
Foreword

For many countries the global financial crisis also turned into a fiscal crisis. Policy makers had to confront an extraordinarily challenging environment with fewer than usual economic weapons in their arsenals. In particular, monetary policy—the main traditional stabilization tool—was constrained, leaving fiscal policy to shoulder an unusually large burden. A combination of fiscal stimulus, collapse in output and fiscal revenues, along with, in some cases, expensive packages to rescue the financial system, strained public finances and resulted in higher government debt.

The unprecedented magnitude and scope of the crisis led to a broad rethinking of policy advice, including a call for a globally coordinated fiscal policy response. Later, as the macroeconomic outlook improved, policy makers shifted their attention to the task of reining in the surge in public debt—which can often be a lengthy undertaking. The issues covered in this book will therefore remain at the forefront of the fiscal policy debate for many years. *Post-crisis Fiscal Policy* is the first book by IMF staff entirely devoted to fiscal policy and the global crisis. It reflects the Fund's unique vantage point, gathered from helping our membership navigate the policy challenges of the past tumultuous years. It brings together much of the analysis that has guided the IMF's position on the evolving role of fiscal policy. In particular, it underscores how the global financial crisis has reshaped our understanding of the role of fiscal policy and has refocused the attention of the economics profession on fiscal sustainability issues.

While the analysis is deeply rooted in analytical work, the book is mostly non-technical and written with a wide audience in mind. I expect it to be of interest to policy makers and to those in think tanks, academe, and the financial media. I hope it contributes to an informed and productive public dialogue within our member countries as they confront the fiscal challenges of the future.

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