

Currently, there have been two opposing views on how governments should support economic growth – either by fiscal stimulus or by fiscal consolidation. The most heated discussion has been over the question of whether a decrease in government expenditure can be expansionary and support economic growth. The objectives of this thesis are to provide a broader discussion of the economic theory behind the optimal design of fiscal policy, to analyse some opposing views on fiscal consolidation, and to present an overview of the policies that were implemented by selected Eurozone countries in response to the current situation. From the literature review we conclude that there is no significantly dominant view on the preferable approach to fiscal policy, which we confirm via the comparison of countries' expenditures.