SYNTHETIC INDICATORS OF ECONOMIC GROWTH RESULTS IN THE CONTEXT OF ECONOMIC POLICIES

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Abstract

The central objective of the article is to present the synthetic indicators of economic growth results in the context of economic policies. The research will be carried out by reviewing the specialized economic literature using the method of scientific observation. Economic growth is a concept that cannot be easily defined and represents a major objective of all states, being achieved both in the short and long term with positive effects on several segments of the economy and on the standard of living of the population. Economic policies influence economic growth and synthetic indicators of economic growth outcomes with reflections on economic development.

Keywords: *growth, economic policy, economic development.*

Jel Classification: O4, E6, O1

1. INTRODUCTION

Economic growth is difficult to define because of its complexity. This practically reflects a "production of goods and services" over a growing period of time, given the elimination of the effects of inflation. The economic growth determines the profit for the companies, which implies the increase of the value of the shares, thus offering the possibility of the companies to invest the capital and to employ more workers. Thus, more jobs are created and their incomes increase, they can buy additional products and services. These acquisitions lead to higher economic growth, which is why all countries want to record positive economic growth, being one of the most sought after economic indicators and reflecting a healthy economy.

The growth that a country is achieving in the long term has a positive effect and impact on the national income and employment level, which implies a better standard of living. The growth of a country's GDP leads to an increase in the labor force, which increases the wealth of the country and ensures better conditions for its population. The increase of the GDP implies a quantitative progress of the labor force, which assures better conditions of life for population and a high national wealth. Also, additional income from taxes will be made that will be used for government spending. The government can use them to develop the economy or to reduce the budget deficit. The growth of a country's population also requires economic growth to maintain a standard of living and conserve wealth.. Economic growth also contributes to improving living standards and reducing poverty, but these improvements cannot take place without economic development. Economic growth cannot eradicate poverty alone. Factors that determine progress or economic downturn have been identified.

Economic development and economic growth are under the influence of factors such as, human resources, physical capital, natural resources and technology. The governments of the high development countries pay particular attention to these areas. Countries with rich, but less developed, natural resources cannot make progress unless they promote technology research and improve the education system that prepares the workforce-education. Preparing the human resource in the education system is very important for any economy. Qualifying the workforce and preparing it carefully produce high quality production, adding value to the economy. The shortage of skilled labor force can be considered as a factor to slow down

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economic growth. Also, an unskilled labor force can be an obstacle to the economy of a country and the result can be a high unemployment rate.

Investments and improvements in infrastructure, in means of production, factories and technology, reduce costs implies a growth of the production. The refurbishment of manufacturing lines, the provision of modern production equipment lead to increased productivity and implicitly to increased production. Improving labor productivity leads to the growth of the economy. The availability of natural resources and their quantity influence has an effect on the economic growth rate. New natural resources, such as oil deposits, minerals, will be an impetus for the economy of a country, increasing the production capacity. It is important that the exploitation of natural resources is done with skilled labor and advanced technology, thus contributing to the stimulation of economic growth. Another important factor of economic growth is the improvement of technology. Business managers need to find solutions and ways to integrate into companies, new and more sophisticated production techniques, innovations made by the scientific community. Applying a new, high-performance technology means that the same amount of workforce will be more productive and economic growth will be lower.

Countries that are aware of the 4 factors, their importance and how they influence economic growth, will achieve economic growth and a better standard of living for their population. The technological innovation and the formation of a specialized and skilled workforce will contribute to the improvement of the economic production, which will determine a higher living environment for all. Increasing labor productivity is made much easier when investing in better, more efficient equipment that involves less physical labor from the labor force.

The economic policies practiced by each state support the achievement of an economic growth evidenced by the results indicators, by achieving a high level of coherence, coordination and integration of the fiscal and monetary measures, , in order to achieve the set goals and achieving the well-being of the population. Countries may face social and economic problems such as inflation, poverty or a low rate of economic growth. The economic policies practiced by each state are different depending on the region where they are, the characteristics of the territory in which they are applied. Thus, identical results cannot be obtained in two different countries, due to the intervention of the social, geographical or ideological factors that make each country unique. However, depending on the existing ideologies and economic approaches, different positions may be found regarding the level of intervention that a government must adopt in the economic life of its country.

2. MAIN RESULTS INDICATORS ON ECONOMIC GROWTH

Next I will present the main relevant indicators of the national economy. Gross global product (PGB) is the total value of goods or services of goods or non-goods, obtained within the subsystems of the national economy, in a period of time, usually one year. In real production, goods and services go through different processing phases, and it is important to prevent repeated recording of intermediate consumption and accumulation in PGB. Therefore, the calculation mode of PGB as a consequence of the macroeconomic results, is realized in three ways:

a) the intermediate consumption + the value of the final production (the production that is in the last stage of the economic circuit and whose final consumption is destined (the production method);

b) intermediate consumption + expressed value factors + fixed capital amortization + indirect taxes (value added method);

c) the intermediate consumption + the value of the final consumption (expenses incurred by the economic agents for the final consumption and for the formation of the gross capital (the method of final use).

A generalized formula of PGB can be reproduced by: PGB = Cf + Ci where, Cf = final consumption, Ci - intermediate consumption. (Turcu V., 2006).

Before the emergence of GDP, until the Bretton Woods conference in 1944, the standard instrument for measuring the performance of a country was GNP or the Gross National Product. Unlike GDP - the gross domestic product that it measures the output made by the people living in it, GNP measures the output made not only by the citizens living in the country, but also by those living abroad. The decision makers met at Bretton Woods, in New Hampshire, USA and concluded that GDP is the best indicator of measuring a country's economic performance, a decision supported and regulated by the World Bank, the International Monetary Fund. It has become the most widely known instrument of measurement and used by all economies around the world, being regarded as a solution after the crisis and the II World War. Due to the serious effects of the Second World War and the crisis, better valuation of goods and services in monetary expression..

Although GDP is most commonly used to measure the size of an economy today, Simon Kuznets, the economist who created this instrument, warned against using it as a welfare measure. He created a system to monitor US productivity and proposed GDP. This measure only concerns the economic output obtained by individuals, companies and government, united in a single measure, which in good times will increase and in bad times it will decrease.

In recent years, especially after the financial crisis of 2007-2008, economists and policy makers have found that GDP has more and more limitations. For example, GDP does not capture the sustainability issues of a country, as claimed by US economist Joseph Stiglitz, who won the Nobel Prize for economics in 2001. Thus, fast-growing countries, such as China, are experiencing GDP growth. , year after year, but these values do not reflect the sacrifices made that lead to degradation of the environment, for example. The GDP does not provide information about the standard of living, the well-being of the population, the distribution of the wealth of a country and about the free time left to the population after participating in the economic production.

Gross domestic product - GDP, measures the overall dimension of a country's economy, being one of the "main indicators of the European system of national and regional accounts"accounts (SEC / ESA 2010). As an aggregate measure of output, GDP amounts to "the gross added value of all resident institutional units engaged in production, plus any taxes on products, minus subsidies on products". The gross value added is obtained by the difference between production and intermediate consumption. From a theoretical point of view, GDP summarizes the end uses of goods and services except for intermediate consumption, measured in purchase prices, from which “the value of imports of goods and services” decreases. GDP measures the output of a country, not exchange. Confusions are created regarding the interpretation of economic statistics, confusions that can be avoided by economists and policymakers if they consider this simple. The proposals to reduce taxes are aimed at increasing consumer spending, which is supposed to lead to an increase in GDP, but in fact they represent a use of GDP, not of production. Increasing consumer demand could have the effect of eliminating investments, not increasing GDP. Usually, GDP data is presented in a form that emphasizes exchange - use of GDP rather than production - source of GDP. It can be said that GDP sums up consumer spending, housing and investment spending, net exports and government procurement.

Over time, questions have arisen regarding what drives GDP growth: Are retail sales growth a force in the economy or an increase in the labor force? Do government spending increase GDP or reduce marginal tax rates? Is exports a positive or negative aspect? To

answer these questions, Keynesians usually emphasize the first choice, while supply unions place more weight on the second. In the short term, in business cycles, Keynesian focus falls on demand that is considered relevant. But there is a dependency on "demand management" policies that can influence market prices, generate major inefficiencies and destroy production incentives. India and Peru in the eighth decade of the twentieth century are classic examples of the destruction caused by demand management. Other less developed countries, such as South Korea, Mexico and Argentina, have shifted their focus from government spending and demand management, to market liberalization, asset privatization, and generally increased incentives for work and investment, with a record rapid growth of GDP. The GDP deflator is an economic indicator that accounts for inflation by converting the measured output at current prices into constant GDP.

The gross national product (GNP) represents the total valuation of the final products and services obtained during a certain period, using the means of production existing in the respective country. In the GNP calculation, the sum of consumer expenditures - personnel costs, private domestic investment expenses, government spending, net exports and any income obtained by residents from investments made abroad from which the income obtained in the national economy by foreign residents is deducted. Net exports are "the difference between exports and imports of goods and services of a country". GNP has a close connection with the gross domestic product (GDP) which is based on the productions made in the country, regardless of the owner of the means of production. GNP starts with GDP, adds investment income of residents from overseas investments and decreases the investment income of foreign residents earned in a country. PNB calculation formula: PNB = GDP - VABS + VABNS or PNB = GDP + SVAB, where: VABS - the gross added value obtained on the national territory by foreign companies

VABNS - the gross added value obtained by the national companies in the territory of other states

GNP may be lower or higher than GDP, depending on the positive or negative balance, of gross value added (SVAB): SVAB = VABNS - VABS. Production made by foreign residents in the respective country respective country should be excluded from the GNP calculation, and the output obtained by residents outside the borders should be taken into account. GNP does not include intermediate “goods and services to avoid double accounting, because they are already incorporated in the value of final goods and services”. (Turcu V., 2006).

Until 1991, the US used GNP as the main indicator for measuring economic activity. After this period, it started to use GDP for two main reasons: first, GDP is much closer to the situation in the U.S. due to the interest for the political decision makers, for the employment and industrial production which, like the GDP, measures the activity in the USA and ignores the nationalities; the second reason is the transition to the GDP of most countries, which will facilitate comparisons between countries.

Deflator of gross national product (GNP) is one of the economic indicators that operate the effects of inflation over a certain period of time relating the nominal national product to the real national product. The deflator of the gross national product of the products offers an alternative to the consumer price index (CPI) which is based on the “basket of goods and services, while the PNB deflator incorporates all the final goods produced by an economy”. This allows GNP to better capture the effects of inflation, because all goods are taken into account. The gross deflator of the national product also helps to determine the real GNP, as opposed to the nominal figure. It is expressed by an equation in which the GNP deflator is equal to the nominal GNP, relative to the real GNP, expressed as a percentage. Its reduction is indicated. A major difference between GNP and GDP is that GDP takes into account only the money obtained in the country, while the GNP also accounts for international revenues and

expenditures. While GDP is targeting a particular region, GNP shows how the country has overall economic performance by using nationality as a factor in determining income. The GNP deflator is often confused with the GDP deflator. This economic metric uses the same equation, but switches GDP for GNP into the equation.

The net domestic product (PIN) is represented by the size of the net added value of the economic goods destined for final consumption, which were obtained inside a country, by domestic and foreign companies, over a period of time. The calculation of this indicator is as follows: PIN = GDP - A, where A - fixed capital consumed (depreciation). Why is the net domestic product used? Although the net domestic product is often quoted when evaluating the health status of a country's economy, it shows the rate at which the means of production are degraded and require replacement. The frequency and scope of these replacements may vary depending on the type of equity. Old and new equipment may work for a period of time in parallel, until complete replacement. The acquisition of new means of production and the replacement of those used physically or morally, is reflected in the depreciation of the net domestic product. For example, if new means of production are purchased for a new factory that is built due to the need to expand the scope of operations, this represents a gain for the net domestic product. The construction of new homes on land that has not been built before, can be a gain for the internal product. If the old houses are demolished and other new homes will be built, we can say that it is depreciation and replacement, which will make a positive contribution to the gross domestic product. (Turcu V., 2006).

Net national product (PNN) is the value expression of the “goods and services” produced by the citizens of one country and those purchased from other countries, over a certain period of time, ie the gross national product (GNP) minus part of the investment (ie depreciation). PNN is analyzed annually, being a way to measure national success in maintaining minimum production standards. PNN is is declared in the currency of the nation it represents and is obtained by the difference between GNP and fixed capital amortization. The relationship between GNP and GNP is similar to the relationship between its GDP and net domestic product (PIN). (Turcu V., 2006).

3. ECONOMIC POLICIES, WAYS OF INFLUENCING ECONOMIC GROWTH

This section deals with the concept of economic policy, its objectives, the means used by the state governments to implement them and what are the modalities used.

Economic policies are intervention tools used by states in the economy in order to achieve the objectives, which are reflected in economic growth, price stability and full employment. Thus, the purpose of governments is to promote the economy's progress through variables such as P.I.B., I.P.C, employment, employment rate and unemployment. Consequently, the interventions that take place in the public sector of the economy are called economic policies.

As we mentioned earlier, the most common objectives of economic policies concern various aspects related to achieving sustainable economic growth over time, which means intervention in the economy so as to achieve an “increase in the production” of sustainable goods and services for the purpose

to “increase the well-being” of the population. As we discussed in the previous section, the most important economic indicators are gross domestic product (GDP) and gross national product (GNP).

Another objective of economic policies is price stability. The public sector tries to control inflation, that is, to control the prices of goods and services, so that they do not increase disproportionately. If this situation arises, the inflationary spiral would reduce the purchasing power of consumers and the consumption of ballast, with all that it implies for a

country. The consumer price index (CPI) is the indicator that expresses the average "prices of a basket of goods and services" purchased by a group of families.

The promotion of employment is another objective of economic policies. The ultimate goal of this goal is to get a full job. But it is quite difficult for the governments of the states to provide full jobs to the entire working population of a country, even under the low unemployment rate. The indicators that deal with measuring the degree of employment are the rates of activity, employment and unemployment.

The natural question arises, who ensures that these objectives are met? In order to achieve the objectives just presented above, the states use a number of intermediary organizations or institutions. These means may be direct or indirect. Within the direct ones we talk about all the public sector institutions of which the autonomous communities, local and regional councils, mayorships, other governing bodies, etc. belong. Meanwhile, the media Referring to the indirect means, we mention the so-called tactical powers banking, multinational, business associations, unions, etc. benefiting from broad economic and social support. The objective is that all these intermediary organizations and institutions, together, will work together in the same direction in order to make economic policies more efficient and to achieve the proposed objectives.

The economic policies most commonly used by states to achieve their economic goals are:

Monetary policy which includes a set of measures that will be taken by the monetary authority of each country in order to achieve price stability by the variation of the money in circulation. In the euro area countries, the European Central Bank (ECB) has responsibilities related to monetary policy.

The fiscal policy include a set of measures and instruments that are used by the states to collect the revenues that are used to perform the functions of the public sector. The purpose of fiscal policy is to obtain an increase or not of economic activity, but to ensure the collection of taxes, taxes and the application of public expenses. Therefore, the two key variables of fiscal policy, which can be both expansive and restrictive, are public revenues and public spending.

Foreign policy refers to the intervention made by governments to regulate transactions between countries. Establishing the foreign exchange rate of the currencies of other countries, promoting exports or imposing restrictions on imports are just a few examples of economic policy. Within the European Union, most foreign policy decisions are made in Brussels in accordance with its member countries.

The income policy aims to obtain stable prices through a control of inflation, which leads to the prevention of rising prices. In this respect, states can also regulate the salaries of civil servants and private companies if they consider that they can keep the prices of the economy as a whole.

4. CONCLUSIONS

GNP and GDP - The difference

The GNP and GDP concepts are very closely linked, but with differences stemming from the fact that there are companies owned by foreign investors, who produce goods in the country and local investors who produce goods for other countries, which implies the recovery of the income obtained by the local investors. local. For example, foreign investors who obtain goods and services in a country, transfer the income obtained to foreign residents. Also, many corporations that produce goods and services outside the country's borders, make profit for the country. If the incomes obtained by the national firms from outside the state exceed the incomes obtained in the national framework by the foreign companies, the GNP is higher than the GDP which is the most representative indicator that measures the economic

activity of a country. It is necessary for the GNP to be analyzed, because obtaining a big difference between the GNP and the GDP can indicate that, the country is becoming increasingly engaged in international trade, production or financial operations. Therefore, the greater the difference between a country's GNP and GDP, the more the incomes and investments in that country involve transnational activities - foreign direct investments.

The economic policies by their form and the modalities of implementation according to the characteristics, with the regions of implementation and taking into account the existing economic ideologies and approaches, the social factors, the fiscal and monetary measures and policies applied, they contribute significantly to obtaining large indicators of economic results, which will contribute to "the well-being of the population and a high standard of living".

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