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International Competition and Fiscal Differentiations under Democratic Conditions

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Abstract

In the relationships between nations invasions of foreign countries are becoming less relevant. Under US President Bush Iraq has been invaded, but already his successor Obama, assumed that sheer invading of countries nowadays appeared as something obsolescent, as it is opposed to the modern sentiment of democracy, spreading, either with nations or individuals. In the crisis-areas witnessed nowadays in Eastern Europe and in the Middle East the US tries still to solve the occurring problems, but doesn't want to deploy ground troops, to overshadow with local population, which would create the suspect of invasion, a break with the general democratic feeling. It is not sure if this concept is going always to work in practical terms, but the intention is clear: it is preferable for crises to be solved by the domestic population, with foreign mixing as less as possible. Such an attitude changes many things in the realm of international competition, which is therefore more and more shifted to the economic realm. Democratic view-points emerge also if we stare at the huge migrant flows, which are trying to abandon poor and badly administered countries, like some in the Middle East or the South of the World, heading to those with better economic standing, which stays in the center of ruler's preoccupations, like in Western Europe, or in the US, places those, where the Central Bank CEO is becoming almost more important than politicians. In such countries, an important issue is the fiscal standing, depending on the presence of Regional Groupings like the EZ (EUROZONE), offering the advantage of large markets and a common currency, a situation which in the US was realized already some hundreds years ago. But there are advantages and disadvantages of this new situation: the main disadvantage is emerging in the fiscal area. For a given nation, the membership in the EZ brings, for instance, to a loss of economic independence, as it has to stick to the rules imposed by the Grouping affiliation. In such a situation paramount becomes the importance of developing and growing enterprises. The advantage of the economic environment offered by EU (EUROPEAN UNION), EZ, or US for single enterprises is given by the wide market space offered to its striving and developing efforts, assessing its potential of growth. In the article the fiscal situation of various nations is studied and examples of companies are made, looking of confirmation for the theses expressed. Easy explanations for company success often defy common wisdom. The catchword "innovation" is nowadays very much preferred, but not all of the examples proposed are based principally on it. Some of the reasons for company success remain hidden to common rationality and are based on a mix of individual creativity, invention, application, genius, organization and planning.

Keywords: Relationship between countries, Globalization, Firm performance, The secrets of success

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1. Democratic governance and the Accumulation of Sovereign Debt

Democracy, i.e., “rule of people”, existed also in the past, but at that time it was a rather rare form of government, an example thereof being Classical Athens, where democratic decision making was restricted to the upper part of the city-state population (Kagan, 1998). In antique times democracy didn’t have a long endurance in time, like for instance it happened in ancient Rome, where republican democracy was substituted, under Caesar, and his nephew Augustus, by imperial ruling. As an asterisk in that connection, we can mention that the German name for “emperor”, “Kaiser”, derives directly from the personal name of the first would be emperor “Caesar”. (Dahlheim, 2013).

Democracy became more permanent in modern times, with the introduction of nationwide elections and the extension of media information and voting rights to the citizenry, nobody excluded. Democracy is contradictory to despotism, either domestic or foreign, this being the very reason why invasions are not in accord with nowadays feeling and evaluation of facts and deeds in the international policy realm. The domestic population feel invasions like foreign tyrannies.

In general, human beings long for democracy, as it consents even to the humblest of them, to have a say in running public affairs, the so called “res-publica”, which is important, if one doesn’t want to be confined to mere private dwelling. It is a form of government, which, I believe, is step-by-step spreading to the borders of the globe, even if with painful convulsions and convolutions, like we can witness every day. As a matter of fact, there are still nowadays many areas and population pockets, some of them even pretty sizable ones, where local policies resist to the advancement of democratic ways and behavior.

How can we judge if democracy is really present and functional in a given country (Bartels, 2008)? Its presence can be affirmed, if the entire population has the chance of electing representatives staying at government for the period forecast by law terms, plus descending from their positions at deadline. If such elements are lacking, the suspicion of undemocratic behavior becomes substantial.

But democratic governance has also its pitfalls, the main of them connected with the fact that incumbents, in order to be elected, make a lot of promises to would be voters, out of the real possibilities of a given country (Osterkamp, 2011). Such promises have a financial lapel, as almost everything what is realizable on earth is connected with some cost burden. In advance, it is difficult to establish the limit to which one can go with his promises, the trend very often being, especially in less experienced democracies, to advance vows, with the hidden idea, that after election it will be possible, somehow, to manage the occurrence for the best, counting also on the fact that populaces bear forgetful memories. In Italy, for instance, a former prime minister, in order to be elected, pledged in several electoral occasions, the cancellation of the tax on the first home, even if Italy is the country with the 3rd highest public debt in the world. A bit of caution would have suggested maintaining the tax revenues versus expenditure, not risking the increase of the budget unbalance (Cameron, 2010), like it also happened.

A similar situation is easier to avoid by non-democratic governments, as there is no need to make promises to stay on power: the top person or persons do not need a popular selection and confirmation in order to enter and maintain their positions. Hence, they have the chance of controlling better the financial balance of the country, like it happens in many countries with authoritarian ruling (Lesch, 2005).

Therefore, very often democratically elected rulers find themselves in the circumstance of accumulating expenses and costs, which tend to exceed the budget balance of the state, which tries to equilibrate revenues and expenditures and creating a, so called, sovereign debt, typical for nations, which are considered to have few bridles in handling their finances (Brender, 2012).

The literature of the exposed historical area of knowledge has until now been unable to show poignantly the sequence of facts and consequences, which are so relevant and sometimes even fatal, for democratic regimes.

2. Sovereign Debt and other fiscal Data of the Countries considered

In Table 1 are shown the 2013 data of the Public Debt as percentage of GDP, PD %, for the countries of the EU (EUROPEAN UNION), the EZ (EUROZONE) and a collection of other countries chosen with the idea of enticing comparisons between different countries. It is shown also the Fiscal Deficit, also as % of the GDP, FD%, the GDP at the official exchange rate, the GDP per capita and the growth rate of GDP, for every country listed. The data of the Table make possible to carry out comparisons between the countries listed, on the basis of the parameters considered. The countries with the highest GDP from top down are US, China, Germany, France, UK, Italy and others following. But if we consider the EU as a country, than the order changes and the EU is first, US second and EZ third. A listing based on the sovereign debt, PD%, gives as first Japan, second Greece and third Italy. The best fiscal surplus/deficit,

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