

# The Effect of Fiscal Policy on the Economic Growth: An Analytical Study, Evidence from Jordan (2005-2020)

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**Abstract** The Jordanian economy faces a set of economic challenges, represented by the rise in unemployment rates, the decline in the rates of gross domestic product, and the rise in the general level of prices, which are the most important indicators of economic development. Jordan is considered one of the developing countries with limited resources, and it depends greatly on tax revenues, grants, and foreign subsidies to cover public expenditures. Because of the importance of fiscal policy to correct the economic path, and Jordan's need for an effective fiscal policy to achieve acceptable economic growth and find successful solutions to address poverty, unemployment, declining investment, adjusting public spending levels, and setting tax rates, this study aimed to examine the impact of fiscal policy tools (Tax Revenue, Domestic Revenue, External Debt, Foreign Grants and Total expenditure), on indicators of economic growth in Jordan (GDP, Inflation, and Unemployment), during the period 2005-2020. The study followed the analytical and descriptive approach using statistical programs through a multiple regression model based on historical quarterly data obtained from the statistical database of the Central Bank of Jordan and the Jordanian Department of Statistics during the study period. The most important findings of the analytical results of the study's hypotheses are a statistically significant effect of fiscal policy tools on GDP, inflation, and unemployment with explanatory power (94%, 97%, and 86.6%). Consecutively. This study contributed to finding a model capable of explaining the impact of public financial policy tools on the most important indicators of

development in Jordan, by taking into account most of the financial policy tools, so it is expected that the results of this study will contribute to improving the quality of fiscal policy decisions in Jordan.

**Keywords** Jordan, Fiscal Policy, GDP, Unemployment, Inflation, Economic Growth

## 1. Introduction

Fiscal policy is an important part of economic policies to address economic problems and find appropriate solutions to achieve targeted economic growth rates. The importance of this topic increases in developing countries with the exacerbation of the problems of poverty, unemployment, and inequality in the distribution of income, in addition to the noticeable rise in inflation rates and low rates of growth.

The macroeconomic situation in Jordan is characterized by a fundamental slowdown in growth and fluctuations in the economy, and this slowdown and these fluctuations coincided with the increase in challenges that face the Jordanian economy, such as the political crises in the region and the resulting refugee crisis that increased the burden on the makers of fiscal policy in Jordan, due to the rise in inflation rates, and the large rise in unemployment rates, with little space to take action through monetary policies due to the fixed exchange rate used in Jordan.

This paper examines the impact of public financial management through the fluctuation of the most important financial policy tools, represented by government spending and government revenues, and their impact on economic growth indicators, represented by gross domestic product, inflation rates, and unemployment rates in Jordan for the period from 2005-2020.

Fiscal policy is important in accelerating economic growth rates, and finding successful solutions to the problems of poverty, unemployment, the continuous rise in the general level of prices, and the decline in investment, noting that Jordan suffered during the previous periods from an accumulated deficit in the public budget, and relies heavily on covering the recurring deficit through grants, loans, aid, and tax increases. This highlights the importance of studying the impact of fiscal policy tools on important development indicators in Jordan.

## 2. Problem

The problem of the study emerged, because the overall indicators of the Jordanian economy witnessed a clear decline during the previous years, due to the political imbalances that afflicted the Middle East, the most prominent of which was the Syrian crisis and the refugees that burdened Jordan economically, in addition to the negative repercussions of the COVID-19 crisis on the economy. According to the World Bank report (2021), the Jordanian economy contracted by (1.6%) during 2020 and achieved a modest rate of growth in real GDP of 0.3% during the first quarter of 2021. However, this was accompanied by a noticeable rise in unemployment rates, which amounted to 25% in the first quarter of 2021. As the central government debt jumped to approximately 106.3% of GDP during the first eleven months of 2020, an increase of about 10 percentage points from what it was at the end of 2019. In addition to the significant rise in the general level of prices. [1]

Based on the above, the researchers found it is important to study the impact of fiscal policy on the indicators of Jordanian economic growth, in light of the current changes and developments, because successful fiscal policy has an important role in stimulating promising economic sectors that contribute to stimulating economic growth, creating new job opportunities and curbing inflation. The problem of the study consisted of answering the following questions:

- Is there an effect of fiscal policy instruments (tax revenue, domestic revenue, external public debt, external grants, total spending) on GDP ?
- Is there an effect of fiscal policy instruments (tax revenue, domestic revenue, external public debt, external grants, total spending) on unemployment rates ?
- Is there an effect of fiscal policy instruments (tax revenue, domestic revenue, external public debt, external grants, total spending) on inflation rates?

## 3. Theoretical Framework

Many economic theorists presented relevant studies and related research papers discussed fiscal policies, the basis for these theories is the Keynesian approach, whose theory was a turning point in economic thought after the spread of the Great Crash (1929). Keynes criticized the assumption that supply creates demand, and what branched off from this assumption is towards full employment economic systems. The state, in cases of deflation, has to adjust its expenditures and revenues to ensure an increase in demand by increasing government spending and reducing tax burdens, which encourages the private demand for consumption and investment and consequently increases the demand for the national economy and employment. Therefore, it is necessary to reduce government expenditures and increase taxes with the formation of a surplus in the budget to absorb the purchasing power from citizens in order to reduce inflationary pressures and restore balance and stability to the economy [2].

The study of Okedina et al. (2020) aimed to examine the relationship between fiscal policy and growth in Nigeria, using Annual time-series data (1980-2017), the results found that there is a long-term relationship between fiscal policy and economic growth, and that expansionary fiscal policy enhances growth while contractionary fiscal policy diminishes growth [3]. While Aremo & Abiodun [4] presented research on the causal relationship between the same fiscal policy and economic growth and income equality in about twenty-six African countries to determine the direction of causation of the three variables, and a causal relationship was found that makes work versus economic growth for income inequality in upper-middle-income countries. Ghali & Al-Shamsi [5], presented a paper that aimed to establish simplified facts of the effects of fiscal policy on the long-term economic growth of the small oil-producing economy in the United Arab Emirates, they found that government investment has a positive effect on growth, while government measures are negative and push.

Sriyalatha & Torii [6], examined the long-term effects of fiscal variables on economic growth in Singapore and Sri Lanka from 1972 to 2017. The results confirmed that government spending, government revenue, and investment expenditures positively affect economic growth in the long run. This result is consistent with the Keynesian theory, and a two-way causal relationship exists between the rate of inflation and economic growth in Singapore. And a two-way causal relationship exists between investment spending and economic growth in Sri Lanka.

Mugableh study [7], examined equilibrium relationships and dynamic analyzes of causation between economic growth and fiscal policy tools in Jordan for the period (1978-2017), which revealed the existence of a co-integration and causal relationship between economic growth and fiscal policy tools, Government expenditures have a positive effect on economic growth, and overall tax

rates have a long-term negative effect on economic growth. Bouakez & Chihi, & Normandin [8], examined the effects of fiscal policy tools on the US economy before and after (1979), the results revealed that increases in public spending are generally more effective than tax cuts in stimulating economic activity.

#### 4. Conceptual Framework

**Financial Policy:** The concept of fiscal policy reflects the aspirations and goals of the society in which it operates. In the past, society aimed to satisfy public needs and financing them from the resources of the public budget, and then economists focused most of their attention on the principles of the public budget and ensuring its balance. Fiscal policy is defined as a set of policies related to public revenues and public expenditures with the intent of achieving specific goals. It is the policy of using public financial tools from public spending and revenue programs to move macroeconomic variables such as national product, employment, savings and investment, in order to achieve the desired economic and social effects and avoid undesirable effects on income, national output, the level of employment and other economic variables.[9]

Fiscal policy is the methods, procedures and practices carried out by the government through its executive authority to plan its public expenditure and revenue programs represented in the general budget to create desirable effects and avoid undesirable effects on income, production, and employment to achieve development and stability of the national economy, and address its problems and face all changing circumstances. Fiscal policy refers to the government's use of public spending and tax policy to influence the economic situation, including affecting

demand for goods and services, unemployment, inflation, and economic growth [10].

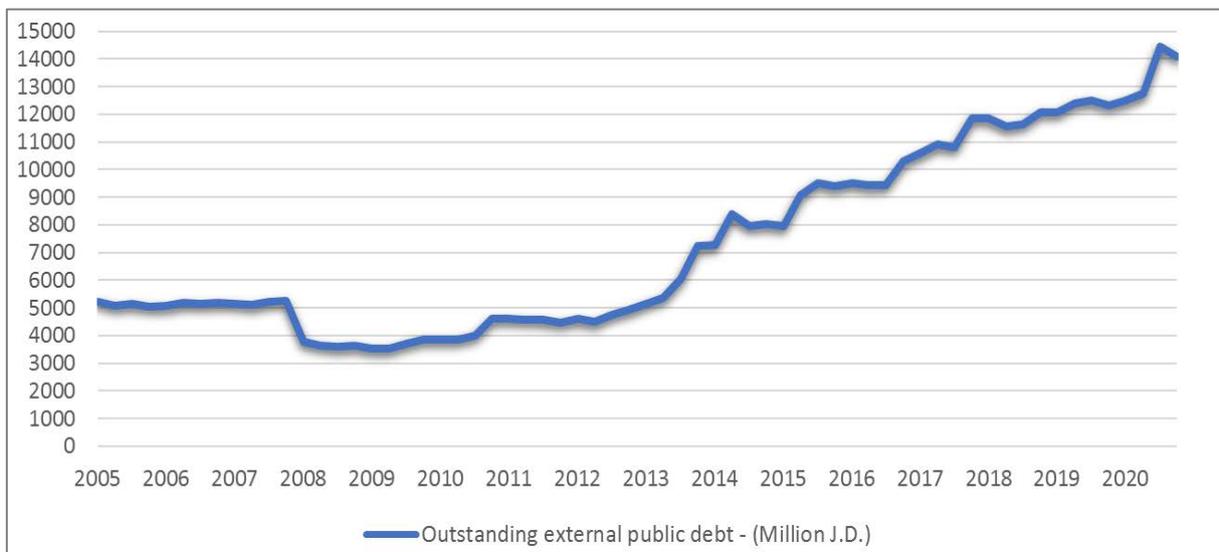
**How fiscal policy works?** Fiscal policy works by influencing aggregate demand directly by increasing government spending in the event that an expansionary policy is followed to solve the problem of depression or a deflationary policy and a reduction in total spending to combat inflation. The expenditure aspects are included in Equation No. (1).

$$GDP = C + I + G + (X - M) \quad (1)$$

Equation (1) is called equal total income, where its right side consists of government spending, private spending and investment spending in addition to net exports, which are the areas of spending that the government affects through the set of fiscal policy tools [11].

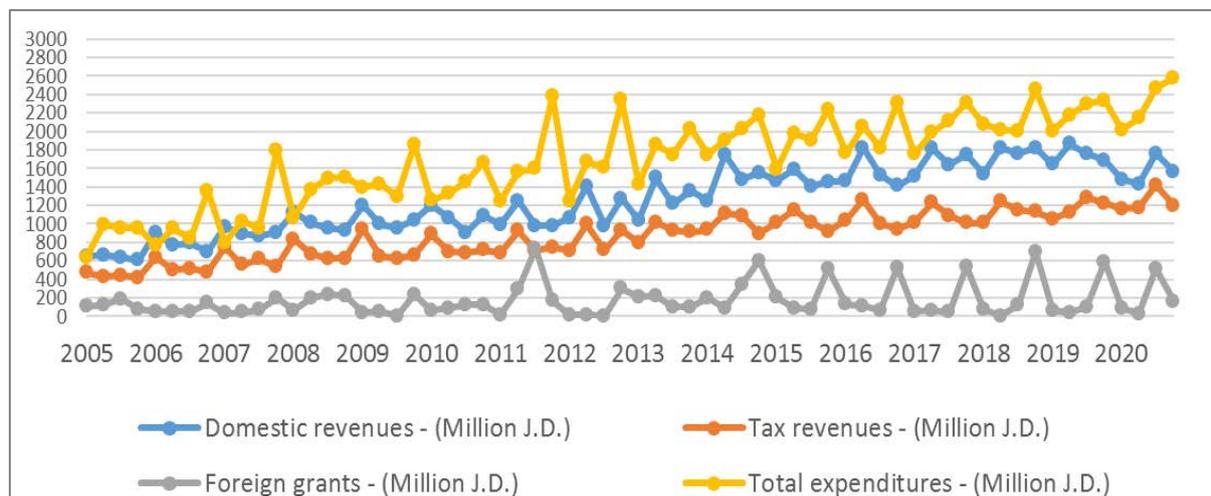
One of the most prominent features of fiscal policy in Jordan is that it has not witnessed a surplus in the budget for a long time, whether with grants or without, and the increase in public spending was in current expenditures. As for capital expenditure, it was volatile, and this means that the government does not have a large space, or a margin, to return and allocate its financial resources or policy priorities. There is also a widening gap between the size of the national economy and tax and non-tax revenues, and this indicates a financial slippage. In addition to the decrease in non-tax revenues in relation to GDP, noting that the nominal increase in tax revenues was due to sales tax, as its percentage of tax revenues constituted 71.7% in 2020. [12]

The fiscal policy tools included in this study by the researchers as independent variables (tax revenues, local revenues, external public debt, external grants, total expenditure), Figure (1), and Figure (2) show the changes in the indicators of fiscal policy tools (2005- 2021).[13]



Source: Department of statistics – Jordan

Figure 1. Outstanding external public debt – Million JD (2005- 2021)



Source: Department of statistics – Jordan

Figure 2. Domestic revenues, tax revenues, foreign grants, total expenditures, Million JD

The dependent variables in this study are important development indicators, they are GDP, inflation, and unemployment. The theoretical literature confirms that these variables must be controlled to create development because of the relationship they have with each other.

Inflation has negative effects on development, especially through deficit financing in developing countries, which can cause imbalances in the balance of payments. According to the classic, the relationship between inflation and GDP is a negative relationship, while Keynes stressed that inflation has a positive effect on growth in the short term. But it turns into a negative relationship in the long run. [14], as previous studies showed that the relationship between inflation and GDP is positive, but if inflation rises more than 13%, it will turn negative [15], and studies have confirmed that excessive inflation negatively affects GDP [16].

As for the relationship between unemployment and GDP, the theoretical literature has proven that the relationship is negative between unemployment and GDP, meaning that slowing development inevitably leads to an exacerbation of the unemployment problem. [17], [18]

**Gross Domestic Product (GDP):** Gross Domestic Product (GDP) is the difference between the value of goods and services produced by a country's economy and the value of goods and services used in production. Gross domestic product is also equal to the sum of consumer expenditures, total private domestic investment, total government expenditure and net foreign trade [19].

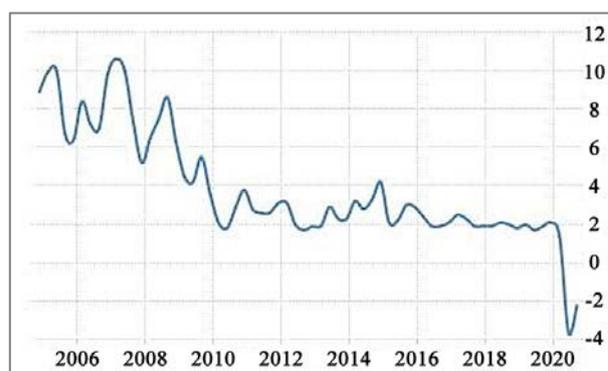
GDP is a measure of a country's economic income and output. It is calculated on the basis of the total market value of all goods and services produced within the country during a specified period of time. The evaluation process also includes the total value added at each stage of production of intermediate goods and finished goods [20].

There are several ways to measure GDP, including the income and expenditure method and the value-added method, but the researchers relied on the data published by

the Central Bank of Jordan (2020), including it was found that Jordan over long periods achieved the modest rates of growth in GDP, as it decreased in 2020, 1.5% more than it was in 2019. [21]

Previous literature confirmed that fiscal policy through spending policy (government or private spending, consumption and investment) has an impact on GDP. [22]

Figure (3) shows the Jordanian GDP Annual Growth Rate –Quarterly.



Source: Department of statistics – Jordan

Figure 3. Jordan GDP Annual Growth Rate –Quarterly

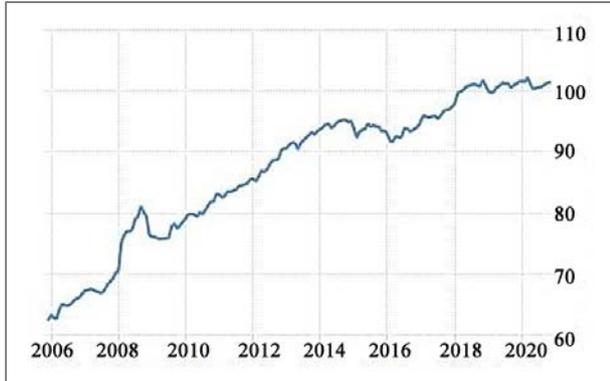
**Inflation:** it's defined as the continuous rise in the general level of prices for all goods and services, which causes a decrease in the purchasing power of income.[23] The high rates of inflation can have many negative effects on economic growth and social welfare. Through the data published by the Central Bank (2020), it was found that the consumer price index reached 101.1, which is an unprecedented rate.

An analysis of the empirical literature indicates that fiscal policy can have an effect on inflation, both on the supply side and on the demand side. [24]

Inflation rates are usually measured by the weighted consumer price index, as in the following equation. [25]

$$\text{Consumer Price Index} = \frac{\sum(\text{Price} \times \text{Weights})_{\text{Current Year}}}{\sum(\text{Price} \times \text{Weights})_{\text{base year}}} \times 100 \quad (2)$$

Figure (4) shows the Consumer Price Index-Jordan (2006-2020).



Source: Department of statistics – Jordan

Figure 4. Consumer Price Index-Jordan

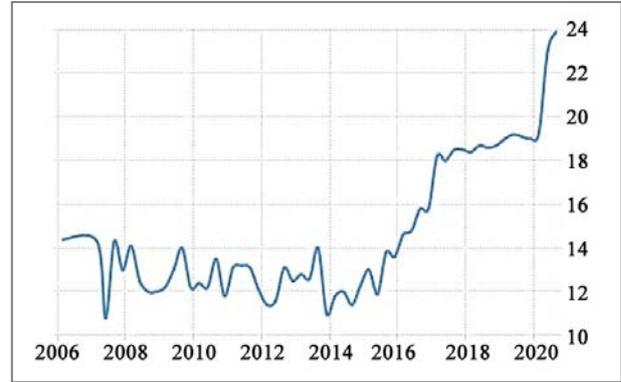
**Unemployment:** The International Labor Organization defined unemployment as every person who is able to work and who desires to work and who has the competencies and skills necessary to perform this work, despite that, he does not find a suitable opportunity to work. This phenomenon is considered an imbalance in the labor market that has significant negatives that dominate the economic indicators in general. There are many causes of unemployment that may be due to the failure of economic, political, and educational policies, or the mismatch between education outputs and market needs. There are two different types of structural unemployment, cyclical and frictional, both of which affect unemployment has a negatively impact on the state’s economy, as it leads to waste of resources, failure to exploit the energies of youth, and unrest within the family due to the presence of unemployed people [26], as unemployment rates, according to the Jordanian Department of Statistics (2020), reached a high rate of 22.7%. [13]

Societies and governments are concerned about the problem of unemployment because it is a social cost because of its negative effects. These effects include wasting productive resources, high crime rates among the unemployed, and high rates of mental illness among them [20].

Unemployment in Jordan was on an upward trend. COVID-19 will exacerbate the long-standing problem of unemployment.

Fiscal policy has an important role in combating unemployment and achieving economic stability, and is used as a tool to reduce income inequality and reduce poverty, and it has a long and short-term effects, according to many economic theorists. [27], [28]

Figure (5) shows the Jordan Unemployment Rate-Quarterly (2006-2020).



Source: Department of statistics – Jordan.

Figure 5. Jordan Unemployment Rate- Quarterly

Table (1) shows the changes in the study's dependent variables (inflation, GDP, and unemployment) during the period 2006 / 2020, which shows that there is a remarkable increase in unemployment and inflation indicators, and also shows the modest growth in the GDP indicator.

Table 1. Statistical indicators of Jordanian macroeconomic variables (independent variables for the study (2006-2020))

year	Inflation	GDP	Unemployment
2006	64.6	13430.2	14.0
2007	67.6	13720.6	13.1
2008	77.1	14264.5	12.7
2009	76.5	15331.6	12.9
2010	80.2	16640.6	12.5
2011	83.6	18176.4	12.9
2012	87.3	19475.1	12.2
2013	91.6	21250.2	12.6
2014	94.2	22724.4	11.9
2015	93.4	23858.2	13.0
2016	92.7	24678.6	15.3
2017	95.7	25641	18.3
2018	100	26616	18.6
2019	100.8	27652.7	19.1
2020	101.1	27226.3	22.7

Source: Prepared by researchers based on published data from the Central Bank of Jordan and the Jordanian Department of Statistics 2020.

## 5. Hypotheses Developments

**H01:** There is no effect of the fiscal policy tools (tax revenues, Domestic revenues, external public debt, Foreign grants, total Expenditure) on the gross domestic product in Jordan.

**H02:** There is no effect of the fiscal policy tools (tax revenues, Domestic revenues, external public debt,

Foreign grants, total Expenditure) on the inflation in Jordan.

**H03:** There is no effect of the fiscal policy tools (tax revenues, Domestic revenues, external public debt, Foreign grants, total Expenditure) on the unemployment in Jordan.

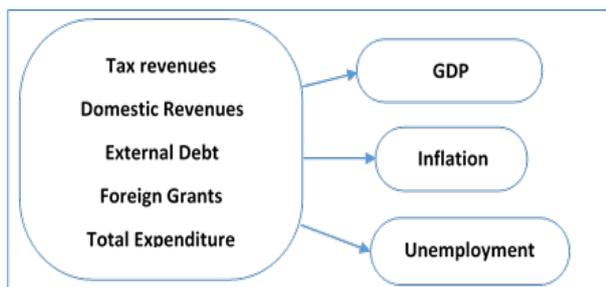


Figure 6. Descriptive model for study variables

Figure (6) shows the descriptive model for study variables, GDP, Inflation, and Unemployment as a dependent variable. Tax Revenue, Domestic Revenue, External Debt, Foreign Grants and Total expenditure as an independent.

## 6. Methodology

The descriptive and analytical approach was used to analyze the data. The data were collected from the statistical database of the Central Bank of Jordan and the Jordanian Department of Statistics during the period (2005-2020), and the data were processed to suit the nature of the study objectives and were analyzed on a quarterly basis, and previous relevant literature and studies were used, which discussed the subject of the study and its variables.

Based on the variables and problem of the study that is concerned with knowing the effect of fiscal policy tools on indicators of economic development in Jordan, the mathematical model of the study was formulated based on the multiple regression model as an important model in the impact test. From independent factors to dependent factors, it has been used as a reliable model in similar studies, according to the following mathematical equations: [29]

$$\text{GDP} = a + \beta_1 \text{Tax revenues} + \beta_2 \text{Domestic Revenues} + \beta_3 \text{External Debt} + \beta_4 \text{Foreign Grants} + \beta_5 \text{Total Expenditure} + \alpha \quad (3)$$

$$\text{Inflation} = a + \beta_1 \text{Tax revenues} + \beta_2 \text{Domestic Revenues} + \beta_3 \text{External Debt} + \beta_4 \text{Foreign Grants} + \beta_5 \text{Total Expenditure} + \alpha \quad (4)$$

$$\text{Unemployment} = a + \beta_1 \text{Tax revenues} + \beta_2 \text{Domestic Revenues} + \beta_3 \text{External Debt} + \beta_4 \text{Foreign Grants} + \beta_5 \text{Total Expenditure} + \alpha \quad (5)$$

## 7. Results

Before starting the hypotheses testing, the correlation between the variables was tested, and Table No. (2) Shows that there is no linear correlation between the study variables, therefore, the researchers completed hypothesis testing.

**Hypothesis Testing:** To analyze the data and to explore the impact of fiscal policy on economic growth in Jordan, multiple regression was used to test the hypothesis:

**1<sup>st</sup> Hypothesis:** There is no effect of the fiscal policy tools (tax revenues, domestic revenues, outstanding external public debt, foreign grants, and Total expenditures) on GDP in Jordan at ( $\alpha \leq 0.05$ ).

Table 2. Correlation

	Inflation	Tax revenues	Domestic revenues	Central Gov. Gross domestic debt	Outstanding ex. P. debt
Inflation	1				
Tax revenues	79%	1			
Domestic revenues	66%	80%	1		
Central Gov. G.D Debt	52%	67%	57%	1	70%
Outstanding external public debt	77%	.80%	.71%	75%	1

**Table 3.** Multiple Regression test to explore the direct effect of fiscal policy and its variables (Tax revenues, Domestic revenues, outstanding external public debt, foreign grants, Total expenditures) on GDP at ( $\alpha \leq 0.05$ )

Dependent Variable	R Square	Adjusted R Square	DF	Sig*	Beta		T Calculate	Sig*
GDP <sup>a</sup>	.951a	.947	5	.001 <sup>a</sup>	Tax revenues	-.193	-1.819	.074
					Domestic revenues	.205	1.966	.044
			58		Outstanding external public debt	.060	1.092	.279
					Foreign grants	.732	7.903	<.001
			63		Total expenditures	.201	3.358	.001

a. Dependent Variable: GDP

b. Predictors: (Constant), Total expenditures, outstanding external public debt, Tax revenues, foreign grants, Domestic revenues

**Table 4.** Multiple Regression test to test the direct effect of fiscal policy and its variables (Tax revenues, Domestic revenues, outstanding external public debt, foreign grants, Total expenditures) on Inflation at ( $\alpha \leq 0.05$ )

Dependent Variable	(R) <sup>2</sup>	Adjusted (R) <sup>2</sup>	DF	Sig*	Beta		T Calculate	Sig*
Inflation	.971 <sup>a</sup>	.968	5	.001 <sup>b</sup>	Tax revenues	-.005	-.060	.952
					Domestic revenues	.167	2.083	.042
			58		Outstanding external public debt	-.179	-4.198	<.001
					Foreign grants	.893	12.506	<.001
			63		Total expenditures	.102	2.220	.030

a. Dependent Variable: Inflation

b. Predictors: (Constant), Total expenditures, outstanding external public debt, Tax revenues, foreign grants, Domestic revenues

Table (3) shows that there is a significant effect of the fiscal policy variables (tax revenues, domestic revenues, outstanding external public debt, foreign grants, and total expenditures) on GDP, the significant value was (0.001) which is less than (0.05). The Adjusted R<sup>2</sup>= (94.7%), therefore, the variables of fiscal policy (domestic revenues, foreign grants, and total expenditures) can explain about 94.7% of the variation in GDP.

While the results of analyzing the impact of the independent variables on the dependent variable individually illustrate that there was a significant effect of domestic revenues (4.4%), foreign grants (<0.001), and Total expenditures (0.001)).

Result (1): There is a significant effect of the fiscal policy toots (tax revenues, domestic revenues, outstanding external public debt, foreign grants, and Total expenditures) on GDP in Jordan

$$\begin{aligned}
 \text{GDP} = & a - 0.193 (\text{Tax revenues}) + \\
 & +0.205 (\text{Domestic Revenues}) + 0.06 (\text{External Debt}) + \\
 & + 0732 (\text{Foreign Grants}) + \\
 & +0.201 (\text{Total Expenditure}) + \alpha \quad (6)
 \end{aligned}$$

**2<sup>nd</sup> Hypothesis:** *There is no effect of the fiscal policy toots (tax revenues, domestic revenues, outstanding external public debt, foreign grants, and Total expenditures) on Inflation in Jordan at ( $\alpha \leq 0.05$ ).*

Table (4) shows that there is a significant effect of the fiscal policy variables (tax revenues, domestic revenues, outstanding external public debt, foreign grants, and total expenditures) on inflation, the significant value was (0.001) which is less than (0.05). The Adjusted R<sup>2</sup>= (96.8%), Therefore, the variables of fiscal policy (domestic revenues, foreign grants, and Total expenditures) can explain about 96.8% of the variation in inflation.

While the results of analyzing the impact of the independent variables individually on the dependent variable (inflation), illustrate that there was a significant effect of (domestic revenues (4.2%), Outstanding external public debt (<0.001), foreign grants (<0.001), and Total expenditures (0.03)).

**Table 5.** Multiple Regression test to test the direct effect of fiscal policy and its variables (Tax revenues, Domestic revenues, outstanding external public debt, foreign grants, Total expenditures) on Unemployment at ( $\alpha \leq 0.05$ ).

Dependent Variable	R Square	Adjusted R Square	DF	Sig*	Beta	T Calculate	Sig*	
nemployment	.876	.866	5	.001 <sup>b</sup>	Tax revenues	.455	2.701	.009
					Domestic revenues	.108	1.133	.262
			58		Outstanding external public debt	.110	2.605	<.001
					Foreign grants	-.258	-1.750	.085
			63		Total expenditures	-.513	12.605	.003

a. Dependent Variable: Unemployment

b. Predictors: (Constant), Total expenditures, outstanding external public debt, Tax revenues, foreign grants, Domestic revenues

Result (2): There is a significant effect of the fiscal policy tools (tax revenues, domestic revenues, outstanding external public debt, foreign grants, and Total expenditures) on inflation in Jordan

$$\begin{aligned} \text{Inflation} = & a - 0.005 (\text{Tax revenues}) + \\ & + 0.167 (\text{Domestic Revenues}) - \\ & - 0.179 (\text{External Debt}) + \\ & + 0.893 (\text{Foreign Grants}) + \\ & + 0.201 (\text{Total Expenditure}) + \alpha \quad (7) \end{aligned}$$

**3<sup>rd</sup> Hypothesis:** *There is no effect of the fiscal policy tools (tax revenues, domestic revenues, outstanding external public debt, foreign grants, and Total expenditures) on Unemployment in Jordan at ( $\alpha \leq 0.05$ ).*

Table (5) shows that there is a significant effect of the fiscal policy variables (tax revenues, domestic revenues, outstanding external public debt, foreign grants, and total expenditures) on unemployment, the significant value was (0.001), which is less than (0.05). The Adjusted  $R^2$  = (86.6%), therefore the variables of fiscal policy (domestic revenues, foreign grants, and Total expenditures) can explain about 86.6% of the variation in unemployment. While the results of analyzing the impact of the independent variables individually on the dependent variable (inflation), illustrate that there was a significant effect of (Tax revenues (0.009), Outstanding external public debt (<0.001), and Total expenditures (0.03).

Result (3): There is a significant effect of the fiscal policy tools (tax revenues, domestic revenues, outstanding external public debt, foreign grants, and Total expenditures) on Unemployment in Jordan.

$$\begin{aligned} \text{Unemployment} = & a + 0.455 (\text{Tax revenues}) + \\ & + 0.108 (\text{Domestic Revenues}) + \\ & + 0.110 (\text{External Debt}) + 0.258 (\text{Foreign Grants}) + \\ & + 0.513 (\text{Total Expenditure}) + \alpha \quad (8) \end{aligned}$$

## 8. Conclusion

Through this paper, the effect of fiscal policy tools on

indicators of economic growth in Jordan was tested, and after conducting appropriate statistical tests and analyses to prove or negate the hypotheses of the study, the study reached results of great importance, as the study model proved the existence of a statistically significant effect of the financial policy variables and tools on Indicators of economic growth, which are represented by gross domestic product, inflation, and unemployment. The results of this study are consistent with the Keynesian theory, which states that the state must intervene to address some economic imbalances through government spending and other tools to address the problems of inflation, unemployment, and economic depression, and the results also coincided with the results of the theoretical controversy and previous studies that discussed the impact of public policy on the degree of economic growth to a large extent.

The Jordanian economy is considered one of the free economies. Despite that, the government plays an important role in guiding the economy through fiscal policies, and this role must be justified, by imposing taxes, collecting revenues, and spending them on public goods or services, such as health care, security, education, and infrastructure construction. This is considered one of the main roles that governments play in order to achieve economic growth, reduce poverty and unemployment, and achieve justice in the distribution of income.

Despite the role of fiscal policy, financial policymakers must review the procedures followed in order to reach the fiscal policies that achieve the desired goals in achieving economic growth, through a set of justifications that lead to the success of the applied fiscal policy, and among these pillars is improving allocating resources to improve economic performance, as well as improving economic stability such as the stability of the gross domestic product, public budget deficit, and public debt, knowing that public debt is considered a cause of economic instability in the long run, in addition to adopting a fiscal policy against economic fluctuations so that public spending is increased and reduced in times of depression. During periods of growth, to reduce fluctuations in production and achieve

higher growth rates that lead to the creation of new jobs and moderate inflation rates.

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