Index

accrual data, 191–2
ageing population
  budgetary impact 52–5, 59, 135
Alesina, A. 39, 213
allocation, EU budget 218–20
Allsopp, C. 23
Ardaña, S. 39
Artis, M.J. 24, 48, 52, 127
Aschauer, D.A. 111, 131
asymmetric shocks see shocks
Auerbach, A.J. 137
automatic stabilizers 60–80
  and public debt 40–41
  smoothing power 76–9
balanced budget 2–11
  impact on public investment 15, 104–7
Balassone, F. 105, 260
banks, central see central banks
Barro, R.J. 60, 105, 123, 131
Bastable, C.F. 6, 15, 16, 243–4
Bean, C.R. 165–6
Beetsma, R. 12, 82, 102
Berglöf, E. 218
Biehl, D. 244
Birnbaum, E.A. 7
Blanchard, O. 30, 44, 125–6, 131, 136, 256, 262
Blinder, A. 9, 10
Bogaert, H. 137
Broad Economic Policy Guidelines 227–30
Buchanan, J.M. 4, 10
budget
  and ageing population 52–5, 59, 135
  approval 231
  behaviour and SGP 27–9
  constraints
  fiscal federalism 146–50
  cyclical sensitivity
effect of EMU 25
  QUEST simulation 70–72
deficit measurement 188–90
flexibility 225–6
implementation and reporting 231–2
reform, EU 213–33
sustainability testing 131–3
targets, SGP 13–14, 24–6, 152–3
budgetary procedure reform
  EU 230–32
  national 197–8
budgetary retrenchment, political
  feasibility 30–31
budgetary weaknesses, EU 211–12
Buiter, W.H. 35, 125, 136, 203
Burkhead, J. 2, 3
Buti, M. 33, 38, 39, 169, 170, 182, 196, 246, 251, 261
Canada, expenditure classification 6
Canzoneri, M.B. 26, 83, 245
capital account 6–8
cash accounts, and transparency
  improvement 193
central banks
  European Central Bank 85
  and macroeconomic policy
    coordination 101–2
    and stabilization policies 83
Chamberlain, N. 9
Chari, V.V. 82–3
Clarke, P. 190, 243
close to balance or in surplus,
  budgetary position 24–6, 37, 119–20
cohesion policy 220–22
Colm, G. 7, 113
Commissione Tecnica per la Spesa
  Pubblica 159
Common Agricultural Policy, 219–20
conditionality, convergence funds 222
Convergence Aid funds 220–21
Cooper, R. 83

Cooperation see coordination
Coordination
fiscal and monetary authorities 91–4, 99–100, 101–2
fiscal policy, euro area 199–200
framework, EU and national budgets 214–18
Coricelli, F. 260
corporate tax reductions, short-term impact 76
Cullis, J. 258
current account 6–8
cyclical behaviour, effect of joining EMU 25, 27–9, 44–7
cyclical sensitivity, effect of EMU 25, 45–6
cyclical stabilization 60–80, 222–3
cyclically adjusted balance 189, 249–50

Dalenberg, D.R. 252
Dalton, H. 15
De Grauwe, P. 246
De Haan, J. 251
De la Fuente, A. 253
De Viti de Marco, A. 5, 123
debt 2–3, 130–31, 187–8, 204–5
financing and intergenerational equity 105–7
local government 150
neutrality 122–3
effect of stabilizers 40
and sustainability 122–7
targets 203–5
debt sustainability Pact 204–5
decentralization, Italy 161–2
defence, EU budget allocation 219
deficit, EU budget 13–14, 130–31, 187–8
ceiling 41–52
impact on public investment 105
Maastricht Treaty 152
finance 187–8
of public investment 105–7
permits 159–61, 200
and public investment 107–10
targets, SGP 24–7
Delbeque, B. 137
demand shocks
effect of automatic stabilizers 62–4
effect on budgetary targets 43
and fiscal-monetary authorities interaction 93, 96–8, 99, 101
negative 90, 91, 96–8
Demertzis, M. 84
demographic change, effect on public expenditure 133–6
Diba, B.T. 26, 83, 245
Dickens, C. 3
discretionary fiscal policy
influence of elections 175–82
measurement 172–5
Dixit, A. 83–4
Domar, E.D. 123, 124, 126, 127, 128, 187, 254, 261
Domestic Stability Pact, Italy 161–4, 165
double budget see dual budget
Drees, W. 9
dual budget 6–8, 112–13
Durrell, A.J.V. 16

Economic Report of the President 4
Eichengreen, B. 37, 41
Einaudi, L. 5
elections, influence on fiscal policy
behaviour 171–2, 175–82
EMU see European Monetary Union
Ercolani, V. 260
Erenburg, S.J. 252
euro area, fiscal policy coordination 199–200
European Budgetary System 227–30
European Central Bank (ECB) 85
European Monetary Union (EMU)
and cyclical sensitivity 25, 43–6
fiscal discipline 18–24
fiscal rules 11–16, 185–92
European Stability Programme 227
European Union (EU)
balance sheet regulations 151–3
budget failures 211–12
budget flexibility 225–6
Budget Law 230–32
budget reform 212–26
budgetary system reform 227–30
cohesion policy 220–22
fiscal rules 196–7
tax regulations, implications for national legislation 151–7
exceptionality condition, SGP 21
Excessive Deficit Procedure 21–2, 186
expenditure rules, SGP reform 201–2
export demand shock, 78
extraordinary finance 5–6

Financial Perspectives 226
fiscal behaviour
and elections 175–82
recession 39–40
fiscal compliance and national legislation 154–7
fiscal consolidation 29–31, 107–10
fiscal discipline 151–64
in EMU 18–24
and fiscal flexibility 38–40
in Maastricht Treaty 18–19
fiscal federalism 144–66, 213–14
and budget constraints 146–50
fiscal-monetary policy interaction 81–102
QUEST model 94–100
fiscal policy
coordination, euro area level 199–200
flexibility
and fiscal discipline 38–40
impact of SGP 32–5
incentives, SGP 169–71
simulation, QUEST model 67–76
Fiscal Policy Committee (FPC) 198–9
fiscal projections, long-term 133–6
fiscal rules
for monetary union 196–7
EMU 11–16, 185–6
fiscal shocks
and budgetary targets 44
and economic activity 70–72
and medium-term deficit 48–52
fiscal stabilization 60–80
fiscal sustainability 121–43, 187–8
Fiscal Theory of the Price Level (FTPL) 83, 247
Flavin, M.A. 131–2
flexibility
EU budget 225–6
fiscal policy 38–40, 32–5
Franco, D. 26, 54, 105
free-riding 151–2, 185
functional finance 9–10

Garcia-Milá, T. 252
generational accounts 137–40
Germany, golden rule implementation 114–15, 117
Giavazzi, F. 39
Giudice, G. 170
golden rule 103–4, 112–20, 262
and government investment 34–5
and SGP reform 202–3
Goode, R. 7
government, central, and fiscal federalism 148–9
government employment, short-term impact 73
government investment see public investment
government solvency and population ageing 52–3
Grafe, C. 203
Griziotti, G. 123
Gros, D. 264

Hallerberg, M. 182
Hamilton, J.D. 131–2
Hansen, A.H. 2, 5–6, 8–9
Haug, A.A. 132
health care expenditure, impact of demographic change 135
Hicks, U. 3, 243
high-debt countries, budgetary behaviour 29, 30
Hughes Hallett, A.J. 84

incentives, fiscal behaviour, SGP 169–71, 207–8
income redistribution, EU 220–22
inflation, effect of automatic stabilizers 62–5
Inman, R.P. 196
institutional reforms 12, 198–9
intergenerational equity, 105–7
intertemporal budget constraint 131–3
investment see public investment
Issing, O. 101–2
Italy
Domestic Stability Pact 161–4, 165
public investment 112
<table>
<thead>
<tr>
<th>Index</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>QUEST model simulation</td>
<td>307</td>
</tr>
<tr>
<td>automatic stabilizers 67–76</td>
<td></td>
</tr>
<tr>
<td>fiscal-monetary policy interaction 94–100</td>
<td></td>
</tr>
<tr>
<td>rainy day funds 159, 208</td>
<td></td>
</tr>
<tr>
<td>recession</td>
<td></td>
</tr>
<tr>
<td>and debt ratio 26–7</td>
<td></td>
</tr>
<tr>
<td>and fiscal behaviour 39–40</td>
<td></td>
</tr>
<tr>
<td>redistribution, EU budget 220–22</td>
<td></td>
</tr>
<tr>
<td>Restructuring Aid funds 221–2</td>
<td></td>
</tr>
<tr>
<td>Ricardo, D. 3, 122–3</td>
<td></td>
</tr>
<tr>
<td>Robinson, M. 257</td>
<td></td>
</tr>
<tr>
<td>sanctions for excessive deficits, SGP 21, 152–3</td>
<td></td>
</tr>
<tr>
<td>Sapir, A. 171, 183, 261</td>
<td></td>
</tr>
<tr>
<td>Sargent, T. 60</td>
<td></td>
</tr>
<tr>
<td>Say, J.B. 2</td>
<td></td>
</tr>
<tr>
<td>Schumacher, E.F. 4</td>
<td></td>
</tr>
<tr>
<td>Seater, J.J. 131</td>
<td></td>
</tr>
<tr>
<td>Sekkat, K. 171, 183</td>
<td></td>
</tr>
<tr>
<td>sensitivity, cyclical, effect of EMU 25, 45–6</td>
<td></td>
</tr>
<tr>
<td>SGP see Stability and Growth Pact</td>
<td></td>
</tr>
<tr>
<td>Shocks asymmetric 42, 222–3 and EU fiscal rules 222–3 and fiscal shocks 42–4</td>
<td></td>
</tr>
<tr>
<td>fiscal see fiscal shocks</td>
<td></td>
</tr>
<tr>
<td>and medium-term budgetary target 42–4</td>
<td></td>
</tr>
<tr>
<td>sensitivity, and QUEST model 70–72</td>
<td></td>
</tr>
<tr>
<td>symmetric 42</td>
<td></td>
</tr>
<tr>
<td>see also demand shocks; supply shocks</td>
<td></td>
</tr>
<tr>
<td>short-term fiscal multipliers 72–6</td>
<td></td>
</tr>
<tr>
<td>Sims, C.A. 83, 249</td>
<td></td>
</tr>
<tr>
<td>Smith, A. 2, 3</td>
<td></td>
</tr>
<tr>
<td>Smithies, A. 9</td>
<td></td>
</tr>
<tr>
<td>smoothing power see automatic stabilizers</td>
<td></td>
</tr>
<tr>
<td>Solow, R.M. 9, 10</td>
<td></td>
</tr>
<tr>
<td>Stability and Growth Pact (SGP) 11–13, 17–18, 20–24</td>
<td></td>
</tr>
<tr>
<td>budgetary targets 13–14, 24–9, 152–3</td>
<td></td>
</tr>
<tr>
<td>extension to national level 157–8 and fiscal policy flexibility 32–5</td>
<td></td>
</tr>
<tr>
<td>fiscal targets 36–5</td>
<td></td>
</tr>
<tr>
<td>incentives 169–71</td>
<td></td>
</tr>
<tr>
<td>and public debt 204–5</td>
<td></td>
</tr>
<tr>
<td>and public investment 33–5, 104–7</td>
<td></td>
</tr>
<tr>
<td>reform proposals 197–210</td>
<td></td>
</tr>
<tr>
<td>sanctions for excessive deficit 21, 152–3</td>
<td></td>
</tr>
<tr>
<td>Stability Pact for Europe 19–20, 37</td>
<td></td>
</tr>
<tr>
<td>stabilization and EU fiscal rules 222–3</td>
<td></td>
</tr>
<tr>
<td>stabilization policies 8–11</td>
<td></td>
</tr>
<tr>
<td>and central bank commitment 83</td>
<td></td>
</tr>
<tr>
<td>EMU 185</td>
<td></td>
</tr>
<tr>
<td>Stabilizers see automatic stabilizers</td>
<td></td>
</tr>
<tr>
<td>Stark, J. 11</td>
<td></td>
</tr>
<tr>
<td>Steve, S. 7, 9, 10, 243</td>
<td></td>
</tr>
<tr>
<td>Strauch, R. 182</td>
<td></td>
</tr>
<tr>
<td>Strauss-Khan, D. 266</td>
<td></td>
</tr>
<tr>
<td>supply shocks</td>
<td></td>
</tr>
<tr>
<td>effect of automatic stabilizers 63–5</td>
<td></td>
</tr>
<tr>
<td>effect on budgetary targets 43–4</td>
<td></td>
</tr>
<tr>
<td>fiscal-monetary policy reaction 90, 91, 93–4, 96, 98–9, 101</td>
<td></td>
</tr>
<tr>
<td>negative 98–9</td>
<td></td>
</tr>
<tr>
<td>permanent 64–5, 80</td>
<td></td>
</tr>
<tr>
<td>sustainability</td>
<td></td>
</tr>
<tr>
<td>and debt 122–7</td>
<td></td>
</tr>
<tr>
<td>long-term 121–4</td>
<td></td>
</tr>
<tr>
<td>measurement 127–33</td>
<td></td>
</tr>
<tr>
<td>and numerical rules 203–5</td>
<td></td>
</tr>
<tr>
<td>public finances 52–5</td>
<td></td>
</tr>
<tr>
<td>synthetic indicators 136–7, 140–41</td>
<td></td>
</tr>
<tr>
<td>Sutherland, A. 39</td>
<td></td>
</tr>
<tr>
<td>Svensson, L. 246</td>
<td></td>
</tr>
<tr>
<td>Sweden, stabilization policy 8</td>
<td></td>
</tr>
<tr>
<td>Symansky, S. 196</td>
<td></td>
</tr>
<tr>
<td>synthetic indicators, long-term projections 136–7, 140–41</td>
<td></td>
</tr>
<tr>
<td>Tabellini, G. 218</td>
<td></td>
</tr>
<tr>
<td>tax</td>
<td></td>
</tr>
<tr>
<td>allocation, fiscal federalism 148–9</td>
<td></td>
</tr>
<tr>
<td>financing, government investment 33–4, 105–7</td>
<td></td>
</tr>
<tr>
<td>reductions, short-term impact 73–5</td>
<td></td>
</tr>
<tr>
<td>regulations, EU, and national legislation 151–7</td>
<td></td>
</tr>
<tr>
<td>revenue 225</td>
<td></td>
</tr>
<tr>
<td>QUEST model 70</td>
<td></td>
</tr>
<tr>
<td>smoothing, Permanent Balance Rule 203–4</td>
<td></td>
</tr>
<tr>
<td>tax-gap indicator 136–7</td>
<td></td>
</tr>
<tr>
<td>Taylor rule 246</td>
<td></td>
</tr>
</tbody>
</table>
tradable deficit permits *see* deficit permits
transparency of fiscal rules 190–92, 193, 207
Treaty of Maastricht *see* Maastricht Treaty
Truman, H.S. 4
Uhlig, H. 82
United Kingdom expenditure classification 6
golden rule implementation 114–16, 118
USA, stabilization policy 8–9
Viegi, N. 84
Vines, D. 23
Von Hagen, J. 85, 182, 266, 267
Wagner, P. 7, 113
Waigel, T. 19, 37, 259
Wallace, N. 60
Wilcox, D. 132
Winkler, B. 24
Wyplosz, C. 41, 84, 198