

Public Finance

The kingdom of Saudi Arabia was established in the year 1747 by a ruler known as Mohammed Bin Sand. The Al-sand family ruled the Arabian Peninsula in the 19th century, but in 1902, Abdul Aziz Abdul Rahman Al-sand took the reign over the country. The economic resources of Saudi Arabia were mining petroleum products; the country exported them further on to international markets. Saudi Arabia had the largest petroleum reserves in the world then. The petroleum sector accounts took about 75% of the country's budget revenues. It contributed to about 40% of the gross domestic product of the economy and 90% of the export earnings of the country. About 4 million workers were engaged in the country's mining industries and contributed to the growth of the economy, which raised, consequently, their living standards. In 2000, the oil prices remained stable, but there were suggestions that the members of Oil Petroleum and Exporting Countries (OPEC) together with the international companies would increase the prices of petroleum products, since there was a considerable lack of commodities due to depletion of oil wells. Thus, the country faced stiff competition from international countries that produced the same commodity.

The government of Saudi Arabia experienced a budget deficit of \$47.5 million because it planned to increase the spending on children education. The rest of the money was to be spent on the most essential social problems that affected the company. In 1999, the government announced its plans to privatize the electricity companies and the telecommunications company in order to increase its investments and the country's income.

The country experienced an increased oil production from 0.3 million barrels of oil per day in 2005 to the amount of about 1.1 million barrels of oil per day in 2009 according to its budget. As the rates of the oil production increased, the country

encouraged its management to develop programs that would ensure the increase of the revenue and improve the economic status of the country. The programs were used to facilitate the increase of the government expenditure in order to develop the infrastructure of the company, which would enhance the production of goods and services that would in their turn facilitate the growth of the economy. The government raised the wages and pensions of the employees to increase their living standards and facilitate productivity among the employees of the country. The government expenditures were classified into three types, namely: the government consumption, the government investment and the government borrowing. The government consumption referred to the purchase of goods and services for current use of the government. The government expenditure referred to the expenditure that was intended to create future benefits to an organization and the country in general. The transfer payments were the expenditures that did not relate to the purchase of goods and services represented, and were used to pay for the social security.

The constitutional monarchy of the United Kingdom decreased the public sector spending that is the government spending of taxes. The annual spending of government expenditure on infrastructure grew by £29 million in 2006. The government expenditure levels in United States grew because of the activities that were carried out by the federal state and the local governments. The United States of America derived its revenue from three areas, namely, the local sources, the state and the federal aid. The sources of revenue were the income tax, the sales tax and property taxes. The local government authorities relied mostly on the intergovernmental transfer taxes, property taxes, charges that covered the cost of services provided for the charges and the miscellaneous income from the states. The other revenue sources were income and sales taxes.

The government of Saudi Arabia derived its revenue by selling petroleum products to foreign countries. The oil reserves of Saudi Arabia were discovered by an American geologist in the year 1930. The oil production in the country brought about increased economic development, which resulted in the increase of the returns for the country. The country joined other members of the World Trade Organization to increase the market volume of the oil in the foreign countries. The money earned by selling oil improved the living standards of the country residents; the economy of the country increased.

The Saudi Arabian budget was presented to the parliament by the Council of Ministers. It focused on the expanding in the infrastructure of Saudi Arabia with the help of an increased production of oil, which, in its turn, restored the country's economy. The budget contained the following expenditure details in the following areas: education and work force development would increase from SR 105 billion up to SR 8.3 billion on the budgeted figure of 2007. The funding would consist of putting up 2074 new schools, seven technical institutes for girls and 16 vocational training centers. The budget would consist of expenditure of health and social affairs, whereby SR 44.4 billion would be allocated to meet this expenditure. The 13% of the finance would be used to finance eight new hospitals and 250 primary care centers. The budget finance would also be used to finance water, agriculture and infrastructure by 15% at SR 28.5 billion. The transportation and telecommunication would receive SR16.4 billion to facilitate the construction of the road network, which made 24,000 kilometers by then. The government of Saudi Arabian budget derived revenue of SR 450 billion with 85% of revenue being derived from the production of oil in the country. The price for oil barrel was budgeted to be at \$45 for the Saudi Arabia oil as compared to \$49 barrel of oil

within the World Trade Organization. The production of 9.1 million liters of oil per day would be enough to meet the demand for oil in that financial year.

America's budget for the year 2008 reached the amount of \$2.9 trillion. The budget was issued by the office of management and contained the president's budget message, information about the president's budget proposals for the given fiscal year and other budgetary publications that would be used throughout the fiscal year. The activities that the government intended to achieve during the year were about the United States economic revenue projections, discretionary spending and the mandatory spending, which would address the issue of the impact of deficit spending in the country as well.

The population of Saudi Arabia was small, which led to the increase of gross domestic product of the country, since few people consumed the commodities in that country. The government of Saudi Arabia offered its residents services such as medical care, sickness and maternity care, child care, pensions, unemployment benefits and in some cases housing and disability benefits. The government did not provide state pension schemes to the foreign expatriates of the country, although certain state institutions and some international schemes were used as saving plans for the residents of the country. Since they made small contributions, with help of the government's resolution, they could use these contributions to cater for the health of the employees and be used to finance the employees during their retirement period. Many companies offered a variety of pension schemes that were either based on lump sums and others supported by regular savings of the employees.

The pension plans in the United States of America were drawn over 100 years ago, although most people did not collect their contributions due to the regulations that were attached to the schemes. The pension benefit Guaranty Corporation (PBGC) was

a federal agency whose responsibility was to protect the current and future retirees who were now over 44 million (Kandarian, 2003). The corporation issued traditional or defined benefits plans. The plans were drawn in such a way that an employee or employer representatives contributed to an investment fund, whereby the managers made promises to pay all employees their vested benefits when they attained the retirement age (Salisbury, 1993). The workers' benefit was determined by the formula that was based on earnings and the length of service. The benefits were paid on a monthly basis, while the others were paid on annuity or lump sum basis. The Pension Benefit Guaranty Corp was a finance company that played significant role of an insurance agency. It derived its income through collecting premiums that were contributed by the employees of different companies in the country (Lindeman, 1993). The pension Benefit Guaranty Corporation invested its finances in the financial markets such as the fixed-income funds. As a result, by 2008 it had funds about \$35. The company did not receive any tax dollars, but it was not supported by the government. Thus, the company faced financial difficulties, which means that the enterprise is not in a position to generate returns that would improve the performance of the company.

References

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