

ZARZĄDZANIE PRZEDSIĘBIORSTWEM W SPOŁECZNEJ NAUCE KOŚCIOŁA

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OFICyna WYDAWNICZA
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Etymology of Fiscal Regulation of Foreign Trade Activity in the Context of Social Development

Abstract: The scientific article is devoted to the study of fiscal regulation as a separate aspect of social development. The article deals with scientific approaches to understanding the essence of fiscal regulation of the economy in general and foreign trade in particular. The disadvantages of classical and neoclassical models of international trade and open economy are highlighted. It is stated, that observance of the freedom principle of foreign trade is common to all classical and neoclassical theories.

It is ascertained that: firstly, in the classical and modern economic literature there is no definition of "fiscal regulation of foreign trade activity"; secondly, the modern model of international trade contains a number of disadvantages, which express themselves in obtaining a greater share of the foreign trade benefits by highly developed countries; thirdly, foreign trade policy in transition economy countries requires an active regulatory role of the state, which should include certain elements of trade protectionism.

Key words: fiscal regulation, foreign trade, economic security, protectionism, social development.

Introduction

The current conditions for a possible change in the vector of development of the world economy, mainly from a liberal macroeconomic model in the direction of neo-Keynesianism and protectionism, necessitate scientific justification and development of a totally new strategy for economic development, focusing on a person with their primary socio-economic needs as well as states with their basic economic interests and goals.

The necessity to optimize the system of regulation of foreign trade relations is determined by the need to define and substantiate the systematic approach to fiscal regulation of foreign trade activities (hereinafter referred to as the FTA). Fiscal regulation of international trade was analyzed in the writings of such leading world scientists as: T. Veblen, R. Zelinsky, P. Krugman, M. Porter, D. Ricardo, A. Smith, P. Samuelson, V. Tarasevich and others. At the same time, we note the lack of domestic and foreign scientific studies on the impact of the mechanism and instruments of fiscal regulation on foreign trade operations in

terms of ensuring the economic security of the state.

Since the category of fiscal regulation of the FTA is new, it is advisable to focus on a combination of theories and approaches on understanding aspects of the FTA as well as fiscal and tax regulation of trade in general, in order to fully analyze the evolution of this concept, which led to its emergence.

Scientific approaches to fiscal regulation of foreign trade activities

In the middle of the last century, the ideas of fiscalism were actively used in the post-war period in the United States in the context of Keynesian policy. Its second stage was the revitalization of fiscal policy, which was implemented through the active regulation of aggregate demand and was called "Keynesian fiscalism" (Veblen 1934, p. 94). Over time, such a policy of increasing the money supply has led to serious differences between the fiscalists as supporters of tax optimization and structuralists as supporters of the increase in public spending. In the end, a compromise was reached, which suggested that initially the emphasis would be on increasing public spending, which would entail an increase in domestic money supply. However, improving the economic situation has raised the issue of tax cuts (Samuelson 1952, p. 56-66).

The ideas of Keynesianism, in accord with the changing conditions of extended reproduction, were further developed in the works of J. Hicks and P. Samuelson, who considered the regulation of the economy through monetary policy.

A. Smith, in his "Study of the Nature and Causes of the Wealth of Nations", in examining the features of internal taxation and foreign trade regulation in different countries, emphasizes the protectionist nature of such regulation and actualizes its need (Smith 1789, pp. 641-644).

The foundations of the theory of foreign trade are laid in the writings of the classics of economic theory. Characteristic of the classics approach to the problem of international trade development was the relatively low resource mobility between countries at that time.

The development of FTA research and justification of benefits for countries involved in international trade was made by A. Smith. The strength of his "theory of absolute preferences" is to highlight the clear benefits of division of labor through the development of international trade, not only nationally but also internationally. International trade is advantageous when the two countries exchange goods for the production of which they incur less labor costs than the partner country (Smith 1789, p. 642).

Developing this problem in his "Theory of Comparative Benefits" (Ricardo 1817, p.

232), D. Ricardo substantiated the mutually advantageous trade between countries in the conditions when they specialize in the production of goods with relatively lower labor costs. According to D. Ricardo, the gain from trade acts as an economic effect, which is obtained by each of the countries involved in trade and specializes in trade of the goods in the production of which it has relative advantage.

It is also worth noting that D. Ricardo's international trade model reflects the political benefits of foreign trade for all countries due to the specialization in the production of goods, where comparative advantages are present. In fact, foreign trade also seriously affects the distribution within the country, often in practice having its benefits unevenly distributed, with some groups of people even losing out on its development. Well-known economists P. Krugman and M. Obstfeld draw attention to this: "While trade is profitable for the country as a whole, it can, in the short term, cause damage to large groups of people within the country" (Krugman 2009, p. 39).

A. Smith and D. Ricardo supported the ideas of free enterprise and free trade and denied state intervention in these processes. However, the country's foreign trade benefits shared within the country and resulting in certain groups' losses still require government intervention to minimize this negative phenomenon. Among the most likely persons losing out on foreign trade are persons engaged in the production of goods imported into the country.

An attempt to systematically analyze the importance of the FTA development and its fiscal regulation for the country was made by mercantilists. To date, their recommendations remain relevant, aimed at increasing economic power and improving the well-being of the population of a country, the main ones being:

- the state must regulate foreign trade in order to increase exports by selling finished products and reducing imports;
- the state must prohibit or severely restrict the export of raw materials while authorizing duty-free imports of raw materials required for the production of goods for export (Thomas 1991, p. 96).

One of the most famous representatives of mercantilism is Thomas Mun. In "The Wealth of England in Foreign Trade," the economist points to the need to create a positive trade balance in order to increase the money supply in the national economy. T. Mun denies any measures that hinder exports and advocates lower prices for British products to increase its competitiveness in foreign markets (Mun 2008, p.101).

According to the monetarists' views, restrictive fiscal policy, conducted without reducing the amount of money in circulation, does not cause inflation decrease. Depending on

the level of government activity in the international economy, an active fiscal policy is pursued, which may be either restrictive or expansive. (Gołębiowski 2009, p. 229).

Notwithstanding the limited views of mercantilists on the essence of wealth, which is equated with money (gold, silver), it is important that their teaching helps to understand the need for active participation of the state in foreign trade in order to achieve an active trade balance through its regulation. The development of mercantilism in Germany, which eventually was called cameralism, is represented by L. von Sekendorf, F. Justi, and I. Sonnenfels. Their doctrine defines taxes as one of the main sources of enrichment of the state, thus advocating the necessity to find ways to optimize them (Thomas 1991, p. 274).

The 1950s – 60s led to emergence of a scientific trend in monetarism, with Milton Friedman as its representative. The key difference of the monetarists' position is claiming the monetary factor to be instrumental in economic development while diminishing the influence of the state on domestic and foreign trade activities. (Vsemirnaya istoriya ekonomicheskoy mysli 1990, p. 119).

In a study conducted by E. Heckscher and B. Olin ("Heckscher-Olin theory"), the development of international trade is linked to differences in the resource potential of countries. The focus is on analyzing the relationship between the share of each individual resource in the total resource potential of different countries, and the proportions in which they are used in the production of certain goods (resource consumption indicator). They investigated that the growth of supply of any production factor leads to a shift of the limit of production possibilities towards the goods for the production of which this factor is used most intensively.

The above conclusions give grounds to our statement that a country's foreign trade policy should be based on the use of available comparative advantages that will allow the country to achieve greater benefits.

It should be noted that in practice, the Heckscher-Olin theorem cannot always be proved (as evidenced by the Leontieff Paradox). This is because there are a number of additional circumstances that may affect international specialization. Among them are the following main ones:

- heterogeneity of production factors, and, above all, the level of skills of labor (in the export of capital-intensive industrialized countries may be dominated by labor-intensive goods, which expresses the relative excess of highly skilled labor and specialists, and in the labor-intensive countries export is dominated by goods production of which requires a great deal of unskilled labor);

- exports from developing countries are, as a rule, related to the goods produced by the extractive industries (raw materials) whose production (mining) requires vast amounts of capital. Therefore, exports from many developing countries are capital intensive, but capital in these countries is not a surplus factor;
- influence on the international specialization of the foreign trade policy of the state, which can restrict imports and stimulate production domestically, and export the products of those sectors where relatively scarce factors of production are intensively used.

International trade is based on differences not only in productivity but also in differences in other countries' resources. This was reflected in the model of specific factors by P. Samuelson and R. Jones (Samuelson 1952, p. 56-66), where unlike D. Ricardo's model, factors of production other than labor are allowed. Unlike labor, which is a mobile factor that can move from industry to industry, other factors are specific and their use is only possible in certain industries. Differences in technology and data resources between countries, according to P. Samuelson and R. Jones, are the main reasons for the existence of foreign trade benefits.

A similar conclusion is made in Stolper-Samuelson's theorem (on the equalization of production factors prices): "the rise in the price of surplus factor and the decrease in the price of scarce resource as a result of the country's participation in international trade leads to the fact that the real income of the owners of the surplus factor decreases" (Samuelson 1948, p. 55).

Common to all classical and neoclassical theories of international trade is the observance of the principle of freedom of foreign trade. Of the general conclusion of the classical and neoclassical theories about the fundamental disadvantage of any restrictions on free trade, the most significant exception is the thesis about the protection of the so-called young sectors of the economy. The introduction of temporary protectionism (preferably in the form of moderate import tariffs) will help to develop their production and increase their competitiveness to the international level.

Classical and neoclassical models of international trade and the open economy have other disadvantages with deeper methodological roots.

Firstly, these models are based on the postulate of the external (natural) structure of factor benefits in a particular country, which is characterized by certain elasticity, and any state intervention in the economy is counterproductive, since it distorts this "natural" structural establishment. This approach is justified in the development of production based on the use of natural factors that have a certain geographical location (certain reserves of natural

resources, certain climatic conditions in agriculture), but the share of such production as the world economy develops, tends to decrease, while increasing on artificially created factors of production. The well-known international competition theorist M. Porter drew attention to this and suggested to use the notion of not comparative but competitive advantage of the nation, where formation and development of competitive factors is one of the most important determinants (Porter 2008, pp. 101-103).

Secondly, the models are based on the premise of perfect competition. In reality however, there is imperfect competition, the manifestations of which distort the conditions for the principle of comparative advantage to function.

Thirdly, models are built on the principle of self-regulation of markets, but in reality, there are hierarchically constructed economic systems in which the processes of self-regulation and regulation are intertwined by other hierarchical levels of regulation, especially the state. The economic role of the state in the modern world is increasing, and the factors of its influence are significantly modified. Non-state regulators (national and international), interstate treaties, regional integration association regulating institutes have a significant influence as well.

In this context, consideration should also be given to the feasibility of an open economy, the level of which, according to V. Tarasevich, is justified when "a higher rate of reduction of its entropy is ensured compared to the entropy of the international economy. Therefore, it is not the integration into the international economy, European structures and the post-Soviet space, that is important, but its use by the national economy to achieve a level of self-realization that exceeds world standards" (Tarasevych 2002, p. 59). However, as noted by R. Zieliński, the simplification of the fiscal system and, accordingly, the change in the structure of revenues is not a sufficient factor for rapid development (Zieliński 1997, p. 129).

Thus, foreign trade is profitable for some while detrimental for others, thus the presence of losers and winners determines foreign fiscal policy in today's economy and is the main reason for the existence of trade barriers between countries and, consequently, state regulation of its foreign trade activities.

Conclusions

The analysis of classical and modern scientific sources showed that they did not define the concept of "fiscal regulation of foreign trade activity". Based on the conducted research into the etymology of the concept, under the fiscal regulation of the FTA, it is proposed to understand the dynamic system of state regulatory measures using the tools, levers, incentives

and sanctions by which the protection of national economic interests in the foreign economic sphere is ensured. Fiscal regulation of FTA can also be seen as a process of developing and applying appropriate state instruments, levers and sanctions aimed at changing the regulatory impact on foreign trade in order to protect national economic interests.

Based on the analysis of various models of international trade and openness of the economy, we can draw some conclusions. Firstly, international trade contributes to increasing the efficiency of both the global economy and national economies by benefiting from the division of labor and the more rational use of available economic resources. Secondly, adhering to the principle of free trade has far more advantages over economic protectionism because of the positive influence of external factors on the economic development of a country. Thirdly, given the current distribution of the benefits of international trade for the benefit of developed countries, developing countries and countries with economies in transition, it is advisable to apply elements of trade protectionism and state regulation of foreign trade. Fourthly, given the shortcomings and limitations of existing models of international trade, the FTA requires an active regulatory role of the state and its deliberate impact on the economic environment to correct spontaneous market mechanisms, and to reduce the destructive impact of the external environment on a long-term basis.

The important role of fiscal regulation of FTA in defending national economic interests and promoting the development of international trade, and thus in ensuring the economic security of the state, has been established. This suggests that the process of fiscal regulation of FTA should be viewed not only from a financial point of view, but also through the lens of security-related approaches.

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