

Policy Discussion: Long-run fiscal policy

Today's class begins with a student-led class discussion on long-run fiscal policy issues. We will separate into groups that will discuss the issues and reach a collective position on the questions raised below. Each group will appoint a spokesperson (or two) who will make a five minute presentation to the class, to be followed by questions and general discussion.

Group 1A: The case for stimulus

- What is the “multiplier” and why might it be greater than or equal to one?
- If government wants to create fiscal stimulus, should it be done through tax cuts or spending increases? Should tax cuts be temporary or permanent?

Group 1B: The case against stimulus

- Following the fiscal stimulus, how will private savings and investment change in future in Canada and the US?
- What other factors would make the “multiplier” less than one?

Group 2A: Long run fiscal gap – The problem

- What are the big future liabilities of Canadian and US governments? What is driving them higher over time?
- What will be consequences for governments, the economy, intergenerational equity?

Group 2B: Long run fiscal gap – The solutions

- Describe economic and fiscal responses that could avert a crisis
- Which government programs are most affected?