

Review of: "Government expenditure and economic growth: evidence from the critical sectors in an emerging economy"

Ihor Hurnyak¹

¹ Ivan Franko National University of Lviv

Potential competing interests: No potential competing interests to declare.

Dear authors,

Unfortunately, the Keynesian model or similar approaches do not include an analysis of the environment in which fiscal or monetary policy is implemented. Ordinary regression dependences, even with all the necessary criteria, will not help to avoid such models' incompleteness. In particular, what causes an increase in the money supply in the case of the inability of the banking system to lend to small and medium-sized businesses (let's imagine NPL higher than 50% OR banks working only in the interests of cofounders)? On the other hand, how can one develop a business without adequate external sources of capital such as the stock market (with special conditions for small businesses)? Add to this the dysfunctional bankruptcy system, the inability to protect one's interests in court, the ineffectiveness of the police, and the constant change of the rules of the game during the game itself (instability of legislation).

That is, expenses for education or medical care, salaries in the public sector enter the economy with a multiplier (maybe even less than 1), but are drained by a business environment that has no chances for development. Another possibility is that this money is stored at home because ... the banking system, stock market, bankruptcy mechanism, local self-governance, etc., are not working.

In my opinion, such an analysis without indicators of the state of market economy institutions is incomplete and does not give real answers to the question of how to change the situation. For example, privatization carried out in Russia or Ukraine without market institutions gave birth to an oligarchy. And after that, this oligarchy gradually destroyed the same medical and educational spheres (showing growing support on paper !!!!). Moreover, in Russia, such an oligarchy destroyed the beginnings of the middle class and gave birth to a new fascist regime in Europe.

Therefore, other visions emerged on the ruins of the Washington Consensus. For example, you can read the work of Joseph Stiglitz and Narcis Serra, "The Washington Consensus Reconsidered."

It is the institutional environment that allows the implementation of economic policies. That is why the Enron crisis in the USA caused the restructuring of the entire audit system. Or the same could be said about Ivar Kreuger's match imperium in the 1930s.

In my opinion, it will be worth your attention to significantly increase the number and specificity of analysis factors (as micro, macro, and institutional).

I wish the authors success in their research.

