The Washington consensus

1) Pursue fiscal discipline to avoid the macroeconomic instability associated with excessive debt issuance or money creation.

2) Keep public expenditures focused on basic health, education, welfare, and infrastructure, and away from sectoral subsidies of dubious social and economic value.

3) Raise tax revenues from a broad tax base, holding marginal tax rates at moderate levels.

The London consensus

1) Pursue fiscal discipline to avoid the macroeconomic instability associated with excessive debt issuance or money creation.

2) Keep public expenditures focused on basic health, education, welfare, and infrastructure, and away from sectoral subsidies of dubious social and economic value.

3) Raise tax revenues from a broad tax base, holding marginal tax rates at moderate levels.

1) Pursue fiscal activism focused on, first, offsetting uninsured shocks to income via targeted transfers, and, second, on preserving markets and the flow of credit through crises, above and beyond standard government purchases meant to regulate aggregate demand.

2) Make sure that these larger cyclical budget deficits are sustained by strong institutions, national and international, which keep debt sustainable and preserve the safety and liquidity of government bonds.

The London consensus

1) Pursue fiscal discipline to avoid the macroeconomic instability associated with excessive debt issuance or money creation.

2) Keep public expenditures focused on basic health, education, welfare, and infrastructure, and away from sectoral subsidies of dubious social and economic value.

3) Raise tax revenues from a broad tax base, holding marginal tax rates at moderate levels.

1) Pursue fiscal activism focused on, first, offsetting uninsured shocks to income via targeted transfers, and, second, on preserving markets and the flow of credit through crises, above and beyond standard government purchases meant to regulate aggregate demand.

2) Make sure that these larger cyclical budget deficits are sustained by strong institutions, national and international, which keep debt sustainable and preserve the safety and liquidity of government bonds.

There is no future for the EMU, it will involve too much redistribution!

Using dynamic mechanism design, there should be a future for the EMU!

The Luxembourg consensus?

1) Pursue fiscal discipline to avoid the macroeconomic instability associated with excessive debt issuance or money creation.

2) Keep public expenditures focused on basic health, education, welfare, and infrastructure, and away from sectoral subsidies of dubious social and economic value.

3) Raise tax revenues from a broad tax base, holding marginal tax rates at moderate levels.

1) Pursue fiscal activism focused on, first, offsetting uninsured shocks to income via targeted transfers, and, second, on preserving markets and the flow of credit through crises, above and beyond standard government purchases meant to regulate aggregate demand.

2) Make sure that these larger cyclical budget deficits are sustained by strong institutions, national and international, which keep debt sustainable and preserve the safety and liquidity of government bonds.

1) Design **preventive fiscal policies and institutions** to insure forseable risks, fluctuations and challenges, while keeping debt safe (liquid) and sustainable, and **avoiding undesirable persistent fiscal transfers**.
2) In the EU, with an Executive Commission & the New SGP, it should be enough with the **ECB** and the **European Stability Fund** + EFB et al IFIs

The Luxembourg consensus?

1) Pursue fiscal discipline to avoid the macroeconomic instability associated with excessive debt issuance or money creation.

2) Keep public expenditures focused on basic health, education, welfare, and infrastructure, and away from sectoral subsidies of dubious social and economic value.

3) Raise tax revenues from a broad tax base, holding marginal tax rates at moderate levels.

1) Pursue fiscal activism focused on, first, offsetting uninsured shocks to income via targeted transfers, and, second, on preserving markets and the flow of credit through crises, above and beyond standard government purchases meant to regulate aggregate demand.

2) Make sure that these larger cyclical budget deficits are sustained by strong institutions, national and international, which keep debt sustainable and preserve the safety and liquidity of government bonds.

1) Design **preventive fiscal policies and institutions** to insure forseable risks, fluctuations and challenges, while keeping debt safe (liquid) and sustainable, and **avoiding undesirable persistent fiscal transfers**.

Some self-referntial background for The Luxembourg consensus

Liu Y., R. Marimon and A. Wicht, 2024. "Making Sovereign Debt Safe with a Financial Stability Fund", forthcoming, *International Economic Journal.*

Callegari G., R. Marimon, A. Wicht and L. Zavalloni, 2023. "On a lender of last resort with a central bank and a stability fund" *Review of Economic Dynamics,* 50, 106-130.

Ábrahám Á., J. Brogueira de Sousa, R. Marimon and Lukas Mayr, 2023. "On the Design of a European Unemployment Insurance System" *European Economic Review,* 156, 104469.

Ábrahám Á., E. Cárceles-Poveda, R. Marimon and Y. Liu, 2022. "On the Optimal Design of a Financial Stability Fund" (R&R *Review of Economic Studies*)

Marimon, R and A. Wicht, 2021"Euro area fiscal policies and capacity in post-pandemic times", *European Parliament, Economic Governance Support Unit,* 2021, PE 651.392.