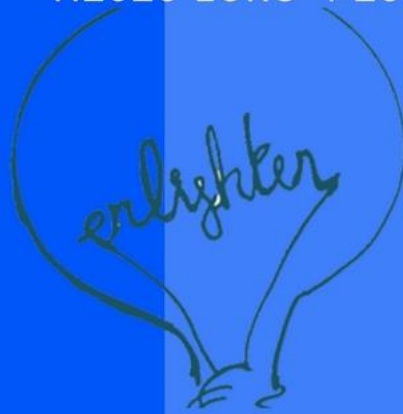




ENLIGHTEN

ENLIGHTEN PROJECT-649456
H2020-EURO-4-2014



March 21, 2018

Overall approach

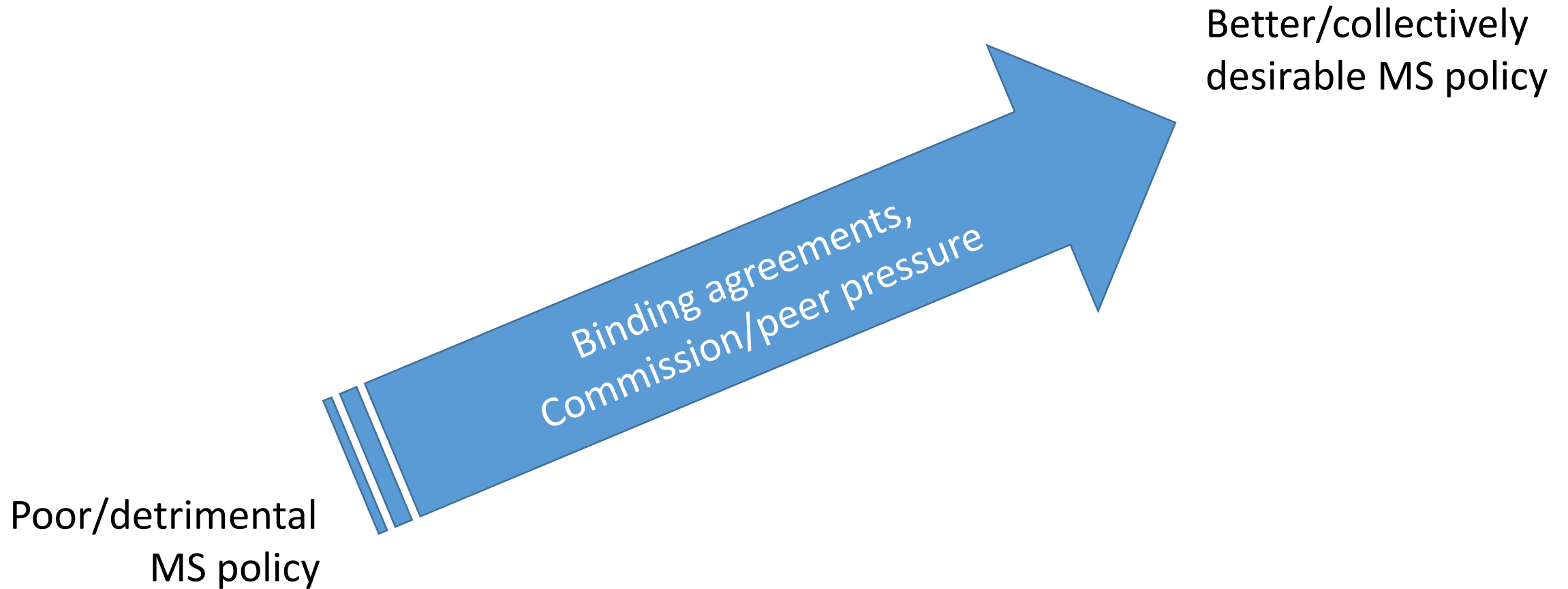


Crises, fast and slow

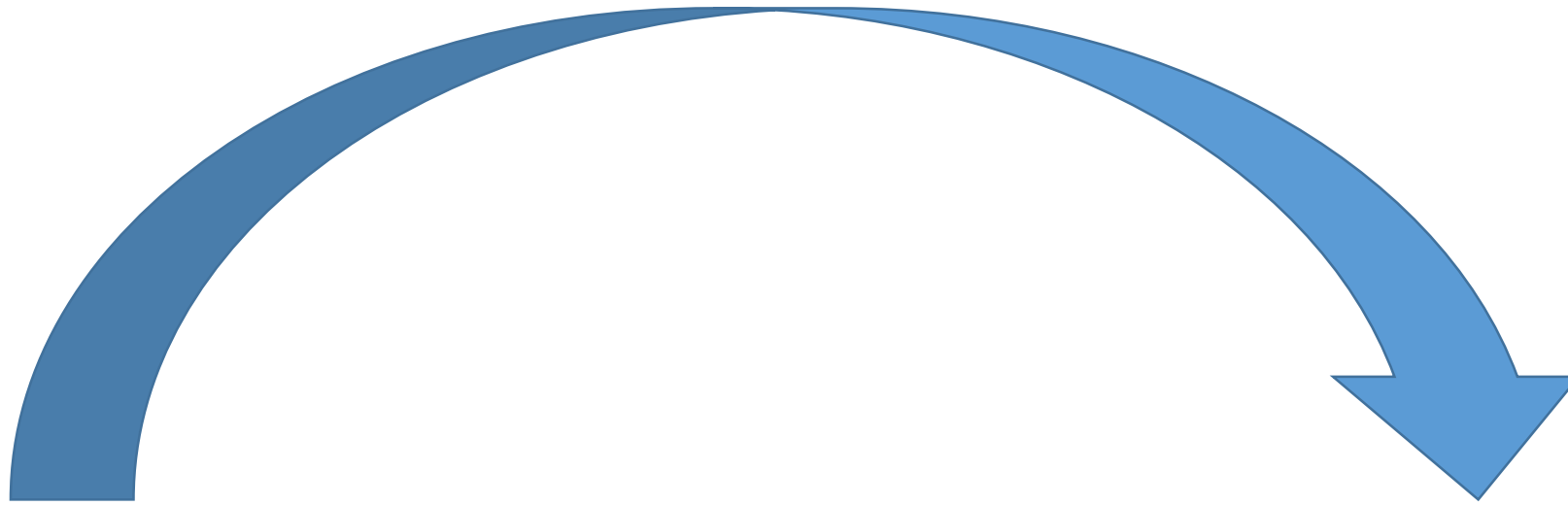
Some hypotheses:

- Fiscal policy: austerity vs. sustainable growth model
- Financial regulation: fighting yesterdays crisis vs. long-term stability
- Taxation: tax competition vs. sustainable government finances
- Monitoring: onerous, bright-line rules vs. long-term flexibility

When to worry about backsliding, and when not



When to worry about backsliding, and when not



Poor/detrimental
MS policy

Clear collective action problems and distributive conflicts

Fear of backsliding justified

- Harmful tax competition
- Fiscal policy

➤ Need for pressure and binding agreements

“Wicked problems” with unclear solutions and multiple interpretations I

Regulating for financial stability

- Credit rating agencies
 - Accounting standards
 - Capital buffers for banks
 - Macroprudential policy framework
- Fear of “backsliding” less obviously useful

“Wicked problems” with unclear solutions and multiple interpretations II

The Macroeconomic Imbalance Procedure

- Dutch mortgage interest deductability
 - Belgium inflation-indexation of wages
 - German current account surplus
- Also here: fear of backsliding less obviously useful

Policy implications

- How “easy to solve” problems are is often a *practical* question
 - What may sound straightforward in theory may not be in practice
 - Punitive measures to prevent policy backsliding may be counterproductive
 - Room for Juncker’s “more political” Commission, accepting alternative viewpoints
 - Dialogue and collective puzzling equally important as linear thinking about policy progress and regress