

The thesis covers the fiscal adjustments of countries in Central and Eastern Europe (CEE) since the financial crisis of 2008/2009. The topic revolves around ongoing debate about the right steps to stabilize government finances and encourage economic activity. It provides an overview of the measures undertaken by the governments of the Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Slovenia and Slovakia. The discussion of fiscal rules and institutions in CEE is also presented along with their influence on budgetary discipline. We follow with the review of literature debating government expenditures and government revenues having impact on economic growth. These relationships are then explored for countries of the CEE region based on the data from 1999 onwards. We apply Granger causality tests on reduced-form vector autoregressions and since we find no significant relationships between the government revenues, expenditures and GDP, we continue with structural vector autoregression using identification procedure developed by Blanchard and Perotti (2002). After identification, we utilize impulse response analysis to compute the multipliers of government expenditures and revenues. The multipliers generally take values close to zero and are found insignificant.