

# Governing Challenges

## Day 4

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# Agenda

- 9-10.30 Reflections on a simulation (Marty)
- 11-12.30 Private vs public diaries
- 12.30-13.30 Lunch
- 13.30-15.30 Avoiding austerity
- 16.00-17.00 Concluding remarks

# Reflecting on a simulation

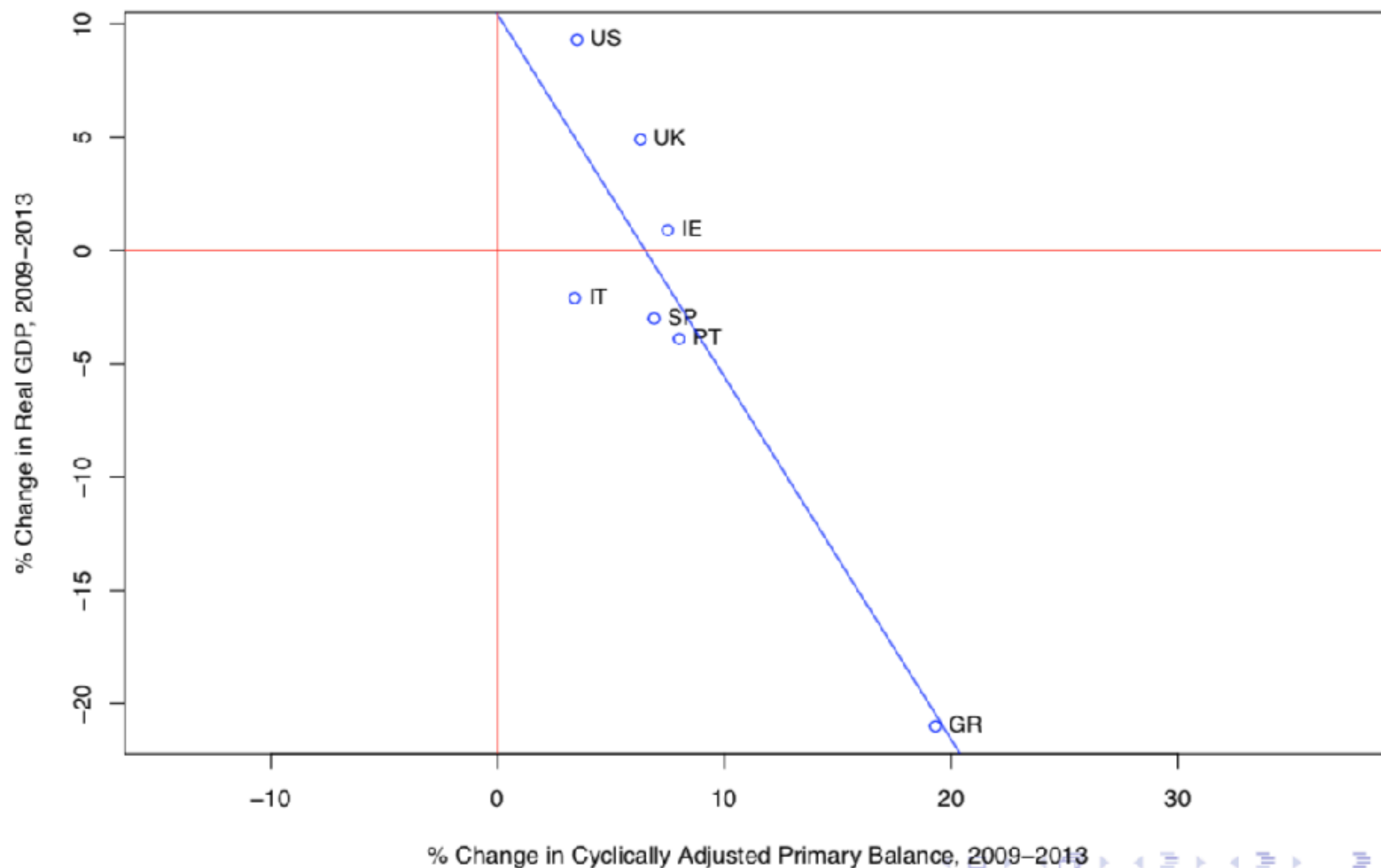
# World Cafe Style Group Exercise

- Groups of 3/4 (5 max)
- Each table nominates a scribe/note taker. They summarise 3 main points around answers to 2 questions.
  - What were you expecting?
  - What surprised you?
- Note taker stays, everyone else moves around. You can be with 1/2 of the same people.
- Repeat the mixing process times the number of questions.

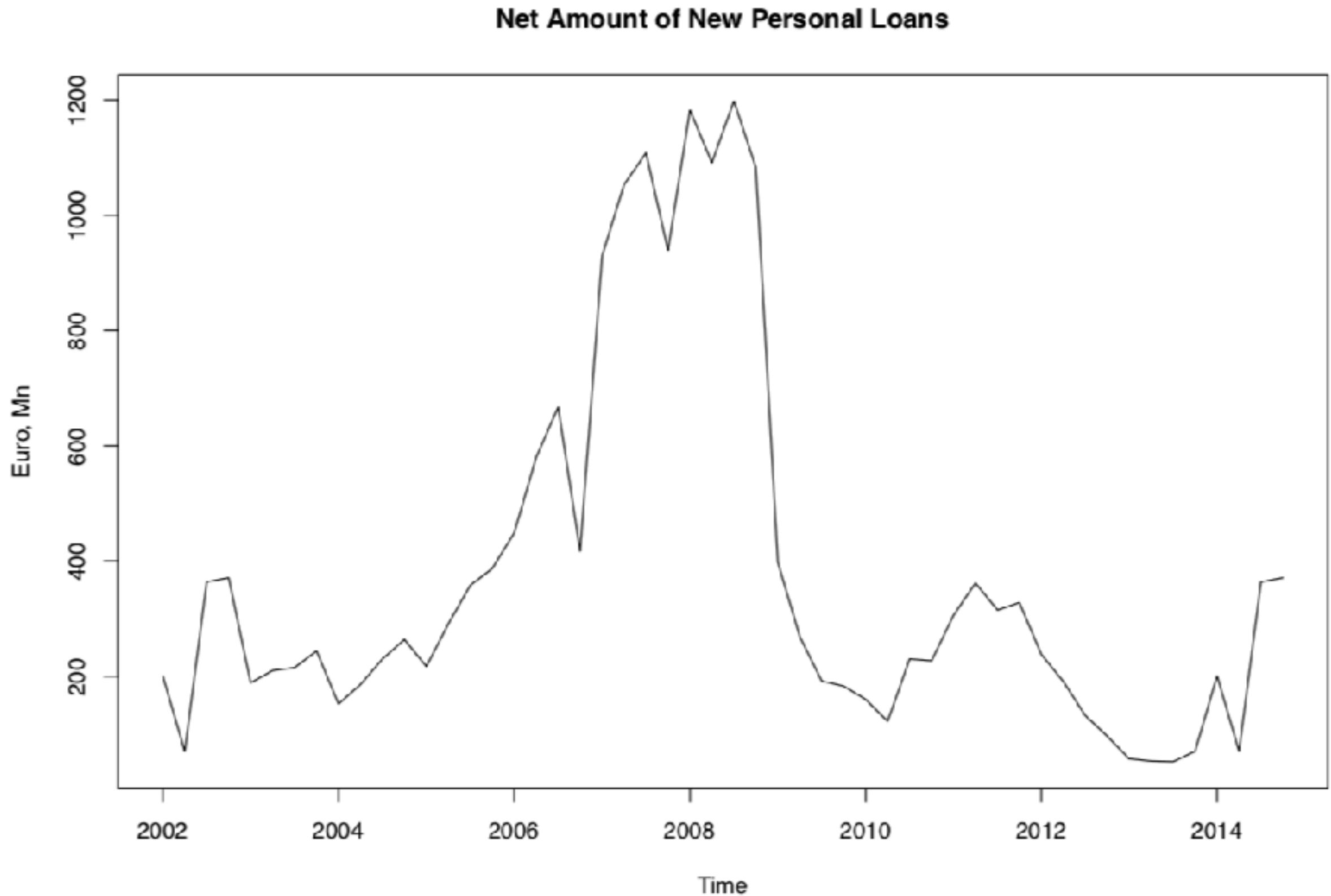
# Public vs private diaries

# **Avoiding austerity in 8 lessons**

Somehow, Ireland managed to strip more than 18% of GDP from its economy over a four year period and still grow.

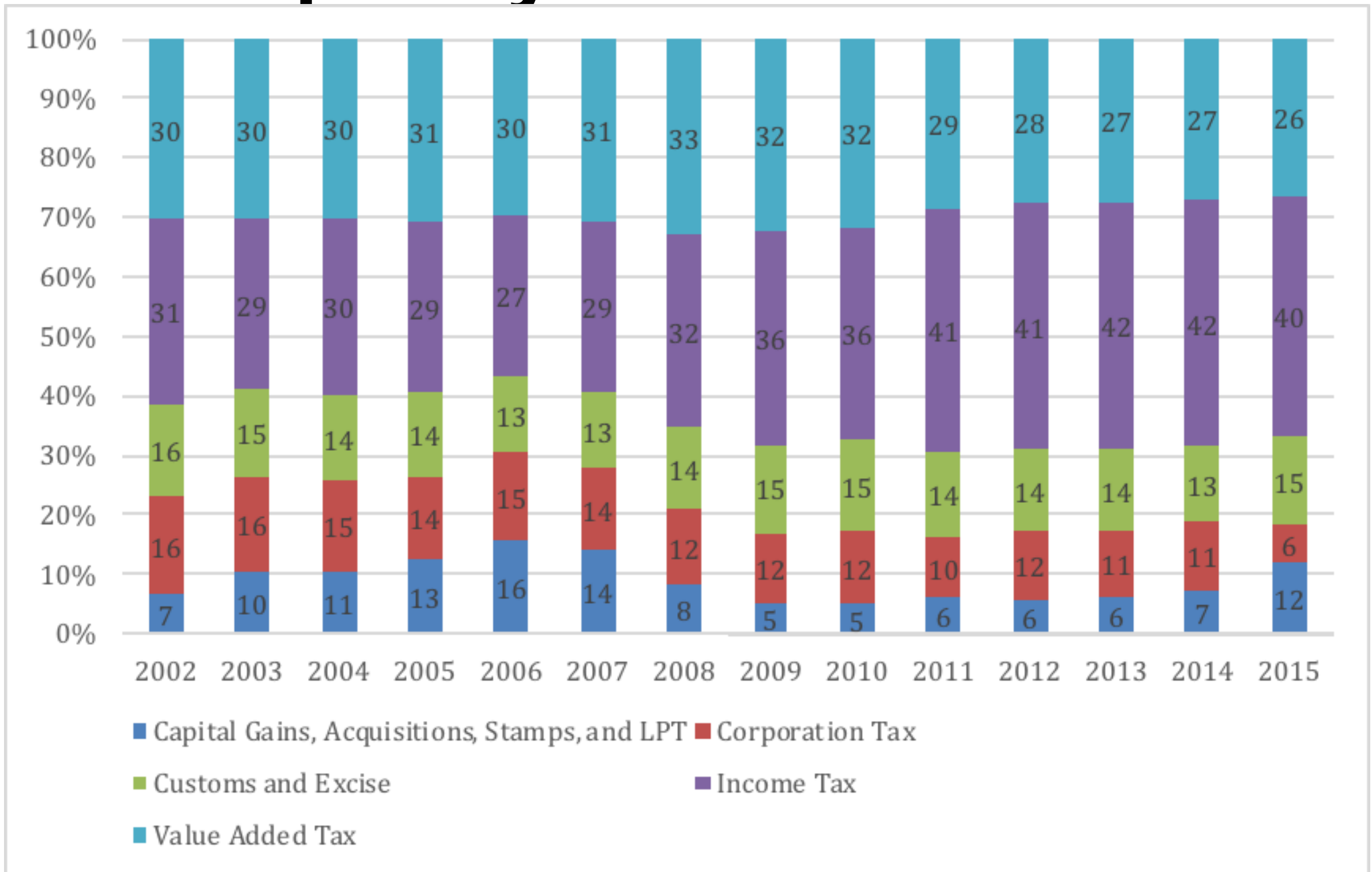


# Lesson 1: don't have a credit boom

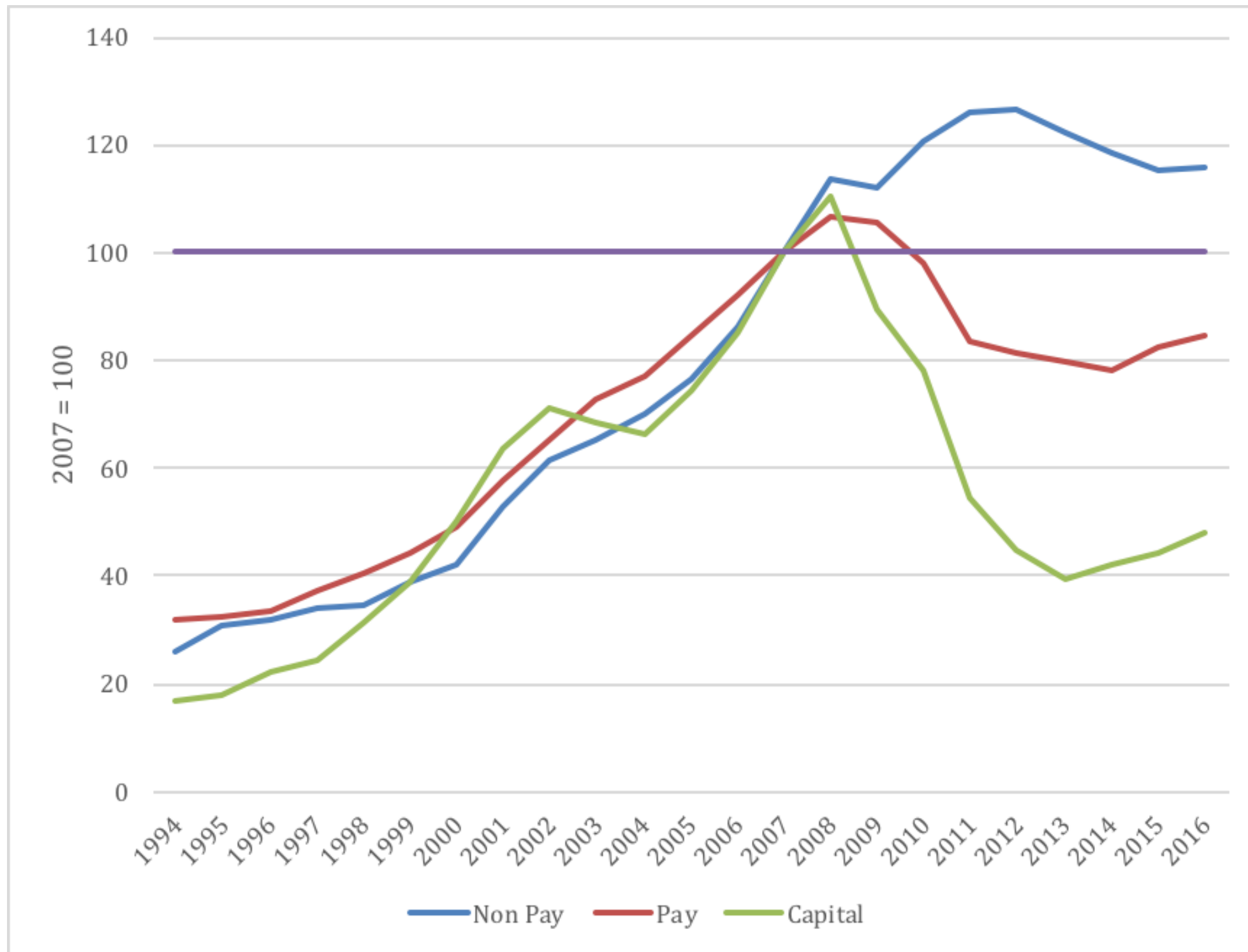




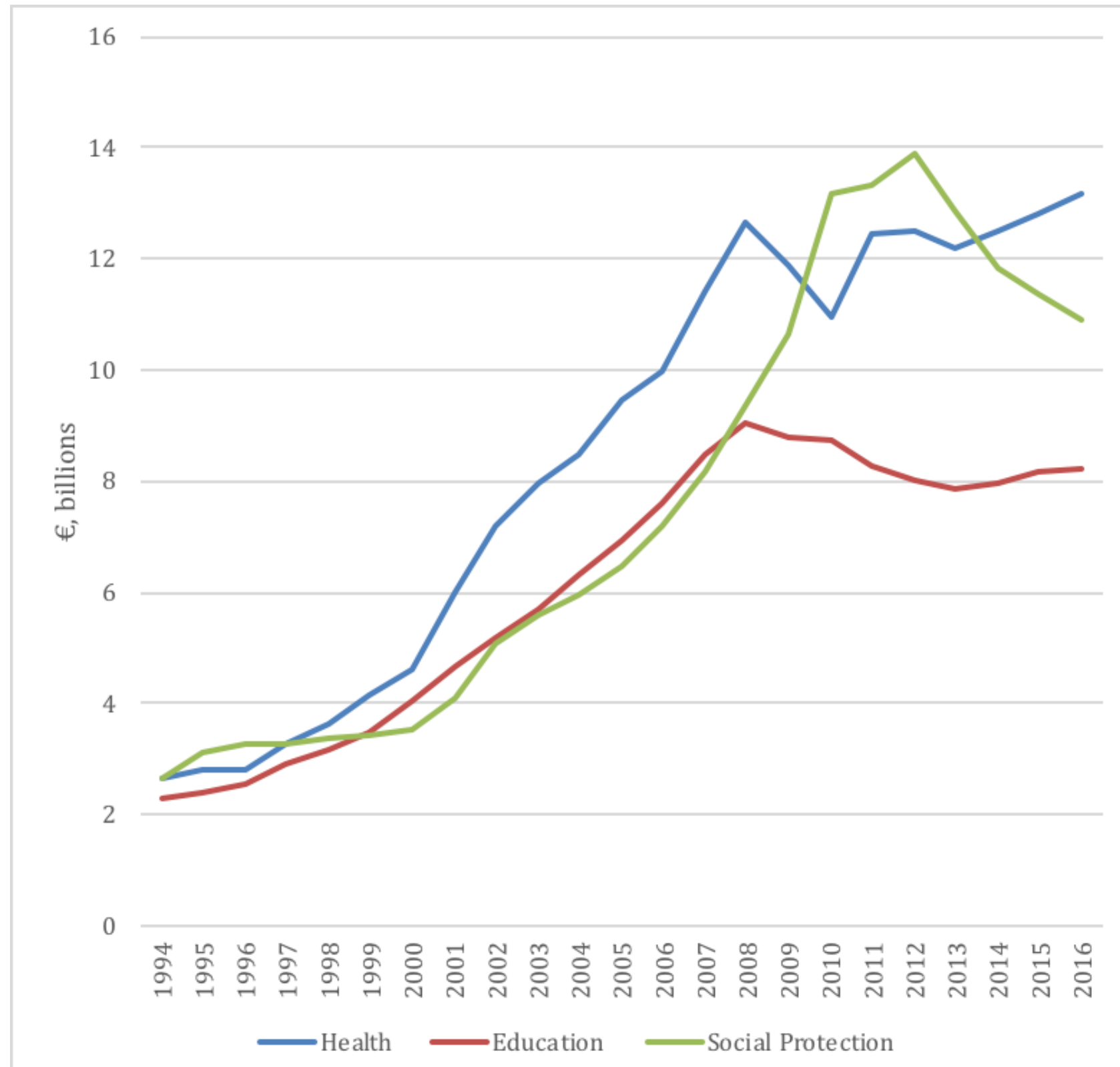
# Lesson 2: Don't have procyclical taxes



# Lesson 3: Don't grow the government faster than gdp growth

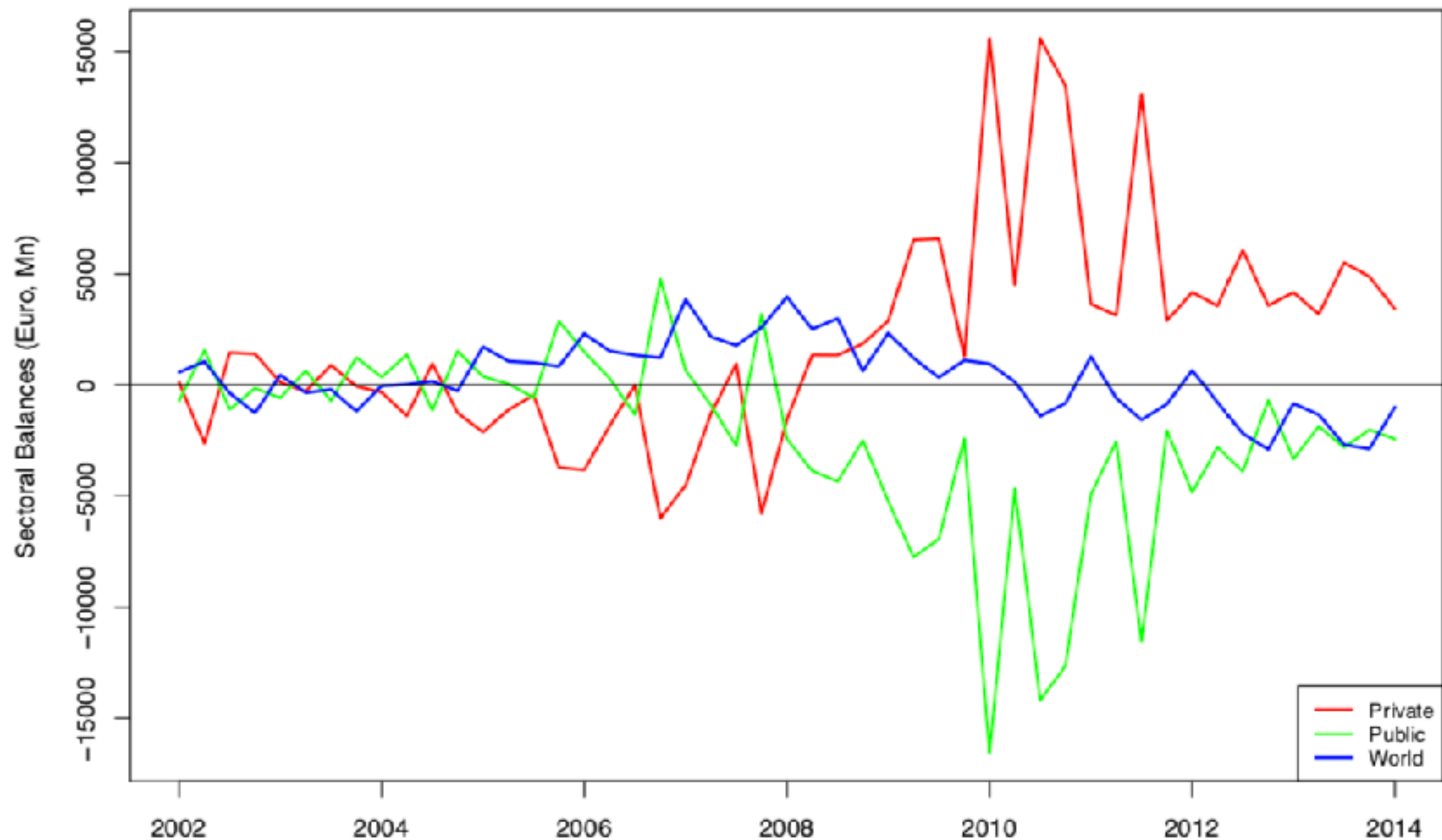


# Lesson 4: keep **current** spending in tight when the economy is growing

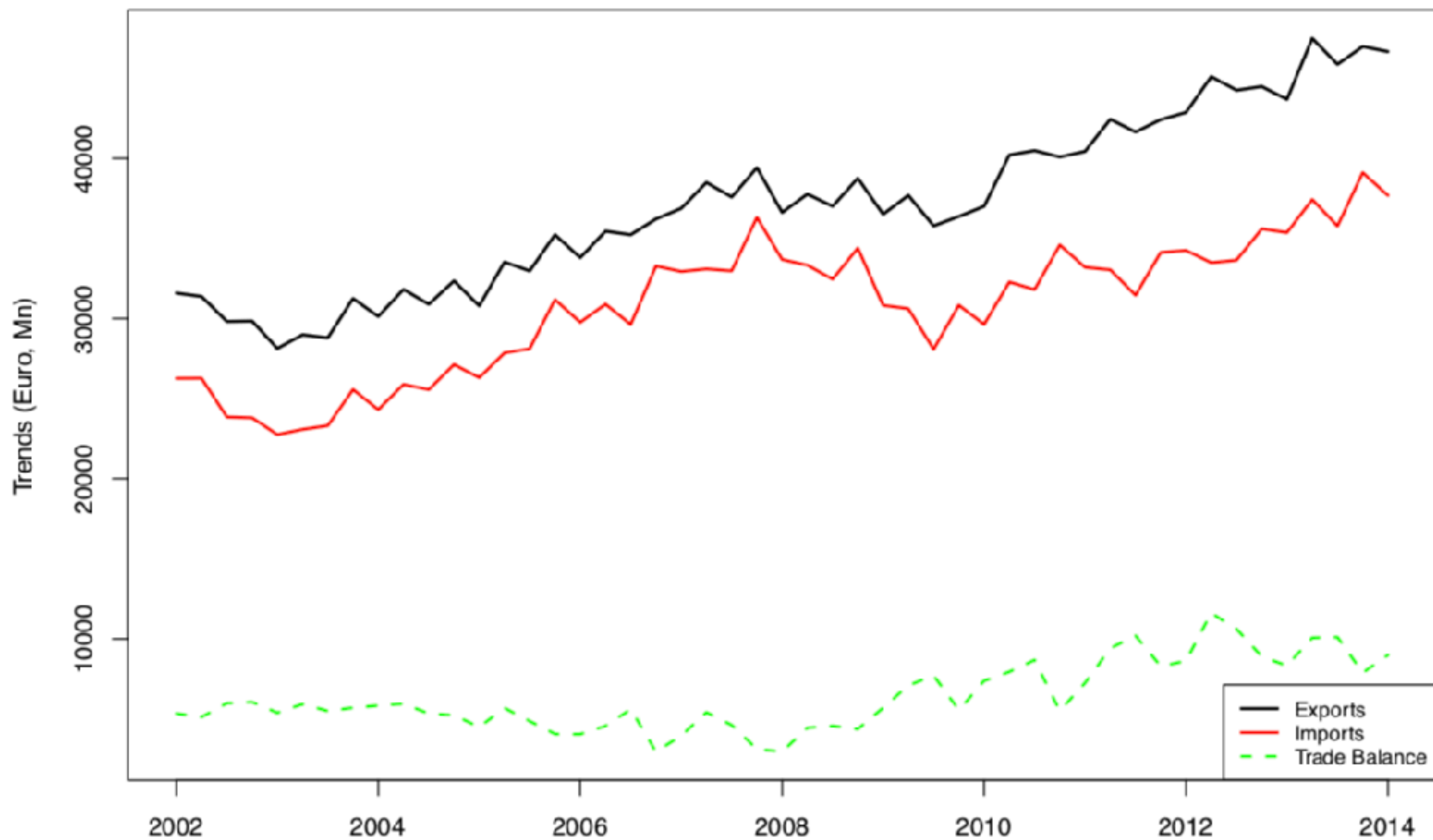


# Lesson 5: be as open as you (but not too open).

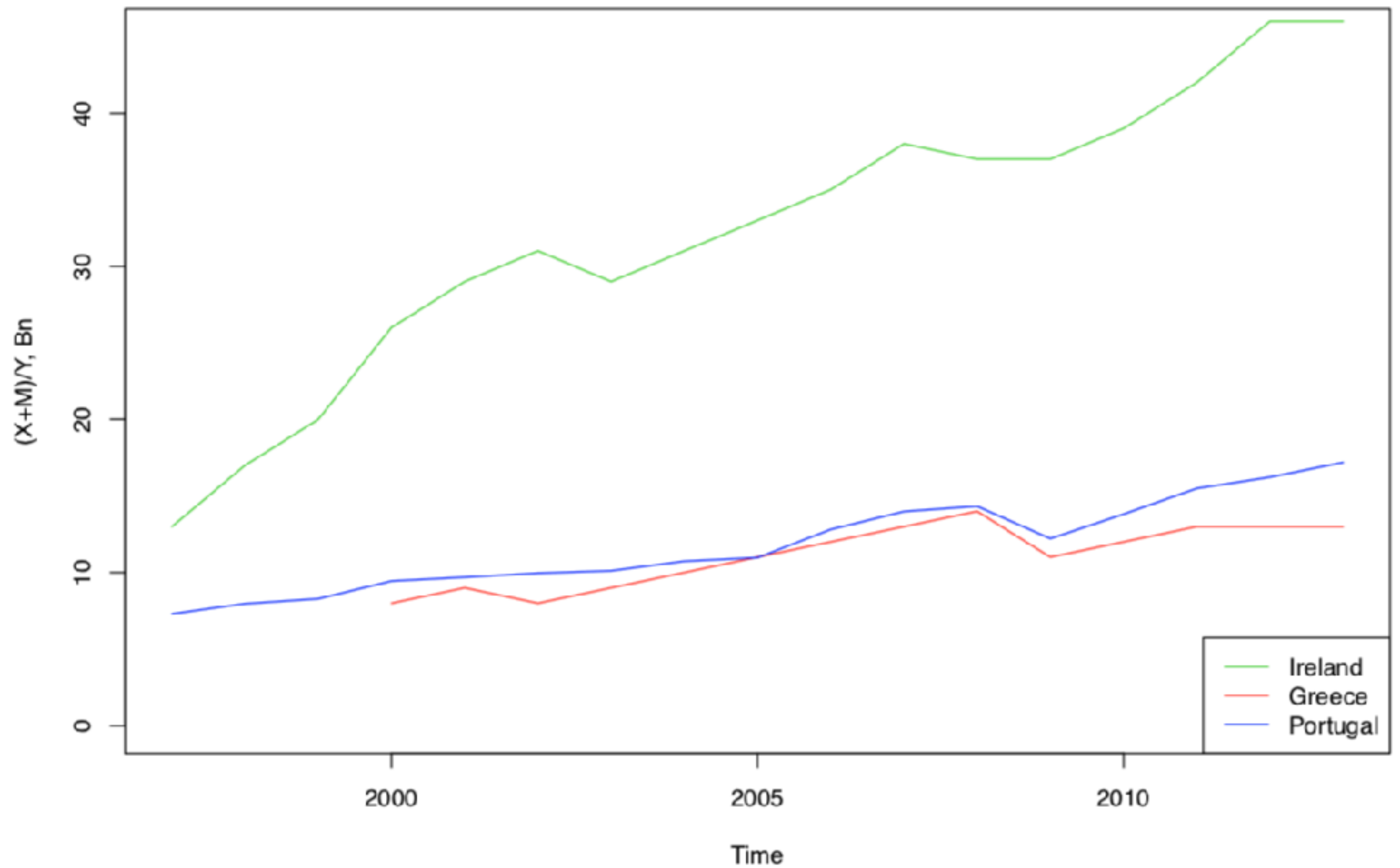
Sectoral Balances – Ireland (Quarterly). Source; CSO



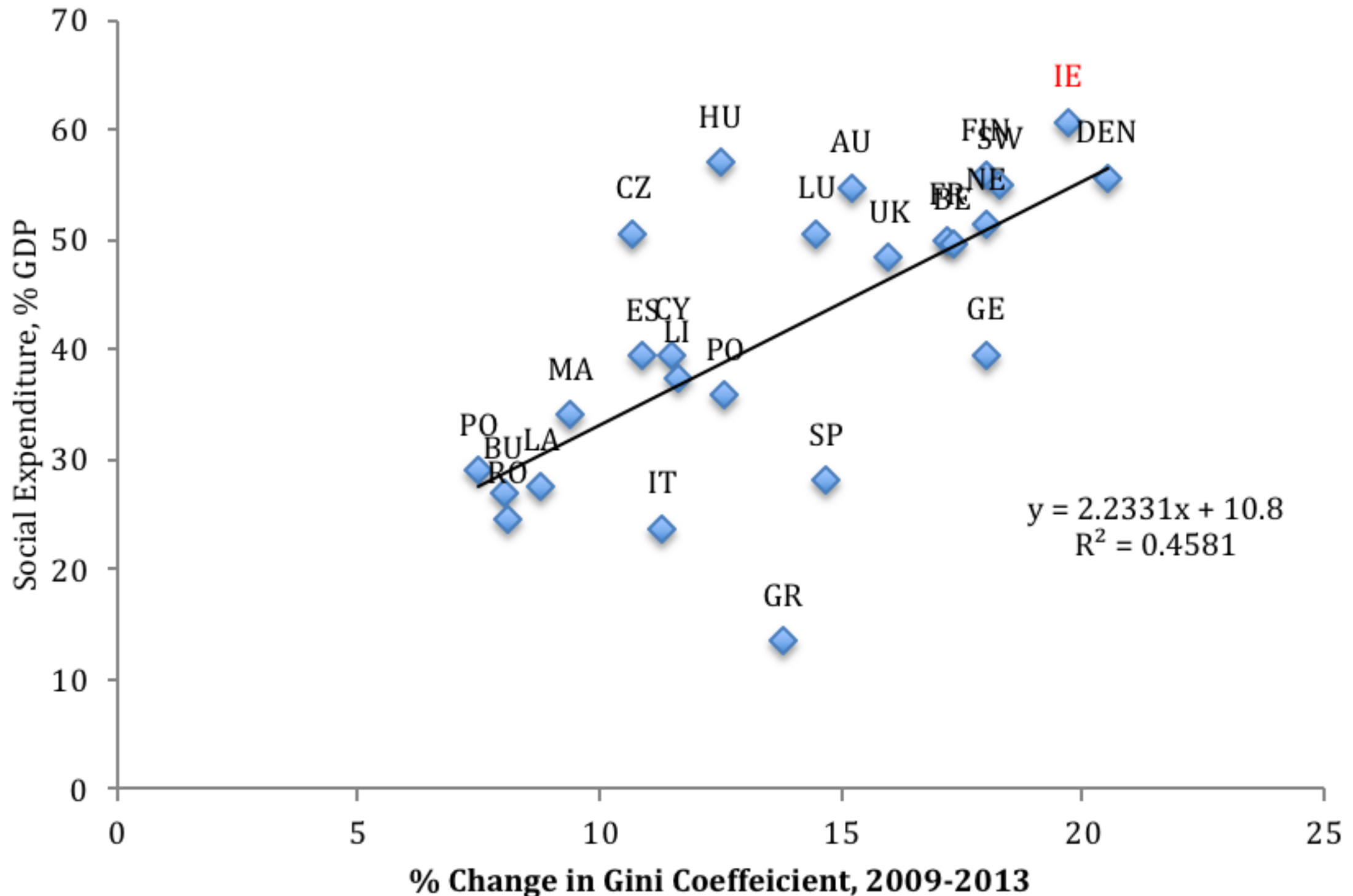
**Trade Balance – Ireland (Quarterly). Source: Central Statistics Office.**



**X+M/Y, Ireland, Greece, Portugal. Source: Eurostat**

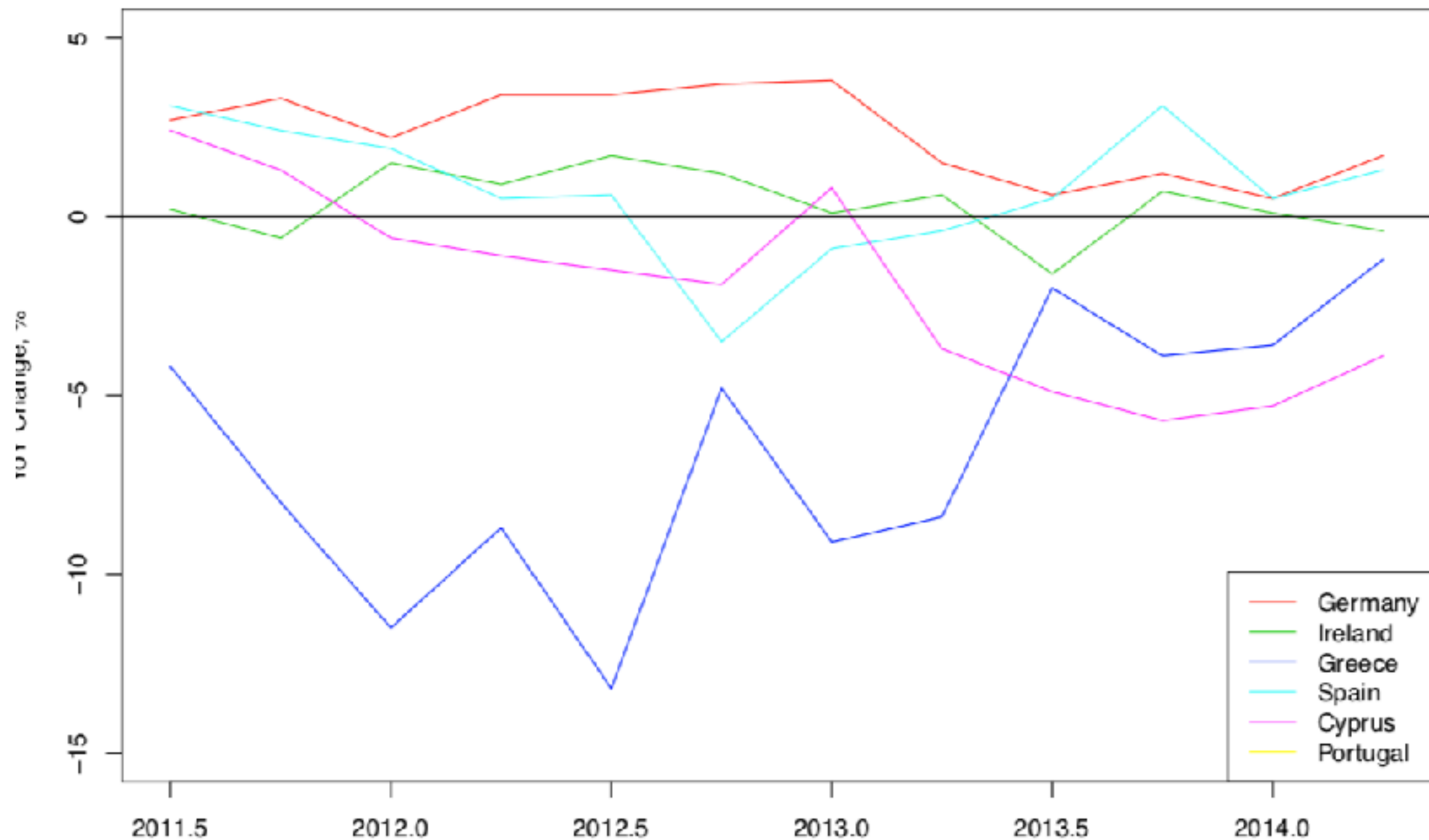


# Lesson 6: the welfare state is your friend.



# Lesson 7: Your adjustment will be Keynesian, in quantities, not prices

Labour Cost Index. Source: Central Statistics Office.

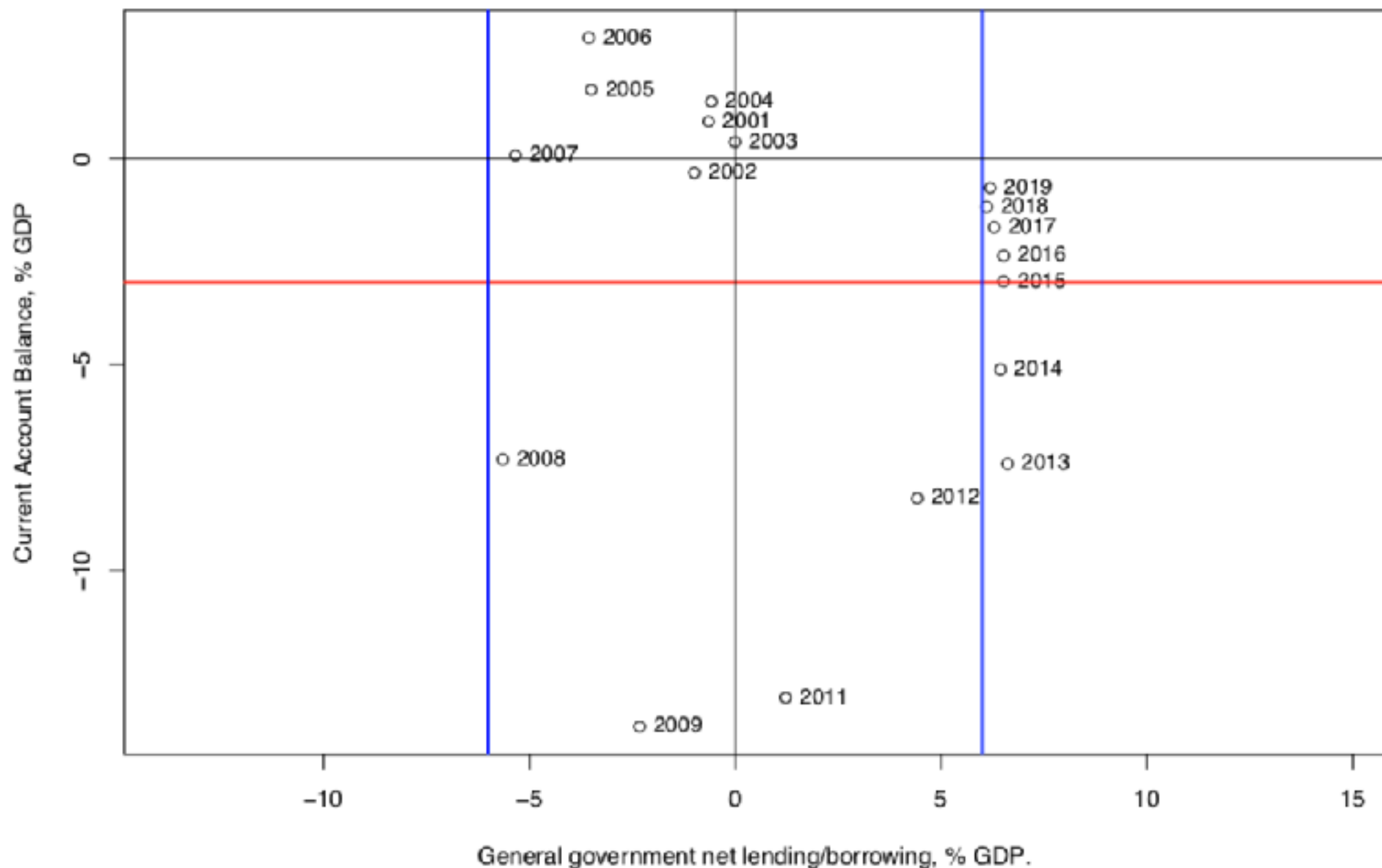




# Lesson 8: rule based policies are the new binding constraint

Red line: Maastricht/SGP Rule. Blue Line: MIP Scorecard.

Target-Driven Policy Making. Source: IMF WEO. Note: 2010 observation omitted.



# Summary

- Fiscal policy is not the last resort
- Monetary policy seems like a better option, but it depends on the \*form\* the crisis takes.
- The banks are **always** the weakest links within an economic system.
- The role of civic society is often poorly understood, but the welfare state, far less so.

**Thank you!**