

Il Dipartimento di Economia Organizza il Seminario

THE SHORT- AND LONG-RUN DAMAGES OF FISCAL AUSTERITY: KEYNES BEYOND SCHUMPETER

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Abstract: In this work we analyze the short- and long-run effects of fiscal austerity policies, employing an agent-based model populated by heterogeneous, boundedly-rational firms and banks. The model, in line with the family of "Keynes+Schumpeter" formalism, is able to account for a wide array of macro and micro empirical regularities. In particular, it endogenously generates self-sustained growth patterns together with persistent economic fluctuations punctuated by deep downturns. On the policy side, we find that austerity policies considerably harm the economy, by increasing output volatility, unemployment, and the incidence of crises. In addition, they depress innovation and the diffusion of new technologies, thus reducing long-run productivity and GDP growth. Finally, we show that "discipline-guided" fiscal rules are self-defeating, as they do not stabilize public finances, but, on the contrary, they disrupt them.

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La partecipazione è aperta a tutti gli interessati