National Debt

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Introduction

Debt management is a critical aspect of the financial stability of a nation or a corporation. It is a task that many stakeholders find daunting to approach. Dealing with debts requires approaching various aspects of finances with a broad effect. Debt management practices can significantly vary from a stable to a weak economy affected by volatile changing aspects of socioeconomic growth. Many approaches to debt management lead to various forms of results which might be constructive or damaging. However, in debt management, governments take different trajectories to reach optimal results when compared with corporations.

Contrasting Government and Corporate Debt Management Approaches

The major aspect of debt management within the context of national governance relate to fiscal planning. Governments create a budget each fiscal year, which profoundly guides their financial decision-making process (Hodula & Melecký, 2020). On the other hand, corporates use budgets which might be fiscal or otherwise edited each year. The corporate budgets enable the firms to stick to an effective decision-making criterion (Ransom, 2010). For instance, in dealing with debt, a corporate president may update the budget and prioritize repayment of debts that have a high interest.

A national government may also embark on a monetary policy that informs its macroeconomic goals. It generally monitors supply, demand, liquidity, and other aspects of debt handling, such as reducing interest rates. Low-interest rates contribute to high demand, supply, and flow of goods and services. Associated policies make citizens inclined to borrow, and this increases expenditure. This strategy cannot be adopted in the corporate world.

Other modalities to handling debts in the national government pertain to issuing of bonds. This makes the government earn from interest rates (Hodula & Melecký, 2020). Governments like corporates may also cut down expenditure to minimize costs. When corporates consider the approach, they cut down overhead costs to increase performance in investment (Ransom, 2010). This allows them to manage debts by repayment better and optimize profit margins.

Another aspect adopted in the national government to deal with debts pertains to increasing tax dues. Although this method may not be much effective, it makes a government gain more funds from high taxes (Hodula & Melecký, 2020). Corporate presidents, on the other hand, may resort to customer incentives to increase business activity. For instance, using discounts in purchases, rewarding buyers, et cetera may improve business performance.

Conclusion

In a nutshell, both corporates and national governments adopt diverse modes of handling debts. These strategies such as minimizing costs, increasing taxes, monetary policies, business incentives, et cetera are affected by various issues about economic statuses. Further, navigating the hurdles of business debt is a critical prospect of financial management that should be approached with many factors in mind (Hodula & Melecký, 2020). This should lead to the best combination of approaches that do not eventually compromise debt management practice.

References

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