

Discussion of
'Fiscal Multipliers and Economic Risk'

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Is efficacy of fiscal policy dependent on:

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- The uncertainty surrounding the economic outlook?

If so, when is fiscal policy more potent?

A Change of Perspective: Literature

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Finds:

- Government spending multipliers bigger in recessions
- Government spending multipliers bigger at ZLB
- Sign of shock matters: multiplier associated to negative shock bigger

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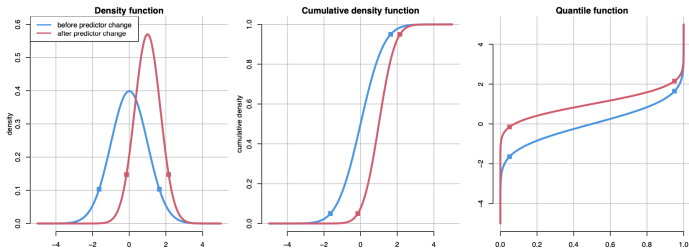
Method:

- Both **mean** and **standard deviation** of outcome variable are affected by regressor (Machado and Santos Silva, 2019)
- Distribution of outcome variable allowed to respond **endogenously**
- Can compute **multipliers at τ -th quantile**

This Paper: Main Results

- Increases in G raise output level (mean) and reduce uncertainty (sd)
- Extreme events become less likely
- Stronger impact of G on left tail of output distribution

FIGURE 1: ILLUSTRATIVE EXAMPLE OF THE EFFECTS OF A PREDICTOR ON THE DENSITY OF THE OUTCOME VARIABLE BASED ON THE LOCATION-SCALE MODEL.



Note The blue lines represent the density, cumulative density and quantile function of the outcome variable before the change in the predictor, while the red lines the ones after the change in the predictor. The squares indicate the corresponding 5-th and 95-th quantiles of the distribution. The example is calibrated as to match the sign of the location and scale parameter that we obtain from the empirical analysis, namely, a positive location parameter and a negative scale parameter.

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- Macro uncertainty
- Economic policy uncertainty
- Financial uncertainty

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→ How is output dispersion affecting/correlated with other measures of uncertainty?

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Through which channel is fiscal policy (G) reducing uncertainty?

- Is fiscal policy signalling government's view of the economic outlook?
- Is this signal reducing uncertainty?
- When uncertainty in the economy is high, signal is stronger (Melosi, Morita, Rogantini Picco, and Zanetti, 2026)

To Recap

- We live in a non-linear world
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- Uses a conditional location-scale model to address this question
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My comments:

- Useful change of perspective
- Which type of uncertainty?
- Think more about the mechanism