

[DOI: 10.20472/IAC.2018.043.006](https://doi.org/10.20472/IAC.2018.043.006)

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## **FISCAL CONSOLIDATION IN CROATIA AND OTHER POST-TRANSITION COUNTRIES\***

### **Abstract:**

Recent global economic crisis and the concerns about sustainability of public finances have resulted in stronger implementation of fiscal consolidation measures. The literature does not offer a consensus on the impact of these measures. Empirical research offers a rationale for both contractionary and expansionary effect of fiscal consolidation on economic activity. Studies that examine the macroeconomic and fiscal effects of consolidation in developed countries are not frequent either have a long history, while the same effects in the post-transition countries are un-investigated. This paper tries to shed some light on this relationship. Additional contribution of this paper relates to the usage of the narrative approach introduced by Romer and Romer (2010). The research results do not support the expansionary fiscal consolidation hypothesis. Therefore, analysis suggests that fiscal consolidation in the Republic of Croatia and other post-transition countries was not successful in achieving macroeconomic goals such as economic growth.

\* This paper was supported by Croatian Scientific Foundation under the project "Public Finance Sustainability on the Path to the Monetary Union" (IP-2016-06-4609).

### **Keywords:**

fiscal consolidation, economic growth, narrative approach, Croatia, post-transition countries

**JEL Classification:** E62, H62, H69