



European
University
Institute

DEPARTMENT
OF POLITICAL
AND SOCIAL
SCIENCES

European Fiscal Governance

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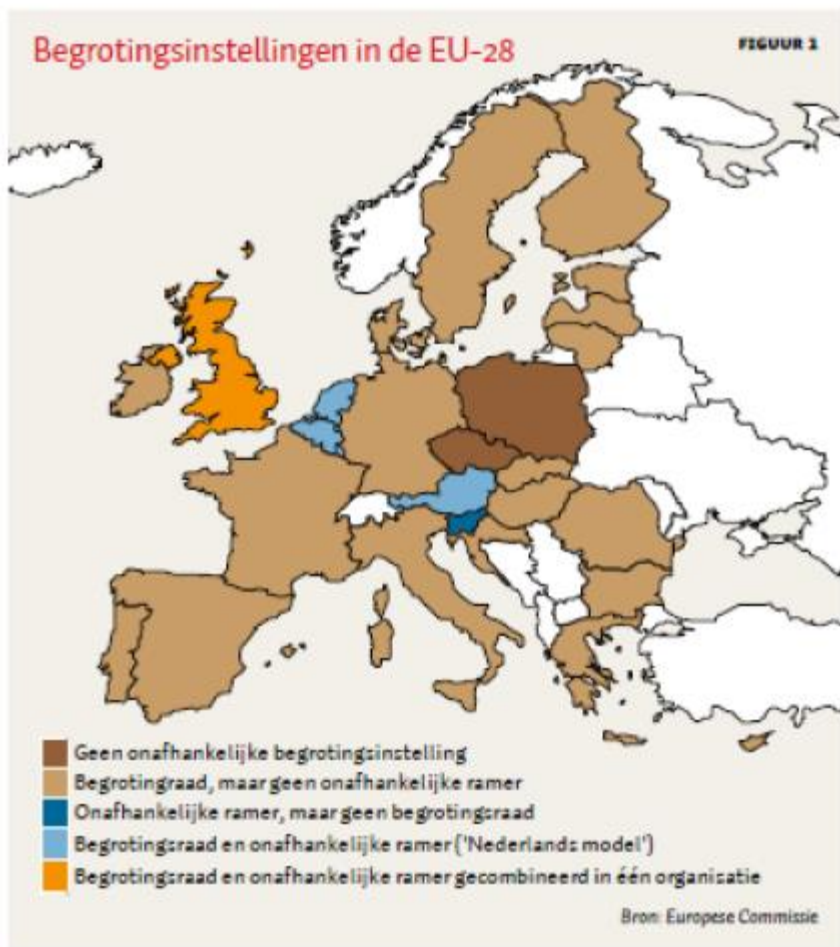


European Fiscal Governance

Level \ Tool	Fiscal Rules	Fiscal Institutions
European	SGP	EFB
National	BBR, ER, RR	IFIs



National IFIs





European Fiscal Board

Mandate:

- Fiscal Rules
- Fiscal Stance

Independency



Regression Analysis

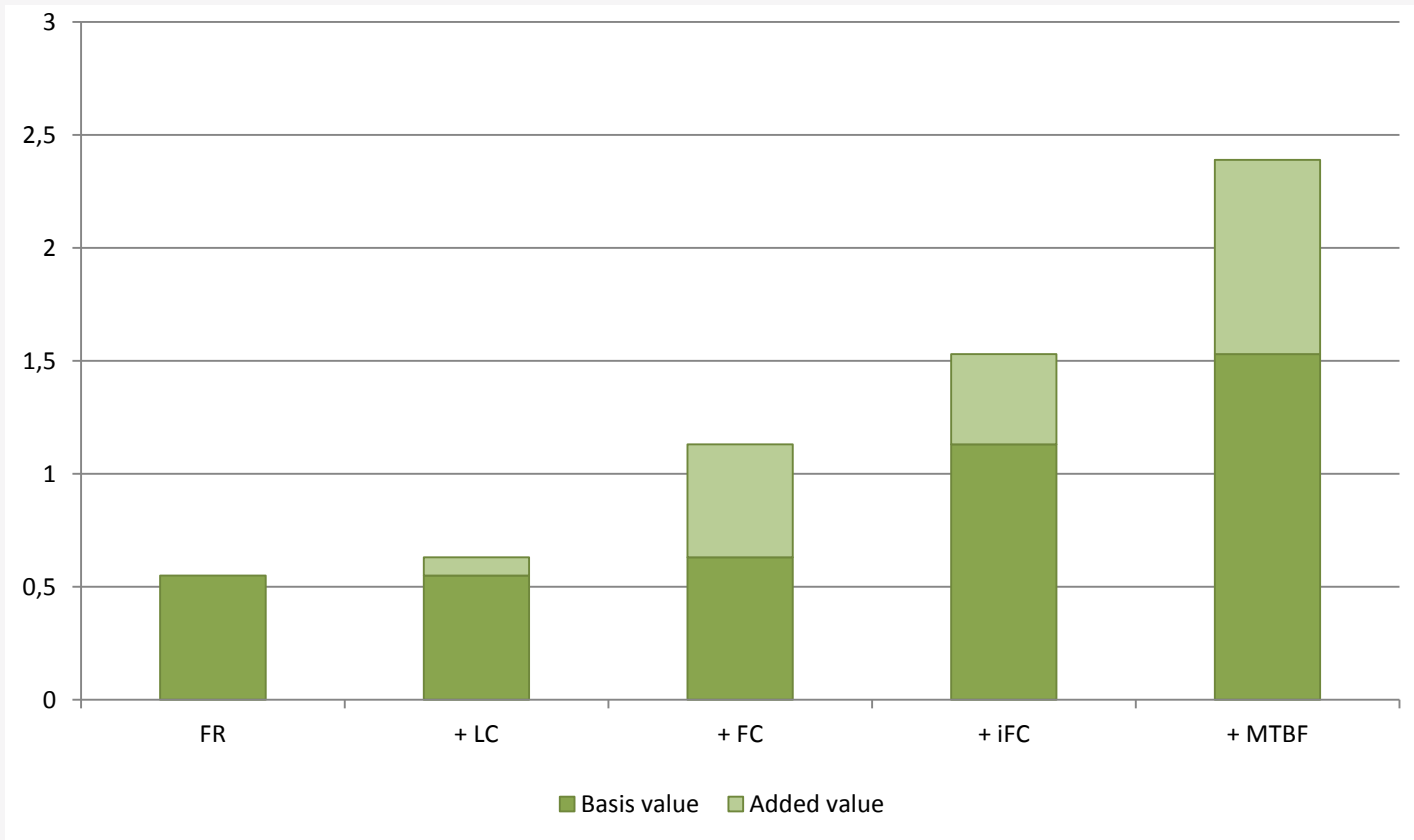
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.923	1.396		-1.378	.184
	MoF Index	-.129	.093	-.263	-1.382	.183
	FG Index	-.117	.376	-.053	-.312	.759
	OA 2015	.301	.143	.418	2.107	.049
	CSR Average	-.388	.462	-.184	-.840	.412
	GDP Change	.215	.087	.445	2.465	.023

a. Dependent Variable: Deficit 2016



National Fiscal Governance





Traffic Light

‘The tools of European fiscal governance are not really effective, but the ‘traffic light’ used in the preventive arm of the SGP works. The member states stretch the margins, but at the same time do their utmost best not to end-up in the red category’ [Interview January 2017]*.

* with the help of an Excel file on a laptop



Traffic Light

DBPs 2017 [November 16, 2016]

		MTO	EB
1	Austria	0,0	0,6
2	Belgium	-0,7	-1,4
3	Cyprus	0,2	2,1
4	Estonia	C	C
5	Finland	-0,5	0,2
6	France	CA	CA
7	Germany	C	C
8	Greece	EAP	EAP
9	Ireland	-0,5	0,1
10	Italy	-0,2	0,3
11	Latvia	0,2	-0,3
12	Lithuania	0,4	0,4
13	Luxembourg	C	C
14	Malta	0,5	0,6
15	Netherlands	C	C
16	Portugal	CA	CA
17	Slovakia	0,1	-0,1
18	Slovenia	-0,8	-0,5
19	Spain	CA	CA



Flexible Interpretation Rules

- Severe economic downturn EU or EA
 - Unusual events outside the control of the MS
 - Investment clause
 - Structural reform clause, incl. pension reform
- > Significant \neq Significant



Simplification Rules

‘The European fiscal framework has become rather complex, due to continuous fine-tuning of the rules ... This has in turn contributed to a lack of ownership by national policymakers’ [Presidency Note, April 23, 2016].



Simplification Rules

‘The structural balance is an anchor in our system, deeply embedded in the legal framework ... However, the structural balance is unobservable, volatile and subject to major revisions, even ex-post ... As a result, Member States are held accountable for an indicator which to a crucial extent lies beyond their control’ [Presidency Note, April 23, 2016].



Refined Expenditure Rule

- Expenditure aggregate: in nominal instead of real terms
- Expenditure benchmark: potential growth plus inflation target of 2 percent
- Debt feedback mechanism

Claeys, Darvas & Leandro 2016



Fiscal Consolidation?

- Goal-attainment
- Sustainability
- Effectiveness

- Denominator effect



SGP: Quo vadis?

Centralization:

- Five Presidents Report
- White Paper on the Future of Europe

Decentralization:

- Flexible interpretation of fiscal rules
- Simplification of fiscal rules



Conclusion

Yogi Berra:

‘If you come to a fork in the road
take it!’