Published by the decision of the Scientific Council
of Khachatur Abovian
Armenian State Pedagogical University

Department of Philosophy and Logic
named after Academician Georg Brutian

W I S D O M

4(24), 2022

WISDOM is covered in Clarivate Analytics' Emerging Sources Citation Index service

ASPU Publication

YEREVAN – 2022

DOI: 10.24234/wisdom.v24i4.945

THE PHILOSOPHY OF EXTERNAL PUBLIC DEBT MANAGEMENT

Ashot MATEVOSYAN [1,*] | Ani GRIGORYAN [1]

1 Armenian State University of Economics, Yerevan, Armenia

* *Correspondence*
Ani GRIGORYAN, Shengavit, Nor Kharbert 2 st., home 6, Yerevan 0014, Armenia
E-mail: anigrigoryan176@gmail.com

Abstract: The main goal of the presented article is to propose effective solutions in the philosophical context of the management of the foreign public debt of RA. The Government of the RA should adopt as a priority the philosophy of attracting borrowed funds from the domestic market.

Considering also the fact that the Republic of Armenia relied on the philosophy of ensuring double-digit economic growth, having a long-term goal to increase the real GDP indicator, which will ultimately contribute to reducing the volume of debt obligations. As a priority contributing to this goal, the RA Government intends to significantly increase the volume of trade turnover[1], especially in connection with the current geopolitical situation, when Armenia, in particular, is the "gateway of Europe" for Russia, which is the main trading partner.

Keywords: debt, government, governance, funds, domestic, foreign, economic growth.

Introduction

In spite of the different philosophical accounts of debt, a constant element runs throughout the debt literature as an uninterrupted thread, namely that debt repayment is conceived as a fundamental obligation, one that the debtor cannot and should not circumvent without costs. Indeed, the act of non-repayment does not only mark the transgression of a contract, which is punishable by law, but also and foremost the betrayal of a promise, which is something morally wrong (Kant, 2002). In this reading, the inability of giving back what is owed necessarily entails a slip down the moral ladder (Stefanutti, 2020).

Debt has become a paramount topic of discussion and controversy in recent times, fuelled by the financial crisis of 2008 and the different episodes of the sovereign debt crisis in Europe, above all involving Greece. This has produced a great deal of commentaries, economic analyses, and journalistic polemics from all sides of the political spectrum. Yet despite this profusion of discourse, it still proves difficult to seize the exact contours of the problem. Debt affects both the most isolated individuals and the most powerful states, it is equally a matter of "cold" economic rationality and the "hottest" emotions and

[1] In 2021, major trading partners of the RA included Russia from the CIS countries (31.4% of trade turnover, compared to 30.6% of the previous year), and from the EU and other countries China (15% and 13.5%, respectively), Iran (6.0% and 5.6 %), Switzerland (4.6% and 6.6%), Germany (3.5% and 4.2%), Italy (3.4% and 3.3%), Bulgaria (2.7% and 2.4%) and the Netherlands (2.7% and 1.8%). Source: RA Ministry of Finance www.minfin.am.

moral judgments, it appears at once as the most empirical thing with the hardest material consequences and as a mysterious, ethereal, abstract, and purely speculative entity (the unreal product of financial "speculation"). The concept of indebtedness not only characterizes an increasingly universal economic predicament, but also defines a form of subjectivity central to our present condition (Santner & Schuster, 2016).

In this context, studying the debt problem, we discuss various aspects on which various approaches of well-known theorists have been formed.

Alexander Douglas careful reflections – historical, semantic, logical and practical – suggest that the 'obvious' point of view is at best misleading and at worse pernicious, especially in a global economic system that is in its essence dependent on government-managed debt.

Douglas looks at debt in the ancient world, with its pattern of high interest loans to subsistence farmers in times of crisis (war, drought etc.), leading to loss of possessions (and thus earning-potential) and the sale of family members into various forms of slavery. He also notes the need for periodic amnesties (like the Biblical Jubilee) where debts were cancelled and slaves returned to their families, not simply as a matter of justice, but in order to prevent revolution. Out of this experience – the exploitation of the poor in forcing them to borrow to survive a crisis beyond their control (forced debt) – springs the ancient condemnation of usury, from the criticisms of Aristotle to the censures of medieval church councils. Here there is very limited evidence for the common utility of the institution of debt, and thus limited grounds for any absolute moral obligation to pay in full all interest-based loans.

Sometimes usury does allow for idle savings to be put to good uses. But sometimes it allows them to be put to *bad* uses. Chief among the latter is the activity of rich usurers, with savings to spare, lending to the very poor at rates that ultimately ensure that they will end up even poorer. The very poor will nevertheless take the loans on these terms out of desperation.

Thus debt as an institution is morally ambivalent. Clearly there is a good, mutually beneficial set of debt-related practices. But we cannot insist on an absolute obligation to pay debts, without considering the quality and effects of all debt-related activity in society at large.

Douglas goes on to an apparent digression on money. In fact, this discussion establishes the unique role of sovereign government in the social web of debt, production and social security, which derives from the nature of money.

In 1931 it came as a surprise to the British government to discover that it could come off the gold standard without the pound collapsing. But, says Douglas (2016a), "Only when the gold promise ceased to be honored did the explanation become clear: the paper notes themselves were acceptable for tax payments, and this gave them a value of their own, independent of their redeemability for anything else" (p. 164). This has radical consequences for the way we think about government debt

Materials and Methods

As is the case with all economic concepts, and when setting goals in the process of public debt management, there is still no consensus among economists. However, according to one of the most common points of view, the main goal of public debt management is to minimize the cost of servicing it and, as a result, the state receives loans on the most favorable terms. In this case, the mechanism of public debt management is quite simple, since the state at the stage of economic recovery tries not to take long-term loans whenever possible, so that in the future you do not have to pay for them amounts with high nominal interest rates. Therefore, in order to avoid this during an economic downturn, the government of this country takes the opposite actions, that is, sets a goal to attract new loans by increasing the terms of debt obligations, mainly in the form of long-term loans (Rusyaykina, 2001)

Local and foreign literature, scientific publications of well-known researchers interested in the problem were the research basis for the researchers.

The authors used the scientific analytical method as a research method, emphasizing the tools of generalized philosophical conclusions.

Literature Review

"Philosophy of Economics" consists of inquiries concerning (a) rational choice, (b) the evaluation of economic outcomes, institutions and processes, and (c) the ontology of economic phenomena and the possibilities of acquiring knowledge of them. Although these inquiries overlap in many ways, it is useful to divide philosophy of economics in this way into three subject matters which can be regarded respectively as branches of action theory, ethics (or normative social and political philosophy), and philosophy of science. Economic theories of rationality, welfare, and social choice defend substantive philosophical theses often informed by relevant philosophical literature and of evident interest to those interested in action theory, philosophical psychology, and social and political philosophy. Economics is of particular interest to those interested in epistemology and philosophy of science both because of its detailed peculiarities and because it possesses many of the overt features of the natural sciences, while its object consists of social phenomena (Philosophy of Economics, 2003/2018).

In practice, the amount of debt may increase or be subject to adjustments if the financial system continues to operate as a result. .For debt in circulation to keep increasing, the amount of demands for loans must keep increasing. This, in turn, presupposes an unsustainable and environmentally damaging rate of economic growth. At the same time, if the government wants money it too must borrow, so that a portion of taxes are used to pay interest owed to the banks. Many do continue to wonder why the government does not change the system and find a way of creating money itself. The answer usually offered (amongst the few that consider these matters) is the temptation would be there for those in power to use the money to meet their debts and pledges and buy votes, etc., with the result that hard-won trust in money would soon dissipate (Douglas, 2016b).

It is also worth noting that when debt reaches a certain level, foreign investors and creditors become more cautious about investments, which undermines economic growth (Makaryan & Hayrapetian, 2021).

Finance and philosophy may seem to be worlds apart. But they share at least one common ancestor: Thales of Miletus. Thales is typically regarded as the first philosopher, but he was also a financial innovator. He appears to have been what we would now call an option trader. He predicted that next year's olive harvest would be good, and therefore paid a small amount of money to the owners of olive presses for the right to the next year's use. When the harvest turned out to be as good as predicted, Thales earned a sizable amount of money by renting out the presses (Aristotle, 1984).

Coins have largely been replaced by either paper or electronic money, and we have built a large infrastructure to facilitate transactions of money and other financial assets - with elements including commercial banks, central banks, insurance companies, stock exchanges, and investment funds. This institutional multiplicity is due to concerted efforts of both private and public agents, as well as innovations in financial economics and in the financial industry (Shiller, 2012).

Our ethical and political sensitivities have also changed in several respects. It seems fair to say that most traditional ethicists held a very negative attitude towards financial activities. Think, for example, of Jesus' cleansing of the temple from moneylenders, and the widespread condemnation of money as "the root of all evil". Attitudes in this regard seem to have softened over time. However, the moral debate continues to recur, especially in connection with large scandals and crises within finance, the largest such crisis in recent memory of course being the global financial crisis of 2008 (Philosophy of Money and Finance, 2018).

In particular, the COVID-19 pandemic, which followed the financial crisis, created new challenges in the global economic system, further aggravating the costs of countries, measures to overcome which are still being implemented.

Take the first question: why should I pay my debts? It's easy to be tempted by simple answers, such as 'because I said I would', 'because I owe it to my creditor' or 'because it's just the right thing to do'. Yet although these answers make legal sense, they don't quite work philosophically-speaking. They all sound like universal principles, but the obligation to repay debts is a very particular thing, depending on the particulars of the case.

Debt and duty – despite having roots in the same word (the Latin, *debitum*) – are not always the same thing. Paying debts is of course the right thing to do, but not always. What we need is an explanation of why it is usually the right thing to do – universal principles won't do the trick (Douglas, 2019).

The State has the task of determining the juridical framework within which economic affairs are to be conducted, and thus of safeguarding the prerequisites of a free economy, which presumes a certain equality between the parties, such that one party would not be so powerful as to reduce the other to subservience.

Economics understood in abstraction ... is not just an academic error: it actually dismantles the walls of the home. Appealing to the market as an independent authority ... has meant in many contexts over the last few decades a ruinous legacy for heavily indebted countries, large-scale and costly social disruption even in developed economies; and, most recently, the extraordinary phenomena of a financial trading world in which the marketing of toxic debt became the driver of money-making – until the bluffs were all called at the same time.

There have been many remarkable anthropological and sociological studies of debt and related institutions. Philosophy can contribute to the ensuing discussion and help us to keep our language precise and discover the implicit principles contained in our intuitions (Douglas, 2015).

According to B. A. Heifetz (n.d.) public debt is broadly characterized as outstanding financial obligations of the state and its authorized body in relation to residents and non-residents M. Fedosov, L. D. Buryak and D. D. Butakov believe that "public debt is the amount of outstanding debt obligations on domestic government loans, as well as the amount of financial obligations of the country to foreign creditors at a certain point in time" (Fedoov et al., 1991). According to K. McConnell and L. Bryu (1992) "the public debt is the size of the positive balance of the state budget and the deficit". J. Dolan, D. Campbell, J. Campbell. believe that the public debt is the accumulated amount of budget deficits over previous years (Dolan et al., 1994).

In the explanatory economic dictionary, public debt is interpreted as the total amount of debt owed by the government of a country to the owners of securities, equal to the amount of the budget deficit in the past, minus the budget surplus (Kirakosyan, 1999, pp. 342-343). Another approach defines that the public debt is the size of the state's internal and external obligations to its creditors (Avetisyan, 2001).

The above definitions are summarized in the Law of the Republic of Armenia "On public debt", according to which the state debt is the sum of the debt of the Government and the debt of the Central Bank. The components of public debt are domestic public debt, external public debt and government guarantees (RA Law on State Debt, 2008, article 5, article 6).

In principle, we can agree with the above definitions of public debt, which have almost the same meaning. At the same time, they emphasize two circumstances: the mechanism of the formation of public debt and the formulation of public debt. It can be concluded that the definitions presented in the professional literature, together with their philosophical concepts, are not sufficiently holistic and can be supplemented taking into account the peculiarities of the formation of public debt and how diversified its impact on the economy are. We believe that public debt is the result of financial relations, when temporarily available funds as a result of borrowing from the private sector or from abroad are transferred to the state budget (Vardanyan et al., 2021).

The past half century has witnessed the emergence of a large literature on economic methodology, presenting many methodological approaches and conclusions that apply to many schools and branches of economics. Much of the literature has focused primarily on the fundamental theory of economics, namely the theory of equilibrium resulting from bounded rational individual choice, but macroeconomics is of enormous importance in determining the appropriate responses to the recession since 2008 in the daily work of economists, coupled with the rapidly increasing role of empirical and experimental research, finding responses in methodological inquiries (Backhouse & Fontaine, 2010).

Reinhart, Rogoff and Savastano (2003) studied the cycles of capital flows to developing countries over the past two hundred years and came to the conclusion that debtors and creditors change, however, the nature of the cycles has remained the same over time. When interest rates and stock profitability are low and liquidity is high, investors look elsewhere for high profitability. At such times, it is easy for developing country governments to raise funds from external sources, which they do. But history has shown that for many countries, raising debt leads to insolvency.

A history of multiple defaults suggests that large capital inflows to such countries end in insolvency. According to these authors, the acceptable upper limit of public debt is specific for each country and depends on the history of previous defaults and the history of inflation.

Table 1.

The History of Defaults of European Countries until the 20th Century
(Kyurumyan, 2014, p. 53)

		1501-1800 years of defaults		1801-1900 years of defaults	Total
	Quantity		Quantity		
Spain	6	1557,1575,1607,1627,1647	7	1820,1831,1834,1851,1867, 1872,1882	13
France	8	1558,1624,1648,1661,1701,1715, 1770,1788	-	-	8
Portugal	1	1560	5	1837,1841,1845,1852,1890	6
Germany	1	1683	5	1807,1812,1813,1814,1850	6
Austria	-	-	5	1802,1805,18611,1816,1868	5
Greece	-	-	4	1826,1843,1860,1893	4
Bulgaria	-	-	2	1886,1891	2
Poland	-	-	1	1814	1
Russia	-	-	1	1839	1
Total	16		30		46

Public debts are high and rising. And the world worries. Academic economists worry that the “long-term trend in debt accumulation seems inconsistent with [these] theories of optimal government debt policies” (Yared, 2019). Portfolio managers and financial regulators worry about the shrinking universe of safe assets, excessive risk-taking, and the corresponding threats to financial stability. International financial institutions worry that if history is any guide, (e.g. Sandleris, 2016) current debt levels likely carry the seeds of future trouble involving some painful combination of sovereign default, high inflation, and financial collapse (Debrun et al., 2019).

In the case of some debt-intolerant countries, its maximum permissible volume does not exceed 15 percent of GDP. According to Reinhart, Rogoff and Savastano, knowing the level of debt intolerance is important for making decisions on the stability and restructuring of debt, the integration of capital markets and the volumes of funds raised from external sources to mitigate the effects of the crisis.

Eden, Kraay and Qian (2012) studied 118 cases of default and 282 cases of foreign investment expropriation by 172 countries in 1970-2004 and concluded that although defaults and expropriations occur in the same countries in the long run, they do not in the short run. In only five cases, these events occurred in the same year. Defaults are more likely to occur after periods of rapid debt accumulation when economic growth is low.

Bi, Shen and Yang (2014) examined the effects of fiscal consolidation and government spending under different levels of debt burden and found that fiscal consolidation has a negative effect on GDP. In cases of high debt burdens, increased government spending pushes the economy closer to fiscal policy limits, increasing risk and the associated premium that investors overlook, as well as the likelihood of default. With high debt burdens, the expansionary effect of government spending growth is smaller than with low debt burdens and may increase the probability of default.

According to Stiglitz, the costs associated with servicing the public debt of a number of developing countries exceeded twenty-five percent of exports (Stiglitz, 2002) and even fifty (Stiglitz, 2007). Stiglitz also refers to the so-called “odious” debt provided for political purposes during the Cold War, and expresses the opinion that nations should not pay for these loans instead of the enriched ruling administration, and creditors themselves should take into account the possibility of losing their money in such cases. Today, the citizens of Chile continue to pay the debts taken by the Pinochet government, the citizens of the South African Republic continue to pay the apartheid debts, until recently, Argentina was still paying off debts incurred to finance a “dirty war” waged against its own people by the junta that seized power in 1976-83, during which nearly 30,000 Argentinians went missing. The legislative acts of Lebanon and Tunisia determine the maximum relative amount of public debt (as a percentage of GDP), and the legislation of Zambia sets the maximum absolute amount of debt (World Bank, 2007). In a number of countries, such as Bulgaria, Colombia, Costa Rica, Croatia, Indonesia, Lebanon, Sri Lanka and Tunisia, the maximum limit on the amount of debt that can be raised is set in the state budget laws. The laws of Bulgaria, Colombia, Croatia, Pakistan and Tunisia limit the maximum annual amounts of guarantees provided by the state (Kyurumyan, 2014).

For example, studying the current debt problem of China, we consider it important to note that the debt of local governments is subjected to a special analysis.

The current local government debt problem in China has a long history, there are many problems, and the potential risks are enormous. Therefore, the Chinese central government and its subordinate governments are required to grasp the essence of local government debt problems, and based on their own functions, adopt effective measures to gradually resolve the debt problem and further reduce the local government debt risk. The reasons for the local government debt in China, such as the mismatch between the local government’s power and financial resources, the concept of political achievements, and the rule of law and the rule of law reform of the financial market mechanism all take time. It needs to take into account the applicability of the current Chinese fiscal system; it is necessary to carry out a slow experimental trial and error to get a better solution, and the current economic situation of each province adopts a soft landing method to gradually carry out governance.

In the international community, the financial risk management mechanism generally adopts a quantitative management model. Then, on basis of quantification, according to the overall economic development of the country, a “linear indicator system” is established, and a “warning signal” with visual significance is also used. “Lights to monitor the current debt size”. When a debt problem arises, effective measures can be taken to monitor the debt at the first time. However, China’s current debt situation is relatively complicated, and there are many kinds of debts, and most of them are still in the form of implicit debt. Even if they have corresponding management measures and systems, they are subject to various objective conditions for local governments. The constraints cannot be perfected like the international community, in order to monitor and warn government debts (Zou, 2019).

According to a report from the Jubilee Debt Campaign, there are currently 24 countries facing a full-blown debt crisis, with 14 more on the verge. Globally, there is about $200 trillion of debt on the books (Kalantari & Sholes, 2019).

Although the poor and disenfranchised of the world play no role in negotiating these loans, in debt crises they usually end up paying the price. So when a country borrows money, who or what is the “economic agent” responsible for taking on the debt? Can traditional economic theory explain why we face debt crises and how we can get out of them? Or do we need a new economic model that dispels some of the myths of the traditional model and offers a more ethical solution to the global debt crisis? (Kalantari & Sholes, 2019).

The goal of minimizing the cost of servicing the public debt J. Tobin complements the issue of currency stabilization (dram, currency), believing that only such debt management can be beneficial for the state. At the same time, J. Tobin (1963) supports this point of view also because, in his opinion, it is impossible to clearly distinguish between the spheres of public debt management and monetary policy, as well as the activity spheres of the Central Bank and the Treasury.

The definition of the goal of public debt management by Keynesians has received various interpretations. According to these theorists, the public debt was considered as a factor in achieving and maintaining economic stability, therefore, in this case, the public debt management policy is aimed at improving the efficiency of the economic incentive system (Hansen, 1997). In this case, the costs associated with interest payments on the public debt are minimized until, so far, it contributes to the stabilization of the economy. That is, the state at the stage of economic recovery should mainly issue long-term obligations, which, in turn, is due to an increase in the interest rate and investment demand. But during an economic downturn, based on judgments about the stabilization of the economy, it is necessary to issue short-term loans to compensate for excess liquidity (Bayadyan & Markosyan, 2014).

The Philosophy of RA Public Debt Management in Recent Years

As known, the main blow of the global financial and economic crisis occurred in 2009, which began with the US mortgage market, and then spread to the whole world. By some estimates, the crisis was the deepest since the Great Depression of the 1930s. The crisis affected all countries, including the Republic of Armenia. Neither the country's government nor the private sectors were prepared for this unprecedented crisis. In such circumstances, sound debt management plays an important role in process of public sector financial management. This obtains more importance for countries with small and open economies, when the domestic economy has limited resources, and the government is forced to raise debt to implement a fiscal policy conducive to economic growth.

Therefore, in such a situation, the government should be sure that the borrowing policy in the future will not lead to an unstable situation, will not increase financing costs to an unacceptable and extreme level, or will not make the country vulnerable to the development of the external world. This requires the implementation of an effective debt management system, which under favorable conditions can reduce negative impacts and mitigate potential risks (Chinaryan, 2012).

It is worth noting that during the last financial and economic crisis, almost all especially developed countries had to conduct an unprecedented stimulating economic policy in order to revive their economies... As a result, for example, in the USA and many countries of the European Union, the public debt crossed the threshold of 100% of GDP, and the monetary policy interest rate reached the zero lower limit[2].

[2] The European Central Bank reduced the asset purchase program from September 2018 and stopped it completely at the end of the year.

The economic and political reasons for increasing government debt are well understood and instruments have been deployed at both the national and the EU level, to stop and possibly revert the upward trend. However, results have been mixed at best. There are countries who have followed and will continue to follow a prudent course of action and thus manage to keep government debt comparatively low or broadly stable. At the same time, there are quite a few countries who, for a number of reasons, did not manage to keep government debt from growing relative to GDP.

The economic and political reasons for increasing government debt are well understood and instruments have been deployed at both the national and the EU level, to stop and possibly revert the upward trend. However, results have been mixed at best. There are countries who have 26 followed and will continue to follow a prudent course of action and thus manage(d) to keep government debt comparatively low or broadly stable. At the same time, there are quite a few countries who, for a number of reasons, did not manage to keep government debt from growing relative to GDP (Larch, 2022).

With the aim of an adequate response of the RA to economic developments in 2020 and in the medium term, the following priorities were set for fiscal policy (Government Debt Strategy, 2020):

1. Anti-circuit policy. In accordance with the system of fiscal rules in 2020 fiscal policy will be an incentive to counteract the economic shock caused by the outbreak of the COVID-19 pandemic and the imposed economic restrictions. And starting from 2021, fiscal policy will have a neutral orientation.
2. Stimulating long-term economic growth. Fiscal policy in 2020 will deviate from the "golden rule" of state finances, which requires that the volume of government borrowings in a given year should not exceed the volume of state investments, and current expenses should be covered by own revenues. From 2021, fiscal policy will return to the "Golden Rule". Under the "Golden Rule", increasing the role of capital expenditures directed to state infrastructures will allow to promote long-term economic growth and ensure the stability of the state debt in the long run due to GDP growth.

3. Maintaining financial and debt stability. The reduction of tax revenues of the state budget in the context of the COVID-19 pandemic and the growth of current expenditures and lending to the economy due to anti-crisis actions will lead to a significant deviation of the debt burden of the RA Government from the threshold of 50% in the GDP. In the medium term, the objective of fiscal policy is to smoothly reduce the debt burden to 54.7% (Statistical Data (2022), and then to ensure the government debt burden reduction target of 50% of GDP in the following years.

Conclusion

The overwhelming majority of scientific publications on external public debt management refer to quantitative analyzes of the latter. Despite the fact that the results of such an analysis indicate possible scenarios of debt policy pursued in the future by politicians and performers, as well as possible obstacles associated with them, nevertheless, it is necessary to conduct a qualitative analysis to interpret the effectiveness of the use of borrowed funds, and also indicate the most effective directions of using them.

However, as in many countries, in RA as well, from the point of view of universal philosophical understanding, there is still a strong need to increase the effectiveness of debt policy implementation.

In the article, based on the conclusions arising from the conducted scientific research, the authors made the following accents:

1. to introduce the need for a qualitative analysis of the external public debt management strategy in combination with the basic data of quantitative indicators;
2. the need for legislative corrections on other indicators, in particular, the ratio of domestic public debt / GDP, the ratio of domestic public debt / external public debt, as well as the establishment of maximum thresholds for the above indicators, taking as a basis the indicators recorded in previous years;
3. to increase the provision of accountability and transparency of information on the direction of use and the direction of attraction of external public debt.
4. As known, the external state debt is involved in order to finance certain investment projects. We believe that ensuring the accountability of the used funds will also help ensure that the debt funds involved in the legislation are addressed to the specific investment program.
5. Taking into account the prototypes of Eurobonds issued by RA in the international capital market in recent years and the directions of their use, it is allowed to emphasize that in the structure of the RA state debt, the debt denominated in foreign currency is a predominant part, and also the directions of use of the involved funds do not correspond to capital-creating directions.
6. We consider it necessary to emphasize that the implementation of a stimulating policy aimed at issuing and purchasing government Treasury bonds on the domestic market by the RA Government in the long term may significantly weaken the share of debt quoted in the currency existing in the structure of the RA government debt. The latter is considered quite risky, since in the context of debt management it increases the risks of refinancing and the exchange rate.

Thus, despite the fact that in 2008 the RA Government managed to overcome the challenges caused by the financial and economic crisis, since it did not have a very high level of public debt, nevertheless, in the current situation, when the debt-to-GDP ratio in 2020 was 63.5%[3], exceeding the threshold set by the RA legislation in 60%, additional global shocks caused by the current geopolitical situation, the irreducible high level of debt can have an extremely negative impact on the financial and economic system of the RA.

Due to the continuous growth of the state debt, the authors emphasize the urgency of additional multilateral analyses, in the context of ensuring the consistency of the decisions of the RA Government on the injection of foreign state debt and the addressability of the policy adopted and implemented by the latter.

[3] As of December 31, 2020, the debt of the RA government exceeded 60% of GDP, making 63.5%. Based on the presented RA fiscal rules, it is planned to implement fiscal consolidation, reducing the government's debt from 60% of GDP by 2026.

References

Aristotle (1984). Politics. In *The complete works of Aristotle.* (Book 1, section1252a). Princeton University Press. Retrieved October 10, 2022, from http://www.perseus.tufts.edu/hopper/text?doc=urn:cts:greekLit:tlg0086.tlg035.perseus-eng1

Avetisyan, I. A. (2001). *Osnovy finansovogo menedzhmenta na makrourovne (voprosy teorii i metodologii): uchebnoye posobiye dlya vuzov* (Avetisyan, I. A. Fundamentals of financial management at the macro level (Questions of theory and methodology) textbook for universities, in Russian). (1st ed.). Vologda. Retrieved October 10, 2022, from https://cyberleninka.ru/article/n/byudzhetnyy-menedzhment-suschnost-istoriya-i-problemy-sovershenstvovaniya-v-sovremennoy-rossii/viewer

Backhouse, R., & Fontaine P. (Eds.) (2010). *The unsocial social science? Economics and neighboring disciplines since 1945*. Durham, NC: Duke University Press.

Bayadyan, A., & Markosyan, H. (2014). *Petakan partqi karavarman npataknery & dra karavarman himnakhndirnery* (The goals of public debt management and the issues of its regulation, in Armenian). *Social-tntesakan zargacman ardi himnaxndirnery Hayastani Hanrapetutyunum (Current Issues of Socio-Economic Development in the Republic of Armenia, in Armenian)*, *1*, 45-49. Retrieved October 10, 2022, from https://arar.sci.am/dlibra/publication/280667/edition/257694/content

Bi, Huixin, Shen, Wenyi, & Yang, Shu-Chun. (2014, March). Fiscal limits, external debt, and fiscal policy in developing countries. *IMF Working Paper 14/49*.

Chinaryan, V. (2012). *Petakan partqy & dra karavarman himnaxndirnery* (State debt and its management issues, in Armenian). *National Academy of Sciences of the Republic of Armenia Current issues of socio-economic development in the Republic of Armenia, 2,* 106-109. Retrieved October 10, 2022, from https://arar.sci.am/dlibra/publication/280508/edition/257543/content

Debrun, X., Ostry, J., Willems, T., & Wyplosz, Ch. (2019). *The art of assessing public debt sustainability: Relevance, simplicity, transparenc*. Retrieved October 10, 2022, from https://cepr.org/voxeu/columns/art-assessing-public-debt-sustainability-relevance-simplicity-transparency

Dolan, E. D., Campbell, C. D., & Campbell, R. J. (1994). *Den'gi, bankovskoye delo i denezhno-kreditnaya politika* (Money, banking and monetary policy, in Russian). Saint Petersburg: Saint Petersburg orchestra.

Douglas, A. (2016b). The philosophy of debt. *The Philosophers Magazine*, 43-44. doi: 10.5840/tpm20167223. Retrieved October 10, 2022, from https://www.researchgate.net/publication/296687370_The_philosophy_of_debt

Douglas, A. X. (2015). *The philosophy of debt*. London: Routledge. https://doi.org/10.4324/9781315681009. Retrieved October 10, 2022, from https://www.taylorfrancis.com/books/mono/10.4324/9781315681009/philosophy-debt-alexander-douglas

Douglas, A. X. (2016a). *The philosophy of debt*. Routledge. Retrieved October 3, 2022, from https://www.thinkingfaith.org/articles/philosophy-debt

Douglas, A. X. (2019). *What do I owe? The philosophy of debt*. Retrieved October 10, 2022, from https://www.iwoca.co.uk/insights/philosophy-of-debt-part-one/

Eden, M., Kraay, A., & Qian, R. (2012). Sovereign defaults and expropriations: empirical regularities. *The World Bank Policy Research Working Paper 6218*. https://ideas.repec.org/p/wbk/wbrwps/6218.html

Fedoov, V. M., Buryak, L. D., & Butakov, D. D. (1991). *Gosudarstwennye finansy* (State finances, in Russian). (V. M. Fedosova, S. Ya. Ogorodnik, & V. N. Sutormina, Eds.). A manual for students of economic universities and faculty. Kyiv: Lybid, Public finance Proc. Retrieved October 10, 2022, from https://kneu.edu.ua/ua/science_kneu/%20scientific_schools/spf/spf_praci/spf_prazi/

gosfin/

Government Debt Strategy (2020). *Ministry of finance of the Republic of Armenia.* Retrieved October 3, 2022 from https://www.minfin.am/en/page/strategy/

Hayastani Hanrapetut'yan orenqy petakan partqi masin (RA Law on State Debt, in Armenian) (2008). Retrieved October 10, 2022, https://www.arlis.am/documentview.aspx?docid=119085

Heifetz, B. A. (n.d.). *Gosudarstvennyi dolg* (Public debt, in Russian). In *Bol'shaya rossiiskaya entsiklopediya* (Great Russian encyclopedia, in Russian). Retrieves October 3, 2022, from https://bigenc.ru/economics/text/2373368

Kalantari, Sh., & Sholes, I. (2019). *The ethics of debt*. Retrieved October 10, 2022, from https://www.philosophytalk.org/shows/ethics-debt

Kant, I. (2002). *Groundwork for the metaphysics of morals.* (A. W. Wood, Trans.). New Haven: Yale University Press.

Khansen, E. (1997). *Ekonomicheskiye tsikly i natsional'nyy dokhod: Klassiki keynsianstva* (Economic cycles and national income. Keynesian Classics, in Russian) (in 2 vols.). Moscow: Economics. Retrieved October 10, 2022, from http://digamo.free.fr/beaudos97.pdf

Kirakosyan, G. E., Ghushchyan, H. B., & Tigranyan, I. T. (1999). *Tntesagitakan bats'atrakan bararan* (Economic explanatory dictionary, in Armenian). Yerevan: Economist.

Kyurumyan, A. (2014). *Petakan partqi karavarman veraberyal verjin tarinerin yndunac' qaghaqakan voroshumnery & dranc hetevanqnery* (Thepolicy decisions and consequenceson public debt management in recent years, in Armenian). Retrieved October 10, 2022, from https://www.osf.am/wp-content/uploads/2014/04/Debt-Managment_Artak-Kyurumyan.pdf

Larch, M. (2022). *The (un) sustainability of public debt: The elusive reality of an intuittive concept.* Retrieved October 10, 2022, from https://www.coleurope.eu/sites/default/files/research-paper/BEERpaper_41%20Larch%205%20April.pdf

Makaryan, A., & Hayrapetian, A. (2021). *Petakan partqi shemajin cucanishnery. Mijazgayin hetazotutyunner & hajkakan irakanut'jun* (State debt threshold indicators. International research and armenian reality, in Armenian). *Proceedings of the Armenian State University of Economics,* 49-64. doi: 10.52174/1829-0280_2021_4_49. Retrieved October 10, 2022, from https://arar.sci.am/dlibra/publication/321590/edition/294748/content

McConnell K. R., & Bryu S. L. (1992). *Ekonomika: printsipy, problemy i politika* (Economics: Principles, problems and policies, in Russian). (2 vols.). Moscow: 1992 The Republic.

Philosophy of Economics (2003/2018). In *Stanford encyclopedia of philosophy*. Retrieved October 3, 2022 from https://plato.stanford.edu/entries/economics/

Philosophy of Money and Finance (2018). In *Stanford encyclopedia of philosophy*. Retrieved October 3, 2022 from https://plato.stanford.edu/entries/money-finance/

Reinhart, C. M., Rogoff, K. S., & Savastano, M. A. (2003). Debt intolerance. *National bureau of economic research*. *Working Paper 9908*. doi: 10.3386/w9908. Retrieved October 10, 2022, from http://www.nber.org/papers/w9908

Rusyaykina, A. M. (2001). *Upravleniye gosudarstvennym dolgom* (Public debt management, in Russian). Penza. Retrieved October 10, 2022, from https://search.rsl.ru/ru/record/01000727745

Sandleris, G. (2016). The costs of sovereign defaults: Theory and empirical evidence. *Economia, 16*(2), 1-27.

Santner, E., & Schuster, A. (2016-2017, Autumn). *The debt drive: Philosophy, psychoanalysis, neoliberalism*. University of Chicago. Retrieved October 3, 2022, from https://english.uchicago.edu/courses/debt-drive-philosophy-psychoanalysis-neoliberalism

Shiller, R. J., (2012). *Finance and the good society*. Princeton: Princeton University Press.

Statistical Data (2022). Statistical Committee of the Republic of Armenia. Retrieved

October 3, 2022 from https://www.-armstat.am/en/

Stefanutti, S. (2020). Of the philosophy of debt: In search of the relationship between debts and duties. *Scenari, 1*(13), 99-118. https://doi.org/10.7413/2420891-4074

Stiglitz, J. E. (2002). *Globalization and its discontent*. W. W. Norton and company.

Stiglitz, J. E. (2007). *Making the globalization work*. W. W. Norton and company.

Tobin, J. (1963). *An essay on principles of debt management*. New York: Cowles Foundation for Research in Economics at Yale University.

Vardanyan, K., Avagyan, G., & Karapetyan, N. (2021). *Petakan partqi karavarman & tntesakan achi vra partqi azdecut'yan veraberyal tesut'yunneri & empiric hetazotut'yunneri ardyunqneri meknabanum* (The analysis of theory and empirical evidence on public debt management and impact on economic growth, in Armenian). *Hanrayin Karavarum (Public Administration, in Armenian), 1,* 116-129. Retrieved October 10, 2022, from https://paara.am/wp-content/uploads/2012/06/qnarik-vardanyan-gayane-avagyan.pdf

World Bank (2007). *Managing public debt: From diagnostics to reform implementation*. Retrieved October 3, 2022 from https://documents.worldbank.org/en/publication/documents-reports/document-detail/998331468331268053/managing-public-debt-from-diagnostics-to-reform-implementation

Yared, P (2019). Rising government debt: Causes and solutions for a decades-old trend. *Journal of Economic Perspectives, 33*(2), 115-140.

Zou, F. (2019). Analysis and research on local government debt problems in China. *Modern Economy, 10,* 188-197. https://doi.org/10.4236/me.2019.101013