

## DESIGNING FISCAL POLICY DURING TURBULENT TIMES: FROM PROXIMATE GENUS TO SPECIFIC DIFFERENCIA

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### **Abstract:**

The post-2007 economic and financial crisis has reopened the debate on the effectiveness of fiscal policy as a tool of stabilisation of economic activity, including the relative merits of discretionary action versus automatic stabilisation. The paper presents some features of automatic fiscal stabilizers and some practical problems with discretionary fiscal policy. There is a need for continued precaution in the use of discretionary policy, deep concern for implementation of Automatic Fiscal Stabilizers. The size of automatic stabilisers appears strongly and positively correlated with the ratio of government expenditure to GDP. However, in practice automatic stabilizers operate more powerfully in some economies than in others. This is a conclusion of some debates resulted from literature review. This paper evaluates the role of fiscal policy in Romania and the impact of automatic stabilizers during turbulent times. The role of automatic stabilizers is less important in Romania than in other European economies and the fiscal policy was highly procyclical, that is undesirable in developing countries. The paper tries, also, to distinguish and discuss some causes of procyclical fiscal policy.

*Keywords: fiscal policy, automatic stabilizers, discretionary measures, procyclicality of fiscal policy, Romania*