

## This time can and must be different

We Europeans feel that economic policy failed to live up to the circumstances during the Great Recession. Some feel this way because not all the necessary reforms were carried out – and many are still pending to this day. Others feel let down because public sector support during the crisis and the subsequent recovery was insufficient. No doubt everyone is partly right, and that explains why the frustration was widespread. This time can be different. This time must be different.

The main pieces needed for this to be the case are already on the table. The first is the decisive and rapid reaction from monetary policy, which has acted without hesitation since the beginning of the current crisis. Above all, the most differential element compared to the Great Recession is an expansive fiscal policy in all European countries. In addition to this is the European NGEU programme, which has been praised so often – and deservedly so – for the volume of funds it intends to mobilise, for the impetus that an ambitious reform agenda can offer and for the transformative potential it represents for the European institutional architecture. What is the missing piece to make this time different? Effectiveness.

The economic impact of fiscal policy is very varied. It can be virtually non-existent if the money is spent on projects that generate neither an economic nor a social return. No doubt some recent action in this regard comes to mind. But it can also become a tool for economic transformation, with a high and persistent impact. The prime example of this is the so-called Marshall Plan, but there are also many other recent examples. There are many aspects that influence whether the balance tilts one way or the other. But there is one that is key to the effectiveness of fiscal policy and in which there is ample room for improvement: the evaluation of public policies.

We must aspire to make the evaluation of public policies another ingredient in the cycle of their design, approval and implementation; to ensure that these evaluations are carried out systematically and rigorously, and that their outcome is made public and is taken into account in political decisions. The conviction that drives this reasoning: if economic policy decisions are better informed, then the economic impact of fiscal policy will be greater.

The context is pressing. With vast public deficits and high levels of debt, resources, which are always scarce, must be used even more effectively. But in addition to this warning, which is unavoidable for an economist, the current context also offers major opportunities. The development of big data techniques, machine learning and artificial intelligence is enabling the emergence of new sources of economic information which can greatly improve the ability to evaluate public policies. We can now track the evolution of economic activity in real time and with a very high level of disaggregation. This should enable us to assess the impact of public policies and correct them, if necessary, much more quickly and effectively. The indicator developed by CaixaBank Research during the pandemic to take real time measurements of changes in inequality and the effect of public sector aid can serve as a useful tool in this regard.

Beyond the elements of necessity and opportunity, we have a moral duty to use public resources in the best way possible, especially now that a very substantial portion will be obtained thanks to the solidarity of the various European countries. Public policy evaluation is a very valuable tool in this regard, as it would enable us to show, both to citizens and to European partners, that the resources are used effectively. This would improve the diminished confidence in institutions, and in the democratic system in general, and would also strengthen the European project.

The government has already made its first moves. In mid-June, the prior public consultation on the «Proposed Draft Law on the Institutionalisation of Public Policy Evaluation» was completed. Not everything is in the hands of economic policy. But it must do everything in its power to live up to the circumstances. If this is achieved, this time will be different. If not, the frustration could be difficult to digest.

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