DOES PRIVATE SAVING OFFSET PUBLIC SAVING IN PAKISTAN: AN EMPRICAL EVIDENCE

Wajid Ali [1]
Asmat Khan[2]
Asif Javed[3]
Aamir Khan[4]

Abstract

The aim of this study is to analyze the effectiveness of fiscal policy in Pakistan. Specifically, the study measured the potency of fiscal policy via the relationship between private saving and public saving as a share of Gross Domestic Product (GDP). For estimation purposes, the study used annual data over the period 1973-2018. The study utilized the threshold autoregression (TAR) model to determine the long-run relationship between policy variables in case if adjustment process is nonlinear and the Momentum threshold autoregression (M-TAR) in the case to adjust larger changes in the policy variables. The magnitude of offset coefficient (ranges between -0.51 to -0.63) between private and public saving is estimated through Ordinary Least Square (OLS), Dynamic Ordinary Least Square (DOLS), and Fully Modified Ordinary Least Square (FMOLS). Since the result suggests very small fiscal multiplier, therefore any effort of fiscal authority to run a surplus budget and raise public saving is impotent.

Keywords: Fiscal policy, public saving, private saving, offset co-efficient.
JEL Codes: E6, H6.

[1] University of Perugia, Italy
ORCHID ID: 0000-0002-2056-9398
E-mail: Wajidkhan2272@gmail.com

[2] University of Balochistan, Quetta
ORCHID ID: 0000-0003-2928-8426
E-mail: asmatkhan_12@pide.edu.pk

[3] Sustainable Development Policy Institute, Islamabad, Pakistan
ORCHID ID: 0000-0003-4804-040X
E-mail: asifjaved@sdpi.org

[4] Bureau of Emigration and Overseas Employment, Islamabad
ORCHID ID: 0000-0002-7713-8695
E-mail: aamirkhalil214@yahoo.com