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

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3 authors:

Maria Janošková (Antošová)
Technical University of Kosice, Slovakia - Technická univerzita v Košiciach
113 PUBLICATIONS  261 CITATIONS

Adriana Csikosova
Technical University of Kosice - Technicka univerzita v Kosiciach
98 PUBLICATIONS  177 CITATIONS

Katarina Culkova
Technical University of Kosice - Technicka univerzita v Kosiciach
79 PUBLICATIONS  106 CITATIONS

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Project VEGA No 1/0270/08 - Návrh modelu znalostného manažmента v podniku a hodnotenia investícií do ľudského kapitálu, ako predpoklad zvýšenia konkurencieschopnosti subjektu / Suggestion of the model for knowledge management in the firm and investment evaluation to the human capital, as assumption of the subject competitiveness increasing View project

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Economic Reforms for Global Competitiveness

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

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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.

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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.

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REFERENCES


**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.