

Cristina Herrero discusses with the Governor of the Bank of Spain on the role of economic policies after the Covid-19 crisis

- In the Dialogue “Economics and politics during and after Covid-19” , Cristina Herrero proposed that this is the right time to draw up a medium-term fiscal strategy that will allow both the consolidation of public accounts and economic growth
- In the debate on the reform of the European fiscal framework, she reflected on the role that Independent Fiscal Institutions might play in defining realistic strategies adapted to the needs of each country
- Cristina Herrero and Pablo Hernández de Cos also analysed how the evaluation of public policy programmes may contribute towards maximising the long-term transformative impact of European funds

AIReF’s President, Cristina Herrero, today discussed with the Governor of the Bank of Spain, Pablo Hernández de Cos, the role of monetary and fiscal policies in response to the crisis caused by the pandemic. This discussion took place during the Ivie - Fundació Ernest Lluch Series of Dialogues, “Crisis and catharsis: lessons from Covid-19 and beyond”, organised by IVIE (the Valencian Institute of Economic Research).

In the first part of the discussion, the President of AIReF and the Governor of the Bank of Spain spoke of the importance that the forceful and coordinated economic policy response implemented both internationally and in the different fields of economic policy (monetary, fiscal, prudential) has had in mitigating the economic effects of the crisis.

They also pointed out that it is essential for fiscal policy to have room to manoeuvre in order to address future crises. For this purpose, it is essential for a comprehensive strategy to be designed that acts not only directly on public finances but also on the economy’s capacity for growth.

Cristina Herrero and Pablo Hernández de Cos exchanged views on how the medium-term fiscal consolidation process should be addressed in order to ensure the sustainability of public accounts following the significant increase in debt resulting from the short-term reaction to this crisis. They also identified key areas for reform, both in Spain and in the euro area as a whole, to ensure that fiscal policy can work together optimally with monetary policy in order to achieve macroeconomic stability. As part of these reforms, the President of AIReF stressed the need for a medium-term orientation of the European and national fiscal frameworks in which Independent Fiscal Institutions might help with their analyses and evaluations.

Public policy evaluations

Regarding European funds and structural reforms, Cristina Herrero and Pablo Hernández de Cos analysed how evaluating public policy programmes can contribute towards maximising the long-term transformative impact of European funds, as well as how they can serve to drive the necessary structural reforms in Spain.

On this point, they acknowledged the particular importance of the institutional role of independent organisations, such as AIREF and the Bank of Spain, which can improve the quality of public policies and their impact on long-term economic growth through their analyses and evaluations. They both highlighted that strengthening the independence and accountability of independent economic institutions can contribute towards establishing a culture of evaluation in Spain that will help to improve the results of public policies.