

THE EVOLUTION OF PUBLIC EXPENDITURE AND IMPLICATIONS FOR FISCAL SUSTAINABILITY IN ROMANIA

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Abstract

This paper examines the evolution of public expenditure structure and its implications for fiscal sustainability in Romania over the period 2000–2024, in the context of increasing budgetary pressures and macroeconomic volatility. The study employs a quantitative approach based on log-transformed multiple regression models estimated using Ordinary Least Squares (OLS), enabling the assessment of the impact of fiscal variables on economic performance and the determinants of government consumption. The results indicate that tax revenues have a positive and statistically significant effect on economic performance, supporting fiscal sustainability. However, public expenditure is dominated by rigid components, particularly government consumption and current expenditures, which limit fiscal flexibility. Public investment does not show immediate positive effects, suggesting inefficiencies or delayed returns, while increases in public employment and consumption further intensify fiscal rigidity. The study's main contribution lies in its integrated analysis of revenue and expenditure structures within a unified econometric framework, providing a clearer understanding of how fiscal composition influences sustainability. The findings highlight that fiscal sustainability depends not only on the level of public expenditure, but also on its composition and efficiency, offering relevant implications for improving fiscal discipline and policy effectiveness.

Keywords

public expenditure, fiscal sustainability, fiscal policy, government consumption.

JEL Classification

C22, E62, H50, H60, O47

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