

# OECD Economic Outlook – Comments

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# The Main Message

- Continued expansionary monetary and fiscal policies are still motivated
- But we must formulate exit strategies both for monetary and fiscal policy already now
- Better/more regulation of financial markets is needed, quickly

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- Fiscal consolidation
  - Less public spending
  - Higher consumption taxes

# Some Remarks

- Easy to agree with most of the report
- ... maybe because it is not very bold:
  - vague in prioritizing between different policy initiatives
  - which countercyclical policies have been well-designed?
  - France: "A mix of appropriate discretionary measures"
  - U.K.: "The stimulus measures implemented by the government have been useful in supporting the economy"
  - what initiatives for reforming financial regulation are most important?

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- ... maybe because it is not very bold:
- Explicit recommendations about how to implement fiscal consolidation
  - OECD reports often too fond of the VAT

# Some Remarks

- "Upward and downward risks are broadly balanced [...] while their consequences need not be"
- I mostly see downward risks (consequences?):
  - Limited scope for further policy reactions in most countries
  - Realization of "upward risks" must imply faster withdrawal of policy measures
  - Don't these forecasts show the most optimistic view of the development in the coming few years?

# Is Sweden Different?

- Relatively strong public finances
  - but also sensitive to business cycle
- Lending to households still growing
- Current account surplus still high
  
- Large welfare state → more persistence?
  - unemployment
  - budget effects

# Sweden

- Is there even a need for fiscal consolidation?
  - OECD EO seems inconsistent on this