

FOREWORD

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This volume brings together the papers presented at the 14th Banca d'Italia Public Finance Workshop, held in Perugia from 29 to 31 March 2012.

The workshop focused on the issue of Fiscal Policy and Growth. In recent years this issue has come again to the fore. The global economy continues to recover, but growth remains uneven across countries. While it is strong in emerging markets, growth has been relatively weak in several advanced countries, with employment lagging. This adds to the challenge of fiscal adjustment following unprecedented government action to support the economy during the crisis.

In the short/medium term, the appropriate phasing out of fiscal stimulus measures will be crucial to sustaining the fiscal consolidation effort. Over a longer horizon, as fiscal space remains tight in industrial countries owing to unfavourable demographics and high public debts, the composition of government budgets will be a key policy variable. The quality of regulation and effectiveness in the provision of public goods and services will also play an important role. The need to ensure the sustainability of economic development impinges on an array of public policies and issues, ranging from environment protection to income redistribution, from the design of fiscal frameworks to the creation of an innovation-friendly economic context.

The workshop provided an overview of the recent theoretical and empirical work on the link between public policies and economic growth. It examined the short-term effects of fiscal policy, the size of short-term multipliers of individual budget items, comparing alternative strategies to increase government revenue and decrease spending. It also examined the link between the structure of government budgets and long-term growth, considering which tax reforms can be growth-enhancing and how the level of taxation and the relative weights of income, consumption and wealth taxes affect potential growth. It assessed the contribution to growth of public spending for the formation and preservation of human and physical capital, as well as the role of regulation in facilitating business activity. It examined how reforms in the management of such public services as education, health care and justice can improve their quality and augment potential economic growth. Finally, it evaluated the design of fiscal frameworks that can increase economic stability and the policies that can foster innovation and social cohesion.

Banca d'Italia is grateful to the institutions that contributed to the success of the initiative, to the experts who provided research papers and to all who came to Perugia to take part in the discussion.

This volume extends the analysis of fiscal policy issues carried out in the previous workshops, which were devoted to *Indicators of Structural Budget Balances* (1998), *Fiscal Sustainability* (2000), *Fiscal Rules* (2001), *The Impact of Fiscal Policy* (2002), *Tax Policy* (2003), *Public Debt* (2004), *Public Expenditure* (2005), *Fiscal Indicators* (2006), *Fiscal Policy: Current Issues and Challenges* (2007), *Fiscal Sustainability: Analytical Developments and Emerging Policy Issues* (2008), *Pension Reform, Fiscal Policy and Economic Performance* (2009), *Fiscal Policy: Lessons from the Crisis* (2010) and *Rules and Institutions for Sound Fiscal Policy after the Crisis* (2011).

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