

The outbreak of the COVID-19 pandemic coupled with the economic effects of closing economies have once again triggered the discussion among scientists and economic politicians concerning the possible ways to stimulate economy in the spirit of Keynesian economics. Economists dealing with fiscal policies share a consensus that an increase of investment spending is one of the best methods to stimulate the growth of the GDP. Thus, Poland has created a Governmental Fund for Local Investments, while the European Union started allocating funds from its Next Generation EU instrument, aimed at rebuilding and developing economies of member states once the pandemic is over.

Public investments have a high fiscal multiplier; it means that an increase of investment expenditures by 1 leads to an increase of the GDP by a similar value – as is suggested by research, this number is higher than 1. However, so far, there have been few studies concerning which investments best affect the economic growth. Are they investments in roads, in the construction of theatres, or investments in building stadiums?

The objective of the project is to estimate the multiplier of investment spending for investment expenditures of Polish local governments and estimating multipliers for more detailed categories of investments. Polish databases on expenses and revenues of local governments are exceptionally detailed compared to other countries. They allow creating a database on investment spending in each of the 73 NUTS-3 sub-regions in Poland. In addition, since Statistics Poland publishes data on the GDP in sub-regions, it is possible to study the effect of local governmental investments on changes in the GDP. The availability of data and possibility to divide investment expenses into categories also allows estimating the fiscal multiplier for specific categories of investments. This may help identify which kind of investments has the most effect on the growth of the GDP.

The results of the study may help broaden knowledge on the sources of the economic growth in Poland, the effect of fiscal policies of local governments on the regional GDP and possible directions of local development.