Financial Integration and Tax Efficiency –Premises of Antitrust Policy and Economic Growth

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Abstract

The aims of this paper is to highlight the relationship between financial integration, taxation and anti-monopoly policy.We will focus on the arguments that come to strengthen that the effectiveness of anti-monopoly policy depends on effective measures in the area of taxation and hence the effects of taxation. Basically, in our analysis, we built a research that stressed the importance of interplay between the variables involved and the objective of economic growth. Noting that the public income and expeenditures (item that showing the importance of administration sector in the economy), depends on effective antitrust policy. For this analysis, we used data between 2008 and 2014 from the Competition Council and Eurostat.

Keywords: Anti-monopoly policy, Financial Integration, Fiscal Policy, Economic growth.
JEL Classifications: L41, G28,_ H62

1. Introduction

Competition policy is essential to ensure the functioning of free market mechanisms, supporting the existence of a sustainable and healthy competitive environment (Aghion, Ph. and Howitt, P). During the economic and financial crisis, competition policy becomes the main element regarding the tools used to overcome the recession, beside taxation and financial integration (Khemani, R. S. Dutz, M.A., 1992). After the realization and elimination of quotas and customs duties in intra-Community trade, it was a shift in the interest of the Commission, the barriers non-tariff (BNT) (from the technical, fiscal, administrative those involving state intervention by subsidizing domestic industry)-(Williamson, OE, 'The Mechanism of Governance', New York, 1995).

In this paper we highlight that during the economic and financial crisis, the importance of competition policy in overcome the recession was crucial and that the antitrust policy was depending on the measures in the area of taxation and hence the effects of taxation, revealing a strong relationship between public revenue and expenditure (which shows the importance of the sector in the economy of Administration) and the effectiveness of antitrust policy (Bleaney, MF, Gemmell, N. and Kneller, R. 2001). To discuss such policies under syndicalism it means to speculate about the level of functioning of the system, which is patently and inherently unworkable. (Henry C. Simons, 1944). Also, the implications on Anti-monopoly policy, results from the fact that monetary and fiscal controls (aiming at stabilization of the value of money or price level) are a proper and indispensable element in the framework of a free-market society (Waverman, Leonard, William S., 1997). In the context of globalization, to adapt to a range of complex changes in cultural, institutional and market structures, both state and market actors are attempting to reinvent the state as a quasi-'enterprise association' in a wider world context, a process which involves three central paradoxes (Philip G. Cerny, 2014). Only by strengthening the degree of competition by increasing its intensity and powerful manifestation of competitive market pressures increase the competitiveness of companies, leading to the same or a lower market price level. Protecting the competitive framework, practicing lower final prices. This will help to resuscitation of household consumption as a factor for recovery and overcoming the crisis period.

During the economic crisis, companies are tempted to resort to anti-competitive behavior to maintain profits and to survive. Among these practice we can mention abuse of dominance, anticompetitive agreements and understandings. These anticompetitive practices are harmful for both the competitors and the final consumer, so that should not be allowed to expand (Khemani, R.S. şi Dutz, M.A, 1995).

In this paper we analyze the implications of fiscal policy and financial integration on Anti-monopoly policy, showing the relationship between analyzed variables and the context in what it would create favorable conditions for economic growth.

2. Data and methodology

The empirical analysis will be performed based on a multiple linear regression between the dependent variable and the independent variables set, and as econometric software we will use the Eviews Statistics program, which will help us to create a clearer image on the correlations between different variables.

The dependent variables used will be represented by the effectiveness of anti-monopoly policy, in the first case, and the government revenue, expenditure and main aggregates, in the second case. The independent variables will be represented by the extent and effect of taxation in the first case, and effectiveness of anti-monopoly policy, in the second case. All the variables are measured by percent of GDP per capita.

The data used for empirical analysis focuses on 2008 - 2014 period with an annual frequency, and only for Romania. These information were obtained from the Eurostat databases and Competition Council databases.

The ecuation for the two regression are explained by the following formulas :

THE EFFECTIVENESS OF ANTI-MONOPOLY POLICY = C(1)* THE EXTENT AND EFFECT OF TAXATION

THE GOVERNMENT REVENUE = C(2) * THE EFFECTIVENESS OF ANTI-MONOPOLY POLICY

3. Results

According to the indicator R-squared value, the variation in the dependent variable (effectiveness of anti-monopoly policy) is explained in proportion of 89% by the variation of the independent variable (extent and effect of taxation) of simple linear regression model.

Durbin-Watson test has a value of less than 2, which indicates that there isn't a serial correlation of errors, these does not have significant influence on the results of the regression model.

Akaike and Schwarz tests are used to compare two or more models. But in this paper is not the case (lower values are preferred). As it can be seen in the table 1, probability to T-test statistic is less than the benchmark (0.05) for the variable extent and effect of taxation, which means that the coefficient is considered significant statistically. Also, the coefficient associated to this variable positively influences the model, having positives values (0.88).

Table 1. Results of regression estimation of Effectiveness of anti-monopoly policy and Extent and effect of taxation for Romania

Dependent Variable: VAR8_EFFECTIVENESS_OF_AN				
Method: Least Squares				
Date: 11/12/16 Time: 11:25				
Sample: 1 7				
Included observations: 7				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
VAR7_EXTENT_AND_EFFECT_O	0.884615	0.138979	6.365078	0.0014
C	1.474176	0.348480	4.230307	0.0082
R-squared	0.890144	Mean dependent var		3.685714
Adjusted R-squared	0.868173	S.D. dependent var		0.195180
S.E. of regression	0.070866	Akaike info criterion		-2.221098
Sum squared resid	0.025110	Schwarz criterion		-2.236552
Log likelihood	9.773843	Hannan-Quinn criter.		-2.412110
F-statistic	40.51422	Durbin-Watson stat		1.399175
Prob(F-statistic)	0.001415			

Source : own estimations in Eviews

According to the indicator R-squared value, the variation in the dependent variable (government revenue) is explained in proportion of 79.7% by the variation of the independent variable (effectiveness of anti-monopoly policy) of simple linear regression model.

As it can be seen in the attached table probability to T-test statistic is more than the benchmark (0.05) for the variable effectiveness of anti-monopoly policy, which means that that coefficient is considered insignificant statistically. Also, the coefficient associated to this variable positively influences the model, having positives values (11.18).

Table 2. Results of regression estimation of Government revenue, expenditure and main aggregates and Effectiveness of anti-monopoly policy for Romania

Dependent Variable: VAR_9_GOVERNMENT_REVENUE				
Method: Least Squares				
Date: 11/12/16 Time: 13:20				
Sample: 1 7				
Included observations: 7				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
VAR8_EFFECTIVENESS_OF_AN	11.18750	2.521501	4.436841	0.0068
C	-3.762500	9.304696	-0.404366	0.7027

R-squared	0.797452	Mean dependent var		37.47143
Adjusted R-squared	0.756943	S.D. dependent var		2.445209
S.E. of regression	1.205508	Akaike info criterion		3.446636
Sum squared resid	7.266250	Schwarz criterion		3.431182
Log likelihood	-10.06323	Hannan-Quinn criter.		3.255624
F-statistic	19.68556	Durbin-Watson stat		2.950198
Prob(F-statistic)	0.006785			

Source : own estimations in Eviews

4. Conclusions

Empirical analysis was based on achievement regressions between the four indicators, economic growth, European financial integration, fiscal policy and the anticompetitive practices. The results of the regression coefficient shows that the most significant of the variables used is effectiveness of anti-monopoly policy. Empirical analysis also reveals that the extent and effect of taxation, in the first case, and effectiveness of anti-monopoly policy have a positive influence on the regression model

Following the analysis we noticed that there is a significant relationship between the four variables, namely financial integration, measured by government revenue, fiscal policy, expressed by the extent and effect of taxation, economic growth, and anticompetitive practices, expressed by the effectiveness of anti-monopoly policy. So we consider that the effective antitrust policy and revenues and government spending affect economic growth in the context of financial integration.Our analysis will be extended in the future to the EU countries.

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5. References

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