Fiscal Reforms in a Country's Competitiveness Development: The Case Study of Slovakia

Chapter · January 2018

DOI: 10.4018/978-1-5225-3856-1.ch014

3 authors:

Maria Janošková (Antošová)
Technical University of Kosice, Slovakia - Technická univerzita v Košiciach

Adriana Csikosova
Technical University of Kosice - Technicka univerzita v Kosiciach

Katarina Culkova
Technical University of Kosice - Technicka univerzita v Kosiciach

Economic Reforms for Global Competitiveness

Denis Ushakov
International College Suan Sunandha Rajabhat University, Thailand & Russian Academy of National Economy and Public Administration–South, Russia

A volume in the Advances in Finance, Accounting, and Economics (AFAE) Book Series

IGI Global
DISSEMINATOR OF KNOWLEDGE

Published in the United States of America by IGI
Global
Business Science Reference (an imprint of IGI Global) 701 E.
Chocolate Avenue
Hershey PA, USA 17033 Tel:
717-533-8845
Fax: 717-533-8661
E-mail: cust@igi-global.com
Web site: http://www.igi-global.com

Library of Congress Cataloging-in-Publication Data

Names: Ushakov, D. S. (Denis Sergeevich) editor.
Title: Economic reforms for global competitiveness / Denis Ushakov, editor.
Description: Hershey : Business Science Reference, [2017]
Identifiers: LCCN 2017022463| ISBN 9781522538561 (hardcover) | ISBN 9781522538578 (ebook)
Subjects: LCSH: Economic policy. | Competition. | Globalization--Social aspects.
Classification: LCC HD87 .E2624 2017 | DDC 338.6/048--dc23 LC record available at https://lccn.loc.gov/2017022463

This book is published in the IGI Global book series Advances in Finance, Accounting, and Economics (AFAE) (ISSN: 2327-5677; eISSN: 2327-5685)

British Cataloguing in Publication Data
A Cataloguing in Publication record for this book is available from the British Library.

For electronic access to this publication, please contact: eresources@igi-global.com.

Chapter 14
Fiscal Reforms in a Country's Competitiveness Development: The Case Study of Slovakia

Mária Janošková
Technical University of Košice, Slovakia

Adriana Csikósová
Technical University of Košice, Slovakia

Katarína Čulková
Technical University of Košice, Slovakia

ABSTRACT

The chapter attention is given to fiscal reforms in Slovakia. Reform measurements and their impact on the state budget have been investigated in selected areas of the economy. Reforms are always lively discussed issue. On the one hand, they are reasoned by expert arguments, but also by political ideas and emotions. On the other hand, we must see that the reforms affect all citizens, mainly children, students, workers, unemployed and pensioners. The chapter contains a brief overview of the most important reforms in the years 2002-2006 as well as preliminary impacts on the economy, inhabitants and public finances. The aim of this chapter is to describe the fiscal reforms in Slovakia, to bring close principles that were behind the changes and to evaluate their influence on the country's competitiveness. The aim is to show how economic policy and reforms have changed the socio-economic model in Slovakia and what results it has brought.

INTRODUCTION

Slovakia is small, opened economy. Due to the number 5,4 million inhabitants it presents smallest country in V4-Visegrad (Poland, Czech Republic, Hungary, Slovakia), from the view of economic level Slovakia is approximately at level of Czech Republic, behind Hungary and Poland. GDP rate is created by private sector – 91,3%, high openness is characterized also by 157,1% rate of foreign trade turnover on GDP.

DOI: 10.4018/978-1-5225-3856-1.ch014

Data, according which 13% of inhabitants in Slovakia has after social transfer's income lower than 60% of median, include also influence of reforms, all changes, including tax and social reform. It speaks about deep structural reform that was done in Slovakia in 2002-2006, which did not lead to considerable increasing of income differentiation. But as a whole they led demonstrably to higher dynamics of economy and by this way also to creation of assumption for higher growth of wages, standard of living and employment. Year 2004 started improving of situation for majority of inhabitants in Slovakia, which is confirmed also in final consumption of households that in 2004 increased by 3.5%.

CONCLUSION

One of the key problems in reform process in every country is its political throughput. Problem is mainly that reforms mean change and people are afraid of changes and they refuse the change. It is similar in the world, in spite in some countries it is applied less or more. Change by itself means uncertainty, caused by new conditions, without regard to its real impacts. Reforms are most common connected with high costs (from short term view), as well as revenues. It leads not only to worry from reforms, and to their refusing, but also to the fact that consequences of reforms (mainly social) are perceived by public more negatively in comparing with reality. It is confirmed also in experiences from Slovakia. Major opinion in Slovakia was that reforms were rather necessary and basically also made properly, but „there were not sensible from the view of social area, yet unbearable". According some opinions they mean too high burden for inhabitants, with negative impact mostly to the lower income groups. But reality is and also was rather different – it is confirmed also by data of trend of real wage growth, which means also growth of standard of living for inhabitants to 2006.

ACKNOWLEDGMENT

Contribution is partial result of projects solving VEGA MŠVVaŠ SR 1/0310/16 and 1/0461/17.

REFERENCES

Afonso, A., & Sousa, R. M. (2012). The macroeconomic effects of fiscal policy. *Applied Economics*, *44*(34), 4439–4454. doi:10.1080/00036846.2011.591732

Agnello, L., & Sousa, R. M. (2014). How does fiscal consolidation impact on income inequality? *Review of Income and Wealth*, *60*(4), 702–726.

Alesina, A., Ardagna, S., Perotti, R., & Schiantarelli, F. (2002). Fiscal policy, profits, and investment. *The American Economic Review*, *92*(3), 571–589. doi:10.1257/00028280260136255

Andersen, T. M., & Spange, M. (2006). International interdependencies in fiscal stabilization policies. *European Economic Review*, *50*(5), 1169–1195. doi:10.1016/j.euroecorev.2005.03.001

Beblavý, M. (2007). *Social Reform and Labour Market Reform.* Academic Press.

Beetsma, R. M. W. J., & Lans Bovenberg, A. (1998). Monetary union without fiscal coordination may discipline policymakers. *Journal of International Economics*, *45*(2), 239–258. doi:10.1016/S0022-1996(98)00031-2

Coman, A. N., & Coman, P. P. (2010). Ireland: An example of best practices in teh utilization of EU funds. *Amfiteatru Economics*, *12*(28), 661–674.

Convergence Program of Slovakia. (2006). Ministry of Finances SR. Retrieved November 11, 2016, from www.finance.gov.sk (in Slovak)

Csikósová, A., Antošová, M., & Čulková, K. (2014). *Strategic aspects of business in context of regional development*. Ostrava: VŠB-TU.

Čulková, K., Janošková, M., & Seňová, A. (2017). Development of chosen macroeconomic indicators influencing the competitiveness of V4 countries. *Actual Problems of Economics*, *3*(189), 42–49.

Dauderstädt, M.(2007). Increasing Europe'sprosperity. *Internationale Politik und Gesellschaft*, *1*, 28–46.

de-Córdoba, G. F., Pujolas, P. S., & Torres, J. L. (2017). Fiscal discipline and defaults. *Review of Economic Dynamics*, *24*, 1–13. doi:10.1016/j.red.2016.12.001

De Schoenmaker, S., Van Dauwenberge, P., & Vander Baunwhede, H. (2014). Effects of local fiscal policy on firm profitability. *Service Industries Journal*, *34*(16), 1289–1306. doi:10.1080/02642069.2014.942654

Eurostat. (1997). Retrieved from www.eurostat.com

First year of tax reform. (2005). *Economic analysis*. Ministry of Finances in Slovak. Retrieved November 16, 2016, from www.finance.gov.sk

Hasani, S. (2016). Fiscal and other measures undertaken by the government of Kosov for economic development. *Proceedings of 3rd International Conference on Education and Social Sciences*, 640-645.

Lenti, R. T. (2014). Italy and Janpa: How similar are they? A comparative analysis of politics, economics and international relations. The Italian Economy 1961-2010: From Economic "Miracle" to Decline. In Perspectives in Business Culture, (pp. 185-204). Academic Press.

Mikloš, I. (2005). *Book of reforms. How Slovakia obtained international recognition in economic area*. Bratislava: Ministry of Finances in Slovak. (in Slovak)

Program Declaration of Government of Slovakia, 2002, 2006.

Statistical Office of SR. (n.d.). Retrieved from www.statistics.sk

Tirelli, P., & Ferrara, M. (2017). Equitable fiscal consolidations. *Economic Modelling*, *61*(1), 207–223.

Velinov, A. (2015). Assessing fiscal policy sustainability: On the different states of the debt to GDP process. *Finanz-Archiv*, *71*(4), 415–439. doi:10.1628/001522115X14385891669733

Waters, J. J. (2013). Achieving world trad organization compliance for export processing zones while maintaining economic competitiveness for developing countries. *Duke Law Journal*, *63*(2), 481–524.

Zeyneloglu, I., & Koening, G. (2017). Recent economic developments and the implications for fiscal policy in open economy macroeconomics. *Revue dEconomie Politique*, *126*(6), 1023–1056. doi:10.3917/redp.266.1023

KEY TERMS AND CONDITIONS

Reform of Business Environment: Interest of state to improve environment for business, to simplify entering of inhabitants to the business area with assumption to support investment inflow and by this way also competitiveness of the economy.

Reform of Education: Transformation of traditional education to modern education in 21st Century, which will prepare together with whole life education people for life and work in condition of knowledge society.

Reform of Health Care: Process of health care transformation in the state, including health care insurance companies and health care institutions with goal to increase effectiveness in finances using, to increase quality of provided services, and to decrease corruption, etc.

Reform of Pension System: Process of system change for pension distributions with goal to establish merit of pension system by the way expected pension of individuals would reflect volume of contribution levy.

Reform of Public Administration: Process of relations among state / region / community and inhabitants by the way problems would be solved in place, where they can be solved most effectively, for example through change of administrative division of the state.

Reform of Public Finances Management: Process of changes in the system of public finances with goal to provide fluent and smooth financing of state´s functions and to increase transparency.

Reform of Social Benefits System: Process of introduced social system change in the state with goal to create flexible job market and to support employment growth.

Tax Reform: Process of rebuilding of tax system to structurally and principally other tax system, including changes of tax and legal norms and relations.