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EDITORIAL EJAFB
THE COST OF PUBLIC DEBT, THE CREDIT CRUNCH, AND THE EVICTION EFFECT ON THE REAL ECONOMY

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In modern economies, public debt is not in itself an anomaly, but rather a tool for financing development, used with caution and integrated into a coherent macroeconomic strategy. In Romania, however, the accelerated dynamics of public debt, combined with the sharp increase in the cost of financing, has turned this instrument into a major source of systemic vulnerability. The effects are felt beyond the public budget, manifesting themselves strongly through the credit crunch and an increasingly visible crowding-out effect on the real economy.

The increase in yields on government borrowing reflects the deterioration in risk perception and the lack of a credible fiscal trajectory. When the state ends up competing aggressively with the private sector for available financial resources, the market mechanism works predictably: capital flows to the debtor considered implicitly guaranteed, even if yields are high. Banks prefer to finance public debt rather than lend to the real economy, as the risk-return ratio is clearly favorable to government bonds.

From a financial perspective, this phenomenon of eviction has profound consequences for companies, especially small and medium-sized enterprises. Access to credit becomes limited, costly, and conditional on excessive guarantees. Investment projects are postponed or abandoned, not because of a lack of economic opportunities, but because of a lack of sustainable financing. In this context, economic growth is structurally hampered and productivity remains low.

For households, the rising cost of credit translates into higher rates, lower consumption, and increased financial vulnerability. Debt and arrears indicators signal growing pressure on the population, fueled by inflation and stagnant real incomes. Thus, public debt, although apparently a problem for the state, is directly transmitted to the deterioration of the private sector's financial balance.

At the macroeconomic level, the use of debt to finance current expenditure, especially rigid and unproductive expenditure, amplifies existing imbalances. Interest payments are becoming an increasingly important component of budget expenditure, reducing the fiscal space for public investments with a high multiplier effect. In the absence of investments in infrastructure, education, and digitalization, the economy enters a vicious circle: weak growth, insufficient budget revenues, and new loans at higher costs.

From a public accounting perspective, this dynamic raises issues of intertemporal sustainability. Transferring the financial burden to future generations without creating corresponding public assets undermines the principle of intergenerational equity. Debt ceases to be an instrument of development and becomes a mechanism for postponing inevitable adjustments.

The way out of this impasse cannot be achieved through ad hoc measures or by overtaxing private capital. A profound recalibration of fiscal policy is needed, geared towards reducing waste, prioritizing investment and restoring budgetary credibility. Only in such a framework can monetary policy once again become an ally of growth, and the financial system can resume its essential role of intermediating capital to the real economy.

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