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Strategies for Managing the General Budget Deficit and Legal Solutions in Economic Contexts (Insights from Hungary and Syria)

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ABSTRACT

This article discusses strategies for managing general budget deficits and legal solutions in economic contexts, focusing on the experiences of Hungary and Syria. It begins by defining the concept of a budget deficit and exploring its implications, including its relationship with public debt and inflation. The realities and roots of budget deficits in Hungary and Syria are then analyzed, highlighting the challenges each country faces in managing its deficits. The article also discusses the various strategies employed by governments to finance budget deficits, such as tax reforms, borrowing policies, and new currency denominations. Through a comparative analysis, the effectiveness of these strategies in addressing financial imbalances is evaluated, with Hungary's strategic approach contrasted with Syria's ad hoc measures.

KEYWORDS

Budget deficit, public finance, tax reforms, Syria, Hungary, Debt.

1. INTRODUCTION

Managing general budget deficits is a crucial task for governments worldwide due to the significant implications they have on economic stability, public debt levels, and inflation rates. To promote fiscal sustainability and economic growth, it's essential to understand the strategies that governments use to address budget deficits. This essay will explore the multifaceted nature of

budget deficits and analyze various approaches taken by governments to manage them, with a particular focus on Hungary and Syria.

A budget deficit occurs when a government's total expenditure exceeds its total revenue, leading to increased public debt and potential inflationary pressures. The consequences of budget deficits go beyond immediate fiscal challenges, affecting long-term economic prospects and societal well-being. Therefore, effective deficit management requires a nuanced understanding of economic dynamics and the implementation of appropriate policy measures.

2. OVERVIEW OF BUDGET DEFICIT

2.1. Definition

Despite the significance of the term "general budget deficit," there are still some ambiguities surrounding it. There is no comprehensive and unified definition of the financial deficit, and the definitions that address it are numerous and varied. Moreover, there is no standard measure of fiscal deficit that can be used in all cases and purposes. Therefore, it is necessary to devote a chapter to learning about the nature of this term and its various criteria, in order to gain a clearer understanding of it.

Before we delve into what a deficit is, it is crucial to understand that the general budget is a government budget that forecasts its expenditures and revenues for a specific period of time. Typically, in national finance, the period covered by a budget is a year, known as a financial or fiscal year, which may or may not correspond to a calendar year. The term budget is derived from the Old French word "bougette", which means "small bag."¹

¹ John F. Due and John Anderson Kay and Assar Lindbeck, *government*

A fiscal deficit occurs when a government's total outgoing payments (expenditures) exceed the total money it collects (revenues). If revenues are greater than expenses, the government will generate a surplus. A balanced budget describes this situation where revenues equal expenses. Deficits are measured over a specified period of time - in the case of the federal government, a fiscal year.²

Also, a deficit occurs when the size of the public debt increases at the end of a particular fiscal year, compared to what this debt was at the beginning of that year, as this increase expresses the budget deficit.”³

Hence, the overall budget deficit is associated with various factors that we will explain in detail.

2.2. Deficit and public debt

The main cause of economic problems in general is the state's general budget deficit (total expenditures being greater than total revenues); This deficit requires financing either locally by increasing the scope of local public debt to GDP, or externally by borrowing either from international institutions or by issuing bonds in global markets. In order to finance that deficit.

Hence, the rise in domestic and foreign public debt is mainly due to the presence of a deficit in the state's financial account (the presence of a total deficit), which is financed by internal and external borrowing, and spent in ways of expenditure that do not correspond to the type of currency and do not correspond to the

budget, <https://www.britannica.com/money/government-budget>, (last visited 5 March 2024).

² Grant A. Driessen, *Deficits, Debt, and the Economy: An Introduction*, p.1, <https://sgp.fas.org/crs/misc/R44383.pdf>, (last visited 5 March, 2024).

³ Thayer Watkins, *The Deficit of the Government*, Thesis of Master 2, (San Jose University, California 2004).

time period (short-term financing spent on a project Long-term), which results in the accumulation of debt over time and its cost increases to the total public debt as a percentage of the state's general budget, which may amount to devouring the total revenues of the state's general budget and leaves the only option for financing these expenses through expansion of debt,⁴ as financing a deficit Balancing through debt has a strong relationship with increasing interest rates and once this increase in interest rates occurs it may reduce or make private sectors neglect their investments in the economy. Low private investment means that the entire economy will have low capital available to operate it, and this will lead to lower economic growth in the future.⁵

2.3. Public budget deficit and inflation

Fiscal deficit is a major cause of inflation. When a deficit occurs in the general budget, the state resorts to what is known as issuing new money, which leads to an increase in the supply of money in circulation, and thus increases the means of payment beyond the volume of goods supplied, and from here the state falls into inflation.⁶

The general budget deficit is directly linked to the prevailing inflation rates, as the rise in these rates results in an increase in the budget deficit, whether in absolute value or as a percentage of the gross domestic product, which is achieved through the

⁴ Ahmed Bayoumi, *Public Debt and Budget Deficit at the National Dialogue Table: and Solutions*, <https://marsad.ecss.com.eg/78069/>, (last visited 7 March, 2024) .

⁵ Vo Thi Thuy Van, Nguyen Tran Thai Ha, Phan Gia Quyen, Le Thi Hong Anh, Do Thanh Loi, *The Relationship Between Public Debt, Budget Deficit, and Sustainable Economic Development in Developing Countries: The Role of Corruption Control*, 85 J. Ekon. Studi Pembangunan, 88 (2020).

⁶ Jaber Morsi Muhammad, *The Mutual Relationship between the Egyptians general budget deficit and inflation rate*, 1 Sci. J. Econ, 378 (2021).

negative impact of high inflation rates on the deficit.

Reflected in the increase in nominal interest payments due on government debts and bonds, thus increasing the ratio of domestic debt to total current expenditures.

The acceleration and increase in inflation rates also contribute to the instability of financial and economic transactions at the level of the national economy, resulting in a decrease in the degree of responsiveness of financiers to fulfilling their tax obligations on the one hand, in addition to increasing the relative real burden of direct taxes, especially for the class of financiers who have not been finalized for the taxes owed by them.⁷ On the other hand, the result will be a decrease in the real value of the total tax revenue, which will increase the deficit in the general budget.

3. THE RELATIONSHIP BETWEEN THE INCREASE IN PUBLIC SPENDING AND THE PUBLIC BUDGET DEFICIT (SYRIA AND HUNGARY CASES)

3.1. The Increase in public spending

As we mentioned previously, a public budget deficit occurs when there is a discrepancy between the growth of public expenditures on the one hand and the growth of public revenues on the other. The more the growth rates of public spending increase on the one hand and the slower the rates of public revenues, especially tax, the greater the deficit rate in the public budget. Therefore, the most important reasons for the increase in the deficit are Firstly the increase in public spending

Public spending refers to the money that governments spend on purchasing goods and providing services, including education,

⁷ Hadeef Hizia, Fiscal deficit in developing countries and the role of fiscal policies in addressing it, 1 Rev. Econ. Stat. Appl, 38 (2014).

healthcare, social protection, and defense. There are different types of spending methods, such as current spending for short-term expenses like wages and raw materials, and capital spending for long-term investments in physical assets like infrastructure and government loans.⁸ However, in some cases, governments in developing countries spend public funds in an inefficient and misplaced manner. They may spend on projects related to public and social benefit, but in an uneconomical or ineffective way, making it difficult to determine their efficiency due to their non-commercial nature.⁹ This often results in the wastage of public funds. We will review these expenditures in light of specific cases represented by Syria and Hungary.

3.2. Evolution of the budget deficit in Syria and Hungary

In Hungary, the Hungarian public budget deficit has been a constant source of concern, with successful administrations grappling with its management and ramifications. Over the years, Hungary has experienced fluctuations in its budget deficit. Since the regime transition, Hungary has faced significant economic challenges, including a large national debt burden. Gyula Horn's government-initiated efforts to reduce the deficit and debt and was followed by the first Orbán government, which maintained a relatively traditional budget policy, keeping the deficit under control. However, as election years approach, spending has tended to increase, leading to concerns about fiscal discipline.¹⁰ As is evident from the following average figures, which reflect the

⁸ See

<https://corporatefinanceinstitute.com/resources/economics/government-spending/>, (last visited 13 March, 2024)

- ⁹ Daniel Zybowski, Causes of Public Debt and Budget Deficit, 57 Int. J. New Econ. Soc. Sci, 64 (2018).
- ¹⁰ The budget deficits haunt the Hungarian government, §1, No. 1, Acts of Parliament, 2024 (HUN).

reality of the deficit in Hungary over the past twenty-four years

- Total deficit about -5.92 billion US dollars annually
- Percentage of GDP average -4.56%
- Per capita deficit averages about -551 dollars
- EU per capita deficit average around -802 USD

These figures illustrate the challenges Hungary faces in maintaining financial stability and aligning its budgetary practices with European standards. From the late 1990s to the early 2000s, the deficit fluctuated, sometimes falling below 3% of GDP but often exceeding that threshold. The early 2000s saw the deficit rise significantly, reaching its peak in 2006. Subsequent years saw efforts to rein in spending and stabilize the deficit, although fluctuations continued. The deficit rose again in 2020 and 2021, reaching unprecedented levels, necessitating urgent action to address fiscal imbalances and restore economic stability.¹¹

These averages underscore the importance of implementing sound fiscal policies and structural reforms to mitigate the impact of the budget deficit on Hungary's economy and ensure its financial sustainability in the long term.

As for Syria, it can be said that since the year 2000, the Syrian government has followed a financial plan to reduce the deficit, and this intellectual controversy appeared significantly after the preparation of the tenth five-year plan 2006-2010. Therefore, measuring the development of the current deficit will take place since the year 2000, especially since before that, the common images for measuring the general budget deficit were Until the mid-eighties of the last century, the state's deficit is the ratio of

¹¹ See <https://www.worlddata.info/europe/hungary/debt.php>, (last visited 14 March, 2024)

the state's deficit to the state's public expenditures and not to the gross domestic product. The average general budget deficit amounted to about 61 billion Syrian pounds during the period (2005) to (2012), then it rose to 400 billion in 2011. We note the average general budget deficit between these years is 4.75. However, due to the Syrian war, we note that the deficit percentage increased significantly in 2012 to 63 percent and reached 41 percent in 2020.¹²

As we note in Syria and Hungary, there is confusion in the deficit levels, which is mainly related to an increase in public spending, but why is this spending gradually increasing and negatively affecting the deficit?

It can be said that there are **several real reasons for this increase**, the most important of which is, of course, the **economic reasons** represented by the increase in national income, the expansion of the establishment of public projects, and scientific and technological progress. In Syria, for example, between the years 2005 - 2010, which was the period of economic prosperity in Syria, the proportion of investment expenditures reached 32% of the total expenditures.¹³ In Hungary. For example, after joining the European Union, all member states, including Hungary, were

¹² State General Budget Acts, §39, No. 39, Acts of Parliament, 2005; §76, No. 76, Acts of Parliament, 2009; §52, No. 52, Acts of Parliament, 2006; §63, No. 63, Acts of Parliament, 2007; §32, No. 32, Acts of Parliament, 2008; §37, No. 37, Acts of Parliament, 2009; §38, No. 38, Acts of Parliament, 2010; §27, No. 27, Acts of Parliament, 2011; §35, No. 35, Acts of Parliament, 2012; §25, No. 25, Acts of Parliament, 2013; §43, No. 43, Acts of Parliament, 2015; §24, No. 24, Acts of Parliament, 2016; §34, No. 34, Acts of Parliament, 2017; §44, No. 44, Acts of Parliament, 2018; §25, No. 25, Acts of Parliament, 2019; §23, No. 23, Acts of Parliament, 2020 (SYR)

¹³ Mohamad kiki, The budget Deficit in Syria during the period 2005-2012 - Causes and methods of financing and ways to reduce it, research gate, https://www.researchgate.net/publication/339488235_jz_almwaznt_alamt_ll_dwlt_fy_swryt_khlal_alftrt_2005-2012_-asbabh_wtrq_tmwylh_wsbl_tkhfydh-_The_budget_Deficit_in_Syria_during_the_period_2005-2012_-_Causes_and_methods_of_financing_and_ways_to_reduce_, (last visited 15 March, 2024).

required to pay financial contributions to the Union's budget, which is determined every seven years, equivalent to 1% of the gross national income of the member states combined.¹⁴

It's important to consider the social reasons that contribute to the increase in state expenditures. One of the most significant reasons for this increase is the state's economic and social development. As the state's economic role has expanded, its social role has also grown in various aspects of life. Consequently, the state has increased its social expenses to achieve balance and ensure social security. This includes increasing the standard of living for low-income groups by providing social security expenditures aimed at addressing poverty, disease, disability, unemployment, and old age. Additionally, the government pays for expenditures in sectors such as health, education, transportation, communications, and others to fulfill its social responsibilities.

In Syria, the appropriations allocated by the government for social support reached 386 billion Syrian pounds in the 2012 budget, i.e. 41% of the size of the budget, which is a very large amount, and in Hungary in 2021.¹⁵ Government spending on education increased until it reached 5% of the domestic product, especially after the great damage that befell the education sector after the COVID-19 epidemic.¹⁶

¹⁴ HUNGARY IS PREPARED TO INCREASE ITS CONTRIBUTION TO EU BUDGET, <https://eu.mfa.gov.hu/eng/news/hungary-is-prepared-to-increase-its-contribution-to-eu-budget>, (last visited 15 March 2024).

¹⁵ Mohamad kiki, the budget Deficit in Syria during the period 2005-2012 - Causes and methods of financing and ways to reduce it, research gate, https://www.researchgate.net/publication/339488235_jz_almwaznt_alamt_ll_dwlt_fy_swryt_khlal_alftrt_2005-2012_-asbah_wtrq_tmwylh_wsbl_tkhfydh-_The_budget_Deficit_in_Syria_during_the_period_2005-2012_-_Causes_and_methods_of_financing_and_ways_to_reduce_, (last visited 15 March, 2024).

¹⁶ See <https://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS?end=2021&locat>

One of the main reasons for the failure to increase public revenues is the inefficiency of the tax system. This issue arises due to various factors, and since the majority of the state's financial resources come from taxes, the problem is often attributed to inadequate tax collection or the structure of the tax system itself. The primary problem is the stagnation of the tax system. Many countries rely on taxes to finance economic development, but their tax systems are not advanced enough to meet the needs of this development. Most of these systems are outdated and do not keep pace with changes in income,¹⁷ such as the tax system in Syria, which is based on Law No. 24 of 2003, a set of old systems that were adopted at different times and from different sources. These systems were not written clearly and concisely, which led to differing interpretations and explanations and increased tax evasion. As a result, the tax system has lost its effectiveness and is no longer responsive to modern financial needs and purposes.¹⁸

4. STRATEGIES FOR FINANCING THE GENERAL BUDGET DEFICIT

As we mentioned previously, increasing public expenditures requires increasing public revenues, and with the difficulty of increasing public revenues, especially tax revenues, due to their negative economic and social effects, a financial deficit appears in the general budget, forcing the government to use other sources of income to finance this deficit. This financing is done through several strategies, such as local financing as bank financing, new currency denominations, changing financial policy or following a privatization policy, and external financing such as foreign loans.

[ions=HU&start=2021&view=bar](#), (last visited 14 March, 2024)

¹⁷ Hassan Awada, Abdel Raouf Qtesh, Public Finance, Budget, Taxes, and Fees, Comparative Knowledge 418, (Dar Al-Khuloud 1995).

¹⁸ Nada Hdewe, Value Added Tax and its Impact on Economics and Society in Syria, 13 (PhD thesis: Damascus University 2014).

4.1. Local financing

4.1.1. New currency denominations

The new money issue - as a method of financing public expenditures - means “the creation of an additional quantity of money

It is transferred to the state, to be used to finance its public expenditures, which exceed what it obtains from other sources of revenue.”¹⁹

The state can issue new cash by borrowing from the central bank, or Borrowing from commercial banks, which is called deposit money.

Countries frequently resort to issuing new cash, including Syria, which relies heavily on internal financing of the deficit with loans from the Central Bank and the expansion of credit granted by the banking system. Given that the Central Bank does not have the necessary reserves for financing, it resorts to issuing new banknotes and settling the government’s debt with legislative instruments.²⁰

4.1.2. Financial policy legislation

The most important axes of financial policies proposed by the International Monetary Fund’s alignment programs to address financial imbalances in developing countries are represented in

¹⁹ Eli H. Remolona, *Financing the Budget Deficit in the Philippines*, 1 Philippine Institute for Development Studies-Working Paper, 3 (2004).

²⁰ Mohamad kiki, The budget Deficit in Syria during the period 2005-2012 - Causes and methods of financing and ways to reduce it, research gate, https://www.researchgate.net/publication/339488235_jz_almwaznt_alamt_ll_dwlt_fy_swryt_khlal_alftrt_2005-2012_-asbabh_wtrq_tmwylh_wsbl_tkhfydh-_The_budget_Deficit_in_Syria_during_the_period_2005-2012_-_Causes_and_methods_of_financing_and_ways_to_reduce_, (last visited 15 March, 2024).

several main ways, the most important of which are

Taking some legal and economic measures to control public expenditures or try to reduce this deficit. In Hungary, the ruling party relied on local sources of funding after assuming power. As a result, they focused on strengthening local projects and increasing citizens' participation in public forces through reforms. The government also introduced several legal measures, including a flexible labor law, to boost employment opportunities. The education system was reformed to provide vocational training for adolescents, aligning with the national labor market. Additionally, social benefits were restricted, and the government implemented the Public Works Plan.²¹

In Syria, there was a policy of reducing public expenditures, through a decrease in the ratio of public expenditures to gross domestic product to its lowest level during the period studied in 2008, where it reached 22.4 percent. ²²Social support was also reduced within the framework of reducing or rationalizing this support.

4.2. Tax reform policies and their role in treating financial imbalances

Tax reform policies are one of the most important axes of financial policies directed at treating the problem of the fiscal deficit in developing countries. This is due to the multiple shortcomings

3. ²¹ Hungary's unorthodox economic policies, <https://www.obserwatorfinansowy.pl/in-english/macro-economics/hungarys-unorthodox-economic-policies/>, (last visited 17 March 2024).

²² Mohamad kiki, The budget Deficit in Syria during the period 2005-2012 - Causes and methods of financing and ways to reduce it, research gate, https://www.researchgate.net/publication/339488235_jz_almwaznt_alamt_ll_dwlt_fy_swryt_khlal_alftrt_2005-2012_-asababh_wtrq_tmwylh_wsbl_tkhfydh-The_budget_Deficit_in_Syria_during_the_period_2005-2012_-_Causes_and_methods_of_financing_and_ways_to_reduce_, (last visited 15 March, 2024).

that characterize the tax systems and their existing structures in most countries, especially developing ones, which results in little tax effort.

Hence, converting actual tax energy into potential energy is the strategic goal of the proposed tax reform policies to address financial imbalances in general and the general budget deficit in particular.

Hungary has a long history of amending its tax legislation, arguably beginning already in 1988 and increasing following Hungary's accession to the European Union and its increasing commitment to harmonizing its tax system in line with EU directives.

In 1988, a personal income tax was introduced that applies to foreign and domestic income. Initially, this tax was progressive, meaning that those who earned more income paid a higher percentage of their income in taxes. However, this tax did not generate significant revenues for the Hungarian treasury due to several disadvantages. To address these concerns, the number of personal income tax rates was gradually reduced until it became a flat tax in 2011.

In order to motivate its citizens to enter the labor market and boost its economy,²³ Hungary reduced tax rates on basic income and the comprehensive income tax (CIT), and imposed a flat tax rate of 16%, which was later reduced to 15% while granting several exemptions.

Early in the transition period, the Hungarian legislature enacted Law No. 5 on Value Added Tax and Law No. 9 on Corporate Profit

²³ Hungary's unorthodox economic policies, <https://www.obserwatorfinansowy.pl/in-english/macroeconomics/hungarys-unorthodox-economic-policies/>, (last visited 17 March 2024).

Tax, all of which became effective on 1 January 1988. Hungarian VAT was implemented on an ad valorem basis.²⁴

In Syria, due to the ongoing budget deficit, the Syrian government adopted a policy of increasing its financial revenues through some tax amendments, such as

In 2009, the minimum limits for tax and wage exemptions were raised, and the maximum tax rate on individual income was raised from 20% to 22%. Reference prices and customs duties were introduced that vary according to the country of origin to provide protection from unfair trade practices.

The government issued a lot of tax legislation that burdened people with limited income and concealed it from economically powerful taxpayers, the most important of which are amending the consumer spending limit,²⁵ amending the income tax law,²⁶ amending real estate sales income taxes,²⁷ as well as abolishing the machinery tax on factories and canceling the stamp duty on incorporation contracts for large companies.

We see that while both countries have implemented tax reforms to address financial imbalances, Hungary's approach seems more strategic and focused on long-term economic growth, while Syria's reforms appear more ad hoc and aimed at immediate revenue generation.

4.3. Borrowing policy to pay off the general budget deficit

The general loan was defined as; “Money borrowed by the state

²⁴ Katie Karnosh, *the evolution of the Hungarian Tax System*, 6 IIP Research Paper University of Chicago Law School, 3-4 (2019).

²⁵ Legal Decree No. 80, General Authority for Taxes and Fees, 2005 (SYR).

²⁶ Legal Decree No. 51, General Authority for Taxes and Fees, 2006 (SYR).

²⁷ Legal Decree No. 52, General Authority for Taxes and Fees, 2006 (SYR).

from individuals, or from national private institutions, foreign institutions, or international institutions, to increase their financial revenues instead of imposing taxes,²⁸ and most countries suffer from deficits due to lending, such as Hungary, the United States, and developing countries as well.

Keynesian thought is a supporter of public loans and considers them a real source of public revenue. The loan, like the tax, constitutes a deduction of part of the purchasing power of the lenders, and then its burden falls on the present generation, which subscribed to this loan.²⁹

Public loans come in many forms, but the two most important types are external and internal public debt.³⁰ Internal public debt refers to the total amount of money that the government borrows from individuals and institutions, as well as from the non-banking finance and banking systems. In exchange for this borrowing, the government issues public debt instruments that are subscribed to in the local market and are priced in the national currency.³¹ As for external it is very common, especially among developing countries. They resort to it to finance their general budget deficit by borrowing from a legal entity residing outside the country or a foreign government due to many scientific economic crises or poor economic policy within the country itself.³²

²⁸ [Government borrowing](https://www.britannica.com/money/government-budget/The-budgetary-process), <https://www.britannica.com/money/government-budget/The-budgetary-process>, (last visited 18 March 2024).

²⁹ Phelps, Edmund, Public Debt: My Dissent from “Keynesian” Theories, 5 J. Gov. Econ, 2 (2022).

³⁰ Government borrowing, <https://www.britannica.com/money/government-budget/The-budgetary-process>, (last visited 18 March 2024).

³¹ Ali Kiki, The relationship between the general budget deficit and the current account deficit in Syria, master’s thesis in economics 38 (faculty of economics in Aleppo 2016).

³² Ali Kiki, The relationship between the general budget deficit and the current account deficit in Syria, master’s thesis in economics 40 (faculty of economics in Aleppo 2016).

Hungary's journey with public debt management dates back to its transition to a market economy in the early 1990s. The country has faced challenges in stabilizing its public finances, resulting in the accumulation of significant levels of debt. Hungary's public debt averaged 74.1% of GDP in the decade ending 2022, much higher than the Eastern European average of 32.5% of GDP. In 2022, the public debt in Hungary reached 73.9% of the total public debt³³, and in general, in the past two decades the public debt has always high, so when the Orban government took power, one of its primary goals was to reduce the budget deficit and external debt through several strategies for managing public debt,³⁴ the most important of which is

To support debt reduction, the legislation mandates budget adjustments if the central government debt exceeds 50% of GDP. EU membership requires reducing general government debt that exceeds 60% of GDP annually. To reduce external vulnerabilities, it is essential to decrease the share of foreign currency-denominated public debt to acceptable levels. Gradually reducing reliance on external investors, who typically prefer foreign currency-denominated debt, and lowering the target range for the share of foreign currency-denominated central government debt to 10-20% is also crucial. Hedging non-euro foreign currency-denominated debt by swapping it into euros can help mitigate risks. To enhance the domestic investor base, the focus should be on attracting smaller retail investors to increase domestic financing of public debt. Encouraging longer-term investment by minimizing early sell-offs of retail securities by retail primary

³³ Public Debt in Hungary, <https://www.focus-economics.com/country-indicator/hungary/public-debt/>, (last visited 20 March 2024).

³⁴ *Hungary's unorthodox economic policies*, <https://www.obserwatorfinansowy.pl/in-english/macro-economics/hungarys-unorthodox-economic-policies/>, (last visited 17 March 2024).

dealers can also be beneficial.³⁵

As for Syria, the government reduced its reliance on external borrowing to finance the general budget deficit. When reviewing the data, we notice that the average ratio of external public debt or external financing to the budget deficit during the period between 2005-2010 does not exceed 21%, and this is a small number in relation to the ratio of internal public debt. Which amounted to 71% on average during the same period.

Overall, Hungary's approach to debt management appears more strategic and proactive, with a focus on reducing external vulnerabilities and strengthening domestic financing sources. By setting clear goals and implementing targeted measures, Hungary has taken important steps towards addressing its budget deficit and promoting long-term economic stability. Although Syria is relying on national financing for the deficit, it is completely dependent on the Central Bank of Syria to finance the deficit, and this reflects the weakness of the financial policy followed.

5. CONCLUSION

Managing general budget deficits remains a complex and challenging endeavor for governments around the world. While each country faces unique economic circumstances and policy constraints, the overarching goal of achieving fiscal sustainability remains paramount. Through a combination of prudent fiscal management, structural reforms, and targeted policy interventions, governments can mitigate the adverse effects of budget deficits and promote long-term economic stability.

Despite the differences in approaches observed among various

³⁵ International Monetary Fund, Hungary selected issues, 385 IMF Publ. erv, 45 (2019).

countries, the overarching objective of reducing deficits and fostering sustainable economic growth unites policymakers worldwide. As we move forward, governments must remain vigilant in their efforts to address budget deficits, adapt to changing economic realities, and prioritize the well-being of their citizens. By doing so, they can lay the groundwork for a more prosperous and resilient future for generations to come.

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