Day 4: Recap/Session

## Instructions

(World Cafe Style)

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.

## What were you expecting?

Expected interest groups to put aside their agenda, but they didn’t.

Expecting a more positive reaction to policies (made things less worse but changes didn’t happen)

Expected that when they let the banks fail, the markets will sort it out. But banks’ deeper interconnections surprised them. The damage was tremendous.

The interaction of different policy levers, especially taxation measures,was surprising.

Expecting banks to be bailed without any social impact. There were enormous impacts.

## What surprised you?

Relationship with other countries—their actions affecting you.

Interconenection of policy levers

Domestic vs international

Impact of ‘off the wall’ shocks—Avian flu.

Influence of news and the 24/7 media, especially the ‘instrumental’ role of the media. (Example: <http://www.tandfonline.com/doi/abs/10.1080/13563467.2018.1426562?journalCode=cnpe20>)

Surprised at how easy it is to impose austerity, what a technocratic exercise this actually was.

## How might austerity differ in the real world from the simulation.

More complex personal factors, protestors

Does the IMF have that much power?

Changes in corporate taxes never matter?

The political reactions, and the domestic power interplay, greater disagreements.

Media ownership laws really matter.

More debate, more uncertainty, more power of the media, fake news.

Sometimes decisions are constrained by laws, eg ECB cannot deficit-finance

More countries involved, decisions are far slower and can exacerbate the condition.

We have closer to perfect information in the simulation, in reality it is much murkier.

The population may not understand the measures being employed.

## Recommendations if you were a policy advisor in a real world austerity situation.

1. No cuts in social protection.

2. Very clear that it is important to retain economic and social credibility.

3. Make sure there’s a funding allocation for capital expenditure for structural reforms.

4. Find a way to make a deal with institutions which will interfere as little as possible with the government.

5. Avoid a deal with international institutions which will restrict the government’s power.

6. Choose to make everyone suffer together and quickly by increasing taxes and reducing budget cuts. The Alesina programme: cut deep and quick. Increase taxes on the rich and expand the state, take over the role of the private sector. Print money and buy government bonds. (Time commitment issues here).

7. Restructure tax system towards property and customs (what about trade), ie move away