

Stimulus packages? Better be persistent!

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Objectives

- To understand whether fiscal stimulus is effective in stabilising the economy
- To analyse how persistence of government spending affects the size of the fiscal multiplier

The financial and euro crises have reignited interest in whether fiscal stimulus is an effective policy to bring the economy back on trend. We show that the answer to this question crucially depends on how persistent the fiscal policy is. The interplay between expectations regarding future government spending and capital accumulation deeply affect the size of fiscal multipliers.

Further reading

To read the full paper which accompanies this policy brief, see chapter six (pages 61-68) of the ADEMU e-book published by VoxEU.org:

www.voxeu.org/The-emu-after-the-crisis

You can see a short video summary of this topic by the authors at:

www.ademu-project.eu/ademu-explained-stimulus-packages-better-be-persistent-video-with-patrick-feve-and-martial-dupaigne

This topic also relates to the following policy briefs:

A European Unemployment Insurance System

www.ademu-project.eu/an-unemployment-insurance-system-for-the-euro-area-with-arpad-abraham-and-joao-brogoeira

Macroeconomic stabilisation in heterogeneous societies

www.ademu-project.eu/macroeconomic-stabilisation-in-heterogeneous-societies

Recessions following expansions: The instability of market economies

www.ademu-project.eu/recessions-following-expansions-the-instability-of-market-economies

Reassessing tax policies and tax coordination: The case for a tax on automation

www.ademu-project.eu/reassessing-tax-policies-and-tax-coordination-the-case-for-a-tax-on-automation

There are 38 working papers related to this topic. See the full list:

www.ademu-project.eu/ademu-working-papers-related-to-work-package-2

www.ademu-project.eu



Horizon 2020

ADEMU (A Dynamic Economic and Monetary Union) has received funding from the European Union's Horizon 2020 research and innovation programme (call H2020-EURO-SOCIETY-2014) under grant agreement No. 649396.

