

## *Part Two*

### **FINANCIAL REDISTRIBUTION**

#### **(Summary)**

Part Two starts with an analysis of the social policy in the light of socio-economic assumptions and the budget for 1993. The analysis in constant prices reveals that the total value of the budget decreased by almost a half, while the expenditures on culture and science declined most dramatically. A significant drop was recorded in the expenditures on the army, relatively moderate although still quite considerable cuts took place in the expenditures on health care, social assistance, and education. Higher budgetary allocations occurred only in the field of sport and physical culture. These were drastic cuts in budgetary expenditures carried out mainly in 1991, which sought to decrease the budget deficit.

Further deliberations are focussed on:

- 1) distribution through banks carried out by means of a high interest rate on credits, higher than the rate of inflation, with allowances made for preferential credits; the latter which are steadily reduced concern the purchasing of agricultural products, housing construction and central investments;

- 2) distribution implemented in the taxation of enterprises; it is one of the most important mechanisms in the redistribution of incomes; it includes taxes and depreciation in favour of the state budget, as well as various reliefs regulating the inflow of financial resources to the development fund.

The performed analysis disclosed that the tax system is not adapted to the changing conditions of economic activity. Hence, the increase of costs due to taxation and also the dividend.

There were analyzed taxes counted into costs and paid from profit, and also a bad financial standing of enterprises and its causes.

Further deliberations concern the assessment of a redistributive impact of indirect and direct taxes made also against the background of the Hungarian experience and the financial and monetary policy of the Arab countries.