

Editorial

Beyond the significant negative consequences on the main macroeconomic variables, the economic and financial crisis provided an opportunity for researchers to formulate new economic theories, given that the old ones have shown their limits, or to estimate the intensity of some economic links that have changed coefficients and sometimes even the direction in the context of the post-crisis economy. Regarding fiscal policy, in recent years there was an intense research on its impact on output, given that the modification of the fiscal policy's coordinates was seen either as a way to stimulate the economy, hit by an adverse shock of unprecedented size in peacetime since the Great Depression of the 1930s, if fiscal space was available, either as a necessity for the correction of the major imbalances given the unsustainable accumulation of debt and the pro-cyclical fiscal policies during the pre-crisis period. Thus, the literature regarding the fiscal multipliers was enriched significantly both for developed and emerging countries.

In my opinion, the literature regarding the influence of fiscal policy on GDP growth should be integrated more into the context of the rule-based fiscal framework currently present in many economies of the world, or even more pronounced at the European Union's level, where it is particularly complex and formalized. Also, the idea of fiscal activism should be more reconciled with the one of a prudent fiscal policy and public debt sustainability. The researches on fiscal multipliers focused mainly on the possibility of adopting discretionary fiscal policies, without investigating how they can be applied in a rule-based framework. In this context, the definition and calculation of fiscal space as well as the study of

interconnections between a potential boost of economic activity through fiscal policy and public debt sustainability, or the possibility of financial markets to provide the resources needed for fiscal stimulus are crucial for considering the use of fiscal policy in order to smooth the business cycle fluctuations.

Furthermore, at the EU level, the rule-based fiscal framework has been considerably strengthened in recent years. Prior to the crisis, the EU's fiscal rules were those established by the Stability and Growth Pact, adopted in 1997 and revised for the first time in 2005, being divided into two main components - corrective and preventive -, but in practice, they proved inefficient, failing to constrain the behavior of policy-makers, the fiscal policies being mostly pro-cyclical and even unsustainable, such cases being precisely what was supposed to be prevented by applying fiscal rules. Subsequently to the crisis, a second revision of the Stability and Growth Pact was enacted – the package of six legislative measures on the economic governance (Six-Pack), the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (TSCG), the package of two regulations on the economic governance (Two-Pack) and the European Semester were introduced. The rules have become both more demanding and more flexible, and the institutional framework was reformed from the ground so that ultimately lead to more prudent fiscal policy, based on rules, which is at least neutral towards the economic cycle, if not slightly incentive. Considering all this, it is important to analyze the fiscal policy's impact on GDP within this default and quite limiting framework.

Concluding, in my view, from the fiscal policy policy-makers' perspective, it would be a real help if researchers address in a greater extent themes such as the fiscal space, the changes in the fiscal policy's coordinates in the context of high indebtedness and/or taking into account the possibility of a sharp increase in the public debt, as happened in fact in many EU countries in the post-crisis period, reconciling the idea of stimulating the economic activity through fiscal policy with the existence of rules, the potentiation of the automatic stabilizers' level to favor the current rules-based framework, the possibility

of fiscal multipliers to be higher during recessions compared to those in which the economy is operating above its potential and the extent to which this supports the idea of rules. All this can become new lines of research in the fiscal policy's field, and the Romanian Journal of Fiscal Policy could make an important contribution in this regard, as it did in recent years through the development of research in this field, bringing new ideas to the forefront of public and academic debate in Romania and even at an international level.

***Bogdan DUMITRESCU, Ph.D.
Associate Professor
Department of Money and Banking and CEFIMO
Bucharest University of Economic Studies
Head of Staff Romanian Fiscal Council***