

# Discussion on Effectiveness of Fiscal Policy

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## Discussion: Motivation and outline

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  - High income versus emerging/developing



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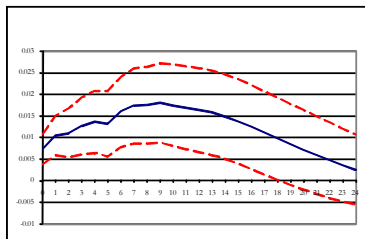
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  - **Fix versus flex**

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  - High income versus emerging/developing
  - Fix versus flex
  - Open versus closed

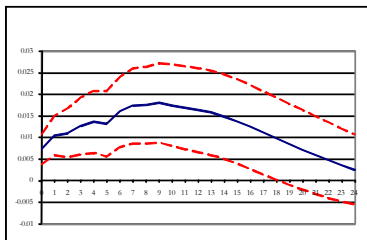
# Fiscal multipliers: High income versus emerging countries

- High income countries

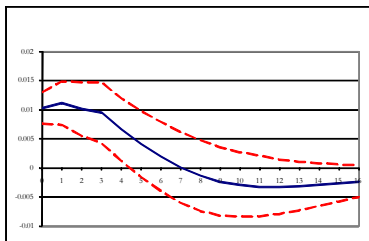


# Fiscal multipliers: High income versus emerging countries

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- Emerging countries

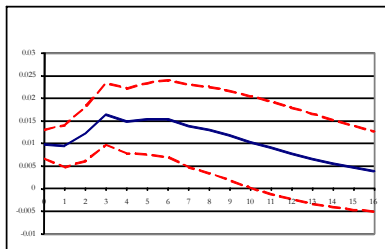


# Fiscal multipliers by income levels

	Impact multiplier	Peak multiplier	Cumulative multiplier
G7	0.40	1.32	1.17
High income	0.36	0.92	1.34
Emerging	0.60	0.64	0.31
Developing	0.70	0.70	0.76

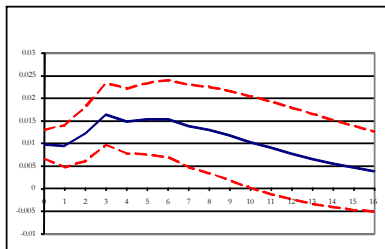
# Developing countries: Fix (predetermined) versus flex

- Predetermined

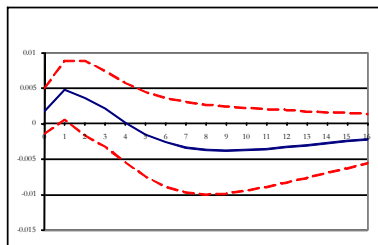


# Developing countries: Fix (predetermined) versus flex

- Predetermined



- Flexible



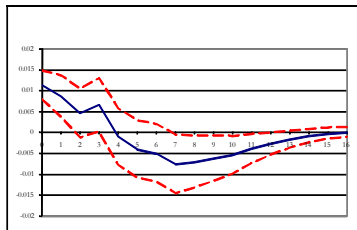
# Fiscal multipliers by exchange rate regime

	Impact multiplier	Peak multiplier	Cumulative multiplier
Fixed	0.63	1.06	2.50
Flexible	0.11	0.30	-0.77



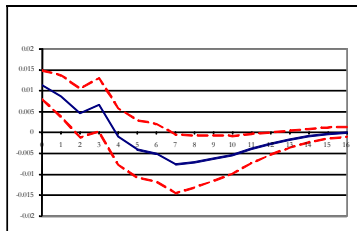
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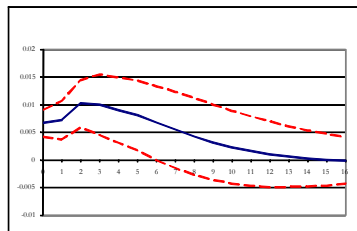


# Developing countries: Open versus closed

- Open



- Closed



# Developing countries: Multipliers by degree of openness

	Impact multiplier	Peak multiplier	Cumulative multiplier
Open	0.73	0.73	-0.38
Closed	0.43	0.66	1.06

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- Key: Stop being procyclical!