Discussion of the paper:
Fiscal Multipliers in a Permanent Liquidity Trap

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- The paper is about the effects of different fiscal policy interventions under a permanent liquidity trap.
- There is a small scale Dynamic Stochastic Equilibrium Model (DSGE) with Overlapping Generations (OLG) where nominal interest rate are set to zero.
- There are also different fiscal instruments: government spending, lump-sum taxes/transfers and taxes on consumption and labor income.

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- It is assumed that the monetary policy is passive.
- There is a zero lower bound constraint.
- The model is applied to the case of Japan and the period considered goes from 1995 to 2019.

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- Under passive fiscal policy, it is found that:

i) multipliers are below one

ii) cutting lump-sum taxes leads to a drop in output

iii) multipliers are smaller in comparison to those in an active fiscal policy setting

- Finally, there is a counterfactual exercise

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- Conclusions are not done yet.
- It would be interesting to built a model where it can be relaxed the assumption of the binding zero lower bound, thereby having a model with a negative interest rate.

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¡Thank you!

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