

**THE EVOLUTION AND STRUCTURE OF SOCIAL CULTURAL EXPENDITURE
FROM THE STATE BUDGET OF ROMANIA****Cristinel ICHIM***Stefan cel Mare University of Suceava, 720229, Romania
cristinel.ichim@usm.ro***Abstract**

Within the public expenditures from the state budget, we identify the category of public expenditures for social and cultural actions, the level of which largely depends on the quality of life of the citizens of a state. In this article, we propose to analyze the role and place of this category of expenses in the state budget. In the first part of the paper, I presented the concept of social and cultural expenses, after which I identified and analyzed the factors that influence their evolution and structure: demographic factors, political factors, social factors, economic factors and urbanization. The research continues with the analysis of the dynamics and structure of public expenses for social and cultural actions based on the most recent data available in the Statistical Yearbook of Romania and highlights the place that this category of expenses occupies within the public expenditure of the state budget of Romania. The analysis shows us the fact that in the period 2016-2020 the social and cultural expenses from the state budget had a constant increase both in nominal size and in real size occupying an important share in the total public expenditure from the state budget between 29.48% (in year 2016) and 39.55% (in 2019).

Key words: *state budget; public expenditure; social and cultural expenses; health; culture; education; social assistance.*

JEL Classification: *H72, H53*

I. INTRODUCTION

Public expenditure from the state budget has a complex structure, and within it, expenses for social and cultural actions are of particular importance. The satisfaction of the collective needs of a socio-cultural nature is a component of the states' social policies. In the contemporary era (after 1950), making these expenses is based on the concept of the "welfare state" (Moroşan, 2017). Modern states pursue the following objectives within social policies: guaranteeing a minimum income for each member of society, reducing the feeling of insecurity in the case of certain circumstances (illness, unemployment) and ensuring social services to all individuals, at the highest possible standards (education, health, culture). The realization of this concept determines social-cultural expenses, representing free or partially free services that benefit the entire population or part of it.

Between social-cultural expenditure and economic development there is a cause-effect relationship: economic development ensures the creation of resources (material and financial) to support or amplify the support of social-cultural expenditure, in turn, these expenses ensure a level of education and increasing health, which increases the creative and work capacity, including the productivity of the population, and thereby stimulates economic development. In this mechanism, social-cultural expenditure can be interpreted as a long-term and very long-term investment that the nation makes to ensure its future development; therefore, these expenses are called investments in human resources.

The purpose of the present study is the analysis of the evolution and structure of public social and cultural expenditure from the state budget in order to highlight the importance and factors that influence these categories of expenditure in Romanian society.

II. THE FACTORS THAT INFLUENCE THE EVOLUTION AND STRUCTURE OF PUBLIC EXPENDITURE FOR SOCIAL CULTURAL ACTIONS

The evolution of social-cultural public expenditure is in direct relationship with the development of state-type institutions and with the particularities of the social-economic system. There are important differences regarding the level and structure of public expenditure, both in time and in space, registering, in principle, a general trend of growth.

According to the Fiscal Council (Fiscal Council, 2021, p. 123) the structure of budget expenditures in Romania is characterized by the preponderance of salaries and social assistance expenses (pensions, social benefits, etc.). Although their relative importance has decreased significantly in the period 2011-2015 as a result of the fiscal consolidation process, since 2016 this development has been reversed, the share of wage and social assistance expenses in budget revenues recorded a major jump of 9 percentage points in that year compared to the previous year. In 2019, the upward trend continued, but at a lower rate, the share of these expenses in total revenues reaching 72.6% from 70.5% in 2018. The level recorded in 2020, of 77.3%, was the maximum of the analyzed period.

The analysis of the structure of public expenditure can also be carried out from the point of view of the share of different categories of public expenditure, either in total public expenditure, or in the total expenditure of a certain group (for example, the share of public expenditure for education in the total of public social and cultural expenditure, share of public expenditure on health in total public expenditure).

Over time, a series of models and theories have been formulated that interpret the evolution of public expenditure. Among the macroeconomic theories and models regarding public spending, we list: Wagner's Law (Wagner, 1883), Peacock and Wiseman's Theories (Peacock & Wiseman, 1961), Richard Musgrave & Walt Whitman Rostow's Theory (Musgrave, 1974)

It is also worth noting that the evolution of public expenditures for social-cultural actions is influenced by the emergence and amplification of inflationary processes, a phenomenon that must be taken into account by expressing their volume, both in current prices and constant prices.

In the specialized literature (Filip, 2002), (Moroşan, 2017), it is recognized that the factors that determine the evolution and structure of public expenditure for social and cultural actions are: demographic factors, economic factors, social factors, political factors and urbanization.

a) Demographic factors

Population growth, as well as its structural changes by age or socio-professional categories, exerted and are exerting a strong influence on the level and structure of public expenditure for social and cultural actions. The change in the number and structure of the population by age and socio-professional categories appears as a factor with an important influence on the evolution of public expenditure through the prism of social actions that are financed, especially, to protect those in the young and old age categories. For example, the increase in average life expectancy appears as an element with an indirect impact on the increase in the proportion of the elderly population, for which state-funded social protection actions are necessary.

b) Economic factors

With the appearance of destabilizing phenomena in the economy and society, such as crises and unemployment, state intervention through public spending became necessary and realized to counteract the unfavorable situation, relaunch the economy and sustainable economic growth. An economic factor with a significant influence on the increase in social and cultural expenses in nominal terms is the national currency. In most of the countries of the world, in our century, the phenomenon of monetary depreciation, sometimes provoked by the state, precisely in order to finance increased public expenditure, having the direct effect of increasing the absolute amount of expenditure made, was manifested, often with power, which was net higher than the real growth of public consumption.

c) Social factors

The social factors that influence the level of public expenditure for social-cultural actions are manifested in connection with the economic factors. Thus, the state's concern for a better distribution of income in society, between individuals or groups of citizens, and the granting of material support to disadvantaged social categories exerted a significant influence in the direction of increasing social-cultural expenses. Also, the development of the network of social-cultural institutions, in accordance with the requirements of progress and civilization, determined the increase in the allocation of public financial resources, for this purpose, contributing to the amplification of budget expenditure. We note the fact that in the post-war period there was a strong increase in protection and social assistance actions funded by the state, more meaningfully, in economically developed countries.

d) Political factors

The action of political factors on the level and structure of public expenditure for social-cultural actions derives, mainly, from the options of the political forces in power in one country or another. The decisive role, in this sense, was the renunciation of the conceptions regarding the gendarmerie state and the adoption of the conceptions regarding the welfare state. The interventionist state policy is oriented towards its deeper involvement in social and economic life, presupposing much increased public expenses. Social-democratic governments, which emphasize the protection offered by the state to the disadvantaged social categories, prioritize intervention through public spending and thus achieve a more pronounced redistribution of financial resources among members of society. The economic content expressed by the various categories of social and cultural public expenditure must

be known and interpreted correctly by the public decision-maker, requiring adequate consideration in the process of prioritization and sizing of the destinations that will be financed through the state budget (Cigu și Oprea, 2013).

e) Urbanization

The degree of urbanization influences social and cultural expenses because the creation and development of urban centers, respectively the transformation of rural localities and their adaptation to the requirements of a higher civilization attracts a high collective consumption of financial resources. Urbanization has become an important factor in increasing public spending for social-cultural actions at the level of cities and municipalities, by allocating financial resources for the financing of public building works, places of leisure, schools, hospitals or centers of culture.

III. THE ANALYSIS OF THE DYNAMICS AND STRUCTURE OF SOCIAL CULTURAL EXPENDITURE FROM THE STATE BUDGET OF ROMANIA

In order to understand and highlight the place and role of public expenses for social-cultural actions in the overall public expenditure in Romania, we will perform an analysis of their dynamics and structure based on the most recent data from the Statistical Yearbook of Romania.

III.1. The analysis of the dynamics of social cultural expenditure from the state budget of Romania

In our scientific approach, we will start from the centralized situation of social and cultural expenses in nominal size made from the state budget of Romania in the period 2016-2020 and which is presented in the table below:

Table 1. The volume of social-cultural expenditure from the state budget in nominal size in the period 2016-2020

INDICATOR	2016	2017	2018	2019	2020
Total expenses from the state budget	130083,1	144418,7	174674,2	200556,6	246929,9
Social-cultural expenses	38343,9	46102,4	64913,4	79324,7	86546,5
Education expenses	5040,1	5430,2	21719,5	28235,7	29218,1
Health expenses	4086,6	4537,1	6060	9576,3	10972,5
Culture, recreation and religion expenses	1876	3081,3	2991	3421,6	3447,2
Insurance and social assistance expenses	27341,2	33053,8	34142,9	38091,1	42908,7

millions of lei

Source: The Statistical Yearbook of Romania 2017-2020

In order to assess as correctly as possible the evolution of public expenditure for social and cultural actions during the period under analysis, it is necessary to determine their volume in real terms in order to remove the influence of inflation. Determining the size of public expenditure for social and cultural actions in real terms is carried out by relating their nominal size to the consumer price index of the respective year.

Formula 1. The volume of social cultural expenditure in real terms

$$CPsci(r) = \frac{CPcs(n)}{IPC}$$

where: CPsci(r)- Social cultural expenses in real terms; CPcsi(n)- Social cultural expenses in nominal terms; CPI- Consumer price index; i-Social cultural expenditure category.

Table 2. The volume of social-cultural expenditure from the state budget in real size in the period 2016-2020

INDICATOR	2016	2017	2018	2019	2020
CPI(%)	98,45	101,34	104,63	103,83	102,63
Total expenditure from the state budget	132131,13	142509,08	166944,66	193158,62	240602,07
Social-cultural expenses	38947,59	45492,80	62040,91	76398,63	84328,66

Millions of lei

Education expenses	5119,45	5358,40	20758,39	27194,16	28469,36
Health expenses	4150,94	4477,11	5791,84	9223,06	10691,32
Culture, recreation and religion expenses	1905,54	3040,56	2858,64	3295,39	3358,86
Insurance and social assistance expenses	27771,66	32616,74	32632,04	36686,03	41809,12

Source: processed data collected from The Statistical Yearbook of Romania 2017-2022

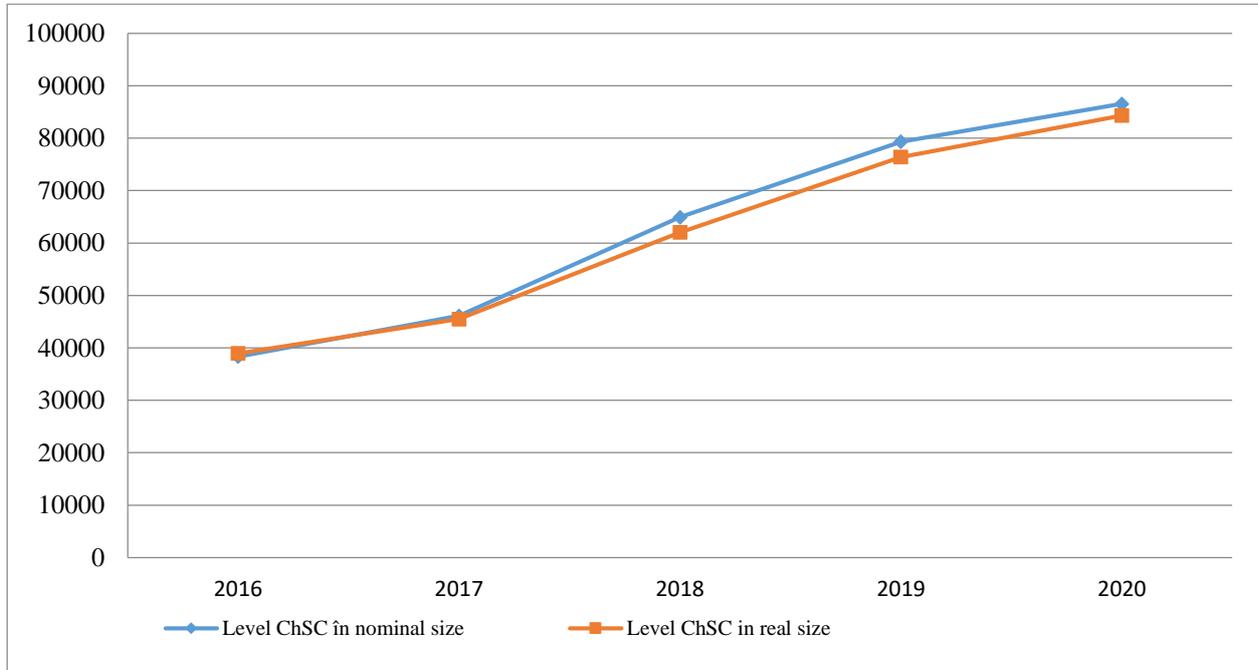


Figure1.Evolution of the social-cultural expenditure level from the state budget of Romania in the period 2016-2020.

As can be seen in Figure 9, the volume of social and cultural expenses from the state budget of Romania was continuously increasing in the period 2016-2020. Thus, the amounts (in real size) spent from the state budget for social and cultural actions have doubled in the analyzed period, increasing from 38,947.59 million lei in 2016 to 84,328.66 million lei in 2020. We find that during 2016 -2020 public spending on health experienced the largest increase from 4086.6 million lei to 10972.5 million lei. This fact is explained by the fact that in 2019-2020, Romania faced the health crisis generated by the COVID-19 pandemic, which extended into 2021.

Another indicator that measures the level of public expenditure for social and cultural actions is *the share of public social and cultural expenditure in the Gross Domestic Product*. It shows the part of the GDP that, through public services, is intended to satisfy collective needs in the social and cultural field and is calculated according to the formula below.

Formula 2. The share of social cultural expenditure in GDP

$$\%Chsc /_{GDP} = \frac{Chsc}{GDP} \times 100 ,$$

where: Chsc- Social cultural expenditure in nominal terms; GDP- Gross Domestic Product;

Table 3. The share of social-cultural expenditure from the state budget in GDP

INDICATOR	2016	2017	2018	2019	2020
GDP(millions of lei)	758500	842500	949600	1040800	1040800
Total expenditure from the state budget/GDP	17,15%	17,14%	18,39%	19,27%	23,73%
Social-cultural expenses/GDP	5,06%	5,47%	6,84%	7,62%	8,32%

Education expenses/GDP	0,66%	0,64%	2,29%	2,71%	2,81%
Health expenses/GDP	0,54%	0,54%	0,64%	0,92%	1,05%
Culture, recreation and religion expenses/GDP	0,25%	0,37%	0,31%	0,33%	0,33%
Insurance and social assistance expenses/GDP	3,60%	3,92%	3,60%	3,66%	4,12%

Source: processed data collected from <https://mfinante.gov.ro/> and The Statistical Yearbook of Romania 2017-2022

From the centralized data in the table above, it can be seen that the total expenditure from the state budget of Romania in the GDP had a weight during the studied period. There is an increase in the share of social and cultural expenses in GDP from 5.06% in 2016 to 8.32% in 2020, which shows an increased concern for this field on the part of the central public authorities. At the same time, we note that among the social and cultural expenses, the largest share in GDP is occupied by insurance and social assistance expenses of approximately 4%, and we note that the share of health expenses in GDP is very low even in the conditions in which they have increased due to the pandemic of Covid 19, being at the level of 1.05%.

The average socio-cultural expenditure per inhabitant in Romania represents a level indicator and reflects the volume of public expenditure for social and cultural actions that fall to one inhabitant, in other words, the volume of public services of a socio-cultural nature that each inhabitant of Romania benefits from on average and is calculated according to the following formula:

Formula 3. The average social cultural expenditure per inhabitant

$$CPsc /_{LOC} = \frac{CPsc}{Populatie} ,$$

where: CPsc/LOC-represents the average public social cultural expenditure per inhabitant; Population-represents the number of inhabitants; CPsc- public social cultural expenditure.

Table 4. The average social-cultural expenditure per inhabitant from the state budget in Romania

Indicator	2016	2017	2018	2019	2020
Population (mln inhabitants)	19,7	19,58	19,47	19,37	19,29
Total expenditure from the state budget/inhabitant	6603,20	7375,83	8971,45	10353,98	12800,93
Social-cultural expenses/inhabitant	1946,39	2354,57	3334,02	4095,23	4486,60
Education expenses/inhabitant	255,84	277,33	1115,54	1457,70	1514,68
Health expenses/inhabitant	207,44	231,72	311,25	494,39	568,82
Culture, recreation and religion expenses/inhabitant	95,23	157,37	153,62	176,64	178,70
Insurance and social assistance expenses/inhabitant	1387,88	1688,14	1753,62	1966,50	2224,40

The data in the table above show us the fact that in 2016, on average for one inhabitant, the Romanian government spent 6603.2 lei from the state budget, of which 1946.39 for the socio-cultural field. This amount includes 255.84 lei for education, 207.44 lei for health, 95.23 lei for culture, recreation and religion and the largest amount in this category of expenses – 1387.88 lei for insurance and social assistance.

In 2017, the average public expenditure per inhabitant increased to the value of 7375.83 lei, including 2354.57 lei for social and cultural activities, of which 277.33 lei for education, 231.72 lei for health, and 157.37 lei for culture, recreation and religion, as well as 1688.14 lei for insurance and social assistance.

The amount of 8971.45 lei per inhabitant was spent from the state budget in 2018, of which 3334.02 lei for the socio-cultural field, amount broken down as follows: 1753.62 lei for insurance and social assistance, 1115.54 lei for education, and 311.25 lei for health and 153.62 lei for cultural, recreational and religious activities. In 2019, the amount of public expenditure per inhabitant increased (10353.98 lei), of which 4095.23 lei were allocated, on average, per inhabitant, with the aim of financing social-cultural actions.

The maximum of the average value of expenses per inhabitant was reached in 2020, when 12,800.93 lei were spent for a resident of the Romanian state. From this amount, 4486.60 lei were allocated on average, per inhabitant, for the socio-cultural field, of which 1514.68 lei for the education sector, 568.82 lei for the health sector, 178.70 lei for culture, recreation and religion and 2224.40 lei for insurance and social assistance.

Another indicator that expresses the role and place of public expenditure for social and cultural actions within the state budget is the share of social and cultural expenses in the total public expenditure from the state budget, which reflects the share of the amounts allocated in the social and cultural field in the total expenditure made by the government from the budget state in a period of time.

Formula 4. The share of social-cultural expenses in total expenditure

$$CPsc/CPT = \frac{CPsc}{CPT}$$

where: $CPsc/CPT$ -represents the share of social cultural expenses in total public expenditure; CPT -represents the volume of total public expenditure; $CPsc$ - represents public expenditure for social cultural actions.

Table 5. The share of social-cultural expenditure in total public expenditure from the state budget in the period 2016-2020

INDICATOR	2016	2017	2018	2019	2020
Total expenditure from the state budget	100,00%	100,00%	100,00%	100,00%	100,00%
Social-cultural expenses	29,48%	31,92%	37,16%	39,55%	35,05%
Education expenses	3,87%	3,76%	12,43%	14,08%	11,83%
Health expenses	3,14%	3,14%	3,47%	4,77%	4,44%
Culture, recreation and religion expenses	1,44%	2,13%	1,71%	1,71%	1,40%
Insurance and social assistance expenses	21,02%	22,89%	19,55%	18,99%	17,38%

The data from the table above show us that in the period 2016-2019 the share of social and cultural expenses in the total public expenses from the state budget had an increasing evolution from 29.48% in 2016 to 39.55% in 2019. In 2020, there is a decrease in this indicator to 35.05%, even if in absolute terms social and cultural expenses increased compared to 2019, but they did not keep up with the growth of total public expenses from the state budget. We also note that among the categories of public expenses for social and cultural actions, the group of expenses for insurance and social assistance occupies the largest share in the total of public expenses from the state budget, hovering around 20%.

III.2. The analysis of the structure of social cultural expenditure from the state budget of Romania in the period 2016-2020

The analysis of the structure of public expenditure for social and cultural actions involves approaching their internal composition by referring to their total volume at a given time. For this purpose, we use an indicator known as the specific weight of expenditure (abbreviated "g"), being expressed by the following formula:

Formula 5. Specific weight of public social cultural expenditure

$$g_i(\%) = \frac{Chi}{Chsct} \times 100$$

where: g – the share of “i” public expenses in the total public social cultural expenditure; Chi – the volume of “i” public expenses from the social cultural domain; $Chsct$ – total public social cultural expenditure.

The results provided by this indicator demonstrate the importance of each category of social-cultural public expenditure in the policy of allocation of public resources by the government and express the percentage size of each category of expenditure in total public expenditure for social and cultural actions. The centralized situation of this indicator for the period 2016-2020 is presented in the table below.

Table 6. The structure of public social cultural expenditure from the state budget of Romania in the period 2016-2020

INDICATOR	g2016	g2017	g2018	g2019	g2020
Social-cultural expenses	100,00%	100,00%	100,00%	100,00%	100,00%
Education expenses	13,14%	11,78%	33,46%	35,60%	33,76%
Health expenses	10,66%	9,84%	9,34%	12,07%	12,68%
Culture, recreation and religion expenses	4,89%	6,68%	4,61%	4,31%	3,98%
Insurance and social assistance expenses	71,31%	71,70%	52,60%	48,02%	49,58%

Source: Processed data collected from Table 1

In table 6 we note that the largest share in the total social and cultural expenses, during the studied period, was the expenditure for insurance and social assistance with values between 48.02% (in 2019) and 71.31% (in 2016). Education expenses also have an important weight, with values between 11.78% and 35.60%. The increase recorded in 2018 is explained by the fact that, starting this year, the salaries of pre-university education staff were paid from the state budget, renouncing their payment from local budgets. Next is health spending, which registers weights of around 9-13%, and spending on culture, recreation and religion with the lowest weight of the total - around 4-6%.

In 2016, the structure of social and cultural expenses from the state budget of Romania had the following representation:

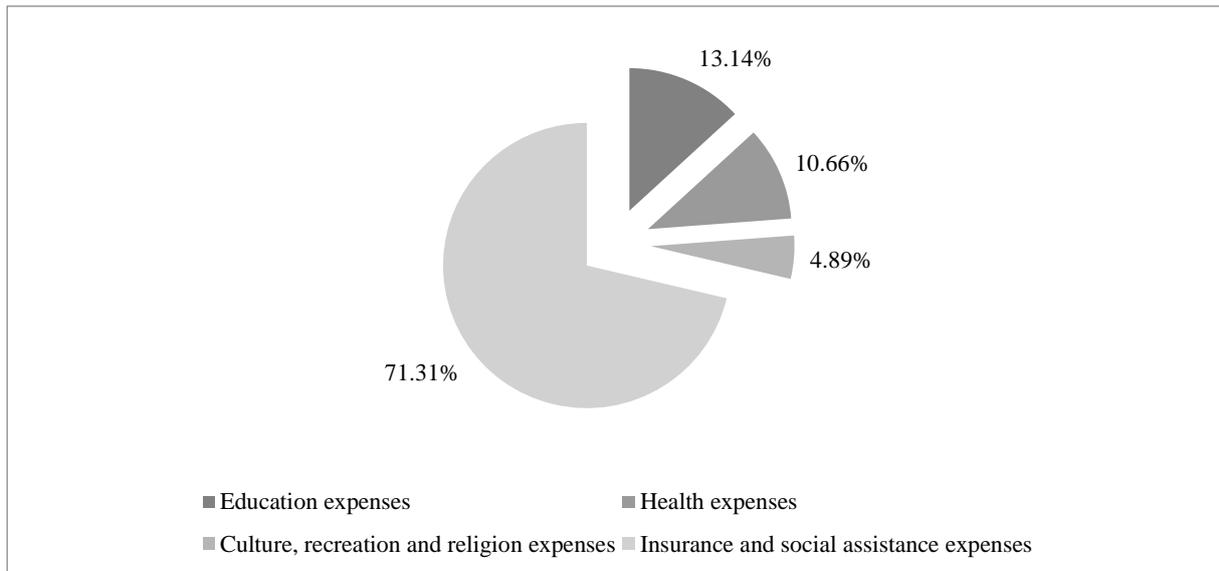


Figure 1. The structure of social-cultural expenditure from the state budget of Romania in 2016

From figure 1, we can see that 71.31% of the total expenses for social and cultural actions were allocated for the financing of insurance and social assistance, 13.14% were directed to the education sector, another 10.66% to the health sector and only 4.89% to culture, recreation and religion.

This fact indicates a strong orientation of the budget policy, undertaken at the level of the Romanian government in 2016, towards the field of social security, allocating more than half of the resources intended for socio-cultural activities.

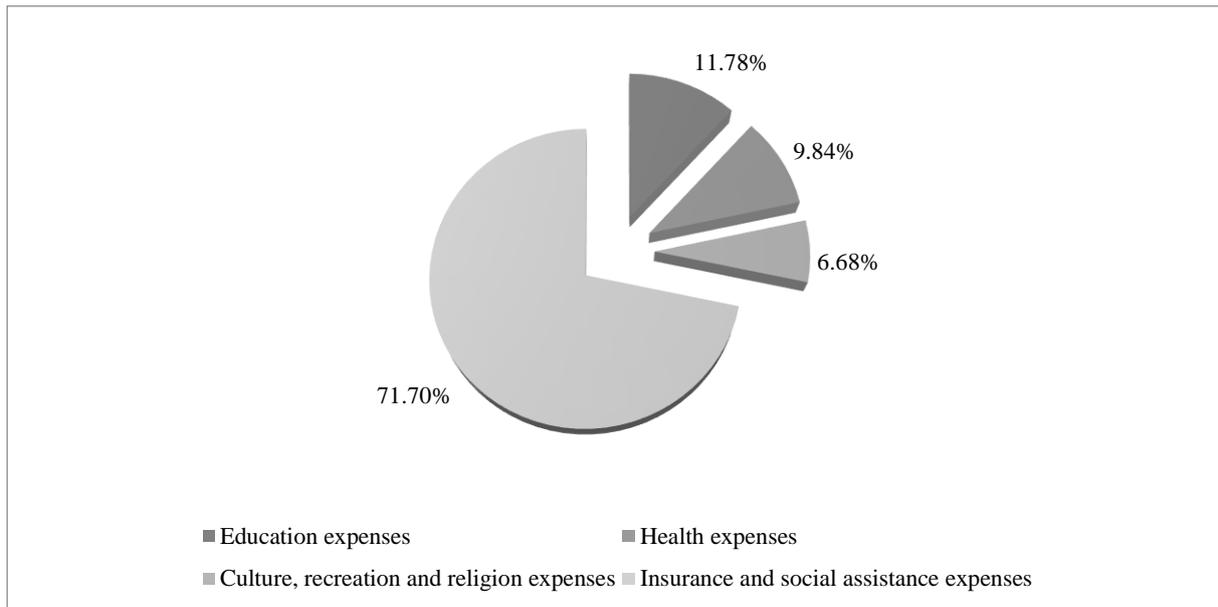


Figure 2. The structure of social-cultural expenditure from the state budget of Romania in 2017

In 2017, as can be seen in figure 2, the share of expenses for insurance and social assistance increased to 71.70%, while, on the other hand, the share of financial resources allocated to financing the education sector and that for health. There is also an increase in the share of expenses for culture, recreation and religion, which recorded the value of 8.68%.

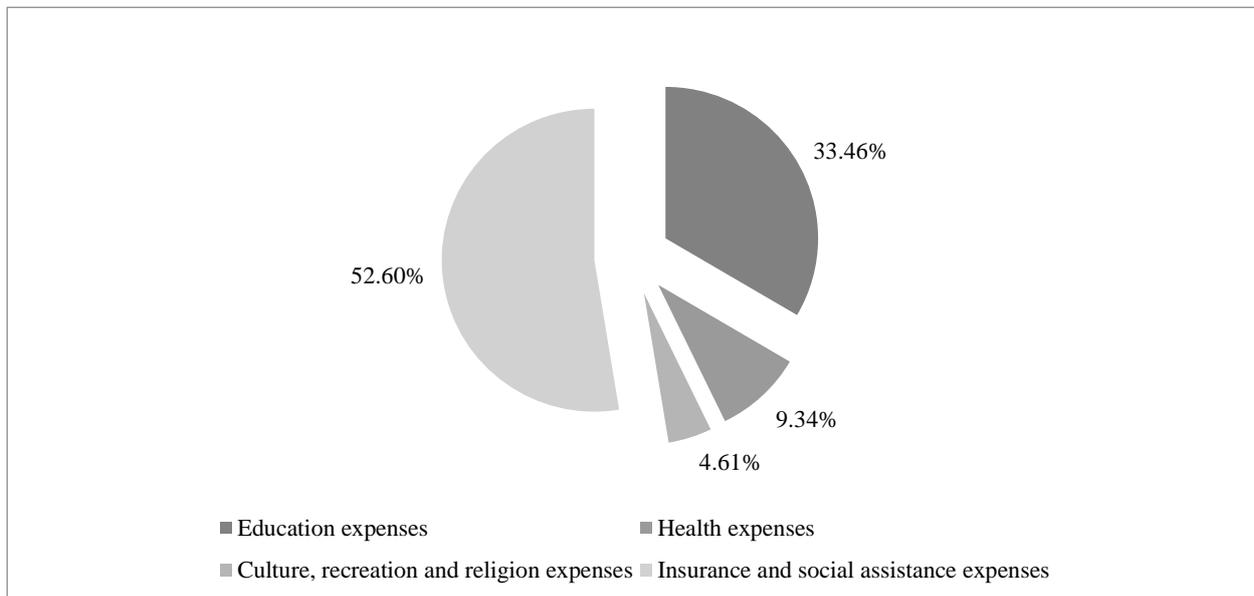


Figure 3. The structure of social-cultural expenditure from the state budget of Romania in 2018

The year 2018 brings important changes in the structure of public expenditure for social and cultural actions. As a result of the change in the paradigm of the financing of salary expenses in state pre-university education, a change instituted by GEO no. 90/2017 (Government of Romania, 2002), in the sense that "starting with 2018, from the state budget, through the budget of the Ministry of National Education, for state pre-university education units, the financing of expenses with salaries, allowances and other salary rights in money is established by law" increased the share of education expenses in total social and cultural expenses from the state budget from 11.78% in 2017 to 33.46% in 2018. This fact determined the decrease in the share of allocated resources for insurance and social assistance in total social-cultural expenses at 52.60% even if in absolute terms this category of expenses has increased compared to previous years.

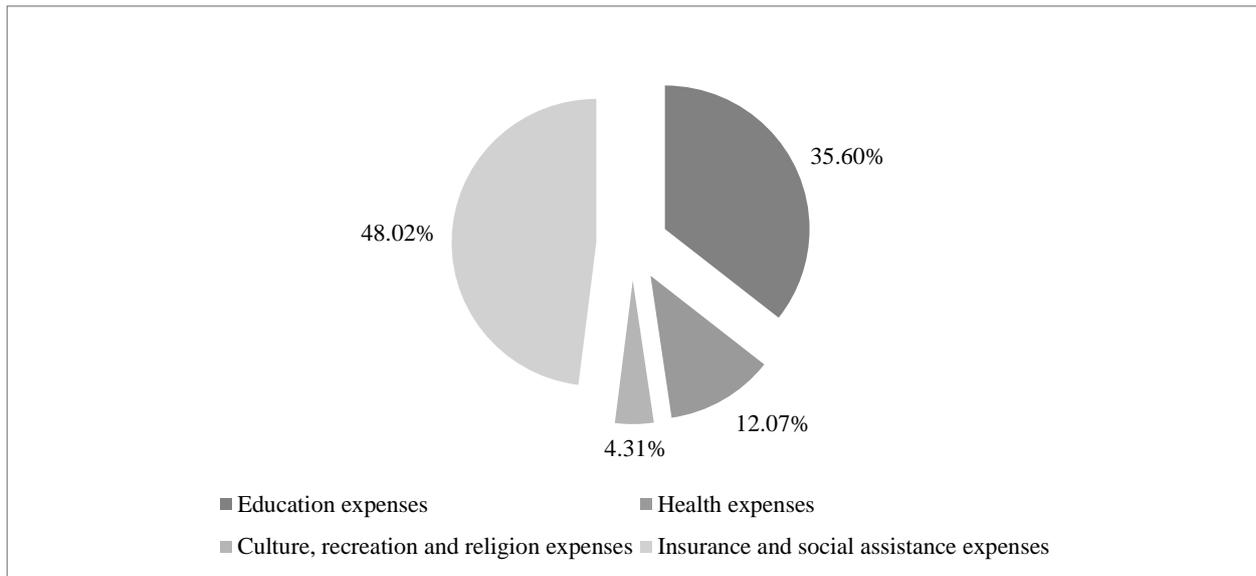


Figure 4. The structure of social-cultural expenditure from the state budget of Romania in 2019

In 2019, the structure of social-cultural expenses remained similar to 2018. The share of categories of expenses for social-cultural actions fluctuated by $\pm 3\%$ compared to the previous year.

After the installation of the COVID-19 pandemic, a series of shocks are felt in the economy generated by the measures of isolation and social distancing materialized in the appearance of some asynchronizations in the supply-production-sales chains that determine changes in the behavior of economic agents. There are major changes in the field of work, starting with the low level of new employment, low level of pay, the emergence of technical unemployment and ending with the emergence of new ways of working (work at home, telework, parttime or flexible work). At the level of public policies, there are expenditures of large budgetary resources in order to fight the pandemic, especially in the health field but also to cover the social and support needs of the economic agents affected by tourism, transport, trade and some productive branches. So "the lockdown effect", "generates high economic and financial costs" As a result of the above, we note that the budget deficit has increased, reaching 4.3% of GDP, the share of public debt in GDP being 35.2%. The year 2020 is exacerbated by the public health crisis, which has generated a strong global economic contraction. This is also felt in Romania, where GDP decreased by 3.9% compared to 2019 (Moroşan&Ichim, 2021).

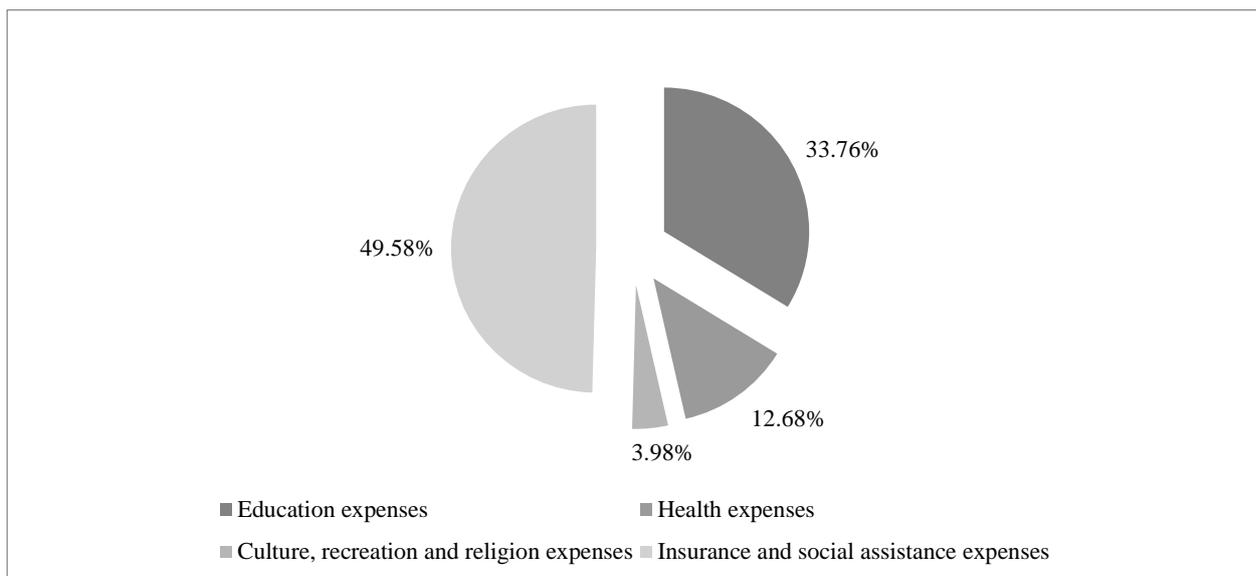


Figure 5. The structure of social-cultural expenditure from the state budget of Romania in 2020

According to expectations, following the effects of the pandemic crisis that appeared in 2020, the share of expenditure allocated to health (Government of Romania, 2020) from the state budget increased, however, the share of resources spent on insurance and social assistance within total public social and cultural expenditure decreased. Payments were made determined by the measures that were taken of an exceptional nature, in the health field, to reduce the negative effects generated by the COVID 19 pandemic. Thus, the share of health expenses in total public expenditure for social and cultural actions recorded the value of 12, 68%.

The COVID-19 pandemic highlighted something that has been known for decades: modern governments must master the art of balancing - they must deliver public value in all areas of governance, while grappling with increasing levels of uncertainty and change (Mihalciuc& Leonte. 2022)

IV. CONCLUSIONS

The scientific approach carried out in this article allowed us to create the basis for formulating some conclusions. The satisfaction of public needs with a social-cultural character is a component of the states' social policies. Areas such as education, health, culture, religion and sports, social assistance, state social insurance are financed from the state budget through social-cultural public expenditures.

The evolution of public expenditure for social and cultural actions is in close correlation with the particularities of the social-economic system. There are important differences in terms of the level and structure of public expenditure, both in time and in space, registering, in principle, a general trend of growth. We note that the evolution and structure of public expenditure for social-cultural actions is influenced by political, social, economic, demographic factors and the degree of urbanization.

Regarding the volume of social and cultural expenses from the state budget of Romania in the period 2016-2020, we note that it was continuously increasing. Thus, the amounts (in real size) spent from the state budget for social and cultural actions doubled in the analyzed period, increasing from 38,947.59 million lei in 2016 to 84,328.66 million lei in 2020. Likewise, the other indicators that express the dynamics of public expenditures for social and cultural actions have registered increases.

Regarding the structure of social and cultural expenditure, we note that the largest share, in the studied period, was the expenditure for insurance and social assistance with values between 48.02% (in 2019) and 71.31% (in 2016). Education expenses also have an important weight, with values between 11.78% and 35.60%. The increase recorded in 2018 is explained by the fact that, starting this year, the salaries of pre-university education staff were paid from the state budget through the School Inspectorates, renouncing their payment from local budgets. Next is health spending, which registers weights of around 9-13%, and spending on culture, recreation and religion with the lowest weight of the total - around 4-6%.

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