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The analysis of the public debt's structure in selected countries

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Abstract
This article deals with analysis of public debt's structure in selected European countries. According to quarterly data of European countries we gain detailed information about the public debt development. Thus we can define the minimum, maximum and average values for analysed countries. Next, for better evaluation we used data per one year (2013) for structural analysis of public debt. We analysed the structure of public debt according to the instruments.

Key words Structure of Public Debt, Public Debt

1. INTRODUCTION

The mission of public finance is to ensure the functioning of the public sector and thus contribute to achievement of stability and efficiency of the national economy, mainly during the global economic crisis. (Mihoková 2011), (Kravčáková Vozárová 2012)

There are the differences among individual approaches to define public debt in professional literature. "From the perspective of economic theory, it is necessary to define "public debt" not only as the subject (who owes), but mainly as its content (what liabilities are included in it)" said Dvořák (2005).

In addition to the creation of public debt through budget, there may exist other causes of the debt outside the budget - taking over the liabilities of another entity, or deficits of extra-budgetary funds. (Kiseľaková – Kiseľák 2012) Public debt can be seen as "the cumulative amount of all previously incurred and outstanding government borrowings and interest on those loans." (Liška 2002)

Dvořák states mutually dependence between the public budget deficit and public debt, the budget deficits in many countries are one of the most important cause of the emergence and growth of public debt (i.e. long-term fiscal imbalances). (Dvořák 2005)

1.1 Different views of economic theories on deficit and public debt

Classical theory of Adam Smith refused deficient state economy and promoted golden rule equilibrium of the state budget. (Hečková – Chapčáková – Huttmanová 2014) A significant change occurred in the 1930's, when the birth of a new macroeconomics was influenced by J. M. Keynes. The essence of his teaching was to increase economic growth by increasing demand from the state. Stimulated aggregate demand would be caused by the growth of the state budget. This would result in higher long-term growth of potential and then the current gross domestic product due to larger scale of capital. Thus there was admitted the possibility of the transition of deficits caused by growth of the state budget expenses. The tool of Keynesian fiscal stabilization policy has become in addition to government spending also progressive income taxes designed to have an impact on the amount of disposable income. Already in the 1970s, there appeared a criticism of this theory due to slowing down or stop of economic growth coupled with high inflation and rising unemployment in many countries. Monetarists came with the view that government intervention in the economy is undesirable and it must be fundamentally limited. They criticized the rising inflation rate, which reduces the propensity to invest, restricts economic growth and thereby promotes growth of unemployment. Inflation is caused just by the state budget deficit leading to public debt. Debt is subsequently covered by loans in the money market, which causes an increase in loan demand and thus the rise in interest rates. (Samuelson – Nordhaus 2004)

2. MATERIAL AND METHODS

This paper aims to assess the development of the public debt of European countries. Subsequently, during one selected year to point out the structure of public debt in European countries.

To assess the development of public debt, we chose the period of 2004 - 2013, where based on quarterly data from Eurostat we calculated the minimum, maximum and average values and processed them into graphs.

Based on the current ESA 95 methodology, there are included into the structure of public debt three groups of financial Instruments, used to its clearance. They are:

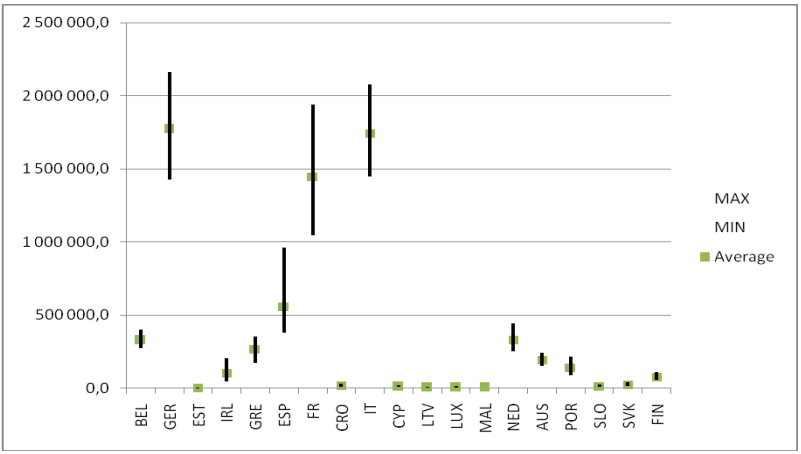
- Securities,
- Loans,
- Currency and deposits. (Dvořák – Lejtnar 2007)

For better analysis and comparison European countries have been divided into two groups, namely the countries that have adopted the € and those that do not have adopted the €.

3. RESULTS AND DISCUSSION

According to quarterly data (2004 – 2013) of public debt in analysed countries in mil. € we calculated the minimum, maximum and average values. We have dividend the countries into 2 groups, according to national currency. In the first group were countries from euro area and in the second, there were countries using thein own currencies (we named them non-euro countries).

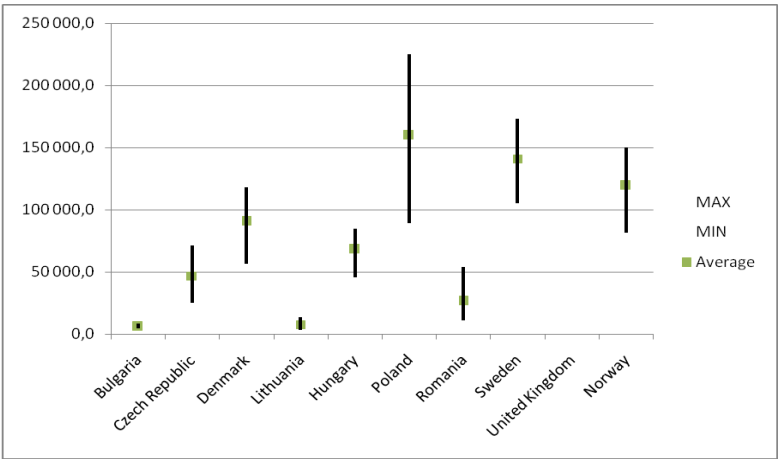
Figure 1 The amount (minimum, maximum, average) of public debt in mil. € in euro countries



Source: own processing according to data from Eurostat

From the figure 1 we can see, that the countries with the lowest amount of public debt (from 0 to 50 000 mil. €) were Estonia, Croatia, Cyprus, Latvia, Luxembourg, Malta, Slovenia and Slovakia. The highest values were obtained in Germany, France and Italy. It may be caused by the amount of the country's economy (population, GDP, …)

Figure 2 The amount (minimum, maximum, average) of public debt in mil. € in non-euro countries



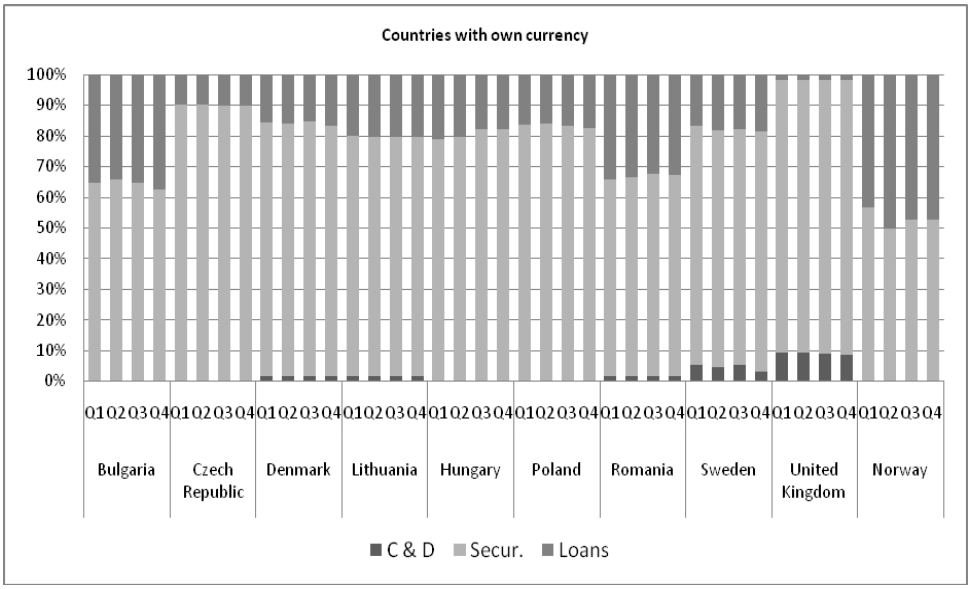
Source: own processing according to data from Eurostat

In the group of non-euro countries, there were the amount of public debt not so different. All countries except United Kingdom became the values from 0 to 250 000 mil. €. So we can say, that Theky are very similar in making debt and in the performance of economy

The dispersion of values are different in both groups. We can find the countries with low dispersion, and on the other hand, there are countries with high dispersion in both groups.

The structure of public debt according to the instrument is divided into 3 types: currency and deposits (C & D), securities and loans. Overall, the proportion of Currency and deposits in the year 2013 in both groups of countries is less important, in some cases it did not occur at all. For most countries, with own currencies, there is the dominant use of securities. In these countries we can see, that public debt was created mainly from securities.

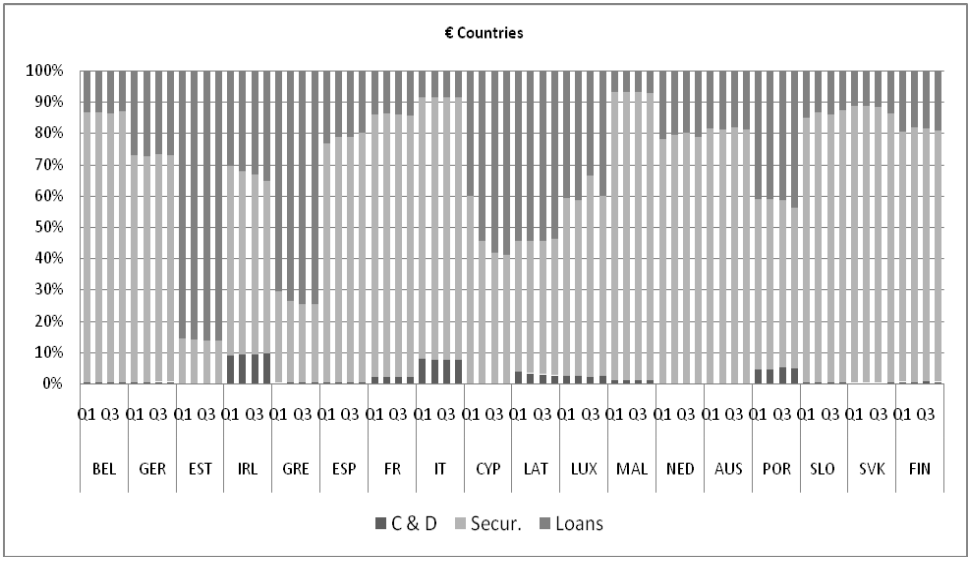
Figure 3 Structure of public debt according to instrument in 2013



Source: own processing according to data from Eurostat

In the case of countries with €, there is different situation. In Estonia, Greece, Cyprus and Latvia, there was covered public debt mainly from loans.

Figure 4 Structure of public debt according to instrument in 2013



Source: own processing according to data from Eurostat

4. CONCLUSION

Public debt in most Euro area countries is unproportionally high and in the near future, we cannot expect its significant reduction. The dispersion of values during the analysed period vary from country to country. The current crisis in public finance continues to deepen, and therefore it is considered necessary to devote more attention to the determinants of public debt.

Acknowledgements

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