens.

## 7. Conclusion

Thus, a feature of Russia's fiscal policy in modern conditions is the simultaneous solution of two tasks that are difficult to combine: ensuring the stabilization and growth of the standard of living of the population in the future and the transition to an innovative economy. Accordingly, the financing of social policy in the Russian Federation should be carried out taking into account the real possibilities of business to pay all established taxes and fees, while at the same time having the opportunity to develop their production on innovative principles. Therefore, it is important to pay close attention to the proposals of experts to reduce the unified social tax, compensating for the losses of the state, in part, by saving budget funds (thanks to the fight against theft), and in part at the expense of other taxes (Egorushkina et al., 2019). A significant reserve in this regard is the increase in rental payments, including for the use of recreational resources.

At the same time, one of the important points that should be focused on when formulating fiscal policy is a well-grounded debt management strategy based on a clearly defined line of the share of external and internal debt and the cost of servicing them in the structure of public spending, as well as reducing the cost of servicing public debt. In modern conditions, without taking into account the above features, an effective transformation of fiscal policy and high efficiency of its implementation are impossible.

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