Public Revenues in the Bulgarian and the European Economy – Dynamics, Trends and Main Challenges

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Abstract: The world today and the contemporary economic system are characterized by two perspective trends – globalization and regional integration. For the past few years, we have also experienced a long-lasting economic crisis, which is spread all over the world. Taking into consideration the slow rate of economic growth, the necessity of public revenues’ optimization is even more tangible. In this respect, a topical issue is to what extent the balanced budget balance will be successful in achieving sustainable economic development and stable economic growth and in building a competitive economy.

In the present research the object of analysis are total public revenues and its subject – the dynamics, modern trends and main challenges concerning public revenues. The main goal is to evaluate the possibilities to optimize public revenues using comparative analysis between Bulgaria and the other new Member States of the European Union (Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia and Romania). The purpose is to justify the necessity of public revenue minimization and balancing the budget to the level ensuring the highest economic growth.

Keywords: public revenue; tax policy; government deficit; government surplus; economic growth.

1. Introduction

The discussion, concerning government participation in the economy, the amount of total public revenues and budget balance in order to maintain the balance between social justice and economic stability have been lasting for decades. The necessity of government participation in the economy as well as the using of taxes as fiscal instrument is tangible. Economic growth in global, regional and national aspect over the last years has been slow. This fact presents a real challenge concerning public finances and budget stability.
In conditions of global economic crisis the problem of maintaining no deficit budget becomes a question of present interest. This fact calls for new management of public revenues including accountancy, prognosis and transparency of the applied government policy. The increasing pressure on the possibilities of maintaining balanced budget requires efficient tax policy in order of achieving the laid economic, social and political goals. During the last years, when all of us are eye-witnesses of the global economic crisis, the implementation of adequate fiscal policy in order of achieving economic growth and stability as well as improving the individual well-being of the population is very important.

2. Dynamics of public revenues

The analysis of public activity is connected with the comparison of public revenues in the budget of the different European countries. The compared countries in the present research of the dynamics of public revenues are the new member states of the European Union: Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia (accepted in the EU on 01.05.2004) and Bulgaria and Romania (accepted in the EU on 01.01.2007). The aim is to compare the data for Bulgaria with the other member states of the EU, which were accepted to the Union during one and the same time period and have similar economic development. There is a comparison with the EU-15 as well as with all of the 28 member states of the Union.

The membership of the abovementioned countries in the European Union provides a possibility to collect sufficiently reliable and comparable data for the total public revenues. Thus we can get statistically significant results concerning the dynamics and tendencies of taxation policy. The analysis is based upon empiric data from the public electronic platform of the statistic department of EUROSTAT (http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics). Key condition to work out reliable empiric results is the fact that standardized statistical data are used. This gives us the possibility to make comparative analysis of public revenues during the period 2006 – 2015 as well as to compare the analyzed twelve countries in the European Union.

Detailed data on total public revenues in per cent of GDP of the analysed countries for the period 2006 – 2015 are given in Table 1. Tax revenues in the analyzed countries are identical and their average value is between 36% of GDP in Bulgaria, 34,3% in Lithuania, 39,3% in Malta, 38,1% in Cyprus, 38,9% in Estonia and 39,3% in Poland. In Romania and Slovenia public revenues are accordingly 33,4% and 43,7% of GDP. In the Czech Republic total public revenues are – 39,8%, in Latvia – 35,3%, and in Hungary is total public revenues’ maximum – the average value is 45,7% of GDP. The data from the same table show that the total public revenues in Bulgaria are exceptionally low (their average value is 36% of GDP). Bulgaria is on one of the last places among the analyzed countries. Public revenues in Bulgaria are on their minimum in year 2011, when they are only 32,1%. Tax revenues minimum is during the apogee of the world’s economic crisis. During all of the analyzed years, except year 2010 and year 2011, public revenues in Bulgaria are above 34% of GDP and in year 2007 and 2008 public revenues reach 38,5% of GDP. The highest average public revenues are in Hungary. During the last two years of the analyzed period
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they are above 47% of GDP. The lowest public revenues level is in Romania, as during year 2009 they reach their minimum – only 31.5% of GDP. As a whole, the value of the public revenues is constant during the analyzed ten years in all of the countries.

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The average value is author’s calculation
Notice: The given actual data is up to 31.03.2016.


Hungary is the country with highest public revenues during the whole period in the analyzed twelve European countries – 48.7% of GDP in year 2015 and 47.5% in year 2014. Our neighbor Romania is on the other pole: the average value of total public revenues is 33.4% of GDP. This fact can be explained with the peak of the global economic crisis. As we bear in mind that all of the revenues in the public budget decrease the available resources in the private sector, then this low degree of the Romanian public revenues may be evaluated as a positive economic policy.

It’s a clear fact, that in all of the new member states of the European Union, except in Hungary, total public revenues are lower in comparison with the EU-15 – 44.8% of GDP and in comparison with the European Union as a whole – 44.4% of GDP. Taking into consideration the fact that most of the empiric analyses prove that the progressive taxation scales and the seizure of resources from the private sector decrease the economic growth, it can be clearly said: the decrease of total public revenues in the national budget as a result of tax reduction will bring considerable benefits for the population of the new member states of the European Union.
As we analyze the data from the same table, it is obvious that public revenues in our country – 36% of GDP put Bulgaria to the last but one place among the analyzed twelve European countries. Public revenues in Bulgaria are above 35% of GDP during all of the analyzed countries except in year 2010 and 2012. The maximum of public revenues in Bulgaria is registered before the global economic crisis – in year 2007 and 2008, when they are 38,5% of GDP. During the last year, which is object of analysis, total public revenues in our country are also above 38% of GDP. This fact can be evaluated as a positive one if it is due to better efficiency connected with tax collection and the collection of the other social security contributions in the budget. As a whole the value of total public revenues in Bulgaria, during the analyzed ten year period, varies between 35,5 – 38,5% of GDP. Public revenue elasticity shows their sensitiveness with respect to the business cycle.

Figure 1 shows that during year 2015 comparing to year 2006, public revenues have increased in eleven of the analyzed twelve European countries, including in the EU – 28. The highest growth of public revenues is in Slovakia – with 7,7% of GDP and also in Hungary – with 6,4% of GDP. In the Czech Republic and in Estonia the share of public revenues in GDP grows accordingly with – 3,7% and 3,5%. The growth in Malta is with 2,2% and in Slovenia – 2,1% of GDP. In Romania and in Cyprus public revenues increase between 1 to 2% of GDP. In two of the Baltic States – Lithuania and Latvia total public revenues increase with less than 1%. Only one country of the analyzed twelve European countries has decreased the share of public revenues in GDP – this is Poland. The decrease in Poland is with 2,3% of GDP. Public revenues in the Bulgarian budget increase with 2,7% of GDP.

The situation concerning public revenues in the national budget of the analyzed twelve member states of the European Union hasn’t considerably changed during the
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analyzed ten year period. The share of public revenues as a per cent in GDP varies within narrow limits: between 30% and 40% of GDP. One remarkable fact is that the government of Hungary manages to gather revenues in the public budget, which are almost half of the whole GDP, produced in the Hungarian economy. Having in mind that public revenues are used for financing public spending, presumably public spending is also too high. Comparing the share of public revenues in GDP nowadays with their share at the beginning of the previous century, public revenues increase is around four time or 400%. At the beginning of the twentieth century the “biggest” government have had public revenues in the national budget around 10% of GDP (Tanzi, V., Schuknecht, L., 2000, p.51).

Having in mind that a lot of economic analyses prove, that high redistributive role of the government is a prerequisite for decrease of the real economic growth, than the conclusion is: public revenues of the analyzed twelve European countries are too high if they are not due to more efficient tax collection from the state and the local governments of every one of the European countries. This conclusion is proven by a research made by FilipPalda (Palda, F., 1997, pp. 189-206): the analysis states that equal decrease of public revenues and respectively taxes, as well as the financed through these public revenues public spending will bring considerable benefits to larger part of the population. According to the author the situation at the moment can be called “fiscal churning”, because those people who pay taxes are the same people who receive deferent kinds of social benefits from the government, e.g. people paying taxes and people receiving social benefits are one and the same people. Palda estimates, that the useless public spending and accordingly the unnecessary public revenues in the analyzed countries amount to several per cents of GDP of the relevant country.

3. Conclusion

The main conclusion from the completed comparative analysis of total public revenues in the twelve European countries is as follows: higher public revenues as a percentage of GDP, as well as progressive tax levels, do not guarantee the achievement of high real economic growth. Balanced budget and moderate public revenues as well as proportional tax scales will bring sustainable economic development and will guarantee higher economic growth.

The detailed analysis of the achieved results concerning the dynamics, trends and main challenges of public revenues (% of GDP) reveals the following tendencies:

Firstly. The increase in total tax revenues (% of GDP) hasn’t guaranteed the achievement of higher real economic growth in each of the analyzed twelve countries. More efficient collection of public revenues, especially taxes, is going to have a positive effect on the economic development;

Secondly. There is an obvious negative tendency concerning economic growth rate when progressive tax scales are applied. The neoliberal idea, concerning public revenues reduction through decrease of direct and indirect taxes can be applied in an adequate way in the analyzed twelve European countries;

Thirdly. The most important thing is each one of the analyzed countries to apply efficient tax policy and to maximize the amount of the collected taxes.
JAVNI PRIHODI U BUGARSKOJ I EVROPSKOJ PRIVREDI - DINAMIKA, TRENDOVI I GLAVNI IZAZOVI

Apstrakt: Svet danas i savremeni ekonomski sistem karakterišu dva trenda - globalizacija i regionalne integracija. U poslednjih nekoliko godina, smo takođe doživeli dugotrajnu ekonomsku krizu, koja se širi po celom svetu. Uzimajući u obzir sporu stopu ekonomskog rasta, potreba za optimizacijom javnih prihoda je još opipljiva. U tom smislu, aktualno je pitanje u kojoj meri će uravnotežen budžet biti uspešan u postizanju održivog ekonomskog razvoja i stabilanog privrednog rasta i u izgradnji konkurentne ekonomije.

U ovom istraživanju predmet analize su ukupni javni prihodi - dinamika, savremeni trendovi i glavni izazovi u vezi sa javnim prihodima. Glavni cilj je da se procene mogućnosti za optimizaciju javnih prihoda koristeći komparativnu analizu između Bugarske i drugih novih država članica Evropske unije (Kipar, Češka, Estonija, Mađarska, Letonija, Litvanija, Malta, Poljska, Slovačka, Slovenija i Rumunija ). Cilj je da se opravda neophodnost minimiziranja javnih prihoda i balansiranje budžeta na nivou koji obezbeđuje najveći ekonomski rast.

Ključne reči: javni prihodi, poreska politika, državni deficit, ekonomski rast.

References