

Doctoral School of Social Sciences

Ph.D. Area: Finances

DOCTORAL THESIS

-Summary-

The interaction between taxation, economy and human development, in the context of the Central and Eastern European Union member states

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Keywords: fiscal system, taxation, economic growth, human development, general well-being, gross domestic product, alternative GDP indicators, econometric studies.

INTRODUCTION

A. MOTIVATION FOR CHOOSING THE TOPIC, ITS IMPORTANCE AND ACTUALITY

The tax system is the main source of the formation of the state budget, a budget without which the existence of a state is inconceivable. And, depending on these budget additions, the standard of living of all citizens depends, which is reflected in the current economy of the state. The increased importance of the research theme, approached through this doctoral thesis, is strengthened by the constant concerns for the efficiency and optimization of the tax system, in relation to ensuring economic growth and the characteristics of well-being and human capital development, both nationally and internationally.

The research topic of the doctoral thesis, entitled "*The interaction between taxation, economy and human development, in the context of the Central and Eastern European Union member states*" as chosen due to the fact that the largest portion of financial resources within a state are occupied by mandatory tax collections formed by taxes and fees. These represent revenue-generating sources and have a significant impact on the functioning of the economy as a whole, particularly on the redistribution of economic resources. In order to better highlight the existing link between taxes and macroeconomics, through the chosen doctoral thesis topic, a study will be carried out to underline the interdependence between taxation, economy, and development, as well as the role of taxation in ensuring general welfare at the societal level.

The current economic conditions in the European Union still bear the traces of the economic and financial crisis of 2008-2009, and the instability of emerging states makes it necessary to implement clear, long-term regulations regarding fiscal policy that can have positive and lasting macroeconomic consequences. This is emphasized by the fact that the development of human capital and the economic, financial, and social welfare of a state can be achieved through direct and indirect taxation, respectively through tax revenues. In addition to austerity measures and rescue plans undertaken during a crisis, it is important to implement measures related to optimal national tax reform, so that the fiscal system, including the tax and fee system, becomes a stabilizer of the national economy. Therefore, the relevance of the research topic is conditioned by the need to estimate the impact and role of taxes in government revenue formation, as well as on the economy and development of a state.

Fiscal policy has a decisive impact on the development of the national economy, because through government revenues, the state can act in the desired direction by using economic and financial policy levers in the implementation of the tax system. For example, citizens' interest in economic activities and the consumption of certain goods and/or services can be stimulated or stopped, and commercial relations with foreign countries can also be influenced.

Globally, we are in a phase of socio-economic development where economic growth is just one of many objectives of economic policy, and governments are seeking a new direction to align with the global economy. I believe that to provide the most appropriate assessment of the overall situation, it is necessary to take into account the fact that economic and fiscal activity, social well-being, and human capital development are interconnected elements that, studied together, can offer a comprehensive picture of the fiscal-economy-development relationship.

Therefore, through this doctoral thesis, the aim is to bring additional knowledge from the experience of the selected states in the sample, in order to identify proposals for improving the relationship between the tax system and the economy, as well as to adopt new methods and techniques for managing this complex system, so that it can lead to development and general welfare.

B. CURRENT STATE OF SCIENTIFIC RESEARCH AND REPRESENTATIVE BIBLIOGRAPHY

Economists argue that macroeconomic activity can be affected differently through taxes, but the impact of fiscal levies on the economy is contradictory, with some studies showing a negative influence, while others suggest a positive impact. These debates and contradictory results are a consequence of how fiscal policy instruments are used within each state, as well as the level of development, the research method used, and the variables included in the studied models.

Most of the research on taxation has not focused on analyzing the overall welfare of society, thus failing to highlight the impact of taxation on the social element of the nation, namely the population. By reviewing the literature on the relationship between mandatory tax collections and the economy, it has been observed that scientific studies have been conducted on some aspects associated with this research topic, but which do not encompass the entire problem of interdependence between the tax system and macroeconomic indicators that could highlight general welfare. For this reason, we consider it appropriate to continue research in this niche.

The main macroeconomic indicators, which can highlight the economic, social, and political progress of a society, have been selected in this research to complement the gross domestic product (GDP) as the main measure of a country's economy. This is because GDP, when considered alone in relation to taxation, does not provide qualitative information on the general

well-being of society. Identifying how fiscal policies interact with general well-being is a major point of interest, as it could allow the provision of qualitative public services that satisfy individual welfare, as members of society are not concerned with GDP growth, but rather with the increase in their welfare, derived from the goods and services they consume.

Therefore, the general welfare of the population is perfectly intertwined with the objectives of economic growth and human capital development, making it an opportune subject to be addressed in this research, by analyzing the interdependencies between taxation-economy-development. However, we must take into account, on the one hand, the quantitative indicators of economic growth, as their importance cannot be ignored and governments must implement policies to improve the economy, and on the other hand, we need qualitative indicators specific to human capital development and welfare. This is reinforced by the idea that the global society needs a new compass to guide it towards real progress, without equating economic growth with progress, as there is currently no general indicator of progress that measures both prosperity and welfare.

Regarding the research concerns related to the topic of the thesis, especially the relationship between taxation, economy, and development, they have led to various economic and financial studies aimed at providing solutions and action models regarding the fiscal policy of states, considering the economic transformations over time, with the goal of ensuring economies in which general well-being should represent the general target of decision-makers. The relationship between the tax system and the economy has been intensively studied both by domestic and foreign authors. In the specialized literature, various studies have examined differently and individually the effects of income taxes, profit taxes, labor taxes, value-added tax, tax evasion, corruption, taxpayer compliance, budgetary reforms, fiscal policy, etc., on development and economic growth. Therefore, from the point of view of the current research stage, which emerges from the specialized literature, the most representative studies will be presented further.

In recent years, research in the financial and economic fields has focused heavily on the interdependent relationship between taxation and economic growth. Over time, a large volume of theoretical and empirical literature has been accumulated, examining the relationship between taxation and economic growth. If we consider the tax-economy relationship only from a theoretical perspective, we can consider that there are two main effects that can exist: on the one hand, financing government spending through taxation, which has beneficial effects on the economy, and, on the other hand, depending on the structure and level of taxation within states, taxation can have negative macroeconomic effects.

Regarding the welfare of society, there is research suggesting that long-term changes in living standards can be influenced by practicing lower tax rates, even if they do not have an

immediate and significant impact on economic growth (Braşoveanu-Obreja, 2007). It has also been found that reductions in tax rates related to labor, income, and capital, coupled with increases in consumption tax rates, make it possible to amplify growth within an economy, while possible increases in income tax rates could negatively affect labor market participation and businesses (Spirakis and Sarantidis, 2017).

On the other hand, other research has found that low tax rates have a weak impact on economic growth, while high tax rates have immediate negative effects on growth (Jaimovich and Rebelo, 2017). Research at the country level within the European Union has yielded positive results for economic growth in regards to income taxes and mandatory social contributions, even in the case of corporate profit taxes, which contradicts previous empirical results in the literature. However, the impact of production and consumption taxes is in line with other research, being favorable to economic growth (Stoilov, 2017).

Over time, research has also been conducted to identify the decisive factors influencing the degree of variation in tax revenues. The link between the national leadership system, embodied by the government, inflation levels, and the level of corruption has been studied in correlation with revenues obtained from taxation by authors such as Epaphra and Massawe (2017), who concluded that variables related to corruption have a negative effect on tax revenues, while those related to government efficiency, regulatory quality, and the rule of law have a positive effect on them.

The same results regarding the influence of corruption, inflation, and the quality of government on tax revenues were found by other researchers such as Hunady & Orviska (2015), Ahmed et al. (2016), and Cristea et al. (2019). In this situation, we believe that it is the responsibility of the state to reduce corruption by improving the quality of the tax administration, so that revenue levels meet high standards in relation to expenditures. Implementing measures to develop national tax culture is also believed to have a positive impact on this segment.

However, there are still gaps in the literature that deserve further investigation. First and foremost, gaining knowledge in this area is important, as studying how these fiscal factors influence the economy as a whole will help evaluate the interactions between taxation and welfare.

Regarding other reference articles from national and international literature, we can mention the studies of the following researchers, who have added value to the research topic in this doctoral thesis, namely: Văcărel et al. (2007), Dumbrăveanu, A. (2017), Ungureanu et al. (2017), Vodă and Dobrotă (2018), Comaniciu (2018), Medina and Schneider (2018), Vătavu et al. (2019), Terra et al. (2021), and others.

All these studies can represent starting points in finding legislative proposals regarding fiscal-budgetary policy, so as not to affect the sustainability of public finances in relation to the

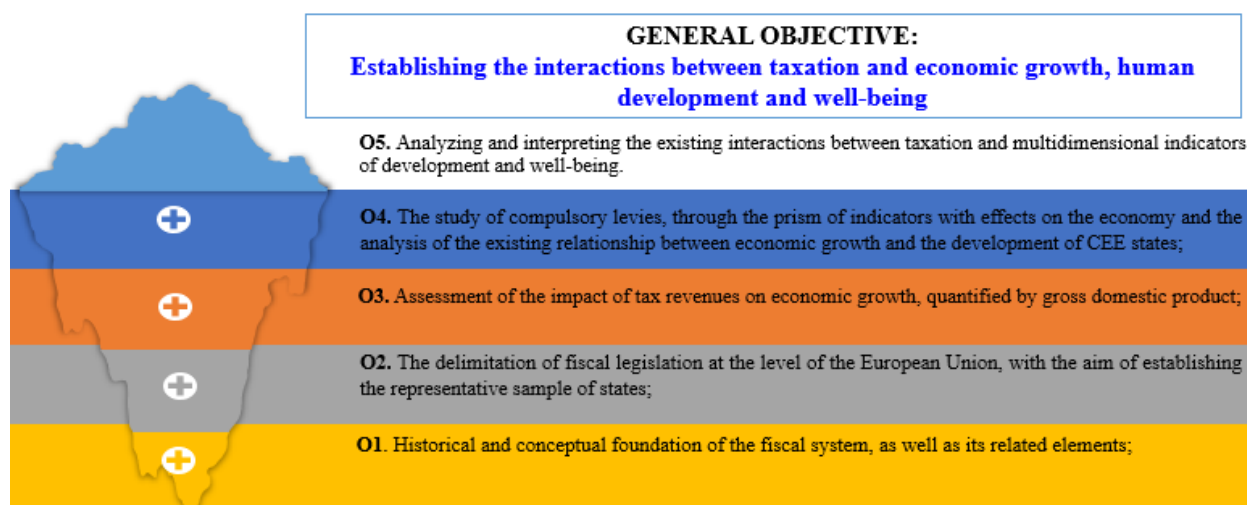
mode of governance, considering that the negative influence of macroeconomic factors is not positive for the formation of fiscal revenues.

Through the research of the specialized literature on this very complex and interdependent issue between mandatory tax collection and the economy, it has been observed that in the research practice at the level of the European Union, but also of Romania, scientific studies have been carried out regarding some aspects associated with this research topic, but which do not encompass the entire problematic of the interdependence between the fiscal system and the macroeconomic indicators specific to development and welfare.

C. OBJECTIVES AND RESEARCH HYPOTHESES

The general objective of this research is to "Establish the interactions between taxation and economic growth, development, and well-being", in order to determine the role that fiscal policies play in ensuring prosperity at the level of a society. Based on the general objective, five main objectives of this doctoral thesis have been defined, as shown in Figure 1. Each main objective corresponds to one of the five chapters of this research.

Figure 1 Main Objectives of the Doctoral Thesis



Source: the author's processing, through the Microsoft PowerPoint program

For each main objective, specific objectives were constructed to follow in detail the research phases. Therefore, each main objective corresponding to the structured chapters is associated with three specific objectives. By testing and accepting the research hypotheses specific to each specific objective, it will be possible to achieve the main objective of the chapter and subsequently achieve the overall objective of the entire research.

In order to achieve the established objectives in the doctoral thesis, each main objective was approached in a phased manner. Therefore, to determine the current stage of the research, each chapter started with a review of the literature in order to identify gaps in the literature, as well as

ways to achieve the specific objectives set. Subsequently, after the theoretical foundation, the study continued with testing the research hypotheses, and based on their acceptance, it was possible to outline an overall picture of the final results, own contributions, and, directly, the general objective of the doctoral thesis was achieved.

In the present doctoral thesis, there are 5 main objectives divided into 15 specific objectives and 21 research hypotheses, constructed to be tested, achieved, and argued, so that the general objective of the research can be reached.

D. RESEARCH METHODOLOGY

The approach of the doctoral thesis regarding the interdependence between the tax system and macroeconomic indicators from an economic, legal, legislative, psychological, and social perspective confers an interdisciplinary character to it. The work addresses interdisciplinary research, thus targeting aspects that are found in the economic, fiscal, legislative, statistical, mathematical, and social domains.

In this doctoral thesis, a complex and interdisciplinary exploratory research methodology was used to achieve the general objective, covering both theoretical and practical aspects related to taxation and multidimensional indicators of development and well-being. The following **methods** were employed:

- the method of theoretical research and the method of research literature, through which it was possible to delimit the related elements of the fiscal system, the current legislation, the phenomena of welfare, economic growth, and development, as well as the harmful elements of taxation such as corruption and the shadow economy. Aligning the results obtained through scientific research with the specialized literature has been useful in shaping, from a personal perspective, the conceptual aspects addressed in this research.
- the method of observation and scientific explanation is practically present throughout the research. These methods are useful in discovering the essence of the studied phenomenon, in the theoretical and scientific interpretation of the tax-economy-development relationship, as well as in understanding the evolution of the studied phenomena in relation to the tax system at the level of Central and Eastern European Union member states (ECE).
- the descriptive method and the comparative method are frequently used together in economic research, through which, on the one hand, in the present research, it was possible to describe the processes, phenomena, and indicators related to taxation, economy, and human capital development, and on the other hand, it was possible to compare the existing situation at the level of the analyzed states, by highlighting the common points as well as the points that differentiate them, regarding the researched subject.

- the empirical research method, was used to define the research objectives, study the relevant literature, build the database, choose an appropriate methodology for the research hypotheses, analyze and interpret the results, as well as outline the conclusions and directions for further research.
- the graphic representation method was used for a deeper understanding of the studied phenomena, and the use of tables, figures and graphs was necessary to synthesize and structure the research results as best as possible;
- the statistical analysis method and the econometric method were used to study the relationships between human development and economy, fiscal policy and economy, as well as between fiscal policy and human development. Based on the results obtained, these methods could subsequently lead to the identification of the interaction between the fiscal system and the economy, in favor of well-being. Statistical analysis and econometric models used included regression analysis, vector autoregressive model (VAR), Hodrick-Prescott trend, Granger causality, ARDL model, Lasso model, and AutoSearch model.
- the method of analysis and synthesis, the method of induction and deduction through which it was possible to break down the general objective of the research into main and specific objectives, which would allow the outline of the study rationale of the taxation-economy-development relationship. Through analysis and synthesis, the research hypotheses could be verified, and the elements linking the studied phenomena were highlighted, so that the results obtained from the studies could be argued. To achieve the objectives of this research, all aspects studied were treated deductively, from general to particular, but also inductively, as the study of the role of taxation in human development progressed.
- the case study method, through which it was possible to analyze the existing situation at the level of the Central and Eastern European Union member states chosen in the sample, and through which a complex and in-depth investigation of the fiscal-economy-human development relationship was possible.
- qualitative analysis method and quantitative analysis method. Although the research aims to be qualitative, in order to strengthen the results and highlight the existing incidences in this case, it was necessary to resort to quantitative research. Through qualitative methods, it was possible to find the quantitative significance of the data, structured in tables, graphs, and figures, in order to reach generalizable results, so that the role of taxation in human capital development could be outlined, to have positive effects on societal well-being. Thus, the data used in this research was processed both quantitatively and qualitatively.

The research tools used to achieve the general objective of this study include:

- Microsoft Office, which was used to process text, graphics, figures, and tables;

- Microsoft Excel, which was used to structure, arrange, and process the database;
- Eviews econometric software, which was used to perform statistical and econometric analyses throughout the research.

Regarding **the sample subject to the study**, the sampling was of a rational and systematic type, through which, in the first stage, six member states of the Central and Eastern European Union were selected. The study units were divided into two categories, namely developed states and developing states, and the time period was a longitudinal one - time series, to follow the evolution of the interaction between taxation-economy and development. In the second stage, in order to provide a general situation regarding the subject of the research, the analyzes undertaken focused on a sample consisting of several states, namely 177, including the six countries in the initial sample, with the aim of obtaining generalizable results. Data on indicators were taken from databases such as: Eurostat, European Commission reports, OECD database, WorldBank, as well as from other international organizations, as well as scientific articles.

E. STRUCTURE OF THE DOCTORAL THESIS

The doctoral thesis, from a structural point of view, includes an introductory chapter, five chapters of content, as well as a chapter in which the conclusions, own contributions and future research directions are synthesized, totaling a number of 250 pages, within which the information and the research results were analyzed and interpreted through 16 graphic representations, 29 figures and 44 tables, based on the study of the specialized literature relevant to the research field, respectively 209 bibliographic references.

The five chapters of the doctoral thesis each encompass a main objective, three or more specific objectives, as well as research hypotheses. Each chapter concludes with a section of conclusions and personal contributions, and at the end of the doctoral thesis, personal contributions, recommendations, as well as the main directions for future action and bibliographic references used in the research relevant to the study are synthesized in a separate chapter. The expected results will represent the automatic fulfillment of the main and specific objectives, as well as providing answers to the research questions formulated through the hypotheses of each chapter. Along with these, we expect that the research results can be used by those interested in the interaction between the tax system and macroeconomic indicators, so that it can be in the interest of people's welfare, as well as in constructive debates and discussions in the economic and financial field.

The first chapter, entitled "*Theoretical Foundation of The Fiscal System*" proposes a brief presentation of the history of taxation to date and highlights the fact that current tax systems are the product of a long evolution marked by significant historical events. Within this chapter, the

fiscal system is presented and analyzed conceptually, aiming to highlight the conceptual mechanism of its operation, as well as the need to integrate the element of "tax culture" as a novelty in the literature. The first chapter concludes with the presentation of the main characteristics of the tax system, upon which the performance of the fiscal system depends, namely, its fundamental principles and the methods of taxation, followed by a section dedicated to conclusions and personal contributions.

The second chapter, entitled "*The Fiscal Legislative Framework in the Current European Context*," presented the fiscal legislation at the level of the European Union (EU), by presenting the main regulations regarding direct and indirect taxation, as well as the main treaties for the formation and functioning of the EU, as well as those related to stability and growth. In order to establish the research framework regarding the interdependence between taxation, economy, and development, this chapter aimed to present the fiscal regulations within the European Union, establish a representative sample for future studies, as well as provide a brief characterization of their tax systems, specifically for six Central and Eastern European Union member states. The second chapter concludes with a section dedicated to conclusions and personal contributions.

The third chapter, entitled "*Considerations on the Fiscal Impact on the Economy Within the Central and Eastern European Union States*" aimed to approach the Gross Domestic Product (GDP) as the main measure of economic size, in order to establish the impact of mandatory levies in developed versus emerging states on the economy, through the methodology of regression analysis, autoregressive vector, and impulse-response functions. The chapter concludes with a section dedicated to conclusions and personal contributions.

In the fourth chapter, titled "*The Rationalization of Well-Being and The Study of The Economic Growth-Human Development Relationship*" the aim was to delineate the concepts of welfare, economic growth, and development, as well as the evolution of the main macroeconomic indicators that can highlight the economic, social, and political progress of society. These indicators were selected to complement gross domestic product (GDP), since GDP alone in relation to taxation does not provide qualitative information on the general welfare of society. Starting from the idea that the development of human capital is one of the essential elements that have effects on economic growth, and directly on welfare, also in this chapter, the bidirectional links between economic growth and the development of human capital in the sample countries of CEE were shown through Granger causality tests.

In the fifth chapter, titled "*The Interaction Between Fiscal Policy and Multidimensional Indicators of Development and Welfare*," the research methodology was outlined to establish the relationships between taxation, economic growth, and human development using the VAR model, as well as the Lasso and Auto-Search models. In the first part of this chapter, the impact of taxation

on GDP was quantified by generating the economy's response function to taxation and estimating the public revenue multiplier for the ECE countries. In the second part of the research in this chapter, the role of taxation in relation to human development was studied by examining the interconnections between political factors, income distribution, and the economic aspects of human development. In the final part of the chapter, the role of taxation in ensuring societal well-being was analyzed for 177 countries, in order to provide an overall picture of the situation in this matter.

In the last chapter of this doctoral thesis, *a classic synthesis of the conclusions and personal contributions was carried out, as well as the identification of possible research directions.* As for the bibliography studied, it is representative and focused on publications related to the same subject matter, also being strengthened by the analysis of various legal acts related to the topic addressed in this research.

The overall objective of this research, namely to establish the interactions between taxation, economic growth, and human development, with the aim of delimiting the role of fiscal policies in ensuring the well-being of a society, has been achieved through adherence to the research rationale, the fulfillment of the main and specific objectives, as well as the acceptance of the research hypotheses.

In conclusion, it can be stated that taxation and economic growth are interconnected, with taxation being an important component in ensuring human development and societal well-being. Fiscal policies can play a crucial role in this regard, by contributing to the financing of public spending and the stabilization of public finances, by creating a favorable tax environment for investment and economic growth. The research findings are valid with the caveat that the optimal level of taxation for each country may vary depending on the economic and social context, the public policies adopted, and the particularities of each environment.

The main theoretical results from this doctoral thesis are:

- ✓ taxation has played an important role in the history of the world, and based on the study of its history, it has been observed that it was the basis of any major event in the world's past, with the possibility of being used for good or bad, with the aim of punishing or to ensure and create a civilized society, in which economic, social and financial well-being is the primary objective;
- ✓ the fiscal system could be defined, from an operational point of view, based on the main terms with which it has connections;
- ✓ the fiscal system was approached from the point of view of a tree, whose photosynthesis is influenced by the way in which its component elements interact and develop;
- ✓ a definition of the tax system was provided, as a component element of the fiscal tree;

- ✓ based on the definitions in the specialized literature, from my own perspective, it was possible to define the concept of tax, the taxation process, but also welfare;
- ✓ the most representative indicator for the quantification of the economy was highlighted, namely the gross domestic product, being the mirror of the general economic development of the society;
- ✓ the element of fiscal culture was introduced for the first time within the components of the fiscal system, due to its high degree of relevance, and it was also possible to provide a complex definition of it, which includes aspects related to the attitude, behavior and knowledge of the population, in terms of regarding the fiscal system and fiscal obligations;
- ✓ the characterization of fiscal policy and taxation, from a legislative point of view, at the level of the European Union was carried out, and also the main characteristics and evolutions of taxation, within the states selected in the representative sample, were highlighted.

The main empirical results from this doctoral thesis are:

- ✓ the influence of direct and indirect taxes, but also of social contributions on the gross domestic product was studied, with the help of regression analysis with random effect, the results being positive and significant;
- ✓ through the econometric method of vector autoregression, the impulse-response function was highlighted, and it was concluded that indirect taxes have very little effect on gross domestic product, and the response of the economy is not significant. Regarding the effects of direct taxes and mandatory social contributions, the results showed a negative impact on gross domestic product;
- ✓ comparative analyzes of macroeconomic indicators were carried out, which, in relation to taxation, can underline the economic, social, but also political progress of society, within the member states of the Central and Eastern European Union;
- ✓ the Hodrick-Prescott trend was used to estimate a simplified form of the output gap and correlations with lags and leads and Granger causality were used to demonstrate the existing bidirectional link between economic growth and development indicators related to human capital;
- ✓ through the ARDL model, it was highlighted that the indicator of development related to the educational level plays a significant role in achieving economic growth. A high level of education can improve productivity, create a better-trained workforce, and contribute to innovation and business growth. Additionally, it can lead to the creation of new job opportunities and improve quality of life by providing a higher level of social security.
- ✓ the recursive VAR model and impulse-response functions were applied to estimate fiscal multipliers at the level of the Central and Eastern European Union member states. The results obtained suggested that the impact of taxation on gross domestic product is weak, unless the fiscal

multiplier is negative, where a decrease in fiscal pressure could be used to stimulate the economy during recessions;

✓ The linear regression models with LASSO and AutoSearch regularization were applied at the level of several countries, including the six from the ECE sample, to identify the most important factors with effects on human development and directly on overall well-being, namely the level of taxation, government efficiency, and reduced shadow economy;

✓ It was observed that there is a strong link between economic inequality, measured by the Gini coefficient, and human development, measured by the human development index. Reducing economic inequality can lead to an increase in human development.

✓ based on the analyzes undertaken, a negative and strong correlation was obtained between the level of taxation and the Gini coefficient, the fiscal pressure contributing to the decrease of income inequality;

✓ it was observed that, between the level of taxation and the human development index, there is a strong and positive correlation, which can be translated by the fact that an increase in tax revenues favors the growth of human development, through their surplus in GDP and the use of these funds to provide quality public goods and services;

✓ efficient governments are characterized by a low level of corruption, which is considered one of the most important outcomes achieved. However, there are other factors that contribute to governance performance, such as transparency, accountability, and efficiency. Reducing corruption can have a positive impact on these aspects and therefore on overall governance performance.

✓ a similar result was obtained in the case of the level of the shadow economy, which is best associated with the efficiency of governance. Based on the results obtained, we believe that when public money is used responsibly, the underground economy is reduced, thus there are fewer reasons to act evasively;

✓ based on the correlations made, it was found that effective governance can significantly contribute to economic growth, by optimizing public spending and reducing tax evasion, which can lead to an increase in the population's standard of living and a general well-being of society.

✓ standard of living correlates most strongly with governance efficiency, suggesting that government efficiency could be an important factor in human development. This result suggests that an efficient government can contribute to an increased standard of living through responsible use of public revenues and reduction of the informal economy, which can lead to a more equitable distribution of wealth and a more conducive environment for human development.

✓ through Lasso and AutoSearch models, it has been demonstrated that taxation is one of the important factors of human development, and its influence is amplified, strengthened, and

conditioned by the existence of a government at a high level of efficiency and transparency. Thus, government efficiency and transparency are considered key factors in maximizing the positive impact of taxation on society.

According to these results, taxation cannot be ignored or treated as a dispensable element in ensuring an ascending economy, but must be considered as an essential element in human development and ensuring the well-being of society.

Based on the results obtained, the **following recommendations** can be formulated to achieve economic growth, human development, and general well-being through fiscal policies and governance efficiency factors, which have been identified as key factors of human development.

- to build citizens' trust and encourage voluntary tax compliance, state institutions and decision-makers should prioritize transparency in all plans, which would lead to increases in the state budget;
- the government should take constant actions to reduce corruption and reduce tax fraud, which could lead to attracting new operators in formal economy sectors, creating new jobs, and directly contributing to improving citizens' trust in the government;
- the government as a whole, through the fiscal policies applied, should always invest the revenues obtained from taxes in providing quality public goods and services, such as infrastructure, health, education, security, industrialization, etc.
- government fiscal policies should be designed to facilitate the tax payment process, improve citizens' trust in the tax system and ensure its transparency. These can be achieved by simplifying tax processes, removing bureaucratic obstacles, improving technology and access to information, as well as increasing the level of tax education of citizens;
- building a national fiscal culture should be a primary element among today's societies. This can be achieved by educating citizens about the importance of taxes and how they are used to finance essential public services and development projects, as well as by facilitating access to clear and transparent information about the tax system and how taxes are collected and managed. Over time, these actions will improve citizens' participation in the tax system and, directly contribute to ensuring state revenues, which together with increased government efficiency will have positive effects on human development and overall well-being.
- the decision-making factors of the state can play an important role in improving human capital by developing appropriate, efficient, and useful educational and health policies to expand and increase potential earnings in terms of economic growth and societal well-being.

- in order to ensure the sustainability of economic growth within the CEE states, at the institutional level, additional problems must be addressed, related to the level of taxation, the efficiency of the government, the reduction of corruption, to promote the development of human capital, taking into account the interdependent and complementary relationship between taxation- economy-human development.

The personal contributions, proposals, and recommendations within the doctoral thesis, focus on the opportunity of their application in the economic, fiscal, social and legislative fields, through effective public policies. For this reason, it is important to consider these recommendations, in decision-making at the institutional level, in order to ensure sustainable development and well-being of society.

Regarding the *limitations of the research* on this very complex and interdependent issue, considering that the general welfare of the population can be quantified as net superior to quantitative indicators through qualitative variables, this research has faced limited statistical data over short periods of time and restricted samples regarding the qualitative part of well-being. For this reason, the human development index was used, as well as the standard of living, measured by the gross domestic product per capita, to quantify the social part of well-being, in relation to taxation. In addition to these considerations, the fiscal legislation represents another limit of the research, being in a continuous change, in terms of the tax policies applied, a change that is often influenced by the external environment, through the appearance of disruptive phenomena, such as pandemics, wars, natural disasters, etc., phenomena that can interfere with research results, as well as with their forecasting.

Another limiting aspect, within the present doctoral thesis, is represented by the research literature, which is characterized by rapid developments, regarding the researched segments, which could question the novelty elements specified in this scientific approach. Another limitation is the fact that our study period does not include the entire period affected by the coronavirus pandemic, and therefore, further study on the influence of taxation on the economy and the overall welfare of society is strengthened. To reduce the limits of the research, it is important to consider that the formation of the national budget depends on the methodological basis of the fiscal system operating in each country and should take into account the optimal level of tax rates, so that the tax burden on taxpayers is not oppressive.

Similar to Abulidze's (2020) research, none of the issues in fiscal policy, in terms of revenue, are as important as the structure and level of taxes, as these two elements can have negative influences on the capacity to finance public programs, on economic growth and development, on the standard of living, as well as on other economic and social aspects.

Economists argue that macroeconomic activity can be affected differently, through direct taxes and indirect taxes, and the impact of tax revenues on the economy is contradictory, with studies showing their negative influence and others supporting the positive influence of taxes. These debates and contradictory results are a consequence of how fiscal policy tools are used in each state, as well as the level of development, the research method used, and the variables included in the model.

Therefore, continuing research to deepen the relationship between taxation, economy, and human development, and subsequently to the relationship between taxation and well-being, is justified, given the interdependent relationship between these three elements, which are in a constant interconnection. Thus, further research can help improve tax policies and understand their impact on the overall well-being of society.

The *main directions of action* are focused on: studying fiscal policy by focusing on the structure and level of taxation within states, for example, analyzing the main types of taxes in relation to elements of welfare; expanding the sample studied to include all European Union member states in order to provide a comprehensive picture of the situation in developed and emerging countries; and extending the period analyzed by offering forecasts over time, with the aim of creating an index for measuring the well-being of society, by taking into account the relationship mentioned above, between the three elements studied, in this research.

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