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THE IMPACT OF ECONOMICS AND FINANCIAL LITERACY IN HOW PEOPLE PERCEIVE THE EFFECTIVENESS OF THE FISCAL POLICY OF ZIMBABWE: CASE STUDY OF HARARE

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ABSTRACT

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This paper investigates the relationship between the perceived Zimbabwean Fiscal Policy (FP) outcomes and the preferences of the people of Zimbabwe, resident in the city of Harare in the context of the Fiscal Policy Framework (FPF) of Zimbabwe. It looks at how people are aware and confident about the FP actions and institutional frameworks in charge of formulating and implementing FP and also how the activities of people complement the FP actions. It looks at the influence of financial and economics literacy on how people understand and respond to FP actions. To make the investigation robust, data was obtained from across different occupations. Governments get elected to a large extent on the basis of their FP. The nature of FP is political on its own. Hence it is important gauge what areas of the FP process need to be adjusted to ensure that the people become positive about those in charge of the FP formulation and implementation together with the FP tools being used. Results obtained from the investigation showed areas where there is rent seeking and time inconsistency showing that serious reforms of the FPF of Zimbabwe are needed to ensure that optimal macroeconomic outcomes are achieved. A serious lack of awareness of the setup of the FP framework of Zimbabwe showed that there must be widespread and effective communication by the authorities on the nature of the FP operations being implemented to ensure that people on the ground complement government efforts to improve the economic performance of Zimbabwe.

Contribution/Originality: This paper contributes to the first logical analysis of the relationship between the Zimbabwean Fiscal Policy outcomes, the preferences towards these outcomes by the Zimbabwean people and the impact of financial and economics literacy on the Zimbabwean people's preferred Fiscal Policy preferences.

1. INTRODUCTION

The extent to which a population's preferences and those of their government coincide is very important because a convergence will most likely guarantee that the government will remain in office in successive political cycles in democratic or even nondemocratic societies. The formulation and implementation of a FP must take that into consideration. Fiscal Policy is the use of government revenue collection and expenditure to influence the economy (Mankiw, 2000). The influence on economic activities includes but not limited to individuals' and firms' private and external net benefits and the provision of goods and services which the free-market fails to provide efficiently as a result of market failure. FP together with Monetary Policy and Poverty Reduction Policies among others is part of the set of macroeconomic policies used by the government to influence growth and development in the country. In Zimbabwe, the prominence of Fiscal Policy increased after the country dollarized in 2009 because of

the limitations the Zimbabwean central bank faced in using Monetary Policy as a tool for macroeconomic stability and development. It also became important to ensure the effectiveness of FP in light of the constraints in the balance sheet of the national accounts of Zimbabwe. FP also gained prominence the world over after the Great Recession which affected the major world economies during the late 2000s (Alesina, 2012); Tcherneva (2011). FP was used to stabilize the macro-economy in situations where Monetary Policy failed or found itself constrained to respond due to a number of factors including national economies being in a liquidity trap.

FP operations can be conducted via rules, discretion or both. FP by way of rules means that for example the maximum budget deficit or surplus available will be a certain percentage of GDP or that there is a fiscal straight jacket in place (Hallerberg, Strauch, & Von Hagen, 2007). In this way a check on the relationship between revenues and expenditures is conducted. Discretionary FP means that FP actions are made by a FP authority without binding rules limiting the extent of the FP operations. A mix of both rules and discretionary actions tries to bring out and combine the positive effects of both. Nowadays there is a propensity towards a more rules-based FP because rules are more effective in combating negative behaviors due to time inconsistency and rent-seeking (Perry, 2002).

FPF can be collegial or hierarchical. A hierarchical FPF means that one arm of the State, possibly the Executive via the Minister of Finance has got significant control over the FPF including but not limited to the powers of formulating FP (including the budget) and implementing it Alesina and Perotti (1999). A collegial FPF entails that the formulation and implementation of FP is coordinated between the Legislative and Executive arms of the State whereby no arm has got significant hegemony over the FPF than the other (Marcel & Tokman, 2002). The debate of which framework: collegial or hierarchical is better, is a work in progress. Investigations of the effectiveness of the collegial and hierarchical have been conducted in various regions around the world in the past. Alesina, Hausmann, Hommes, and Stein (1999) have analyzed the effectiveness of the collegial and hierarchical systems in Latin America. They found hierarchical FP structures induce a better fiscal and economic performance than collegial structures within the FPF of these Latin American countries. The conclusions have to be interpreted carefully because no region in the world has a pure collegial or a pure hierarchical in place. Various aspects of both define the FPF of most regions. Where one postulates that the collegial framework is better than the hierarchical framework or vice versa, their conclusions are not based upon pure frameworks as such.

A research was conducted in June 2014 by way of a survey to investigate the relationship between the perceived Zimbabwean Fiscal Policy outcomes and the preferences of the people of Zimbabwe, resident in the city of Harare. The influence of the financial and economics literacy on the people's preferences was also examined to determine to what extent the government must prioritize finance and economics education across the different tiers of education in an effort to optimize the outcomes of the FP. The research also sought whether there are negative behaviors by people which counter government efforts to increase the national economic performance.

In section 2 of this paper, the objectives of the research are presented. An analysis of the problem and the literature review are presented in 3 to clarify and determine how the nature of this study has been dealt in the past including to what extent in the Zimbabwean and general context. In section 4, the methodology of the research is explained in detail. The results of the research are presented in section 5 with the limitations encountered during the course of the research being presented in section 6. The conclusions and recommendations are presented in section 7 with the references in section 8. Finally, the appendix is in section 9.

2. OBJECTIVES

- i. To investigate how people understand and respond to FP actions.
- ii. To investigate the influence of financial and economics literacy on how people understand and respond to FP actions.
- iii. To investigate how confident people are about the institutional frameworks in charge of formulating and implementing FP actions.

3. LITERATURE REVIEW AND ANALYSIS OF THE PROBLEM

In this section the context of this study is explored together with the appropriate literature review.

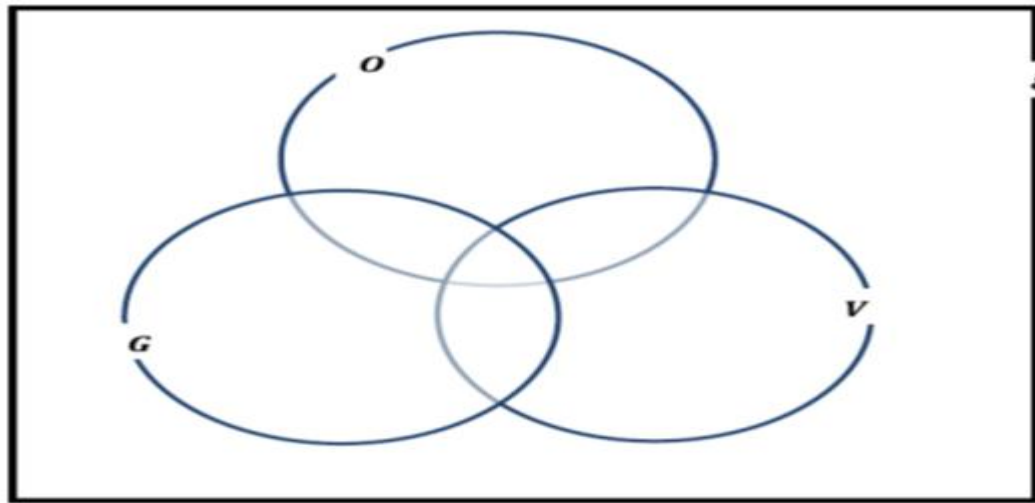


Figure-1. Inter-relationships between Government FP preferences, Optimal FP and Personal FP preferences.

The above venn diagram in Figure 1 shows sets on the government FP preferences (G), optimal FP (O) and personal FP preferences (V). (ξ) is the universal set which includes all the possible FP stances including those which are not specified by the sets (G),(O) and (V), that is, $(G \cup O \cup V)'$. The government FP preferences indicate the preferred and implemented FP stance by the government as recognized by the people. The optimal FP indicates the FP stance which results in the best and sustainable economic performance. The set on personal FP preferences indicates the set of FP actions which are preferred by the people. The people signify the population of a particular region which are under the jurisdiction of a particular government. The intersection $(G \cap O \cap V)$ indicates that the government's preferred FP prescription is the optimal FP and is the one which is also preferred by the people. The relationship $((G \cap O) \cap V')$ indicates that the government's preferred FP prescription is the optimal FP but is not the one which is also preferred by the people. The relationship $((G \cap V) \cap O')$ indicates that the government's preferred FP prescription is the one preferred by the people but is not the optimal FP. The relationship $((O \cap V) \cap G')$ indicates that the optimal FP and is the one which is also preferred by the people but is not the government's preferred FP.

The nature of FP is political. Governments get elected to a large extent on the basis of their FP. If there is no convergence of the political and economic considerations, then there is a chance that the FP stance taken will not be optimal. The state of the electoral cycles in place determines how the FP stance is going to be framed. Towards elections, governments resort to populism to be re-elected by implementing what might appear to be preferred by voters $(G \cap V)$ whether or not that preferred FP stance is optimal $(G \cap V \cap O)$ or not

$((G \cap V) \cap O')$ (Iversen, 2006). They do this by bribing electorates and favoring core supporters regardless of

the economic effects whether positive or negative. The shorter the electoral cycles, the more populist, the government's preferred FP stance becomes and that FP stance is likely to become sub-optimal. Politicians in power also try to align economic and electoral cycles to try and maximize chances of re-election in what can be described as 'opportunistic business cycles' Begg (2017); Drazen (2000). The investigation in this paper seeks to find out to what extent the Zimbabwean government and the population's personal FP preferences are similar including the impact of economics and finance literacy. This is achieved by measuring the personal sentiments concerning the various aspects of government FP.

According to the standard economic model, the average human being is rational in economic terms. This means that normally human beings are expected to select the best choices given varied options and the information available (Muth, 1961). If given alternative FP stances to choose, the human being will choose the optimal FP. Over the years, the advances in behavioral economics and other related disciplines has shown that the average human being is actually not rational in economic terms (Simon, 1955). Experiments and empirical work has shown this to be plausible. Does such irrationality exist and to what extent does it exist in Zimbabwe in the context of people's personal responses to FP actions.

Even people who are literate in terms of economics, finance and other academic disciplines and professions tend to also select sub optimal choices given various alternatives (Simon, 1955). This was shown in the Linda experiment¹ presented in Shleifer (2012) whereby the wrong answer is chosen by the participants regardless of the state of their education. Decisions and judgments which result from deviations from the rules of probability, logic and Rational Choice Theory result in cognitive biases. It is possible that cognitive biases amongst the people will ensure that sub-optimal FP outcomes are selected. Examples of cognitive biases include hindsight biases, confirmation biases and self-serving biases.

Recent empirical work inferring on how Zimbabweans perceive the state of the economy and the macroeconomic policies of the Zimbabwean government has been mainly focused on the multi-currency monetary regime and the future monetary regime setup which should be implemented in Zimbabwe. Work by Mutengezanwa, Mauchi, Njanike, Matanga, and Gopo (2012) follow this approach. This paper extends that approach towards the FP framework of Zimbabwe. What must be clear is that any preferred and implemented FP by the government

which is also preferred by the public does not mean that it is optimal as shown by $((G \cap V) \cap O')$ in the above

venn diagram. Any optimal FP must be implemented and preferred by the government and also it must be preferred

by the people as shown by $(G \cap O \cap V)$ in the same venn diagram. Any support of government FP shown in the

investigation in this paper should be assumed to be either $(G \cap V \cap O)$ or $((G \cap V) \cap O')$. The government

preferred and implemented FP is as recognized by the people. What is recognized by the people might not be the reality on the ground. Therefore authorities must ensure that there must be convergence between what is recognized by the people and the reality on the ground to ensure that sustainable policies will be implemented in the long run.

¹ See appendix A1.

Investigations on the debt management frameworks of Zimbabwe have been conducted in the past. Debt management is a crucial element of the FPF of any country. Chikova (2013) did conduct an empirical investigation on the efficacy of the national debt management frameworks of Zimbabwe. The results pointed to the low opinion on these frameworks by those whose input was proffered. The conclusions from that research identified the need for more reforms in the constitutional legal framework of Zimbabwe to strengthen debt management systems and public finances in general. Manyani, Mudavanhu, Mzumara, Hove, and Onias (2014) did conduct a survey on the efficacy of the effectiveness of the revenue collection systems of Zimbabwe's tax collection authority, ZIMRA and whether or not they can influence investment. The conclusion drawn also pointed to a very low opinion of the effectiveness on these systems. In light of these perceived weaknesses the government has not been idle. A wide range of reforms have been conducted and are still ongoing to try and build institutions which guarantee the efficient management of public finances. A review of these reforms is available in Zhou (2012).

The dimension of finance and economics literacy is important so as to infer on to what aspect of the behavior by the people in terms of their preferences is dependent upon this literacy. This is going to be shown in this paper.

4. METHODOLOGY

In this research all the chosen respondents had some tertiary education of some sort. A stratified-random sampling method was used to select the respondents for this research. This method is such that a researcher selects potential respondents into groups according to some criteria. In each group, a random selection is implemented to get the final respondents for the research. Interviews were used to select respondents and put them in their respective groups. Respondents were classed into those who are literate in finance and or economics (LIT Hereinafter) and those who are illiterate in finance and or economics (ILLIT Hereinafter). The use of the words literate or illiterate is not meant to be offensive to those who took part in the experiment but just to signify that they are just versed or not well versed in these specific matters respectively.

For ILLIT, The researcher sought for adults (over 18 years) who had tertiary education which does not have grounding in financial and or economic issues. The distribution of respondents was like this: students-26; self-employed-34;- formal employment in a variety of fields-18. For LIT, the researcher sought for adults (over 18 years) and have got tertiary education which has got some grounding in finance and or economic issues. The distribution of the respondents was like this: teachers and lecturers- 20; students-35;- finance and or economics professionals-39.

Respondents offered their views through structured evaluation questionnaires with closed-ended questions which were administered without supervision. Respondents responded in their own time and were not put under any constraints which would affect their responses in any way. Before taking part in the research, respondents were made to agree to the condition that they would not seek assistance from third parties in providing answers to the questions and that they would answer questions where they can. The respondents filled the questionnaires anonymously and the information captured from the respondents was only their responses to the questions in the survey. This guaranteed that the respondents would supply information freely.

There were questions which required a YES/NO answers and for only a single question (question 10) in the survey, respondents were asked to tick the reasons they gave for a particular NO answer they gave. Those who were allowed to tick were the ones who gave the NO answer. I wanted to test for any significant differences in the responses offered by these two groups of respondents. For each question, I tested for the difference in the proportion of YES answers for each question, with the null hypothesis (H_0 Hereinafter), assuming that there was no significant difference at all in the responses to be offered by these two groups of respondents. The z-test was used as a normal approximation of the significance test in the differences of the proportions of YES answers

between the mentioned groups because the sample sizes were large enough for us not to use the student *t*-test instead.

The author used the Gretl statistical package to compute the data obtained from the research. An overview of a z-test for the difference in proportions is below:

π is the population proportion while P is the observed population.

The variance (*Var*) is shown below in Equation 1 as:

$$Var[P_{LIT} - P_{ILLIT}] = Var[P_{LIT}] + Var[P_{ILLIT}] = \frac{\pi_{LIT}(1-\pi_{LIT})}{n_{LIT}} + \frac{\pi_{ILLIT}(1-\pi_{ILLIT})}{n_{ILLIT}} \quad (1)$$

For every question, the null hypothesis H_0 is such that: $\pi_{LIT} = \pi_{ILLIT} = \pi$, therefore a common estimated value of π can be used. π is the ratio the total number of respondents who ticked YES in the appropriate research questions (provided in the Results section below) and the total number of respondents who would have answered that particular question.

The best estimate of π is shown below in Equation 2 as:

$$\frac{\text{Total number of respondents who ticked YES}}{\text{Total respondents who answered the question}} \quad (2)$$

The z-statistic is calculated as shown in Equation 3:

$$Z = \frac{(P_{LIT} - P_{ILLIT}) - 0}{\sqrt{Var[P_{LIT} - P_{ILLIT}]}} \quad (3)$$

The 0 on the z-formulae is as a result of the assumptions from the H_0 which states that there is no difference between the observed proportions: $P_{LIT} - P_{ILLIT}$.

Using a 5% level of significance for a two-tailed test, the critical region is $|z| > 1.9600$. To reject the H_0 , the z-value (ignoring the sign) has to be more than 1.96.

An explanation of each question (in the table below) on the questionnaire was given to the respondents so that they would have a better appreciation of the question. These explanations are given in the appendix (A2) of this paper. On question number 10, respondents who gave a NO answer were asked to tick the reasons why they gave such an answer from a list of pre-determined answers. Two group discussions were held with some respondents after they had completed their questionnaires. The discussions were held on separate days with each group containing 10 discussants with equal representations from the LIT and ILLIT classes selected randomly. The focus of the discussions was to get more insight into the trends of the answers which were supplied by the respondents. The respondents were informed on their questionnaires to attend the group discussions on these separate dates. Those who eventually took part in the group discussions were randomly selected so that on each day there would be five representatives each from the LIT and ILLIT groups. Such a selection procedure was clearly spelt out on the questionnaires given to the respondents.

5. RESULTS

Table-1. Summary of the numbers and percentages of respondents who answered YES to various questions listed in table 1.

| Question | Percentage of respondents who said YES to the question | | Total number of respondents (Both LIT and ILLIT) who answered the question |
|--|--|-------|--|
| | LIT | ILLIT | |
| Q1. Do you understand what Fiscal Policy is? | 97.9 | 30.7 | 172 |
| Q2. Is Fiscal Policy Effective? | 94.6 | 89.6 | 142 |
| Q3. Have you ever read any FP statement? | 16.0 | 4.2 | 142 |
| Q4. Have you read or heard about FP in secondary sources? | 95.7 | 95.8 | 142 |
| *Q5. Should FP be coordinated with other economic policy frameworks? | 100 | 100 | 142 |
| Q6. If the above answer was YES, have you seen it in practice? | 41.9 | 25 | 134 |
| Q7. Have you ever felt the impact of a FP? | 65.2 | 58.3 | 140 |
| Q8. If the above answer was YES, did this prompt you to effect behavioral change as a result of the FP decision? | 73.3 | 85 | 88 |
| Q9. If the above answer was YES, were you constrained in taking a particular course of action as a result of the FP decision? | 22.7 | 8.3 | 68 |
| Q10. Do you have enough confidence in the current institutional framework in charge of the formulation and implementation of FP including the checks and balances in the Legislature to ensure an effective FP is crafted? | 12.8 | 9.1 | 148 |
| Q11. Is the current FP paradigm fair? | 27.3 | 8.3 | 136 |

The summary of the numbers and percentages of the respondents who answered YES to a particular research question is shown in [Table 1](#) above. The summary for the Z-Test of the difference in the proportions of the YES answers for the LIT and ILLIT classes is shown in [Table 2](#).

Like what has been mentioned above, for those who did not understand what FP meant, they were given an overview of what it really was so that they could answer the next questions if they wished to do so. This overview was written down on the questionnaire. The questionnaire was structured such that a respondent answered the first question and given an overview of what FP meant (if necessary) without knowing what the next questions were. The respondents were instructed to follow such a format. Of the 54 who did not understand FP in the ILLIT class,

24 decided to continue with the research together with the 24 who stated that they knew what FP was. Both groups viewed FP as effective in achieving economic stability and growth with an overall percentage of 93.7 % and there were no significant differences in the variation of their answers.

Table-2. Summary of the Z-Test for the difference in proportions of YES answers for LIT and ILLIT classes.

| Question | Z Test Statistics | Critical Value | P-Value (two-tailed) | Null Hypothesis (H_0) Accepted/Rejected |
|--|-------------------|----------------|----------------------|---|
| Q1. Do you understand what Fiscal Policy is? | 9.36193 | 1.9600 | 7.829e-021 | Rejected |
| Q2. Is Fiscal Policy Effective? | 1.09813 | 1.9600 | 0.2721 | Accepted |
| Q3. Have you ever read any FP statement? | 2.04604 | 1.9600 | 0.04875 | Rejected |
| Q4. Have you read or heard about FP in secondary sources? | - 0.0278925 | 1.9600 | 0.97477 | Accepted |
| *Q5. Should FP be coordinated with other economic policy frameworks? | * | * | * | * |
| Q6. If the above answer was YES, have you seen it in practice? | 1.95601 | 1.9600 | 0.05046 | Accepted |
| Q7. Have you ever felt the impact of a FP? | 0.801918 | 1.9600 | 0.4226 | Accepted |
| Q8. If the above answer was YES, did this prompt you to effect behavioral change as a result of the FP decision? | -1.21518 | 1.9600 | 0.2243 | Accepted |
| Q9. If the above answer was YES, were you constrained in taking a particular course of action as a result of the FP decision? | 1.48953 | 1.9600 | 0.1363 | Accepted |
| Q10. Do you have enough confidence in the current institutional framework in charge of the formulation and implementation of FP including the checks and balances in the Legislature to ensure an effective FP is crafted? | 0.65255 | 1.9600 | 0.514 | Accepted |
| Q11. Is the current FP paradigm fair? | 2.61847 | 1.9600 | 0.008832 | Rejected |

Note: For question with *, the results obtained were not appropriate to conduct a Z-Test because the two proportions were the same at 100%. On the whole, the responsiveness of LIT and ILLIT to aspects of FP investigated in this study was not significantly different while certain minority aspects which were significantly different. The LIT had greater understanding of what FP is with 97.9% of respondents alluding to so while for the ILLIT, 30.7% had an understanding of what FP was. After performing the z-test, the findings were found to be significantly different to reject the null hypothesis of both of them having a similar understanding of FP. The z-value of the test was 9.36193 which was way more than the 5% level of significance of 1.96 for a two-tailed test.

Literature is divided on this issue, on whether FP is effective or not (Mankiw, 2000); (Alesina, 2012) but most countries view FP as an important policy framework to manage macroeconomic stability. A large number of both groups indicated that they have never read an official FP statement and variability between the classes was significantly different with a z-value of 2.04604. This means that while the majority of both groups have never read an official FP statement, the reasons for doing so are different. The majority of the respondents in both groups actually have heard or read about FP pronouncements in secondary sources such as newspapers, internet and television reviews among others. Here there was no significant difference regarding their views on the matter.

While all the respondents who responded this question on both sides (100%) felt that FP should be coordinated with other economic policy actions, 35.8% (weighted average) indicated that they have seen such coordination in place. If you read the Budget and Mid-term fiscal review statements from 2009 to 2014 after the dawn of the multi currency era you will notice that these statements on top of the fiscal issues they touched upon, they also dealt with general economic issues including the state of the economy at the particular times. Hence if respondents took time to read the FP statements they would have noticed that the FP was crafted in consideration of the general economic policies of the government. The z-value was 1.95601 which was very close to the critical value of 1.96 hence

whether there was significant differences between the classes could either go any way but within our test there was no significant differences between the LIT and ILLIT groups regarding the issue.

Both of the classes indicated that they have in some point in time felt the impact of a FP decision with the majority at 77.3% (weighted average) indicating that they was some behavioral change on their part. When asked further, if they were constrained at all to change their behavior in one direction, the majority in both classes (82.4%) (weighted average) indicated that it was not the case. During the two group discussions which were held with some of the respondents of this research; when more clarity was sought on this issue, the general response was that for the FP decisions they have felt an impact on, it was not clear to them exactly how the government wanted them to react. One example given was that when there is a duty increase on goods which do not have close substitutes here in Zimbabwe, they did not know if the government is trying to raise money given its current financial troubles or that the government is trying to reduce the number of purchases of the foreign good so that there are purchases of domestic goods in most cases which are expensive and do not reflect value for money. They also indicated that in many instances they could side step the FP action undertaken by the government. As a result it became clear that FP needs to be more focused and clear to enable the preferences of the government to be reflected in the choices of agents who are actively involved in economic activities.

The majority of respondents in both classes felt that they did not have much confidence in the current institutional framework in charge of crafting FPs including the effectiveness of the Legislature in maintain checks and balances on the FP preferences of the Executive arm of the government. There were no significant differences in the responses of both classes regarding this issue. For the respondents who did not have much confidence in the institutional framework of the government, they were asked to tick on the possible reasons of their decision and the results are in Table 3:

Table-3. Questions and responses regarding failure of FP formulation and implementation mechanism.

| Question for those who did not have enough confidence in the current institutional framework in charge of the formulation and implementation of FP including the checks and balances in the Legislature to ensure an effective FP is crafted | Response by respondents who have financial and/or economic literacy (LIT) | Response by respondents who DO NOT have financial and/or economic literacy (ILLIT). |
|---|--|--|
| General Systemic Failure of FP formulation and implementation framework | 44% | 77% |
| Incompetence of policy-makers in light of the situation at hand | 63% | 91% |
| Rent-seeking by policy makers | 95% | 100% |
| Lack of coordination and consultations among key stakeholders | 100% | 100% |
| Large gap between practical enforcement of the FPs and the formulation of the FPs | 80% | 86% |

During the two group discussions more responses were inquired and the majority of the group discussants felt that there was need of more reforms but there was vagueness in how exactly to go about these desired reforms.

I noted that a large number of respondents felt that the policy-makers were selfish or did not put the general economic interests of the whole country first. The respondents indicated that they have in some point in time side-stepped FP actions in pursuit of their own self-serving preferences. Therefore the respondents accused policy-makers of rent-seeking behavior while at the same time their behavior reflected rent-seeking which in both cases did not add to the effectiveness of FP actions.

6. LIMITATIONS OF RESEARCH

The research was conducted within the confines of Harare and geographical diversity would have made the results of the research more representative of all the citizens of Zimbabwe since FP affects all the citizens of this country no matter where they live in Zimbabwe. No mechanism other than the agreements of the respondents not to seek help in answering the questionnaire was in place to prevent them from seeking advice on how to answer the questionnaire.

After taking into mind the above limitations, I still contend that the results of this research are reliable and robust.

7. CONCLUSIONS AND RECOMMENDATIONS

- I. After the research experiment the author concluded that there must be more constructive engagement and communication on FP decisions with much of the broader population because their favorable response will result in an optimal economic impact of the FP. Finance and economics issues need to be included more into the education curriculums which are below tertiary education to enable people to be more responsive to FP actions and thus ensuring effective results. When communicating FP issues, there is information which is well understood by the population no matter whether one has or has not acquired financial and or economics education; and there is also information which needs to be communicated in consideration of the differences in the levels of financial and or economics education among the population.
- II. For FP actions to have much impact it must not be easy for agents to neutralize these actions, hence such FP actions will fail from the start. Rent-seeking behavior is exhibited by the majority of different agents in the economy and the FP formulation and implementation framework must bear that in mind and try as much as possible to reduce the costs of rent seeking behaviors and technologies.
- III. The institutional framework in charge of crafting and implementing FP needs to be transparent, accountable and be able to tackle the problems which might stifle the efficient operation of FP actions so that economic agents have confidence in its ability to do its job well.
- IV. As a result of the above conclusions and results, it is recommended that authorities design a new legislative framework which will try to reduce the problems associated with the FP process including the rent seeking behaviour of economic agents.

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9. APPENDIX

A1

The following two paragraphs represent the Linda Experiment as presented in Shleifer (2012). The third paragraph is this author's analysis.

Linda is thirty-one years old, single, outspoken, and very bright. She majored in philosophy. As a student, she was deeply concerned with issues of discrimination and social justice, and also participated in anti-nuclear demonstrations.

After seeing the description, the respondents are asked to rank in order of likelihood various scenarios: Linda is 1) an elementary school teacher, 2) active in the feminist movement, 3) a bank teller, 4) an insurance salesperson, and 5) a bank teller also active in the feminist movement. The remarkable finding is that (now generations of) respondents deem scenario 5) more likely than scenario 3), even though 5) is a special case of 3). The finding thus violates the most basic laws of probability theory. Not only do many students get the Linda problem wrong, but some object, sometimes passionately, after the correct answer is explained.

People irrespective of their education backgrounds fall victim to cognitive biases. Therefore a sizeable number would get this question and other questions in similar experiments wrong.

A2

Q1 Do you understand what Fiscal Policy is?

Q1 Explanation Do you understand what is encompassed in the Zimbabwean government's stance on its expenditures, revenue collections via taxes, debt instruments (local, external and from the RBZ) and foreign aid and the budget deficit or surplus.

Q2 Is Fiscal Policy Effective?

Q2 Explanation Is Fiscal Policy effective in achieving macroeconomic growth and stability? The parameters factored in when looking at macroeconomic growth and stability are economic output, employment, income mobility and economic development. Economic output is represented by Gross Domestic Product (GDP) which is

the value of goods produced in a country per given year. Employment represents the ratio of the economically active population involved in an economic activity whereby they are rewarded for their work. Income mobility looks at to what extent is the national income shared among the different sections of the society. Economic development looks at the factors which affect the standard of living of a population for example the state of healthcare, education, infrastructure and the income per capita in that given country.

Q3 Have you ever read any Fiscal Policy statement?

Q3 Explanation Have you read any publication containing the official Zimbabwean government's Fiscal Policy or the official document containing the nation's Fiscal Policy?

Q4 Have you read or heard about Fiscal Policy in secondary sources?

Q4 Explanation Have you read or heard the Fiscal Policy or part of the Fiscal Policy in the newspapers, radio, television, and internet or from a knowledgeable person?

Q5 Should Fiscal Policy be coordinated with other economic policy frameworks?

Q5 Explanation Should Fiscal Policy be coordinated with other government economic policies such as Monetary, Industrial, Mining, Incomes and Prices Policies?

Q6 If the above answer was YES, have you seen it in practice?

Q6 Explanation Has Fiscal Policy been in synergy with these other government economic policies?

Q7 Have you ever felt the impact of a Fiscal Policy?

Q7 Explanation Has the Fiscal Policy affected your utility (satisfaction) and choices on consumption, investments, savings and economic undertakings such as the choice of employment and behavior during that employment or non-employment?

Q8 If the above answer was YES, did this prompt you to effect behavioral change as a result of the Fiscal Policy decision?

Q8 Explanation Has the observed impact of the Fiscal Policy changed your behavior in any of your activities?

Q9 If the above answer was YES, were you constrained in taking a particular course of action as a result of the Fiscal Policy decision?

Q9 Explanation Did Fiscal Policy restrict your options in a preferred economic activity which you undertook?

Q10 Do you have enough confidence in the current institutional framework in charge of the formulation and implementation of Fiscal Policy including the checks and balances in the Legislature to ensure an effective FP is crafted?

Q10 Explanation Do you have assurance in the Executive and Legislative arms of the government in their discharging of their obligations and responsibilities insofar as the formulation and implementation of Fiscal Policy is concerned?

Q11 Is the current Fiscal Policy paradigm fair?

Q11 Explanation Is the current Fiscal Policy stance and concept fair insofar as to how different sections of the economy are expected to contribute to the Fiscal Policy requirements and benefit from government policies and activities?

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