

# **Institutional common patterns in the Euro area: The role of the nexus between economic growth, fiscal sustainability and monetary policies**

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## The methodology

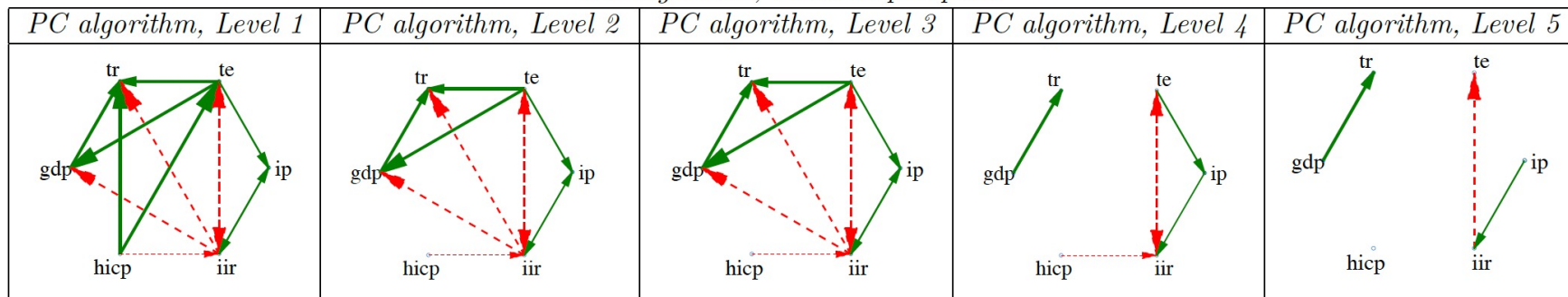
- A panel VAR with  $p$  variables for causality tests in a multivariate structure:

$$y_{(i,t)} = \mu_i + \sum_{\tau=1}^{\tau_i} \phi_{i(\tau)} y_{i,t-\tau} + u_{i,t}; \quad i = 1, \dots, N; t = 1, \dots, T$$

- Gil-Bermejo et al. (2022) combine both pieces of literature to help to identify the underlining factors/indicators shaping the causal network dependencies within a multivariate framework
- In the second step, the authors identify the ultimate causal path.

# Main results

PC algorithm, final map. Spain.

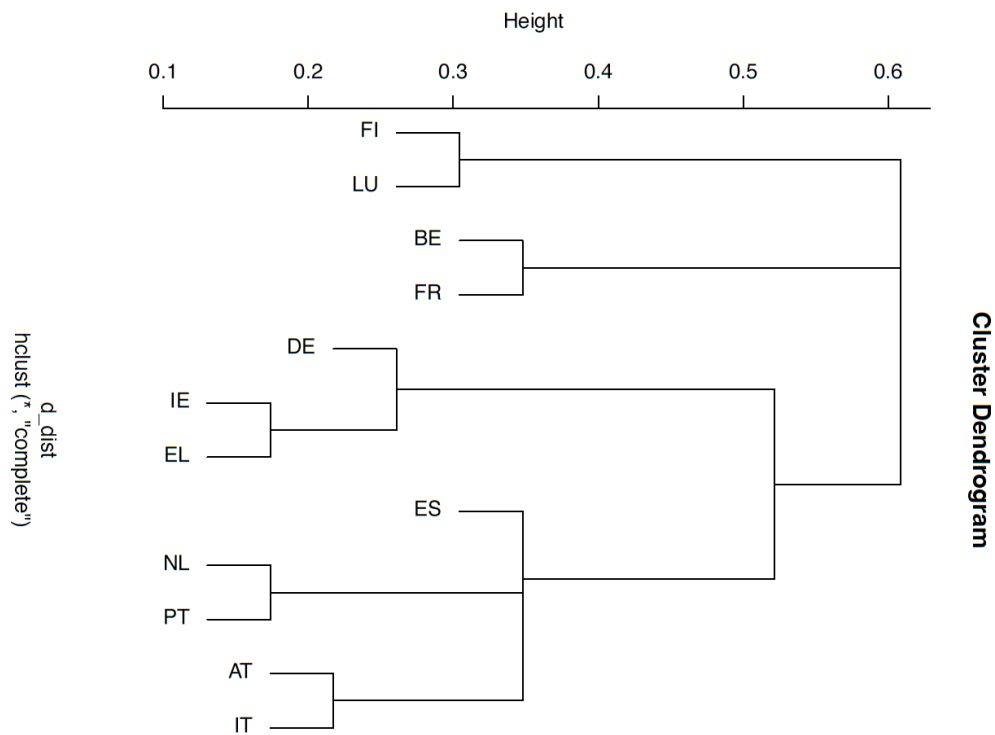


**Source:** Own elaboration using Causality Map Toolbox.

**Notes:**

1) HICP = Harmonized Index of Consumer Price, GDP = Gross Domestic Product, TE = Total Expenditures, TR = Total Revenues, IIR = Implicit Interest Rates, IP = Interest Payments.

# Main results



## Main comments

- Very interesting paper and suggesting results, which deserve a more detailed explanation of the channels and mechanisms behind the estimated casual relationships.
- To some extent, the algorithm is like a black box.
- What explains the differences across countries? What is the role of institutions and rules in explaining these differences?
- Robustness analysis: to test the possibility of regime changes in each country.
- Coordination of monetary and fiscal policies in the current episode of high inflation after COVID-19. Can we check with the methodology used in this paper to what extent fiscal policy is consistent or not with monetary policy?