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FISCAL MULTIPLIERS IN NON-EMU CEE COUNTRIES

Abstract:
The effects of fiscal policy in non-EMU Central and Eastern European counties are analysed in the study. The analysis is based on dynamic stochastic general equilibrium model, which takes into account both optimizing and rule-of-thumb households. Results of the study indicate that the share of rule-of-thumb households has significant impact on government spending multipliers. On one hand, the fiscal multiplier reaches three in Hungary, which is the country with highest share of rule-of-thumb households among non-EMU CEE countries. On the other hand, in the Czech Republic, which is the country with lowest share of rule-of-thumb households, the fiscal multiplier is lower than one. Moreover, the results show that effects of government spending shocks on consumption are very sensitive to the share of rule-of-thumb households.

Keywords:
fiscal multiplier, government spending, rule-of-thumb households

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