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Analyzing the allocation process of public financial resources from a public choice approach

SUMMARY

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THE TOPIC OF THE DOCTORAL THESIS AND ITS FIELD

The area of public finance, together with all the topics and areas it encompasses, is and has been over time both a benchmark for assessing and determining the proper functioning of economies and a way by which governments and public administrations can intervene in economic cycles, being a subject of economic disciplines that is constantly in the public eye, given the significant effects produced by fiscal and monetary policy decisions. In the simplest terms, public finance studies the role of governments in economies, paying particular attention to the process of managing public financial resources, from their sources and the ways in which they are collected, to the destinations of public funds in the form of public expenditure.

The allocation of public financial resources and the efficiency of this process are topics that have grown in popularity over time in the literature, especially with the popularization of the research of authors Afonso et al. (2005), who pursue the analysis of public efficiency, developing a series of composite indicators, and propose the application of non-parametric methods for quantifying public efficiency, based on resources (inputs) and results (outputs). Thus, various works in the field offer different views on the investigation of the concept of efficiency, whether they focus on the public sector as a whole, whether they focus on key sectors of the economy, whether they look at efficiency at the level of a state or groupings of states, or whether they look at it from a liberal or totalitarian perspective. Uninterruptedly, public efficiency has been among the most important topics addressed in the public finance literature, precisely because of this breadth, in which we find ourselves, involved as individuals, considering its impact on economic welfare and also considering the relationship between efficiency and sustainability of public finances (Brini and Jemmali, 2016). Moreover, the efficiency of public spending is also closely related to the debate on the need for state intervention in the economy and the extent of state intervention, highlighted by different strands of economic thought.

The management of public financial resources, as the main area of analysis in the public finance sphere, is a topic that enjoys constant popularity in the literature, given its many implications. The context of contemporary society, marked by a series of unexpected changes and challenges, such as the economic and financial crises that have been experienced, the pandemic crisis, the outbreak of armed conflicts, demographic change, climate change and technological progress, also brings to the fore the importance of the efficiency and performance of the state system, while highlighting the shortcomings and limitations of the public system, thus highlighting the need for governments to continually adapt to economic reality, and the importance of constantly updating the discipline of public finance in line with the evolution of society. The subject matter of this work, namely public choice theory, places these very shortcomings of the state system and public institutions at the heart of the doctrine, through the vision characteristic of neoliberal thinkers and ideologists.

Ideologies and currents of economic thought have, throughout the historical horizon, conferred different views on how the economy should function, in particular on the role of the state and the role of public institutions and the degree of their intervention in the mechanism of markets and the economic system. Both in the case of the economic currents that capture the importance of state intervention in the economy, and in the case of radical right-wing ideologies, which seek total

economic liberalization, reject government intervention in the market mechanism and focus on the self-regulating mechanisms of free markets, economic doctrines seek to build financial policies, through which the development of an economic system is ensured, with the main principles and values of the schools of thought considered at its core. The second half of the 20th century brought to light the human, psychological and individual dimension of economic agents, regardless of their role on the economic stage. Thus, economic liberalism brings to the center stage the fundamental ideas of this current, namely economic independence, individualism, self-interest and maximization of self-utility, and last but not least, the rejection of the involvement of the state apparatus in economic activity. Subsequently, following the periods and challenges it has gone through, this school of thought has undergone a number of nuanced changes, taking the form of modern liberalism and neoliberalism.

Given the longevity of neoliberalism and neoliberal capitalism, dating back to the 1970s, but also taking into account the challenges to which it is exposed in the light of the latest landmark events of the 2020s, such as the Covid-19 pandemic and the Russian-Ukrainian war, the subject of this paper has as its ideological background the neoliberal school of thought, in particular the public choice school of thought, a relevant part of this economic ideology.

Public choice theory, or public option theory, brings to the fore the vision of neoliberal thinkers and ideologues regarding government intervention and the need to study the actions of public institutions, which, according to neoliberal collective choice theory, are dominated by political influences, which in turn reside in the desire to maximize self-interest. As can already be seen, the innovative character, i.e. the novelty brought by the neoliberal doctrine, is the study of elements belonging to the political sphere through an economic perspective. Moreover, the neoliberal theory of public choice combines political and economic concepts with elements borrowed from contemporary psychological sciences, in terms of individual behavior, interests and choices of participants in the economic and political sphere, thus taking a step ahead of other traditional political and economic concepts. Among the main elements targeted by the neoliberal public choice theory are the failures of the state system and the lack of efficiency that characterizes public administration, the quality of public institutions, the real intervention of the state in the economy, the sustainability of public finances, the concept of a captive state within interest groups, high-level corruption, the existence of rent-seeking, the lack of transparency and digitalization against the backdrop of a highly bureaucratized administration, high inequality, as well as the problems raised by the current democratic system in terms of the limitations of the voting system.

Although still relevant for the economic period and given the extent of the neoliberal trend, public choice theory has enjoyed a growing interest in the last decades in the literature, but this interest has stagnated since the 2010s, after the economic crisis. Moreover, given the complex nature of the elements covered by public choice theory, although the concepts of public efficiency, corruption and perceived inequalities are rigorously analyzed in the literature, with mixed results, there are relatively few studies that give importance to these elements, from a view correlated with the neoliberal doctrine, as well as the other defining elements of the doctrine, for example rent-seeking, quality of governance, taxation and sustainability of public finances, from the same neoliberal perspective, especially with regard to the sample of European Union countries, or the case of Romania.

The novelty brought by this research lies first of all in the illustration, in a framework characterized by pluri-perspectivism, built step by step on the basis of each chapter, of the topicality of public choice theory among European countries. Thus, the fundamental theme of the research is shown to be closely in line with the economic reality of recent periods, the research topic and results being relevant to the academic community, government policy makers, taxpayers, voters and the community at large. At the same time, the novelty of the work also lies in the approach to the fundamental themes of public finance through a neoliberal and at the same time applied vision, each empirical research being aimed at different concepts specific to collective choice theory and characterized by a complex and original methodological framework.

The importance and the motivation of the thesis are determined and stimulated by the political context existing in Romania, without limiting ourselves to it, and also by the social contexts crossed in recent times, namely the Covid-19 pandemic, the war that broke out in the east of Romania, the changes made to the fiscal code, as well as other events that have brought to light phenomena of high corruption, contexts that bring to the fore the limitations of today's societies, together with the public's reaction to them, which consists mainly of dissatisfaction with the way these situations are managed by political decision-makers. Moreover, the sphere of public finance is an important subject within the literature of the field of finance, as it is an area that is constantly evolving and improving, and its interconnectivity with political science and psychology, also highlighted by public choice theory, can be seen as important points of growth and progress for the discipline. Viewed from a personal perspective, the thesis is a way of crowning the years of study devoted to the deepening of public finance, and at the basis of the motivation of the theme lies, in addition to the elements mentioned above, the desire to enrich the literature in the field of public finance by testing original hypotheses, which can contribute to some extent to the scientific progress and development of the discipline.

DOCTORAL THESIS OBJECTIVES AND RESEARCH METHODOLOGY

Taking all the above into account, the purpose of this paper is to analyze the fundamentals of finance through the neoliberal perspective of public choice theory. At the same time, the paper aims to demonstrate the actuality of public choice theory by bringing to the forefront of empirical analysis the main concepts characteristic of neoliberal theory, such as the sustainability of public finances, the inefficiency of the public system, corruption, good governance and rent-seeking behavior, the quality of democracy, the degree of state intervention in the economy, as well as the issue of collective and individual welfare from the perspective of taxation, using research methods specific to each area of analysis. In order to achieve these goals, the paper aimed to assess the effects of various elements related to neoliberal theory, with a focus on the economies of the EU Member States, using various advanced econometric techniques and methods for data analysis. Table I.1. captures the type of research undertaken, the methodologies used, and the objectives related to each chapter:

Table I.1. Type of research conducted, methodologies applied, and objectives pursued

No.	Research type	Methodology	Objectives	Chapter	Sample
1	Quantitative	<ul style="list-style-type: none"> Bibliometric analysis 	<p>O.1. Study of the topicality and evolution over time of works on public choice theory in the literature</p> <p>O.2. Validation of the main areas of analysis related to the neoliberal public choice theory</p>	1	2624 publications indexed in the Web of Science database on the topic of public choice, between 1969 and 2024
2	Quantitative	<ul style="list-style-type: none"> Cointegration analysis Common Correlated Effects Mean Group Estimator (CCEMG) regression analysis Augmented Mean Group (AMG) regression analysis Causality analysis 	<p>O.3. Analysis of fiscal sustainability within the structure of the European Union over the last 30 years</p> <p>O.4. Analysis of the extent to which recent major events have affected the fiscal equilibrium</p>	2	EU Member States, divided into 3 samples: total sample (n=27 states), OMS sample (n = 14 states) and NMS sample (n=13 states); 1995-2024 period, and 1995-2019 respectively
3	Quantitative	<ul style="list-style-type: none"> Non-parametric method Data Envelopment Analysis 	<p>O.5. Analysis of the effects of the quality of governance as an input variable on public</p>	3	EU member states (n=27 states) 2005-2020 period

		<ul style="list-style-type: none"> Quantile-based regression analysis 	<p>efficiency</p> <p>0.6. Analysis of the impact that population characteristics, together with levels of democracy, corruption and digitalization, have on public efficiency scores</p>		
4	Quantitative	<ul style="list-style-type: none"> Modeling based on structural equations 	<p>0.7. Quantifying the concept of public performance through a reflective model</p> <p>0.8. Quantifying the concept of corruption and analyzing its influence on public performance</p> <p>0.9. Quantifying the concept of rent seeking and analyzing its influence on public performance</p> <p>0.10. Quantifying the concept of good governance and analyzing its influence on public performance</p>	4	EU Member States (n=27 states), 2000-2021 period
5	Quantitative	<ul style="list-style-type: none"> Hierarchical cluster analysis Regression analyses specific to panel databases (OLS, REM, FEM, LSDV, PCSE, FGLS, GMM) 	<p>0.11. Clustering of EU Member States according to their economic, demographic and governmental characteristics.</p> <p>0.12. Analysis of the optimal level of state intervention in the economy</p>	5	EU member states (n=27 states) 1995-2022 period
6	Quantitative	<ul style="list-style-type: none"> Regression analyses specific to panel databases (OLS, REM, FEM, LSDV, PCSE, FGLS, GMM) 	<p>0.13. Analysis of the impact of progressive taxation on collective wellbeing</p> <p>0.14. Analysis of the impact of progressive taxation on individual</p>	6	EU member states (n=27 states) 1995-2022 period, 2005-2022 period respectively Romania (n=1), year 2022

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| <ul style="list-style-type: none">• Empirical micro-simulation using the Euromod Online model | wellbeing
O15. Analysis of the effects produced by the adoption of a progressive taxation system in an economy with a flat tax rate, taking the Romanian economy as an example |
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In order to achieve these research objectives, as highlighted in Table I.1, the research is based on a rigorous approach both in terms of literature review and evaluation, and empirically and methodologically, bringing together a range of modern means of data analysis. The results presented in this doctoral thesis, which marked the achievement of its specific aim and objectives, are based on, and set in the scientific context according to a rigorous analysis of the literature; more than 500 scientific papers in the field of public finance were consulted and analyzed in this work. A total of 42 tables and 25 figures are presented and discussed throughout the work, a summary of which is provided at the beginning of the thesis.

STRUCTURE OF THE DOCTORAL THESIS

The doctoral thesis is structured in 6 main chapters, the first chapter being devoted to the introduction and deepening of the thesis' subject, namely the public choice school of thought as an emblematic representative of the neoliberal school of thought, while the remaining chapters are devoted to empirical research, each one targeting a different area of neoliberal theory, fundamental to public finance topics, hence the multidimensional character of the thesis. Chapter 2 aims at analyzing fiscal sustainability through the process of cointegration, long-run and causal relationship between public system revenues and state budget expenditures, bringing to the fore the effects produced by the crises experienced in the early 2020s and by European economies. Chapter 3 sheds light on the concept of public efficiency, particularly from the perspective of neoliberal theory and the current economic context, while proposing quantitative research on the impact of good governance on public efficiency scores in its second part. The characteristic elements pointed out by public choice theory, such as the concept of high corruption, rent seeking and good governance, are quantified and studied in relation to public performance in the fourth chapter, using latent variable structural equation modelling. The fifth chapter focuses on the grouping of EU Member States according to their economic, demographic and governmental-quality characteristics as the primary focus of the chapter, while the second part focuses on the analysis of the optimal level of government intervention. Chapter 6 is devoted to tax policies, specifically progressive taxation, and its impact on collective and individual welfare. At the same time, chapter 6 carries out an empirical simulation of the implementation of progressive taxation in Romania, proposing a number of alternative scenarios.

In the first chapter entitled *"Public choice theory and its contribution to public finance"* the reader is familiarized with the neoliberal doctrine and the public choice school of thought, while the chapter sets the coordinates of the fundamental theme of this paper. The chapter presents in a structured manner the history of the neoliberal current of thought and the characteristics by which it differs from previous forms of economic liberalism, the main schools of thought that brought their ideological contribution within this current, as well as the obstacles encountered by neoliberal ideologies. In the second part of the chapter, the public choice school of thought is brought to the fore, its defining and characteristic concepts being explained in detail, starting from individual and collective choice, the individualistic, gain-oriented character of bureaucrats as of any economic actor, the limitations of democracy and the voting system, logrolling, the phenomenon of rent seeking, corruption, up to the bureaucratic phenomenon. Next, the first subchapter proposes a debate based on the arguments brought by the literature, regarding the topicality of the public option theory. The last subchapter consists of a bibliometric analysis of the public option theory, which came as a response to the first research objectives, namely the study of the topicality and evolution over time of the works that have the public option theory as their subject in the specialized literature, as well as the identification and the validation in the WOS indexed literature of the main areas of analysis targeted by the neoliberal public choice theory. Finally, the first chapter ends with the conclusions and personal opinions section.

The second chapter looks at the long-term relationship between the main coordinates of public finances, namely the revenue and expenditure elements. Starting with the second chapter

entitled *"Sustainability of public finances in EU countries in the context of the current crises caused by the Covid-19 pandemic and the war in Ukraine"*, the chapters follow the well-established structure of academic writing, providing clarity to the thesis, namely: specific introduction of the topic, state of the literature, description of data and methodology used, statement of results, discussion and alignment with existing results in the literature, the chapters also being completed with the conclusion section, which includes the main ideas, limitations, recommendations and specific future research directions. Returning to the main objective, Chapter 2 aims to determine the sustainability of public finances in the EU sample for the period 1995-2024, but also for the period before the outbreak of the Covid-19 pandemic, specifically for the period 1995-2019, in order to study the impact that the two crises experienced in the early 2020s have on the concept of fiscal sustainability. To this regard, the study uses a series of specific econometric analyses on government revenue and expenditure variables, looking for the presence of cross-sectional dependence, stationarity of the variables, cointegration phenomena at the group or panel level, as well as a series of long-term panel regressions to quantify the relationship between revenue and expenditure, with the methodological framework being complemented by causality analysis.

The third chapter is devoted to the concept of public efficiency. In addition to the dedicated sections mentioned above, the chapter also presents a rigorous literature review on the concept of public efficiency, the main established methods of analyzing and measuring efficiency, and efficiency from a neoliberal perspective and from the perspective of the current economic context. The next sub-chapter of the third section is devoted to the empirical study *"Good governance as a driver of public sector efficiency in the European Union"*. This research aims to assess public sector effectiveness in the European Union from the perspective of governance quality, the novelty being the highlighting of governance as an indispensable resource for achieving high levels of public performance, using the Data Envelopment Analysis methodology, together with the investigation of exogenous determinants of public effectiveness, applying quantile regression.

The fourth chapter, entitled *"The impact of corruption, rent-seeking behavior and quality of governance as elements targeted by public choice theory on the process of allocating public financial resources"* aims to address the shortcomings identified in the literature regarding the relational issues between neoliberal elements and public sector performance, as well as the portrayal and quantification of neoliberal elements. Therefore, the chapter focuses on testing hypotheses on the impact of specific elements of public choice theory, namely corruption, rent seeking and institutional quality, on public sector performance, using a partial least squares structural equation modeling (PLS-SEM) methodology, for a sample of EU Member States, analyzed over a period of more than 20 years. Thus, using the SEM methodology, specifically neoliberal elements are portrayed as latent variables, determined using several observed variables, through reflexive models, given their complexity, being difficult to portray through a single proxy.

Chapter 5 *"Empirical research on the optimal level of state intervention in the economy to ensure public efficiency and sustainable development"* is a rigorous analysis of the optimal level of government intervention at the EU level. The chapter also seeks to group EU countries according to their economic, demographic and governmental characteristics in order to provide a more homogeneous analysis. Specifically, this section tests the existence of the Armey Curve relationship between the level of government expenditure and the level of GDP per capita in EU Member States,

both at the level of the whole sample and at the level of sub-samples determined by the cluster analysis, using panel database regressions.

The sixth chapter "*The effects of progressive taxation, as a debated element of public choice theory, on collective economic wellbeing and individual wellbeing*" is devoted to the analysis of the actuality of the neoliberal public choice doctrine from the taxation perspective. The research undertaken in this chapter focuses on the progressive taxation system, through a complex methodology that proposes to analyze the effects of progressivity from two different methodological perspectives. In the first part of the empirical analysis, the impact of the progressive taxation system on collective welfare and on individual welfare is studied, using regression methods specific to panel databases, while in the second part, the chapter aims at analyzing the hypothetical effects that the implementation of a progressive taxation system could produce on the Romanian economy, from the fiscal perspective of the general consolidated budget revenues, the redistribution process and the phenomenon of social inequality and poverty, using a series of microsimulations carried out with the help of the online Euromod model.

Last but not least, the final section of the thesis is devoted to the main conclusions drawn from the research undertaken, a section in which the original contributions to the literature, the implications of the results obtained, as well as the limitations of the studies are highlighted, which may constitute important starting points for future work in the field. Thus, the results obtained from the research demonstrate the topicality of public choice theory through a broad conceptual and methodological framework, while highlighting significant proposals for reform regarding public sector activity, in line with the specificity of neoliberal theory, which focuses mainly on prioritizing long-term fiscal policy planning to ensure sustainable development, improving the quality of governance, awareness of local and national characteristics when designing specific policy reforms, prioritizing the reduction of corruption and rent seeking, the number of non-performing civil servants, depoliticization and liberation of the state from interest groups.

RESULTS OF THE DOCTORAL THESIS

CHAPTER 1. Public choice theory and its contribution to public finance

Given that the overarching theme and focus of this paper is the analysis of public efficiency, the process of financial resource allocation and the study of government intervention, all through the lens and prism of public choice doctrine, it is particularly important to outline a stable theoretical framework, together with a review and detailing of the main trajectories and assumptions of neoliberal theory, as well as the current problems faced by the public choice school of thought, which underpin the analyses in future chapters.

Since the second half of the twentieth century, a strong emphasis has been placed on the human dimension in economic activity, highlighting the fundamental ideas of independence, individual behavior, self-interest and utility maximization, which have taken the economy and society one step further to what we know today, and which are underpinned at their core by liberal doctrine, which later took the form of economic neoliberalism.

This literature review is important given that governments are playing an increasingly important leading role in light of recent events, but neoliberal theory emphasizes the idea that those in power pursue the fulfillment and pursuit of their own ideals, not necessarily ideals that converge with those of the population (Frey, 2022), if we assume that public choice can be achieved.

The present chapter aims both to familiarize the reader with the public choice school of thought and its particularities, and also to examine this doctrine in depth, focusing on its positioning within the neoliberal school of thought, its general characteristics and defining elements, and its relevance in contemporary society. In order to analyze and determine the topicality, relevance and evolution over time of the public choice theory (objective O.1. of the thesis), as well as to validate the main areas of analysis of the theory (objective O.2. of the thesis), the present chapter proposes, in addition to the current study of the literature, a bibliometric study of the public choice theme, using bibliometric maps generated with the help of the VOSviewer software program (Van Eck and Waltman, 2010) and the Web of Science database.

In order to achieve these objectives, the chapter on public choice theory is structured as follows: the chapter opens with a presentation of the neoliberal school of thought, in the context of which a brief history is presented, the main neoliberal schools of thought together with the founding personalities and the Virginia school's framing among them. The sub-chapter on neoliberalism concludes with a survey of the literature on the resilience of neoliberalism to the challenges it has faced over time and possible directions for reform with respect to neoliberalism as it is known today. The next particularly relevant section is the presentation of the defining and characteristic concepts of public choice theory, the sub-chapter representing a filiation of ideas on the particularities of the theory, explaining the phenomena of individual choice versus collective choice, democracy and the voting system, logrolling, rent seeking, high-level corruption and bureaucracy within the public system. Last but not least, the topicality of public choice theory is discussed in a separate sub-chapter and is related to the economic contexts of recent years. The chapter concludes with a bibliometric analysis of public choice theory, a sub-chapter that highlights, based on the study of

publications indexed in the Web of Science database with the topic "public choice", the increased and renewed interest in the ideologies of the school of thought analyzed.

CHAPTER 2. Sustainability of public finances in EU countries in the context of the current crises caused by the Covid-19 pandemic and the war in Ukraine

The main focus of this chapter has been the analysis of fiscal sustainability within the structure of the European Union over the last 30 years (objective O.3. of the thesis). Moreover, in the light of the recent events that have marked the political and economic scene of the world since 2019, with the outbreak of the Covid-19 pandemic, the analysis aims at a comparative approach between the level of sustainability in the 1995-2024 period, as well as the level of fiscal sustainability in the 1995-2019 period, in order to analyze the extent to which the recent landmark events have impacted the fiscal equilibrium (objective O.4.).

The novelty and uniqueness of the present research lies both in the comparative analysis of sustainability in the Member States in the period before the events mentioned above, with the fiscal sustainability of the Member States over the last 30 years as a whole, including the years marked by the challenges of the early 2020s, as well as in the modern methodological framework applied to the three samples: EU27, OMS and NMS, for which, in the composition presented in this study, I did not identify research on fiscal sustainability. Thus, the paper uses established and revised approaches to determine the effects of the pandemic and the Russian-Ukrainian war on fiscal sustainability, as well as to derive results on long-term fiscal balance in the current economic context, highlighting the importance of fiscal reforms within the EU against the background of neoliberal public choice theory.

The results of the cross-sectional dependence tests reveal its presence in all the samples considered, representing a key piece of information for the selection of cointegration estimators. The results of the second-generation unit root tests are also highly significant, showing that both the revenue variable and the variable encompassing the level of public expenditure are stationary in the panel within the first difference. In order to test the cointegration relationship, both the Kao cointegration test and the Westerlund test are used. The results of both tests indicate a stable long-run relationship between the European revenue and expenditure variables, and in order to quantify the level of cointegration, to determine the quality of sustainability, two ARDL regression techniques were used: the Common Correlated Effects Mean Group (CCEMG) and the Augmented Mean Group (AMG), since these estimators take into account the presence of dependence between panels as well as the stationarity of the variables, assumptions specific to the samples analyzed.

The level of cointegration coefficients, determined by both the CCEMG methodology and the AMG methodology, was studied both for the average level of the samples considered, as well as for each state composing the panel, thus correcting the limitations highlighted by the authors Afonso and Coelho (2022). For all three samples, it can be concluded that the level of government expenditure influences the level of government revenue at a 1% significance level, thus highlighting the significant long-term relationship between revenue and expenditure. However, the level of β -coefficients of panel cointegration is in the value range (0;1), which indicates a weak form of fiscal sustainability in all samples studied, thus rejecting the hypothesis of absolute sustainability of fiscal policy in the European Union for the 1995-2024 period.

The results are consistent with the findings of authors such as Mitrovic et al. (2019), Afonso and Rault (2010), Ramos-Herrera and Prats (2020), Brady and Magazzino (2018), Polat and Polat (2021) and Prohl and Westerlund (2009), who focused their research on a sample of EU Member States. Thus, the results obtained in this chapter reinforce the conclusions of the cited studies, highlighting the issue of sustainability at the EU level, a structure in which the level of public expenditure is growing faster than the level of public revenue (Afonso and Rault, 2010).

Similar results are found in the analysis of the 1995-2019 samples, concluding that the major events of the 2020s did not significantly affect the fiscal sustainability of Member States. The only sample that shows negative changes in fiscal sustainability in the period when the above-mentioned crises are included, compared to the 1995-2019 period, is the NMS sample, but the differences are not notable.

Moreover, EU governments should consider limiting the growth rates of public spending in order to achieve a higher level of fiscal sustainability. In the individual analysis, the results indicate that at EU27 level, over the period 1995-2024, high levels of fiscal sustainability, reflected by a high level of the β -coefficient above 0.7, are found in Bulgaria, Croatia, Cyprus, Greece, Poland and Sweden, while results below the European average are found in Austria, the Czech Republic, Finland, Germany, Luxembourg, Malta, the Netherlands and Slovenia.

The Granger causality results show a bidirectional relationship between government revenue and expenditure for the whole EU27 sample when analyzed over the period 1995-2024. For the analysis conducted over the period 1995-2019 for both the EU27 and the OMS sample, the Granger test results suggest that EU countries adjust the level of government revenue to the level of expenditure, consistent with the observations of researchers Afonso and Coelho (2022). The fact that in most scenarios, with the exception of the EU27 sample, the null hypothesis that public revenue does not determine the level of public expenditure cannot be rejected, according to Afonso and Coelho (2022), surprises that Member State governments do not adjust their level of expenditure in line with the level of revenue, thus not controlling for the size and intervention of the public sector, in line with public choice remarks.

On the other hand, in the other scenarios considered for analysis, the hypothesis of bidirectional causality is not supported and, moreover, in the NMS scenarios, the revenue and expenditure variables are considered independent, given the absence of causality between them, supporting the assumption of neutrality.

In this paper, the sustainability of EU finances has been addressed by taking into account the milestone events of the early 2020s. In order to highlight the impact of the pandemic and the outbreak of war, fiscal sustainability in the period 1995-2024 has been compared with fiscal sustainability in the period 1995-2019. The effects of the events experienced were felt most strongly in the NMS sample, but significant reductions in sustainability were also identified in the analysis of individual Member States such as Belgium, Bulgaria, Croatia, Latvia, Luxembourg, Poland and Romania. Nevertheless, fiscal sustainability in the period 2020 to date remains a very important topic of analysis given the fiscal policies adopted by EU Member States in the context of the challenges faced, but given the proximity and novelty of the events, the available database is relatively small,

which does not yet allow for a meaningful statistically analysis that would allow the results to be interpreted without being biased due to the small sample.

Given the neoliberal theory of collective choice, this chapter has also validated the hypothesis that policymakers in EU countries identified as unsustainable do not prioritize the achievement of long-term financial balance, but rather are focused on achieving near-term goals, as evidenced by high levels of public spending relative to the level of public resources, placing the burden of public debt on future generations.

Moreover, the fact that, according to the statistical results, fiscal sustainability in the EU Member States is relatively poor, regardless of the samples considered, raises questions about the quality and reliability of the fiscal policies adopted, especially in contexts marked by uncertainty and high risk, but also about the quality of bureaucrats and public administration. Thus, long-term fiscal policy planning must be a priority for European officials in order to ensure the sustainable development of European countries. The main fiscal policy recommendations, which are also found and validated in the literature, remain the recommendations to limit the growth rate of public expenditure in line with the defining assumptions of neoliberal theory, and to ensure that it is in line with the level of public revenue, in other words, not to decide on public expenditure independently of the public revenue situation. Moreover, in line with the recommendations of the authors Asteriou et al. (2021), states should consider improving governmental and institutional quality, as well as ensuring a decision-making environment that promotes public spending that encourages investment and value added within the public sector, and limits the increased public spending imposed by the bureaucratic system. On the other hand, focusing on increasing public revenues, policy makers should rather focus on the proper collection of public resources as well as reducing tax evasion, in contrast to increasing tax rates, which, discourages taxpayers and economic activity, as Marimuthu et al. (2021) and Irandoust (2018) also point out.

CHAPTER 3. Analysis of public system inefficiency (government failure) from a public choice perspective

This chapter on the study of public efficiency has two major purposes. The first purpose of this chapter is to present and critically analyze the filiation of ideas on the concept of efficiency and public efficiency, as well as the efficiency of the resource allocation process in the perspective of public choice theory, while pointing out the particularities of the concept of efficiency in the current economic context, with the challenges imposed by pandemics and economic crises. At the same time, the second part of the chapter on efficiency aims to analyze the process of allocating public financial resources in the public sector as a whole, combining a number of different analytical techniques, used in a complementary manner, in order to quantify and analyze public efficiency from a public choice approach (objectives O.5. and O.6. of the thesis).

In order to achieve these objectives, this chapter is structured as follows: the chapter opens with a critical review of the literature on the concept of efficiency and public effectiveness, followed by a review of the main methods of measuring and quantifying it, a sub-chapter which also reviews the main areas of interest in public sector efficiency, together with significant work in the field. An important sub-chapter is the one providing a public choice approach to the concept of efficiency, together with its study in the current context. The chapter concludes with the case study on the

overall analysis of the efficiency of EU Member States from a neoliberal perspective, presented in sub-chapter 3.6.

This sub-chapter has been developed on the basis of two main research questions: How significant is the quality of governance in assessing the efficiency of the public sector as a whole? What are the determinants of public sector effectiveness, with a focus on human resources, economic freedom, democracy, corruption and digitalization?

The main contributions of this study to the literature are that both the quality of governance and its effectiveness, as illustrated by the scores determined by the DEA analysis, reveal that, on average, EU Member States are relatively inefficient, with only a few countries recording high levels of mathematically effective governance whose policies have led to increased public efficiency. Thus, there is room for improvement and reform of current public policies, even though public efficiency in the EU has increased over the studied period.

On average, the effectiveness of EU countries in terms of quality of governance and public sector efficiency shows an upward trend over the period 2005-2011, from an average score of 0.8025 points to 0.8360 points, followed by a slight decrease to 0.8131 points in 2014. The peak level of efficiency was reached at the end of 2019, a year in which EU state governments were able to make the most effective use of public management and administration tools to contribute to increased efficiency in the state sector. However, at the end of 2020, efficiency decreased, a reduction that is mainly due to the start of the Covid-19 pandemic, an extraordinary situation that also affected EU Member States. Thus, we can say that at the end of 2020 (when an efficiency score of 0.8474 points was achieved), the effect on public sector efficiency at European level could have been raised by about 15.26%, given the governance recorded at the time. In addition, on average, EU veteran countries that joined the EU structure before 2004 have higher efficiency scores than the EU average over the whole period analyzed.

Analyzing the determinants that can affect public sector efficiency, this study, using the quantile regression technique, found that the impact and significance of these determinants varies with the level of efficiency score.

The net migration rate variable shows a significant positive impact on efficiency scores for all score levels, while variables such as population density and economic freedom significantly and negatively influence public efficiency for all quantiles considered, as presented in the results section. Positive impacts are also evident for the human development index and perceived corruption for all quantile public efficiency scores, while, on the other hand, democracy and digitalization negatively influenced the obtained scores.

In terms of significance, it is important to note that all variables show changes in statistical significance depending on the quantile studied, highlighting the importance of the determinants of public efficiency in relation to the level of efficiency recorded in EU countries. For example, in the countries with the lowest efficiency scores in the sample considered, population density together with economic freedom have a negative impact on public efficiency scores at the 1% and 10% significance level respectively, while the variables that contribute to increasing public efficiency are the old-age dependency ratio (*p-value <0.01*), the migration rate (*p-value <0.1*) and foreign direct investment (*p-value <0.1*).

In the case of quantile Q90, the determinants of public efficiency change. Compared to the Q10 quantile, the foreign direct investment variable and the old-age dependency ratio lose statistical significance, while the human development index, openness to trade, corruption and the democracy index are, within this quantile, statistically significant elements influencing public efficiency in the most governance-efficient countries.

The main results, namely that good governance and the quality of public administration as a whole can be considered important resources in the analysis of public sector efficiency, together with the fact that human resources in the form of demographic characteristics, i.e. perceived freedom and democracy, corruption and digitalization, have an impact on this efficiency, are important points to consider not only for policy makers but also for society, researchers and the academic community. Governance is a key factor in ensuring the efficiency of the public sector, so reform policies should aim to improve both the technical and democratic dimensions of administrative institutions so that public resources are allocated efficiently and transparently. As the results suggest, this can only be achieved with the support of a population that is actively involved in community development and has a low tolerance for political parties that are only interested in achieving their own goals. Furthermore, the research in this chapter has brought to the fore that policymakers should be primarily aware of the local and national characteristics of society and the economy and take these characteristics into account when designing specific policy reforms, given the differences in the statistical significance of macroeconomic factors in relation to the level of public efficiency in the EU.

CHAPTER 4. The impact of corruption, rent-seeking behavior and the quality of governance as elements targeted by public choice theory on the process of allocating public financial resources

The process of allocating public financial resources is at the core of the public finance area, and it has been frequently studied in the literature from a variety of perspectives: equity, performance, efficiency, in different countries of the world. However, most hypotheses tested in the literature focus on the efficiency and performance of this process, both as a whole and by distinct branches of the public sector, offering different perspectives through which high levels of public efficiency and performance can be achieved, to the benefit of society as a whole. However, both concepts are complex phenomena, difficult to quantify, and at the same time a reflection of the specificities of the economies analyzed, being strongly influenced by local characteristics, whether in terms of legislative framework, political leaders or society as a whole.

At the same time, elements of public choice theory have become increasingly popular in recent years, with various works placing the concepts of corruption, rent-seeking behavior, the personal gain-oriented behavior of bureaucrats and politicians, and the importance of communication, transparency and de-bureaucratization of public institutions as features of good governance at the heart of the analysis.

However, to date, little research has addressed the relational issues between neoliberal elements such as high-level corruption, illicit behavior, the presence of rent seeking, the quality of democracy, good governance, and public sector performance as reflected in the allocation and destination of public resources. Moreover, with regard to the portrayal of the neoliberal elements mentioned above, the need for an updated view of the elements, going beyond the classical

illustration of them through predefined indices, was felt after reviewing the literature, given the complexity and the difficult to define character of a single variable of the phenomena.

Thus, in order to overcome this shortcoming identified in the literature, this chapter aims to contribute to the enrichment of public finance knowledge by testing hypotheses on the impact of specific elements of public choice theory, namely corruption, rent seeking and institutional quality, on public sector performance. In order to assess the connections between the considered variables, the research is based on a partial least squares structural equation modeling (PLS-SEM) methodology, applied to a sample of European Union (EU27) Member States, analyzed over a 22-year period. Thus, with the help of the SEM methodology, specific neoliberal elements are portrayed as latent variables, determined with the help of several observed variables, by means of reflexive models (objectives O.7. - O.10. of the thesis).

The main results obtained support the hypotheses that high corruption and rent-seeking phenomena deteriorate public sector performance and efficiency in terms of public resource allocation, while an increase in institutional quality contributes to improved public administration performance, at a 0.1% significance level, in line with the literature.

The validity of the hypotheses, as well as the way of composing and portraying the latent variables is also supported by the statistical tests undertaken to establish the quality of the model, the most important being: the comparative fit index (CFI), Tucker-Lewis index (TLI), coefficient of determination (CD), standardized root mean squared residual (SRMR), chi2 statistics on likelihood ratio ("Likelihood ratio chi2"), root mean squared errors of approximation (RMSEA) along with Cronbach's alpha coefficient, Wald tests for latent variables and model accuracy at equation level (Equation-level goodness of fit), all of which highlight important conclusions about the validity of the hypotheses tested in the three models developed.

In terms of illustrating the latent variables using the reflective models, a set of indicators was chosen for each concept of interest in the study, in line with existing literature in the field. Thus, public sector performance is composed on the basis of indicators covering transport and water network infrastructure, the degree of human development of the population, government effectiveness captured by the level of citizen satisfaction with the overall public services provided, economic growth per capita, and perceived income inequality, within the sample of EU countries.

High corruption is captured using indicators that target different perspectives and appearances of the phenomenon, namely the Bayesian corruption index, the rescaled corruption perception index, the political corruption index, and corruption control. Similarly, the rent seeking phenomenon is constructed using elements such as the general level of perceived corruption, the quality of democracy as reflected by voter turnout but also by the existence of real competition between political parties, the size of the public sector in the economy, political stability, freedom of choice and expression, freedom of the press and the quality of the legislative framework. Following the same methodological lines, the governance phenomenon is portrayed using the institutional quality indicators developed by the World Bank, namely: voice and accountability, control of corruption, political stability and absence of violence, quality of regulation and rule of law.

The results achieved are particularly important both for the structure of the European Union and for society as a whole. High-level corruption and rent-seeking are contemporary problems faced

by economies, which affect government performance ultimately reflected in the living conditions of citizens and all participants in the economic environment. Thus, it is important that the reform of the public system is aimed at reducing these phenomena, through the establishment of a well-regulated legislative framework on the punishment of corruption, encouraging the expression of public opinion, educating the population about the political phenomenon, the role of political parties in running a state and the importance of voting. At the same time, reform measures should aim at increasing institutional quality, manifested by the transparency and de-bureaucratization of public institutions, along with the opening up of public institutions to the greatest extent possible to citizens and their real needs, without ignoring the improvement of communication methods between the state apparatus and citizens, as the authors Țigănaşu et al. (2019) also point out.

CHAPTER 5. Empirical research on the optimal level of state intervention in the economy to ensure public efficiency and sustainable development

The level of state intervention in economies is also a central issue for the neoliberal public choice doctrine, whose ideology advocates limited state intervention in order to protect private activity and competitiveness by developing a legislative framework that promotes individual economic activity. At the same time, public choice neoliberals draw attention to the state as a 'Leviathan' entity, which seeks to increase its own welfare at the expense of social welfare by protecting the interests of bureaucrats and civil servants. Moreover, the literature draws attention to the effects of too much state intervention in the economy, reflected in high levels of public expenditure, a burdensome and inefficient administrative apparatus and a waste of public financial resources. Thus, the literature repeatedly highlights that excessive state intervention in the economy is considered a burden in promoting economic growth rather than a catalyst, with such excessive intervention causing more negative externalities compared to free market failures (Sadeh et al., 2020).

Empirical research on this topic has presented different approaches to quantifying government intervention, with the most popular and relevant proxy being the level of government spending and the relationship that government intervention has on economic progress. The results presented in the literature are not unified, the research does not reach a consensus, and they present discrepant results on the impact of public spending on economic development, analyzed in the form of a linear econometric model, thus highlighting the complexity of the phenomenon. Given these considerations, the Armey model, which illustrates the non-linear relationship between the level of government intervention and the level of economic growth, has enjoyed a high degree of applicability. In the Armey model, the degree of state intervention in the economy can help to promote and stimulate economic growth up to a point of optimality, after which this intervention hinders the economic development of a state, the relationship between the variables considered being associated with an upward-pointing curve.

At the same time, the literature presents numerous approaches to the Armey model for different samples and groupings of countries in different periods, but the study of the optimal level of state intervention in the economy has focused less on European countries, especially taking into account the period of recent years. Thus, the present chapter aims to fill this specific gap, and to contribute to deepening the current level of knowledge on governmental optimality in EU states in

order to ensure sustainable economic development, while taking into account the economic, demographic, and qualitative-governmental characteristics of European states.

Thus, the main purpose of this research is to contribute to the literature by assessing the optimal degree of state intervention in economic activity within the European Union Member States through the study of the Armey curve for the period 1995-2022 (objective O.12. of the thesis). At the same time, the novelty of the research lies in the fact that the study also aims at grouping the EU countries according to their economic, demographic and governmental specificities, in order to analyze them with a higher degree of homogeneity, so that the governmental optimality will be studied both within the total sample of Member States and within the samples formed by means of a cluster analysis (objective O.11. of the thesis).

In order to achieve these objectives, the methodology consists of two main parts, namely performing a cluster analysis to group EU Member States by economic performance, demographic quality as well as institutional quality, followed by testing the existence of the Armey Curve relationship between the level of government expenditure and the level of gross domestic product per capita within EU Member States, both at the level of the whole sample and within the defined sub-samples, using panel database regressions.

The main conclusions of the research are that, in terms of the homogeneity of the European grouping, there are significant differences between EU states in terms of the level of economic development, demographic quality and governmental quality, the states being divided into 4 clusters according to their specificities. Furthermore, the Armey hypothesis, which supports the existence of an optimal level of government intervention in economic activity, is valid both for the whole EU27 sample and for the 3 out of 4 sub-samples analyzed.

According to the cluster analysis carried out using the Ward methodology, EU States can be divided into 4 clusters according to their economic, demographic and social characteristics, but also according to the quality of governance. The first cluster is composed of 8 states from the North-West European area which are characterized by high levels of GDP per capita, public expenditure, population growth, years of education and quality of governance; the second cluster is composed of Cyprus, Luxembourg, Ireland and Malta, which are similar in terms of the lowest levels of public expenditure combined with the highest levels of economic growth per capita, population growth, openness to trade and the lowest unemployment rates; Cluster 3 consists of 9 Eastern European States, being the cluster with the lowest levels of per capita economic growth, overall government quality, and population growth; and Cluster 4 is composed of the Mediterranean European states plus the Polish state, similar in terms of low levels, below the European average for indicators of economic growth and government quality, but with public expenditure above the European average over the period considered for analysis.

For the second part of the analysis, the methodology of panel database regressions allowed the validation of the Armey hypothesis for the total EU27 sample as well as for the sub-samples defined using cluster analysis, with the exception of cluster 2. The econometric study demonstrated that a controlled level of government spending can contribute to economic growth, but if the optimal level is exceeded, government intervention in the economy has negative effects on economic development in the EU Member States. At the level of the whole European cluster, the optimal level

of government intervention for which economic growth could be maximized is 47.19% of GDP for the total sample of Member States, a result revealed using the FGLS methodology. At the same time, European countries do not exceed the optimal level suggested by the empirical results, which is surprising that, on average, the European Union as a whole can afford to increase the level of public spending by about 2 percentage points in order to reach a maximum level of economic development. For cluster 1, the optimal level of public expenditure by the FEM/LSDV methodology is around 44.21% of GDP and, on average, the countries in the cluster spend more public resources compared to the optimal level, as the level of state involvement in the economy is too high to sustain economic growth. Similar observations can be made for cluster 4, for which the Armeij model indicates an optimal level of public intervention of 44.88% using the FEM/LSDV methodology, while the sample countries spend public resources above the optimal level. For cluster three, composed mainly of Eastern European countries, the optimal level of government intervention is identified at around 56.38% if the REM regression results are taken into account, and 44.86% if the One step system GMM regression results are taken into account, thus Eastern European countries can afford to increase the level of public spending by around 2-3 percentage points in order to reach a maximum level of economic development.

The main results of the study, namely that a limited level of state intervention in the economy, depending on the specifics of the economies analyzed, can contribute to economic development, are in line with the hypothesis of the public choice doctrine on the subject of interventionism.

The ideology supports limited state intervention in the economy to protect individual activity and competitiveness by developing a legislative framework that promotes individual economic activity. The empirical results revealed that, overall, EU27 governments spend below the level determined as the optimal level that can maximize economic growth, but are close to the maximum limit, but on the other hand, European clusters where states exceed the theoretically optimal level are also highlighted. Thus, understanding the importance of public spending on economic welfare, reform policies should pay more attention to the warning signals drawn by the public choice doctrine. Specifically, in order to ensure sustainable economic growth and not to hinder this growth, reform policies should primarily target the level of public spending and its destinations, together with the resizing of the bureaucratic and administrative apparatus, which absorbs public resources inefficiently, while fiscal policy readjustments must take into account the economic, demographic and social specificities of each state.

CHAPTER 6. The effects of progressive taxation, as a debated element of public choice theory, on collective economic wellbeing and individual wellbeing

While in the previous chapters, the focus of the thesis was on the elements of sustainability, the efficiency of public spending, the effects produced by the defining elements of the public choice theory in economies, and the optimal degree of state intervention, in this chapter, the topicality of the neo-liberal public choice doctrine concerns the perspective of taxation, the collection of resources related to the consolidated budget. From the perspective of fiscal policies, the neoliberal theory focuses on the progressive taxation system and its expected effects on the state budget, the political dimension, the extent of rent seeking, and the inequality and degree of poverty perceived in society.

Although, as Melkevic (2016) argues, the liberal phenomenon is essentially a proponent of progressive taxation, public choice theory brings to the fore the debate on how to tax income, both in terms of public efficiency and individual welfare and equity.

Moreover, as mentioned in the first chapter, neoliberalism places the protection of individual activity and privatization at the heart of its ideology, with minimal and necessary intervention by the state apparatus in providing a legislative framework favorable to economic activities. According to Hakelberg and Rixen (2021), neoliberal fiscal policies are characterized by a low level of taxation, and aim to stimulate economic activity and performance, as well as saving and investment activity, while being neutral between different tax bases in order to stimulate efficiency. Thus, they often turn their backs on classical tax policies (Hakelberg and Rixen, 2021; ActionAid, 2018), which view progressive taxation as a counter-cyclical fiscal tool to stabilize economies (Radulescu, 2018; Hakelberg and Rixen, 2021). On the other hand, however, the authors Labonte and Stuckler (2016), propose as reform measures within the neoliberal current, in order to ensure the sustainability of health systems, in addition to reducing austerity and monitoring and taxing significant financial transactions, increasing the degree of progressivity. However, in terms of taxation, public choice theory, as Butler (2012) points out in his paper, raises the question of the assumption that political individuals in majority public office can shift the tax burden onto ruling minorities.

Thus, given the topicality of the issue of taxation and its implementation, the research presented in this chapter is mainly aimed at enriching and complementing the literature on the effects of progressive taxation from a neoliberal perspective. In order to achieve this aim, the methodology is divided into two main sections. In the first part of the analysis, the impact of the progressive tax system on collective welfare (objective O.13. of the thesis) and on individual welfare (objective O.14. of the thesis) is studied using panel database regression modelling methods applied to the EU27 sample. As regards the second section, this chapter aims at empirically analyzing the potential effects that the adoption of a progressive taxation system could have on the Romanian economy, from the fiscal perspective of the general consolidated budget revenues, the redistribution process and the phenomenon of social inequality and poverty, using a series of microsimulations carried out with the help of the Euromod online model (objective O.15. of the thesis).

The results add to the existing literature in the field, with important findings on the degree of economic well-being and perceived happiness in countries with progressive taxation. Moreover, the study also presents relevant observations on the relationship between perceived tax burden and institutional quality, as control variables specific to neoliberal theory, and the two forms of well-being considered. Specifically, following the application of regression analyses on the sample of EU Member States, the study reveals that European countries with progressive tax systems are, on average, economically richer and their populations have on average, higher perceived levels of happiness compared to European countries with proportional tax systems, both observations being statistically valid at a 1% level of significance. As for the second part of the research, the simulation of the adoption of a progressive tax system in Romania, it highlights the positive effects of these scenarios on inequality, poverty and on the redistribution of the tax burden, as well as the additional revenues that can be collected from the state budget in the case of two of the three proposed scenarios.

Thus, the novelty of the research presented in this chapter is the analysis of the impact of progressive taxation in a complex manner, from different economic and social perspectives, both in relation to economic well-being, as measured by the variable "economic growth per capita", and in relation to the perceived level of individual well-being, as measured by the perceived level of happiness. Moreover, the research enriches the literature on the study of taxation also by analyzing the impact of progressive taxation in a more complex and not as widely used manner, namely by constructing alternative taxation scenarios of a real, baseline scenario and comparing the estimated effects of the proposed alternative scenario with the one representing economic reality, as a way of studying the effects of the change in the tax system on the consolidated state budget, income inequality, perceived poverty and redistribution of the tax burden.

This chapter points to the importance of tax policies among the population as one of the factors influencing individual well-being, alongside other elements debated by neoliberal thinkers, such as the tax burden and the quality of public administrations. Thus, policy makers, bureaucrats, as well as representatives of finance ministries, responsible for fiscal policy, should take these observations into account, so as to ensure an efficient fiscal and economic framework that is appropriate to the characteristics of its taxpayers, in line with the neoliberal ideas of the public choice school of thought.

CONCLUSIONS. PERSONAL CONTRIBUTIONS. FUTURE RESEARCH DIRECTIONS

The context of contemporary society, marked by a series of unexpected changes and challenges, such as the economic and financial crises we have experienced, the resource crisis, the pandemic crisis, the armed conflicts that have broken out, demographic change, climate change and technological progress, brings to the fore the shortcomings and limitations of the public system, whether at national, regional or international level. Thus, as highlighted throughout the chapters presented in the thesis, one reality to which all individuals are exposed is that of continuous adaptation to the challenges they face, a reality that must also be embraced by the governments of the world. Thus, according to the specialty literature, states must aim to constantly modernize and improve government policies and specific objectives so that they meet and satisfy the demands of the times without imposing significant costs on welfare. Economic reality, however, reminds us that things are different. In the real economy, public administrations are either rigid in adapting policies to the times, given excessive bureaucracy, or they use methods of intervention in free markets and economic activity that generate significant externalities. These findings have been even more evident in recent years, against the backdrop of a society strongly marked by the effects of the Covid-19 pandemic and armed conflict. Moreover, taking as an example the changes to the tax code adopted in Romania regarding the digitization of the economy, the reality highlights the discrepancy between the objective of reducing bureaucracy and transparency, and the effects produced by a burdensome, complicated and unclear implementation of a digitized system, which has produced widespread discontent among the population, already affected by the increases in tax rates over the last year, being just one of many examples that can be discussed regarding public administration in the case of Romania.

The public choice theory, or public option theory, which has been the fundamental theme of this research, places at the center of the doctrine the shortcomings of the public system, affected by the sphere of politics, such as those mentioned above: The failures of the state system and the lack of efficiency characterizing public administration, the quality of institutions, the real intervention of the state in the economy, the sustainability of public finances, the concept of a state captive to interest groups, high-level corruption, the existence of rent seeking, the lack of transparency and digitalization against the backdrop of a highly bureaucratized administration, high income inequality, the promotion of individual interests, as well as the problems raised by the current democratic system in terms of the limitations of the voting system, together with the utopian nature of collective choice. The novel and innovative character of public choice theory as a central part of the neoliberal school of thought is thus the study of elements belonging to the political sphere through an economic perspective, while borrowing elements from behavioral psychology.

The motivation of the thesis was thus determined and stimulated by the context and characteristics of the political system existing in Romania and beyond, which has its mark on public administrations and on the financial resources of states, allowing, against the background of a highly bureaucratized administration, the expansion of corruption phenomena of various forms. The motivation also lies in the social contexts of recent times, which have brought to light the limitations of today's societies, together with public dissatisfaction with the management of the public system.

The thesis is also a synthesis of research efforts over the last few years on the development of public finance, an area in need of continuous study and improvement. Therefore, as mentioned in the introduction section, the interconnectivity of public finance with the sphere of political and psychological sciences represents important growth points within the field, and the testing of the original hypotheses illustrated in the thesis, contributes to a certain extent to scientific progress, complementing the literature in the field with relevant results.

As stated in the opening of the thesis, the aim of this paper is to analyze fundamental and contemporary elements of public finance through the neoliberal. At the same time, the paper aims to demonstrate the topicality of the public choice theory by bringing to the forefront of empirical research the main concepts characteristic of neoliberal theory, such as the issues of sustainability of public finances, inefficiency of the state system, corruption, good governance and rent-seeking behavior, the quality of democracy, the degree of state intervention in the economy, and the issue of collective and individual welfare from the perspective of taxation. In order to achieve these aims, the paper aimed to assess the effects of different neoliberal elements, with a focus on the economies of the European Union member states, taking into account the gaps in the literature on the relevance of public choice theory for this sample.

The doctoral thesis has been structured in 6 distinct chapters, each aiming to provide answers to the specific research questions and objectives outlined. The specific research objectives, together with the overall aim of the thesis, have been achieved using various advanced econometric techniques and methods for data analysis, specific to each economic and financial phenomenon studied. Within each chapter, the main results obtained, their relevance as well as their framing in the literature, recommendations for reform, and the limitations identified in the research are outlined in a broad manner. However, in this final part, it is important to review and recapitulate the main results obtained during the research.

The novelty of the research lies primarily in the demonstration, in a framework characterized by pluri-perspectivism, of the topicality of the public choice theory among European countries, through a strongly applied perspective, each empirical research being characterized by a complex and original methodological framework.

The first chapter represented a detailed review of the literature on public choice theory, highlighting both the characteristic elements and the contribution made to the field of public finance analysis, that introduced the reader to the general framework of the work. The novel element of this first chapter is the multidimensional reflection on the Virginia school of thought, studied both from the perspective of its framing within the neoliberal school of thought, through a comparative analysis with other related schools of economic thought, starting from its origins and ideological foundations, along with a centrist perspective discussing the defining and particular elements of the school of thought, and from a perspective related to the current economic context of modern society and future challenges, discussing the timeliness and relevance of the public choice school. Moreover, in order to validate the concepts presented and to support the relevance of the neoliberal theory, the author completes the chapter with the first quantitative analysis, a bibliometric analysis, based on research papers indexed in the Web of Science database, which have as their topic the doctrine of public choice theory.

The second research in this thesis involved the analysis of fiscal sustainability for EU Member States. The research stands out in the existing literature by a broad methodological approach, which aims both at the comparative analysis of sustainability within EU Member States in the period before the outbreak of the recently experienced crises, with the fiscal sustainability of the states over the last 30 years as a whole, including the years marked by the challenges of the early 2020s, and the extended study on the three defined samples: EU27, OMS and NMS. Thus, the chapter uses established approaches in sustainability studies to determine the effects of the pandemic and the Russian-Ukrainian war on fiscal sustainability, as well as to derive results on long-term fiscal balance in the current context, highlighting the importance of EU fiscal reforms, while validating the hypothesis that political leaders in EU countries identified as unsustainable do not prioritize achieving long-term fiscal balance. As a main result, the chapter highlights that fiscal sustainability across EU Member States is relatively poor, and that new EU Member States are more exposed to uncertain times.

The results of Chapter 3 highlight in an original way the importance of good governance and the quality of public administration, as indispensable resources in the analysis of public sector efficiency. The main results outlined by the DEA analysis show that, on average, EU Member States are relatively inefficient, with only a few countries recording high levels of mathematically efficient governance whose policies have led to increased public efficiency. This points to scope for improvement and reform of current public policies, even though public efficiency in the EU has increased over the period studied. Moreover, in an original manner, the study continues the analysis of efficiency scores, seeking to explain them through variables capturing demographic, economic, perceived freedom and democracy, corruption and digitization characteristics, through quantile regression, in order to outline the specific results of different levels of efficiency scores, thus highlighting differences among determinants as efficiency scores increase.

The fourth chapter of the thesis aimed at enriching the literature by analyzing and testing hypotheses on the impact of specific elements of public choice theory, namely corruption, rent seeking and institutional quality, on public sector performance in EU Member States, through a Structural Equation Modeling methodology. Moreover, Chapter 4 highlights the main differences between the concepts of public efficiency and performance. Returning to this chapter, specific neoliberal elements are portrayed as latent variables, allowing their quantification and portrayal in a complex and in-depth manner. The main results obtained support the hypotheses that high corruption and rent-seeking phenomena deteriorate public sector performance and efficiency in terms of public resource allocation, while an increase in institutional quality contributes to improved public performance.

Further, Chapter 5 aims at determining the governmental optimum in the EU sample. As in Chapter 3, the methodology has two main sections, dealing both with the grouping of EU Member States according to economic, demographic and governmental characteristics, and with the quantification of the governmental optimum by studying the non-linear relationship between public expenditure and economic growth. The main findings of the research reveal that there are significant differences in the homogeneity of the European grouping between EU Member States, with the 27 Member States divided into 4 clusters according to their specificities: North-Western European states, Mediterranean European states plus the Polish state, the cluster of Member States within

Eastern Europe, as well as the cluster formed by the states of Cyprus, Luxembourg, Ireland and Malta, similar in terms of low levels of public expenditure in association with the highest levels of economic growth per capita, population growth, openness to trade as well as the lowest unemployment rates compared to the rest of the clusters analyzed. Other significant observations highlighted by the Chapter 5 relate to the fact that the countries with the highest levels of government quality are also the countries with the highest levels of public expenditure as well as years of schooling, while, at the other end of the spectrum, countries with the lowest institutional quality scores rank last in the EU in terms of unemployment rates, educational attainment of the population, positive demographic changes and levels of public expenditure.

The econometric study in this chapter has shown that a controlled level of public spending can contribute to economic growth, but if the optimal level is exceeded, state intervention in the economy has negative effects on economic development in EU Member States, demonstrating the relevance of public choice theory. For the European group as a whole, the optimal level of government intervention for which economic growth could be maximized is 47.19% of GDP. At the same time, European countries do not exceed the optimal level suggested by the empirical results, which is surprising that, on average, the European Union as a whole can afford to increase the level of public spending by about 2 percentage points in order to achieve a maximum level of economic growth.

The final chapter, Chapter 6, points to another major contribution of the thesis, on the degree of perceived economic well-being and happiness in European countries, depending on the practiced income tax system. Moreover, the study also presents important observations on the relationship between perceived tax burden and institutional quality as control variables specific to neoliberal theory, and the two forms of well-being considered. The study finds that European countries with progressive tax systems are, on average, economically richer and their populations have on average, higher perceived levels of happiness compared to European countries with flat tax systems. In the second part of the research, the study of the impact of progressive taxation is carried out in a unique and tailor-made way and aims at simulating the adoption of a progressive tax system in the case of Romania, with the author defining three hypothetical alternative progressive tax scenarios, based on existing recommendations in the literature.

Thus, the contribution to public finance literature is represented by the analysis in a complex way, from different economic and social perspectives, of the impact of progressive taxation, once related to economic welfare, in relation to the perceived level of individual welfare, as well as the construction of alternative taxation scenarios of a real, baseline scenario, drawing important conclusions on the relationship between progressivity and state budget revenues, household disposable incomes, social inequality phenomena, redistribution of resources and perceived poverty.

Therefore, the research results, which demonstrated the topicality of public choice theory from different perspectives, highlighted a number of insightful observations about public sector activity. The main reform proposals are thus in line with the neoliberal character of the doctrine, namely:

- (1) Prioritizing long-term fiscal policy planning to ensure sustainable development by limiting the growth rate of public expenditures and ensuring that it is in line with the level of public revenues,

so that public expenditure is not decided independently of the public revenue situation, as outlined in Chapter 2;

- (2) Promoting a decision-making environment that prioritizes spending that encourages investment and added value within the public sector, limiting the increased public spending imposed by the bureaucratic system (Chapters 2 and 5), collecting public resources correctly and reducing tax evasion;
- (3) Prioritizing the improvement of both technical and democratic dimensions of administrative institutions so that public resources are allocated efficiently, effectively and transparently (Chapters 3 and 4);
- (4) Being aware of local and national characteristics of the society and the economy when designing specific policy reforms, as outlined in chapters 3 and 5;
- (5) Prioritizing the reduction of corruption and rent-seeking phenomena, the number of non-performing officials in the state apparatus, the promotion of meritocracy, and the depoliticization and liberation of the state from interest groups, through the formation of a well-regulated legislative framework, along with encouraging the expression of public opinion, educating the population about the political phenomenon, the role of political parties in running a state and the importance of voting (Chapter 4); ;
- (6) Raising awareness of the importance of the adopted policies and the impact they have on individual and overall economic welfare, in the context of the development of fiscal policies (as reflected in Chapter 6).

Although the main aim of the research has been reached, as highlighted in the conclusions section, in the light of the analyses presented in this thesis, as well as the awareness of the limitations of each of the research undertaken, which are expressed in detail in each chapter of the thesis, a number of recommendations can be made regarding future research directions in the field of public finance, with a focus on neoliberal doctrine. As a first recommendation, future research on the topicality of neoliberal theory can focus on other specific elements of public choice, which have not been detailed in this paper, such as the limitations of the voting system and the implications of elections on economic cycles, or the analysis of public expenditure in relation to electoral cycles, in order to complete the picture of analysis. Analyses can also be extended beyond the sample of EU Member States, looking at different groupings of countries, or undertaken at a regional, country or conglomerate level to compare results.

Moreover, the models developed in this paper can be further developed according to the specifics of future studies by incorporating variables of interest beyond the realm of political economy. Similarly, the models can be applied using other established indicators in the literature regarding, for example, the concepts of rent seeking, corruption, quality of governance, progressive taxation, without limiting ourselves to these, given the discussed limitations of the established indicators used in the presented research. At the same time, the research hypotheses can also be tested through other methodological frameworks in order to test the robustness of the analyses.

Following the analysis of Chapters 2 and 3, the main results demonstrated the low level of sustainability of EU finances and the lack of efficiency of the Member States in the European sample. Thus, these observations have generated the desire to continue the quantitative empirical study on determining and quantifying the possible link and correlation between the two fundamental areas of

public finances. Another main recommendation for future studies is to revisit the hypotheses of Chapter 2 on the impact of the covid pandemic and the war in Ukraine on the sustainability of public finances as time goes by and to expand the database, so that the analysis aims at a comparative study of the sustainability situation, before the 2020s and after the 2020s. Moreover, building on the main limitation encountered in Chapter 5, future studies can analyze in detail the relationship between government intervention and economic growth, taking into account the structure of public expenditure.

Nevertheless, the author also proposes a quantitative study to determine the impact of the digitization reforms adopted by the Romanian Ministry of Finance at the end of 2023 (e.g. the e-invoice system and SAF-T reporting) on economic activities and on the de-bureaucratization of the state apparatus, as well as on corruption among taxpayers. Still referring to the Romanian level, future studies may also consider quantifying the effects of tax changes (increase in dividend tax rates, changes in the conditions regarding the obligation of social contributions for individuals, introduction of various excise duties, etc.) on state budget revenues, as well as on disposable income at household level, given the characteristics of the public choice theory on de-bureaucratization and tax changes.

LIST OF PUBLISHED PAPERS

1. **Negri, C.** (2023). *Political trust, democracy and perceptions regarding the Covid-19 pandemic in Europe*. **Journal of smart economic growth**, **8(3)**, 69-87 , available at <https://www.jseg.ro/index.php/jseg/article/view/246>
2. **Negri, C., & Dincă, G.** (2023). *Public sector's efficiency as a reflection of governance quality, an European Union study*. **Plos one**, **18(9)**, e0291048 , available at <https://journals.plos.org/plosone/article?id=10.1371/journal.pone.0291048>
3. **Negri, C., & Dincă, G.** (2023). *Russia's military conflict against Ukraine and its impact on the European Union's wealth. Can good governance counteract the effects of the war?* **Frontiers in Environmental Science**, available at <https://www.frontiersin.org/articles/10.3389/fenvs.2023.1225793/full>
4. **Negri, C.** (2023). *Causes and Determinants of Perceived Corruption in the EU countries: A Panel Data Approach*. **Proceedings of the XXIII th edition of the International Conference "Risk in Contemporary Economy"**, available at <http://www.rce.feaa.ugal.ro/images/stories/RCE2023/Negri.pdf>
5. **Negri, C.** (2022). *Exploring Rising Income Inequality in the European Union-A Public Choice Approach*. **Bulletin of the Transilvania University of Brasov. Series V: Economic Sciences**, **141-152**, available at https://webbut.unitbv.ro/index.php/Series_V/article/view/3172
6. **Dincă, G., Bărbuță, M., Negri, C., Dincă, D. & Model, L.S.** (2022). *The impact of governance quality and educational level on environmental performance*. **Frontiers in Environmental Science**, **10**, p.950683, available at <https://www.frontiersin.org/articles/10.3389/fenvs.2022.950683/full>

LIST OF CONFERENCE ATTENDANCE

1. The 6th edition of the International Conference **„Inclusive and Sustainable Economic Growth. Challenges, Measures and Solutions”** , 26th of May 2023. Braşov, Romania.
Negri, C. (2023). *Political Trust, Democracy and Perceptions Regarding the COVID-19 Pandemic in Europe*.
2. The 23rd edition of the **International Conference “Risk in Contemporary Economy”**, 21-22th of April, 2023. Galati, Romania.
Negri, C. (2023). *Causes and Determinants of Perceived Corruption in the EU countries: A Panel Data Approach*.
3. The 5th edition of the International Conference **„Inclusive and Sustainable Economic Growth. Challenges, Measures and Solutions”** , 27th of May 2022. Braşov, Romania.
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