INTERDEPENDENCE OF FISCAL CONSOLIDATION AND ECONOMIC GROWTH IN EU COUNTRIES WITH DIFFERENT LEVELS OF DEVELOPMENT

1 Biljana Gojković, Fiscal Council of Republic of Srpska, Banja Luka, Bosnia and Herzegovina
*Corresponding author E-mail: biljana.gojkovic@fiskalnisavjetrs.net
ORCID ID: 0000-0003-3297-948X

ARTICLE INFO

Review Scientific Paper
Received: 02.11.2021.
Revised: 26.11.2021.
Accepted: 07.12.2021.

doi 10.7251/ACE2135097G
UDC
336.127:[338.23:336.22

Keywords: *public finances, fiscal consolidation, primary balance, public debt.*

JEL Classification: E62, H62, F41.

ABSTRACT

The concept of fiscal consolidation is most often mentioned during major economic crises, which are usually the result of economic shocks caused by crises such as the one in 2008, but also the last crisis caused by the COVID-19 pandemic. In such circumstances, as a rule, high deficit and/or enormous growth of public debt occur. Therefore, many countries need to consolidate fiscally their public finances. In this paper, the focus of the analysis is on the impact of fiscal consolidation on the economic growth of the European Union with different levels of development. It is assumed that countries with low incomes and less developed economies have a special obligation and a need for stable public finances. The same refers to the small and open economies that are largely exposed to the stability/instability of the surrounding countries. Therefore, it is very important that countries with a low level of development pay special attention to the fiscal stability of the country's public finances.

1. INTRODUCTION

Fiscal policy is one of three key pillars of economic policy. Fiscal policy can be considered successful if it ensures fiscal stability and fiscal responsibility of the country. The other two pillars are the foreign trade and monetary pillars.

When the government spends more in one year than it receives from taxes and other revenues, there is a budget deficit that is usually called a fiscal deficit. This situation requires the consolidation of the country's public finances, i.e. the development of certain fiscal consolidation program. There are many reasons why a deficit occurs. If it reduces taxes and at the same time does not reduce expenditures, the deficit will inevitably increase. Uncontrolled growth of the deficit can affect the country's fiscal stability.

The basic precondition for economic growth is balancing public finances and a sustainable level of public debt. Balancing public finances and maintaining a sustainable level of public debt are some of the conditions for mitigating economic shocks resulting from occasional cyclical oscillations. The above refers especially to economies with a lower level of development, which differ in basic macroeconomic characteristics and fiscal capacities of the country.

The approach to fiscal consolidation also includes determining the period of consolidation. In that sense, there are one-year, also referred to as "cold showers", and multi-year or gradual consolidations. The period of fiscal consolidation is the period of the year in which the cyclically-adjusted primary budget balance improves by at least 1.5% of GDP or the period of 3 consecutive years in which the cyclically-adjusted primary deficit does not worsen by more than 0.5% of GDP (Alesina & Ardagana, 1998; Mirdala 2013).

The consequences of global economic trends have the greatest impact on small open economies. Due to their capacities, they cannot significantly influence the movement of the world economy, but they strongly feel the negative consequences. The best example can be the impact of the 2008 crisis and its consequences on the Western Balkans countries and on certain individual members of the European Union. These consequences can be observed most easily if there is a significant deterioration in the primary budget balance in the years after the crisis. Also, the period of crisis is characterized by a significant increase in public debt. Due to the above-mentioned reasons, the countries decide to initiate the process of fiscal consolidation. However, initiating a fiscal consolidation process does not always guarantee positive results. Different methods of consolidation also give different effects of consolidation.

Ultimately, fiscal consolidation can have a different impact on economic growth. It largely depends on the state of the country's economy, the type of instruments used in the implementation as well as the economic and political circumstances in which it is implemented.

Analyses of fiscal consolidation in some European Union countries show a long-term positive impact of fiscal consolidation on economic growth (case studies in Portugal, Spain, and the United Kingdom). However, there are also case studies (Austria and Belgium) that show the negative effects of fiscal consolidation (Kleis & Moessinger, 2016).

Some research has shown that fiscal consolidations based on the expenditure side of the budget are much more efficient than those that rely on the revenue side. Consolidations carried out by increasing revenues can be successful if the

initial share of tax revenues in GDP is relatively low and if the increase occurs gradually (Tsibouris et al., 2006). Measures to limit long-term spending send a signal to financial markets about the sustainability of public spending (Cottarelli & Vinals, 2009).

The results of the research also differ when it comes to the economic conditions for the implementation of consolidation. Experience shows that fiscal adjustments are more successful if they are implemented during or immediately after the recession period (Drazen & Grilli, 1993).

Most research suggests that the right time for consolidation is the time of expansion (Von Hagen & Strauch, 2001).

To reduce business cycle fluctuations, the so-called automatic stabilizers can be used. Automatic stabilizers represent the first line of defense, but as such they are not sufficient to maintain complete stability. However, automatic stabilizers cannot completely eliminate the caused disturbances. Only monetary and fiscal policy instruments can fully influence the overall reduction of disturbances. When all the possibilities of monetary and fiscal policy are exhausted in a certain integration and when a certain country within the framework of integration has a problem with increased debt or deficit, then comprehensive fiscal consolidation is needed.

The results of fiscal consolidation are largely determined by the choice of instruments (increase in special taxes or decrease in certain areas of spending). Fiscal consolidation instruments can be ranked according to effects (short-term and long-term growth) and income distribution. Based on these basic rankings, individual instrument packages, which aim at the successful fiscal consolidation of each country, can be defined. The choice of fiscal consolidation instruments will most often depend on the basic macroeconomic indicators of each country.

To adequately assess the application of the necessary instruments for fiscal consolidation, it is necessary to assess the size of short-term fiscal multipliers. Many studies show that the size of the fiscal multiplier depends on the country, its business cycle, time period, as well as special circumstances. The above includes monetary and foreign exchange regimes, the degree of integration and the level of openness, as well as the methodology used to assess them. In addition, current impacts and individual cumulative effects of fiscal shocks may vary. Multipliers can even be negative - a phenomenon called “contraction of fiscal expansions” (Estevao & Samake, 2013). Accordingly, fiscal rules and fiscal institutions can be helpful in increasing credibility. In the long run, better institutional frameworks can help ensure that fiscal policy stays on track (Sutherland, Hoeller & Merola, 2012).

A stable fiscal policy requires tools that can be managed by the fiscal policy. These tools are most often taxes, expenditures and public debt. These tools can, by their application, stimulate or limit certain economic developments, depending on the need. Changes in tax rates can have a significant impact on fiscal consolidation. In order to consolidate public finances, limiting the growth of certain expenditures is also a significant instrument for changing the course of fiscal policy. Public debt management in most countries is an important instrument in conducting fiscal policy. If the public debt does not pretend to jeopardize the functioning of the state, it is used as an important instrument in ensuring the liquidity of funds at a certain moment. Adequate management of budget policy is a basic condition for a stable fiscal policy. Therefore, an important role is played by the countercyclical budget policy, which is also called unbalanced budget policy. An unbalanced budget during a depression implies an increase in the deficit. If deemed necessary, the state can finance the resulting deficit through borrowing. Conversely, if the fiscal year ended with a surplus, in ideal circumstances a debt reduction would be expected. The results of some fiscal consolidations show that budget surpluses have a deflationary effect on national income, while budget deficits tend to increase prices. In this way, it is made clear that the budget offers many opportunities in creating and conducting fiscal policy. However, it is very difficult to fully predict a recession or inflationary shock in a timely manner.

A very important segment of fiscal policy is tax policy. One of the instruments for conducting fiscal policy is adjusting the structure of tax rates, since these taxes define the amount of disposable income. Expectations of tax policy during the depression are that tax policy encourages private consumption and investment, while during inflation it would be necessary to reduce consumption and investment. Finally, several additional instruments are needed to pursue a stable long-term policy.

One of the important instruments used to create fiscal policy in addition to the deficit is certainly borrowing. The effects of fiscal consolidation will depend on the form of borrowing (loans, bonds and other securities). Borrowing through the issue of bonds and other securities reduces consumption and private investment.

If banks buy government bonds, then the available credit potential for other purposes (consumer loans, lending to private investments, etc.) decreases. This is especially the case when government bonds are issued to meet current budget commitments, and not for public investment. The most efficient borrowing in the banking system is borrowing if banks have a surplus of cash reserves.

As a measure that would provide a guarantee of public spending, some economists emphasise the strengthening of social security measures (pensions, unemployment and insurance subsidies, etc.). This would increase consumption during depression.

We can never predict with certainty how and in what way the chosen instrument for fiscal consolidation will manifest itself and ultimately what effects it will have. In this regard, the problem now is the given choice of tools for flexible and efficient use.

One of the instruments for efficient and immediate action for fiscal consolidation is the introduction of "automatic stabilizers". These stabilizers are used in a way to act on certain economic shocks in the short term. One example of this is the case of falling employment. If there is a decline in employment, the state as a stabilizer includes an increase in unemployment benefits and thus increases disposable income. However, these stabilizers do not have the power to fully determine fiscal policy, but in some circumstances, they can stop abrupt processes.

Depending on the circumstances in which a particular country or integration finds itself, fiscal policy has several objectives for successful fiscal consolidation. The following are some of the most important fiscal targets.

Optimal allocation of economic resources, as one of the fiscal goals, aims to shape fiscal policy to increase the overall efficiency of natural resources. In order to do that, it is necessary to invest in something that will ensure the maximum number of employees on the territory to which the consolidation refers. In addition, for stable public finances it is necessary to establish or at least strive for the proper distribution of wealth and income.

For a stable fiscal policy, it is necessary to ensure price stability. However, the most important goal of fiscal policy is generally to achieve and maintain full employment. In this way, it is possible to achieve all other goals that have an impact on fiscal policy in general. Full employment ensures a positive direction of the tax structure. A high level of employment increases the level of disposable income and aggregate demand. The above leads to an increase in revenues from indirect taxes, primarily value added taxes.

As a result of the response to the great economic crisis in 2008, the countries of the European Union and CEFTA countries had a problem with excessive deficits and public debt. In addition to the countries of the European Union and CEFTA, the whole world faced a fiscal imbalance of varying proportions. Therefore, they carried out fiscal consolidation using different consolidation methods.

Based on the final results that fiscal consolidation can have on the budget balance and public debt, it can be declared successful or unsuccessful. If a positive effect on GDP is achieved, it can be said that fiscal consolidation has been expansive.

In general, successful fiscal consolidation is one that provides:

1. If, in the three-year period following consolidation, the cyclically-adjusted primary deficit decreases on average by at least 2% points of the balance/ GDP below its value in the years of consolidation, or
2. If, three years after consolidation, the ratio of public debt to GDP is at least 5% lower than the ratio in the year of consolidation.

Ultimately, fiscal consolidation is expansive if the average GDP growth rate in the consolidation period and two years after that period is higher than the average growth rate at the beginning of the fiscal consolidation period (Alesina & Ardagana, 1998; Mirdala 2013).

There are many ways to implement successful and expansive fiscal consolidation. Fiscal consolidation carried out by a permanent reduction in public spending ultimately increases private consumption, but under certain conditions. The first condition is the amount of public debt at the beginning of the consolidation period, compared to the three-year period before consolidation. As a rule, the higher the growth of public debt in the period before consolidation, the higher the probability of success of fiscal consolidation based on the stated criterion (Alesina & Ardagana, 1998).

Greater effects of fiscal consolidation based on debt reduction are more realistic if the share of public debt in GDP is relatively high in the period before consolidation. In general, the effects of the fiscal consolidation process are greater if the imbalance is greater.

There are different understandings of certain criteria with reducing debt and deficit to a realistic framework. When making decisions about starting the process of fiscal consolidation, one can appreciate which is the better recipe: reducing taxes or increasing spending!?

Wage rigidity in the labor market leads to two effects (Alesina & Ardagna, 2012). The first effect indicates an increase in employment rate, and thus income and consumption, and the second shows a decrease in the wealth of the private sector that occurs due to an increase in the tax discounted to present value. However, if expenditures do not have a tendency to increase, the stated increase in taxes ensures a reduction in taxes in the following period.

This model explains the positive correlation between the public spending shock and the change in private consumption when public debt is not high and the

negative correlation when there is a problem of high public debt. However, tax increases also have two different effects on private consumption. Tax growth reduces disposable income, and therefore the consumption. More precisely, if expenditures do not have a tendency to grow, the stated increase in taxes ensures a reduction in taxes in the following period. Some authors argue that in times of crisis it is necessary to pursue an expansive fiscal policy that should be financed from debt. This would have a positive effect on economic growth.

In contrast, authors such as Cochrane (2011) or Reinhart & Rogoff (2010) suggest, among other things, that higher levels of public debt significantly reduce economic performance. It is for this reason that they believe that austerity policies should be given priority. But research also shows different results when it comes to the austerity argument as a criterion for fiscal consolidation.

In addition to the introduction, the paper consists of 3 parts. The first part presents the data used in the research and research methods. The second part shows the results of empirical research. The third part includes discussion and conclusions.

2. MATERIALS AND METHODS

The following research analyzes the impact of fiscal stability as a result of fiscal consolidation on the economic growth of countries with different levels of development. The sample of the European Union member states is divided into two groups; countries with a higher level of development and countries with a lower level of development (measured by the level of GDP per capita, the period of 2000-2020). In the analysis, more developed countries have GDP per capita between € 21,000 and € 102,000. Less developed countries have GDP per capita between € 21,000 and € 9,000.

The fiscal stability is measured by the level of the structural budget balance (surplus/deficit), while the economic growth is measured by the percentage change in GDP. The subsample of more developed countries consists of the following countries: Ireland, Italy, Luxembourg, Netherlands, Spain, Denmark, Sweden, Cyprus, Malta, Slovenia, The Czech Republic, Austria, Belgium, Finland, France and Germany. IMF data were used in the paper. The years in which fiscal consolidation was carried out were analyzed. The analysis was done individually in the countries of the European Union.

The deficit-related data represent the average percentage of the deficit share of GDP in the period from the beginning to the end of the country's fiscal consolidation period. Data related to GDP represent the average growth/decline rates of

GDP in the period from the beginning to the end of the country's fiscal consolidation.

Among the less developed countries in this analysis, the remaining countries of the European Union with lower GDP per capita are included, namely: Estonia, Latvia, Lithuania, Poland, Slovakia, Portugal, Bulgaria, Croatia, Greece, Hungary, and Romania.

Table 1. Fiscal stability and GDP growth of the EU member states

More developed EU countries (GDP per capita)	Primary balance %	GDP rate of change	Less developed EU countries (GDP per capita)	Primary balance%	GDP rate of change
Ireland	-1.83	14.20	Estonia	0.81	2.62
Italy	-0.93	0.11	Latvia	-1.48	7.18
Luxembourg	1.18	5.55	Lithuania	-4.36	1.15
Netherlands	-1.29	1.49	Poland	-3.90	1.49
Spain	-4.81	-1.16	Slovakia	-2.87	2.88
Denmark	0.62	3.04	Portugal	-2.26	-0.89
Sweden	1.25	4.80	Bulgaria	0.82	7.36
Cyprus	-0.52	2.61	Croatia	-0.31	3.69
Malta	1.32	7.59	Greece	-6.59	-5.68
Slovenia	-0.96	4.22	Hungary	-0.72	5.25
Czech Republic	-1.75	-0.99	Romania	-2.77	4.64
Austria	-1.08	2.65			
Belgium	-2.72	2.61			
Finland	0.07	3.09			
France	-3.59	1.88			
Germany	0.09	3.37			

Source: IMF data and author's calculations

Establishing mutual connections and relations between two or more observed phenomena is the subject of regression and correlation analysis, with the aim of quantitatively expressing the average regular relationship of observed phenomena by the regression equation if in reality such a relationship exists. In addition, the degree and direction of their mutual connection is expressed. If we observe only two phenomena, then this analysis is reduced to a simple regression and correlation analysis (Lovrić et al., 2006). The connection between fiscal consolidation and economic growth will be determined using a simple linear regression analysis. To this end, fiscal consolidation will be explanatory variable, while GDP will be a dependent variable:

$$Y = f(PB, X) \tag{1}$$

To establish the average regular relationship between the two observed phenomena, it is necessary to calculate the parameters of simple linear regression. A simple linear regression model can be written as:

$$Y_i = \beta_0 + \beta_1 x_i + \varepsilon_i \; i = 1, 2, ..., N \tag{2}$$

Where:

- Y_i means dependent variable is GDP,
- x_i means independent variable is primary balance,
- β_0 and β_1 are unknown constants or regression parameters,
- ε_i is the random error component, and
- N is the size of the basic set.

The analysis will use the estimated simple linear regression function based on the sample, which is defined as follows:

Since the analysis is done on a sample, and not on the whole basic set, because the available data do not allow it, the estimated simple linear regression function will be used, based on the sample:

$$\widehat{Y}_i = b_0 + b_1 x_i \tag{3}$$

In this relation, $\widehat{Y}_i$ denotes the value of the dependent variable which is exactly on the best adjusted regression line, while b_0 and b_1 are the estimates of the unknown regression parameters of the basic set.

The estimates of the parameters in the regression equation are obtained on the basis of the least squares method, which implies minimizing the squares of the vertical linear deviations of the original data from the regression line. In this way, a system of normal equations for determining parameters in the regression equation is obtained (Lovrić et al., 2006). The solution of the above system of equations enables direct calculation of parameter values in the regression equation:

$$b_1 = \frac{n\sum xy - \sum x \sum y}{n\sum x^2 - \left(\sum x\right)^2} \quad (4) \text{ and}$$

$$b_0 = \overline{y} - b_1\overline{x}. \quad (5)$$

The parameter b_0 shows the expected value of the dependent variable Y, if the independent variable X has a value of 0, while the parameter b_1 shows the average change of the dependent variable, with a unit increase of the independent variable.

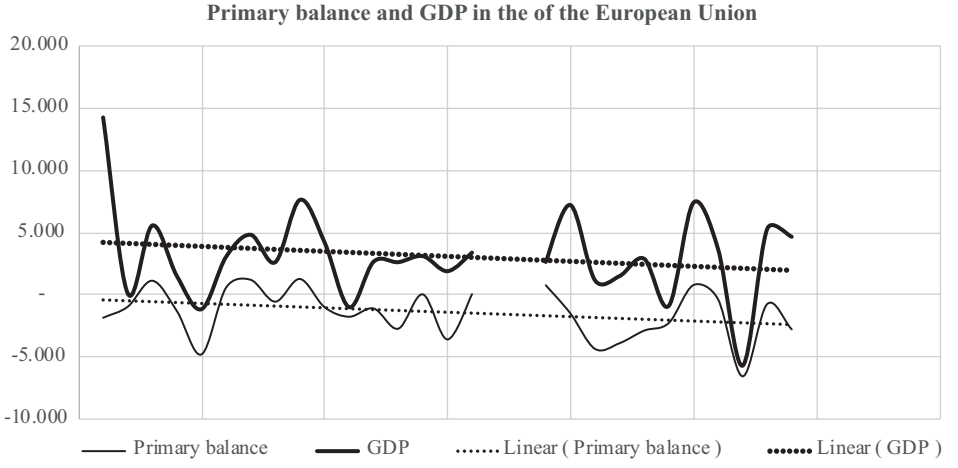
For this analysis we used the econometric program Eviews, applying the least squares method. This method is simple and reliable because it mutually excludes positive and negative errors. The analysis also contains the standard deviation, mean, maximum and minimum value, distribution asymmetry and measure of serial distribution tendency. Regression analysis provides an estimate of the significance of the following variables: probability (p), t-statistics, standard estimation error, and coefficient of determination R-square.

3. RESULTS

Fiscal consolidation is a process for stabilizing public finances. This procedure is most often conducted in countries with a high level of deficit and public debt. Countries with lower levels of development have a greater need for fiscal consolidation. A more significant need for fiscal consolidation refers to countries with a lower level of development because countries with a higher level of development find it easier to bear the high level of deficit and public debt. As a rule, countries with a higher level of development find it easier to get out of the crisis.

In countries with a lower level of development, managing stable public finances is much more demanding because in times of crisis they have fewer instruments for the fiscal consolidation process. Based on the analysis of the movement of

the fiscal deficit/surplus and the growth and decline rates of GDP of different EU member states, it can be concluded that there is a connection between fiscal stability and economic growth. Fiscal consolidation is particularly important for countries with a lower level of development as they do not have the fiscal capacity for consolidation such as countries with a higher level of development.



Graph 1. Trends in primary balance and GDP in the European Union countries
Source: Author's analysis

The chart shows the primary balance and GDP ratio according to the level of development of the European Union countries. Until the cross-section, the chart shows the countries with a higher level of development, while after the cross-section, the countries of the European Union with a lower level of development are listed. Countries with a lower level of development generally have a greater problem with deficits and with the success and effects of fiscal consolidation.

The analysis shows that less developed countries have higher variations and a higher degree of correlation between fiscal stability and economic growth, especially in times of recession.

The greater need for fiscal consolidation of countries with a lower level of development is also demonstrated in the following tables, which are the results of the statistical software Eviews 9.

Regression analysis of the European Union countries with a higher level of development shows that there is a correlation between fiscal consolidation and economic growth because the correlation coefficient is r = 0.35.

Table 2. Impact of fiscal consolidation of the European Union countries with lower and higher levels of development

Dependent Variable: GDP per capita
(More developed EU countries)
Method: Least Squares
Date: 10/11/21 Time: 10:09
Sample: 1 16
Included observations: 16

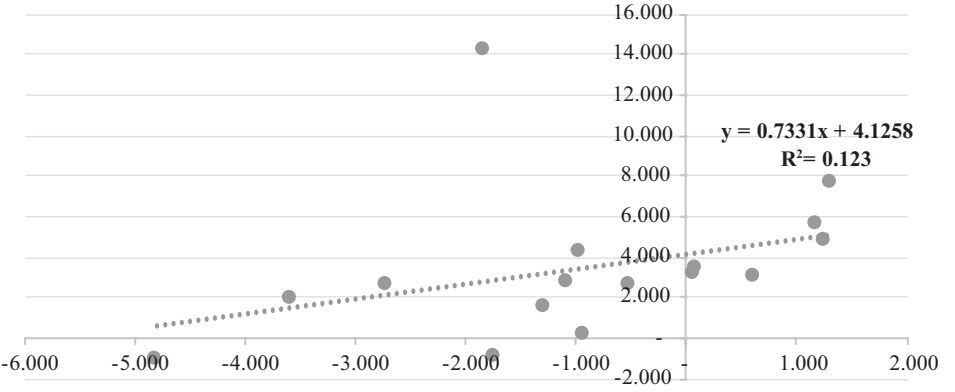
Dependent Variable: GDP per capita
(Less developed EU countries)
Method: Least Squares
Date: 10/11/21 Time: 14:23
Sample: 1 11
Included observations: 11

Variable	Coefficient	Std. Error	t-Statistic	Prob.	Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.125.772	1.011.510	4.078.826	0.0011	C	5.336.917	1.109.514	4.810.139	0.0010
PB	0.733138	0.523228	1.401.182	0.1829	PB	1.227.920	0.362971	3.382.975	0.0081
R-squared	0.122989	Mean dependent var		3.440.712	R-squared	0.559784	Mean dependent var		2.699.539
Adjusted R-squared	0.060345	S.D. dependent var		3.653.972	Adjusted R-squared	0.510871	S.D. dependent var		3.743.801
S.E. of regression	3.542.007	Akaike info criterion		5.483.733	S.E. of regression	2.618.329	Akaike info criterion		4.925.916
Sum squared resid	1.756.414	Schwarz criterion		5.580.306	Sum squared resid	6.170.083	Schwarz criterion		4.998.260
Log likelihood	-4.186.986	Hannan-Quinn criter.		5.488.678	Log likelihood	-2.509.254	Hannan-Quinn criter.		4.880.312
F-statistic	1.963.312	Durbin-Watson stat		1.679.945	F-statistic	1.144.452	Durbin-Watson stat		2.051.722
Prob(F-statistic)	0.182936				Prob(F-statistic)	0.008089			

Source: Author's analysis

The analysis also shows that the coefficient of determination in more developed EU countries is 0.12, more precisely that the changes in GDP are determined by variations in the fiscal balance with 12%. In less developed EU countries, the coefficient of determination is 0.5. This shows that the GDP growth rate in less developed EU countries is determined by fiscal stability with 55%. The results of the analysis show that the impact of fiscal consolidation on GDP trends is much higher, i.e. there is much higher conditionality of stable public finances in countries with a lower level of development (55%) compared to countries with a higher level of development (12%).

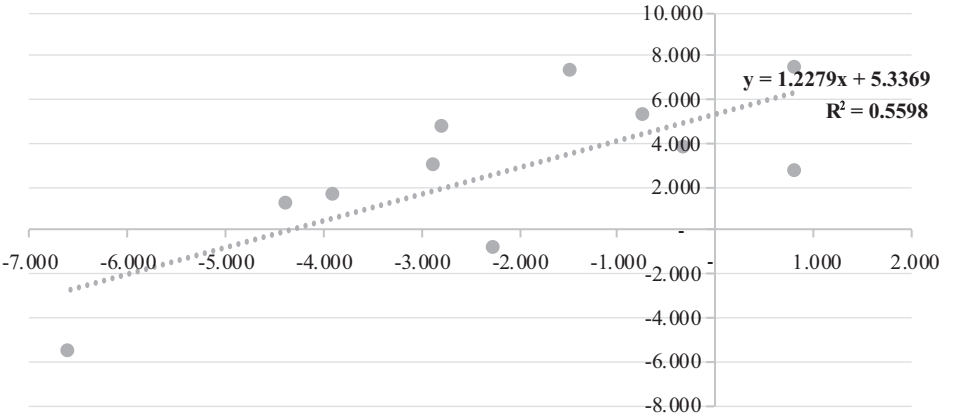
The results of the analysis show that there is a direct link between fiscal consolidation and economic growth of the European Union countries. This can be seen especially in countries with a lower level of development. Based on the analysis of both groups of countries, the significance of fiscal consolidation and economic growth of the EU member states, both countries with higher and lower level of development, were confirmed.



Graph 2. Graph of regression of primary balance and GDP in the more developed EU countries.

Source: Graphic presentation of the analysis by the author.

Finally, the analysis shows that there is a significantly higher correlation between fiscal consolidation and economic growth in the European Union countries with a lower level of development because the correlation coefficient is much higher and amounts to r = 0.75.



Graph 3. Graph of regression of primary balance and GDP in the European Union countries with a lower level of development.

Source: Graphic presentation of the analysis by the author.

The regression equation in the countries of the European Union with a higher degree of development Y = 4.12 + 0.73 * (PB) shows that any successful fiscal consolidation that results in an increase in the share of the surplus in GDP by 1% leads to an increase in GDP by 0. 73%, and in the case of an equable fiscal balance, the average GDP growth rate would be 4.12%

The regression equation in the European Union countries with a lower level of development Y = 5.34 + 1.23 * (PB) shows that fiscal consolidation resulting in an improvement in the fiscal balance measured by the share of GDP by 1% leads to an increase in GDP by 1.23%.

4. DISCUSSIONS AND CONCLUSIONS

The results of the analysis of the relationship between fiscal stability and the GDP growth rate show that countries with a lower level of development measured in terms of GDP per capita have a greater need for stable public finances.

The analysis shows the importance of fiscal consolidation and stable public finances, both in developed countries with a higher level of development, and especially in countries with a lower level of development. This is particularly important in times of major economic shocks caused by economic crises and recessions.

Based on the research on long-term application of fiscal rules in the EU countries and the impact of fiscal stability on economic growth it can be concluded that

the same fiscal rules and their implementation do not provide the same level of fiscal stability and equal opportunities to overcome fiscal difficulties in the EU member states with different levels of development.

The conclusion of this analysis indicates the need to establish certain principles of limiting public debt and deficits. Stable public finances are the basis for the development of any economy.

The analysis in this paper also indicates the need to redefine the fiscal rules of the European Union. It is necessary to apply differentiated fiscal rules for countries with different levels of economic development.

New principles are necessary in order to limit the public debt and deficit, i.e. redefine the fiscal rules of the European Union. The results of the analysis indicate that the future of stable public finances in the countries with a lower level of development is the introduction of differentiated fiscal rules. In order to obtain stable public finances, it is necessary to apply differentiated fiscal rules in all countries with a lower level of development, since stable public finances are the basis for the development of any economy.

Conflict of interests

The author declares there is no conflict of interest.

REFERENCES

Alesina A. & Ardagna, S. (1998). *Tales of Fiscal Adjustment, Economic Policy 13*(27). Retrieved from https://dash.harvard.edu/bitstream/handle/1/2579822/Ardagna_TalesFiscal.pdf

Alesina, A. & Ardagna, S. (2012). The Design of Fiscal Adjustments. NBER Working Paper, No. 18423. Washington, DC, USA: National Bureau of Economic Research. Retrieved from https://www.nber.org/papers/w18423

Cottarelli, C. & Vinals, J. (2009). *A Strategy for Renormalizing Fiscal and Monetary Policies in Advances Economies*. IMF Staff Position Note, no. 09/22. Retrieved from https://www.elibrary.imf.org/view/journals/004/2009/022/article-A001-en.xml

Drazen, A. & Grilli, V. (1993). The Benefits of Crises for Economic Reforms. *American Economic Review, 83*. Retrieved from https://econpapers.repec.org/article/aeaaecrev/v_3a83_3ay_3a1993_3ai_3a3_3ap_3a598607.htm

Estevao, M. & Samake, I. (2013). *The Economic Effects of Fiscal Consolidation with Debt Feedback*. IMF Working Paper. Retrieved from https://www.elibrary.imf.org/view/journals/004/2009/022/article-A001-en.xml

Illera, R.M. & Mulas-Granados, C. (2007). What makes fiscal consolidations last? A survival analysis of budget cuts in Europe (1960–2004). *Public Choice 134*, 147–161. Retrieved from https://doi.org/10.1007/s11127-007-9211-8.

Klajs, M. & Moessinger, M.D. (2016). *The Long-run Effect of Fiscal Consolidation on Economic Growth: Evidence from quantitative case studied*. Valencia, Spain. Working Paper Series, No. 6. Retrieved from http://www.spintan.net/wp-content/uploads/public/WP_06_Kleis_Moessinger.pdf

Lovrić, M., Komić, J. & Stević, S (2006). *Statistical analysis: methods and applications.* Banja Luka, Bosnia and Herzegovina: Faculty of Economics.

Matthew, R. & Cochrane D. (2012). *Student Debt and the Class of 2011. Project on Student Debt.* October. Retrieved from https://eric.ed.gov/?id=ED537338

Mirdala, R. (2013). *Lessons learned from Tax vs. Expenditures Based Fiscal Consolidation in the European Transition Economies*. William Davidson Institute, Working Paper, no. 1058. Retrieved from https://ideas.repec.org/p/wdi/papers/2013-1058.html

Reinhart, C. M. & Rogoff, K. S. (2010). Growth in a Time of Debt. *American Economic Review: Papers & Proceedings 100*. 573–578. Retrieved from http://www.aeaweb.org/articles.php?doi=10.1257/aer.100.2.573

Stiglitz, J. E. (2004). *Ekonomija javnog sektora.* First Edition. Beograd, Serbia: Faculty of Economics

Sutherland, D., Hoeller, P. & Merola, R. (2012). *Fiscal consolidation: How much, how fast and by what means?* OECD The Economic Policy Paper Series, No 1. Retrieved from https://www.oecd.org/economy/outlook/fiscalconsolidationhowmuchhowfastandbywhatmeans.htm

Tsibouris, G. C., Horton, M. A., Flanagan, M. J. & Maliszewski, W. S. (2006). *Experience with Large Fiscal Adjustments*. Washington DC, USA: International Monetary Fund. Retrieved from file:///C:/Users/Korisnik/Downloads/ExperiencewithLargeFiscalAdjustments%20(1).pdf

Von Hagen, J. & Strauch, R. (2001). *Fiscal Consolidations - Quality, Economic Conditions and Success.* Public Choice, Vol. 109. Retrieved from https://EconPapers.repec.org/RePEc:kap:pubcho:v:109:y:2001:i:3-4:p:327-46

Database used for empirical analysis from https://www.imf.org/en/Publications/WEO/weo-database/2020/October

МЕЂУЗАВИСНОСТ ФИСКАЛНЕ КОНСОЛИДАЦИЈЕ И ЕКОНОМСКОГ РАСТА У ЗЕМЉАМА ЕВРОПСКЕ УНИЈЕ СА РАЗЛИЧИТИМ СТЕПЕНОМ РАЗВОЈА

1 Биљана Гојковић, Фискални савјет Републике Српске, Бања Лука, Босна и Херцеговина

САЖЕТАК

Појам фискалне консолидације најчешће се помиње у вријеме великих економских криза који су, по правилу, резултат економских шокова изазваних кризама каква је била 2008. године, али и последња криза изазвана пандемијом вируса корона. Тада, по правилу, долази до високог дефицита и/или енормног раста јавног дуга. У таквим околностима многе земље имају потребу за фискалном консолидацијом јавних финансија.

У овом раду анализа је посебно усмјерена на утицај фискалне консолидације на економски раст земаља Европске уније са различитим степеном развоја. Претпоставља се да земље са ниским дохоцима и слабије развијеном економијом имају посебну обавезу и потребу за стабилним јавним финансијама. Исти случај је и са малим и отвореним економијама које су, у великој мјери, изложене стабилности, односно нестабилности земаља у окружењу. Због тога је веома важно да земље са ниским степеном развоја посебно воде рачуна о фискалној стабилности јавних финансија земље.

Кључне ријечи: *јавне финансије, фискална консолидација, дефицит, јавни дуг.*