

# CONTENT

<b>FOREWORD</b>	<b>7</b>
<b>INTRODUCTION</b>	<b>9</b>
<b>1 IMPACT OF THE FINANCIAL CRISIS ON THE FISCAL DECISION-MAKING OPTIMIZATION</b>	<b>11</b>
1.1 Impact of the existing financial crisis on economic policy	11
1.1.1 New Normal	11
1.1.2 New economic and political paradigm	13
1.1.3 Decision-making process in public finance	15
1.1.4 Deficit budget model	16
1.2 Motives to reject the deficit model	16
1.2.1 Institutional motives to reject the deficit model	16
1.2.2 National attempts at institutional limitation of fiscal imbalance	17
1.2.3 Attempt at revitalization of national fiscal frameworks	18
1.2.4 Market (economic) motives for rejecting deficit budget model	18
Summary of this part	20
1.3 Financial crisis and public finance	21
1.3.1 Importance of excessive credit expansion for the occurrence of the systemic financial crisis	22
1.3.2 Substance of the existing global financial crisis	22
Summary of this part	23
1.4 Impact of the financial crisis stages on public finance	24
1.4.1 Fiscal costs of systemic financial crises	25
1.5 Existing budget costs of the financial crisis in Europe	28
1.5.1 Pre-crisis development of the budget balance	29
1.5.2 Increase in budget deficits during the financial crisis	29
1.6 Extra-budgetary reasons of the public indebtedness increases	31
1.6.1 Increasing impact of extra-budgetary factors as a result of the financial crisis	35
1.6.2 Development in 2009–2010	37
1.6.3 Effects on the public indebtedness development	38
1.7 Transfer of the debt burden as a result of the fiscalization of the financial crisis costs	40
1.7.1 Fiscalization of the costs of the Asian financial crisis	42
Summary of this part	43
1.8 Conclusions and recommendations	44
<b>2 FORMULATION OF THE THEORETICAL MODEL OF THE FISCAL POLICY OPTIMIZATION</b>	<b>47</b>
2.1 Transmission mechanisms of fiscal policy	47
2.2 Model	48

2.2.1	Production	49
2.2.1.1	Production of the private sector	49
2.2.1.2	Production of the public sector	50
2.2.1.3	Analysis of inputs of the economy	52
	Human capital	52
	Labor	54
	Technological progress	63
2.2.2	Balance of the government	63
2.2.3	Loss function	66
2.3	Analysis	66
2.3.1	Analysis method	66
2.3.2	Input parameters of the model	67
2.3.3	Simulation output	72
	Summary of this part	74
<b>3</b>	<b>POSSIBLE APPROACHES TO TAX OPTIMIZATION</b>	<b>75</b>
3.1	Main issues in the area of tax optimization theory	75
3.2	Theoretical models of optimal taxes in the tax theory history	76
3.2.1	Ramsey's taxes	76
3.2.2	Mirrlees' optimal taxes	77
3.2.3	Stern's optimal income tax rates	78
3.2.4	Model of Diamond and Mirrlees	79
3.2.5	Optimal system with direct and indirect taxes	79
3.3	Latest tax optimization models	79
3.3.1	Inclusion of administrative costs or tax evasion	80
3.3.2	Integration of externalities	81
3.3.3	Intergeneration models	82
3.3.4	Models working with public debt as a factor	82
3.3.5	Imperfect markets	83
3.4	Empiric experiments in the area of tax optimization	83
3.5	Possible application of theory in practical tax policy	84
	Summary of this part	86
<b>4</b>	<b>PUBLIC EXPENDITURE AND ECONOMIC GROWTH</b>	<b>87</b>
4.1	Structure of public expenditure and economic growth – theory and empirical review	87
4.2	“Original” growth theories	87
4.3	New growth theories	88
4.4	Role of public (budgetary) policies	89
4.5	Structure of expenditures and revenues	90
4.6	Empirical research – data used	91
4.7	Results of current analyses and selected econometric issues	93
4.8	Time lag modeling	95
4.9	Structure of the time lag division	95
4.10	Critical points of the analysis	96
	Summary of this part	97

<b>5 OPTIMIZATION OF THE PUBLIC EXPENDITURE ON THE LEVEL OF THE STATE BUDGET CHAPTERS</b>	<b>99</b>
5.1 Theoretical bases for constituting system allocation of resources in a goal-oriented budget procedure	100
5.2 Goal-oriented budget procedure as the negation of the institutional financing	101
5.3 Goal-oriented budget procedure as the budgetary method for optimized allocation of resources on the level of the state budget chapters of the Czech Republic	105
5.4 Proposal of algorithms for optimized allocation of resources on the level of the state budget chapters	110
Summary of this part	118
<b>CONCLUSION</b>	<b>119</b>
<b>SUMMARY</b>	<b>124</b>
<b>REFERENCES</b>	<b>125</b>
<b>INDEX</b>	<b>134</b>