

## CONCEPTUAL FOUNDATIONS FOR IMPROVING FAIR REDISTRIBUTION AS A PREREQUISITE FOR FINANCIAL STABILITY OF THE STATE

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*The article presents a vision concerning relations of equitable redistribution; highlights the main prerequisites for the formation of income inequality and poverty occurrence; indicate the change of approach in supporting the development of measures on the state fair redistribution of income, relying on analysis of the impact of inflation, wage tax policies and price formation. Also in the paper are presented the assessments and recommendations for government concerning poverty in the country and financial stability in the national economy. The conditions and methodical means are simultaneously considered as objective and subjective prerequisites for the use of techniques, methods and scientific approaches in assessing income inequality and generative poverty, so it is recommended to implement them as a subject of profound scientific investigations.*

**Key words:** *income inequality, appearance of poverty, state support for financial stability, techniques, processes and scientific approaches.*

*Articolul prezintă o viziune în domeniul relațiilor de redistribuire echitabilă; evidențiază principalele premise ale formării inegalității veniturilor și a apariției sărăciei; indică asupra schimbărilor de abordare în susținerea de stat a elaborării măsurilor privind redistribuirea veniturilor echitabile, bazându-se pe analiza impactului inflației politicilor impozitare de salarizare și formarea prețurilor; prezintă evaluări și recomandări de a realiza activitatea guvernului în lupta reală cu sărăcia în țară și stabilitatea financiară în economia națională. Condițiile examinate și mijloacele metodice sunt concomitent premise obiective și subiective de utilizare a tehnicilor, procedeele și abordările științifice în evaluarea inegalității veniturilor și a sărăciei generative, astfel se recomandă a le implementa în calitate de subiect a investigațiilor științifice profunde.*

**Cuvinte cheie:** *inegalitatea veniturilor; apariția sărăciei; susținerea de stat în lupta privind stabilitatea financiară; tehnici, procedee și abordări științifice.*

*Статья представляет собой видение справедливого решения перераспределительных отношений; освещает основные предпосылки формирования неравенства в доходах и масштабов нищеты; указывает на изменение подходов в разработке государственной поддержки мер по справедливому перераспределению доходов на основе анализа влияния инфляции, заработной платы, налоговой политики и ценообразования; представляет оценки и рекомендации, ориентирующие правительство в реальной борьбе с бедностью в стране и достижении финансовой стабильности в национальной экономике. Рассматриваются объективные и субъективные предпосылки для использования различных методов и научных подходов в оценке неравенства доходов и мер по финансовой стабилизации государства.*

**Ключевые слова:** *неравенство в доходах; возникновение бедности; государственная поддержка в достижении финансовой стабильности; методы и научные подходы.*

**JEL Classification:** *G00; G01; I32; I24*

**Introduction.** Anticipating the issue examination that concerns to the relations of redistribution is necessary to do some preventive concretizations, given the fact that people have different physical, intellectual and aesthetic capacities. High intellectual hereditary and innate capacity of a personality, opposed to disadvantaged in this respect, provides a favorable position and ensures a favorable possibility in the society to achieve higher income from work activity. In addition, some individuals are distinguished from others with different levels of education acquired, training, tastes and desires, and ultimately social

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and psychological qualities of his character: either preparing for his high intellect or entrepreneurship perform functions or to execute unattractive work with small retribution.

As seen, the examined conditions are simultaneously considered objective and subjective assumptions forming unequal income and generative poverty, which also meets the basic aim to study them as a subject of profound scientific investigations.

**The role of state bodies in the fight against poverty.** That is why in these conditions substantially increase the role of state bodies in the fight against poverty, which is placed among the priority goals and cannot be postponed of the state policy. However it appears to be that one of the main functions of government is to develop measures of equitable income redistribution. In most of the countries, including those with developed market relations, state tax systems and transfer programs have indeed possibilities to substantially reduce the degree of inequality in income distribution [7].

According to published analytical materials, reducing unequal income (about 80%) is mainly conditioned by transfer payments, and the other part is done through a wide range of income support programs, which confirms the existence of a real organized activity targeted of the Government in the fight against poverty. These include, firstly, social insurance programs (which partially compensates for loss of earnings in relation to retirement and unemployment temporarily) and state aid program (benefits for persons unable to work or having dependent children). However, if the premiums are funded from reserves created by wage taxes, then the latter are financed from general tax revenues and should be considered state charity programs/ charities.

It is well known that inflation arbitrary "owns those taxes" who receive relatively fixed income funds, and "subsidize" those incomes of whom are changing. In other words, unexpected inflation penalizes savings holders. Finally, unexpected inflation benefits those who receive loans from creditors account. Not surprisingly, the effects of deflation are directly opposite. The overall constant volume of production steadily increases at who's who have a fixed monetary income. Creditors win from borrowers account and for savings holders, as a result of price reductions, increases the purchasing power of their savings. In considering this issue can be made following two completions.

**Firstly** the fact that each family business, a private firm or corporation, the co-owner and beneficiary of the income and financial assets and real estate owner significantly attenuates the impact of inflation on redistribution; for example, if a family has assets with a fixed cost (urgent accounts, bonds and insurance policies), then after the inflation the real value reduces, which can therefore be considered unfair to this family. However, the same inflation will increase the real value of any real estate (house, land) which disposes the family. Therefore, we can realize that as a result of inflation some families simultaneously can gain and lose. From this results that it is necessary to argue the methods or processes and methodological basis to analyze all the consequences before making a conclusion on the fact whether the family condition has worsened or improved as a result of inflation.

**Secondly**, it is necessary to emphasize that the consequences of inflation are arbitrary in the redistribution sphere and they occur regardless of the goals and values of society. Because the inflation has no social conscience, it takes from some and gives to others, be they rich or poor, healthy or sick.

In addition, a similar situation occurs when the actual volume of production is constant in conditions of a full labor employment. Delivering the degree of inflation influence on redistribution in this case allows the selection based on scientifically methodological tools of analysis to identify how certain groups get big gains on others expenses. If the actual volume of production is constant and inflation rate obtained as a result of some groups is higher than other groups will immediately receive a smaller share. However, it should be noted that in practice the volume of production may also vary, depending on fluctuations in the price level, which also reflects on the principles of redistribution.

At present, among researchers these trends contribute to the opinion that maximum efficiency and a full employment of labor is possible only in a certain level, quite modest of the inflation. This view is based on the assumption that levels of national output and employment to a large extent depend on the total expenditure. However, a stable price level ensuring a real volume of production in case of a high level of unemployment receives much less than potential one. If total spending will increase to a such extent that economy will start growing rapidly, then to achieve a higher level of actual volume of production and low unemployment, the society is forced to accept higher prices, to a certain acceptable level of inflation.

However, at a continuous level of spending that will contribute to a higher level of production and a lower level of unemployment, undoubtedly inflation could rise. In other words, it indicates the possibility

and inverse dependence between inflation and unemployment levels, which involves solving the problem through inflation process optimization using maximum allowable limits. So, perhaps there is a balance between productions (including employment), on the one hand, and inflation – on the other. This situation suggests the conclusion regarding the need for reconciliation with some moderate inflation, if the objective is to achieve a high level of output and unemployment.

Under the examined conditions, the state's participation in economic regulation, of the strategy and business development tactics, as basic resource for training socio-economic welfare of the country, as a priority arise the problem of defining scientifically the principles of a fair decision. The state programs relating to the issues of social protection of the population with low incomes as well as the realization of fundamental legislative rules in real competition of small and medium business and the responsibility for their enforcement measures must be discussed and gain public support; for this must be used the media, sociological investigation and referendums. Particular attention in the context of examined reform issues should be given to the fight with economic crimes, improving the judicial system and elaboration of the rules, regulations and measures of anticorruption.

It is necessary to assume the political reformation of the rules and procedures in order to achieve fair and mutual agreement. Undoubtedly, all rules, regulations and recommended procedures must be examined and approved by the government but the practical activity of the state bodies shall be assessed. Thus, from this approach, as the criteria of equity and efficiency of political system is assumed the distribution of economic rules in the political process. Moreover, proponents of the theory of equitable development in production and distribution imply that the state does not determine or modify rules, but finds their compliance or non-compliance. In their view, the state can apply only those sanctions which are approved preventively within constitutional agreement and that state does not create immediate sanctions but only decide. In other words, the theory has developed the thesis regarding the state economic intervention scale, that function on the basis of democratic principles and requires a certain constitutional limitation or by establishing some new rules that are approved constitutional and creating conditions for the development of the production process and its efficient function.

As is known, the scientific development of equitable distribution of income has a long and controversial history, both in science and in practice. Essentially, searching for a response is being done by determination of methodological approach in the distribution of national income and property in a greater or less compliance to their currently existing equity principle.

Discussions on this issue have identified a wide range of views and positions. Supporters of one of the extreme positions shows that greater equity is an important and indispensable prerequisite for the survival and prosperity of the existing system of social relations and prospects of development of efficient economic mechanisms. Supporters of the opposite view, warns that tend to fairness system and lead to serious crisis situations.

Undoubtedly, the exclusive nature of the individual business relations contradict the impartial and equitable distribution of income, not to mention the fact that there are more specific factors that contribute to this inequality. Thus, for example, property owners differ significantly in revenues, while inequality is particularly significant between the owners of financial assets (holders of shares and bonds). Current law of inheritance, gave rise to the lawfulness of enrichment based on existing capital and has intensified the impact of inequality of property possession on the income inequality.

**Conclusions.** It is fundamental the analysis of the main micro indicators in the process of determination of trends and patterns of income redistribution. Among them, firstly, should be referenced the measures of public bodies on optimization the relation between income equality and production efficiency. The society problem focused on a fair and just redistribution of income is to optimize the negative impact of measures taken on economic efficiency. However, without doubt, the system of rewards and receipts of the recommended measures on equalization of living standards and financial status must be focused on stimulating of employment initiative. At the same time, the greatest importance should have social investment in production for the main purpose to stimulate effective development of expanded reproduction process. In other words, an effective system of equitable redistribution of relations should create favorable condition for sustainable economic growth and efficiency to meet the overall goal of the society – financial stability of the state.

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