

Public Goods as Factors of a Local Economic Development in Slovakia

Patricia KAPLANOVA¹

Abstract: *In the (neo)liberal perspective of the economic growth/development, a state should play a minimal role in the economy. Recently, the consequences of the economic crisis in the European Union have indicated that the role of the state in the terms of overcoming the crisis consequences is present. The classical liberal approach to the free market and no role of governance in the increasing economic growth seem to be overcome. This article demonstrates the thesis that the paradigm about a positive consequence of public goods investments to the economic development has had the epistemological relevance. The important role of a government in modern economic systems has been already accepted as essential, but the questionable thesis still resists on the role of the local self-governments. In the case of Slovakia, this article comprehensively analyzed a correlation between providing the local public goods and the local economic development and has shown a relative impact of the local public goods on the local economic development. Moreover, this research of local public goods, based on the neo-Weberian role of the state, is mainly filling a gap in the social, economic and political research in Slovakia. This article is also contributing to the worldwide discussion about the importance of the spending to the public goods, especially during and after the economic crisis*

Keywords: *public goods, local economic development, local self-governing regions, Slovakia.*

JEL: *H41, H72, J18.*

Introduction

Decentralization, as a precondition of the European integration processes, was/is recognized as a part of democratization, especially in the post-soviet countries of the Central and Eastern Europe. In the case of Slovakia, the impact of local expenditures of local public goods to the local economic development seemed to be vague, especially during the economic crisis (2008-2009). According to my research, the expenditures of Slovak regional self-governments (*samospravny kraj, kraj, Verejné územné celky, VÚC*) for public goods, such as transportation, culture, public healthcare and education, have been continuously rising for the last four

¹ Mgr. Patricia Kaplanova, Faculty of Organisation Studies in Novo mesto, Slovenia.
E-mail: pata.kaplanova@gmail.com.

years. I compare the investments of three regional self-governments in more details, cases of Trencin self-governing region, Banska-bystrica self-governing region, and Zilina self-governing region. Regardless, I specify this sample of regions due to the similar number of inhabitants and a similar trend of the local economic growth. Providing public goods such as the transportation infrastructure, the cultural facilities, etc., at the local level can influence the economic conditions, which make one locality economically more prosperous while another one will be subject of economic recession and depopulation. As my analysis will demonstrate, in the certain budgetary policy – the transportation investments, there is a relative correlation to the local economic development. With this respect, the thesis of the positive consequences of financing the public goods on the economic growth meets its relevancy.

1. Local public goods and economic development theory

In theory, the aim of the public sector in modern times (of the welfarism) is to provide that public goods which could not be provided by a private sector (Johanssen, 1977). Moreover, the efficiency of a provision of public goods is a core determinant of quality of life and broad economic literature is devoted to this topic (Samuelson, 1954, Musgrave, 1959, Stiglitz, 1983). The conduction of public goods is, in general, on behalf of a whole society or a local community. “Political economy suggests that the expected outcomes of actions were taken by public agents (politicians and bureaucrats) in the economic area are far from being exogenous and unlikely to depend exclusively on the will of the taxpayers-voters.” (Roca & Pandiello, 2015, p. 52). Even the political economy suggests that the motives of politicians/bureaucrats are resistant to voter’s desires, I am considering the political representatives of self-governing regions as holders of communitarian behavior, i.e. political agents behaving for the public good. The social and political theories analyze this conduction through the prism of a common good, i.e., a common interest. The public demand for so-called public goods, such as an access to water, transport, education or medical care, is in the most cases a responsibility of modern meaning of a welfare state. According to Besley and Ghatak (2009), the traditional view in economics was to equate public goods to government provision. The state was seen as an actor able to correct failures of „the invisible hand of market“ (detailed described by Adam Smith in the eighteen century (Smith, 2001). Regarding this approach, investments of governments in public goods are creating the direct components of well-being as well as reducing poverty and social and economic inequality (Piketty, 2014). Even the liberal economic theorists (Besley& Ghatak, 2009, Friedman, 2004, Bewley, 1981) are insisting on the obstructing role of government in the increasing economic development and well-being, for some economists such as Johanssen (1977) or Piketty (2014), the certain policies of governments have become crucial. Moreover, certain public goods have to be provided in an area in necessary before the

attractiveness of private and business investments. At that time, according to Blair and Carroll (2009), economic development often increases pressure on governments to build, for example, better public infrastructure. Indeed, the positive effects on economic efficiency and growth of gradually increased government spending on investment in human capital, such as the education or the basic health care, may comprehensively dominate over various negative effects on the national economy. During the crisis time (Androniceanu, Drăgulănescu, 2014). It is also generally believed that, up to some level, social spending has contributed to social and political stability, which may be conducive to economic growth in some interval of social spending. For these certain reasons, the sustainability of social spending was hardly an issue during the period of social spending (Lindbeck, 2005, p. 3).

For the purpose of my article, I apply the theory of public goods at the local level. The term of local public goods was scholarly described by Tiebout (1956, 1961) who suggested that lots of public goods are provided by local expenditures of governments, and if there were enough communities, individuals would reveal their true preferences for public goods by the choice of community in which to live. Additionally, by his econometric model, Tiebout (1956, p. 416) pointed out that the level of expenditures for local public goods reflects the preferences of the population more adequately than they can be reflected at the national level. Additional critique of Tiebout model of local public goods and their adequate provisions at the local level had created a new line of classification. Among economists, there is a broad literature about the classification of public goods considering their purity or “privateness” (Stiglitz, 1983). “Theory of Local Public Goods Twenty-five Years After Tiebout”: “I am concerned here, however, with a class of public goods, which I shall refer to as local public goods, the benefits of which argue only to those who belong to a particular group (which I shall call the community), and not to those who belong to other groups (communities) within the society. There is thus an element of "privateness" in local public goods; while within the community, the good is a pure public good, “between” communities it acts like a private good. Those outside the community receive no benefit.” (Stiglitz, 1983, p. 3) Joseph Stiglitz addressed that the pure public goods are directly connected to the local community within one society. With this respect, people outside the local community can not benefit from the “purity” of public goods which means that those public goods are gaining an element of “privateness”. Providing the local public goods by self-governing regions even in Slovakia is becoming one of the crucial questions within the political analysis. As Jan Buček pointed out, in the case of Slovakia, local self-government, and regional self-government are two independent levels of self-government with their own independent legitimacy (Buček in Čapkova, 2005, p.110). I assume that this legitimacy is conducted mostly by independent decision-making acts in local economic development, cooperation with the third sector or providing the public-private partnerships. Additionally, the autonomy of local self-

government's budgeting plays an important role in shaping public services (Tkachenko, Mosiychuk, 2014). As Kotarba and Kolomycew (2014) said, in the case of Poland, "The financial independence of local government units is an important element of the decentralization of public administration and an effective system of the delivery of public tasks. This allows for the actual empowerment of local communities and an independent implementation of public policies essential for the creation of local development" (Kotarba, Kolomycew, 2014, p. 32). On the other hand, in the Slovenian example, Pinterič and Klimovsky pointed out that the autonomy of self-local government could play an important role in the overcoming of the economic crisis (Pinterič, Klimovsky, 2014, p. 47).

The term of the economic development in the political science is predominantly connected with the processes of modernization and democratization. M. S. Lipset pointed out that there are two principal complex characteristics of social systems: legitimacy and economic development (Lipset, 1959). The economic development was presented by Lipset as a structural characteristic of a society to sustain a democratic political system (Lipset, 1959, p. 71). Moving from the democratization, the economic development also implies that the welfare of residents is improving (Blair, Carroll, 2009, p. 13). Within the neo-liberal approach, it is plausible to issue a constant economic development by which every government tries to ensure the welfare of its citizens. As was said, the legitimacy of local self-governments stands on the local acts of local economic development. Local economic development is described as "a process by which local government and/or community-based groups manage their existing resources and enter into new partnership arrangements with the private sector, or with each other, to create new jobs and stimulate economic activity in a well-defined economic zone" (Blakely in Čapkova, 2005, p. 3). Within the typology of providing the local economic development, there are supply-side policies and demand-side policies as strategies to promote the economic growth of local community (Eisinger, 1988). As the purpose of my research, I am dealing with the supply-side strategies which consist of financing arrangements, budgeting or infrastructure investments. In my analysis, I conduct a comparison of budgetary expenditures to local infrastructure investments in the examples of the public transport, public healthcare, culture, and education.

In post-socialist countries, there is a wide agreement about a prevailing socio-economic context of local development (Čapkova, 2005, Kotarba, Kolomycew, 2014). The provision of local economic goods such as the education or the public healthcare has already passed through the reforms of decentralization and became a huge part of the local expenses. In most cases, the expenditures for public education system perform around a half of budget in local self-government's finances than the other expenses for public goods. In the case of Slovakia the big share of budgetary expenditures for education represents a responsibility of self-governments within the education system. Thus, the self-governing regions are supportive in the education system as a participant in shaping local education

sector. According to Buček (in Čapkova, 2005, p. 119), this participation is mostly visible as a support of the secondary education, vocational training, university education (building dormitories, constructions of facilities etc.) and retraining the unemployed. In this case of Slovakia, the education at the level of the self-governing region is considered to be a public good because is non-excludable (Cemmel, 2002) and performs the most contribution to the budgetary expenditures at the local level. The culture as a public good and simultaneously as a policy of local economic development is a contributing part of budgets in Slovak self-governing regions too. The culture does not represent the evident amount of money at expenses, but the spending of local governments has the decreasing tendency. In theory, Tabellini's research has shown that the contribution of culture has the visible impact to the economic development of regions in Europe (Tabellini, 2010, p. 677). The underestimation of the expenditures for the culture could be interpreted in the Slovak example as a level of national socio-economic development in general. The policies of the existential needs of society are mainly concentrated in the public health care, the support of the employment at the regions, the expenditures for the transportation and so on. Therefore, the culture as well as the sports policies and other facilities, are not considered as the primary concerns of the local governments for developing the economic performance. However, the research is trying to verify that even that concerns of the local governments about the public goods at specific policies are low, the contribution to the local economic development is partially visible.

2. Methodology of the research

In order to verify the correlation of public goods contribution to the economic development at the local level, I chose three self-governing regions in Slovakia. My selection is based on the similarity of the population in the three regions: Trenčín region, Žilina region, and Banská-bystrica region. The geographic-political division of regions helps to distinguish and compare these three regions for socio-economic classification. I assume that the thesis of the contribution of investments for public goods to the economic growth could be demonstrated in the cases of these three regional self-governments. Regarding this, I followed the categorization of Slovak regional self-governments and I picked the four variables to compare the current expenditures. The public infrastructure (transport), which represents the investments for local communications and public traffic, is the first and most important variable. The second indicator is the culture categorization, which represents the expenditures for public entertainment. The third variable is the public healthcare, the most controversial in the budgeting policy of regions. Due to the system of financing, the public healthcare is mostly financed by the central government and the contribution of the regional self-governments represents just the small share of public finance. The last indicator, the education is according to the research, the most financed item, but the most

insignificant to the economic development. In general, the education category has presented the half of amount of current expenditures with the growing tendency for the last years. The current expenditures in these four categories have the immediate impact and effect on the budgetary policy because they represent the current cash flow. Moreover, the Slovak regional budgets are organized by similar classification added by the social insurance policy. By analyzing the budgetary expenditures and statistical data, I demonstrate that there is an increasing tendency to invest more money for these public goods in the Slovak case. With connotation to the economic development, I assume that the economic growth is generally represented by the several indicators. I comprehensively chose the few ones, such as Gross Domestic Product per capita (GDP per capita), the total unemployment rate and the average employee's wages. The suitability of the three economic indicators is stated as the main variable for my analysis. The differentiation of the partial current expenditures with the indicators of the economic growth would indicate the comparable results. The consequence, which is demanded, is based on the statistical approach of the local economic development of particular regions and their specific policies of public goods.

3. Empirical results (Analysis)

The regional budgetary policy is seen as a complex system of financing the autonomous local governments in Slovakia. Slovak budgetary policy is divided into the centralized government part and the self-governing regions with significant competencies. The main competences of the autonomous local governments are the education policy, the infrastructure with transport funding, the public healthcare contribution, the cultural expenditures and the social welfare insurance. The shares of partial policies vary among different regions according to their own politics. The Trenčín self-governing region (Table 1), the Zilina self-governing region (Table 2) and the Banská-bystrica self-governing region (Table 3) have the four divided indicators of budgetary policy.

In the case of the Zilina self-governing region, the remarkable amount of expenditures is distributed to the public education system. The region education policy, in general, is aimed for the financing of the secondary education. As the Table 1 shows, between years 2010 and 2014 the number of sources for the education has been decreasing. Secondary education represents approximately half of the budget expenditures which mean that according to the finance division, the most competencies of the self-governing region in Zilina's territory are distributed to the education system. Among the competencies to establish the new structural organization of secondary education, the main capabilities are to support the art schools, dormitories, language schools, school catering services and centers of professional practice. On the other hand, the finances for the culture stayed similarly the same during this period. Even they do not represent the significant

part of the budget (around 5%), they represent the substantial understanding of public goods. The most controversial part of the budget is the public healthcare system. In the case of the Zilina self-governing region, the current expenditures for the public healthcare are visible just in the last year. The system of financing the health care is thus donated directly from the government budget which means that is strongly centralized. The last and the most significant growth of sources are allocated in the field of infrastructure and transport. The transport and infrastructure involve the maintenance of the first and second class roads, their constructions and the providing of the public transportation. According to the Table 1, the Zilina self-governing region has been rising the amount of current expenditures for transportation and infrastructure for the last years. It is significant that in 2012, the sources remarkably increased and dropped in the next year of 2013 most likely due to the current policies and needs.

Table 1. Zilina self-governing region (%)

	2010	2011	2012	2013	2014
Transp./infrastructure	15,78	16,58	17,18	16,66	18,95
Culture	4,94	4,52	4,57	4,61	4,66
Public healthcare	0,00	0,00	0,03	0,00	0,07
Education	51,22	50,11	48,91	49,44	47,82
Total	71,94	71,21	70,69	70,71	71,52

(Source: own calculation based on data from Závěrečné účty Žilinského samosprávneho kraja (Final budgetary reports of Zilina self-governing region), available at [http://www.zask.sk/sk/samosprava/urad-zsk/odbor-financii/zaverecne-ucty/.](http://www.zask.sk/sk/samosprava/urad-zsk/odbor-financii/zaverecne-ucty/))

Moving to the case of the Trenčín self-governing region, the situation of the budgetary policy seems to be quite similar to the Zilina region case. The expenses for the secondary education have also significantly decreased but they still represent the notable amount of budget (see Table 2). The finances for the culture, compared to the Zilina self-governing region, represent no more than 3% of budgetary expenses. On the other hand, the Trenčín self-governing region was spending more financial resources for the public healthcare system in the time period of 2010 - 2012. Even the system of financing the health care in Slovakia is centralized (the Ministry of health care), the Trenčín self-governing region was willing to contribute with some amount of expenses to the provision of health. In the case of public infrastructure, the Trenčín self-governing region has spent more resources to finance the public transportation. In 2012, the share of these expenditures represented almost 40% of the overall budget. Regarding this evidence, the Trenčín self-governing region was, within one period of time, spending more finances to build a new infrastructure than the other self-governing regions.

Table 2. Trenčín self-governing region (%)

	2010	2011	2012	2013	2014
Transp./infrastructure	28,77	30,17	39,69	24,57	25,71
Culture	3,07	3,20	4,90	2,94	2,98
Public healthcare	3,00	0,63	0,95	0,00	0,00
Education	50,67	48,79	47,46	44,11	41,23
Total	85,51	82,79	93,00	71,62	69,92

(Source: own calculation based on data from Závěrečné účty Trenčianskeho samosprávneho kraja (Final budgetary reports of Trenčín self-governing region), available at http://www.tsk.sk/financie/zaverecny-ucet.html?page_id=2691.)

The third comparable sample is the case of the Banská-bystrica self-governing region. Also, it can be concluded that the rates for the education expenditures have decreased, but still they represent a half of the overall budget. The most similar case is with the sample of the Trenčín self-governing region, where the rate of the expenditures for education, has decreased from the 50% share of the budget to the 40% share (see Table 2 and Table 3). The variable of culture shows that the share stays around 5% also in this case of the Banská-bystrica region (see Table 3). But, conversely, the share of public healthcare expenditures are present but also not significant as in the previous cases. Public transportation and infrastructure represent one-third of the current public expenses just in the last year of 2014. The share is although more notable than in the case of the Žilina self-governing region, but similar as the Trenčín region. Additionally, this rate has increased more significantly than in the previous cases.

Table 3. Banská-bystrický self-governing region (%)

	2010	2011	2012	2013	2014
Transp./infrastructure	20,56	19,42	24,12	23,74	29,28
Culture	4,42	4,65	4,59	4,35	4,36
Public healthcare	0,84	0,98	0,77	0,44	0,34
Education	47,01	45,60	42,15	42,07	41,63
Total	72,83	70,65	71,63	70,60	75,63

(Source: own calculation based on data from Závěrečné účty Banská-bystrického samosprávneho kraja (Final budgetary reports of Banská-bystrica self-governing region), available at <http://www.vucbb.sk/%C3%9Arad/Oddelenia%C3%9AraduBBSK/Oddeleniefinanci%C3%AD/Do kumenty/Z%C3%A1vere%C4%8Dn%C3%BD%C3%BA%C4%8Det.aspx>.)

To sum up, the most significant share of budgets is represented by the expenditures for the education system. But the most variable share is the rate for the transport and the public infrastructure budgeting. The smallest share of the budget represents the public healthcare and the finances for the culture. Showing the shares of particular policies of the overall budgets in the three regions of Slovakia demonstrate the share of budgets to the policies of public goods. In most of the cases, the expenditures represent the most share of public financing.

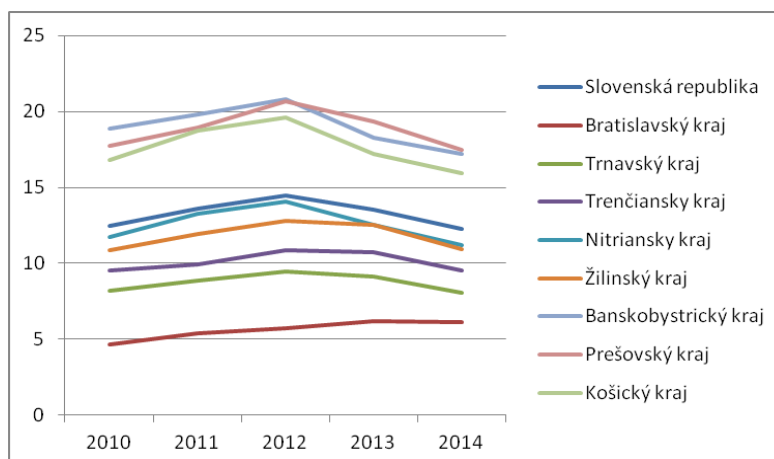


Figure 1. Unemployment rates (%) of all Slovak self-governing regions

(Source: own calculation based on statistical data of the Statistical Office of Slovak republic.)

The economic development, which is the most relevant indicator and condition of every stable democratic political system, requires the qualitative improvements of welfare being. The characteristics of economic development, especially at the local level, imply that the welfare of residents is improving (Blair, Carroll, 2009, p. 13). In this regard, I assume that the most qualitative variables of local economic development, which could demonstrate the quality of lives of citizens, are the rates of the total unemployment, Gross domestic products (per capita) and the average wages. The three variables of economic development in the eight regions of Slovakia indicate that the economic development line has a growing tendency. The first indicator, the total unemployment rate, is from the macro/economic perspective one of the most exhaustive indicators of economic growth. For the purpose of my research, I am not differentiating the frictional and the structural type of the unemployment at the local level in Slovakia, even the structural unemployment rate has the significant connection to the minimum wage (Koning, Ridder and Van Den Berg, 1995), which is also the topic of my research. Addition to this, the political researchers, such as Blackley (1991), Card and Freeman (1993) and Izraeli and Murphy (2003), often look at the effect of policy innovation on the unemployment within the context of region/local diversity. Regardless, the Slovak unemployment curve divides the regions of Slovakia to three groups (see Figure1). The first one is the group with the highest rates of total unemployment, where is Presov, Kosice and Banska-bystrica self-governing region. The rates are culminated around 18 to 20% of unemployment rates in the time period of 2010 to 2014. The second group is the largest group of regions, where the average unemployment rate is up to 15% and includes Trencin, Trnava, Nitra and Zilina self-governing regions. The last group represents only the Bratislava self-governing region (including the capital city of Bratislava) with the

lowest share of unemployment. The overall development of the total unemployment rate has the decreasing tendency in almost all regions. In the example of the Bratislava region, which could be considered as a paradox, the rate of unemployment has increased in the last two years.

Table 4. Unemployment (%)

	2010	2011	2012	2013	2014
Trenciansky region	9,51	9,95	10,89	10,74	9,56
Zilinsky region	10,86	11,91	12,79	12,51	10,91
Banskobystricky region	18,86	19,83	20,81	18,26	17,22
Slovakia	12,46	13,59	14,44	13,5	12,29

(Source: own contribution based on statistical data of the Statistical Office of Slovak republic.)

The most detailed data of the three regions (Trencin, Zilina, and Banska-bystrica) display how the tendency of the total unemployment rate was rather fluctuant. In the time period of 2012 to 2013, the percentage of unemployment has increased significantly (see Table 4). I assume that these numbers are notable due to the second wave of the economic crisis presented in the Central Europe. Compare to the average unemployment rate of Slovakia, the highest percentage of unemployment is visible in the case of the Banska-bystrica self-governing region. The precise measurement of the three compared regions (Figure 2) demonstrates that the Trencin and the Zilina regions have the relatively similar development of the unemployment rate. Thus, the percentage of the unemployment in the Banska-bystrica self-region, in the comparison with the others (Figure 2), is significantly higher than in the other regions.

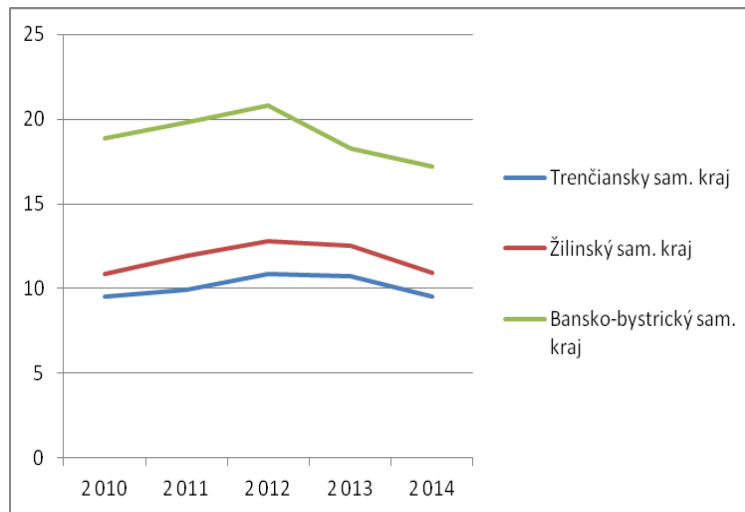


Figure 2. Unemployment (%) of researched regions

(Source: own calculation based on statistical data of the Statistical Office of Slovak republic)

The second factor of economic development analyzed in this paper is the average salary change. The real earnings of employees are one of the most relevant indicators of macro/economic surveys (Angeles, 2008) due to the thesis that the quality of life could be measured by categorization of individual wage. Regardless, the individual wage in the consideration of its minimum level is believed to reduce poverty and decrease employment (Blair, Carroll, 2009, p. 242). In the theory, the level of a number of salaries is the appropriate indicator of the well-being of the citizens (Blair, Carroll, 2009). Detailed data show that in the last years the average wage has been growing in all regions of Slovakia (Figure 3). With the exception of the Bratislava self-governing region, which has the highest average wage, the rest regions share the similar average salaries.

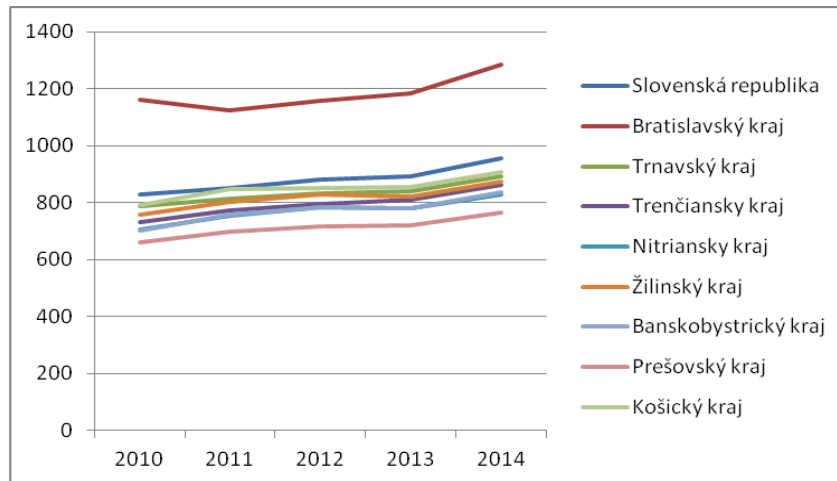


Figure 3. Earnings of employees by NACE method

(Source: own calculation based on statistical data of the Statistical Office of Slovak republic)

In the particular cases of Trencin, Zilina, and Banska-bystrica self-governing regions, the absolute numbers of average wages have gradually become comparable, especially in the last year (Table 5). It seems that the impact of the difference of average salaries in the Bratislava region (compared to the other regions) is remarkable. The overall average salary number in Slovakia have culminated around 900 euros and have increased in 2014 to 957 euro of the average wage. In the researched regions, as was stated, the average salaries have become similar but in the comparison with the Slovak national average, they are lower for approximately 100 euros. From the perspective of better socio-economic conditions of inhabitants, the earnings of people and their ability to spend more money for their living is verifying the thesis of the rising local economic development in regions.

Table 5. Average wages (Euros)

	2010	2011	2012	2013	2014
Trencin region	732	774	797	809	863
Zilina region	759	801	830	820	875
Banska-bystrica region	702	756	783	779	837
Slovakia	828	853	881	891	957

(Source: own contribution based on statistical data of the Statistical Office of Slovak)

The last variable of local economic development is the Gross Domestic Product per capita (GDP) identified in the sample of self-governing regions. The GDP per capita has been rising constantly in all three cases (see Table 6). Based on Table 6, the significant growth of GDP per capita is observed in the case of the Banska-bystrica self-governing region in the last two years (2012, 2013). On the other hand, as it is seen from the Table 6, the relative share of GDP per capita in all selected regions (compared to the national average) was dropping over the time despite in the absolute number GDP per capita was rising. The average GDP per capita of Slovakia has been increasing as well as in the particular analyzed cases. Among that selected regions, the biggest difference in GDP per capita was achieved in Trencin self-governing region while Banska-bystrica region achieved the smallest progress in its GDP per capita. However, all selected regions achieved a lower level of advancement of GDP per capita compared to the national average.

Table 6. GDP per capita (euro)

	2010	2011	2012	2013
Trenciansky region	10962,16	11455,17	11791,27	11929,14
Zilinsky region	10964,11	11199,79	11506,61	11663,04
Banskobystricky region	9155,47	9125,13	9495,54	9884,77
Slovakia	12 376,49	12 997,10	13 352,11	13 595,62

(Source: own contribution based on statistical data of the Statistical Office of Slovak republic)

4. Interpretation of results

Even in the theory of regional development, the culture plays an important role (Tabellini, 2010), the research's findings conclude that in the certain Slovak regions the expenditures for the culture is widely underfinanced. In the analyzed self-governing regions the average share of budgetary expenses contributed to the culture is about 4%. Surprisingly, the smallest share of expenditures for the culture is evident in the case of the Trencin self-governing region (Table 2), although the Trencin self-governing region is considered to be the most developed region within the research example (Graph 2, Table 6). The other regions, namely the Trencin and the Zilina region, are contributing constantly for the cultural living of their citizens. Additionally, in the case of the Trencin self-governing region, the growth of the

budgetary expenditures for the culture was the highest in the time of the highest expenses for the transportation in 2012. Respectfully, it could be concluded that there is a relative correlation between the higher expenses for public goods in few policies and the local economic development in this region. I can assume that in those regions, which were spending more finances from their budgets to the culture, the spending was also an allowance for the economic growth.

The policy of the public health care in Slovakia seems to be centralized which is appropriate to the finding that the budgetary expenditures of the autonomous local governments to the public healthcare are minimal. The exception is the case of the Banska-bystrica self-governing region which is contributing to the public healthcare with approximately 1% of the share (Table 3). The Banska-bystrica self-governing region is, according to the research, observed as the most underdeveloped region (Figure 2, Table 6). However, the insufficient local economic development, the Banska-bystrica region is willing to contribute additional spending to the public healthcare. Also, the policy of public healthcare has shown that the thesis could not be verified. Moving to the policy of education, the investments for the education represent the most part of the current regional expenditures in certain Slovak self-governing regions (Table 1, Table 2, Table 3). What is mainly observed, that the autonomous regions have been decreasing the share of public expenditures to education policy for almost 10 % last four years. It is obvious that that the self-governing regions are trying to save money by cutting the education finances which in a long-term view is not plausible. During my research, the education variable did not bring any kind of visible results as same as the investments for culture to the local economic development. Consequently, the education seems to be irrelevant for the correlation to the economic growth and public goods expenditures. The last local policy of public goods, the transportation, is according to the findings, the most crucial policy of public finances. The gradual growth of budgetary expenditures to the infrastructure is apparent in all three cases (Table 1, Table 2, Table 3). The comparison of regions is indicating that the less contribution to the transportation is performed by the Zilina self-governing region. The highest share of the budget for the infrastructure was observed in the Trencin region between 2011 and 2012 and the contribution to the public goods policies reached the 93% of the total budget. Because of the significant increasing expenses of the infrastructure finances, the policy of transport is the only policy comparable to the growth of local economic development in the three researched areas in Slovakia.

When it comes to the evaluation of the local economic development, the unemployment rate, and the GDP growth could be recognized as the most complex variables to the analyzed public goods in the research. The unemployment rate, as the one of the most comprehensive variables of the local economic development, has been surprisingly decreasing in the analyzed self-governing regions till the second wave of the economic crisis. The statistical data of the unemployment rate also showed that the unemployment rate was decreasing in all Slovak regions with

the exception of the Bratislava self-governing region. On the other hand, the Bratislava region, as the most developed region, is facing the rise of the unemployment. The assumption of the paradox is that the growing unemployment rate in the Bratislava self-governing region could be observed due to the frictional disparities of the Slovak job market which were the consequences of that current impacts of the economic crisis at that time. The data of the monthly salaries in the self-governing regions indicated that there has been an increasing tendency. The rate of the wages was increasing gradually and in all self-governing regions in Slovakia (Graph 3). The rate of the wages in the analyzed regions was quite similar. Moreover, except the Bratislava self-governing region, the share of the wages is common in all Slovak self-governing regions. The results displayed that the trend of the increasing salaries would contribute to the overall view on the local economic development in Slovakia. The rising expenditures for the local public goods seem not to have a harmful impact on the economic growth. According to the data analysis, the well-being of the Slovak citizens, due to the monthly wages and GDP per capita, has been improving for last years. As well as the previous variables of the local economic growth, also, the Gross Domestic Product per capita is the contributing indicator. As was pointed out, the growing well-being of the Slovak citizens represented by the three variables of local economic development is remarkable also in the data of GDP per capita. The relevancy is built on the data showing that among the analyzed self-governing regions, the GDP per capita was rising constantly (Table 6). The three variables of the local economic development displayed the positive development of the local economy in Slovak self-governing regions.

Conclusion

The goal of the article was to demonstrate that the expenditures for the public goods at the local level in Slovakia are contributing to the local economic development. The autonomy of the Slovak local self-governing regions and their budgetary policies are giving the local representatives the sovereignty of a decision-making how much finances they could spend, also for the provision of the local public goods. The analysis indicated that the budgetary policies in analyzed regions imply the similar share of the local public goods expenditures. The few policies such as the infrastructure, the education, the healthcare, and the culture, showed the relevant contribution to the local economic growth represented by the unemployment rate, the GDP per capita and the average wages. The research of the Slovak self-governing regions is finalized by the several concluding remarks:

- The share for the spending of public goods has increased in one particular policy, the transportation policy. In any other cases, there were observed gradual cuts of expenditures for public goods at the local level (Table 1-3).
- For the evaluation of the economic development and public finances,

the share of public transportation expenditures has shown the most comprehensive relationship to the local economic growth, namely the unemployment rates. In the cases of the Banska-bystrica and the Zilina self-governing regions, the correlation between the unemployment rates and the expenditures for the public transportation is the most visible (see Graph 2 and Table 1 and Table 2).

- With this respect, the increasing financing of the infrastructure and the decreasing percentage of the total unemployment rates could be interpreted as a relevant answer to the primary thesis of a positive impact of the provision of the public goods.
- Thus, the percentages for the local public goods of the education policy were mostly significant, the data showed that the expenses for education have no significant contribution to the economic development (Table 1-5).
- The thesis that the expenses of public goods have the positive impact on the local economic development was relatively verified. The data displayed that with the exception of the infrastructure policy and variable growth for the policy of culture, the finances for other public goods (education, health care) were slowly dropping in time.
- The regions with a low local economic development are willing to contribute more for a provision of public goods in order to reach a higher level of economic growth (case of Banska-bystrica self-governing region, Table 3).

These concluding points of the contribution of the public goods represent the suggestions for a future and broad research not even in Slovakia. The final view on the topic of the Slovak budgetary policies is shaped in the sense of the autonomous local governments which could influence the local economic growth by providing the local public goods. The thesis that the local public goods would represent a positive impact on the economy was also relatively verified. The concluding remarks thus demonstrate that the Slovak case of the contribution of the expenditures for the local public goods is a unique type of a management of the local public administration, even shortly after the economic crisis.

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