Key elements of policy stimulus proposals:

- Corporate sector taxation
  - Potential reduction in corporate tax rate
  - Interest deductibility/expensing investment
  - Incentives for repatriation
- Other (infrastructure spending, deregulation, trade, and other policies)

Financial stability risks in the corporate sector:

- Excessive financial risk taking
- Corporate leverage peaking
- Credit cycle maturing
- Heightened vulnerability to default risk

Stylized Corporate Balance Sheet

Uses of Funds

- Financial risk taking = Acquisition of financial assets, M&A, and share buybacks/dividends
- Economic risk taking = Capital spending (including R&D)

Sources of Funds

- Equity markets (cost of equity finance and issuance)
- Debt markets (cost of borrowing and leverage limits)
- Banks (cost and availability of loans)
- Internal funds (income, operating cash, and buffers)

Sources: S&P 500; and IMF staff.

Note: For more on the depicted breakdown of corporate balance sheets, see Figure 1.7, panel 5. Financial measures such as M&A and net payouts are included as financial risk taking. M&A = mergers and acquisitions; R&D = research and development.