

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

The Main Message

- 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?

Some Remarks

- Easy to agree with most of the report
- ... 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