



PUBLIC SECTOR ECONOMICS

CALL FOR PAPERS

MACRO AND MICRO EFFECTS OF FISCAL POLICY: EXPERIENCE FROM THE COVID PANDEMIC

Fiscal policy has taken centre stage in stabilising economies hit by the pandemic recession. Most governments responded to the disruptions caused by Covid-19 with a large expansion of public expenditure, under the assumption that such an increase would be transitory. This has demonstrated that it is possible to mobilise this powerful policy tool quickly and deploy it effectively in response to a major exogenous shock. Active use of fiscal policy has also greatly relieved pressure on monetary policy, which had been “the only game in town” from the start of the Great Financial Crisis until the pandemic.

With the rollout of vaccines in early 2021, the end of the pandemic is in sight. This is a good occasion to take stock of experience with fiscal responses to this emergency. How effective have various fiscal measures been, at micro and macro levels? What are the longer-term consequences of fiscal expansion for the role of the state in the economy? How do market participants perceive higher public debt: mainly due to the pandemic and thus transitory; or reflecting more permanent changes? And what does higher public debt mean for debt arithmetic: will market perceptions of an acceptable level of public debt adjust stepwise – e.g. for EMEs from around 40% pre- to 60% post-pandemic – given that all countries have seen an increase in debt? Or should we anticipate a future with lower public spending and higher taxes in order to consolidate public debt? What would this imply for consumption and investment? Would it be possible to combine fiscal instruments so as to achieve a “growth-friendly” fiscal consolidation? Finally, what kind of spillovers from increased public debt in major economies to emerging market and small open economies can be expected?

For this thematic section of *Public Sector Economics*, we welcome theoretical, empirical and policy-oriented contributions analysing the effects of fiscal policy at the macro and microeconomic levels. We would like to understand in particular the main transmission mechanisms of fiscal policy and identify those micro and macro factors that can explain why some fiscal interventions are more effective.

The suggested topics may include, but are not limited to:

- macroeconomic effects of fiscal policy during and after the pandemic
- welfare effects of recent fiscal interventions
- effectiveness of fiscal interventions during the pandemic at the micro and macro levels; spending vs tax measures, targeted vs general spending measures
- “the new normal” for public debt and debt servicing burden
- new debt sustainability concepts and assessment methodologies
- need to promote new rules that could lend more predictability to the fiscal path
- fiscal consolidation strategies in the post-pandemic period
- international spillovers of recent fiscal expansions
- unconventional fiscal policy – an academic fad or an idea holding promise for fiscal policy?
- microeconomic simulations of the effects of fiscal policy changes

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Journal editor is Mihaela Bronić, Institute of Public Finance, Zagreb; co-editors are Dubravko Mihaljek, Bank for International Settlements, Basel and Katarina Ott, Institute of Public Finance, Zagreb.

Guest editors of the thematic section: Milan Deskar-Škrbić and Darjan Milutinović, both from the Croatian National Bank, winners of the **Prof. Dr. Marijan Hanžeković Trust 2020** prize for the article [Design of fiscal consolidation packages and model-based fiscal multipliers in Croatia](#).

For any additional information, please contact pse-journal@ijf.hr.