

# Conference "Fiscal Policy Councils - Why Do We Need Them And What Makes Them Effective?"

---

**Comments on National Fiscal Policy Councils - Mandate, Design and Effectiveness (Austria, Belgium, Sweden).**

**Ralf Kronberger**

**Vienna, 31 January 2011**

# Structure

- Which tasks for a fiscal policy council?
- Changing European framework
- Assessing effectiveness
- Design issues

# Which Tasks for a Fiscal Council?

- Presented models of Fiscal Council with different histories and within differing context
  - Austria: origin as Government Debt Committee – long history – intermediate fiscal stance
  - Belgium: 2 institutes (macroeconomic projections and High Council of Finance) - very long history – „not so tight“ fiscal stance
  - Sweden: triggered by eventual EMU membership – short history – tight fiscal stance
- How should tasks be distributed between i.e. Ministry of Finance, (Federal) Court of Audit, economic institute(s), parliament at the national level?
  - Example: Monitoring of Austrian expenditure ceiling by Federal Court of Auditors or by Government Debt Committee?

# Changing European Framework

- European Semester already implemented
  - What is the relationship between recommendations for budgetary policy of the Commission/Council and recommendations of the national fiscal councils?
- Economic Governance
  - Member states will be monitored more closely by Eurostat and the European Commission  
How will these tasks be shared between European institutions and national fiscal councils?

# Assessing Effectiveness

„A fiscal council can contribute to improved fiscal performance in a variety of ways, but is no ‚silver bullet‘ for securing and maintaining fiscal discipline.“ (Hagemann, 2010)

- Which effectiveness and how can it be measured?
  - Considerable methodological caveats regarding synthetic indices
- Should the objectives themselves or the achievement of objectives be evaluated or both?

# Assessing Effectiveness – AT – Numbers, Scores & Diagrams

Public Expenditure objectives published in Austrian Stability Programmes (% of GDP)										
Stability Programmes	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
2009-2013					48,9*	51,5*	51,6	50,9	50,2	49,7
2008-2013				48,3*	48,7*	51,1	51,3	51,1	50,9	
2007-2010			49,3*	48,3	48,1	47,7	47,2			
2006-2010		50,1*	49,1*	48,6	48,2	47,4	46,7			
2005-2008	49,8*	49,5	48,5	47,6	46,7					
2004-2008	50	49,5	48	46,7	45,8					

Austrian „position“ in score table and diagrams in Debrun, Kumar (2008)

But:

- What do the numbers, scores and diagrams really tell us?
- Which impact has the recently implemented expenditure ceiling?

# Assessing Effectiveness – AT – qualitatively (not comprehensive)

- Mixed results of assessing the effectiveness of the Austrian Government Debt Committee recommendations (examples):
  - Discussion of debt brake (workshop), recommendation of implementing expenditure ceilings
  - Numerous recommendations of balanced budget
  - Numerous recommendations regarding compliance of Austrian Stability Pact
  - Numerous recommendations of administrative/pension/fiscal federal system reforms
- Important contributions regarding transparency, agenda setting for economic analysis (workshops), publications, media work

# Design Issues

- How fast and in which way should a fiscal council react to extraordinary events i.e. financial or debt crisis?
- Demographic developments and sustainability in general are gaining in importance with regard to monitoring and recommendations
- Swedish model of public hearing a role model?