

# Fiscal policy and debt in the context of financial crisis: The case of Bosnia and Herzegovina

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## ABSTRACT

The “Great Recession” that took place in the period of 2008/2012 has caused the emerging and developing economies to replace advanced economies to lead global economic growth. Since this crisis has been characterized as being both global and severe, but furthermore as a good tool for testing the strength and credibility of economic policies and theories, the complete recuperation could take many years. The economy of Bosnia and Herzegovina was in structural crisis before the economic crisis, due to its lack of planned development, incompetent government structures, and political interference in economic decision making. The holders of fiscal and monetary policy in Bosnia and Herzegovina today are not taking significant measures in order to promote growth and sustainability. The situation is thus, that public spending is excessive, public debt is constantly growing, as well as current account deficit, and unemployment rate. An economy cannot be successfully managed without an appropriate balance and harmony between its fiscal and monetary

## BOOK OF ABSTRACTS

policy which in the period of financial turbulences will shorten the duration of recession and stimulate the aggregate demand. In the continuation of this paper, I will briefly try to define the effects of recent financial crisis on fiscal policy, and public debt of Bosnia and Herzegovina, and define the course of actions that will perhaps lead toward improvements of this emerging economy.