

s 22

From: s 22
Sent: Thursday, 1 September 2016 11:07 AM
To: s 22
Cc:
Subject: Tony Makin [SEC=UNCLASSIFIED]
Attachments: Treasury Paper_Makin.pdf

s 22

Tony Makin's draft has arrived. Its contents include a review of the role of fiscal stimulus, with an assessment of the GFC period and a forward-looking discussion focussed on fiscal consolidation. In brief, his conclusions are that the theoretical arguments supporting fiscal stimulus are not strong; in his view, fiscal stimulus during the GFC period did not support growth; and fiscal consolidation driven by restraining outlays is necessary.

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As to the contents, we should get some input from a broader audience.

One observation that I have is that his focus on the benefits of the stimulus during the GFC is very narrow – whether it had an immediate impact in the quarters after it was implemented. His strong view is that it didn't. I think that the quality of the paper and policy discussion would be improved if the focus was extended to the impact over a number of years after the initial stimulus. I note that Warwick McKibbin and Andrew Stoeckel have written a good paper with this time frame in mind. The thrust of their results is similar to Makin's argument – fiscal stimulus boosted real interest rates and led to weaker outcomes. But this played out over a few years not in the short period that Makin suggests. In the very short run fiscal policy raised growth in their results but this positive impact was quickly reversed.

There is a good policy debate to be had from this paper – whether we would have been better served having less fiscal stimulus and more monetary easing during that period. But that has to be framed over an assessment over several years rather than just the immediate few quarters following the crisis. I worry that this debate could be lost if it is just framed around a review of the immediate impact of the stimulus. That's Tony's strong view and we should publish it but we should encourage him to recast the question slightly to take in the full impact. This would not be inconsistent with his arguments.

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From: s 22
Sent: Thursday, 1 September 2016 2:04 PM
To: s 22
Cc:
Subject: Re: Tony Makin [SEC=UNCLASSIFIED]

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Agree

Please talk with Tony along these lines

Thanks

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> On 1 Sep 2016, at 2:07 AM, s 22 wrote:
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> <Treasury Paper_Makin.pdf>

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From: s 22
Sent: Wednesday, 31 August 2016 10:08 AM
To: s 22
Subject: RE: Treasury Research Institute Papers [SEC=UNCLASSIFIED]

Thanks^{s 22} – I'll consult my colleagues

From: s 22
Sent: Wednesday, 31 August 2016 8:44 AM
To: s 22
Subject: Treasury Research Institute Papers [SEC=UNCLASSIFIED]

s 22

There are a number of papers in line to be published as the Treasury Research Institute series. These include Tony Makin's, s22. I suggest that we use this form of words for the series and as a disclaimer. I'm happy for your advice.

"The Treasury Research Institute Series publishes papers on topical issues relevant to Treasury. The papers are written by external experts or by Treasury staff. The views expressed in the papers are entirely those of the authors and do not necessarily reflect those of the Australian Treasury or Australian Government."

My review is supposed to be the first in this series. It is currently listed as a standalone publication on the website so it will have to be rebadged slightly in line with upcoming papers in the series.

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From: s 22
Sent: Wednesday, 31 August 2016 10:09 AM
To: Deputy Secretaries; s 22
Subject: FW: Treasury Research Institute Papers [SEC=UNCLASSIFIED]

Any thoughts?

From: s 22
Sent: Wednesday, 31 August 2016 8:44 AM
To: s 22
Subject: Treasury Research Institute Papers [SEC=UNCLASSIFIED]

s 22

There are a number of papers in line to be published as the Treasury Research Institute series. These include Tony Makin's, s22. I suggest that we use this form of words for the series and as a disclaimer. I'm happy for your advice.

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From: s 22
Sent: Tuesday, 30 August 2016 6:02 PM
To: s 22
Subject: Makin Paper [SEC=UNCLASSIFIED]
Attachments: Treasury Paper_Makin.pdf

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As discussed at GEM, the Makin paper has arrived. A copy is enclosed.

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