

FISCAL POLICY AND ECONOMIC GROWTH IN ALBANIA

Mimoza Koka¹ Anilda Bozdo² Henrieta Themelko³

¹ The Economics and Rural Development Department Agricultural University of Tirana, Albania E.mail: mimkoka@yahoo.com

² The European University of Tirana, Tirane, Albania

³ Agricultural University of Tirana, Albania

Abstract

Albanian governments to ensure macroeconomic stability have implemented the specific monetary and fiscal policy. Albanian fiscal system has gone through three major reforms; Transition from progressive tax, 10 percent tax on income in 2007, and 10 percent on profit in 2008. Major reductions customs tariffs after WTO membership in 2006. Reducing of the social insurance contribution from 42.5 percent in 2005 to 26.5 percent in 2009. Economic analysts, especially after the outbreak of the global crisis have discuss more about the impact of Bank of Albania's monetary policy on macroeconomic indicators and less on the impact of fiscal policy. The purpose of this paper is to present an overview of the impact of fiscal policy on economic growth. The method; for this are analyzed the data on GDP from 2000 to 2012, in the quarterly series, as well as the data on the government's net income for this period. Net income of the government is calculated according method Peroti, which means; direct tax revenues from VAT + Income + customs + excise revenue - government transfers. Also, it is analyzed and the literature of the scope. By the analysis of these data are extracted conclusions and recommendations for further fiscal policy direction. It takes a special importance in conditions where the rhythms of economic growth in Albania have fallen.

Keywords. *Economic Growth, Government Expenditures, Fiscal Policy, Net Government Revenues.*