FISCAL POLICY IN A TURBULENT ERA. TECTONIC SHIFTS

THE BOOK IN 20 TAKEAWAYS

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SUERF WEBINAR

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INTRO

• The inception of the book

• A turbulent era, indeed
  • The Global Financial Crisis (+ the pandemic) has transformed fiscal policy and its perception
    • Tectonic shift
    • But is the pendulum shifting again (“out of sample”)?
  • Pause for thought
    • Which are these changes?
    • Which are the concerns and challenges
    • Implications for fiscal policy, now and looking ahead?
ROADMAP TO THE BOOK

-Debt & its burden
- Ch. 2-Surges & reductions (Panizza & Powell)
- Ch.3-Restructuring (Erce)
- Ch.4-Low r & Monetary policy (Alberola)

-Taxation
- Ch.5 International taxation (Hebious)

-Stabilization
- Ch.6-Effectiveness (Andrés)
- Ch.7-Fiscal rules EMDEs (Ardanaz, Cavallo, Izquierdo)
- Ch.8-Fiscal governance EU (Thygesen)
- Ch.9-Financial stability (Borio, Farag, Zampolli)

-Redistribution
- Ch.10 Inequality and tools (Clements, Gupta, Jalles)
- Ch.11 Progressivity and redistribution (Kharroubi, Mojon, Pereira)
- Ch.12 Ageing challenges (Caldera, Rouzet)

-Allocation
- Ch.13. Climate transition (Forni)

(re) sources

uses

Ch.1 The transformation of fiscal policy in the turbulent era (Alberola)

Fiscal space

Ch.14 The future of fiscal policy (Gaspar, Lizarazo, Peralta)

20 takeaways
The current status of fiscal policy

1. Fiscal policy has gained relevance (the fiscal mood)...
2. ...in spite of historical highs in public debt
3. Low interest rates explain the puzzle, as they widen the fiscal space (»)
4. Monetary policy has empowered fiscal policy and they have become more interconnected
5. Discretionary fiscal policy has become more effective... (»)
6. ...but automatic stabilizers have weakened amid less progressivity
7. The promise of fiscal rules to discipline fiscal policy has not been fulfilled. Quality is the key.
8. The demands on fiscal expenditure have expanded, due to structural changes...
9. ...and have gained regional and global scope
10. Fiscal policy to lose effectiveness in the evolving economic environment…

11. …albeit interest rates are still expected to remain low in the long run.

12. Public finances are overstretched and the scope for increasing fiscal revenues is limited.

13. Higher discretion in fiscal policy risks making it less efficient.

14. Debt is at dangerous levels, debt service and defaults are increasing.

15. Fiscal space is set to shrink (abruptly?). The priority is to preserve it.
16. A genuine commitment to medium-term fiscal consolidation…

17. …combined with a reassessment of government’s role and optimal size.

18. Improving the quality of fiscal policy, leveraging on technology

19. Fiscal rules with the adequate design, complemented in Europe with a central fiscal capacity

20. The overall challenge is to reconcile the central role of fiscal policy with sustainable debt