

## **Introductory remarks for the panel session on “Fiscal policy sustainability and implications for monetary and financial stability”**

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This is the last session of a very interesting conference in which we've heard a fascinating range of opinion and argument on the future of fiscal policy. In this panel, we have the opportunity to listen to a group of extremely experienced practitioners – who need no introduction – and to learn their views on “Fiscal policy sustainability and implications for monetary and financial stability”.

Let me introduce the discussion by putting five questions that to my mind emerge from the papers presented yesterday and this morning. Panel members are not in the least constrained to answer these questions.

The first question, related to Alan Auerbach's remarks on the urgency of adjusting fiscal policy immediately in many developed countries, is: How best to address the risks of long-term fiscal sustainability?

Related to this point, and drawing on Roberto Perotti's comments about the timing, gradualism and flexibility of fiscal consolidation, is the second question: How do we balance the urgency of fiscal consolidation with the need to safeguard the recovery?

My third question is prompted by Eric Leeper's discussion of the possible inflationary effects of public debt: What are the possible channels through which falling confidence in the management of public debt could produce inflationary consequences?

The fourth question, based on the work of Andrés Velasco, is: What kind of rules or institutional arrangements can add to the effectiveness of fiscal policy in small open economies?

My last question is prompted by Carmen Reinhart's reminder that financial repression is not so uncommon: What should be the role of fiscal policy in achieving financial stability? Is it sufficient to think about fiscal policy in the traditional way – that is, to leave monetary policy independent and to smooth the economic cycle mainly through fiscal stabilisers?

I am very much looking forward to hearing the panel's opinions – and, in particular, their views on the future of fiscal policy and its interactions with monetary and financial stability. I will not introduce the speakers because they are already very well known to you. Following the seating order, I will first ask José De Gregorio to make his presentation.

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