

SLOVAKIA'S STATE BUDGET FOR 1940

BY

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In connection with Slovakia's Budget, *Dr. Pruzinsky*, Slovak Minister of Finance, himself advises caution, since owing to a lack of experience and because of the shortness of the time at the Government's disposal, it is not possible to estimate with any degree of certainty what the State's revenue and expenditure may eventually be. This is in effect a tacit confession that the Budget submitted by the Minister of Finance is nothing but a more or less arbitrary grouping of figures and sums. It is another question whether there is any solid basis for those figures, or whether, and to what extent, they deviate from the hard realities of actual facts.

In the draft Budget the estimates of the State Administration proper show a revenue of roughly 1.468 million and an expenditure of 1.509 million Slovak crowns. Accordingly, the deficit in the State Administration Budget is a round 41 million Slovak crowns. When we consider that the population of Slovakia is roughly 2.700.000, it will be seen that in the administration Budget 559 crowns of the State expenditure and 544 crowns of the State revenue fall to each inhabitant. What an enormous burden this is upon the inhabitants and upon production, may be gathered from the computations of economic experts, who put Slovakia's annual national income at about, 4.000 million Slovak crowns, or something under 1.500 crowns per head. And if we add the rest of the rates and taxes, it will appear that according to the Minister of Finance's figures, 40% of the aggregate national income is to be absorbed by taxation.

It is another question whether the above-quoted figures, especially those on the revenue side, are sound at all. The Minister himself notes that the Budget for last year, dating from 14th March and thus covering only nine and a half

months, showed a deficit of 300 million crowns. It may be reckoned that certain sums spent last year on the initial expenses of financing the machinery of the new independent State will not be required in 1940, but we cannot find any justification for the optimism which reckons on an increase of 238 million Slovak crowns in the State revenue in the next Budgetary year, as the draft Budget does. Is there no such thing as a little cautiousness in estimating possible revenues?

But even this is not all. The Minister of Finance's *exposé* states that the arrears of taxes in Slovakia amount today to 344 million crowns. Since we know that in 1937 and 1938 almost all the old arrears were written off under the Czecho-Slovak administration, we are justified in supposing that the 344 million Slovak crowns of arrears date from 1939. This would certainly mean that the Budgetary figures for 1939, which estimated 238 million crowns less revenue than the present Budget does, were already not sound, and that the tax-paying capacity of the population was not accurately gauged. Nothing else would explain how arrears of taxes could amount to 344 million crowns in one year's time. We shall never see clearly in this matter until the balance-sheet of the State's finances for 1939 is made public, if indeed it ever is.

If on the strength of the figures quoted above we take the probable revenue of the past year as a basis of calculation, we arrive at the conclusion that the State revenue in 1940 will be at least 500 or 600 million crowns, short of the figures of the Budget Estimate. This is about half the total revenue estimated. Whether in these circumstances the figures of the Budget are sound, is a question the reader may be left to answer.

The various items of revenue foreseen in the Estimates are:

1. Direct Taxation	283.100.000 S. crowns
2. Turnover and Luxury Taxes	255.193.100 S. crowns
3. Customs Duties	50.133.000 S. crowns
4. Excise Duties	304.165.000 S. crowns
5. Stamp Dues	169.210.100 S. crowns



6. Other Dues	500.000 S. crowns
7. Monopolies	35.630.000 S. crowns
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Total	1.097.931.200 S. crowns

The rest of the State revenue is to accrue from the receipts of the various Ministries.

The total expenditure is: 1.508.972.107 S. crowns.

Of this amount 737.063.085 Slovak crowns represent personal, while 771.909.022 Slovak crowns represent material expenditure.

But we must not forget what Dr. Zátko, chief rapporteur to the Budgetary Committee, said about the estimates of revenue and expenditure during the Parliamentary debate on the Budget. He said that the sum originally demanded by the various Ministries on the basis of the old Czecho-Slovak requirements was 2.408 million Slovak crowns. The Retrenchment and Supervisory Committee cut this sum down to 1.508 millions. The State revenue was originally estimated at 1.232 million Slovak crowns, which sum was finally increased to 1.468 million. It would be hard to say whether this reduction of expenditure and increase of revenue are in keeping with the actual situation and economic possibilities, or whether they will not result in a lowering of the economic, social and cultural standard of the people that will in the long run prove intolerable for large sections of the population.

We hear little about the estimates for the State undertakings and works in the Minister of Finance's *exposé*. All that he said was briefly that the following State undertakings show profits: the tobacco monopoly, the mint at Kőrmöcbánya, the State forests and estates, the Post Office, the Post Office Savings Bank, the State Printing Office and the Slovak Law Journal. The Minister did not see fit to say what the profits amount to in each instance.

On the other hand he told us that the balance-sheet of the State Railways showed a deficit of 154 million Slovak crowns, and that of the State mines and foundries a deficit of about 9 million. We do not learn from the Minister's

exposé what the State's losses were on the Slovak State spas and the Slovak Telegraph Bureau.

The Budget appropriates 562 million Slovak crowns for State investments. Of this sum 239 million crowns are set apart for investments connected with administration, and the remaining 323 millions for the investments of the State undertakings. The chief items are as follows:

Roads and Bridges	178.741.500 S. crowns
Waterways	22.500.000 „ „
State Buildings	30.958.500 „ „

The chief items of the investments programme of the State undertakings are:

Post Office	50.000.000 S. crowns
State Railways	250.137.700 „ „

The sums required to cover investments and deficits in the balance-sheets of the State undertakings can naturally only be raised by loans.

In conclusion Dr. Pružinsky spoke of the national debt. The first loan received by the Slovak Republic was a reconstruction loan of 358 million Slovak crowns. The services of interest and amortization on this loan are assured. But there is another debt that weighs heavily on the new State, the joint national debt of the old Czecho-Slovak Republic, which amounts to at least 50.000 million Czech crowns. The negotiations which are to determine how this debt is to be divided, have not yet been brought to a conclusion, but rumours that have leaked out state that the quota for Slovakia will probably exceed 6.000 million Slovak crowns. The interest on and amortization of this debt will absorb at least 400 million Slovak crowns per annum. Besides this, the Czechs claim other considerable sums from Slovakia in lieu of compensation to the Czech State officials discharged when Slovakia became independent. Where the money to pay all this is to come from, was not stated in the Minister's *exposé*.

Judging by the data given above we feel justified in saying that we cannot share Dr. Pružinsky's optimism either as regards the future economic development and vitality of the Slovak Republic or in respect of the financial solvency of the Treasury.