FISCAL POLICY MACROECONOMIC EFFECTS: THE CASE OF GEORGIA

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ABSTRACT

Georgia is a small open economy, with relatively small government size. Due to the increasing role of fiscal policy on the country's path of development, the article aims to estimate the local effects of fiscal policy on the Georgian economy. The quantitative effects are calculated using Input-Output Tables, allowing isolation of import intensity in domestic absorption and estimation of fiscal policy effects purely on local production. Since the calculated fiscal multiplier is 1.35 for Georgia, it is justified for the country to create a fiscal buffer during the "good days" and create a long-run fiscal stabilization strategy to be prepared for the "bad days". Also, development of local production and generally sustainable economic development should stay as the country's top priorities to decrease import intensity, which should lead to higher macroeconomic effects of fiscal policy.

Keywords: *Fiscal Policy, Import intensity, Input-Output Tables, Georgia*