International Journal of Social Science and Human Research

ISSN (print): 2644-0679, ISSN (online): 2644-0695

Volume 07 Issue 03 March 2024

DOI: 10.47191/ijsshr/v7-i03-65**,** Impact factor- 7.876

Page No: 2023-2033

The Impact of the COVID-19 Pandemic on the Interactions of the Economic and Political Cycle in the Czech and Slovak Republics

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ABSTRACT: The global SARS-CoV-2 pandemic was unprecedented for human society. On the one hand, it brought an authentic experience of the sudden collapse of the economic cycle, on the other hand, it tested the strength, credibility and management skills of governments. The slowdown in economic activity as a result of the coronavirus pandemic, forced quarantines and emergencies showed a number of differences and specifics between countries. These are, among other things, the result of different approaches of individual governments and their ability to solve the crisis. The primary goal of this article is to analyze the political dimension of the pandemic crisis. In connection with the hypothesis of the political economic cycle, we ask the question to what extent the pandemic crisis affected its mechanism. Has the pandemic crisis become a limiting factor in the concept of the political-economic cycle? In the context of the relevant phases of the political cycle of two institutionally close countries, we analyze and compare the approach of their governments (the Czech Republic and the Slovak Republic) to solving the coronavirus crisis and examine whether governments can influence the performance of the economy in this extraordinary situation in accordance with the theoretical assumptions of the political economic cycle.

KEYWORDS: Czech and Slovak republic, Political cycle, Economic cycle, Political-Economic cycle, COVID-19 pandemic, Anti-covid measures.

JEL codes: E32, E60, H00

INTRODUCTION

Fluctuations in the annual volume of real GDP accompanied by fluctuations in aggregate economic activity are considered by the contemporary economic literature (regardless of the initial paradigm) to be the most prominent feature of business cycles. Although isolated declines in output were noted by economists as early as the early 19th century, the tendency for spillovers has increased as globalisation has progressed. Throughout the 20th century, economic development was accompanied by economic crises, which more or less affected countries all over the world.

In the aftermath of the Covid-19 pandemic, countries around the world were subjected to an unexpected exogenous shock that has caused socio-economic, health and environmental losses (Lenzen et al., 2020). On the one hand, this presented a textbook example of a sudden economic downturn, while on the other hand it thoroughly tested the strength, credibility and managerial capabilities of governments (Caligiuiri, 2020; Liu, 2020; Credendo, 2020). An inappropriate governmental approach to a crisis can deepen the adverse economic development and undermine the economy in many ways in the long run. E.g.Palomino, Rodríguez, and Sebastian (2020) already identified certain distributional economic costs such as potential wage losses caused by social distancing and lockdown measures. In the pandemic crisis, we were eyewitnesses, but also authentic participants in the growing role of government in the economy. The government, traditionally seen as the “third” actor in mixed economies, has become the “first” actor. In the struggle against the pandemic, it is gradually gained greater fiscal freedom and expanded its regulatory space. Economies were stimulated, in a Keynesian spirit, by massive public spending, demand-driven counter-cyclical policies; government counter-crisis measures meant massive interventions in the natural allocation of resources, replacing the spontaneous decision-making of the market actors (Klaus, 2020). The ubiquity of the pandemic, how it is accepted, and the options for dealing with it are gradually divided society, politicians and, not least, their voters. The pandemic has taken on a political dimension, as the US presidential elections have confirmed.

The duration of the COVID-19 crisis (also with regard to the current energy crisis and the war in Ukraine) and its multiple consequences are a great unknown and it is beyond any doubt that a serious analysis of it is yet to be made by the scientific community. However, it is already evident that the downturn in economic activity, fuelled by states of emergency and government-ordered quarantines, has a number of differences despite its similarities across countries. We argue that the identification of key drivers and propagation mechanisms plays an important role in analysing and explaining crises as part of economic cycles. In this context, we share the political business cycle hypothesis and consider the political cycle of individual governments as a key factor that significantly influences the cyclical evolution of economies. In light of the above realities and theoretical assumptions, the aim of our paper is to analyse the influence of the political cycle of the governments of the Czech and Slovak Republics on the resolution of the pandemic crisis. On this basis, the research objective of the paper is to identify differences in the approach of the two governments and their effects. The final objective of the text is not to demonstrate the relevance of the theoretical concept of the political economic cycle, but rather its manifestations and limits in the period of emergency. It is not yet possible to assess the long-term effects of policy decisions, but the current situation points to the need to highlight the possible opportunistic motivations of politicians' behaviour and the possible risks arising from this. With this in mind, we approach our topic and see its added value as an initial analysis of the questions to what extent ideological and opportunistic features can be traced in the behaviour of the political representation of both countries, or to what extent the anti-crisis measures of the governments of these countries were influenced by their political cycle and the dates of the next elections.

LITERATURE REVIEW

Since the middle of the previous century, theories of the political cycle have been growing in importance. As the re-election of a government is directly dependent on the success of its economic policies, the incoming government tries to squeeze unpopular measures into the first two years of its mandate. In the second part of the term, the government then seeks to garner votes for the next term and therefore, in many cases, implements more appealing economic policies, regardless of the needs of the economy. The political cycle thus causes a greater dislocation of the economic cycle. The interference of governments in economic crises and the associated consequences has already been addressed by Ludwig von Mises and other Austrian economists in a series of articles on the Austrian theory of business cycles. However, the initial idea of the political cycle is linked to the thesis of the public choice school, according to which politicians try to win the largest number of votes in order to maximise their own utility (Downs, 1957). Further research on the relationship between economics and politics within the framework of the so-called new political economy has confirmed that economics and politics are closely linked, with motivations in politicians' behaviour and political mechanisms playing a key role in achieving economic outcomes (Sayer, 2000; Besley, 2006; Maki, 2012; Almeida, 2018; Voigt, 1999; Snookse, 2000; Haque, 2002; etc.). In the context of our subject of interest here, the early research on political economy cycles has played a particularly important role, such as the so-called political business cycle models (Nordhaus, 1975) and the so-called ideological political cycle models (Hibbs, 1977). This research has linked microeconomic insights on politicians' behaviour with macroeconomic insights and thus significantly expanded the scope of the field of "government failure" (Drazen, 2000; Samuelson and Nordhaus, 2008). The models use Phillips curve instruments and coincidentally assume an exogenously given election date (the possibility of endogenously setting an election date and announcing it when the economy is naturally doing well only appeared in later versions of the models, e.g. Ito, 1990).

Models of the political business cycle assume opportunistic motives for politicians' behaviour, maximising their own popularity and the likelihood of re-election. Each government therefore tries to influence the performance of the economy depending on the timing of the election. Originally, these models were based on voters' adaptive expectations; more recent versions in the form of so-called rational political business cycle models (e.g., Rogoff and Sibert, 1988; Persson and Tabellini, 2000) already work with the formation of rational expectations. The authors admit that due to the existence of information asymmetries, rational voters may also be influenced by deliberate stimulation of the economy in the run-up to elections, but the cycles should be shorter and less regular than in the case of the original models. Ideological models of the political business cycle assume that each politician pursues the programmatic goals of his or her political party and thus reflects the interests of only a certain group of voters. In doing so, left-wing parties prefer social security, especially employment, while right-wing parties aim to reduce inflation. However, empirical observations show that left-wing and right-wing parties behave analogously within the political cycle (Volejnikova, 2005). The original versions of political-economic cycle models assumed permanent effects on output and employment depending on the policy orientation of the respective government. Their later rational expectations versions (e.g., Alesina, 1987) are based on the hypothesis that each voter is fully aware of the different goals of each political party and chooses the party that most closely reflects his or her own preferences. According to (Rogoff and Sibert, 1988; Rogoff, 1990), the government has data on the effectiveness of its policies in advance and can therefore "signal" its success before an election. Electoral success then depends on the ability of politicians to use this information asymmetry to deliberately influence the rational voter. However, due to voter rationality, a government can only influence the real economy in the short term at the beginning of its term. After a transitional period of adjustment, temporary deviations in real variables return to their natural rate, so that in the long run the evolution of the economy becomes independent of the political orientation of the government. However, in the case of a left-wing government, the economy remains in some sub-optimal equilibrium with higher inflation.

Summarising the results of the conducted empirical research on political economy cycles is discussed in more detail in (e.g. Drazen, 2002; Shi and Svensson 2004; Mueller, 2009, etc.). However, although empirical testing has not yet yielded clear conclusions, the interest in confirming government failure in the many modifications of the models used persists and is gradually moving to the regional level (e.g. Veiga and Veiga, 2004). Traditional testing on real output, unemployment and inflation (e.g., Alesina and Roubini, 1990; Galeotti and Salford, 2001) has been complemented by tests of the political cycle in relation to different dimensions of fiscal policy in the period before or after elections (the so-called post-election cycle), in relation to the structure of government revenues and expenditures over the electoral cycle (e.g. Persson, Tabellini, 2002) or on data on cyclically adjusted government deficits (e.g. Annett, 2005; Brender, Drazen 2004), etc. In these cases, the literature already uses the label "political budget cycle". The studies carried out confirm rather ideological motives in the behaviour of politicians. However, according to (Brender and Drazen, 2006), deliberate influence on voters through fiscal policy may not affect the level of public sector deficit at all, so that generating public deficits does not increase the probability of re-election of the government. Rational policy should therefore direct fiscal stimulus only to a certain group of voters, the so-called "pork barrel spending" (Drazen and Eslava, 2006). Some research has also focused on specifics in the so-called new democracies. They conclude that countries with short-lived democracies are characterised by voter inexperience and poor information, which makes higher public spending a convenient tool for politicians to achieve electoral victory. According to (Brender and Drazen 2004), the political budget cycle tends to fade in these countries after four consecutive democratic elections.

METHODS

Working out the issue of our research consists of a systematic literature search (review) as well as a rigorous analysis, comparison and synthesis of available statistical data. The theoretical analysis is based on the original works of the authors cited, supplemented by findings based on a search of relevant sources of worldwide and domestic literature. The information obtained is compared in the context of theoretical-methodological and historical genesis, and a method of comparative analysis, synthesis and verbal deduction is applied. Emphasis is placed on the identification of the key determinants of the issue of business cycles and the hypotheses of political-economic cycles. The research is conducted using the desk research method. In the course of solving the research problem, the applied methods complement and combine each other, allowing for overlap and synergy of the final output. The analytical part of the paper is based on publicly available statistical data, economic analyses and economic forecasts. As a source of data, we used mainly the databases of the Czech Statistical Office (CSO), the Statistical Department of the Slovak Republic (SO SR), Eurostat databases and officially published data of the ministries concerned in both countries (especially the Ministry of Health and the Ministry of Finance). Currently, complete data (macroeconomic indicators) on the development of both economies are available in 2022 year. We rely on an empirical-inductive approach, methods of analysis, comparison and synthesis to draw and argue our conclusions. We also focus on identifying key characteristics of the pandemic crisis, linking these to economic theory and developing them into general conclusions.

RESULTS

The Czech and Slovak Republics share a long history and institutional basis. After the division of the original Czechoslovakia in 1993, they emerged as two separate, sovereign countries, politically based on the system of a parliamentary democratic republic. The appearance of the Coronavirus pandemic hit the Czech government in its third year in power. The Slovak government was hit by the appearance of the coronavirus pandemic at the same time as its electoral mandate began. The new Slovak government had to deal immediately with this abnormal situation, but at the same time it undertook to implement necessary reforms that will change the economic structure (Aroche Reyes, 2021) and which are necessary to support technical progress and support sustainable economic growth in the long term (Firmino de Sousa Filho et al., 2021) and to develop a basic framework for their implementation. The key characteristics of the political cycle of both governments are presented in the table below (Table 1).

Table 1: Determinants of the Political Cycle

	Czech Republic	Slovak Republic
Characteristics of the government	coalition, centre-left	coalition, centre-right
Electoral cycle	2018-2021	2020-2023
Key programme objective	- Strategic investments, including digitalisation - Governmental reform, tax reform - Strengthening security	- Growth in competitiveness of firms - Stability of public finances and fight against corruption - Growth in investment and digitalisation
Phases of the government's policy cycle at the time of the crisis	Mid-term	Beginning of the electoral term
Date of the next elections	October 2021	September 2023
Theoretical foundation	Fiscal expansion	Fiscal restriction
Economic policy in the period of a pandemic crisis	Fiscal expansion	Fiscal expansion
Impact of the pandemic on the political economic cycle mechanism	multiply	turn over
Limits of the political economic cycle	Medical, health	Medical, health

Source: author's own work

The following table (Table 2) provides an overview of the key macroeconomic indicators of the Czech and Slovak economies. As the table shows, the Czech government took over an economy in very good economic shape at the peak of the business cycle, with low unemployment and a safe inflation rate. Unlike the Slovak government, it also inherited a much more favourable state of public finances. The new Slovak government took over the Slovak economy just before the pandemic broke out in early 2020. Data show that during this period both economies were on the same economic downward trajectory with the same annual real GDP growth rate (2.3%).

Table 2: Economic situation in the electoral period of the current governments of the Czech and Slovak Republics

Economic situation at the time of the election of the current government		
	Czech Republic (2017)	**Slovak Republic (2019)**
GDP (year-on-year growth rate, real %) / business cycle phase	5.2/ peak	2.3 / falling
General unemployment rate in %	2.9	5.8
Inflation rate (HICP), average annual growth rate in %	2.5	2.8
Government budget balance	deficit 6.2 (billion CZK) 242.5 (million Eur)	deficit 2.2 (billion Eur)
Government debt in % of GDP	31.8	46.1
Public debt in % of GDP	34.2	48.5
Economic situation before the pandemic crisis (data for 2019)		
GDP (year-on-year growth rate, real %) / business cycle phase	2.3 / falling	2.3 / falling
General unemployment rate in %	2.0	5.8
Inflation rate (HICP), average annual growth rate in %	2.8	2.8
Government budget balance	deficit 28.5 (billion CZK) 1.1 (billion Eur)	deficit 2.2 (billion Eur)
Government debt in % of GDP	28.3	46.1
Public debt in % of GDP	30.1	48.5
Economic situation at the current stage of the business cycle (data for 2020 – pandemic year)		
GDP (year-on-year growth rate, real %) / business cycle phase	-5.6 / recession	-4.8 / recession
General unemployment rate in %	2.6	6.7
Inflation rate (HICP), average annual growth rate in %	3.2	1.5
Real wages (year-on-year change in %)	1.7	2.7
Projected government budget balance (2020)	deficit 40.0 (billion CZK) 1.6 (billion Eur)	2.8 (billion Eur)
Actual government budget balance (2020)	deficit 367.4 (billion CZK) 14.5 (billion Eur)	deficit 7.7 (billion Eur)
Government debt in % of GDP	36.5	58.2
Public debt in % of GDP	37.8	60,6
State budget proposal (2021)	deficit 500.0 (billion CZK) 19.7 (billion Eur)	deficit 11.8 (billion Eur)

Source: author's own work, data from CSO, SO SR, Eurostat

*** converted at the exchange rate of 1.9.2021**

The approach of both governments to the pandemic crisis (as well as that of other governments) has very similar contours. Immediately after the outbreak of the pandemic (the World Health Organization designated the SARS-CoV-2 epidemic as a pandemic on 11 March, 2020), both governments were faced with a complete lack of hygienic supplies and tests, as well as ignorance of the situation, inexperience and uncertainty regarding the steps to be taken to address it. The governments of both countries introduced quarantine measures and declared a state of emergency which, among other things, restricted the free movement of people, banned international land transport and effectively closed national borders. All schools, restaurants, theatres, sports venues, most shops and services were closed. At the corporate level, decisions were taken to temporarily suspend or severely limit production. Some employers even began to lay off employees, such that some employees found themselves out of work overnight, and many companies switched to a "home office" mode of working. Companies dependent on importing production inputs initially halted production due to delayed or suspended deliveries from abroad. Later, companies dependent on export production also had to stop production due to a rapid decline in foreign demand. In the meantime, revenues of companies in the airline, tourism, catering, services, industrial (especially automotive) and construction sectors gradually declined. Following the easing of the situation in the summer months, both governments proceeded to announce another autumn lockdown, which, in the context of the second and subsequent winter wave of the pandemic (with varying degrees of severity of the measures), lasted in both countries from October 2020 until June 2021. Already during the first state of emergency, the governments of both countries proceeded to implement fiscal stabilization economic policies. They adopted a number of anti-crisis measures and laws, which were quickly passed under the state of legislative emergency, for example, unlike Russia, where the government took almost no policy measures (Iwasaki, 2022). Examples include credit and guarantee programs to support companies and tradesmen in the form of concessions (deferment of rent, tax, loan payments, health and social contributions), compensation for lost sales due to plant closures, and compensation to employers in the form of wage reimbursements (so-called “kurzarbeit”, or “shortened working time”; known as the *Antivirus program* in the Czech Republic and two *First Aid packages* in Slovakia, etc.). Employees in both economies were granted extensions of such things as sick leave or deferred rent and loan payments. A number of fiscal measures have had directly affected the tax area by allowing tax losses (loss carrybacks), postponing deadlines for filing tax returns and financial statements, suspending tax audits, etc.

DISCUSSION

The approach of the **Czech government** to dealing with the crisis was perceived positively after the first wave of the pandemic, even in terms of international evaluation. Despite the unexpected threat and the prevailing uncertainty, the government reacted decisively and quickly, although perhaps excessively and not entirely systematically from a present day perspective. The government’s actions to mitigate the impact of the crisis were more or less supported by the general public, including through the orderliness and immense solidarity of the population. Following the relaxation of quarantine measures in the summer months of 2020, there was no doubt in Czech society that the expected autumn wave of the pandemic would again be well contained. However, the public also expected that the government would use the summer lull period to continue preparing measures that would fully reflect the thoughtfulness and systemic nature of the government’s next steps. However, in the run-up to the upcoming autumn elections to the regional assemblies and part of the Senate, it was already abundantly clear that the government had not only failed to take advantage of the relative summer calm, but in an attempt to accommodate growing vested interests, had begun to react belatedly and chaotically to the worsening epidemiological situation. This naturally led to the first serious criticism of the government. In the autumn, the second wave of the epidemic was underestimated by the Czech government. The government’s anti-epidemic system, set up according to the “oscillation” method between extreme restrictions and their unbridled relaxation, did not work. Moreover, it did not provide economic operators with the space to act on the basis of consistent long-term rules and thus help them to shape their expectations in times of uncertainty. The inconceptibility of dealing with current problems and the promotion of populist measures was accompanied by the arrogance of power of government officials, clearly visible, for example, in the violation or circumvention of their own epidemiological regulations, as well as political scandals (such as the repeated replacements of the Minister of Health). This is undoubtedly a major mistake by the Government, which was unable to ensure the stability of the ministry and a credible candidate without scandals. The government subordinated the redistribution of public resources to support the Czech economy for its political interests (such as the so-called mask contribution, a one-time financial contribution worth 15 billion CZK, intended for the large number of senior voters), and the bailout programs were addressed primarily to the most influential lobby groups (such as the closure of small establishments in favour of large retail chains or the relaxation of anti-Coronavirus measures in the limiting stress situation of hospitals, when, on the threshold of 2021, the Czech Republic was identified as the most pandemic-affected country in the world and the daily increments of positively tested people were reaching the 20,000 mark). According to Motta and Peitz (2020), fiscal instruments should only be used when there are clear market failures. Aid should also be effective and proportional to the aims it intends to achieve. The much-awaited process of gradual vaccination of the population is also considered to be managerially mismanaged. In comparison with other countries, its process was not considered to be transparent; it was perceived as slow and chaotic, accompanied by clientelism and information asymmetry typical of the Czech Republic. It is understandable that people living in quarantine, in isolation, or with the risk of an infectious disease outbreak are likely to experience psychosocial stress and adverse health outcomes, which may provoke an interest in learning more about the disease. However, such situations require an assurance complemented by a flow of correct information (Tasnim, Hossain and Mazumder, 2020).

If we take into account the key fiscal instrument, the state budget, its originally approved version for 2020 envisaged a budget deficit of 40 billion CZK. During the pandemic, however, the approved state budget was gradually amended three times. The final version extended the deficit estimate to 500 billion CZK, while the government allocated a total of 220 billion CZK to fight the pandemic. An analysis of real government spending showed that the officially declared funds to support households and businesses include politically motivated spending that is not directly related to the pandemic (e.g. 11 billion CZK as a result of the abolition of the property tax, etc.). On the contrary, on the revenue side of the state budget, an unexpectedly good development of state revenues was recorded, when despite all anti-pandemic measures, economic entities duly paid taxes. This leads to the assumption that the government was “scoring” political points by deliberately undershooting expected revenues when drawing up the state budget. The actual state budget deficit of 367 billion CZK is then interpreted by the electorate as a political success. The government's political motivation is also evident in the proposed state budget for 2021, which anticipated a total deficit of 320 billion CZK, but which has increased to 500 billion CZK after the March 2021 amendment. The increase in government spending was argued to be due to the need to continue fighting the pandemic, but the spending side of the budget also provides for attractive but unnecessary spending in times of crisis (e.g. minimum wage increases, increases in old-age pensions, increases in teachers’ salaries, etc.). The systemic measures and the revision of public spending needed in times of crisis have not been implemented by the government and, on the basis of the loosening of the law on the rules of budgetary responsibility, it has allowed the structural deficit to increase up to four percent of GDP.

In the context of the political business cycle hypothesis, the Czech government should be on a trajectory of visible fiscal expansion and be leading the economy towards economic growth with a high employment rate. The economic policy of the Czech government was fully consistent with the theory in this respect. Despite the pandemic, politicians have not changed their behavioural patterns, so that the set course of expansionary fiscal policy has been significantly multiplied by the impact of the pandemic crisis. The pandemic crisis has provided the government with a “protective shield” to justify a huge fiscal expansion motivated by electoral populism. The officially announced date of the parliamentary elections, with which the President of the Czech Republic has effectively started the pre-election struggle with the arrival of 2021 (and thus well ahead of schedule), has also played a role. The pandemic had become a key election issue.

The situation in the **Slovak Republic** was diametrically opposed in aspects of the political economic cycle. According to the assumptions of the model, the newly elected Slovak government should immediately after the elections implement an unpopular, fiscally restrictive policy, with the aim of dampening inflationary pressures by radically reducing public spending. However, the Slovak government had to address the current economic problems associated with the outbreak of the Covid-19 pandemic right from the beginning of its political cycle, and at the same time set the framework for the implementation of economic policy for the entire upcoming electoral period (the so-called Programme Statement of the Government for 2020-2024). The new Slovak government’s approach has confirmed that right-wing and centre-right governments have more courage to implement reforms to revive the economy, and that left-wing or centre-left parties are more likely to ride the emerging wave of expansion, which they use for populist short-term measures. The draft state budget for 2021 already included expenditure not only on the declared reform, but also on aid to the economy in the wake of the pandemic. Unlike the Czech government, the Slovak government also inherited from the previous government a high public debt of 48.5% of GDP (30.2% of GDP in the Czech Republic) and a relatively high negative state budget balance of 2.2 billion EUR (6.15 billion CZK in the Czech Republic). Another burden on the budget was the former government’s proposal to make a 13th pension payment (460 EUR) and the retirement age ceiling. In contrast to the Czech government’s populism, the Slovak government’s approach in enforcing anti-crisis measures was described as stricter and more vigorous. The incoming government was not afraid to adopt very strict anti-crisis measures (such as the obligation for citizens to undergo an ordered quarantine outside their homes or a ban on travelling outside their district borders). The government was taking these strict measures even with a much lower pandemic load in society compared to the Czech Republic.

Criticism of the approach of the new Slovak government appeared in society (as in the Czech Republic) after the first wave of the pandemic. However, although support programmes were targeted at those in real need of assistance, many businesses and firms were dissatisfied with the government assistance. They complained about the high administrative burden associated with the application process, the ambiguity of the established rules, the dispersion of necessary information, the long delays in the disbursement of aid, etc. Many companies fell through the assistance net and, if they did receive funding, found it inadequate. The government has also been criticised for the lack of a strategy to deal with the situation and for poor or even chaotic communication of the measures taken to companies and citizens. This has substantially reduced the government’s credibility with the public. The public therefore expected to see how responsibly the government would prepare during the summer months for the announced and expected second wave of the pandemic in the autumn. In the summer of 2020, the Ministry of the Economy presented, and Parliament approved a list of 115 measures, the so-called *Lex Korona*, to improve the business environment. The aim was to reduce the administrative burden on businesses, which should bring them cost savings of around 100 million Eur (ME SR, 2020). For companies and businesses during the second wave of the pandemic, the government then approved the so-called *First Aid+* for entrepreneurs, for which it allocated 200 million Euro per month. Under this aid, the employment retention allowances were increased compared to the *First Aid* package of spring 2020. Subsequently, from April to December 2021, the measures could also be financed by the European financial instrument SURE, from which Slovakia received a total of 300 million EUR (European Commission, 2020).

The Impact of the COVID-19 Pandemic on the Interactions of the Economic and Political Cycle in the Czech and Slovak Republics

Disputes over how to tackle the problems caused by the pandemic were behind the coalition crisis and the collapse of the government coalition in the spring of 2021. The resignation of the Slovak government was preceded by the resignations of the Minister of Health and the Minister of Labour and Social Affairs. Among other things, the key reason for the government's collapse was the purchase of the Sputnik V vaccine, which has not been approved by the EU. The outgoing Prime Minister purchased 2 million doses of this vaccine without the approval of the coalition partners. As of 30 March 2021, the government resigned, and the Prime Minister stepped down in order to calm the political situation and the discontent of the people.

The pandemic affected the economy and economic decision-making of the new Slovak government right from the beginning of its term. The emergency situation caused by the pandemic crisis in Slovakia reversed the course of the traditional political economic cycle mechanism, according to which governments implement restrictive fiscal policies after elections. In this case, however, it was necessary to take a number of decisions both to provide hygienic and other protective equipment and tests, which were absent in the material reserves, and to take measures against the spread of the virus itself. In view of the shortfall in tax revenue and the fact that the previous government had not made any financial provision for unexpected situations, the newly elected Slovak government had to increase the planned budget deficit and its debt financing. Fiscal austerity measures were planned for 2021, in particular the reduction of the state budget deficit to 8.059 billion euros. The planned public administration deficit was 7.4% of GDP and the gross public debt was 65% of GDP. However, the amendment to the State Budget Act of June 2021 increased the planned deficit to 11.798 billion euros (9.9% of GDP). The new Slovak government's approach has also confirmed that right-wing and centre-right governments have more courage to implement reforms to revive the economy, and that left-wing or centre-left parties are more likely to ride the emerging wave of expansion, which they use for populist short-term measures.

The elimination of economic sentiment through support programmes was bought out by the governments of both countries by increasing their budget deficits and further public sector debt. However, more fiscal stimulus in times of a pandemic is much needed for the economy (Chavez-Maza, Fedriani Martel, 2020). As reported in available studies (such as Deb, Jonathan, and Tawk, 2020), if the magnitude of fiscal stimulus or monetary policy easing is lower, short-term economic losses due to a pandemic can be expected to be higher. On the other hand, according to (e.g., Agostino, Arnaboldi, and Diaz Lema, 2021; Bokolo, 2020; Horvat et al., 2021; Xie et al., 2020) the pandemic can be seen as an accelerator of digital transformation in public services delivery in general. Unlike Slovakia, the Czech Republic is not a member of the Eurozone, which allows it to pursue an independent monetary policy using the exchange rate. The Slovak Republic, on the other hand, can finance part of its support measures from European funds. However, after the gradual phase-out of most government support programs, submarkets continued to freeze (in the 4rd quarter of 2022, the year-on-year growth rate of GDP in the Czech Republic was 0.2% and in the Slovak Republic 1.1%).

However, the extraordinary nature of the pandemic crisis has also exposed the limits of the traditional mechanism of political economic cycles. Political manoeuvring in a pandemic situation not only affects macroeconomic indicators and the health of the economy but can very seriously endanger human health and people's lives in general. The populist actions of a government may conflict with medical or health goals. The measures taken by the government are then mutually exclusive; they do not correspond to what is needed to cope with a pandemic from the point of view of the professional and, to some extent, the general public, and have a chaotic effect on society. The credibility of the government and the discipline and willingness of the people to respect individual government measures are declining. Unfortunately, this is also the case in the Czech Republic. Despite the serious epidemiological situation, the Czech Government has demonstrably prioritised its short-term political ambitions over a systemic and responsible solution to the pandemic and has repeatedly given the impression that its measures have no rational basis and that compliance with them therefore does not really matter. This fact is one of the reasons behind the Czech Republic's poor leadership in the EU in excessive mortality. In the period from March 2020 to March 2021, the average excess mortality rate in the Eurozone countries was 13%. However, the Czech figure is more than double that (28%). The Slovak Republic ranks second to last, just behind the Czech Republic (26%). For comparison, Denmark, Finland and Lithuania showed the lowest values (up to 5%) (see MH CR, MH SR, Eurostat).

CONCLUSIONS

The Czech (at that time, the Czechoslovak) economy was deeply affected by both the Great Depression of the 1930s and the unexpected economic crash that all economies of the former Communist bloc went through in the early 1990s. After the independence of both countries, the Czech and Slovak economies did not escape the global financial and economic crisis of 2008-2009. Although it was milder in terms of economic impact, neither the Czech nor the Slovak economy managed to reach its pre-crisis level. Today, the economies of both countries are in a deep recession. Our analysis has confirmed that even in an emergency pandemic situation, the mechanism of the political cycle codetermines the ongoing economic cycle. The opportunistic motives of politicians' behaviour and the politics of inducing voter distrust have already caused serious economic and human consequences in both economies, associated with risks in the ultimate value, the value of human life. In our view, situations of this type, that is, the authenticity of everyday experience and lessons learned, will allow voters to better evaluate the effectiveness of government actions and uncover the true motives behind politicians' behaviour. The issue of health, which is the true essence of the current crisis, is an extremely important aspect of every voter's life. That is why we believe that, more so than in usual times, voters will be more interested in how it is being managed and their rationality, unlike in usual times, will grow. The Czech and Slovak experience of the COVID-19 pandemic serve as interesting national studies that demonstrate important aspects of politics and policy making during a crisis. Most of the problems are similar to situations in other countries that have been investigated in many studies (e.g. Fernandes, 2020; Motta and Peitz, 2020; Faria-e Castro, 2021, Ahrenz and Ferry, 2020). However, some of the identified issues may be seen as specific to the Czech Republic and Slovakia. To what extent current political decisions will be reflected in the elections in the Czech and Slovak Republics and to what extent the governments' approaches to the pandemic crisis will influence electoral preferences will be the subject of further research and will only be fully assessed by the next generation.

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