

TECHNICAL SESSION-3: MACROECONOMIC POLICIES AND INSTITUTIONS

Chair: Dr. Fareed Sharif, DPI South Punjab, Multan

Paper Title: From Boom to Bust: The Perils of Pro-Cyclicality in Fiscal Policy
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Presenter: Shagufta Shabbar

Abstract: Fiscal policy, with its role in economic stabilisation, remains a critical instrument for governments and policymakers worldwide. This paper delves into the intricate dynamics of fiscal policy, particularly in the context of developing economies, exemplified by Pakistan. While fiscal stimuli are commonly deployed to counter economic crises and foster growth, their implementation often results in increased public debt, inflation, and a host of macroeconomic challenges. Emphasising the pro-cyclical nature of fiscal policy in developing nations, we investigate its impacts on economic indicators. Our study examines Pakistan as a case study, analyses if the fiscal policy is procyclical, a cyclical or counter cycle and how shocks in GDP and fiscal policy are received by key macroeconomic indicators including public debt, CPI, exchange rate, and money market rate etc. By analysing these trends over two decades, we highlight the challenges posed by pro-cyclical fiscal policies and their consequences. Our findings underscore the urgency of addressing structural issues and adopting evidence-based policies to navigate the intricate landscape of fiscal policy and attain sustained and robust economic growth.

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