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## **EXTERNAL AND INTERNAL FACTORS OF THE PUBLIC DEPT FORMATION**

Public debt is a separate critical and complex specific part of the financial system, which plays an important role in social and economic development. The economic nature of such complex phenomena as the national debt is a system of relations between the parties, enshrining the right to be part of the formation, maintenance and servicing the public debt.

The formation of the public debt affects a large number of external and internal factors in the world, create a complete system for the formation and progressive development of the public debt. External and internal factors include:

- warfare;
- militarization of the country;
- excessive expansion of economic functions of the state;
- economic downturn and fluctuations;
- decline in taxes;
- lack of political will;
- formation of government borrowing.

Preparation and conduct of wars for a long time appeared to be basic factors of the public debt formation. The main task was to direct of economic resources to the needs of the production of military tools and weapons. Public spending on arms and retention of military personnel tended to be the rapid growth. In this case, the government could use several methods of financial policies: to increase the amount of taxes; to resort to issuing a way to solve economic problems; to minimize public funding. However, the government feared the possible consequences of the approval of the above mentioned ways to combat the economic crisis. Too high tax rate could destroy incentive work of employees, while the main goal was to attract a growing number of people to the labor force. It should also be noted that the additional issue of money would cause inflation, the appearance of which would significantly delayed the recovery process of economic state stability.

In the 20th century the progressive spread of the public dept between countries has become a process of the militarization of the economy. In the early 90s, the

economic situation of many countries absorbed crisis, as this period was held under the slogan "Cold War". If we take, for example, the economic situation in the US this time is not easy, because the national debt has increased more than 5 times compared with previous years [1, p. 331].

Prutska A.A. notes that another key factor of growth of public debt became active state regulation of the economy in terms of funding for social programs. This process began to develop rapidly from the late 30s of the 20th century [2, p. 10]. This type of public policy accompanied by the growth of payments in case of unemployment, support for disadvantaged groups and the creation of social programs to protect it. As a result, excessive expansion of state functions led to cyclical downturns that led to the reduction of national income and tax revenues.

Consequently, the public debt is a complex economic phenomenon, where the birth process in the economic environment of the state is affected by many factors, each of which, respectively, plays a role in its formation and development.

### **LITERATURE**

1. The Budget Code of Ukraine: the electronic resource / article №18. Access: <http://zakon4.rada.gov.ua/laws/show/2456-17>.
2. Prutska A.A. The manual, debt management / A.A. Prutska // Center of educational literature, 2010. – 216 p.