

**RYTA DZIEMIANOWICZ**

University of Białystok, Faculty of Economics and Management, Poland

**ANETA KARGOL-WASILUK**

University of Białystok, Faculty of Economics and Management, Poland

**ANNA WILDOWICZ-GIEGIEL**

University of Białystok, Faculty of Economics and Management, Poland

**NEW FISCAL POLICY? LESSON FROM THE CRISIS****Abstract:**

The article aims to rethinking the role of fiscal policy in the process of macroeconomic stabilization which over 30 years has been strongly negated by neoliberal doctrine. The study is based on the analysis of premises for expansionary fiscal policy implementation both from theoretical and empirical perspective. In the face of strong economic shocks, such as the recent crisis, the special attention is paid on its size, instruments and time horizon. The content analysis of the literature supported by empirical evidence devoted to fiscal policy in context of its impact on the course of business cycles was conducted. The authors used Ameco and IMF data referring to the public finance with special focus on countries belonging to euro area and the US. It was claimed that the attempts to reduce increasing public debt via fiscal consolidation in early years of the crisis 2009-2011 have very likely resulted in a higher debt to GDP as euro area entered its second recession. At the same time, only countries with large fiscal space like the US could afford the bigger fiscal stimulus, and as a result registered output losses in these economies were smaller compared to Europe. In conclusion it should be emphasized that contractionary fiscal policy in a depressed economy had not only a negative short-term impact on GDP, but through hysteresis effects permanently affected the expected path of future growth. Despite this, the costs of expansionary fiscal policy are also worth to be taken into account and even in a depressed economy such policy surely should be timely, targeted and contemporary as sustainability of public finance in the long-term is recommended.

**Keywords:**

fiscal policy, austerity, fiscal consolidation, hysteresis

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