

SULKHAN TABAGHUA

Ivane Javakhishvili Tbilisi State University, Georgia

FISCAL RULES AND POST-PANDEMIC (COVID19) ECONOMIC RECOVERY**Abstract:**

Empirical experience in many countries shows that governments spend more than they can afford. In order to ensure long-term economic stability and support economic growth, most countries have established legal restrictions on fiscal parameters, which significantly reduce the possibility of exceeding the quantitative or qualitative limits set by the government. In economic literature, this type of limitation is known as "fiscal rules".

Different topics of fiscal policy have been the subject of scientific research for many years, but research around fiscal rules have become more common in recent times. The actuality of this topic has increased in the conditions of covid19 crisis, which led to the reduction in economic growth in many countries, including Georgia, and a deterioration in a number of macroeconomic parameters (notably, a rapid increase in debt and budget deficit). Pandemic has been a massive test of the fiscal rules.

Scientific literatures underline fiscal rules importance for long-term economic growth and macroeconomic sustainability. Thus, the pandemic challenges raise the issue of updating and assessing the effectiveness and flexibility of rules during the economic crisis.

During the past two decades, a growing number of countries across the world have adopted rules-based fiscal frameworks. As of end-2021, about 105 economies have adopted at least one fiscal rule, 11 countries more than the last update in 2015 and 96 countries more than 1985.

The present article highlights the impact of covid19 shocks on fiscal rules and economic growth, with particular attention to post-pandemic (Covid19) recovery. The given analysis creates a precondition for the further development of this topic in the future, to expand the relevant econometric model for calibration of fiscal rules, assessment effectiveness of fiscal limits in the context of post-pandemic economic recovery.

Keywords:

Fiscal Rules, Covid19 Shocks, Economic Growth, Economic Recovery, Debt, Deficit.

JEL Classification: O40, E62, H61