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# FISCAL POLICY AFTER THE GREAT RECESSION

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RESUMEN DE LA CONFERENCIA DE ALBERTO ALESINA

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## Comentario crítico

Sobre todo a partir del cambio de gobierno en España, y tras las medidas del gobierno Cameron en el Reino Unido, se plantea la cuestión de si el ajuste fiscal ayudará a resolver la crisis europea o profundizará la recesión de la misma.

La conferencia del profesor Alesina permite una reflexión crítica acerca de las medidas que el nuevo gobierno español tomó tras tomar posesión del cargo (reducción de gasto y aumento de impuestos).

Alesina nos muestra un par de conclusiones muy interesantes:

1. Si se quiere realizar un ajuste fiscal con el menor impacto negativo sobre una economía, este debe hacerse por la vía del recorte, no de los impuestos.
2. Si estas decisiones de recorte se toman pronto, no hay efectos negativos en la reelección de los políticos.

En caso de que Alesina estuviera en lo cierto, las implicaciones que estas conclusiones tendrían en la actual política del Gobierno serían:

1. El Gobierno necesariamente debería hacer en este primer año todas las reformas, si quisiera aumentar sus posibilidades de reelección. Cualquier retraso podría tener consecuencias severas.
2. El Gobierno habría errado al hacer un doble ajuste fiscal: de recorte y subida de impuestos al mismo tiempo.

Aconsejamos a nuestros suscriptores que complementen este resumen con el resumen sobre “España, claves de prosperidad (Presentación del libro)”, en el que Rodrigo Rato explica en detalle las claves de estrategia política para recuperar la confianza en los mercados.

## **Conferencia en Internet**

[http://www.youtube.com/watch?v=HQKtAuAas\\_A&feature=related](http://www.youtube.com/watch?v=HQKtAuAas_A&feature=related)  
[http://www.youtube.com/watch?v=dToxBYQNp9U&feature=mfu\\_in\\_order&list=UL](http://www.youtube.com/watch?v=dToxBYQNp9U&feature=mfu_in_order&list=UL)  
<http://www.youtube.com/watch?v=MQGzyLpzTJg&feature=related>

## Resumen de la charla

- We had major fiscal expansion during the Great Recession. One of the problems is that many countries entered the recession with the house not in order: the deficit added up to an already existing deficit.
- We need to rein in deficit. We have waited too long.
- We ran a survey and collected data from other studies challenging Conventional wisdom.
- There are a substantial number of surveys and studies since 1970 on these fiscal adjustment episodes.

1.- Data: 107 episodes between 1970-2007. 65 last one year, 13 last 2 years, 4 last 3 years, and one episode in Denmark lasted 4 years.

2.- How do we detect an adjustment? How do we detect these discretionary policies? We consider 1,5% GDP cutting deficit (cyclically adjusted) is considered a large fiscal adjustment.

- FIRST AND SECOND CHALLENGE:

1.- It is said that fiscal adjustment leads to recessions. Is it true?

2.- Is it better to adjust on the spending side or the tax side? Which one leads to better results?

- Results of the survey:

1.- Those adjustments based on spending are less contractionary (and sometimes even expansionary) than adjustments on taxes and lead also to a more long lasting adjustment.

2.- There are two types of spending that are critical: public spending on government wages and transfers including pensions. It is logical: they represent the biggest share.

3.- The best combination was cutting spending and lowering taxes at the same time.

4.- “Sometimes fiscal adjustment may not reduce growth”.

- Why is this so?

1.- Supply side effects of tax increases

2.- Positive demand side effects: people expect future lower taxation with lower spending and there might be more consumption.

3.- Crowding in effect on private investment and as a result more confidence

4.- And if you do not stop spending taxes will never catch up.

- And some of IMF paper conclusions were very similar to ours.

1.- Fiscal adjustment on the tax side was more recessionary.

2.- They found that on average fiscal adjustments were creating recessions but it is statistically weak.

3.- They define fiscal adjustment not based on what happened to the economy but to the intention of policy makers. We all know sometimes what politicians say things that may not be exactly what they think.

- THIRD CHALLENGE – “If you reduce deficit you are thrown out of office. So politicians tend to postpone them”. Is it true?

1.- A study in 1999 by Perotti and Alesina show that large deficits are weakly associated with less success at the polls.

2.- Many large fiscal adjustments have been followed by re-elections of the government that implemented them particularly if they take place soon after the election.

3.- Is there a reverse causality? Could it be that only those governments that were strong enough could implement them? We do not know.

- Some methodological notes:

1.- Size of downsizing today is similar to other ages.

- Alesina's opinions:

1.- EU new fiscal rules might help but they are not a complete solution.

2.- The US is the country that looks worse, even more than the European countries.

3.- Winston Churchill: "The Americas do the right thing after they have done all the wrong things".

4.- Public wages have increased more than private wages in the pre-crisis period. Some works suggest a positive effect on private wages if public wages are controlled due to the link between them through unions. And it looks right from a fairness point of view.

5.- A monetary policy that keeps interest rates low helps a fiscal adjustment. I do not think monetary policy alone can do much.

## Notas como speaker

- Habla sentado.
- No se expresa mal en inglés, aunque con un fuerte acento.
- No para de tocarse la cara. No es conferenciante profesional.
- Se centra en sus estudios, y procura no involucrarse en previsiones a futuro ni grandes juicios de valor sobre la actualidad económica.
- La presentación le sirve de apoyo pero no es muy estética.

## Sobre el ponente

Alberto Alesina: economista italiano, profesor en la Universidad de Harvard donde es profesor de economía política. Es autor de varios libros y multitud de artículos especializados.

## Transparency Vow

El autor de este resumen no conoce al ponente ni mantiene relación con el organizador del acto.

FECHA CONFERENCIA – 12 de mayo de 2011

SOBRE – Resumen de la charla de Alberto Alesina sobre "Fiscal policy after the Great Recession"

PONENTE – Prof. Alberto Alesina

DÓNDE – Axa Auditorium

ORGANIZADO POR – Barcelona Graduate School of Economics

ASISTENTES – 80 personas aproximadamente (80% aforo).

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