

The pandemic and the economy

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Three points

- Public finances
- The recovery
- Policy change over time

Consequences for public finances

- Already decided fiscal measures: 5 percent of GDP
- Additional measures: 2 percent of GDP?
- Automatic stabilisers: 4–5 percent of GDP
- Fiscal deficit 2020: 11–12 percent of GDP
- Maastricht debt at end of 2020: 50 percent of GDP?
- Overall increase in Maastricht debt to 60 percent of GDP?

Reduce the debt ratio again

- A transparent plan is needed after the pandemic
- Reduction through (nominal) growth
 - borrowing also for government lending
 - lower real growth than before?
 - not as low-hanging reform fruits as in the 1990s
 - a dose of moderate inflation?

Different phases

- Crisis
- Restart
- Acute crisis
- Transition period
- Definite restart

Fiscal policy during a transition phase

- Test-and-track programme might be the most effective fiscal policy
 - 10–20 billion SEK?
- Continued income insurance but more focus on demand effects
- Resources to municipalities and regions
- Temporary VAT cut
- Investment support
 - adaptation of workplaces
 - ROT-avdrag
- Human-capital investment
 - language training for immigrants
 - digital knowledge

The short-term-work scheme

- Over time increasingly difficult trade-offs
 - old versus new jobs
- Measures to deal with the goal conflicts
 - requirements on firms to provide training
 - reduction of subsidy levels
 - shift to reduced payroll taxes
 - recruitment subsidies
 - renting-out subsidy?