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**FISCAL RESPONSIBILITY AND DEBT SUSTAINABILITY.
PREPAREDNESS FOR EXTERNAL SHOCK: THE CASE OF THE
CZECH REPUBLIC AND SLOVAKIA**

Abstract:

The article compares the development of the main government debt indicators in the Czech Republic and in Slovakia between 2014 and 2019 while evaluating their respective positions in at the beginning of the crisis caused by the spread of Covid-19 in early 2020. After a review of the characteristics and the nature of the external shock in comparison to previous crisis which took place from 2008 to 2009, the article discusses the preparedness of both economies for negative external shocks, primarily from the public finance perspective. The authors conclude that the Czech fiscal position is one of slightly higher overall preparedness to overcome possible economic problems than that of its Slovak counterpart. However, further assessment of the underlying tensions within Czech government deficit structure, past procyclical economic policy behavior and recent policy actions lessen the superiority of the Czech fiscal position and render both economies equally exposed to the negative effects of the coming crisis. In the current environment of uncertainty, it is difficult to establish a conclusive projection but the authors highlight the key risk areas for the medium-term horizon in the concluding discussion of the paper.

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