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*Marharyta Omelianenko*

## THE EVOLUTION OF VIEWS ON THE PUBLIC DEBT

*Маргарита Омеляненко*

## ДОСЛІДЖЕННЯ ЕВОЛЮЦІЇ ПОГЛЯДІВ НА ДЕРЖАВНИЙ БОРГ

*Маргарита Омеляненко*

## ИССЛЕДОВАНИЕ ЭВОЛЮЦИИ ВЗГЛЯДОВ НА ГОСУДАРСТВЕННЫЙ ДОЛГ

*An integral part of the functioning of the modern market economy in the world economy is the existence of public debt. The article discusses and analyzes the views on the nature of public debt by foreign and domestic scientists, economists, schools and economic theories. Also found relationship looks foreign and Ukrainian economists on the nature of the public debt. The author studied the historical evolution of views on the importance of public debt, there was highlighted the positive and negative consequences of its impact on the economic development of the state.*

**Key words:** public debt, schools and economic theories, economists, national economy, economic development.

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*Невіддільним елементом функціонування сучасної ринкової економіки у світовому господарстві є наявність державного боргу. У статті розглянуто та проаналізовано погляди на сутність державного боргу зарубіжних та вітчизняних учених-економістів, економічних шкіл та теорій. Також виявлено взаємозв'язок поглядів закордонних та українських економістів на природу державного боргу. Досліджено історичну еволюцію поглядів на значення державного боргу, виділено позитивні та негативні наслідки його впливу на економічний розвиток держави.*

**Ключові слова:** державний борг, економічні школи та теорії, вчені-економісти, національна економіка, економічний розвиток.

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*Неотделимым элементом функционирования современной рыночной экономики в мировом хозяйстве является наличие государственного долга. В статье рассмотрены и проанализированы взгляды на сущность государственного долга зарубежных и отечественных ученых-экономистов, экономических школ и теорий. Также выявлена взаимосвязь взглядов зарубежных и украинских экономистов на природу государственного долга. Исследована историческая эволюция взглядов на значение государственного долга, выделены положительные и отрицательные последствия его влияния на экономическое развитие государства.*

**Ключевые слова:** государственный долг, экономические школы и теории, ученые-экономисты, национальная экономика, экономическое развитие.

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**Target setting.** Economic thought has been considering and exploring the nature of the public debt, its cause and effect relations almost for 200 years. But during that time any single correct approach to the evaluation of the public debt has been created and its essence has not been fully revealed. There are constant controversies between the representatives of different economic schools, theories concerning the definition of the state debt: either it is a cure for any economic system, or, possibly, a burden for current and future generations of the society. That's why, nowadays, in times of enhanced internationalization of the economic relations in the world economy, particular actual become study and systematization of the theoretical views of the foreign and domestic scientists of the public debt nature and its role for the economy development.

**Actual scientific researches and issues analysis.** Problems of the public debt have been studying for more than one century and were analyzed by many outstanding scientists-economists, among them: R. Barro, S. Bryu, G. Buchanan, A. Wagner, K. Ditzel, K. McConnel, T. Malthus, K. Marx, J.F. Melon, K. Ditzel, Lorenz von Stein, Adolph Wagner, J.S. Mill, F. Modigliani, John Maynard Keynes, A. Lerner, D. Ricardo, A. Smith, Joseph Stiglitz, Lorenz von Stein, David Hume and others. The issue of definition the public debt as an economic element and its circumstances are investigated in the works of the domestic scientists: Basylevych, T. Bondaruk, Z. Vatamanyuk, Z. Varanliy, T. Vakhnenko, A. Galchynsky, V. Kozyuk, V. Kornejev, G. Kucher, V. Kudriashov, V. Fedosov, S. Juriy and others.

**Uninvestigated parts of general matters defining.** The scientists have not until now completely and in duly manner generalized and systematized understanding of the meaning

and value of public debt in the historical concept. In this article the author considered and investigated views on the essence of the public debt of the economists and outstanding scientific schools for the period more than 200 years.

**The research objective.** The primary purposes of writing this article are the debt crisis in different countries of the world during the whole historical period of the development of the financial and economic relations and catastrophic circumstances of their influence on the economy. To perform system analysis of the crisis and investigation of the given by history lessons, we should study the origin of the public debt and evolution of views about its origin and theoretical analysis. Considerably a lot of scientists, outstanding world economists, practitioners and theorists paid great attention to the issues of the public debt and devoted their researches to investigation of this economic phenomena.

**The statement of basic material.** The first reasoned analysis of the public debt and credit took place in the period of the English financial revolution 1688–1756, that flavored successful implementation of the police of the government loans in England.

Thus, in the anonymous pamphlet of Daniel Defoe of 1710 the author tried to explain ontology of the state credit from philosophic point of view describing its two main characteristics: the first one – publicity (national character of existence) and that fact that it is at the disposal of the Parliament (in fact, the government); the second one – availability and continuity of the public credit functioning [2].

Jean-François Melon considered that the public debt is profitable for the economical development of the country. In his political essays the author stated that amount of the public debt can be unlimited, and these are big amounts of the public debt that is a peculiarity of strong economy, because insufficient monetary stock circulation leads to constant sufferings of the citizens. Charles-Louis de Montesquieu in his turn sees only negative in presence of the public debt. If the public credit is of the foreign origin, so only the foreigners win from receiving the interests payments, at the same time as the taxes necessary for servicing and repayment of the debt significantly affect the scope of redistribution of the national income [9].

Scottish philosopher of the Enlightenment period David Hume in his essay “On the public credit” proved that fact that creation of the public debt is connected with the bonds circulation that replace the cash and its presence bears negative influence until the moment when the bonds are the free subject of negotiations between the economic agents, do not threaten economic default and increase the liquidity of trading. From the other side, the philosopher stresses in his work that the public credit leads to accumulation of people’s wealth and transforming it into the capital, so this form of borrowing has all the disadvantages of the paper credit. David Hume understood that constant increase of the public debt at the final account will lead to the growth of tax burden. The scientists believed that there exist 2 variants of the events development: either people had to destroy the public credit, or the latter would destroy the country. Presence of the public debt will lead to the national death [4].

The active member of the financial community of Isaak de Pinto supported the practice of the public crediting. In his work “Agreement of circulation and crediting” he considers that the public debt, naturally, definitely burden the country's economy, and at the same time creates additional cash that can be productively be invested. Willingness of the investors to buy the public debt and definite norm of the income depended on the level of default availability, at which influences amount of the existing public debt and income of the state. Risks calculation had definite difficulties because of the uncertainty of these tools and high probability of the public debt growth as a result of military expenses growth (more planned). The first ranked issue became trust to the government, its honesty and integrity.

As a staunch supporter of the advantages of the public debt was also the first secretary of the US Treasury – Oleksandr Hamilton. He stated that the public debt if its amount is not

excessive, is a national “blessing”, as it gives the possibility to use temporary free money at any moment and creates for the government new additional capital [9].

Views of the outstanding economists and the economic schools at the public debt of the first and the second half of the XIX century differed a lot. Thus, the representatives of the classic political economy in their researches and conclusions in vast extent relied on the publication of Adam Smith “An Inquiry into the Nature and Causes of the Wealth of Nations” dated 1776. Their ideas became popular and were spread in the first half of the XIX century, at that time, when within 60 years before the First World War the German economists made their powerful contribution to the development of the theory of the state finances.

The British economic classic schools: Adam Smith, David Ricardo, Thomas Robert Malthus, John Stuart Mill supported the view that the public debt is a negative phenomenon, as it hinders the economic progress. The problem of the state debt the British considered briefly, not paying considerable attention to it. In contrast to the latter, the German economists: Karl Ditzel, Lorenz von Stein, Adolph Wagner analyzed the issues of the public debt performing differentiated analysis, that favored the increase of the efficiency level by the governments of the debt financial resources.

Adam Smith – the representative of the British classical school investigated the issue of the public debt in the third part of the final part of his main work “An Inquiry into the Nature and Causes of the Wealth of Nations”. Taking into account his considerations, Adam Smith followed the negative point of view if the issue concerned the public debt. The economist stated that “increasing of great debts which at that time suppress and in long-term perspective, more likely, will destroy of the nations of Europe, and they are always nearly performed by the same way” [12]. As the majority of the economists of the XIX century Adam Smith considered, that the public debt was necessary, mostly for financing the military actions, and he investigated if it was obligatory to finance the wars on account of taxes or credits. The scientist criticizes the easiness with which the government can lend financial resources and put the burden on the loan servicing on future generations, because in the final case in combination with the difficulties of implementing new taxes or increase of the existing ones, such situation can lead to economic crisis, non-ability to service the debts, currency devaluation and in general bankruptcy of the country. Tax burden on feudal lords and capitalists will increase, that means that the first tax payers will not be able to support and improve industrial productivity, and the others – will transfer their activity abroad through the income decrease from the capital [12].

Evolution of the development of the public debt in his main scientific research Adam Smith described having investigated the circumstances of the failed policy in the field of the public credit. Thus, the government borrows the financial resources creating the special fund for providing repayment and servicing of the public debt, but when the latter was not able to perform its functions the loans became more popular from providing or secured by a special fund.

Adam Smith’s comments concerning that the borrowed capital state taxing withdrawals financial resources from the production process became the grounding of the doctrine of Jean-Baptiste Say in the first half of the XIX century who saw the difference between two borrowers: the state and the individual when the latter borrows the financial resources for productive use. That’s why the public debt has sense only by directing the borrowed resources by the state in the investment sphere of the actual economy [11].

The next economist and at the same time the follower and the opponent of Adam Smith, who investigated the problem of the public debt, was David Ricardo. In “On the Principles of Political Economy» the outstanding economist of those times considered, that the public expenses should be limited in such a maximum extent as it is possible. Though David Ricardo didn’t consider the difference in expenses financing either on the account of borrowings, or on account of the taxes.

But the economist doesn't support the practice of the public debt in general, because to his mind the crediting system makes the population less economical and lean.

David Ricardo submits the sample of financing military expenses in amount of 20 million pounds by three means: direct financing through the taxation system; debt financing on terms of return yearly 1 million pounds with 5 % yearly rate of debt servicing and creation the special fund (its filling on account of additional measures of the state and achieving the necessary sum). Ricardo gives to the first means of financing of not envisaged state expenses and he has negative point of view concerning the financing on account of increasing the public debt. The tax payers in their majority are likely to consider that it is less burden on account of the taxes to repay and service the public debt within not defined period as it is to cover the expenses once. D.Ricardo created "the equivalence theory" according to which the financing of the budget deficit, independently from that fact if it implemented on account of the loans, or taxes increase, doesn't influence the behavior and level of the economic agents welfare, because the latter perceive the taxes and loans equivalently. Thus, by "equivalency theory", increase of the public debt will not lead to the decrease of the production amounts and employment level increase, because the tax payers awaiting the increase of the tax burden will economize with the purpose to service constantly growing debt [10].

As the addition to "the equivalency theory" became worked out by the American economist-theorist Roberto Barro "the neutrality theory" of the public debt. According to the latter one, replacement of the current tax payments on government debt, or vice versa doesn't lead to the changes in the amounts of consumption, investment and level of the interest rate of prices, because the relative maternity of the resources as a result of their replacement between the generations take place [1].

Less critical by investigating the essence and necessity of the public debt was Thomas Malthus, who considered that on the account of the debt financing one could reach the increase of the aggregate demand. The scientists believed that the employees of non-industrial sphere, soldiers, sailors, the servicing staff exist on account of the taxes, but they create the expenses flavoring the achieving of the full employment in the economy. It is the public debt that provides their servicing. But T.Malthus envisages as well the catastrophic circumstances of the big amounts of the public debts, that is why it is necessary to provide the stability of the public debt, providing the opportunities for its further growth. Increase of the public debt amounts leads to the tax burden increase, and excessively high taxes could lead to the production processes recession, unemployment growth, devaluation of the national currency, and on the final stage there will be an impression of the government non-ability to perform its debt obligations [6].

The next economist experienced more than two decades of the actual economic growth without military state. We'll speak about the researches of John Stuart Mill, who observed downward trend of the public debt, while during the economic growth in the country, the government expenses were not increased with such rate as the capital and population amount. Views of J.Mill are similar to the study of A.Smith. In part seven of the book 5 "Principles on the political economy" the political economist stresses on the negative influence of the debt on the economy through increase of the prices level on tax burden on the working layer of the population. One of the disastrous consequence of the debt financing the scientist considers possible depression or crisis. He follows the views of A.Smith that increase of the tax burden at a final stage will be ended by the war or other emergency.

At the same time J.Mill allows the use of the public debt in three following cases: an overflow of the foreign capital in the world general savings; the capital for investment when by preservation of the financial resources they will be spent in non-productive way; in case when the savings increase will lead to the profitability decrease. The government can yearly accumulate these new savings not having the negative influence on the employment level and salaries of the

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**ФІНАНСОВІ РЕСУРСИ: ПРОБЛЕМИ ФОРМУВАННЯ ТА ВИКОРИСТАННЯ**

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workers. Such available for the government capital is the limit of the public debt financing. Credits within the defined by the settlements limit, by J. Mill, can be useful for the working class because they provide the creation of new working places in the military sector.

As problematic J. Mill considers the process of the public debt repayment. The scientists allowed the possibility of simultaneous repayment of the debt by means of the property taxation, but as the easiest way he considered gradual settlement of the obligations on account of surplus income. The political economist doubted the thought that the definite amount of the public debt is desirable and in its essence cannot be changed as a tool of investment for savings the poorer and less experienced part of the society. The only advantage of the investments in the state funds the economist considered to be the state guarantee which is based on the obligatory taxation [8].

Let's proceed with the evolution considering for the public debt by the representatives of the German economic thought. It should be noted that during the reforms at the beginning of the XIX century the studies of Adam Smith were very popular, especially after the defeat of Prussia in 1806.

Karl Ditzel as the founder of the German school invented the new theory concept of the public crediting. In his work "System of government loans" the economist states that the progress in sphere of intellectual and moral wealth of the developed countries of Europe in those times were the result of the process development of the state crediting. K. Ditzel tries in his researches to know the true macro economic importance of the state crediting having considered the economic activity as an element of the general activity. As the starting point of the economist's considerations arose the issue of high rates of the economic growth in England in the last decade of the XVII century in parallel with simultaneous growth of the public debts. Karl Ditzel stresses on the importance of the financing on account of the state credit not only of the emergency expenses (wars), but as well on account of profitable state measures, investment projects that provide the growth of the private savings.

In contrast to the thoughts of A. Smith the German economist proposed the thesis about the following his consideration: the national economy and population will be more wealthy and prosperous in case of significant ratio of the interests payment on governmental bonds in general amount of the state expenses, but such statement concerns exclusively the healthy national economy with the efficient and appropriate governmental management. As a prove K. Ditzel offers the following arguments:

- the purpose of the state financing of the crediting is aggravation of inexhaustible fund of the nation for practical simultaneous use of the financial resources or for stimulating the production start of the necessary products;
- use of the public crediting for financing material purposes (of the military character, infrastructure) or non-material ones (education, court system, administrative reforms, ownership rights and personal safety) stimulates the increase of the employment level, and that means the additional national profit will generate the additional economy;
- state bonds are the most credit available tools of the investments, but the private investor in case of arise more profitable possibility of investing, will be able to sell them;
- no need to accumulate reserve funds in case of emergencies arise by means of preserving of the part of the national product ( products preservation produced on account of the taxes, appropriated by the government), instead of this is suggested the possibility to accumulate the national wealth on account of the reserves use;
- problems with the debt repayment and the rates on account of tax burden will be not available until that time when the national economy has high rates of the economic development, and withdrawal of excessively high taxes (for repayment of the public debt) are not to be confirmed [3].

Lorenz von Stein – famous and outstanding philosopher of the Wien University became the founder of the science of the governmental management and follower of K. Ditzel. Stein states that each debt financing of the state expenses is not damaging only in case of the resultative growth of the labor productivity, that should cover and service the debt. The economist differs the direct and indirect productivity of the public debt. In the first case financing into the state enterprises take place, profitability of which are higher the expenses for the debt servicing, вin the other cases – financing of the projects from which the economy on account of the productivity growth will generate tax flows sufficient for the debt servicing.

Stein is famous by his expression about the public debt where he follows such point of view that if the state does not have the public debt, then it considers not in full amount about its future or demand too much from the modernity. Thus, after the Great Depression 1873 – 1874 Lorenz von Stein understands the danger of not appropriate use of the public loans with the purpose of providing the common use. By appropriate and efficient use of the public debt it should: provide the growth of the productivity of the national economy, and, i.e., tax flows sufficient for timely and complete servicing of the additional public debt; accumulate, preserve and insure savings of the population, as well distribute the debt burden between the generations [3].

The most famous between the German economists of those times was Adolph Wagner, who strongly criticized the classic political economy and paid great attention to the analysis of the state expenses. The latter the scientists divides into two categories: these that are covered on account of the taxes and those that are financed on account of the state bonds, making the parallels with the main and working capital in business. Wagner divides expenses into common, capital and extraordinary ones. The first ones should be financed on account of the taxes and charges, otherwise there will be the chronic budget deficit. The financing of the second group is possible on account of additional income of the state budget or the state credit, use of the tax income means that the state deprives the public sector from the working capital.

In general, the economist under the upper limit of the crediting states the financing covering on account of the expenses of the public debt that leads to increase of the profit or economy of the state expenses in future budget years, simultaneous not envisaged expenses in cases of wars or force majeure. Adolph Wagner defines three sources for creation of the public debt: inner capital of the national economy, foreign capital and domestic capital that are withdrawal from the private use with the production purposes. Only developed countries have sufficient big reserves of the domestic capital, in its turn, the foreign debt financing is more favorable because it gives the possibility to increase the total amount of the capital in the national economy. Use of the third source of financing is not favorable because of the capital withdrawal out of the sector of the private productive use. In such case to the point of Wagner is better to increase the tax burden. The economist states that in both cases financing on account of taxation or lending, the present generation will have to bear the burden and the expenses from the point of view of consumption [3].

The Marxists approach also takes not the last role on issues of studying the role of the public debt in the system of the state financing and its circumstance – the public debt.

In his first volume of “Capital” Karl Marx considers the public debt as one of the powerful tools of the primary capital accumulation. The scientists states that arise of the public debt, so-call national debts, is connected with the production period, especially with the period of colonialism, sea trade, wars. The public debt as alienation of the state, independently of the form of ruling, either it is despot, republic or constitutional, marked the beginning of the capitalism era. Karl Marx in his scientific research states that from all the national treasure of the country only such part as the public debt is in collective ownership of the nation. Thus, the more wealthy the nation is, then the bigger are its debts amounts.

Thus, the public debt transforms “fruitless” money into the capital. The state creditors transform the loan resources into the state bonds with high liquidity. Big banks with the national names promoted public money. Thus, founded in 1694 Bank of England that credited the government for 8 % of yearly rate and at the same time had the authorities to emit money from the same capital for the population. Process of crediting and availability of the public debt became the grounding for establishing the class of the fantasists, brokers, stock brokers, bankocrats and rantiers.

It can be followed from the work of Karl Marx that the international credit system arose just from the public debt. And the modern system of taxation became the necessary condition for the functioning of the national crediting, because the national debt as an addition to the state income should cover yearly interest payments. Credit financing gives the possibility to the government to cover the emergency expenses immediately but this leads to the growth of the tax burden. Thus, increase of the taxes as a result of the debts accumulation leads to such situation that the government has to take the new credits for covering new emergency expenses. That's why the taxation system and the state debt are interconnected and they grow automatically in the progress. First opened system of the state crediting in the Netherlands had the destroying influence on the employee because it held it in the frames of humility, economy, hard work and permanent employment, and from the other side it was characterized by better system of safety.

In total, by issuing the state bonds the state finances its expenses, and the interests on the debt servicing pays from the taxes. From the point of view of Karl Marx, funds received as a loan, the government mainly spends for non production purposes, the key role by this belongs to the military expenses. Such were big debts of England in the XIX century accumulated as a result of several wars. As well the state bonds to the point of view of Karl Marx are associated with the capital which doesn't exist contrary to the private securities, except the cases of their use for production purposes [7].

At the end of the XIX century and already at the beginning of the XX century the economists of Anglo-Saxon and French speaking scientific society came to the conclusion that envisages the financing of not foreseen and emergency expenses on account of taxation at the moment of the demand to cover them.

By studying the main thoughts of the modern schools and the theorists two main directions can be determined that gave controversial characteristics of the phenomenon of the public debt: classic economic school of the political economy considers the debt as a burden which negatively influences on the economy, because it is put on the generations in future and the accumulation leads to the debt crisis. But the Keynesian theory says that it is not correct to look through so directly the issues of the public debt shifting to the population. Thus, Abba Psarchia Lerner defines both internal and external debt. The internal debt burden can be considered as a burden because payments for the population servicing it pays “for its own”, because this money are returned to them as to the owners of the state bonds. Justification of the external debt availability is possible by using it for the financing of the capital expenses of the state, their efficient implementation will provide increase of the national income, sufficient both for the interests payment and for the profit growth of the state and the population.

John Maynard Keynes stands for the creation of the budget surpluses for liquidation the public debt in the period of flourishing. In general, the scientists had quite conservative approach to the availability of the public debt which laid in the protest concerning the financing on account of borrowing the current costs, because it is tantamount to intention creation of the budget deficit. Out of the contributions of Keynes and other Keynesian economists the alternative approach to the public debt was defined. The approach is based on the idea that the public debt can't be considered equal to the private one. Sovereign states have the right to create

so much money how much they need to pay for the resources which they'd like to buy in the private sector. In the present situation a lot of the scientists consider that the problem of the public debt should be solved by increasing the rate of the economy growth. It is believed that high rates of the growth can be received by means of the economy freeing from "the intervention" of the state which will favor to the decrease of the public debt and deficit. Higher rates of the growth can be achieved due to supporting constant and significant part of the public debt. If any state supports its economy on the borrowings not conducting any stimulating actions for the economic growth, this is the peculiarity that the state operates not efficiently and high level of speculative attacks can lead to the debt crisis [19].

James McGill Buchanan considered that the public debt presents itself the burden for future taxes payers because current loans only allow to delay the expenses financing in time. Additionally we have the economic value of the loans, because the borrower should pay high interests for submitted possibility to increase the consumption today. Payment of interest savings negatively influences on the national wealth because using the loans for financing the growing expenses constantly decreases the living standards of the borrower in future. If the loans have got the value, that doesn't mean that they not desirable, because the debt allows to the economic entities to reach higher level on the utility curve. But this concept doesn't concern the public debt. Though at the beginning J.M.Buchanan considered the public loans for financing the capital expenses to be appropriate, later he changed his point of view because the majority of the state expenses are not capital by their nature. The scientists equals the public debt to the private one but at the final stage he doesn't consider the debt finances to be useful for the society [13].

Robert Barro in the 1970-s states that fiscal Keynesian policy is extremely non-efficient mechanism because increase of the financial expenses that are financed by means of issuing the debt are compensated by increase of the private savings, and the economic agents are awaiting growth of their future tax obligation necessary for the debt repayment [13].

In the modern economic schools the terms "the debt" and "the deficit" quite often are considered to be interchangeable. The deficit presents itself the difference between the flows of the state expenses and income in the current year. The public debt is not repaid state securities issued for the financing of the previous year budget deficits. In case of surplus the amount of the public debt is decreased. The base theory of the public debt states the growth of the state budget deficit means need growth in loan funds, withdrawal from the private sector, the latter by this receive the loans from the international investors or the citizens of the country. In other words such situation arises when the government starts to compete with the private borrowers that leads to the growth of the interest rate [5].

In the modern monetary theory the public debt is investigated as "the private wealth", and the interest rate – as "the private income". Total public debt actually presents itself only expressing the accumulated in the past budget deficits. Covering of the budget deficit on account of the debt obligations has the positive character because the financial resources are directed into the private sector that allows to preserve appropriate level of the demand for the products and services to provide the income growth, and at the final stage will lead to much faster accumulation of the financial assets than by non-deficit budget and the debt non availability [14].

The new Keynesian paradigm is based, in the point of views of the modern monetarists, on the following false statements: firstly, the state borrows for the expenses financing; secondly, there exist the fixed proposition of the savings available at any period of time; thirdly, the state taking the loans from this fixed proposition, favors the creation of the competitiveness by the private borrowers which leads to the interest rate growth. Modern monetary theory is grounded on the following positions: firstly, the savings are the function of the national income and cannot have the fixed evaluation at any period of time because the governmental expenses stimulate the economic activity, growth of GDP and national income, thus, the savings growth.



Secondly, the borrowings of the private sector don't depend on the fixed proposition of the savings (new Keynesian model envisages that the bank is capable to credit if it has appropriate sum of funds, at the same time the monetary theory says about the possibility to receive by the banks financial assets from the reserves of the central bank). Thirdly, if there is the budget deficit on the cash market there arise the following situation: the government on the account of performing the procurements actually put into force the rank of the agreements, which in its turn leads to the increase of the bank reserves growth every day. Thus, the banks try to get rid of the reserved stocks decreasing the interest rate on the credit market [14].

The outstanding economists of the XXI century Gregory Mankiw as well conducted the researches in sphere of the public debt that were grounded on the debt burden for future generations. The public debt in long-term period will lead to the decrease of the accumulated capital and increase of the external debt. In its work "The economics" the following researches R. Campbell, R. MacConnel and Stenly L. Brues equal the state debt to the public debt that includes the financial assets of the economic agents of the market and leads to the demand growth and the price increase of other assets. The scientists consider that the debt cannot be the factor through which the country can become the bankrupt, as well don't define it as the burden for future generations. To avoid the danger of default is possible by means of refinancing the debt, growth of the tax burden or cash emission, which concerns the internal debt. The external debt is actually the burden for the economy because the debt repayment and servicing mean the transfer of the part of the part of the country to the foreign creditors [22].

The active supporter of the state intervention in the economy, the scientist-theorists of the modernity Joseph Stiglitz should be mentioned. The Nobel laureate stands against the decrease of the budget expenses (strict budget economy) in the conditions of the crisis, because in the contrary exacerbation of the crisis processes, decrease of the effective demand and levelling of the economic growth will take place. Only following the strategy of the economic growth the state will be able to renew the ability to repay the debt obligations, to decrease of the interest rates and to create new investment projects. Thus, by the study of the scientists deficit financing by the government of its programs on account of increasing the amount of the state debt is possible [23].

Having considered the views of the foreign scientists, economists, economic theories Розглянувши погляди іноземних науковців, економістів, економічних теорій та шкіл, and schools we'll come to the analysis of the domestic theorists and practitioners. But it should be noted that the views of the Ukrainian scientists are not limited by the use of the world popular theories of the political economy of the XVII–XVIII centuries.

Content and nature of the public debt bears the controversial character among different scientists – economists of Ukraine. Let's investigate the views of the domestic economists that differentiated among them by different peculiarities of the public debt.

So, V. M. Fedosov, V. A. Stepanenko and V. M. Sutormina in the book "The State Finances" consider the public debt as the sum of debts under issued not repaid internal loans, taking into account the sum of the financial obligations of the country concerning the foreign investors as of the definite date, so the debt of the country is combined with the external debt of the private sector. As well the authors differ the term of the productive and non-productive use of the state loans, by the first directing the credit is used as a capital, in other cases the cash serves in role of the payment means [24]. Private debts are not considered by defining the essence of the public debt such domestic economists as Z. I. Vatamanuyk and S. M. Panchyshyn, who treat the public debt as a combination of issued but until that time not repaid state loans with the interests for use that should be paid until the defined date [20]. As well it also should be noted that usually the interests are not considered by treating the essence of the public debt.

Similar definitions of the term "the public debt" are given by the Ukrainian economists as V. P. Kudriashok and V. V. Kozuyk that consider by the determination of the public debt

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combination of the emitted debts (with interests payment – in definition by V. V. Kozuyk), taking into consideration guaranteed public debt [21; 20].

By T. G. Bondarchuk: “the public debt is a total sum of the state debt which is composed by all issued and not repaid debt obligations of the state including the state debt obligations that come into force as a result of the issued guarantees under the credits, or the obligations that arise on the base of legislation or the agreement” [16].

Quite in narrow sense the public debt is characterized by V. D. Basylevych in his treatment because the latter considers it from the side of “the accumulated by the government sum of borrowed funds for deficits financing of the state budgets” [15].

The most completed and the most grounded, to our point of view, consideration of the public debt is composed of the definition the public debt by T. P. Vakhnenko: “this is the sum of the financial obligations of the general governmental sector of the state regulation having the forms of agreements concerning repayment the involved funds (received goods, works execution, services providing, etc.) and payment of the interests (or without such payment)” [18].

**Conclusions and suggestions.** We can summarize the brief contrast of the views and opinions sources as for the consideration of the public debt and understanding its essence. Already at the end of the XVII century the representatives of the world economic thought discussed the public debt as a toll of financing the emergency expenses. The public debt was considered as possible cure from the problems solving of the state finances. Political economy was created simultaneously with its object of the analysis, going by steps of creating paper money and caused as a result of it financial revolution.

Notwithstanding the fact that about the negative and positive side of the public debt availability one started to speak already in the XVII century, in any case more based views and theories concerning the definition of the public debt essence and its determination for the economy development are related to the period of the existence classic and the Keynesian schools of the political economy.

And no matter how much the scientists will speak about the public debt, we understand, that nowadays it is an indivisible tool in combination with the mechanisms that provide the economic growth and the development of the world economy. It is impossible to avoid the public debt, it has both negative and positive features. Approaches of many but all scientists were analyzed in the article. All views are noteworthy and should be considered. Already for some centuries the scientists-economists having accepted the public debt as an economic phenomenon, closely connect it with the processes of the modern globalization and internationalization of the world economy, and are looking for the approaches to define the public debt with the main aim: to provide the most efficient its use with the least losses for the economy and the society. Understanding of the debt essence favors finding the methods of its rational use with the advantages for the economic agents and the state.

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**Omelianenko Marharyta** – PhD student, Chernihiv National University of Technology (95 Shevchenka Str., 14027 Chernihiv, Ukraine).

**Омельяненко Маргарита Олександрівна** – аспірант, Чернігівський національний технологічний університет (вул. Шевченка, 95, м. Чернігів, 14027, Україна).

**Омельяненко Маргарита Александровна** – аспірант, Черниговский национальный технологический университет (ул. Шевченко, 95, г. Чернигов, 14027, Украина).

**E-mail:** marharyta23101992@gmail.com