

# Comment on: What promotes fiscal consolidation: OECD country experiences

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The views expressed are the presenter’s and not necessarily those of the ECB.

# Common views on appropriate fiscal policy strategy

- Consolidation towards sound fiscal position/sustainability
- As part of strategy that is
  - medium-term-oriented,
  - comprehensive,
  - expenditure-based,
  - growth-friendly
- Underpinned by sound institutions

# What do Guichard/Kennedy/Wurzel/Andre do?

- Define consolidation episodes and assess causes
- Assess sound positions/sustainability via stabilised debt ratio
- Implications of duration and ambition
- Expenditure vs revenue strategy
- Rules and their features, notably expenditure

# Coverage of GKWA in relation to common views

- Consolidation towards sound FP/sustainability **Yes**
- As part of strategy that is
  - medium-term-oriented, **Yes and no**
  - comprehensive, **no**
  - expenditure-based, **Yes**
  - growth-friendly **no**
- Underpinned by sound institutions (with e.g. deficit limits, expenditure restraint, MT frameworks) **Yes**

# Findings support “common views”

- Sustainability risks (imbalances, interest rates) support initiation, ambition and duration of consolidation
- Expenditure restraint and quality-rules enhance duration, ambition
- Duration affects success

# Great job, few quibbles

- Short episodes with measurement problems (temporary measures, special factors, tax-rich/demand-based growth and windfalls...)
  - Short episodes: non-Keynsian effects possible but “real” supply-side effects not captured
  - No reference to complementary reforms
- => general problem with much of literature (HHS)
- Is debt-stabilisation enough, given implicit and contingent liabilities?

# Further research

- Importance of regime shift for lasting consolidation with reinvigorated growth
- Role of simplicity and transparency
- Role of public; determinants of its role