

FISCAL POLICY IN A TURBULENT ERA. TECTONIC SHIFTS

THE BOOK IN 20 TAKEAWAYS

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SUERF WEBINAR

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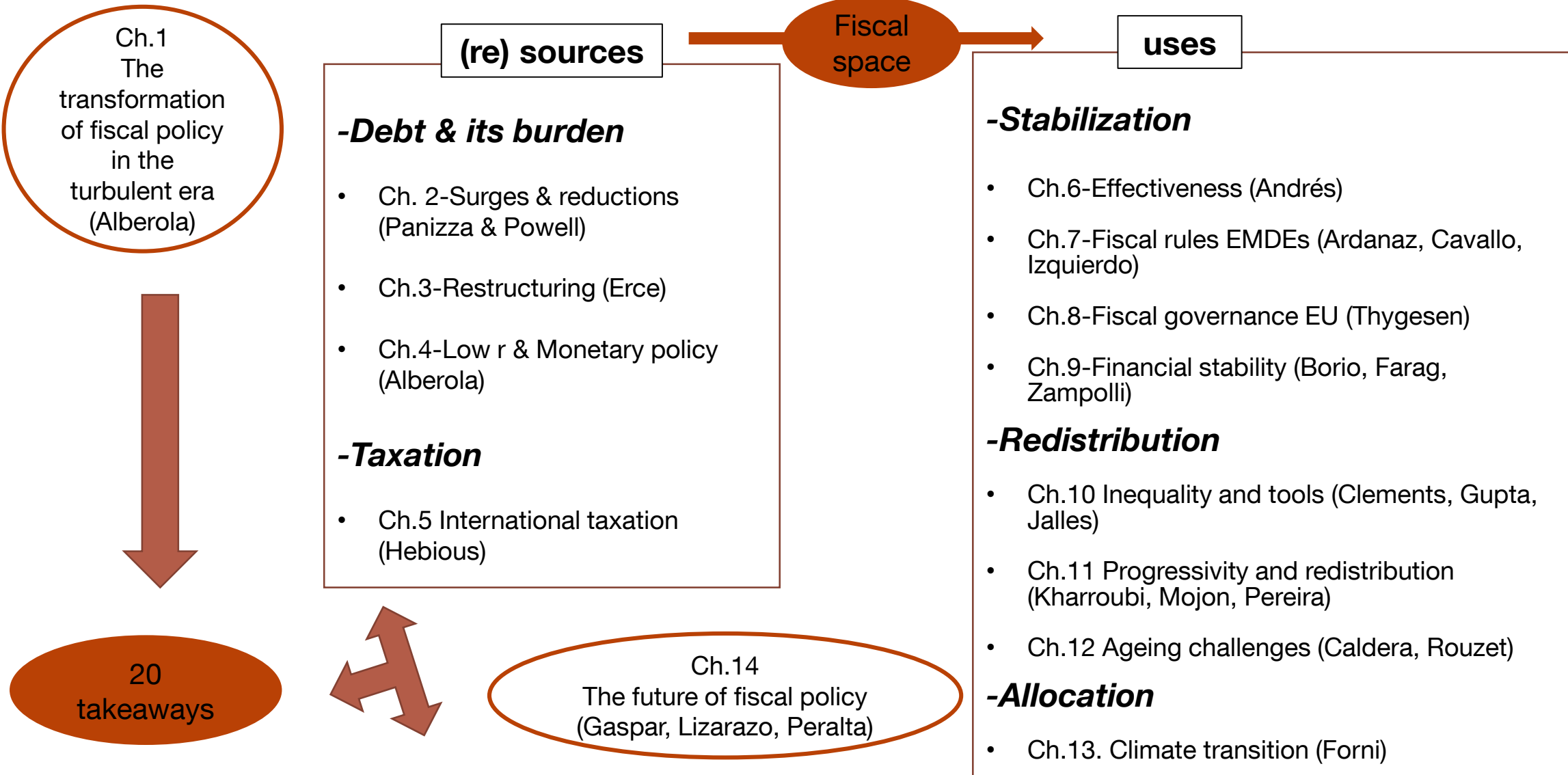
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Fiscal Policy in a Turbulent Era

Tectonic Shifts

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- **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?*



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

[The book online](#)

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