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Statism Vs Liberalism in South Eastern Europe

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Abstract

The important question and perhaps the main dilemma that economists continue to have nowadays is: which economic model the government over the world should choose? The state or the market? Where development comes from? Different theories like "liberal", "classical" and "neoclassical", "Keynesian" and "neo-Keynesian" has their own recipes.

From Keynes point of view in the market economy, the state or in particular Government, should intervene in the economy to maintain the aggregate demand and the employment in the country, without hesitation in creating budget deficits and public debt expansion. This approach happens especially in the moments when the domestic economy and global economic trends show a weak growth or a recession. This means a heavy interference in the economy, with higher income but with high expenditure to GDP too.

Liberals and Neoliberals led by Hayek advocated a withdrawal of the government from economic activity not just in moments of economic growth but also during the crisis, believing that the market has self-regulating mechanisms within itself. The government, as a result will have a smaller dimension with lower income and also low expenditures compared to the GDP of the country.

In this paper we analyze the main macroeconomic indicators, such as: Country tax Revenue, Government Expenditures, Public Debt to GDP growth ratio, total Investments ratio to GDP, Purchasing

Power Parity on the lens of the Keynesian and Neoliberal doctrines for the South Eastern Europe countries for the period 2007-2017.

Key words: Liberal government, Investments, Eastern Europe, Economic growth, Big Government.

1. INTRODUCTION

Since the great debate on European economic integration in the mid1950s, economists have been fascinated by the study of economics of size. A lot of economists have initially attempted to determine the relationship between size and development. Over the years, a considerable number of studies have shifted towards investigating the impact of size on key macroeconomic variables.

According to Tanzi and Schuknecht (1997) in the last few decades, the size of government has generally increased. The most spectacular phenomenon is the rapid expansion of transfer programs in industrial economies, the so called welfare state.

According to Alesina (1998) if we analyze the advanced industrial economies, an increasingly larger fraction of the population, for example unemployed, pensioners and public employees, relies more and more on government transfers or salaries as a source of income. The larger these groups are, the stronger the political demand for public programs is. However the larger programs, the higher the tax burden is needed to support them. In turn, if we have an excessive tax burden it slows the growth of an economy, leading to an increase of the share of the population relying on government transfers. In this case, we have a vicious circle, which goes a long way toward explaining the so-called *Eurosclerosis*. Developing countries differ from the developed one in many respects. The major difference lies in the fact that unemployment in these countries, most of them overpopulated one, is structural not the cyclical as in their developed counterparts. So in many developing countries, experience an opposite vicious circle. Inefficient tax systems and a lack of capacity or will to collect taxes lead to uncontrolled tax evasion and the growth of a black economy that operates outside the legal system, without infrastructures and public enforcement of contracts. Therefore, the lack of tax revenues lead to poor public infrastructures, reducing the incentives for participants in the black economy to come out and take advantage of the public infrastructure, embrace the legal system and "law and order" and pay taxes. Consequently, these poor public policies lead to tax evasion and the reduction of tax revenues makes public policies even worse. In addition, the relatively small tax revenues and foreign aid are misallocated or wasted and do not reach the really needy nor support the development of efficient infrastructures. The very poor quality of public institutions and policies in developing countries, coupled with the excessive size but relatively higher efficiency of governments in OECD countries point to an interesting empirical implications: the relationship between the size of government and growth may be complex and not linear (La Porta and others 1998).

"In a philosophical sense, the free market is the method and society 'natural' to man; it can and does therefore occur 'naturally' without an elaborate intellectual system to explain and defend it" (Rothdard M., 2009). [In the original article of Harper and Row, 1972To make their rule permanent, the State rulers need to induce their subject masses to acquiesce in at least the legitimacy of their rule. For this purpose the State has always taken a group of intellectuals to spin apologia for the wisdom and the necessity of the existing system. The apologia differ over the centuries; sometimes it is the priest craft using mystery and ritual to tell the subjects that the king is divine and must be obeyed; sometimes it is Keynesian liberals using their own form of mystery to tell the public that government spending, however seemingly unproductive, helps everyone by raising the GNP and energizing the Keynesian "multiplier." But everywhere the purpose is the same, to justify the existing system of rule and exploitation to the subject population; and everywhere the means are the same, the State rulers sharing their rule and a portion of their booty with their intellectuals (Harper and Row, 1972)].

In fact, if we make a list of the universally acknowledged problem areas of our economy and our society, and we will find running through that list a common glaring leitmotif: government. In all the high problem areas, government operation or control has been especially conspicuous, for example: Foreign policy and war, conscription and high taxation are exclusively governmental. The schools which are almost all governmental, or if not directly so, heavily government subsidized and regulated. Telephone and Gas and electric which are a government privileged monopoly. For instance, money and inflation (the money and banking system) are totally under the control and manipulation of government. If we see the welfare system, the problem is in government welfare but there is no special problem in the private welfare agencies. Another case is the postal service where the failings are in the government owned Post Office, but is not the same problem if we see among such highly successful private competitors as bus-delivered packages and the Independent Postal System of America, for third-class mail etc. Examining in this case some of the problem areas, we can see that everywhere, like a red thread, there lies the overweening stain of government.

John Maynard Keynes has been the principal actor that built the Keynesian economics. His view was focused in the short run. Especially during recessions, economic output is strongly influenced by aggregate demand (total spending in the economy). In the Keynesian point of view, aggregate demand does not necessarily equal the productive capacity of the economy. Instead, it is influenced by a host of factors and sometimes behaves erratically, affecting production, employment, and inflation.

The theories forming the basis of Keynesian economics were first presented into *The General Theory of Employment, Interest and Money*, published in 1936, during the Great Depression. Keynes contrasted his approach to the aggregate supply-focused 'classical' economics that preceded his book. The interpretations of Keynes that followed are contentious and several schools of economic thought claim his legacy. Keynesian economists often argue that private sector decisions sometimes lead to inefficient macroeconomic outcomes which require active policy responses by the public sector, in particular, monetary policy actions by the central bank and fiscal policy actions by the government, in order to stabilize output over the business cycle. Keynesian economics advocates a mixed economy that allows private sector, but with a role for a strong government intervention, especially during recessions.

He saw the economy as unable to maintain itself at full employment and believed that it was necessary for the government to step in and put under-utilized savings to work through government spending. Thus, according to Keynesian theory, some individually rational microeconomic level actions such as not investing savings in the goods and services produced by the economy, if taken collectively by a large proportion of individuals and firms, can lead to outcomes where in the economy operates below its potential output and growth rate.

Keynes (1964) argued that the solution to the Great Depression was to stimulate the economy ("inducement to invest") through some combination of two approaches. The first one is the reduction in interest rates (monetary policy), and the second one is the Government investment in infrastructure (fiscal policy). By reducing the interest rate at which the central bank lends money to commercial banks, the government sends a signal to commercial banks that they should do the same for their customers. In this situation the Government Budget was almost the half of the entire GDP of a country.

Keynesian economics served as the standard economic model in the developed nations during the latter part of the Great Depression, World War II, and the post-war economic expansion (1945–1973). After 1973, at the same time Unemployment and Inflation were raising up, causing a stagflation undermining the Keynesian and macroeconomic theories.

On the other hand, building on the earlier work of Ludwig von Misses, Friedrich Von Hayek (1960) also argued that while in centrally planned economies an individual or a select group of individuals must determine the distribution of resources; these planners will never have enough information to carry out this allocation reliably. This argument, first proposed by Max Weber, says that the efficient exchange and use of resources can be maintained only through the price mechanism in free markets.

According to Hayek, the diseases of the economies are not recovered through state interventions. Subjective interventions or interference of the state in economy, not only do not cure the existing illnesses of the economy, but they cause new illnesses. According to Hayek, the experience proves that attempts to regulate the economy and stimulate it with anti-cyclical budget and monetary policies in most of the cases have worsened things. Intelligent and well-informed politicians know well that they should not intervene in a subjective way in the economy, even though their electoral instincts and holding power can suggest this (Civici A. 2013).

Hayek theories were followed by Margaret Thatcher and Ronald Reagan. Politically speaking these policies were known as Reaganomics and were applied during 1981-1989.The pillars of his economic vision were: Reduction of the public debt growth, reducing taxes on labor and capital income, reduction of regulation on business (deregulation) and the control of the money supply and inflation reduction.

This policy reduced the government role on the economy allowing a bigger level of freedom for the business. The government budget in this case was reduced to 30% of GDP. A reason for adopting minimal government interference in the economy is for its beneficial consequences in GDP, Inflation, and Unemployment and not for any ideological reason. At the heart of economic neoliberals are various theories that prove the economic neoliberal ideology.

The advent of the global financial crisis in 2008 has caused a resurgence in Keynesian thought, encouraging the government role to resolve or to lessen the impact of the global crisis. For many countries, this meant an increase of public expenditure, through unemployment benefits and through an increase of the size of the state in the economy. In parallel with the increase in public spending was allowed an increase in taxation and thus prevented the economic growth. Other countries preferred not to raise taxes but to increase the deficit and consequently the public debt. This led to the sovereign debt crisis especially on the European continent.

This paper comes as a further extension of an earlier work made by the economist Mateo (2015), where the objective was to see if the situation of the economy of the Balkan countries have changed over the years or not.

The research questions of the paper are: What about the Balkans during the last global economic crisis? Does the Balkans countries have a big dimension of the state budget compared with the national economies or do they follow neoliberal economic theories? Which are the Balkans countries that adopted Keynesian policies and which are those who implemented the Neoliberal Theories? Which are the countries that were affected to a lesser extent by the global crisis and whom managed to protect the purchasing power of their citizens? Which are the countries that grew most during the crisis, the Keynesian or the Neoclassical ones? In which country, as required, public debt and became problematic?

The main hypothesis of this paper is that during the last global crisis, the countries that followed neoliberal policies are those who faced the crisis better than the increased size of the state and the government, according to Keynesian doctrines.

2. METHODS AND RESULTS

The methodology used in this paper is the analysis of the main macroeconomic indicators, such as: Country tax Revenue, Countries Government Expenditures, the Public Debt to GDP growth ratio, total Investments ratio to Gross Domestic Product, Purchasing Power Parity on the lens of the Keynesian and Neoliberal doctrines. In this paper we took the Balkan and South European Countries, for instance, Albania, Bosnia, Bulgaria, Croatia, Hungary, Kosovo, Macedonia, Montenegro, Romania and Serbia for the time period 2007-2017.

Table nr.1: Countries Tax Revenues

Country Revenues	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Albania	26,1	27,3	26,6	26,4	25,8	25,1	24,1	26,1	26,3	27,3	27,7
Bosnia	46,7	45,5	44,9	46,8	45,9	46,3	45,1	45,1	43,2	42,5	42,4
Bulgaria	38,2	38,0	35,3	32,7	32,4	34,0	35,5	36,3	34,9	34,7	34,2
Croatia	39,8	39,2	39,0	38,2	37,4	38,6	38,1	40,1	44,4	46,1	46,7
Hungary	45,6	45,5	46,9	45,6	54,3	46,9	47,7	48,3	48,2	44,8	44,5
Kosovo	25,9	24,3	28,0	26,4	27,1	26,1	24,6	24,7	25,1	26,3	26,7
Macedonia	32,7	33,1	31,2	30,3	29,7	30,0	29,5	31,4	28,7	28,2	28,9
Montenegro	49,2	48,4	42,5	41,3	38,5	40,1	41,3	42,6	40,4	41,4	40,9
Romania	32,3	32,2	31,2	32,2	32,6	32,9	31,8	33,1	32,8	28,8	28,0
Serbia	44,0	42,8	42,2	42,5	40,6	42,1	40,6	41,1	41,9	43,2	44,2

Source: World Bank Database

In the first table it is shown the revenue budgets of the states that are analyzed. In our paper the countries are going to be divided into two groups. In the first group we included all the countries that are distinguishable because follow the theories of Hayek and more generally those neoliberals. Countries that are included in the first group will be found in all the tables highlighted in yellow color. In the first group are included all the countries that have a tax burden below 35% of GDP, which are: Albania, Kosovo, Macedonia, Bulgaria and Romania. On the other hand countries like Bosnia, Croatia, Hungary, Montenegro and Serbia have a great status or income tax exceeds 40% of GDP.

We denote these countries as the second group because in this case the fees are usually higher than those of most "Neoliberal" countries but also the expenditures will be higher.

Currently, the smallest Governments in Revenues are Kosovo and Albanian. The biggest tax revenues are collected in Croatia and Hungary.

In the table nr.2, we can see that the biggest government expenditures occur in Montenegro, Hungary and Croatia, on the opposite side there is still Kosovo government that has the smallest government expenditure. During the crisis years, no country changed its own believes about the government dimension compared to the economy. During the time period analyzed, the Keynesian countries (white stripes) carried on taxing and spending to support the economy instead the Neoliberal countries (yellow stripes) continued to promote a contained role of the state in the economy.

Table nr.2: Countries Government Expenditures

Government Expenditures	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Albania	29,2	32,3	34,3	30,6	29,4	28,6	29,3	32,8	30,3	29,1	29,1
Bosnia	47,1	49,7	49,6	50,3	48,8	48,9	47,0	49,2	43,4	42,2	40,4
Bulgaria	34,9	35,2	36,2	36,7	34,4	34,4	37,4	39,0	37,7	33,1	33,3
Croatia	40,8	40,1	42,2	42,7	42,0	41,9	43,5	44,8	47,7	46,8	45,9
Hungary	50,6	49,2	51,4	49,9	50,0	48,9	50,0	51,2	50,1	46,5	46,5
Kosovo	18,9	24,5	28,9	28,7	28,9	28,7	27,8	26,9	26,9	27,5	28,0
Macedonia	32,1	34,0	33,9	32,7	32,2	33,8	33,6	34,8	32,2	30,9	31,7
Montenegro	42,9	51,6	47,8	45,9	43,8	45,9	44,6	44,1	46,6	47,5	47,8
Romania	35,4	37,0	38,5	38,6	36,8	35,4	34,3	35,3	34,2	31,2	30,8
Serbia	44,9	44,8	46,0	46,4	45,0	49,4	46,3	50,0	45,5	44,4	42,8

Source: World Bank Database

In the table nr.3, we can see the course of the public debt of the countries has been outlined. At this point already it may be noted that the Public Debt to GDP ratio on Neoliberal countries (Albania, Bulgaria, Kosovo, Macedonia and Romania) grew on average by 1.3% per year. In the countries with high Revenues and Expenditures (Bosnia, Croatia, Hungary, Montenegro and Serbia) the Public Debt to GDP growth ratio was 2.5% on average.

This increase in public debt by countries interventionist economy was predictable because the increasing public expenditure cannot be filled by an increase in taxation. In fact, in countries with high tax revenues a further tax increase would lead to an extreme economic slowdown and social unrest. Consequently governments that adopted a Keynesian approach have no other alternatives to debt.

Table nr.3: Sovereign Debt

Sovereign Debt	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Average
Albania	53,4	56,1	60,8	58,8	60,4	62,9	70,5	72,1	73,7	73,2	71,8	1,7
Bosnia	18,7	30,9	35,8	39,1	40,8	44,6	42,5	46,1	45,5	44,1	39,5	1,9
Bulgaria	18,6	15,5	15,6	14,9	15,4	17,5	16,4	25,2	25,6	27,4	23,9	0,5
Croatia	32,9	29,3	35,8	42,6	47,4	54,2	60,2	66,3	85,3	82,3	77,8	4,1
Hungary	67,0	73,0	79,8	82,1	82,1	79,8	79,3	79,1	76,7	76,0	73,6	0,6
Kosovo	14,6	9,8	17,5	15,9	13,9	16,0	16,0	16,9	18,7	19,4	21,2	0,6
Macedonia	23,0	20,9	24,1	24,5	27,9	33,4	35,9	36,3	38,1	39,5	39,2	1,5
Montenegro	27,5	29,0	38,2	40,9	46,0	54,0	58,0	60,3	68,7	66,4	67,2	3,6
Romania	12,7	13,6	23,8	31,1	34,3	38,2	39,4	39,9	39,3	38,7	36,8	2,2
Serbia	34,6	33,4	38,1	46,5	49,5	62,4	65,8	75,6	76,0	73,1	62,4	2,5

Source: IMF Database

Looking at each country, we can see that despite many experts warned and proposed extreme measures to control the public debt in Albania, from 2007 to 2017 the increase in Sovereign Debt was 18.4% of GDP. It might seem very much but out of ten countries analyzed, Albania was one of those who less increased its public debt.

Croatia was the country most affected by an increase in public debt which grew by 44.9% of GDP from 2007 to 2017. The following country was Montenegro which increased the debt by 39.7% of GDP and Serbia with 27.8%. All together the three countries have a large state with high taxes and to even more high expenditures.

If we can say that the increase of expenditures may cause the increase in debt, on the other hand is normal to think that the excess spending is spent in investments by the government. You can expect consequently that countries with a larger public expenditure have higher levels of investment in their economies. We must not forget, however, that the government investments are a minority part of the total investment, led by entrepreneurs, which tends not to invest in the presence of a high tax burden.

Again you can see that the countries that followed Neoliberal economic policies had the largest total investments. Kosovo had the highest percentage of total investment to GDP in a virtuous competition between state, domestic investors and foreign investors. The following countries are Macedonia and Albania, both with low income and low expenditures. The countries with the lowest percentage of Investments are Bosnia and Hungary.

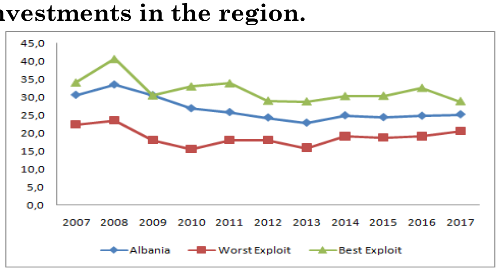
On average Neoliberal countries during the period 2007-2017 had a percentage of the Investments on GDP of 27% while Keynesian countries have only 21.8% of GDP made by Investments.

Table nr.4: Total Investments ratio to Gross Domestic Product

Investments /GDP	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Average
Albania	30,6	33,5	30,5	26,9	25,8	24,3	22,9	24,9	24,4	24,8	25,2	26,71
Bosnia	24,5	26,1	18,6	15,6	18,1	18,1	18,2	19,8	18,7	19,6	20,5	19,80
Bulgaria	34,1	37,5	29,4	22,9	21,9	21,7	20,9	23,5	21,2	19,1	20,9	24,84
Croatia	29,9	31,3	25,9	21,9	21,5	20,5	20,4	19,1	20,0	20,2	20,5	22,84
Hungary	22,4	23,5	18,0	19,3	19,2	17,5	17,6	18,8	21,8	19,8	22,5	20,04
Kosovo	25,7	31,1	31,1	33,0	33,9	29,0	27,6	25,8	27,6	27,2	28,9	29,17
Macedonia	23,7	27,9	25,7	24,5	26,9	28,9	28,8	30,3	30,4	32,6	31,6	28,31
Montenegro	33,8	40,7	27,1	22,8	19,5	19,5	15,9	19,6	20,1	26,1	29,3	24,95
Romania	31,0	31,3	25,4	25,6	26,8	26,0	22,9	22,5	25,2	24,0	24,4	25,91
Serbia	29,0	29,7	18,0	17,2	20,1	21,1	18,5	20,7	18,9	19,1	21,0	21,21

Source: World Bank Database

Figure nr.1: Albanian Total Investments compared with the maximal and minimal investments in the region.



The Purchasing Power Parity (PPP) rate is useful to understand an average of the being of population, through a given amount of one currency thus has the same purchasing power whether used directly to purchase a market basket of goods or used to convert at the PPP rate to the other currency and then purchase the market basket using that currency. Observed deviations of the exchange rate from purchasing power parity are measured by deviations of the real exchange rate from its PPP value of 1.

PPP exchange rates help to minimize misleading international comparisons that can arise with the use of market exchange rates. For example, suppose that two countries produce the same physical amounts of goods as each other in each of two different years. Since market exchange rates fluctuate substantially, when the GDP of one country measured in its own currency is converted to the other country's currency using market exchange rates, one country might be inferred to have higher real GDP than the other country in one year but lower in the other; both of these inferences would fail to reflect the reality of their relative levels of production.

Table nr.5: Purchasing power parity per Capita in International USD

Purchasing Power Parity	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Albania	7622	8436	8872	9388	9900	10291	10596	11055	11334	11559	12021
Bosnia	8186	8825	8666	8862	9147	9214	9563	9808	11526	12173	12876
Bulgaria	13707	14907	14278	14623	15568	16039	16518	17115	18115	19243	20329
Croatia	20398	21241	19948	19793	20196	20109	20222	20392	22724	23710	25264
Hungary	21667	22336	21012	21529	22381	22525	23236	24336	26148	26701	28108
Kosovo	6963	7229	7467	7746	8215	8541	8884	9163	9749	10193	10754
Macedonia	10312	11016	10976	11406	11938	12079	12587	13204	13766	14731	15231
Montenegro	12580	13687	12977	13435	14129	13990	14666	15219	16272	17633	18765
Romania	14875	16308	15374	15410	16142	16560	17440	19397	21566	23050	25841
Serbia	10687	11361	11090	11384	11855	11982	12465	12605	13896	14515	15090

Source: World Bank Database

In the table nr.5 we can see that the countries with a small government are those who on average have allowed their citizens to increase their welfare. For the time period analyzed 2007-2017, Romania is the country that guides the ranking with a purchasing power per person on average by 73.7%, while Albania is ranked second with only 57.7% for two reasons. The first one was that the development of the country continued during the years, although at lower rates, despite the economic crisis. The second reason was that the population of the country decreased, by increasing the purchasing power per person in Albanian case.

The differences for this variable are also visible in the averages. Countries with a large Government increased on average the purchasing power per person by 40.3% over the last eleven years while the countries that followed the theories related to the Reaganomics increased the purchasing power on average by 56.4% per person.

Table nr.6: Cumulative percentage growth in Purchasing Power Parity

2007-2017	Growth in %
Albania	57,7
Bosnia	57,3
Bulgaria	48,3
Croatia	23,9
Hungary	29,7
Kosovo	54,5
Macedonia	47,7
Montenegro	49,2
Romania	73,7
Serbia	41,2

Referring to the table nr.7, it shows the percentage of GDP growth and the average of the product of all states that we analyze on the paper. We can conclude that the small governments, which have left in the pockets of their citizens the money via low tax, had an economic growth much higher than those who thought that the government could make better use of public money than they could do themselves. Therefore, the Neoliberal group (Albania, Bulgaria, Kosovo, Macedonia and Romania) had an average year growth of GDP by 2.9%compared to the Keynesian group (Bosnia, Croatia, Hungary, Montenegro and Serbia) which had an average year growth of GDP by 1.4%.

Table nr.7: GDP Growth in %.

GDP Growth	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Average
Albania	5,9	7,5	3,4	3,5	2,3	1,1	0,4	1,7	2,2	3,3	3,8	3,2
Bosnia	6,0	5,6	-2,7	0,8	1,0	-1,2	2,1	0,7	3,0	3,1	3,0	1,9
Bulgaria	6,4	6,2	-5,5	0,4	1,8	0,6	0,9	1,4	3,6	3,9	3,6	2,1
Croatia	5,1	2,1	-6,9	-2,3	-0,2	-2,2	-0,9	-0,8	2,3	3,2	2,8	0,2
Hungary	0,1	0,9	-6,8	1,1	1,6	-1,7	1,1	2,8	3,4	2,2	4,0	0,8
Kosovo	8,3	4,5	3,6	3,3	4,4	2,8	3,4	2,7	2,8	4,0	3,7	4,0
Macedonia	6,1	5,0	-0,9	2,9	2,8	-0,4	2,9	3,4	3,8	2,9	0,1	2,6
Montenegro	10,7	6,9	-5,7	2,5	3,2	-2,5	3,5	2,3	3,4	2,9	4,3	2,9
Romania	6,3	7,3	-6,6	-1,1	2,3	0,6	3,5	2,4	4,0	4,8	6,9	2,8
Serbia	5,4	3,8	-3,5	1,0	1,6	-1,5	2,5	-0,5	0,8	2,8	1,9	1,3

Source: World Bank Database

Albania, in this indicator too, for many years managed to stay close to the maximum levels of economic growth in the South Eastern Europe until 2011 where the economic crisis and the slowdown of credit begun to damage the country's economic growth. Another reason that had negatively affected the GDP growth was that, especially after 2014, Albania faced a government tendency to progressively increase tax rates, thus affecting the closure of some of the important businesses in the country. Furthermore, the raises in taxes had a negative effect even in the opening of new businesses or FDIs, which preferred to go to countries in the region that have tax rates lower than Albania.

Conclusions

So far it was believed that during periods of economic crisis, following the Keynesian policies, governments should increase their expenditures by resorting to deficit spending and consecutive increases of the public debt.

All this would be justifiable if governments would increase spending to support aggregate demand and consumption. That would increase the GDP and improve the relationship between public debt and GDP. This theory, however, was elaborated only in emergencies, such as economic crises.

Usually governments should be of small size relative to GDP. What we did not expect by the results of analysis of

Southeastern Europe is that during the economic crisis too it's better to follow the Neoliberal doctrines, intending with that a state with little income and contained expenditure. During the economic crisis too, the Neoliberal countries grew more than the Keynesians and welfare countries.

In our paper we assembled two different groups of states; the first one was denominated Neoliberals countries, by which we mean: Albania, Kosovo, Macedonia, Bulgaria and Romania. With the second group, which we denote as Keynesians: Bosnia, Croatia, Hungary, Montenegro and Serbia. The results of the paper which was based on the macroeconomic indicators for the two groups are as follows:

- During the period analyzed 2007-2017, while the crisis hit Europe, the Neoliberals Balkans countries have increased their public debt to GDP by1.3% per year. Countries with a large government increased their public debt to GDP by 2.5% per year.
- Total investment on GDP in countries with a large government were 21.8% on average, while countries with a small government had on average 27% of GDP per year on investments.
- The purchasing power of citizens in the Neoliberal countries is arising by an average of 56.4% cumulatively from 2007 to 2017, while in the same period in Keynesians countries purchasing power per person is arising by only 40.3%.
- GDP at constant prices in countries with small Governments is ascending by an average of 2.9% per year over the time period analyzed, while in countries with a Government of large scale, economic growth has barely reached 1.4% per year.

Based on the above results we can say that, the Neoliberal Governments works better than the Keynesian ones, which interfere in the economy not only during periods of economic growth but also during economic crises. This does not happen only in developed countries but also for developing countries as the Southeastern European countries are. Governments need to recognize that citizens know how to administer their money better than the Government Institutions. The Governments must reduce taxes and public spending. In our case for the period analyzed 2007-2017, the Big Governments were not able to support the economy, consumption and investment, but have only been able to squander taxpayers' money.

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