

EXTERNAL DEBT – A FRIEND OR A FOE**Забурская А.В.****Научный руководитель канд. пед. наук, доцент Алмабекова О.А.*****Сибирский Федеральный Университет***

The problem of external debt is important for each state. Assuming that a country with a lot of debt can go bankrupt, it makes a negative impact on the world economy.

“The Congress of the United States of America cannot adopt the budget for the new fiscal year”. This message appeared in the press in early October 2013. However, on 17 October, President Barack Obama signed the draft budget. Debt ceiling was raised. The upper and lower chambers of the U.S. Congress approved a compromise version of the bill late in the evening of 16 October. This event prevented the technical default of the USA. Debt ceiling only since 2000 has raised more than 10 times.

The state debt of the USA is growing very quickly. The USA is a country with a very high level of development and occupies the third place in the list according to The United Nations report on human development, 2013.

The objective of this article is to carry out a comparative analysis of the relationship between public external debt and macroeconomic parameters for the USA and Russia, that is compare prices, wages and social standard of living in the United States and Russia and find the reasons for raising or lowering an external debt.

It should be noted that the United States is the country with the largest public debt. Therefore, the relevance is analyzing the influence of public debt on the national measure of this country.

Conversely, the policy of Russia is directed on reduction of the public debt. But our country is only rated 55th as a country with a high level of development.

Also, US GDP is constantly increasing, while Russia's GDP is gradually decreasing.

So, the important question is how GDP and the public debt of the country are linked? Let us try to clarify this issue.

These statistics are taken from the official site of «Federal Service of State Statistics» [1].

Year, 01.01	GDP, RUB bn.	GDP, US Dollars Billion.	External bond debt, US Dollars Billion. (FinMin)	% external bond debt to GDP
2006	26917,2	824,1086	76,5	9,28
2007	33247,5	1 017,9198	52,0	5,1
2008	41276,8	1 263,7483	44,9	3,55
2009	38807,2	1 188,1380	40,5	3,4
2010	46308,5	1 417,8010	37,6	2,65
2011	55799,6	1 708,3846	40,0	2,34
2012	62599,1	1 916,5610	35,8	1,87

Figure 1 Statistics on gross domestic product and an external debt of the Russian Federation.

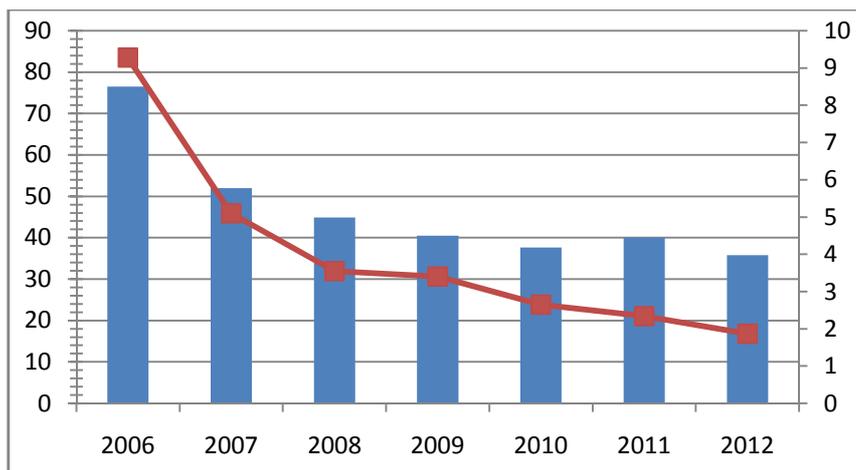


Figure 2 External debts dynamics of the Russian Federation.

The calculated (by the author of this article) coefficient of correlation to determine relation between variables such as GDP and external debt shows that the correlation rate is equal to 0,785355628. This means a strong negative relationship between two variables - GDP and an external debt. In other words, the higher the value of GDP, the lower the value an external debt.

Thus, in Russia the growth of external debt percentage leads to GDP decrease. Now let us consider in detail the situation in the USA.

Year, 01.01	GDP, US Dollars Billion.	External bond debt, US Dollars Billion.	% external bond debt to GDP
2006	13191	8451,350	64,07
2007	13962	8950,744	64,11
2008	14296,9	9985,757	69,84
2009	14119,1	11875,851	84,11
2010	14657,8	13980	95,37
2011	14991	15033	100,2
2012	15811	16640	105

Figure 3 Statistics on gross domestic product and an external debt of the USA.

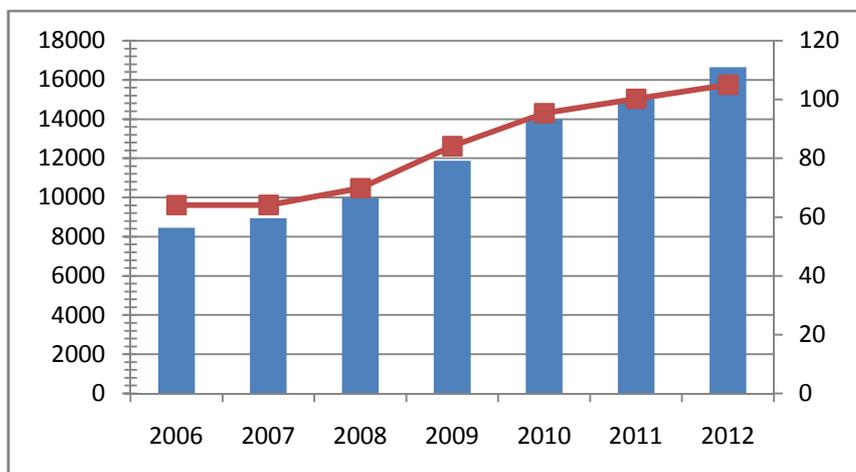


Figure 4 External debts dynamics of the USA

The calculated (by the author of this article) correlation coefficient equals 0,992982 and shows that there is a very strong direct relationship. In other words, the US GDP growth is positively related to the growth of external debt.

The comparison of prices, wages and social standard of living in Russia and USA demonstrate the following differences between two countries. Statistics is taken from research and consulting company «ConvergEx».

US prices on commodities are 13 % higher than in Russia.

Housing rent in the US is 10 % more expensive than in Russia.

The food products in the US are 39 % more expensive than in Russia.

Cafes and restaurants in the US are 5 % cheaper than in Russia.

Prices include housing rent in the US are 12 % higher than in Russia.

The purchasing power of the population in the US is 209 % higher than in Russia.

Take-home salary in the US makes 173 % of that in Russia.

The minimum pay in Russia is one of the lowest among major economies of the world. These are the results of investigation made by «ConvergEx» consulting company.

The Russian minimum monthly wage is 5200 rubles (1.01.2014 year - 5554 rubles). The authors of research divided the minimum monthly wage into 160 working hours a month for an eight-hour working day and 5 day working week. The result is that the minimum wage in Russia amounts only 97 cents an hour.

What is the situation in other countries? Consulting company «ConvergEx» undertake a study in other countries. In the UK the minimum wage equals 9.83 dollars an hour, in Canada - 9.75 dollar, in Japan - 8.17 dollars an hour, in the USA - 7.25 dollar. In top-10 countries with the highest minimum wage per hour not the most economically stable European countries like Spain and Greece (5,57 and 5.06 dollar per hour) plus South Korea (4.31 dollar per hour) were included. Working hour is paid cheaper than in Russia in Mexico (66 cents), the Philippines (61 per cent), Afghanistan (57 cents) and Sierra Leone (just 3 cents).

The minimum living wage per capita in Russia was 7326 rubles at the end of 2013. To the comparison, the minimum living wage per capita in the USA is 12 times higher. It is calculated as three times the cost of the minimum food basket. So, in the USA the minimum living wage is 10 830 dollars a year. It makes month is almost \$ 900 or about 40,000 rubles.

The table below presents wages of different specialties in Russia and in the USA.

Salary of employees of different professions	Russia (month)	USA (month)
Doctor	21470	200000-625000
Teacher	17020	125000-375000
Police constable	33000	100000-175000
Middle manager	35881	100000-225000
Unskilled worker, janitor	14976	62500
Average	24469,4	205 000

As we can see from this table, the average wage in the USA scored 8.38 times more than in Russia. From previous studies: the prices are in 1.13 times higher than in Russia. Thus, despite the higher prices in the U.S. wage in America is significantly higher than in Russia. Inference should be drawn that the standard of living in America is much higher than in Russia.

Now in America, the poverty rate in most States is \$11,170 for the year (for one person in the family), \$ 15,130 - (for two persons), etc., i.e. in translation into the Russian

currency is 29,000 rubles/month, which corresponds the salary considered high enough for a Russian employee.

Now Russia has an external debt of about 36 billion dollars, and the United States has nearly \$ 16 trillion. But Russians still have a low standard of living.

Does this mean that to live in debt is profitable and better?

Probably, no country in the world can afford as large external debt as the US. There are two reasons:

Firstly, the dollar is the main world currency (most of payment between countries and corporations is in this currency). Countries and corporations often settle accounts currency in dollars. Therefore, it is always in demand on the financial markets.

Secondly, government debt securities of the USA are considered the most reliable financial instrument in the world. Interest on these securities are paid minimum, because they are reliable, unlike debt securities of Greece, Italy, Spain, etc. that go bankrupt due to their debts and the interest paid for them.

To sum up, the current economic situation in the U.S. is relatively calm even with such a huge external debt. All other countries in the world, including Russia, are in a worse circumstances.

Another important reason is theoretical approach to the country's economic policy. Russian economists uphold the views of neoclassical economic theory. This means supporting independent economic activities of individuals and favor restricting or even for a completing freedom from state regulation of economy. The neoclassical view is that the market economy does not need the state regulation of aggregate demand and aggregate supply, so in Russia at present weak state regulation of economy. The focus is on independent development of small business, but small business is not developing because of the fact that businessmen are afraid of inflation.

Russia does not invest in knowledge-intensive business. Our economy exists only due to production and sales resources. Therefore, the growth of external debt there is no point. It will only lead to the rate of inflation increase.

In the USA the situation is different. American government upholds the views of Keynesian economic theory. The point is the main role belongs to the investment. The larger are the investments, the greater the scale and higher production rates. Keynes's theory provides active state intervention in the economy. So the US has heavy government regulation. America is financing of science-intensive business and grants. Therefore, the increase in external debt is substantiated.

Thus, the comparative analysis of the relationship between public external debt and macroeconomic parameters for the USA and Russia has shown that despite the largest among all countries of the world external debt in the US, the standard of living in the country is higher than in Russia, as well as wage is about 8 times higher.

Список литературы:

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