



THE
GROWTH
DIALOGUE



INTERGOVERNMENTAL
GROUP OF TWENTY FOUR

New Challenges to Growth and Productivity
25 September 2013

Conference Hall 1, IMF HQ2
Washington, D.C.

Session 3
Rethinking the Role of Government
and Fiscal Policy

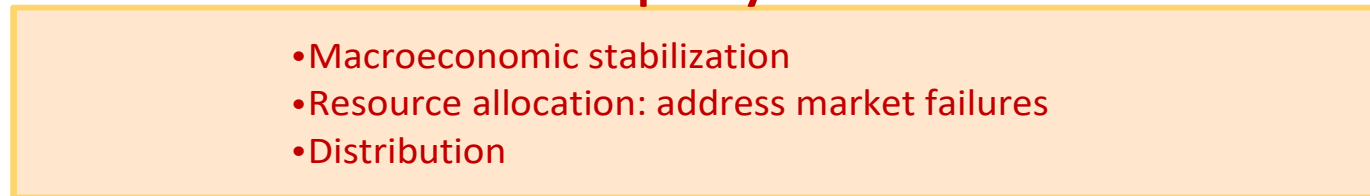
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Fiscal Policy for Growth and Development—A Framework

Development objectives



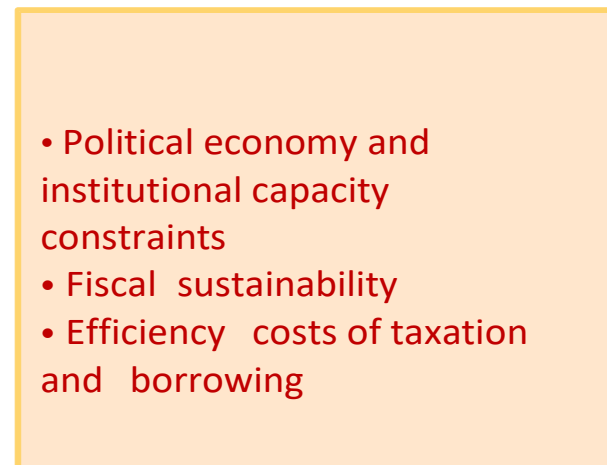
Fiscal policy rationale



Instruments and institutions



Constraints



Fiscal policy effectiveness

- Conditional on levels of public debt
- Conditional on economic slack and monetary policy

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- Schumpeterian features of fiscal policy
- Quality of public expenditures and taxes
- Pipeline of public investment projects
- Hyper-activism may create uncertainty (the recent Brazilian experience)
- Development banks and additionality

Natural resource-rich countries as a singular case

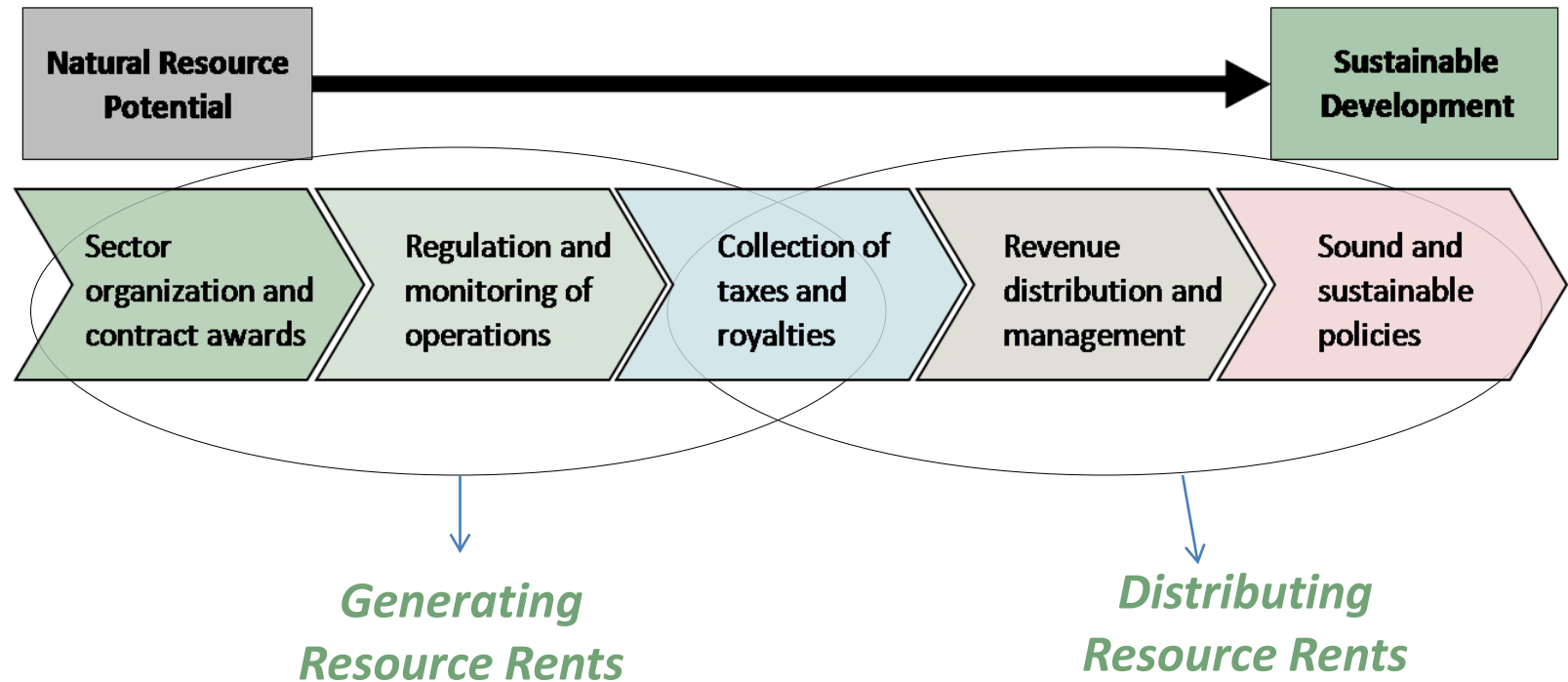
Table 1. Wealth and Per Capita Wealth by Type of Capital and Income Group, 1995 and 2005

Income group	1995				
	Total wealth (US\$ billions)	Per capita wealth (US\$)	Intangible capital (%)	Produced capital (%)	Natural capital (%)
Low income	2,447	5,290	48	12	41
Lower-middle income	33,950	11,330	45	21	34
Upper-middle income	36,794	73,540	68	17	15
High-income OECD	421,641	478,445	80	18	2
World	504,548	103,311	76	18	6
	2005				
Low income	3,597	6,138	57	13	30
Lower-middle-income	58,023	16,903	51	24	25
Upper-middle income	47,183	81,354	69	16	15
High-income OECD	551,964	588,315	81	17	2
World	673,593	120,475	77	18	5

Source: World Bank 2011, 7.

Note: Figures are based on the set of countries for which wealth accounts are available from 1995 to 2005. Data in this table do not include high-income oil exporters. OECD = Organisation for Economic Co-operation and Development.

In natural resource rich economies, fiscal policy decisions are crucial at each stage of the value chain



Barma et al. (2011). "Rents to Riches – The Political Economy of Natural Resource-Led Development". World Bank, Washington, D.C.