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IDENTIFICATION OF THE FISCAL SHOCKS IN POLAND IN LIGHT OF THE SMALL OPEN ECONOMY ANALYSIS' PERSPECTIVE.

Abstract:

The aim of the study is to identify the existence and strength of fiscal shocks in Poland as the determinant characteristics of the fiscal policy run in Poland in the recent 20 years. This will enable us firstly to find out to what extent this policy have had expansionary or only stabilizing role in the mid-term perspective taking into account also its potentially recognizable reaction to external conditions, i.e. international macroeconomic situation with crisis and recessions emerged in some periods during this time in Europe and globally. The study is a part of the broader analysis of the macroeconomic effects of the fiscal policy (also more detailed analysis of utilizing different fiscal instruments) on macroeconomic situation in Poland as a small open economy per se determined by and potentially highly vulnerable to transmission of foreign international influences. The problem should be tackled also considering the fact that Poland is a part of the common EU market.

The presentation includes the theoretical part devoted to the literature review mainly in the respect of the empirical methods used by other authors in similar studies, e.g. A. Fatas and I. Mihov 2001, H.Dellas et al 2005, H.Bouakez (2009), L.Forni et al. 2010, O. Blanchard and R. Perotti,2002). In the empirical analysis in order to investigate the effect of the government spending shocks on the economy and the transmission of the fiscal policy we build the structural vector-autoregression model (SVAR). The calculation of the government spending multiplier and the analysis of impulse response functions allow us to draw conclusions regarding the impact and the dynamics of government consumption. Our intention is also to include tax changes in the SVAR model in order to investigate the significance and the direction of their impact on the real economy.

Keywords:

small open economy, fiscal policy, transmission of macroeconomic shocks, SVAR models

JEL Classification: F41, E60