Economic Policies Applied by Developed and Emerging States

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Abstract: The objectives of economic policies that public authorities want to implement are economic growth and the improvement of the quality of life of the community members they lead. The success of this approach is ensured by the use of fiscal-budgetary and monetary policy instruments appropriate to both the aims pursued and the correlation with the economic and social conjuncture that characterizes the implementation period. These instruments refer to the tax system - the regulatory, procedural and administrative framework; budget expenditure system, in terms of structure and prioritization; public debt management; the monetary system, referring primarily to the management of inflation, interest rates, lending policy of the national economy sectors, etc. From the multitude of economic policy tools that have been used over time, with better or worse results, public authorities are developing policies that can fit into one of the following categories: expansionist, restrictive, protectionist, opening up to the market free, and so on.
Applying these instruments to the real economy of a country will generate the hoped results if the appropriate conjunctural conditions are met both within and outside the country, which requires a thorough analysis of the macroeconomic and social development level of the concerned country as well as its position towards partners and neighbors, both from the point of view of commercial and / or investment relationships or political and strategic influence. Identifying the factors that influence the performance of fiscal and monetary policy implementation in each country is a key element as it can be used as a lever for future policy making. Any activity involves risks, and for each instrument of financial and monetary policy specific risks can be highlighted, which requires their isolation and proposing appropriate measures to address potential risk situations so that they do not negatively affect the overall result.

Key-words: fiscal-budgetary policy instruments, monetary policy instruments, economic risk.

1 Introduction

The role of the state in the economies of the 21st century is based on two types of macroeconomic theories: liberalism versus interventionism.
- classical theories (such as Adam Smith's theory in the 19th century) and modern liberalism theory, sustain the state's minimal intervention; the state having to fulfill its sovereign functions and to protect the balance between supply and demand on domestic markets. Thus, market mechanisms will enable self-regulated, autonomous and optimal functioning of the economy.
- interventionist theories, like Keynesist and neo-keynesist theories, that suggest the significant state intervention in the economy to stimulate the economic growth and the implementation of a broad social policy.

Nowadays, no government applies a purely liberal or exclusive interventionist policy, but a mix of thees two policies, in different percents of combination, from country to country and from time to time. At the same time, it should be underlined that, in democratic states, public authorities have no longer fully liberty of their decision-making power, as they are signatories of international conventions wich laying down operating rules in different fields, rules to be respected by all the countries and which are real constraints for them. For example, a Member State of the European Union must comply with Community rules, but also those established by the

World Trade Organization (WTO) for external trade or those established by the International Monetary Fund (IMF) for capital transactions. The objectives of economic policy have been formulated in numerous theoretical works, a few of the most relevant being the three theories, formulated by Musgrave (Musgrave, Richard A. and Peggy B., *Public Finance in Theory and Practice*, New York, McGraw-Hill Book Company, 1973): market regulation, social redistribution policy and stabilization of economic fluctuations.

Thus, regarding on the regulations about the markets and the states functionning, public authorities must ensure, in the same time, a real competition on the markets and the suppliance of public services, such as education, health etc., for a proper functioning of the economy.

The income redistribution policy is designed to correct inequalities from the distribution of primary incomes (provided by the labor and the capital) in liberal economies. Because the free market mechanisms do not provide regular functioning of the economy, with the possibility of crises, wich triggers unemployment or inflation, the state through its economic policy, aims to achieve four major goals: economic growth, full employment of labor, price stability and a balanced foreign trade.

Public authorities' interventions can be classified into two categories:

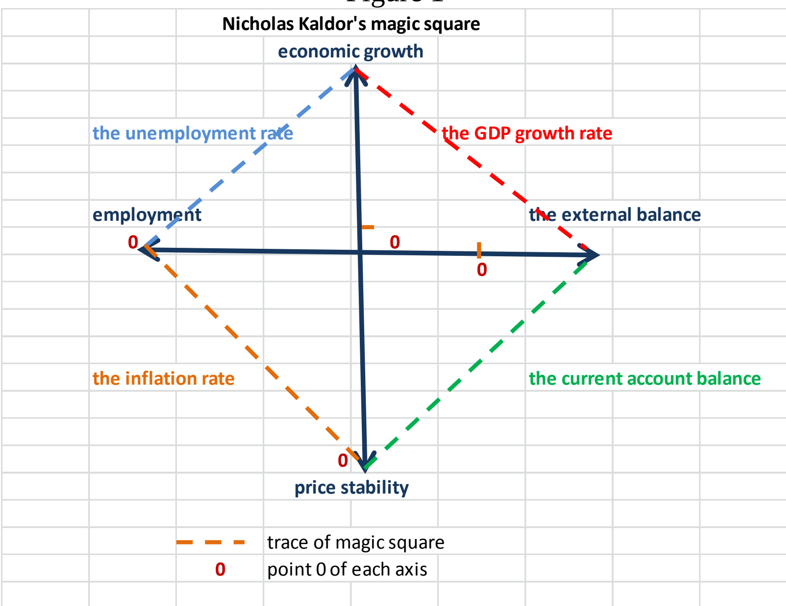
- those aiming at creating the conditions for a better functioning of the economic system by changing its structures. They are part of the so-called structural policy that includes competition policy, research and innovation policy, sustainable development industrial policy, other policies etc.;
- the policy of regulating economic activity that is subject to short-term fluctuations, called conjunctural policy, which can generate macroeconomic stimulation or stabilization.

As the economic policy is assigned a set of coherent decisions taken by public authorities aimed at achieving the goals that they have proposed a time frame short and medium term, by using economic instruments and / or financial.

The four main objectives of short-term economic policy can be represented in Kaldor's so-called Magic Square, proposed in 1971 by British economist Nicholas Kaldor (1908-1986): full employment, price stability, balance of the external balance, economic growth being difficult to achieve simultaneously.

Long-term economic policy aims to achieve sustainable development, combining economic growth with environmental protection, even minimizing social inequality.

Figure 1



According to this Magic Square, two major macroeconomic relationships are identified: Inflation vs. Unemployment, also known as the Phillips curve and the economic growth relationship vs. unemployment. The Phillips curve shows the dilemma of Keynesian economic policies: rising inflation may reduce unemployment, but fighting inflation leads to rising unemployment.

The relationship between economic growth and unemployment is reversed: the higher the economic growth, the lower the unemployment rate and the wider social security. In economic history, state intervention in

social life is a fairly recent event. Thus, in 1883, in Germany (led by Bismarck), compulsory health insurance was created, and in the United Kingdom a model of social security, known as the Lord Beveridge model, was implemented in 1942, operating in accordance with three principles: uniformity, uniqueness and universality.
Conjunctural policy aims at short-term intervention on economic imbalances, using appropriate instruments within a given institutional framework. The main instruments of the conjunctural policy are: fiscal-budgetary policy, monetary policy, currency policy etc.

Structural policy seeks to act in the medium or long term on the fundamentals of the economy (labor market functioning, market competition, market regulation ...) to improve the performance of the economy.
These two aspects of economic policy are complementary. The effectiveness of a conjunctural policy can be enhanced by structural measures, eg reducing the VAT rate on medicines, basic foods, etc., improves living conditions and, implicitly, the functioning of the labor market. At the same time, the term economic policy is now expanding, including social policy. Social policy represents all public interventions aimed at improving the social situation of individuals and can be used for economic purposes, such as supporting education programs.

2. Economic Policies Applied by Developed and Emerging States

Section 1 - Economic Policies. Instruments

Before developing and, subsequently, implementing any economic policy, the responsible authorities must analyze conditions and characteristics of the national economy for choosing appropriate instruments to the objectives pursued. In this sense, it can be identified four contextual states:

- expansion, short-term economic growth, as measured by annual growth of Gross Domestic Product (GDP);
- stagnation, in which situation GDP varies slightly;
- recession, in which situation the decline in GDP has been recorded for at least two consecutive quarters. It is considered recession even if the variation in GDP remained positive, but growth rate dropped significantly.
- depression means an economy where productive activity and GDP have experienced significant decreases over a long period of time.

The level of development of the world states is very different, and economic policies have to take that into account in order to be effective. Therefore, countries are ranked according to the average gross national income per capita.

Ranking of countries by average GNI per capita in 2018

Category of countries	GNI per capita
Low-income countries, the most disadvantaged, low income per capita and unstable growth rates	< 995
Developing countries with intermediate income from the lower tranche	996 – 3 895
Developing countries with intermediate income from the upper tranche	3 896 – 12 055
Developed countries, characterized by a high GDP per capita and low growth, high incomes	> 12 055

Source: https://datahelpdesk.worldbank.org/knowledgebase/articles/906519

Many developing countries show sustained growth rates, including emerging countries with high growth, integrated in world trade, such as the BRICS (Brazil, Russia, India, China, South Africa) as well as Mexico, Thailand, Turkey etc.

Economic policies are developed using an appropriate model of each country, in terms of level of development, historical traditions and geopolitics. On the other hand, the responsible authorities must take into account the fact that economic growth does not eliminate social inequalities, because in the world there are large inequalities both between countries and within the countries. Thus, 20% of the world's population owns more than 80% of world wealth, and welfare differences do not automatically fall due to economic growth.

Economic Growth Factors

Economic growth depends on the mobilization and efficiency with which the factors of production (labor and capital) are combined, and the different levels of economic growth result from their possible combinations:

- Extensive growth - resulting from the use of a larger number of inputs (capital and labor).

- Intensive growth - results from increased productivity of production factors.
Contribution and efficiency of work-factor depend on its quantity and quality. The amount of available work depends on the number of active population and the duration of work. The active population is defined by the International Labor Office (ILO), that all persons who work or declare that they want to engage in business paid its size depends on demographic variables such as birth rates, age structure, life expectancy at birth etc. The quality of work depends on the skills of those who work and labor productivity.
Capital is defined as a good product in the past and used to make other goods in the future. There are two types of capital, which influence the economic performance of different entities that realize the added value:

- Technical or physical capital - refers to all means of production used to produce goods and services. This includes tangible assets (buildings, equipment, vehicles, etc.) and intangible assets (patents, licenses etc.) and working capital (inventories of raw materials, materials, unfinished production and finished goods etc.).
- Financial capital - refers to the value of a company's equity, which makes it possible to finance part of the technical capital.

The growth rate of GDP results from the quantitative and qualitative increase in the capital factor.
The increase in capital comes from investing in material goods (durable goods) and immaterial (research, training) - aimed at increasing production capacities. The financing of these increases is achieved by mobilizing domestic savings and foreign capital, so-called foreign direct investment (FDI).
The quality of capital is measured by its productivity, i.e. the ratio between value added and fixed capital.
The growth rate can be broken down into components:

Growth rate = growth rate of labor + capital growth + technical progress

Technical progress is a residual element, but its lack of activity in a company condemns it to a gradual disappearance.
After the 80s of the 20th century, new growth theories have considered technical progress as a result of the four types of investments:
1. Investment in physical capital - which increases the productivity of other firms through a profesional training effect, including the knowledge of operation and the accumulation of skills to handle the new equipment (Romer, 1986)
2. Investment in research and development to enhance the knowledge and allow cumulative innovation. (Romer, 1987)
3. Investing in human capital, giving priority to education, training, health, which improves the quality of work (Lucas 1988)
4. Infrastructure investments, that improve the efficiency of private investment in physical capital (Barro 1990)
These four types of investment are identified as endogenous growth factors that can be used. In addition, these investments create positive externalities that can not be fully supported by the private sector. Therefore, state intervention in favor of these activities is necessary at different levels:

- Create an investment-friendly economic and institutional environment
- Directly investing in public infrastructure
- The introduction of economic and financial incentives to encourage training, research and innovation.

Section 2 - Economic Policies currently implemented by developed and emerging countries

Conjunctural economic policy aims to steer short-term activity to ensure sustained growth without imbalances such as unemployment, inflation, excessive budget deficits, etc. and may, depending on the state of the economy, be procyclical or anti-cyclical.

- Conjunctural policy is pro-cyclical when the state acts in the direction of the evolution trend of the conjuncture to amplify it. For example, measures to stimulate demand and thus economic growth, while the pace of development has slowed (typical recession);
- Conjunctural policy is counter-cyclical when the state intervenes to counteract undesirable conjunctural developments. For example, in a period characterized by an inflationary slump, rising interest rates will discourage non-government credit, decreasing pressures on prices.

Conjunctural economic policy implementation requires complementary policies: income policy, employment policy etc. The conjunctural stabilization of the activity is achieved through two main instruments:

-The National Public Budget (NPB), which includes the state budget, the administrative-territorial units' budgets and the state social insurance budget;
-Monetary policy.

Fiscal-budgetary policy and monetary policy can be combined to maintain a sustained rate of economic growth and low inflation.

2.1. Objectives and instruments of fiscal-budgetary policy

Fiscal and budgetary policy aims to act in the short term on the economic and social situation, characterized by employment, the pace of macroeconomic development, inflation, external balance (see Kaldor's Magic Sqare) through the NPB, taxes and tax duties, budget expenditures and budget balance.

Fiscal-budgetary policy can be used to achieve two major goals:

- **Fiscal stimulation through a budget-development policy that aims at strong economic growth and full employment. The tools that can be used for this purpose are the reduction of the tax burden from some direct taxes or increased allocation of public funds for higher budget expenditures; in this case, fiscal policy means are lower taxes and / or higher public spending;**
- a restrictive budgetary policy, which aims at slowing down the inflationary process by reducing public spending and increasing tax and tax obligations and taxes.

The interventionist theory of economic recovery is also supported by multiplier factors (fiscal and budgetary), including automatic stabilizers. Thus, the concept of the multiplication effect, pronounced in 1936 by British economist J.M. Keynes (1883-1946) justified fiscal stimulus policies and use of the budget deficit as a tool for resuming economic growth. The principle is that in a competition-based economy the change in one of the components of demand (consumption, investment, public spending) will lead to a greater variation in demand, assuming that the economic propensity of consumers remains unchanged.

In conclusion, the main components of the conjunctural policy are:.
- reference interest rates, those that can be managed by the central bank;
- fiscal taxes and compulsory social contributions system;
- public expenditure, in terms of volume, functional and economic structure.

Guidelines on fiscal policy

Setting tax rates (direct taxes: tax on personal income, corporate tax, indirect taxes on consumption) is not neutral and can cause a decrease in disposable income and consequently domestic demand (if taxes are increased) or conversely, a revival of economic activity (if the tax pressure drops).

A reduction of the income tax or VAT leads to an increase in disposable income and therefore increase household consumption. Operation of enterprises will grow to meet market demand, which means that will increase their turnover, including value added, leading to an increase in GDP and hence to economic growth.

For example, the US in 2017 - at the end of the Obama administration in 2016, the US economy experienced a modest annual GDP growth of around 1%, driven by weak private sector investment and stagnation in domestic consumption, as a result of the moderate decline in disposable income.

The newly elected Trump Administration has initiated and implemented since the following year a short-term economic recovery policy based on the sharp fall in tax pressure:

- The tax reform of households' disposable revenues modifies the 7 tax brackets and reduces the rates, with notably an upper bracket which passes to 37% against 39.6% currently, and modified thresholds. Simplification measures are also included, with the removal of a number of tax loopholes.
- The corporate tax rate decreases from 35% to 21% as of 2018 permanently
- the deduction of loan interest payments is now capped (up to 30% of earnings before interest taxes, depreciation and amortization - EBITDA - until 2021 and then EBIT).
- Other provisions, with temporary application of three to seven years, including to discourage international tax evasion by multinationals.

Although the proposed reform has been met with much suspicion, the multiplier effect felt since the first year of implementation, 2017, with the US economy rising to around 3% annually, with employment approaching by the maximum level, the disposable income has increased, so that the most dynamic factor of economic growth has reverted to domestic consumption.

An example of a restrictive economic policy, including its implications for macroeconomic performance, are the measures put in place by the Romanian public authorities in 2010 with the stated purpose of reducing the general consolidated budget deficit. As a result of the economic crisis triggered by the subprime crisis, then the banking crisis triggered in the US in 2007 and expanded across the globe, the Romanian economy marked a strong decline (-6.6% of GDP in 2009, after a record level in 2008 of + 7.3%), a fall in domestic demand of -12% and a budget deficit of -7.2% of GDP. In order to overcome the recession, it was considered that a restrictive economic policy could stabilize negative macroeconomic developments by lowering public spending - reducing budget spending by decreasing the salaries of all the public employees by 25% - and increasing tax revenues - increasing the standard VAT rate from 19 % to 24%.

Positive results were left waiting: in 2010 GDP continued to fall by -1.6%, the budget deficit remained high (- 6.51% of GDP), although VAT receipts increased, as expected, from 6.8% of GDP to 7.7% of GDP, while income tax fell from 3.7% to 3.5%. At the same time, however, domestic demand contracted further (-1.5% from the previous year) due to the decrease in the disposable income - the real monthly average earnings decreased (-3.7% compared to the previous year) - number of employees has diminished in both the budgetary sector (-4%) and in the private sector (-9.5%), as a result of the decrease in activity, and public expenditure on social assistance increased (from 12.7% to 13, 4% of GDP) due to loss of work of a large number of employees, mainly from the private sector.

In the following years the trends in the reform year continued, and the resumption of economic growth took just over a year or even two, which shows, as interventionist theory argues, that the application of a restrictive conjuncture policy in an economy in the recession will accentuate the negative phenomena, the appropriate measures for the exit from the crisis being active measures, supporting investments, production, exports etc. which increase demand as the main factor of macroeconomic development.

Public spending guidelines

Expansion budget policy - aims to promote the development of economic activity; an increase in public spending can lead to an increase in consumer demand and business investment, so growth in production will help reduce unemployment, as rising business activity generates the need for additional labor. Also, there are predictable negative effects such as increased inflationary pressures if demand exceeds supply and, in particular, increase the budget deficit (financing its public debt may lead growth).

The restrictive public spending policy makes it possible to reduce the budget deficit, so reducing public debt, but it also has adverse effects, such as a reduction in consumption levels and a level of investment in business.

In conclusion, economic policy represents all the decisions taken by the public authorities to influence the country's economic activity. Depending on the objectives pursued (low inflation, diminishing unemployment, stimulating economic growth, development of foreign trade), the economic policy instruments inherited by the government will be diverse: fiscal-budgetary policy, monetary policy, income policy.

2.2. Monetary Policy

The primary objective of monetary policy is to control money in circulation, which means to provide businesses with a sufficient but not excessive source of money to ensure a balanced economic growth that does not contribute to the inflationary process nor to push for recession.

By increasing or decreasing the reference interest rates, monetary authorities or national central bank (or, in the case of the European Union, the European Central Bank) influence the distribution of loans, and thus the access of individuals and businesses to borrowing, stimulating or, discouraging their investments.(Stefan – Duicu Viorica, Stefan – Duicu Adrian, "*The Influence of Lending Activity Over Consumer's Behaviour"*, CKS, Bucharest, 2011)

Monetary policy must serve two major purposes: controlling price fluctuations, and controlling the inflation and economic growth. To achieve these objectives, the central bank may determine the reference interest rates and the refinancing rates.

A decrease in the reference rate of the central bank encouraged commercial banks to reduce interest rates on loans. This reduction in the interest rates applied to credit encourages businesses to borrow for consumption and/or investment, with the risk of escalating inflation due to excess demand.

An increase in the reference rate raises the cost of credit granted by commercial banks, causing businesses to borrow less, their activity stagnates or even declines and there is a risk of economic slowdown.

To control inflation, the central bank may limit creating scriptural currency by banks through loans distributed. For this, the central bank may limit access to refinancing in the money market for these banks by increasing the cost of refinancing (increasing refinancing rates) or by limiting available liquidity (reducing open market operations and increasing reserve requirements). In the absence of central bank cash resources needed to deal with withdrawals, banks are forced to pay less credit and thus create less money.

Monetary policy instruments

A national central banks (also the ECB) has two main instruments to conduct monetary policy:
- refinancing interest rate on the interbank market: by fixing the remuneration for money which lends to commercial banks in the money market, it fixes the cost of refinancing the commercial banks;
- action on money market liquidity by using appropriate mechanisms, such as:
  - ✓ Open market operations - they are conducted at the central bank's initiative and play a role in steering interest rates, managing liquidity conditions in the money market and signaling the monetary policy stance;
  - ✓ reserve requirements. The central bank (or the ECB in the Eurosystem) requires commercial banks to set up reserves in open accounts in the national central banks' registers. The purpose of reserve requirements is to create and/or handle a structural liquidity requirement for commercial banks.

Section 3 – Economic policy coordination in the European Union and worlwide

3.1. Economic Policies in the European Union

Difficult coordination between monetary and fiscal policies

Monetary policy is the responsibility of central banks, including the ECB, all of which being autonomous public institutions and not subordinated to their governmental authorities. But fiscal-budgetary policies remain the responsibility of national governments. This division of roles in Europe leads to a difficulty in coordinating economic policies, the political mix being the sum of fiscal policies and monetary policy. To solve this problem, the European Union has decided to strengthen the coordination between the economic policies of the states. This better coordination requires mandatory measures for states that renounce a part of their autonomy towards the Union.

The measures adopted are the following:
• "golden rule": the structural deficit of a state budget can not exceed 0.5% of GDP under financial sanctions;
• strengthening the Stability and Growth Pact: in times of crisis, the budget deficit can not exceed 3% of GDP and public debt is 60% of GDP. States that violate this rule will be warned and then penalized with amounts calculated according to an algorithm established by the Treaty;
• Europe 2020 Agenda: this is a set of structural reforms designed to increase the Union's competitiveness;
• Growth Pact: European Union committed $ 120 billion to stimulate economic growth.

Financing of economic policy by increasing taxation

To reduce budget deficits, responsible authorities can increase taxes and / or reduce public spending. However, it is likely that this policy will not have the expected results due to lower purchasing power of households, as a fall in demand leads to an economic slowdown. Then, tax revenues will be lower than expected and the social spending will be higher. Therefore, the deficit reduction does not hapened (Greece, Spain and Portugal are facing this situation).

Funding economic policies through indebtedness and the disadvantages of this method

The deficit can be financed by borrowing, but there are significant risks in this situation. Since the state is a safe debtor, it can absorb a large part of the available savings at the expense of private enterprises, which present higher risks to investors. In this way, the phenomenon of "eviction", ie the removal from private sector borrowing, in favor of the public sector, appears. This situation affects the development of enterprises and investments of individuals and, in the end, the decline in the growth rate of national GDP appears.
To ensure macroeconomic stability of the EU, founding members of Euro Zone defined a Stability and Growth Pact (SGP), which is a political commitment of all Member States to control their fiscal-budgetary deficits. However, unlike monetary policy, fiscal policy remains the responsibility of national authorities and the SGP requires the Member States to enhance convergence of economic policies.

The PSC contains two types of provision:

- multilateral surveillance as a precautionary measure: Member States submit yearly medium-term budgetary targets in an updated stability program. A rapid alert system allows the Ecofin Council, which brings together EU economic and finance ministers, to make a recommendation to a state in case of budget slippages.
- excessive deficit procedure: this is triggered as soon as a Member State exceeds the cumulative deficit criterion of central, local and social security administrations (3% of GDP), except in exceptional circumstances. The ECOFIN Council shall make recommendations to the state to end this situation. Otherwise, the Council may impose sanctions, which means that the state concerned will have to pay a fine to the ECB.

The objectives of monetary policy in the Eurozone

The monetary policy of the Eurozone is entrusted to the European Central Bank (ECB). Two main objectives are attributed to it:

- controlling inflation - consumer prices must be below 2% annually in each Member State of Eurozone, defined as a priority (Article 105 of the ECB Statute);
- economic growth and employment: this is a secondary objective, ie the ECB should not undertake growth-enhancing actions if, in addition, they tend to restrict its objective of controlling inflation growth.

As the eurozone has adopted a floating exchange regime for the euro, the ECB doesn’t aim to maintain a stable exchange rate.

Structural Policies in Europe

The objectives and instruments of structural policy in Europe are contained in the Lisbon Strategy (March 2000), which serves as a general framework. This document has set out the broad economic policy guidelines for the Member States to make Europe a competitive and dynamic knowledge-based economic space. In addition, every three years, on a recommendation from the Commission, the European Council draws up the Integrated Guidelines (IDL), which consist of the Broad Economic Policy Guidelines (BEPGs) and the Employment Guidelines (EDL), which are a series of intermediate objectives derived from the Lisbon Strategy. Based on these guidelines, each country sets a list of priorities in a National Reform Program.

Under the Lisbon Strategy, the European environmental policy aims, by 2020, to "the three 20": 20% reduction in greenhouse gas emissions, 20% renewable energies and 20% improvement in energy efficiency.

Competition policy aims at encouraging competition in the European space. This allows the development of all intra-zone commercial transactions and the decrease of many prices due to the expansion of national markets. However, there are strict control rules that prohibit agreements, abuses of dominant position and certain protection measures.

The European competition policy, under the joint responsibility of the European Commission and the EU Member States, aims to promote healthy competition in the European space.

3.2. Coordination of economic policies worldwide

The IMF, the WTO and in particular the G20 have established joint decision-making processes to define broad guidelines for the economic policies worldwide.

This coordination seems essential in times of crisis.

Anticompetitive and restrictive practices on free competition

The market economy, universally applied today, operates on the principle of free competition. This makes it possible to produce at the lowest cost and to sell at the best price for the high satisfaction of consumers' wishes. This market economy success is often perceived negatively by the public as it encourages companies to relocate their businesses to take advantage of lower wages in emerging economies. Industry competition with new producers in remote areas reduces the control capacity of national authorities and also requires deregulation to benefit from greater flexibility. Deregulation and, consequently, the absence of controls could lead to widespread oligopolies, which would dictate their own laws for the weakest competitors, which would gradually disapear and, also, the market economy.

Legal Practices

It is not forbidden to make commercial or financial agreements if the agreement is in the interest of consumers. The law does not prohibit the company to gain a leading position on the market, so a company can benefit - for example, commercial advantages - related to its dominant position. Agreements that do not restrict the market are not declared illegal. For example, an agreement will be legal if it will favor technical progress.

3. Conclusions

1. Economic growth is measured by the GDP growth rate, which is the new created value in a country within one year. Economic growth is therefore a quantitative and monetary indicator, while development is a more complex concept of a qualitative nature.
Development is a process of improving the economic and social situation of a country that improves the well-being of the entire population. Development is based on technical, cultural, social and institutional changes.
Economic growth permits growth as it promotes wealth growth, poverty reduction and income per capita growth, while development is only possible through State involvement, the only one able to build infrastructure (school, bridges, roads ...), to emit stable regulations for trade and to reduce inequalities through redistribution.
2. Trade, one of the most pertinent factors of economic growth, has in recent years marked contradictory developments in geopolitical rather than economic causes. Thus, world trade recovered in 2017 after the economic crisis that followed the subprime crisis. This recovery is mainly due to the increase in demand for imports in East Asia, against the backdrop of domestic demand growth supported by acomodative policies in the region. In a series of large developed economies capital goods imports increased, companies responding favorably to the investment conditions improvement.
Recent reconfigurations of the main trade relations, in particular following the United Kingdom's decision to leave the European Union, the US trade policy to renegotiate the Free Trade Agreement with the other North American countries and revising the terms of its other trade agreements, raises concerns about tougher barriers to trade and exacerbation of commercial litigation. This situation may worsen if other countries, such as China, the world's largest exporter of goods, will implement retaliatory measures.
3. Accelerating economic growth has important implications for the environment. The frequency of climate shocks continues to increase, highlighting the urgent need to strengthen resilience to climate change and to hinder the degradation of the environment.
As we face the risk of exhausting natural resources, primarily energy resources, the issue of renewable energy is becoming more and more acute. China remains the world's largest renewable energy investor, and in 2017, wind energy projects have increased investment in this area in Australia, China, Germany, Mexico, the United Kingdom and the United States. While many countries, especially Africa, continues to experience a severe energy shortage, there are still opportunities to create even now through smart policies and investments, growing conditions ecologically sustainable.
4. Years to date from the 21st century have already marked three different economic periods: at first, the world economy was relatively stable, with an increasing trend manifested in several geographic areas, such as the states of North, South-East, Japan etc.; followed years of financial crisis triggered by the US mortgage market crisis which has spread across Europe, also affecting many other countries in the world; at present, most of the world's economies have experienced performance that outweighs the economic crisis that followed the financial crisis and is implementing growth policies both economically and socially.
5. The reorientation of economic policy should focus on four concrete areas: increasing economic diversification, reducing inequalities, strengthening the financial architecture and eliminating institutional weaknesses

- First, the acute need for economic diversification, which has been perceived for a long time, in countries that remain largely dependent on a few commodities;
- It is also essential to restrict and to correct the ever-increasing inequalities to ensure a balanced and sustainable growth over time. In this context, contextual policies will be needed to increase the living standards of the population and structural policies in the long term to promote equal opportunities, including by investing in education, expanding access to health and training services, and investment in the road network and electrification.
- The third area in which public intervention is essential is the alignment of the international financial architecture with Agenda 2030 for Sustainable Development and the Addis Ababa Agenda for Action. To this end, it will be necessary to develop a new funding framework for

sustainable development and to move progressively from the current concerns based on profit (short term), the concerns focused on added value (long-term) in a responsible manner. Macro-prudential policies, if well coordinated with monetary, fiscal and exchange rate policies, can help achieve these goals by promoting financial stability and limiting the build-up of financial risks.
- Governance weakness and political instability remain fundamental obstacles to achieving the 2030 Sustainable Development Agenda. In this context, strengthening global economic growth is not enough. In addition, the priorities of public action must be, among other things, to step up activities to support conflict prevention and resolution and to correct the institutional shortcomings that underlie the many difficulties encountered.

6. In times of economic and financial crisis, public authorities are almost forced to intervene in the economy, but this intervention can be done in different ways.
If the state is social and interventionist, it will intervene in the context of implementing a cyclical fiscal incentive, implementing a budgetary conjuncture policy to stimulate demand - a Keynesian fiscal stimulus policy - and pursuing a social approach to unemployment. But in times of economic crisis, even if the liberal state does not want to intervene, it must develop so-called structural employment policies, called active policies.
In the risky context of financial globalization, States are often dependent on international financial markets that indirectly dictate their fiscal policy with regard to the sustainability of public finances. In this context, the margins of maneuver of states are weak and do not allow them to cover their high sovereign debt.
The public authorities are wondering whether the current economic policy of deficit reduction is necessary and sufficient to stimulate growth. The current economic climate precipitates the economic and political actions of states towards reducing their deficits in order to invest more in the medium or long term in order to revive economic growth.
The policy of reducing deficits by limiting budget spending will force the state no longer to intervene significantly in the economy. Structural economic policies related to infrastructure, innovation and training can be compromised and yet effective for resuming economic growth.
Reducing deficits may involve increasing state revenues by increasing taxes, but this action is likely to aggravate domestic consumption by reducing households' disposable income.
Ultimately, a policy to reduce deficits by increasing taxes may reduce the competitiveness of companies. Indeed, the additional taxation generated by government spending will create a financial burden for companies, which they will transfer to their prices, which will, in the first place, reduce national consumption and international competitiveness in terms of exports.
In conclusion, reducing deficits can be an obstacle to economic growth, although large deficit deficits destabilize public finances and prevent the use of opportunistic policies appropriate to the resumption of economic growth.

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