



Discussion of Roel Beetsma, “A survey of the effects of discretionary fiscal policy”

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1



Summary

- Good survey of theoretical and empirical research on discretionary fiscal policy
- Many papers
- $G \uparrow, T \downarrow \Rightarrow Y \uparrow, C \uparrow$

2



Summary: Problems

- Size of effects?
- Future costs of increased debt?
- Lags in identification, decision, and implementation
- Preliminary data, uncertainty: Errors in identification
- Small open economy: Less effect

3



Summary: Conclusions

- Better to rely on automatic stabilizers
- But effects of automatic stabilizers depends on source and persistence of shocks
- Introduce link between public debt level and cyclically adjusted primary deficit

4



Include, more of?

- Politics of discretionary fiscal policy
 - Timely, targeted, temporary (how likely?)
- Not just discretionary policy in survey
- Effects of automatic stabilizers
- Effective/optimal stabilizers?
- Independent fiscal-policy council (soft, hard)?
- Monetary/fiscal policy coordination?

5



Monetary/fiscal policy coordination?

- Modern monetary policy: Mandate, independence, accountability
- Transparency, medium-term orientation of both fiscal and monetary policy
- Simplifies implicit coordination (Nash, Stackelberg, ...)
- Explicit coordination only in extreme situations: Wars, disasters, deflation, ...

6