

Figures

2.1	Stylized budgetary behaviour over the cycle	28
2.2	Output gap and budget deficit in high- and low-debt EU countries, 1970–90	29
2.3	Different consolidation preferences in EMU	32
3.1	Stabilization and public debt accumulation	41
3.2	Finding the safe medium-term (structural) deficit	47
3.3	Finding the safe medium-term (structural) deficit: the incidence of ‘pure’ fiscal shocks	48
4.1	Demand shock	64
4.2	Supply shock	65
4.3	Short-term expenditure multipliers: the impact on GDP of an increase in government expenditure by 1 per cent of GDP	74
4.4	Short-term tax multipliers: the impact on GDP of a decrease in taxes by 1 per cent of GDP	75
4.5	Smoothing power of automatic stabilizers	77
5.1	FP and CB’s reaction functions	89
5.2	Negative demand shock	93
5.3	Negative supply shock	94
5.4	Optimal policy responses – negative demand shock	97
5.5	Optimal policy responses – negative supply shock	97
6.1	The burden of transition	106
6.2	Investment and deficit in EU countries	110
6.3	Deficit and investment in EU countries	111
6.4a	The Stability Pact	115
6.4b	Excluding gross investment	115
6.4c	<i>Golden rule</i> – German model	115
6.4d	<i>Golden rule</i> – UK model	116
8.1	A general game at EU level	151
8.2	A sanction is introduced	152
8.3	The federal game at national level	155
8.4	The effects of control over local deficits	155
8.5	The federal game at national level after EMU (without ‘European’ sanctions)	156
8.6	The federal game at national level after EMU (with ‘European’ sanctions)	157

9.1	Budgetary room for manoeuvre, 1998–2003	168
9.2	Budgetary behaviour under the SGP: symmetric and asymmetric behaviour	170
12.1	Higher productivity of national spending, $\alpha > \beta$	216
12.2	Higher productivity of EU spending, $\beta > \alpha$	217
12.3	Constrained preference on EU spending, $\beta > \alpha$	217
12.4	From the current to the future apportioning of spending across government levels	224
12.5	Towards a European Budgetary System	228
12A.1	EU and national spending under political constraints	235
12A.2	More efficient EU spending	236
12A.3	More efficient national spending	236