THE OECD STRATEGIC RESPONSE TO THE CRISIS AND GOVERNMENT STIMULUS PACKAGES

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The OECD Strategic Response to the Crisis and Government Stimulus Packages

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1. **Finance, Competition and Governance:**
   - Work to strike a better balance between the search for returns and prudence with regards to risk
   - Developing exit strategies that are consistent with long-term growth

2. **Fostering Long-Term Growth:**
   - Keeping markets open (trade and investment)
   - Aligning stimulus measures with long-term growth (e.g. through sustainable macro policies; growth-oriented tax reforms; labour and education measures; investments in long-term growth, e.g. infrastructure, green growth and innovation)
Government responses: Economic stimulus packages

• Unprecedented fiscal stimulus: mixtures of financial bail-outs, tax cuts and extra-budgetary spending

• Virtually all OECD countries have packages, some several, ranging from (2009/10):
  – USD 500 million to 804 billion
  – as share of GDP: 0.3% to 5%
  – total of USD 1.5 trillion

• Non member economies:
  – China USD 580 billion (13% of GDP)

Source: OECD Interim Economic Outlook 2009, 31 March 2009

The size and composition of fiscal packages
Cumulative impact of fiscal packages over the period 2008-2010 on fiscal balances as % of 2008 GDP

Source: OECD Interim Economic Outlook 2009, 31 March 2009
Long-term growth measures in the stimulus packages

- Improving infrastructure (e.g. roads, transit, broadband)
- Support for R&D and innovation
- Investment in human capital, education/training
- Green technologies and energy-efficiency
- Support for innovation and entrepreneurship (incl. support for SMEs, venture capital)
Table 1. Financial weights of selected, long-term policies in OECD country stimulus packages, May 2009

<table>
<thead>
<tr>
<th></th>
<th>Infrastructure</th>
<th>Science, R&amp;D and innovation</th>
<th>Education</th>
<th>Green technology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>AUD 9.7 billion</td>
<td>AUD 2.9 billion</td>
<td>AUD 15.7-17 billion up to 1.4%</td>
<td>AUD 5.7 billion</td>
</tr>
<tr>
<td>% of GDP</td>
<td>0.82%</td>
<td>0.25%</td>
<td>0.46%</td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>CAD 20.3 billion</td>
<td>CAD 800 million</td>
<td>CAD 1.9 billion</td>
<td>CAD 2.8 billion</td>
</tr>
<tr>
<td>% of GDP</td>
<td>1.27%</td>
<td>0.05%</td>
<td>0.12%</td>
<td>0.18%</td>
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<tr>
<td>Chile</td>
<td>USD 700 million</td>
<td>USD 8.8 million</td>
<td>USD 147 million</td>
<td>USD 0</td>
</tr>
<tr>
<td>% of GDP</td>
<td>0.50%</td>
<td>0.01%</td>
<td>0.19%</td>
<td>0%</td>
</tr>
<tr>
<td>Finland</td>
<td>EUR 910 million</td>
<td>EUR 25 million</td>
<td>EUR 30 million</td>
<td>EUR 38 million</td>
</tr>
<tr>
<td>% of GDP</td>
<td>0.48%</td>
<td>0.01%</td>
<td>0.02%</td>
<td>0.02%</td>
</tr>
<tr>
<td>France</td>
<td>EUR 4.7 billion</td>
<td>EUR 46 million</td>
<td>EUR 731 million</td>
<td>EUR 30 million</td>
</tr>
<tr>
<td>% of GDP</td>
<td>0.24%</td>
<td>0.00%</td>
<td>0.04%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Germany</td>
<td>EUR 11.5 billion</td>
<td>EUR 1.4 billion</td>
<td>EUR 14.5 billion</td>
<td>EUR 5.7 billion</td>
</tr>
<tr>
<td>% of GDP</td>
<td>0.5%</td>
<td>0.1%</td>
<td>0.6%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Korea</td>
<td>KRW 50 trillion (USD 36 billion)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norway</td>
<td>NOK 3.8 billion</td>
<td>NOK 170 million</td>
<td>NOK 270 million</td>
<td>NOK 1.6 billion</td>
</tr>
<tr>
<td>% of GDP</td>
<td>0.16%</td>
<td>0.01%</td>
<td>0.01%</td>
<td>0.06%</td>
</tr>
<tr>
<td>Sweden</td>
<td>SEK 8.6 billion</td>
<td>SEK 9 billion</td>
<td>SEK 500 million</td>
<td>SEK 2 billion</td>
</tr>
<tr>
<td>% of GDP</td>
<td>0.27%</td>
<td>0.29%</td>
<td>0.016%</td>
<td>0.06%</td>
</tr>
<tr>
<td>Poland</td>
<td>PLN 91.3 billion</td>
<td>PLN 16.8 billion</td>
<td>n.a.</td>
<td>PLN 2.5 billion</td>
</tr>
<tr>
<td>% of GDP</td>
<td>0.072%</td>
<td>0.013%</td>
<td>n.a.</td>
<td>0.002%</td>
</tr>
<tr>
<td>Portugal</td>
<td>EUR 50 million</td>
<td>EUR 224 million</td>
<td>EUR 682 million</td>
<td>EUR 260 million</td>
</tr>
<tr>
<td>% of GDP</td>
<td>0.03%</td>
<td>0.13%</td>
<td>0.41%</td>
<td>0.16%</td>
</tr>
<tr>
<td>USA</td>
<td>USD 100 billion</td>
<td>USD 16 billion</td>
<td>USD 63 billion</td>
<td>USD 59 billion</td>
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<tr>
<td>% of GDP</td>
<td>0.79%</td>
<td>0.11%</td>
<td>0.58%</td>
<td>0.45%</td>
</tr>
</tbody>
</table>

Long-term goals and short-term actions

- Many governments are looking for **double-dividend actions** that can strengthen short-term demand and support long-term growth, e.g.:  
  - Well-designed investments in infrastructure  
  - Spending on training and active labour market policies.
OECD work on the stimulus packages

- Analysis of *size and composition*, with focus on:
  - Macro-economic (fiscal) impact
  - Trade and competition aspects
  - Employment measures
  - Environmental measures
  - Long-term growth measures
  - Specific sectors (steel, shipbuilding, construction, cars)

- Further work:
  - Assessing the impacts of the packages.
  - Continued monitoring.

Further information

- OECD Ministerial Council Meeting of 24-25 June:
  - Key *topics* for discussion:
    1. The road to recovery
    2. Green growth: overcoming the crisis and beyond
    3. Keeping markets open for trade and investment

- Main focus of discussion: towards a stronger, cleaner and fairer world economy.

- Attendance: OECD members, 5 accession countries and 5 enhanced engagement countries.