GÖTEBORGS UNIVERSITET
Programme of European Studies

Preaching to the choir?

A Comparison of Fiscal Forecasts by Governments, Fiscal Policy Councils and the European Commission in the European Semester Framework

Bachelor Thesis in European Science

Fall 2011/2012

Author: Pererik Nyström

Supervisor: Urban Strandberg

Abstract

The high debt levels experienced in European Countries have lead to academic interest in the deficit bias - the tendency for governments to run budget deficits and accumulate debt. In part one of this thesis a survey of the economic literature on the origins and solutions to the deficit bias are conducted. The proposed institutional solution to the deficit bias in the form of Fiscal Policy Councils (FPC) are outlined and existing European FPCs presented. Based on the works of Calmfors and Wren-Lewis (2011) the European Commission (EC) is defined as an FPC. Based on this survey, two hypothesis are formulated: (1) the forecasts of future macro-economic events and fiscal performance will differ between the national FPCs and the national government. (2) The forecasts of macro-economic events and fiscal performance will differ between the EC and the national governments. Part two comprises of an empirical study to test the hypothesis. It assesses the fiscal forecasts provided by national governments in their stability/convergence programmes, EC recommendations and FPC documents. Fiscal forecast by national government are found to be broadly in line with forecasts by EC and FPCs. Based on these findings the hypothesis are discarded however remarks complicating these conclusions are presented.

Key words: Deficit bias, European semester, Fiscal consolidation, Fiscal policy councils, Forecasts, Independent fiscal agencies.

Title: Preaching to the choir? A Comparison of Fiscal Forecasts by Governments, Fiscal Policy Councils and the European Commission in the European Semester Framework
Author: Pererik Nyström
Supervisor: Urban Strandberg
Term: Fall 2011/2012
Pages (with appendix): 50

Table of Contents

Part one: Survey of the economic literature

Part two: Empirical analysis

List of Graphs

List of Figures

List of tables

Abbreviations

AGDC	Austrian Government Debt Committee
CB	Central Bank
CPB	Central Planning Bureau
DEC	Danish Economic Council
EC	European Commission
FPC	Fiscal Policy Council
GCEE	German Council of Economic Experts
GDP	Gross Domestic Product
IMF	International Monetary Fund
NFR	Numerical Fiscal Rule
NIER	National Institute of Economic research
OBR	Office for Budget Responsibility
OECD	Organization for Economic Co-operation and Development
SFC	Slovenia Fiscal Council
SFPC	Swedish Fiscal Policy Council
SGP	Stability and Growth Pact
VAT	Value Added Tax

Background: Government debt in Europe

Its still to early to grasp the reason, scope and severity of the ongoing economical turmoil in Europe. However its clear that debt is in the center of the crisis. In the early 90's the government gross debt in the euro area was 57,3 percent of GDP, in 2010 it was 86.1 percent. Starting with soaring debts in the 70's, budget deficits has become the norm while the government gross debt has increased steadily. In 2010 the budget balance for the euro area as a whole was minus six percent.[1] The crisis have also seen bond yields rise as sovereign default in some euro-zone countries, notably Greece, has become a growing concern. The financial crisis of 2008-09 caused debt to soar, which is reflected in the statistics, however the fiscal problems reflects weak budgetary positions at the onset of the crisis. As a benchmark its useful to use Stability and Growth Pact (SGP) criteria for debt and deficit. It states that a member state should only allow for a three percent deficit and 60 percent of GDP in national debt. In 2009 only two out of 16 member states had a deficit of less than 3 percent and a gross debt under 60 percent of GDP.[2]

Debt levels in 2010

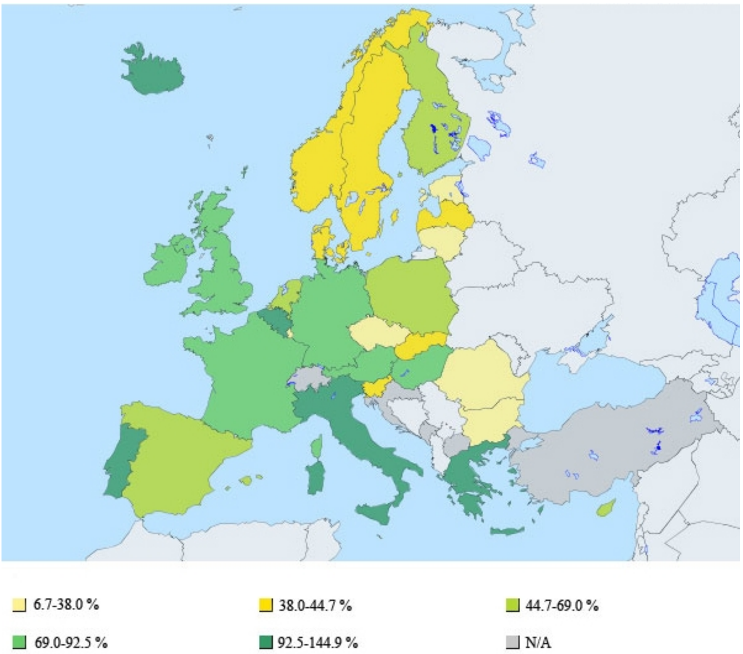
Graph 1 shows the 2010 level of General Government Gross debt in the European countries.[3] As evident from the map a number of countries are experiencing a debt level of close to or above 100 percent of GDP, a fact that has been duly highlighted by academic and media discussion. Evident from the map is also the fact that a situation with high levels of national debt is not exclusive to the countries most frequent in media coverage - Portugal, Ireland, Spain, Italy and Greece. High levels of debt is evident across Europe - France, Germany and the U.K being no exception to this trend. In fact, only a limited number of countries manages to maintain a level of debt in accordance to the SGP.

[1] Ludger Schuknecht (2011) pp. 8, Wyplosz (2006) pp. 227 and Wyplosz (2008) pp. 175.

[2] Mamadough (2011) pp. 113-114.

[3] General Government Gross Debt is defined by the Maastricht treaty as government debt outstanding at the end of the year in the categories currency and deposits, securities and loans. It involves all sub-sectors of government (state government, local government and social security funds).

Graph 1: Gross government debt levels in Europe



General government gross debt levels across Europe for 2010. Source: Eurostat http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&plugin=0&language=en&pcode=tsieb090. Retrieved 28 Nov 2011 14:57:35

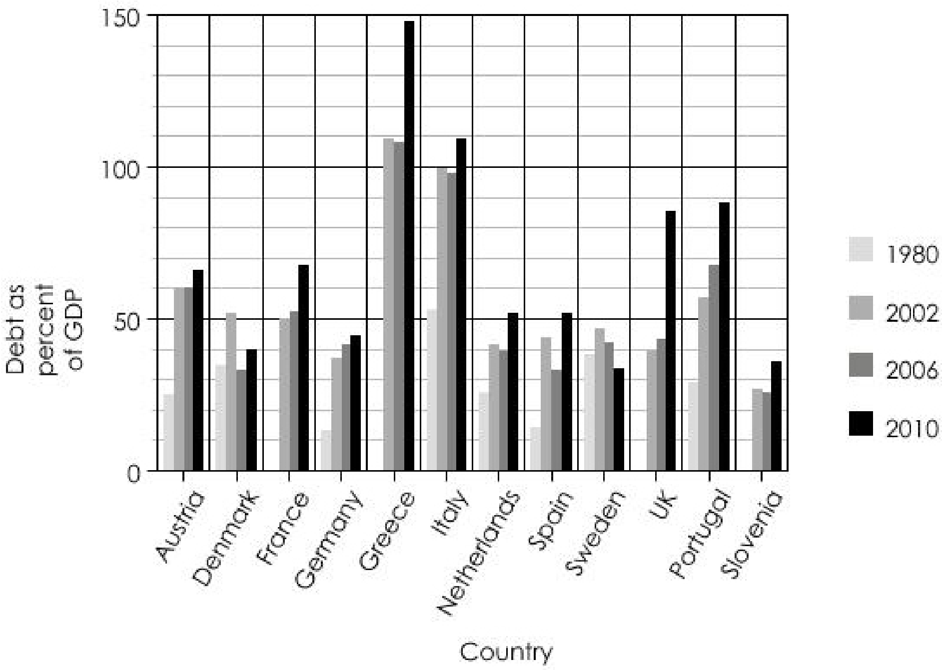
Evolution of European debt

As seen by the selected countries in graph 2 the 2010 level of debt is by no means an abnormality caused by the economic crisis of 2008-2009. The crisis may have helped exuberate the debt levels but for most countries, Sweden and Denmark[4] being the notable exception, the debt levels have been steadily on the rise since way before the crisis. Graph 2 shows the evolution of debt levels for selected European countries with the overall trend of escalating debt clearly visible.[5]

[4] Denmark managed to control a soaring debt situation in the early 90's. Sweden experienced high levels of debt in the mid-90's but have since lowered its level of debt. Belgium managed their deteriorating debt situation in the late 80's but still experiences a high level of debt. Estonia, Luxembourg and Switzerland has maintained low and steady levels of debt throughout this time-period.

[5] Earliest available debt level figures, not included in the graph, are for France (1992) 29.0%, Greece (1993): 97.6% , the U.K (1998): 49,7% (percent of GDP). Slovenias first presented debt-figure is for 2002. OECD (2011).

Graph 2: Evolution of General Government Gross Debt



Graph of the evolution of debt in selected European countries. Source: OECD Stat Extract: http://stats.oecd.org/Index.aspx?DataSetCode=GOV_DEBT retreived 2012-01-01 20:44.

1. Introduction

Over the past decade their has been an growing political consensus that the central banks should should be independent in order to perform their tasks efficiently: the independent central bank primarily devoted to price-stability has become the ruling paradigm for monetary policy. This design might seem so self-evident today that the rationale for the set-up and the discussion that preceded it might be unknown to many observers. In the heart of the discussion that lead the most governments to actively and deliberately restrict their possibility to engage in monetary policy was the realization that, without proper restriction, their policy-actions would create inflation.[6] This tendency was termed the *inflation bias* by academic observers. The central bank favoring high levels of employment would engage in expansionary policies in order to reach this objective and in the process create inflation. As the inflation targets were deemed a second-order objective the public anticipated inflation in wage-negotiations, creating more inflation.[7] When the inflation bias became more and more apparent, policy-makers tried to remedy the problem by committing to an explicit inflation rule. The only way the central banks could do so in a credible way however, were if they

[6] Debrun (2011) pp. 8.

[7] Fuhrer (1997) pp. 19-23.

were to be insulated from political pressure. As a direct consequence of this reasoning independent central banks with a clear mandate for low inflation is now a common feature in most advanced economies.[8]

In the wake of the European debt crisis policy-makers has taken up a reform path that resembles the described policy evolution in the field of monetary policy. Measures against a future debt crises centers around a similar bias, the *deficit bias* - the tendency for governments to run deficits and accumulate debt. The proposed solutions to this bias mirrors the ones once suggested to remedy the inflation bias. Initially the focus was again the set-up of rules in the EU, most notably the SGP and later attention turned to independent fiscal watchdogs, with some high-ranking EU officials even daring to suggest independent fiscal institutions on the European level with last say over fiscal policy.[9] This development in the fiscal policy realm is new and the efficiency, scope and impact of these new initiatives are still largely unknown. The ambition of this thesis is to help bridge this gap in the academic community as the development of these institutions and other solutions to the deficit bias might ultimately have consequences for how budgetary decision, fiscal policy and budget politics are conducted in the future.

1.2 Aim of the thesis

Given the novelty of the academic field of independent fiscal institutions as a solution to the deficit bias and the urgency of its topic the aim of this thesis is two-fold: (1) to survey the economic literature on the deficit bias and independent fiscal institutions as a solution to the bias and (2) to formulate hypothesis based on this survey in order to test the validity of the proposed solutions.

1.3 Guide to the structure of the thesis

The structure of this bachelor thesis i based around its two-fold aim. Part one provides a survey of economic literature on the deficit bias and part two presents an empirical study conducted to validate the hypothesis formulated in the end of part one. The structure is based on the assumption that in order to comprehend the hypothesis formulated the reader must first be acquainted with the theory behind its reasoning.

Part one: In chapter 2 the main considerations made when the economic literature surveyed was selected and structured are presented, section 2.2 of this chapter deals with the selection of Fiscal Policy Councils (FPC). Chapter 3 presents the survey with section 3.1 providing the origins of the deficit deficit. Each subsection details with a specific origin and at the end of each subsection a stylized overview is presented. Section 3.2 deals with the proposed solutions to the bias. Chapter 4 presents the fiscal policy councils with

[8] The relationship between government and central banks is, of course, not always as stylized and clear-cut as depiction here, see Bodea (2010) for an discussion.

[9] Trichet (2011).

section 4.1 proving a definition of these councils. Section 4.2 outlines the tasks of the FPCs, with each subsection providing a stated benefit of the FPCs the subsections are concluded with stylized overview of the proposed benefits. In chapter 5 research hypothesis are formulated on the basis of the survey outlined. Chapter 6 provides an overview of the existing FPCs in Europe. Section 6.11 provides the rationale for treating the European Commission (EC) as an FPC inside the European semester framework and section 6.11.1 details the workings of the European semester. The chapter ends with a table summarizing the presented FPCs.

Part two: Part two begins with chapter 7 which presents related research on fiscal forecasts. Chapter 8 details the research method that will be employed. Section 8.1 details the selection of documents that will be assessed and concludes with summarizing tables. Chapter 9 presents the empirical findings, organized in sections after country assessed. Sections 9.8 presents a summary of the findings and a summarizing table. Chapter 10 presents conclusion and remarks, section 10.1 assesses the validity of the hypothesis in relation to the findings and section 10.2 puts these findings in relation to the surveyed literature, 10.3 provides space for remarks on the findings and Chapter 11 provides concluding remarks.

Part one: Survey of the economic literature

2. Considerations made in relation to the surveyed literature

2.1 Literature

In order to survey the literature and formulate hypothesis on institutional solutions to the deficit problem, I made database searches (Wiley, SSRN, JSTOR) and quickly come to the conclusion that the economic field has most to offer on the subject. This is not as self-evident as it might seem. The institutional solutions to the debt problem in the form of ‘fiscal watchdogs’ is related to ‘new public management theories’ and then especially the arm-length institutions with a clear auditing mandate. Treating the FPC in this matter would make for an interesting study, involving political, social and economic sciences, but since the academic interest on institutional solutions to the deficit bias is new I made the distinction that an inter-disciplinary approach would be overpowering at this early stage. A macro-economic theory frame-work will not be included in this thesis in the sense that the effect of proposed fiscal consolidation on macro-economic models will not be discussed.[10] For purpose of this thesis high deficits are simple perceived as less than optimal. That the theory of FPCs are recent also explains why the theoretic basis of this thesis is so heavy reliant on academic articles. This is not a problem however since the survey is so comprehensive, although the fact that the articles often are published as IMF, OECD or FPC working papers might raise some questions of one-

[10] This makes for an interesting topic however. See Iwata (2011) for a discussion the new-keynesian multiplier in relation to fiscal debt policy in Japan.

sidedness in opinion formation. It should also be said that the thesis started with the aim of surveying the relation between Central Banks (CB) and FPC. Since no CBs addressed FPCs in their publications this soon proved to be a dead end.[11] The debt problem are as evident from the introduction closely related to the European realm of politics. When the CB approach turned out to be fruitless the European semester framework made for an opportunity to treat the EC as an FPC. Literature on the subject of EU as normative power are abundant however literature on the European semester, and the EC as an fiscal watchdog are scarce, perhaps because of the novelty of the European semester. This thesis is so far as I know the first time a comparison are made in this way between the workings of FPCs and the European semester.

One additional point should be made for the reader not familiar with economic reasoning. The alarming debt levels described in the beginning of this thesis sets the context of the thesis however the focus of the thesis is the budget deficit. This is because, simple put, a budget deficit must be financed by debt. The forecasts of GDP-growth, important in later chapters, sets the anticipated revenue levels for the state and thus determines the size of the budget.[12] Therefore, GDP forecasts of high quality are important in order to avoid debt.

2.2 Fiscal Policy Councils selected

In the introduction of this thesis I refer to the attention on independent fiscal institutions as a solution to the deficit bias as recent albeit four of the FPCs described in chapter 6 are long standing (Belgium, Denmark, Netherlands and Germany). To clarify, the recent debt development have put the academic spotlight on these institutions and their functions albeit they are not always themselves new. However, the recent interest in these institutions has in fact lead to a number of FPCs being created recently (Sweden, Hungary, Canada, Slovenia and the UK) and others are in the making (Australia, Ireland, Portugal and Slovakia).[13]

In order to limit the scope of the thesis sufficiently, non-European FPCs will not be considered.[14] There are of course other FPCs in the world of great interest, notably in US, Canada and Chile, that a future study might consider in relation to European FPCs.[15] The FPC considered are selected in relation to their independence in accordance to the definitions presented by Calmfors and Wren-Lewis (2011) in chapter 4.1.

11 A list of Central Bank documents surveyed can be found in the appendix.

12 Its sets the anticipated level of revenue trough anticipated tax-revenue, of course a variety of aggregates help determine the limits of the budget such as unemployment, expenditure, additional revenue and so forth. See Calmfors & Wren-Lewis (2011) pp. 655. for a summary on optimal debt policy.

13 Calmfors & Wren-Lewis (2011) pp. 652.

14 Also a consideration, of course, is that this is a bachelor thesis in European Sciences.

15 See Franke (2011) for an excellent assessments of the Chilean Structural Budget Institution.

3. Survey of the economic literature

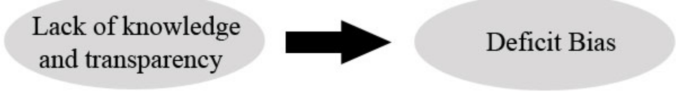
3.1 Origins of the budget deficit bias

Since the witnessed debt accumulation is unrelated to economic cycles (recession/expansion) its natural to conclude that fiscal policy-makers are biased towards deficits. If the deficits were only due to governments attempt to smooth the business cycle or consumption behavior in the economy the deficit and debt-level would not be as sizable.[16] As standard macro-economic models fall short of providing a motive for the bias, explanations tend to focus on policy-makers incentives to run a deficit.[17] The following chapters reviews the proposed origins of the deficit bias, all based in one way or another on a conflict of interest. A later chapter will explore the proposed solution to the bias, which corresponds to these findings.

3.1.1 Electoral strategies

This early approach to the deficit bias is based on the assumption that policy makers choose policy in an effort to maximize their electoral success and not to maximize social welfare. Its also based on the notion that voters favor high-spending governments that provide an abundance of 'public goods'.[18] However intuitive this theory sounds there seems to be little support for this but rather voters seem to encourage fiscal discipline.[19] However, voters can only encourage fiscal discipline if they are able to understand and partake in the budgetary process. If voters are unaware of the true fiscal position they might perceive tax-cuts or spending increases as affordable within the budget. This provide a chance for policy-makers to increase their chances of re-election through unfunded spending.[20] Research support this theory as there seems to be a link between a nations level of transparency and the level of deficits and debt.[21] More transparency may also help remedy the fact that voters often miss-tribute a balanced budget to fiscal discipline and not to a favorable economic climate.

Figure 1: Lack of knowledge and transparency and the deficit bias



Stylized overview of the proposed relationship between lack of transparency and knowledge and the Deficit Bias.

[16] Roubini 1997 pp. 27.

[17] Eslava pp. 645.

[18] Eslava pp. 646.

[19] Eslava pp. 650-52.

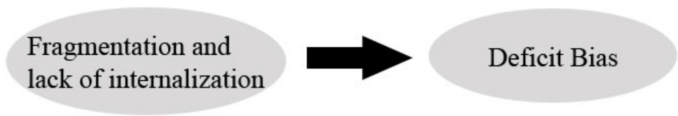
[20] Calmfors & Wren-Lewis (2011) pp. 657

[21] Alt & Lassen (2006) pp. 530.

3.1.2 Common Pool Theory

The common pool problem exists when there is more than one agent involved in the construction of the budget. Different groups (ministries, lobby groups, parties in coalition) compete for their preferred public goods and they fail to realize the full cost of these goods as these goods are funded through a common tax-financed fund.[22] The in-congruence between who pays and who benefits from policies lead to a situation where groups in society gets the full benefit of policies but doesn't have to bear the full cost. As agents fail to internalize the full cost of the policies and accept raised future tax-rates, this competition leads to deficit. Drawing on previous experience, pressure groups will intensify their efforts as they expect not to pay the full price of the policy. This problem, most apparent in fragmented societies, also makes it harder for the government to gain consensus for measures aimed at budget consolidation.[23] Research has found evidence to support that a high level fragmentation in a society correlated to fiscal indiscipline.[24] Another factor which influences the severity of the common-pool problem is the level transparency of the budgetary procedure. Difficulties in monitoring the budgetary process makes it easier for policy-makers to create benefits for their own constituency and for various pressure groups to make excessively high demands.[25]

Figure 2: Fragmentation and the deficit bias



Stylized overview of the proposed relationship between Fragmentation and a lack of on internalization and the Deficit Bias.

3.1.3 Time-Inconsistency

A third explanation to the deficit bias focuses on the inability of politicians to take into account the long-term effects of their short-term policy actions. They simple overlook or ignore the long-term effects of budgetary imbalances.[26] This problem is related to the common-pool problem in that sense that policy-makers are unable to realize the full cost of their actions but the conflict of interest is here between future and present generations and not interest groups. The problem also arises from the counter-cyclical actions of governments. While trying to ease the damage of an recession they engage in expansionary politics which might lead to a deficit. In order to to maintain their long-term goal of sustainable levels of debt they would

[22] Krogstrup & Wyplosz (2006) pp. 3.

[23] Budget/fiscal consolidation is a policy aimed at reducing government deficits.

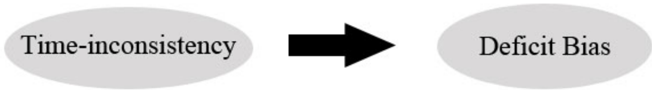
[24] Eslava (2010) pp. 658, Debrun et al (2008) pp. 303, Krogstrup & Wyplosz, (2006) and Wyplosz (2008) pp. 177.

[25] Calmfors (2010) pp. 7 and Debrun et al (2008) pp. 48.

[26] Debrun et al (2008) pp. 301 and Debrun et al (2009) pp 49.

be forced to save when more favorable economic times arrives. This is is rarely done however, as governments are known to lessen the tax-burden in good times.[27] The problem of shortsightedness of policy-makers stems from the problem of time-inconsistency, a situation where an agents preference is inconsistent from one point of time to another. Policy makers might deem commitments to fiscal commitments optimal in the first time-period but as time progresses different strategies become optimal.[28]

Figure 3: Time-inconsistency and the deficit bias



Stylized overview of the proposed relationship between time-inconsistency and the deficit bias.

3.1.4 Political tactic and preference

Another explanation for the deficit bias stems from the idea that governments might want to use the deficit as an tool in the political bid for power. Accumulating a debt while in office have the political advantage that it 'ties-the-hands' of the replacing government. The rationale being that the succeeding government will be restricted in their possible political actions and instead have to bear the political cost of raising taxes and lowering spending.[29] However intuitive this reasoning sounds, studies conducted by Lambertini (2006) on US and OECD economies show that there might be little evidence to support this notion.[30] One approach to the deficit bias put forward the argument that different political preferences would influence the size of the government and hence the size of the deficit. The models states that a conservative government would be more likely to run a surplus then liberal government and that right-wing governments, favoring a smaller government, would create a smaller deficit than left-wing ones. Empirical evidence for this reasoning is weak.[31] This evidence show that the deficit bias is a stable phenomena and that short-term factors, such as the preferences of the party currently in power, can't be blamed for its existence.

[27] Wyplosz (2001) pp. 5-10. Debrun et al (2008) pp. 44-48.

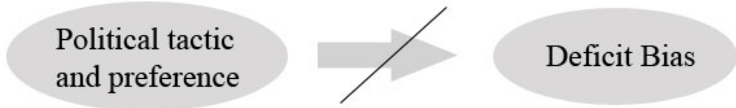
[28] Castellani & Debrun (2005) pp. 95.

[29] Calmfors & Wren-Lewis (2011) pp. 657-658.

[30] Lambertini (2003) pp. 22.

[31] Eslava pp. 655.

Figure 4: Political tactic and preference and the deficit bias



Stylized overview of the proposed relationship between political tactic and preference and the deficit bias.

3.2. Solutions to the deficit bias

Following the argumentations outlined in the previous chapter, there doesn't seem to exist a one-fit-all explanation for the deficit bias and as we shall see, the proposed solutions to the bias mirrors this finding. The proposed solution has focused on either the creation of rules or institutional reform/innovation to help remedy the bias. The rationale for each of these approaches will be explained in order.

3.2.1 Rule based solutions

Prohibiting the deficit bias would entail changing the incentives and behaviors of policy-makers and the political landscape. Because of the obvious difficulties of this endeavor policy-makers have instead tried to elicit fiscal discipline by introducing numerical fiscal rules (NFR).[32] Kopits and Symanskys (1998) were the first to define these rules using the following definition:

a fiscal policy rule is defined, in a macro-economic context, as a permanent constraint on fiscal policy, typically defined in terms of an indicator of overall fiscal performance.[33]

The SGP observing the adherence to the convergence criteria for the members of the EMU is the most prominent example of an NFR. It sets a target of a three percent deficit and 60 percent of GDP in debt. In the process of creating the SGP the European policy-makers were well aware of the existence of the deficit bias and they had a fear that governments might become lax in their fiscal discipline after they met the convergence criteria and became a full member of the EMU. However, EU policy-makers seemed to have been more concerned with the external effect excessive debt might have on price-stability.[34] NFRs are not limited to the supra-national dimensions, on the contrary, European countries have since the early 90's made growing use of NFRs on both national and regional levels.[35]

---

[32] Debrun et al (2008) pp. 299-301.

[33] Kopits & Symansky (1998) pp. 2.

[34] Wyplosz (2006) pp. 225-228.

[35] Debrun et al (2007) pp. 342 and Hallerberg et al (2004) pp. 7.

3.2.2 Effects of Numerical Fiscal Rules

Debrun (2008) supports the idea that fiscal rules have an effect on the deficit bias as he shows that stronger rules seems to be conducive with lower budgetary imbalances. NFR's can help remedy the deficit bias in number of ways. First, by providing more transparency to the fiscal process it makes it more likely that voters will punish fiscal indiscipline.[36] Second, the short-sightedness can be reduced as policy-makers, even if they are in office only for a limited time, are obliged to face long term commitments. Third, the common-pool problem may be addressed as the NFR help agents to rise above the struggle for resources and commit to the long-term common agenda. The rationale being that its easier to commit to agreements when there is a clearly stated target that the *ex post*[37] situation can be evaluated against.[38]

One negative effect of fiscal rules is that it may prohibit the use of counter-cyclical policy if this leads to a violation of set deficit target.[39] In fact, NFRs may actually worsen the budget position in downswings as the government is prohibited form using counter-cyclical activities that would volatile the deficit rules.[40] During the downswing of 2003 France and Germany were not punished for violating the deficit target of the SGP. The stated reason being the need for actions to limit the scope of the recession.[41] Another argument against NFR is that its often hard to motivate the said numerical fiscal target with respect to other higher level targets. A a certain level of deficit or surplus is stated, but the rationale for this particular number is often not expressed. Another related problem is that government deficits tend to be close to the set target leaving no cushion for external economic shock. As an example, EMU-countries deficits are often found to be close to (if not over) the 3 percent deficit target.[42] Also, if the commitment to fiscal discipline is not internalized the NFR might lead to 'creative accounting'.[43]

The greatest argument against NFR however, is that these rules are often and repeatedly violated. This tendency is well illustrated by the sporadic adherence to the SGP. Calmfors & Wren-Lewis (2011) show that the SGP was violated in 45 out of 177 cases in 2008 *before* the onset of the crisis, in 2010 only three member states of the EU cleared the SGP rules.[44] Its apparent that the SGP lack enough political mandate to eliminate the deficit bias by itself and this is the faith for all NFR without the adequate institutional and political

---

36 Debrun et al (2008) pp. 343. and Eslava pp. 662.

37 *Ex ante* = before the fact, *ex post* = after the fact.

38 Calmfors (2010) pp. 9-10.

39 Debrun et al (årtal) pp. 301. See Balassone (2000) for a discussion about the pros and cons of a loosening of SGP rules.

40 Balassone & Franco (2000) pp. 225.

41 Wyplosz (2008) pp. 175, 179-180.

42 Calmfors (2010) pp. 9-10.

43 Debrun (2009) pp. 53.

44 Calmfors & Wren-Lewis (2011) pp. 654.

backing. With this realization the academic field and, as we shall see, the EU has turned its attention to institutional solutions to deficit bias.

3.2.3 Independent fiscal institutions

The academic discussion on the possibility to establish independent fiscal institutions have evolved in the same fashion as the debate once did in respect to monetary policy in the 1980's. The discussion on optimal monetary policy evolved from only policy-rules to a mix of policy-rules and explicit independence.[45] The proposition for establishing independent fiscal institutions suggests that these institutions should have an expressed mandate to oversee fiscal policy with respect to the deficit in the same way central-banks oversee the price-stability.[46] However, the central-banks ability to conduct independent monetary policy is not easily mimicked in the field of fiscal policy as this field is more complex and surrounded with different claims of legitimacy.[47] This claim is nuanced by Debrun (2009) who states that the same arguments providing validity for independent monetary policy applies for fiscal policy as long as distributional policy areas are exempted.[48]

There exist no truly independent fiscal institution with last say over fiscal policy today and a possible reasons for this is there is less consensus of what constitutes optimal fiscal policy than optimal monetary policy. There are also many more instruments available for fiscal policy and some of these instruments, such as tax-policy and size of government requires value judgments and are therefore viable for claims of legitimacy.[49] What do exist however in a number of countries is fiscal 'watchdogs', here termed Fiscal Policy Councils (FPC) with various advisory functions.[50]

4. Fiscal Policy Councils

The theory on optimal design for FPC's focus on their independence vis-a-vis the government. Calmfors (2010) concludes that an FPC should be appointing members according to professionalism and not politics, have long-periods of office, and have prohibitions against the government interfering with the councils work and employees. However, while independence is stressed, being established as an official body by the government, and to have a legal mandate on which to operate is also said to be crucial.[51] The best way to examine the rationale behind these councils is to outline the different functions they provide, this is done in

[45] Calmfors (2010) pp. 5.
[46] Debrun et al (2009) pp. 47.
[47] Wyplosz (2008) pp. 176 and 187.
[48] Debrun et al (2009) pp. 55.
[49] Calmfors (2011) pp. 660.
[50] Fiscal Policy Councils is the terminology used on these advisory fiscal institutions of various design by Calmfors, Wyplosz and others.
[51] Calmfors (2010) pp. 19-22.

chapter 4.2. These functions are based on the assumptions that the FPC's can provide expert analysis to the government and help raise the political cost for government not adhering to fiscal discipline.

4.1 Definition of Fiscal Policy Councils

For the purpose of this thesis the requirements for fiscal councils proposed by Calmfors and Wren-Lewis (2011) will be used to limit the scope of the thesis and allow for the councils of main interest to be selected.[52] These three requirements are as follows:

1. The institution should not only provide research and forecasts it should also have a clear supervising function.

2. The institution should have macro-economic competence, pure auditing institutions are excluded.

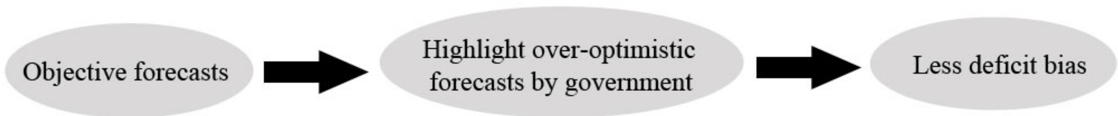
3. High degree of independence from the political system.

4.2 Tasks of the FPC's

4.2.1 Objective Forecasts

This task of the FPCs related to concerns both with transparency of the budget process, and short-sightedness of governments, is to provide independent and unbiased economic forecasts. If governments are thought to be over-optimistic in their forecasts in order to create more expected revenue, and hence more room to maneuver in their budget, this can be brought to attention by the FPCs.[53] The FPCs constituted of independent experts and academics might also help increase the understanding of future consequences of fiscal instabilities. These forecasts are proposed to be better than the private sector since the FPCs would have full access to information.[54]

Figure 6: Benefits from objective forecasts



Stylized overiew of the proposed benefits from objective forecasts by FPCs.

[52] Calmfors & Wren-Lewis (2011) pp. 667.

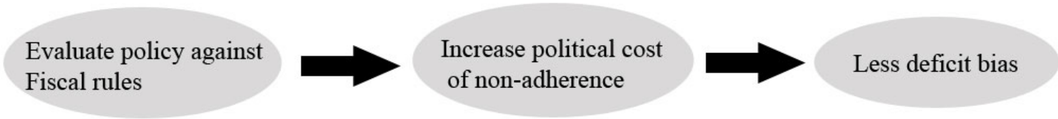
[53] Jonung & Larch (2006) pp. 494.

[54] Calmfors & Wren-Lewis (2011) pp. 661 and Debrun (2009) pp. 62.

4.2.2 To valuate if policy is consistent to fiscal rules

If the government is committed to a NFR the FPC's will be able to assess if government policy is consistent with these rules. This will increase the political cost of non-adherence to the NFR. Here, the clear political mandate of being set-up by a government comes into play as it is harder to ignore a fiscal council with a political mandate than a fiscal rule without a political voice.[55]

Figure 7: Benefits from evaluation against fiscal rules

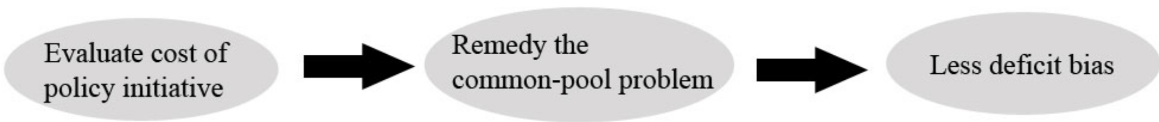


Stylized overview of the proposed benefits from evaluation of policy against fiscal rules by FPCs.

4.2.3 Provide analysis

A way to circumvent the common-pool problem is provided by FPC's in Austria, Belgium and the Netherlands. These FPCs provide cost analysis of policy that can serve as basis for political negotiations. This would help actors internalize the full cost of the public goods. These recommendations might also strengthen the role of the finance ministry vis-a-vis the government.[56]

Figure 8: Benefits from cost evaluation



Stylized overview of the proposed benefits from policy evaluation from FPCs

4.2.4 Normative recommendations on fiscal policy

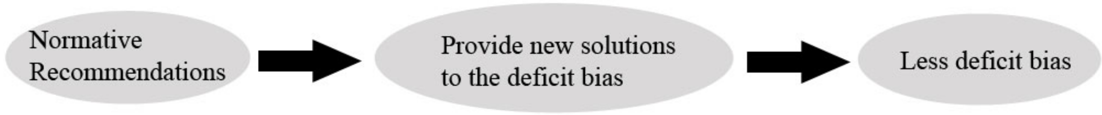
This is an ambitious and potentially controversial project for the FPC's as it would entail the presentation of an alternative fiscal policy to the one proposed by the government. The aim of the process being to produce new insight and alternative directions of fiscal consolidation other than the established. In countries with serious debt problems these assessments might be more welcomed by national government.[57]

[55] Calmfors & lewis (2011) pp. 661.

[56] Calmfors & Wren-Lewis (2011) pp. 662.

[57] Calmfors & Wren-Lewis (2011) pp. 664. and Debrun (2009) pp. 65.

Figure 9: Benefits from normative recommendations



The stylized proposed benefits from normative recommendations from FPCs.

5. Research hypothesis formulation

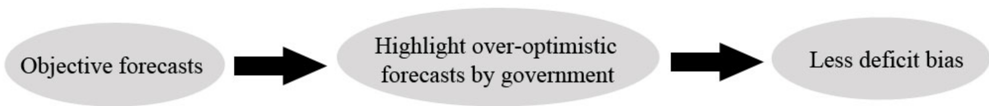
The arguments outlined made in chapter 4.2.1 makes the claim that independence is a factor that improves the standard of forecasts. The argument is that by providing unbiased forecasts the FPCs can unveil over-optimistic forecasts provided by governments (see the repetition of figure 6 at the end of this chapter). If this is true then, at the very least, the forecasts provided by institutions independent from the budgetary process will be *different* than those presented by the government.[58] Following this logic the following research hypothesis will be formulated for the purpose of this thesis:

Hypothesis 1: The forecasts of future macro-economic events and fiscal performance will differ between the national FPC and the national government.

Chapter 6.11 provides the rationale for treating the EC inside the European semester framework as an FPC. Given the argumentation outlined in this chapter the following should also be true:

Hypothesis 2: The forecasts of macro-economic events and fiscal performance will differ between the EC and the national governments.

Figure 10: Repetition of figure 6



Stylized overiew of the proposed benefits from objective forecasts by FPCs presented in 4.2.1.

[58] Testing if forecasts are 'less biased' would entail trying to establish which of government forecasts and FPC forecasts are more accurate. Chapter 7 reviews research conducted in this way. For the purpose of this thesis this would be an overpowering assignment.

6. Existing European FPC's

Based on the definitions proposed by Calmfors and Wren-Lewis (2011) this thesis presents the following overview of active European FPCs and their design and responsibilities.[59]

6.1 Austria: Government Debt Committee (Staatsschuldenausschuss)

The Austrian Government debt Committee was set up by federal law in January 2002 and it has a four year period in office. It conducts ex post and ex ante evaluation of fiscal policy as well as forecasts. It also analyzes the sustainability of budget and macroeconomic actions and makes written recommendations with respect to the government budget. Its eleven man board consists of six members from the federal government, three members from Austrian chamber of commerce and three members from chamber of labour. The Austrian government elects its president and its the debt committees main principal, however its staff and funding comes from the central bank.[60]

6.2 Belgium: High council of finance

Set-up as early as 1969 the High Council of Finance become a working FPC after reforms conducted in 1989, giving it more independence and prominence.[61] It makes ex ante as well as ex post evaluation of fiscal policy in accordance to both fiscal rules and sustainability and it also makes normative assessments of fiscal policy. It has a staff of 14 and a board of 12 consisting of academics, government administrative experts and financial analysts. Its appointed by the government and its staff is provided by the ministry of finance. The High council of finance has a period in office of 5 years.[62]

6.3 Denmark: Danish Economic Council (De Økonomiske Råd)

The Danish Economic council was established by law as an economic advisory body in 1962. It provides forecasts, ex ante and ex post evaluation of fiscal policy as well as normative recommendations. It also conducts analysis of broader issues. It has a staff of 35 and a board consisting of four members - all academics.[63] Its main principal is the government however its members are appointed by the government

[59] This overview is of the responsibilities of the European FPC's are, with some exceptions, notably the EC and the GCEE, based on the overview presented by Calmfors & Wren-Lewis (2011) pp. 668-669.

[60] http://www.staatsschuldenausschuss.at/en/staatsschuldenausschuss.jsp, retrieved 2011-12-03, 13:20

[61] Wyplosz (2008) pp. 183-184.

[62] http://www.docufin.fgov.be/intersalgen/hrfcsf/onzedienst/Onzedienst.htm

[63] Officially its has 26 members representing unions, employers and the central bank but the four independent chairs do the work.

after recommendation by the council itself. Its independent vis-à-vis the ministry of finance and the CB. The council has a period in office of three years.[64]

6.4 Germany: German Council of Economic experts (Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen)

Set up as early as 1963 the German Council of Economic experts conducts forecasting, ex ante and ex post evaluation of fiscal policy and sustainability, as well as normative recommendations. It also conducts analysis of policies in relation to fiscal rules and analysis of broader issues. However, fiscal sustainability is not mentioned in its mandate which is to inform policy makers and the public. The Council of experts has staff of 35 and a board existing of 4 members. Its main principal is the government who also nominates members to be selected by the president. Its independent in respect to the central bank and the ministry of finance. It serves a term in office of 5 years.[65]

6.5 Netherlands: Bureau for Economic Policy Analysis (Het Centraal Planbureau)

Founded in 1945 the central planning bureau conducts forecasts, costing of policy initiatives for various agents, evaluation of ex post and ex ante fiscal policy also in accordance to fiscal rules. It also evaluates the fiscal sustainability of policy and analysis broader issues.[66] It has a staff consisting of a many as 135 members and a board of directors of three members consisting of academics and governments administrative experts. Its main principal is the government and its board members are appointed by the ministry of economic affairs of which it is a formal member. This formal position in the ministry of economic affairs is manifested by a formal meeting it conducts with the government prior of the presentation of its annual report on fiscal policy.

6.6 Slovenia: Slovenian Fiscal Council

Created in 2009 the main responsibilities of the Slovenian Fiscal Council is to provide ex ante and ex post evaluation of fiscal policy and the long-term fiscal sustainability of government policy.[67] Forecasts are not a part of its mandate, however the council bases its assessments on its own projections of economic trends. It lacks a permanent staff and instead the technical tasks is performed by the General Secretariat of the government. Its seven board members is made up of four academics, one government administrative expert

[64] http://www.dors.dk/ 2011-12-03 13:34

[65] http://www.sachverstaendigenrat-wirtschaft.de 2012-12-03 13:36.

[66] http://www.cpb.nl 2011-12-03 13:41

[67] OECD Economic Surveys: Slovenia (2011) pp. 34.

and two financial analysts. It has a period in office of three years and its members are appointed by government after proposal of the ministry of finance.[68]

6.7 Sweden: Swedish Fiscal Policy Council (Finanspolitiska rådet)

Created in 2007 The Swedish Fiscal Policy Council conducts ex ante and ex post evaluation of fiscal policy and also evaluates policy in compliance with fiscal rules and long-term sustainability. It also performs normative assessments of fiscal policies and analysis broader issues (despite this not being a part of its expressed mandate). It has working staff of four people and a board of eight members - six academics and two ex-politicians. Its main principal is the government and its members are appointed by the government after proposal form the council itself. Its independent vis-à-vis the central bank and the ministry of finance.[69]

6.8 United Kingdom: Office for Budget Responsibility

Recently created in 2010 the Office for Budget Responsibility conducts forecast as well as ex ante and ex post assessment of fiscal policy. It also evaluates fiscal policy in compliance with fiscal rules and the long-term sustainability of public finances.[70] It has a staff of 20 people and a board consisting of three members - two academics and one government administrative expert. Its main principal is the government however its subject to some parliamentary oversight. Its members are appointed by the Chancellor, however a special select committee appointed by the parliament has veto right over the nominations.

6.9 European level: The European Semester

As of the first of January 2011 the European Union introduced a new fiscal framework for its member states under the title the *European semester*. The measure is an long-term response the ongoing euro-crisis and its main objective is to enhance fiscal discipline and obedience to the rules stated in the SGP. The first term of the semester went by largely unnoticed and assessments of the efficiency of the institution is hard to do in the light of the ongoing turmoil in the eurozone. Following the previously stated criteria for FPC's by Calmfors and Wren-Lewis the EC working inside the framework of the European semester may be defined as an FPC's.

68 http://www.fiskalnisvet.si/

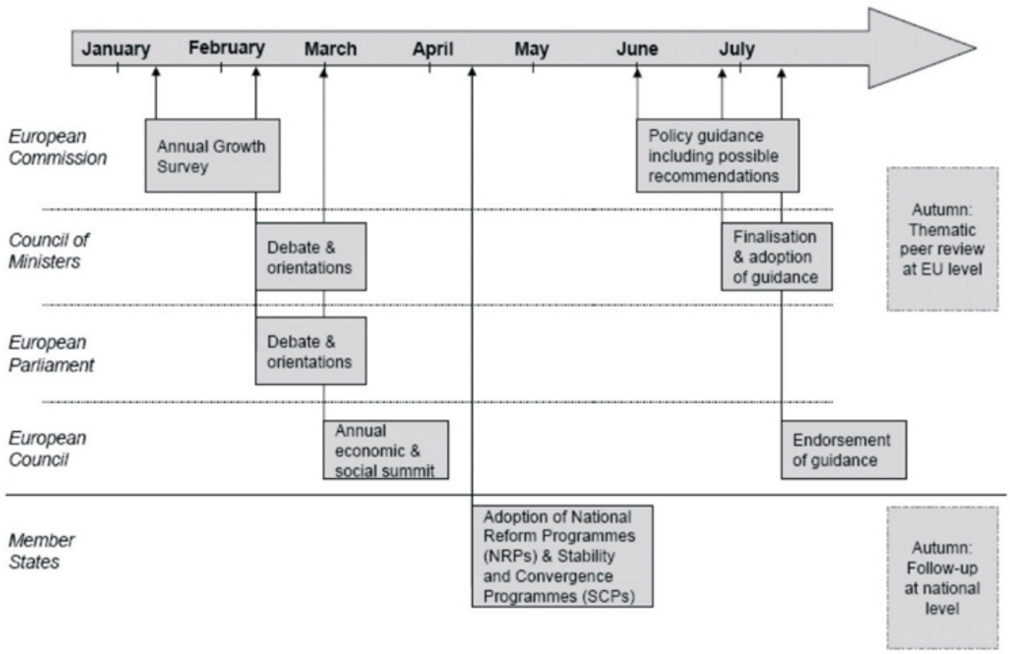
69 http://www.finanspolitiskaradet.se retrieved 2011-12-03 13:44

70 http://budgetresponsibility.independent.gov.uk retrieved 2011-12-03 13:49

6.9.1 Workings of the European Semester

The six month semester starts in January when the EC presents its Annual Growth Survey including macroeconomic review and forecasts. At the spring council the member states will be given a chance to discuss the main challenges on the basis of the Annual Growth Survey and give strategic advice on policy. The next step in the semester starts in April when the member states presents their medium term budgetary strategies to the EC as a part of their stability and convergence programmes.[71] Based on the commissions assessment the council issues country-specific guidance to the member states in June/July, before the member states have finalized their budgets. In the event of a significant deviation from the approved adjustment path the EC have the ability to issue warnings to the member states. In July the European Council and the Council of ministers will provide policy advise before the national governments submit their budgets to be accepted by the national parliaments.[72]

Figure 11: Time-frame of the European semester



Time-frame and overview of the arrangements and fiscal interactions of the European semester. The European Semester starts in January with the annual growth survey published by the EC. After orientation and debate the national governments submits their national stability/convergence programmes stating their fiscal orientation in April. The EC responds to these programmes with country specific recommendations the 7th of June. Adaptation and endorsement by the Council of ministers and the European Council are expected to follow during the summer. The semester concludes with a autumn follow-up. Image source: http://ec.europa.eu/economy_finance/een/019/images/graph1.jpg visited on 13/12-2011 13:01.

71 They are also required to submit their national reform programmes, but as these documents focus on employment, research innovation, energy and social inclusion they do not relate to fiscal discipline and will not be considered in this thesis.

72 Schuknecht (2011) pp. 14-23 and Hallerberg (2011) pp. 8-13.

The tasks performed by the EU institutions throughout the European semester can be summarized as follows: to provide independent forecasts (Annual Growth Survey), ex post and ex ante evaluation and assessment of sustainability of fiscal policy (Country-specific recommendations based on the stability programmes and policy guidance) and normative recommendations.

Table 1: Overview of European FPCs

	Supervising Function	Macro-Economic Competence	Independence
Austria: Government Debt Committee	x	x	
Belgium: High Council of finance	x	x	
Belgium: Federal Planning Bureau		x	
Denmark: Danish Economic Council	x	x	x
Germany: German Council of Economic experts	x	x	x
Netherlands: Bureau for Economic Policy Analysis	x	x	
Slovenia: Slovenian Fiscal Council	x	x	
Sweden: Swedish Fiscal Policy Council	x	x	x
UK: Office for Budget Responsibility	x	x	(x) Semi-independent
EU-level: The European Semester	x	x	x

Overview of the features and tasks of the European FPC described in chapter 7 in respect to the definition proposed by Calmfors and Wren-Lewis (2011) in chapter 6.1. Independence is assessed in accordance to the principal, staff nominations and formal proceedings.

Part two: Empirical analysis

7. Previous research on fiscal forecasts

One of the proposed benefits from independent FPC's is that these intuitions would be able to perform forecasts unbiased by political pressure. This claim is not made unjustified. Jonung and Larch (2006) shows that overly optimistic forecasts systematically have affected the budget position of EU member states, in the end disturbing the adherence to the SGP. They also point to the fact that this bias towards optimism seems to be politically motivated.[73] In another related study Hallerberg et al (2004) conducts research on the forecasts provided to the EC as a part of the stability/convergence programmes. Their conclusion being that the forecasts are terrible inaccurate but also, perhaps of greater importance for this thesis, that the forecasts are either biased towards optimism or of overly cautious nature depending on the the country of origin.[74]

8. Research method

The thesis makes a qualitative definition of forecasts in respect to the hypothesis constructed meaning that not only the numerical forecast but the deemed plausibility of forecasts and consolidation paths will be assessed. In the effort to make a qualitative assessment of provided forecasts by FPCs a simple text analysis will be conducted. Essential to this analysis is the *evaluation* by FPC of the forecasts provided by national government. This evaluation naturally entails the FPCs own prediction of the future macro-economic scenarios and in what way these predictions depart from government forecasts. The focus of the framework is therefore on the forecasted *plausibility of the fiscal consolidation path and the actions taken for its realization* outlined by government and *the macroeconomic scenarios* on which it rests. In addition, any further *normative recommendations* made for this time-period will be assessed. Given the direct nature of these documents and that the aim of the thesis, no in-depth content analysis will provided.[75] For the purpose of this thesis and because of the nature of the documents assessed (see next chapter) the analytical framework used, limits its time-frame to the short to medium time-period, namely the years 2010-2015.

In addition, because of the limit space of this thesis the numerical forecasts of GDP-growth, budget balance and government debt for each country by the institutions assessed will be presented in the appendix. Since the thesis presents numerical forecast of economic aggregates it could be argued that statistical method should be employed to highlight divergence in these forecasts. I argue however that the small sample

---

[73] Jonung and Larch (2006) pp. 528.

[74] Hallerberg et al (2004) pp. 21.

[75] The "who says what, to whom, why, to what extent and with what effect?" would make for an interesting subject of research. However, to resolve the hypothesis at hand simple the "who says what" is sufficient and in reach of his thesis.

provided in this thesis is insufficient for this type of analysis and that any statistical variance presented would be highly questionable. Another short-comings of employing a statistical method is that forecasts are notoriously imprecise and that any difference might not accurately entail an actual divergence in the fiscal forecasts. Therefore for the purpose of this thesis a qualitative assessment of the plausibility of the forecasts is believed to be a more fruitful endeavor. Despite this, the average divergence of numerical forecasts will be presented. All in all, the interested reader might find it awarding to consult the appendix for further insight in the forecasts provided.

8.1 Documents

In order to test the proposed hypothesis i have selected documents from FPCs, the EC, and national government. The focal point of the analysis are stability/convergence programmes submitted by national governments under the preventive arm of the SGP. Under the new frame-work of the European semester these documents are required to be presented at approximately the same time to the EC. This conduct allows for a baseline comparison between forecasts from different governments. Table 2 presents these documents. The response in the form country-specific recommendations from the EC to national governments are then used assess the forecasts of the EC. These recommendations are all published the 7 June 2011 making comparison easy. In addition, EC staff working papers attached with the recommendations have been used when needed.[76] To allow for comparison, documents by FPCs providing forecasts and recommendations have been selected. These documents are published in the same general time-frame (as close to the other publishing dates as possible) so that as far as possible the corresponding forecasts of the FPCs can be assessed. Table 2 presents these documents. In addition to these documents the numerical forecasts provided by IMF and OECD will also be included in the tables presented in the appendix. Although neither IMF or OECD can be adequately be describes as FPC's they enjoy a high level of independence in respect to national governments, and the forecasts they provide are a usable as reference value.[77]

The Belgium High Council of Finance does not provide their publications in English making an evaluation of the same impossible for the present author. The Dutch Central Planning Bureau only presents a short overview of the most significant forecasts of their short-term outlook in English. Because of this, for the Netherlands section no qualitative assessment of the FPC forecasts will take place. I use the EC proposal to country-specific recommendations in the assessment and not the final version approved by the European Council. As the main interest of this empirical study lies in the EC evaluation, I argue that further involvement of national governments could only help delude the opinions of the EC. As the Swedish Fiscal

[76] Since the EC recommendations are published on the same date and are homogeneous in design they will not be listed. They are however, of course listed in the literature section.

[77] The relationship between EU, national governments, IMF and OECD is too complex to be discussed in this thesis limited space. As an example this complexity see Smaghi (2004) for a discussion about the EU-IMF relationship.

Policy Council provides no numerical forecasts in their document the forecasts provided by the Swedish National Institute of Economic Research are used for reference. Not formally an FPC in accordance with Calmfors and Wren-Lewis (2011) the institution provides forecasts for government and other agencies and emphasizes its own independence.[78]

Table 2: List of stability/convergence programmes assessed

Country	Title	Institution	Date	Pages
Austria	Austrian Stability Programme for the period 2010 to 2014	Federal ministry of finance	12 May 2011	43
Denmark	Denmark's Convergence Programme 2011	Danish government	9 May 2011	134
Germany	German Stability Programe 2011 update	Federal Ministry of Finance	13 April 2011	38
Netherlands	Stability Programme of the Netherlands April 2011 Update	Dutch Council of Ministers	29 April 2011	58
Slovenia	STABILITY PROGRAMME 2011 UPDATE	Republic of Slovenia	18 April 2011	40
Sweden,	Convergence Programme for Sweden 2011 update	Government Offices of Sweden	29 April 2011	78
UK	2010-11 Convergence Programme for the United Kingdom	Her Majesties Treasury	28 April 2011	46

List of documents by national governments assessed for the purpose this thesis.

[78] http://www.konj.se/

Table 3: List of documents by FPC assessed in the thesis

Country	Title	Institution	Date	Pages
Austria	Recommendation of the Government Debt Committee on Budget Policy and Financing 2011	Austria Government Debt Committee	4 July 2011	5
Denmark	Danish economy spring 2011	Danish Economic Council	31 May 2011	25
Germany	*C*hance for a stable upturn - Annual report 2010/2011	German Council of Economic Experts	November 2010	22
Netherlands	CPBs short-term forecasts March/April 2011	Netherlands Bureau for Economic Policy Analysis	March 2011	n/a
Slovenia	Annual report of the fiscal council fiscal policy - assessment for Slovenia 2010-2012	Slovenian Fiscal Council	29 April 2011	158
Sweden	Konjunkturläget Juni 2011	Swedish National Institute of Economic Research	16 June 2011	109
Sweden	Svensk Finanspolitik	Swedish Fiscal Policy Council	10 May 2011	362
UK	Economic and fiscal outlook	Office for Budget Responsibility	March 2011	176
International	Fiscal Monitor Shifting gears Tackling Challenges on the Road to Fiscal Adjustment	IMF	April 2011	154
International	World economic Outlook April 2011	IMF	April 2011	242
International	Economic Outlook	OECD	May 2011	411

List of documents by FPCs assessed for the purpose this thesis research hypothesis.

9. Empirical findings

For each country the forecasts on fiscal consolidation and the measures for its achievement, government budget balance and GDP-growth provided by the Government in the stability/convergence programmes will be outline. Next the evaluation of the programme by the EC will be presented. Thereafter the assessment of the government policies by FPC concludes. A concluding chapter summarizing the findings and provide space for remarks.

9.1 Austria

The Austrian Stability programme presents a strong economic recovery in 2010 with a real-GDP growth of two percent and forecasts the GDP-growth to be around two percent for the upcoming years. It states a high deficit of 4.6 percent for 2010 and attributes the deficit to counter-cyclical measures taken to limit the scope of the crisis of 2008-2009. In the framework of the Federal Budgetary Framework for 2012-2015 the Austrian government government sets a medium-term goal of reducing the deficit to around two percent by 2015, with a corresponding government debt level of 74.4 percent for the same year. This is to be obtained through the following measures: less spending on administration and manpower, lowered the eligible age for family allowance, pension-reforms, bank-levy, raised tobacco and fuel taxes and anti-fraud measures. Homeland security, R&D and active labour market policy are deemed to important to be affected by the consolidation efforts. In addition to this greater fiscal consolidation is to be maintained by local governments being committed to deliver balanced budgets.[79]

The EC agrees with the the attribution of the deficit in 2010 to counter-cyclical measures taken in 2008 and finds the macroeconomic growth scenario plausible. The EC envisions the general government deficit for Austria to to fall to 3.7 percent of GDP in 2011 and 3.3 percent of GDP in 2012, gross government debt is anticipated at a level of 75.4 percent of GDP for 2012. The EC GDP-forecasts are in line with the stability programme.[80] All in all, the EC finds the outlined path for fiscal consolidation plausible but deems the revenue from the anti-fraud programme to be highly speculative. The EC also points to the fact that measures taken on regional and local government level are unspecified and that the consolidation path should be stepped up in light of unexpected favorable GDP growth as they find the joint consolidation to be less than optimal.[81]

The Austrian Government Debt Committee (AGDC) acknowledges the predicted GDP-growth and consolidation paths taken by the Austrian government in accordance to the Austrian Stability Pact in which a deficit of below three percent is to be achieved by the year 2013. In order for the fiscal targets to become reality the AGDC highlights the following framework conditions and recommendations: adherence to the recommendations made by the EC, using the higher-than-expected growth solely to reduce deficit and debt, raising the retirement-age, modernize and reform budget management on all levels of government, and revenue sharing. All in all, the AGDC recommendations are in line with the ones proposed by the EC and like the EC the ADC also finds the consolidation effort to be less than optimal.[82]

---

[79] Austrian Government (2011) pp. 19-22.

[80] Commission staff (Austria) (2011) pp.6.

[81] Commission staff (Austria) (2011) pp.18.

[82] Austrian Debt Committee (2011)pp. 4-5.

9.2 Denmark

The Danish convergence programme states a GDP-growth rate of 2,1 percent for 2010 and 1,75 percent for 2011 and 2012. The Convergence Programme proclaims that in order to mediate the downturn of 2008-2009 fiscal measures were undertaken creating a deficit of 2.9 percent in 2010, which will spill over to a deficit of 4.0 percent in 2011 and 4.6 percent in 2012. The aim of the Danish government is to lower the deficit to below the SGP threshold of three percent of GDP in 2013. The deficit also stems from decreased state revenue from lower yields from pension taxes, lower income from the North Sea and increased public expenditure on pensions and debt management. During the years 2010-15 debt is assumed to increase somewhat from 43.6 percent to 46.1, with a peak of 48.0 percent in 2013. This is to be remedied through a Fiscal Consolidation Agreement signed in May 2010.[83] This agreement includes the following measures: enhanced mechanism that ensures that actual spending does not exceed budgeted spending in local governments, tax-system reforms are suspended, duration of unemployment benefits are reduced from 4 to 2 years and some tax-deductions abolished.[84] The consolidation path undertaken is aimed at improving the structural balance with 1.5 percent in the years 2011-13.[85]

The EC finds the macro-economic scenarios of the Danish convergence programme plausible, while the Danish government forecasts a GDP-growth that is slightly more optimistic for 2012 and 2013 it is broadly in line with the EC provisions. The EC also finds the improvement of the structural balance to be plausible. The adjustment path adopted by the parliament in spring 2010 are considered adequate and risks to the forecast are deemed balanced.[86]

The Danish Economic Council (DEC) foresees the growth to be around 0.5 percent in 2011 and 2.0 percent in 2012 and 2013 and deficit are anticipated at around 3 percent for 2011. The DEC acknowledges the improvement of the structural deficit with 1.5 percent for 2011-2013 which it finds in line with the economic recovery especially in the light of higher than expected employment figures. Public consumption also increased more than expected when the budget bill as drafted according to the DEC which also helps the fiscal consolidation. The DEC states that failure to comply with expenditure targets for public consumptions illustrates the need for new mechanisms for improved adherence.[87]

[83] The 2011 Danish Convergence Programme refers to this agreement.

[84] Danish Government (2011) pp. 49.

[85] Structural deficit is a deficit that exist even when the economy is at its potential, in other words the budget balance unrelated to the business cycle.

[86] European Commission (Denmark) (2011) pp. 3.

[87] Danish Economic Council (2011) pp. 5.

9.3 Germany

The German stability programme states a deficit of 3.3 percent for 2010 a projection that is far better than the 5,5 percent deficit presented in the 2010 stability programme. This because of the better than expected economic recovery of the German economy. The deficit stems from the actions taken in 2008-2009 to remedy the ongoing crisis and support the bank sector. The same actions allowed the debt level to rose up to 83.2 percent of GDP in 2010 from 73.5 percent in 2009. The programme states that a consolidation package adopted in 2010 by the federal government together with a strong macro-economic trend will lead to a speedy improvement of government balance. The referred consolidation package adopted 7 June 2010 details the consolidation of public finances through spending cuts mainly on labour and social security and administration. Revenue is to increase through taxes on air-travel, energy intensive industry and the banking sector. Higher efficiency in administration will also facilitate budget consolidation.[88] General government revenue is expected to rise by 2.5 percent annually in 2010-15 as GDP will increase by 2.3 percent 2011 and by 1.8 percent in 2012 before stabilizing around 1.5 percent. Stable government revenue and less government expenditure will lead to a reduction of government deficit in 2011 to 2.5 percent, ahead of the deadline stated in the excessive deficit procedure elicited by the 2009 deficit.[89] This positive outlook also lends itself to the structural balance that is assumed to become close to balance in 2015 and below the medium-term goal of -0.5 percent. The debt level is also assumed to shrink, going from 83.2 percent in 2010 to 75.5 percent in 2015.[90]

The EC perceives the GDP-growth numbers presented in the stability programme as cautious for 2011 and plausible thereafter. It acknowledges the consolidation plan presented as correct but expresses risk in that some of the saving measures proposed might not materialize: the energy and financial taxes are still debated and that efficiency improvements are not specified. The EC also highlights that further financial market support measures might be necessary.[91]

Published in November 2010 the 'chance for a stable upturn' presented by German Council of Economic Experts (GCEE) was published a good five months before the stability programme. Albeit the time-difference the report also highlights the importance of the economic crisis in creating the deficit of 2010 and 2011. The Council also acknowledges the strong recovery of the German economy and the chance for fiscal consolidation that it presents. It finds the consolidation path plausible but expresses risk for a backslide in the policy implementation and the necessity of hindering that the cost of fiscal interventions in 2009 become a permanent problem. In face of stable but low growth rate the GCEE advices the government to back from its

[88] Zipfel (2010) pp. 1-4.

[89] The Excessive Deficit Procedure is a condition of the SGP.

[90] Federal Ministry of finance (2011) pp.15-22.

[91] European Commission (German) (2011) pp. 3-4.

interventionist tendencies and drop from previously made commitments in order to make the consolidation path a reality.[92]

9.4 Netherlands

The Dutch stability programme envisions a path of consolidation that will correct the excessive deficit of -5.4 in 2010 to under three percent in 2012.[93] Structural improvement is believed to be one percent of GDP until 2013 the medium term objective being -0.5 percent. The debt level is believed to peak around 65 percent in 2012 and decline thereafter. This is to be obtained through expenditure ceilings and budget reform.[94]

Based on the stability programme the EC makes the assessment that the macro-economic underpinnings are plausible (but somewhat modest in terms of GDP-growth) and that the consolidation planned are sufficiently underpinned by budgetary measures until 2015.[95]

9.5 Slovenia

As for the previous countries the stability programme of Slovenia states the crisis of 2008-2009 as the driving factor behind the experienced deficit in 2010. In line with EU recommendation the Slovenian government states that a reduction of the deficit below three percent by 2013 will be achieved. This by means of restraining government expenditure growth and improving efficiency in administration. In addition pensions reforms, rationalization of public transfers, tax-reforms and maintaining nominal levels of wages in public sector will further the consolidation actions. The proposed savings of 5.2 percent of GDP in 2014 will be offset by growing interest payments and the recapitalization of the state-owned Slovene Bank. After further increase of the debt levels in 2010 and 2011 the debt level will stabilize above 35 percent of GDP in the period 2012-2014. The structural balance is envisaged to be lowered to -1.7 percent in 2014 from -4.3 in 2010.[96]

The EC finds the provided macro-economic scenario as plausible in the short-term but overly optimistic towards the end of programme period. The EC is critical of the stability programmes envisaged level of deficit as this is not sufficient enough and will miss the recommended targets. The EC is also critical of the consolidation effort as it is perceived to be less than recommended by the council and the EC also states that

[92] German Council of Economic Experts (2010) pp. 3, 15-16.

[93] The Dutch Bureau for Economic Policy Analysis (BEPA) publishes its reports in Dutch making in-depth comparison difficult (See appendix for discussion).

[94] Dutch Council of Minsters (2011) pp.5

[95] European Commission (Netherlands) (2011) pp. 3.

[96] Republic of Slovenia (2011) pp. 17-23.

deficit and debt targets are running a chance of falling short. The recommendations also finds it worrisome that the stability programme fails to specify measures to contain expenditure after 2011 and that additional financial rescue operations can be a reality. To reach the set targets for fiscal consolidation further measures should be undertaken.[97]

The Slovenian Fiscal Council (SFC) is skeptical to the consolidation actions undertaken by the government in 2010 and is going so far as to say that revenue numbers might be deliberately inflated.[98] The council is more kind however towards the adopted consolidation plan for 2011-2014 that the government will put into action in 2011. The SFC finds it credible but desires a detailed method for how and when to achieve a balance surplus and repay government debt. A more serious critique of the consolidation forecast is that the outlined consolidation path is underpinned by high nominal GDP-growth and if this fails to materialize it would seriously jeopardize the consolidation efforts.[99]

9.6 Sweden

According to the Swedish convergence programme the Swedish economy was in a strong phase of recovery in 2010 with GDP rising with 5.5 percent.[100] The surplus of 2008 made it possible counteract the downswing of 2008-2009 with fiscal actions without attracting a large deficit. The position is envision in the convergence programme to gradually strengthen to a surplus of 3.6 percent of GDP in 2014. The main motor of this development is attributed to GDP-growth and reduced expenditure. [101]

The EC finds the macroeconomic underpinnings of the programme as broadly plausible but finds the 2012 GDP growth numbers as too favorable. The budget strategy is deemed appropriate for reaching the medium-term goal of one percent surplus over a cycle.[102] The EC highlights the risk of a budget strategy that is solely based on economic growth, as there is a risk that envisioned growth numbers might not materialize. The EC is also states that there is a risk for a pro-cyclical policy with respect to the expansionary fiscal measures outlined in the 2011 spring bill (various tax-cuts).[103]
The Swedish Fiscal Policy Council (SFPC) is also skeptical to the policy actions outlines in the spring bill 2011. The government has made the assumption that the room to maneuver has become bigger, but as the government has failed to explain too which extent, expansive fiscal policy might lead to pro-cyclical actions.

[97] European Commision (Slovenia) (2011) pp.4-5

[98] Slovenian Fiscal Council (2011) pp.130.

[99] Slovenia Fiscal Council (2011) pp.4.

[100] Government offices of Sweden (2011) pp. 17

[101] Government offices of Sweden (2011) pp. 21-24. The Swedish Ministry of Finance make make use of a way to report revenue and expenditure slightly different than used by EU. The aggregates according to maastricht-criteria will be presented.

[102] The medium-term goal of the Swedish government is to achieve one percent surplus over a ‘cycle’. This time-based deficit position is closely related to the structural deficit.

[103] European Commission (Sweden) (2011) pp.4.

They are also critical to the medium-term goal of one percent GDP saving over a cycle and how the structural savings are measured.[104]

The National Institute of Economic Research (NIER) finds that without further unfinanced fiscal actions the structural savings would be 2.1 percent of potential GDP already in 2012 and this trend would continue for 2013-2015. The fiscal policy envisioned for the period 2013-2015 is deemed to be in accordance with the medium-term objective with reservation for further fiscal actions. As a consequence of fiscal surpluses and further selling of government held stock the debt will continue to decrease.[105]

9.7 UK

The UK convergence programme forecasts are provided explicitly by the Office for Budget Responsibility (OBR) created in 2010. Using an FPC as a forecasting agency for the convergence programme and the government is in fact a part of the consolidation effort by the government.[106] The OBRs 'Economic and Fiscal Outlook' published in march (and a part of the UK convergence programme) presents the UK economy as affected by the crisis of 2008-2009 and a sudden and unexpected fall in GDP in late 2010. The OBR predicts a GDP-growth trend of about two percent in the short to medium term. The deficit is forecasted to decline from -9.8 percent of GDP in 2010 to -6.2 percent in 2012, with further improvements to the fiscal balance after that. The programme refer to the June Budget of 2010 in which the consolidation efforts are presented. These include expenditure and spending reduction, including social welfare payments and increased tax revenue focusing on raised VAT.[107] These actions were undertaken as previous deficits had elicit the Excessive Deficit Procedure of the SGP and the aim is to reduce its deficit to below the three percent threshold by 2014. Given the overall macro-economic trend the OBR gives the effort a slightly higher than fifty percent chance of realization.[108]

The EC find the macroeconomic scenario plausible except for 2012 when it is too favorable. Its critical to the fact that the programme doesn't include a medium-term objective and that the consolidation effort might be to small. That budget deficit was slight smaller than projected in 2009-10 might still make this effort in accordance with the consolidation path.[109]

---

104 Swedish Fiscal Council (2011) pp. 1-4.

105 National Institute of Economic Research (2011) pp. 97.

106 HM Treasury (2011) pp. 10.

107 HM Treasury (2011) pp. 2-3.

108 Office of Budget Responsibility (2011) pp.9.

109 European Commission (UK) (2011) pp. 3-4.

9.8 Summary of findings

The macro-economic scenarios presented by national governments in the stability/convergence programmes are broadly seen as plausible by the EC and national FPC, with the exception of Slovenia. In general, if divergence in predicted GDP-growth exist, the difference is described for parts of the forecast or for specific years. In general, the numerical divergence in GDP forecasts are smaller for the baseline year of 2010 and bigger for 2011 and 2012 (average divergence in GDP-forecast: 2010: 0.285%, 2011: 0.664, 2012: 0.664%). Table 4 shows the average divergence in GDP forecasts between FPC, EC and stability/convergence programmes (note that the divergence is smaller when IMF and OECD are exempted). GDP-growth is not anticipated to be higher by national governments than by FPC, with the exception of Sweden and the UK.

The forecasts on the budgetary positions and the consolidation paths presented by national government are broadly deemed as balanced by FPCs, with the exception of Slovenia.[110] Divergence in numerical forecasts on budget positions are higher between assessing institutions the further away from the baseline year of 2010 the forecast goes, except for Germany (average divergence in budgetary balance forecast: 2010: 0.657%, 2011: 0.757%, 2012: 0.971%). Table 5 show the average divergence in projected budget balances between EC, FPC and stability/convergence programmes (again, the divergence is less prompt when IMF and OECD are exempted). National government does not seem to systematically estimate a deficit (surplus) that are lower (higher) than FPC estimates, this is only true for the Netherlands, Slovenia, Sweden (2012) and the UK.

Average numerical divergence in estimates on debt levels debt as percent of GDP for the prescribed years are as follows: 2010: 2.614%, 2011: 2.0%, 2012: 2.328%. Only the UK Convergence anticipates a debt level smaller than that of the EC. Table 6 summarizes the empirical findings in accordance with the analytic scheme set up in chapter 8.

110 Balanced in the sense that all the risks to the outlined consolidation path is well outlined and that the measures taken are deemed sufficient.

Table 4: Average divergence of forecasts on GDP

	2010	2011	2012
Between FPC and Stability/Convergence	0.183	0.3	0.6[111]
Between EC and Stability/Convergence	0.014	0.207	0.433

Simple average of divergence in GDP forecasts between EC and national stability/convergence programmes and FPC and national stability/convergence programmes for the years 2010, 2011 and 2012.

Table 5: Average divergence of forecasts on government budget balance

	2010	2011	2012
Between FPC and Stability/Convergence	0.14[112]	0.36[113]	0.4[114]
Between EC and Stability/Convergence	0.242[115]	0.328	0.514

Simple average of divergence in budget balance forecasts between EC and national stability/convergence Programmes and FPC and national stability/convergence programmes for the years 2010, 2011 and 2012.

111 Forecast for Austria, Denmark, Germany and the UK not available.

112 Figures for Slovenia not available. UK excepted (FPC/Convergence same).

113 Figures for Slovenia not available. UK excepted (FPC/Convergence same).

114 Figures for Austria, Germany and Slovenia not avalable. UK Excepted (FPC/Convergence same).

115 This number if highly influenced by the large UK divergence without UK the average divergence is 0.016.

Table 6: Summary of findings in accordance with the analytical framework

	Macro-economic Scenario	**Risks associated with Consolidation Path**	**Normative assessment in the short-term**
Austria EC	Plausible.	Balanced risk. Some revenue speculative.	Regional consolidation effort should be specified.
Austria FPC	Plausible.	Balanced risk but some framework developments needed for its realization.	Regional consolidation effort should be improved.
Denmark EC	Plausible.	Balanced risk. Adequate consolidation effort.	No.
Denmark FPC	Plausible.	Balanced risk.	New mechanisms for adherence to fiscal goals.
Germany EC	Too cautious in the short term then plausible.	Balanced however some measures might not materialize.	Further financial market support might be necessary.
Germany FPC	Plausible.	Balanced risk.	Risk for backslide into protectionist activities. Drop previous commitments.
Netherlands EC	Plausible.	Balanced risk.	No.
Slovenia EC	Overly optimistic forecast.	High risk. Further actions must be taken.	Further financial market support might be necessary.
Slovenia FPC	Deeply sceptical of 2010 forecast. Less so in the medium-term.	High risk (measures based on high GDP-growth).	Lack of detailed plan for consolidation.
Sweden EC	Broadly plausible.	Balanced but based on high GDP growth.	Risk for pro-cyclical policy actions.
Sweden FPC (NIER)	Plausible.	Balanced risk.	No.
Sweden FPC (SFPC)	n/a	n/a	the ‘room for maneuver’ of fiscal policy is not adequately specified. Risk for pro-cyclical policy actions.
UK EC	Plausible but to favorable in 2012.	Balanced risk.	No medium-term objective. Effort might be to small.

Table summary over the evaluation by FPC of short-term forecasts of macro-economic trends and fiscal balances provided by national governments as part of the stability/convergence programmes presented in chapter 9. Since UK Stability forecasts are provided by the FPC (OBR) only the EC assessment will be presented.

10. Conclusions and remarks

10.1 The validity of the hypothesis

Lets review the hypothesis earlier formulated in order to analyze their validity in light of the empirical findings presented.

Hypothesis one: *The forecasts of future macro-economic events and fiscal performance will differ between the national FPC and the national Government.*

With the exceptions of Slovenia the FPC forecasts are broadly in line with the macro-economic scenarios presented in the stability/convergence programmes. With the exception of Slovenia the forecasts of fiscal performance and the consolidation measures taken are broadly deemed as appropriate and of balanced risk. The average numerical divergence in forecasts between FPC and government in the described years are also notably small, especially for the years 2010-2011. In the light of these findings the hypothesis must be discarded.

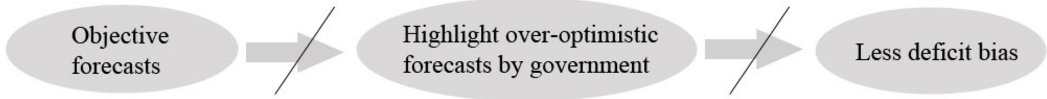
Hypothesis two: *The forecasts of macro-economic events and fiscal performance differ between the EU and the national governments.*

With the exception of Slovenia, the EC forecasts are broadly in line with the macroeconomic scenarios presented by national governments. The forecasts of fiscal performance and the consolidation measures taken are broadly deemed as appropriate and of balanced risk, again with the exception of Slovenia. The EC makes cautionary recommendations for most countries but risk are broadly deemed as balanced. In the light of these findings the hypothesis must be discarded.

10.2 Consequences of empirical findings for arguments made in 4.2.1

As the presentation of the empirical findings suggest the link between objective forecasts by FPCs and less deficit bias might have to come in to question. The empirical findings point to the fact that FPC forecasts seem to be in line with government forecasts. The economic literature surveyed suggest that government forecasts are over-optimistic, if so, the FPC assessed failed to notice this. Figure 12 presents a revision of figure 6 in order with this findings.

Figure 12: Revision of figure 6



Revision of figure 6 in accordance with empirical findings. The link between objective forecasts and the deficit bias is questioned.

10.3 Remarks

There are numerous provisions that complicates these findings and the dismissal of the hypothesis - putting the validity of the conduct in question. First, and most important, it could very well be the case that the presence of FPC forecast have already helped increase the transparency of the budgetary process making government forecast less biased. If so, then the empirical findings *supports* the notion that objective forecasts lessen the deficit bias. Only a study performed before and after the set-up of FPCs can help bring clarity in this. Second, how big should a difference be to validate the hypothesis? I make the distinction that the FPC and EC judges the forecasts as plausible and of balanced risk as sign that their provisions are aligned with the government forecasts. However, in all cases remarks are made about certain aspect of the consolidation path and macroeconomic development by FPCs. Given that the fiscal actions are guided by EU protocol and established fiscal conduct there should have developed a level of consensus on the macro-economic models and assumptions underpinning the scenarios presented. If so, then the difference witnessed are not modest as concluded but rather marks a distinct level of divergence. Third, It can also be argued that FPC documents i have evaluated often provides more elaborate assessment of long-term fiscal policy and that the most pronounced role of the FPC is commitment to long-term fiscal goals and to highlight the need for reform. The following example might highlight this problem: The Swedish Fiscal Policy Council makes the valuation that the the Swedish governments fiscal actions are in-line with its medium-term goal of one percent surplus over a cycle but then critiques this impreciseness of this goal and its necessity. Is it then really the councils opinion that the risks facing the fiscal consolidation path are balanced? Another example of this problem is that a common feature of the FPC documents is to highlight the urgent need for pension reforms to obtain balanced budgets in the medium to long-run. The limit scope (short-term) of thesis runs a risk of missing the high level of divergence that might exist in fiscal forecasts of future need for consolidation efforts.

Taking the numerical findings in consideration their is an explicit difference in the forecasts (the average divergence is not 0.0). I make the distinction here that these deviations are small but given the scale of aggregates one could also as easily make the assumptions that these divergences are substantial.[116] Given that

[116] As an example, the divergence in projected GDP for the UK for the year 2012 between FPC/convergence programme and EC are 0.4 percent. Given that the nominal GDP for 2010 was 2,250,209 million USD just imagine the difference in fiscal revenue this divergence entails.

forecasts are notorious hard to perform and that the time-period assessed is characterized by economic turmoil this thesis however, as already stated, put less weight on the divergence in numerical forecasts.

In conclusion, taking the result of this thesis in consideration one should allow for the fact that the thesis hypothesis might have been imprecisely formulated and that the short time-frame might not be suitable for an evaluation of fiscal forecasts.

11. Concluding remarks

The study conducted in this thesis seem to complicate the argument that forecasts provided by FPCs are more unbiased in relation to government forecasts. Nevertheless, given the limited scope of this thesis the results should be dealt with cautiousness. It could for example be argued that in the assessed countries the existence of an FPC already have affected the quality of forecasts by increasing the political cost of divergence. Future research conducted on countries lacking FPCs could help bring clarity in this. It could also be argued that unbiased forecasts in fact are the result of the European semester and that the EC has obtained unbiased forecasts by obtaining FPC characteristics. Again, the scope of the thesis limits the possibility for such assessment.

In order to tackle the deficit bias the economic literature surveyed in this thesis prescribes independence for the fiscal institutions as pivotal. Based on the success of the CB in undertaking the inflation bias with independence and adherence to a strict rules this seems to be an appropriate measure. If we allow ourselves to go beyond the rationale of economic literature however, the process seems far from unproblematic. If fiscal policy is to take on the same path as monetary policy this entails taking a responsibilities from elected officials and putting in the hands of academics and experts. Parts of he budgetary process, now a prerogative of politicians, would instead be insulated from political pressure. Any further development in this direction would naturally elicit questions about the legitimacy of the process. A study conducted some years from now could make a comparative study in OECD countries of the evolution of fiscal institutions and the path towards independence once taken by CBs. Hopefully such a study could bring into light the economic and political consequences of making these institutions independent.

12. Summary

The thesis started with describing the alarming debt levels in Europe that have lead to academic interest in the Deficit Bias - the tendency for governments to run deficits and accumulate debt. Actions taken to remedy this tendency have centered around the establishment of fiscal rules - the Stability and Growth Pact being the most notable example. In the first part of thesis the origins and potential solutions to the deficit in economic literature was surveyed. In this survey the theoretical reasoning behind the institutional solutions to the bias were presented. The main focus was on Fiscal Policy Councils (FPC) - fiscal institutions with a 'watchdog' function over government fiscal policy. In accordance with the survey the FPC were defined and their tasks described. In addition, the existing european FPC were presented. In agreement with the definition of FPCs made by Calmfors and Wren-Lewis (2011) the European Commission working inside the European Semester framework were defined as an FPC.

The definition of the EC as an FPC made it possible to test one of the proposed benefits of FPCs - unbiased forecasts. In order to do so two hypothesis were formulated: (1) the forecasts of future macro-economic events and fiscal performance will differ between the national FPCs and the national government. (2) The forecasts of macro-economic events and fiscal performance will differ between the EC and the national governments.

By constructing an empirical study based on the time-frame of the european semester the hypothesis were tested. In the study the forecasts provided by national stability/convergence programmes were compared to the forecasts provided by EC recommendations and FPC documents. These forecast were deemed to be broadly in line with each other and as such the hypothesis were discarded. Remarks complicating these findings were presented as the hypothesis might have been imprecisely formulated and the short time-frame of the empirical study might not have been suitable for assessment of fiscal forecast. Concluding remarks were made that highlighted the need for future research, especially since the legitimacy of the FPC is unclear.

13. Sammanfattning

Uppsatsen inleddes med att beskriva den alarmerande skuldsituationen i Europa som har lett till ett ökat forskningsintresse för *the deficit bias* - tendensen för regeringar att föra politik som ger budgetunderskott och ökad statlig skuld. Ingripanden för att hindra denna tendens har i mycket handlat om skapandet av finanspolitiska regler, varav stabilitetspaktens regelverk är den mest omskrivna. I syfte att kartlägga ursprung och potentiella lösningar till denna tendens genomfördes i uppsatsen första del en kartläggning av den ekonomiska litteraturen. I denna kartläggning presenterades och preciserades de teoretiska resonemang som ligger till grund för institutionella lösningarna till deficit bias. Huvudfokus ligger på *Fiscal Policy Councils* (FPC) - nationella finanspolitiska institut med uppdrag att övervaka de nationella regeringarnas finanspolitik. I enlighet med den ekonomiska litteraturen definierades dessa och deras uppdrag beskrevs och existerande europeiska FPCs presenterades. Med hjälp av den definition av FPC som ges av Calmfors och Wren-Lewis (2011) i kartläggningen definierades också Europakomissionen som en FPC. Detta då Europakommisionens arbete inom EUs nya ramverk för finanspolitisk övervakning - *European Semester* - i mycket sammanfaller med FPCs sysslor.

Denna definition av Europakommisionen gjorde det sedan möjligt att i uppsatsen andra del testa en av de föreslagna fördelarna med FPC, att dessa institutet ökar transparensen i budgetprocessen genom att tillhandahålla oberoende finans- och makroekonomiska prognoser. Detta påstående testades genom att följande hypoteser formuleras: (1) prognoser om framtida makroekonomiska skeenden och nationell budgetbalans skiljer sig mellan en nationell FPC och en nationell regering. (2) Prognoser om framtida makroekonomiska skeenden och nationell budgetbalans skiljer sig åt mellan europakommissionen och nationella regeringar.

Genom att konstruera en empirisk studie byggd på tidsramen för *the european semester* testades sedan hypoteserna. I studien jämfördes prognoser i nationella stabilitets och konvergensprogram med de som återfanns i Europakommissionens rekommendationer och i utlåtanden av nationella FPC. Den bedömning som gjordes utifrån denna studie är dessa prognoser till stor del överensstämde med varandra och utifrån denna bedömning avfärdades hypoteserna. Denna bedömning kompliceras dock av det faktum att hypoteserna kan ha varit oprecist formulerade och att den analytiska tidsramen kan ha varit för snäv. Uppsatsen avslutades med reflektioner om behovet av framtida forskning, inte minst på grund av de frågor kring legitimitet som den av uppsatsen beskrivna utvecklingen mot självständig finanspolitik frambringar.

14. References

14.1 Literature

Alt, J. E., & Lassen, D. D. (2006). Transparency, Political Polarization, and Political Budget Cycles in OECD Countries. *American Journal of Political Science, 50*(3), 530-550.

Ana Corbacho, G. S. (2007). Fiscal Responsibility Laws. In t. T.-M. Manmohan S. Kumar (Ed.), *Promoting Fiscal Discipline*. Washington: IMF

Balassone, F., & Franco, D. (2000). Public Investment, the Stability Pact and the 'Golden Rule'. *Fiscal Studies, 21*(2), 207-229. doi: 10.1111/j.1475-5890.2000.tb00023.x

Burda, M. a. G., S (2010). *Credible Stability and Growth Pact: Raising the Bar for Fiscal Transparency.* (Vol. CEPR): VoxEU.

Calmfors, L. (2010). The role of independent fiscal policy institutions. *Rapport till Finanspolitiska rådet 2010/9*.
Calmfors, L., & Wren-Lewis, S. (2011). What should fiscal councils do? *Economic Policy, 26*(68), 649-695. doi: 10.1111/j.1468-0327.2011.00273.x

Castellani, F., & Debrun, X. (2005). Designing Macroeconomic Frameworks: A Positive Analysis of Monetary and Fiscal Delegation*. *International Finance, 8*(1), 87-117. doi: 10.1111/j.1367-0271.2005.00152.x

Castellani, F., & Debrun, X. (2005). Designing Macroeconomic Frameworks: A Positive Analysis of Monetary and Fiscal Delegation*. *International Finance, 8*(1), 87-117. doi: 10.1111/j.1367-0271.2005.00152.x

Christina Bodea, S. H. (2010). Dancing together at arm's Length? The interaction of Central Banks with Governments in the G7. *ECB Occasional paper, No. 120*(October 21 2010).

Debrun, X. (2011). Democratic Accountability, Deficit Bias,
and Independent Fiscal Agencies. *IMF working paper, Juli 2011*.

Debrun, X., Hauner, D., & Kumar, M. S. (2009). INDEPENDENT FISCAL AGENCIES. *Journal of Economic Surveys, 23*(1), 44-81. doi: 10.1111/j.1467-6419.2008.00556.x

Debrun, X., Moulin, L., Turrini, A., Ayuso-i-Casals, J., & Kumar, M. S. (2008). Tied to the mast? National fiscal rules in the European Union. *Economic Policy, 23*(54), 297-362. doi: 10.1111/j.1468-0327.2008.00199.x

Eslava, M. (2010). THE POLITICAL ECONOMY OF FISCAL
DEFICITS: A SURVEY. *Journal of Economic Surveys, 25*(4), 645-673.

Featherstone, K. (2011). The JCMS Annual Lecture: The Greek Sovereign Debt Crisis and EMU: A Failing State in a Skewed Regime*. *JCMS: Journal of Common Market Studies, 49*(2), 193-217. doi: 10.1111/j.1468-5965.2010.02139.x

Frankel, J. (2011). A SOLUTION TO FISCAL PROCYCLICALITY: THE STRUCTURAL BUDGET INSTITUTIONS
PIONEERED BY CHILE. *Working Papers Central Bank of Chile*(604).

Fuhrer, J. C. (1997). Central band independence and inflation targeting: monetary policy paradigms for the next millenium? *New England Economic Review*(Jan), 19-36.

Iwata, Y. (2011). The Government Spending Multiplier and Fiscal Financing: Insights from Japan. *International Finance, 14*(2), 231-264. doi: 10.1111/j.1468-2362.2011.01285.x

Jonung, L., & Larch, M. (2006). Improving fiscal policy in the EU: the case for independent forecasts. *Economic Policy, 21*(47), 491-534. doi: 10.1111/j.1468-0327.2006.00162.x

Krogstrup, S., Wyplosz, C., & Research, C. f. E. P. (2006). *A common pool theory of deficit bias correction*: Centre for Economic Policy Research.

Kumar, X. D. D. H. M. S. (2009). Independent Fiscal Agencies. *Journal of Economic Surveys, 23*(1), 44-81.

Lambertini, L. (2003). Are Budget Deficits Used Strategically? *Boston Collage, Working Paper*(SFI-LL-WORKING-2004-001).

Ludger Schuknecht, P. M., Philipp Rother, Jurgen Stark. (2011). *Stability And Growth Pact crisis And Reform*. Paper presented at the Occasional Paper Series. NO129. September 2011.

Mamadouh, V., & Van Der Wusten, H. (2011). FINANCIAL, MONETARY AND GOVERNANCE CRISIS: AN OUTLOOK ON THE EURO(ZONE). *Tijdschrift voor economische en sociale geografie, 102*(1), 111-118. doi: 10.1111/j.1467-9663.2010.00643.x

Mark Hallerberg, G. W. (2011). How effective and legitimate is the European semester? Increasing role of the European parliament. [Working Paper]. *Working Papers, 612*(Bruegel).

Mark Hallerberg, J. v. H. (1999). Electoral Institutions, Cabinet Negotiations, and Budget Deficits in the European Union. In J. M. P. a. J. V. Hagen (Ed.), *Fiscal Institutions and Fiscal Performance* (pp. 209-232): National Bureau of Economic, University of Chicago press.

Mark Hallerberg, J. v. H., Rolf Strauch (2004). Budgetary forecats in Europe - The track Record of Stability and Convergence Programmes. *ECB: Working Papers, no. 307*(February 2004).

Mark Hallerberg, R. S., Jurgen von Hagen. (2004). THE DESIGN OF FISCAL RULES AND FORMS OF GOVERNANCE IN EUROPEAN UNION COUNTRIES. *European Central Bank, Working Paper*(No. 419).

Menegatti, C. B. M. (2011). RULES VERSUS DISCRETION IN FISCAL POLICY. *The Manchester School, DOI: 10.1111/j.1467-9957.2011.02240.x*(Juli 2011).

OECD. (2011). Central Government Debt. *Stat Extracts*. . from http://stats.oecd.org/Index.aspx?DataSetCode=GOV_DEBT

ROUBINI, G. C. A. N. (1997). POLITICALLY MOTIVATED FISCAL DEFICITS: POLICY ISSUES IN CLOSED AND OPEN ECONOMIES. *Economics and Politics, 9*(0954-1985), 27-54.

Smaghi, L. B. (2004). A Single EU Seat in the IMF? *JCMS: Journal of Common Market Studies, 42*(2), 229-248. doi: 10.1111/j.1468-5965.2004.00486.x

Symansky, G. K. S. (1998). Fiscal Policy Rules. *Occasional Paper, no. 162*.

Trichet, J.-C. (2011). Building Europe, building institutions. *ECB Speech by Jean-Claude Trichet on recieving the Karlspreis 2011 in Aachen 2 June 2011*

Wyplosz, C. (2001). Fiscal Policy: Institutions vs. Rules. [Working Paper]. *HEI Working Paper INSTITUT UNIVERSITAIRE DE HAUTES ETUDES INTERNATIONALES THE GRADUATE INSTITUTE OF INTERNATIONAL STUDIES, GENEVA, No 03/2002*(1-33).

Wyplosz, C. (2006). European Monetary Union: the dark sides of a major success. *Economic Policy, 21*(46), 207-261. doi: 10.1111/j.1468-0327.2006.00158.x

Wyplosz, C. (2008). Fiscal policy councils: Unlovable or just unloved? *SWEDISH ECONOMIC POLICY REVIEW, 15*, 173-192.

Zipfel, F. (2010). Germanys austerity package and the federal budget. *Deutsche Bank research, Research Briefing*(Economics & Politics), 1-7.

14.2 Documents

Austrian Federal Ministry of Finance. (2011). *Austrian Stability programme for the period 2010 to 2014.* 1-43. Retrieved from http://ec.europa.eu/europe2020/tools/monitoring/recommendations_2011/index_en.htm.

Austria Government Debt Committee. (2011). *Recommendation of the Government Debt Committee on Budget Policy and Financing 2011*. Retrieved from http://www.staatsschuldenausschuss.at/en/img/recommendations_debt_201107_tcm164-236505.pdf.

COMMISSION STAFF. (2011). *Assessment of the 2011 national reform programme and stability programme for Austria. working paper,* 1-27. Retrieved from http://ec.europa.eu/europe2020/tools/monitoring/recommendations_2011/index_en.htm.

COMMISSION STAFF. (2011). *Assessment of the 2011 national reform programme and stability programme for Denmark. working paper,* 1-27. Retrieved from http://ec.europa.eu/europe2020/tools/monitoring/recommendations_2011/index_en.htm.

COMMISSION STAFF. (2011). *Assessment of the 2011 national reform programme and stability programme for Germany. Working paper,* 1-27. Retrieved from http://ec.europa.eu/europe2020/tools/monitoring/recommendations_2011/index_en.htm.

COMMISSION STAFF. (2011). *Assessment of the 2011 national reform programme and stability programme for the Netherlands. working paper,* 1-27. Retrieved from http://ec.europa.eu/europe2020/tools/monitoring/recommendations_2011/index_en.htm.

COMMISSION STAFF. (2011). *Assessment of the 2011 national reform programme and stability programme for Slovenia. working paper,* 1-27. Retrieved from http://ec.europa.eu/europe2020/tools/monitoring/recommendations_2011/index_en.htm.

COMMISSION STAFF. (2011). *Assessment of the 2011 national reform programme and stability programme for Sweden. working paper,* 1-27. Retrieved from http://ec.europa.eu/europe2020/tools/monitoring/recommendations_2011/index_en.htm.

COMMISSION STAFF. (2011). *Assessment of the 2011 national reform programme and stability programme for The UK. working paper*, 1-27. Retrieved from http://ec.europa.eu/europe2020/tools/monitoring/recommendations_2011/index_en.htm.

Danish Economic Council. (2011). *English summary. Dansk Økonomi, forår 2011*. Retrieved from http://www.dors.dk/graphics/Synkron-Library/Publikationer/Rapporter/For%E5r_2011/Trykt%20rapport/summary%20F11%20farve.pdf.

Danish Government. (2011). *Denmark's Convergence Programme 2011*. 1-143. Retrieved from http://ec.europa.eu/europe2020/tools/monitoring/recommendations_2011/index_en.htm.

Dutch Council of Ministers. (2011). *Stability Programme of the Netherlands April 2011 Update.* 1-58. Retrieved from http://ec.europa.eu/europe2020/tools/monitoring/recommendations_2011/index_en.htm.

EUROPEAN COMMISSION (2011). *Recommendation for a COUNCIL RECOMMENDATION on the National Reform Programme 2011 of Austria and delivering a Council opinion on the updated Stability Programme of Austria 2011-2014.* Retrieved from http://ec.europa.eu/europe2020/tools/monitoring/recommendations_2011/index_en.htm.

EUROPEAN COMMISSION. (2011). *Recommendation for a COUNCIL RECOMMENDATION on the National Reform Programme 2011 of Denmark and delivering a Council opinion on the updated Stability Programme of Denmark 2011-2014.* Retrieved from http://ec.europa.eu/europe2020/tools/monitoring/recommendations_2011/index_en.htm.

EUROPEAN COMMISSION. (2011). *Recommendation for a COUNCIL RECOMMENDATION on the National Reform Programme 2011 of the Netherlands and delivering a Council opinion on the updated Stability Programme of the Netherlands 2011-2014*. Retrieved from http://ec.europa.eu/europe2020/tools/monitoring/recommendations_2011/index_en.htm.

EUROPEAN COMMISSION. (2011). *Recommendation for a COUNCIL RECOMMENDATION on the National Reform Programme 2011 of Germany and delivering a Council opinion on the updated Stability Programme of Germany 2011-2014.* Retrieved from http://ec.europa.eu/europe2020/tools/monitoring/recommendations_2011/index_en.htm.

EUROPEAN COMMISSION. (2011). *Recommendation for a COUNCIL RECOMMENDATION on the National Reform Programme 2011 of Slovenia and delivering a Council opinion on the updated Stability Programme of Slovenia 2011-2014.* Retrieved from http://ec.europa.eu/europe2020/tools/monitoring/recommendations_2011/index_en.htm.

EUROPEAN COMMISSION. (2011). *Recommendation for a COUNCIL RECOMMENDATION on the National Reform Programme 2011 of Sweden and delivering a Council opinion on the updated Stability Programme of Sweden 2011-2014.* Retrieved from http://ec.europa.eu/europe2020/tools/monitoring/recommendations_2011/index_en.htm.

EUROPEAN COMMISSION. (2011). *Recommendation for a COUNCIL RECOMMENDATION on the National Reform Programme 2011 of Sweden and delivering a Council opinion on the updated Stability Programme of Sweden 2011-2014.* Retrieved from http://ec.europa.eu/europe2020/tools/monitoring/recommendations_2011/index_en.htm.

EUROPEAN COMMISSION. (2011). *Recommendation for a COUNCIL RECOMMENDATION on the National Reform Programme 2011 of The UK and delivering a Council opinion on the updated Stability Programme of The UK 2011-2014.* Retrieved from http://ec.europa.eu/europe2020/tools/monitoring/recommendations_2011/index_en.htm.

Federal Ministry of Finance, (2011). *German Stability Programme 2011 Update*. Retrieved from http://ec.europa.eu/europe2020/tools/monitoring/recommendations_2011/index_en.htm.

Netherlands Bureau for Economic Policy Analysis (2011). *CPBs short-term forecasts march/april 2011.* (2011-11-15). retrieved from http://www.cpb.nl/en/number/cpbs-short-term-forecasts-marchapril-2011-modest-economic-growth.

German Council of Economic Experts. (2010). *Chances for a stable upturn - Annual report 2010/11.* Retrieved from: http://www.sachverstaendigenrat-wirtschaft.de/fileadmin/dateiablage/Sonstiges/chapter_one_2010.pdf.

Government Offices of Sweden. (2011). *Convergence Programme for Sweden 2011 update.* 1-78. Retrieved from http://ec.europa.eu/europe2020/tools/monitoring/recommendations_2011/index_en.htm.

HM Treasury. (2010). *BUDGET 2010.* LONDON: *The Stationery Office, June 2010.*

HM Treasury. (2011). *2010-11 Convergence Programme for the United Kingdom.* Retrieved from http://ec.europa.eu/europe2020/tools/monitoring/recommendations_2011/index_en.htm.

International Monetary Fund. (2011). *World economic Outlook April 2011.* 1-242. Retrieved from: http://www.imf.org/external/pubs/ft/weo/2011/01/

International Monetary Fund. (2011). *Fiscal Monitor Shifting ears Tackling Challenges on the Road to Fiscal Adjustment.* Retrieved from: http://www.imf.org/external/pubs/ft/fm/2011/01/pdf/fm1101.pdf

OECD. (2011). *OECD Economic Surveys: Slovenia 2011* (Vol. 2011): OECD Publishing. Retrieved from: http://dx.doi.org/10.1787/eco_surveys-svn-2011-en

OECD. (2011). *Economic Outlook 2011.* 1-411. Retrieved from: http://intranet.oit.org.pe/WDMS/bib/virtual/colecc_oig/pub_ocde/oecd_economic_outlook[may-2011]].pdf

Office for Budget Responsibility. (2011). *Economic and fiscal outlook.* 1-176. Retrieved from: http://budgetresponsibility.independent.gov.uk/wordpress/docs/economic_and_fiscal_outlook_23032011.pdf

Republic of Slovenia. (2011). *STABILITY PROGRAMME 2011 UPDATE.* Retrieved from http://ec.europa.eu/europe2020/tools/monitoring/recommendations_2011/index_en.htm.

Slovenian Fiscal Council. (2011). *Annual report of the fiscal council - assessment for Slovenia 2010-2012*. (2232-3289). Retrieved from http://www.fiskalnisvet.si/fs/fs-si.nsf/0/1E1830CF1DFB88F6C12578D40044DC30/$FILE/Annual %20Report%20FC%202011.pdf. .

Swedish National Institute of Economic Research. (2011). *Konjunkturläget Juni 2011*. 1-109. Retrieved from http://www.konj.se/download/18.1b6c5c12130b0910d908000586/Konjunkturlaget_juni_2011.pdf

Swedish Fiscal Policy Council. (2011) *Svensk finanspolitik. 1-362.* Retrieved from http://www.finanspolitiskaradet.se/download/18.34d8785812fd178ec9480004274/Svensk+finanspolitik+2011.pdf.

15. Appendix

15.1 Tables of numerical forecasts

Table 1: Projections of real GDP-Growth for Austria

	2010	2011	2012	2013	2014
AGDC (FPC)	2.1	3.0	n/a	n/a	n/a
Stability	2.0	2.5	2.0	2.1	2.2
EC	2.0	2.4	2.0	n/a	n/a
OECD	2.1	2.9	2.1	n/a	n/a
IMF	2.0	2.4	2.0	n/a	n/a

Projected real GDP growth as percent of initial GDP for a number of institutions. Projections for the EC is based on Working papers by the Commission staff.

Table 2: Projections of government budget balance for Austria

	2010	2011	2012	2013	2014/2015
AGDC (FPC)	-4.6	-3.9	n/a	n/a	n/a
Convergence Programme	-4.6	-3.9	-3.3	-2.9	-2.4
EC	-4.6	-3.7	-3.3	n/a	n/a
OECD	-4.6	-3.7	-3.2	n/a	n/a
IMF	-4.1	-3.1	-2.9	-2.6	-2.2

Projections of general government sector deficit/surplus of Austria as a share of gross domestic product for a number of institutions.

Table 3: Projections of gross debt for for Austria

	2010	2011	2012	2013	2014
AGDC (FPC)	n/a	73.0	n/a	75.5	n/a
Convergence Programme	72.3	73.6	75.0	75.5	74.4
EC	72.3	73.8	75.4	n/a	n/a
IMF	69.9	70.5	70.7	70.9	70.5
OECD	78.6	80.0	81.6	n/a	n/a
IMF	69.9	73.8	75.4	n/a	n/a

Projections of gross government debt as percent of GDP of Austria for a number of institutions. The projections for OECD is based on general government gross financial liabilities, this measure is slightly different than the gross government debt measure and leads to higher levels of debt described.

Table 4: Projections of real GDP-Growth for Denmark

	2010	2011	2012	2013	2014
DEC (FPC)	1.7	1.5-2.0	1.5-2.0	1.3	n/a
Convergence Programme	2.1	1.8	1.8	2.1	1.8
EC	2.1	1.7	1.5	n/a	n/a
OECD	2.1	1.9	2.1	n/a	n/a
IMF	2.1	2.0	2.0	n/a	n/a

Projected real GDP growth as percent of initial GDP for Denmark for a number of institutions. Projections for the EC is based on Working papers by the Commission staff.

Table 5: Projections of government budget balance for Denmark

	2010	2011	2012	2013	2014
DEC (FPC)	-2.8	-4.1	-4.6	-2.7	n/a
Convergence Programme	-2.7	-3.8	-4.5	-1.7	-1.1
EC	-2.7	-4.1	-3.2	n/a	n/a
OECD	-2.9	-3.8	-3.0	n/a	n/a
IMF	-4,9	-3,6	-2.6	-1.4	-0.5

Projections of general government sector deficit/surplus of Denmark as a share of GDP for a number of institutions. Projections for the EC is based on the Commission staff working paper presented with the EC country specific recommendations.

Table 6: Projections of government gross debt for Denmark

	2010	2011	2012	2013	2014
DEC (FPC)	43.7	46.7	49.9	51.1	n/a
Convergence Programme	43.6	43.0	48.0	46.4	46.4
EC	43.6	45.3	47.1	n/a	n/a
OECD	46.6	49.3	50.8	n/a	n/a
IMF	44.3	45.6	46.5	46.3	45.1

Projections of gross government debt as percent of GDP of Denmark for a number of institutions. The projections for OECD is based on general government gross financial liabilities, this measure is slightly different than the gross government debt measure and leads to higher levels of debt described. Projections for the EC is based on the Commission staff working paper presented with the EC country specific recommendations.

Table 7: Projections of Real GDP-Growth for Germany

	2010	2011	2012	2013	2014
GCEE (FPC)	3.7	2.2	n/a	n/a	n/a
Stability Programme	3.6	2.3	1.8	1.5	1.5
European Commision	3.6	2.6	1.9	n/a	n/a
OECD	3.5	3.4	2.5	n/a	n/a

IMF	3.0	2.4	2.6	n/a	n/a

Projected real GDP growth as percent of initial GDP for Germany for a number of institutions. Projections for the EC is based on Working papers by the EC staff.

Table 8: Projections of government budget balance for Germany

	2010	2011	2012	2013	2014
FPC	-3.7	-2.4	n/a	n/a	n/a
Stability Programme	-3.3	-2.5	-1.5	-1.0	-0.5
EC	-3.3	-2.0	-1.2	n/a	n/a
OECD	-3.3	-2.1	-1.2	n/a	n/a
IMF	-3.3	-2.3	-1.5	-1.0	-0.4

Projections of general government sector deficit/surplus of Germany as a share of gross domestic product for a number of institutions. projections for the EC is based on the Commission staff working paper presented with the EC country specific recommendations.

Table 9: Projections of gross debt for for Germany

	2010	2011	2012	2013	2014
GCEE (FPC)	n/a	n/a	n/a	n/a	n/a
Stability	83.2	82.0	81.0	79.5	77.5
EC	83.2	82.3	81.1	n/a	n/a
OECD	87.0	87.3	86.9	n/a	n/a
IMF	80.0	80.1	79.4	77.9	75.8

Projections of gross government debt as percent of GDP of Germany for a number of institutions. The projections for OECD is based on general government gross financial liabilities, this measure is slightly different than the gross government debt measure and leads to higher levels of debt described. Projections for the EC is based on the Commission staff working paper presented with the EC country specific recommendations.

Table 10: Projections of Real GDP-Growth for the Netherlands

	2010	2011	2012	2013	2014
BEPA (FPC)	1.7	1.75	1.5	n/a	n/a
Stability	1.7	1.75	1.5	1.25	1.25
EC	1.8	1.9	1.7	n/a	n/a
OECD	1.8	2.3	1.9	n/a	n/a
IMF	1.7	1.5	1.5	n/a	n/a

Projected real GDP growth as percent of initial GDP for the Netherlands for a number of institutions. Projections for the EC is based on Working papers by the EC staff.

Table 11: Projections of government budget balance for the Netherlands

	2010	2011	2012	2013	2014

BEPA (FPC)	-5.2	-3.7	-2.2	n/a	n/a
Stability Programme	-5.4	-3.7	-2.2	-1.8	-1.4
EC	-5.4	-3.7	-2.3	n/a	n/a
OECD	-5.3	-3.7	-2.1	n/a	n/a
IMF	-5.2	-3.8	-2.7	-2.1	-1.8

Projections of general government sector deficit/surplus of the Netherlands as a share of gross domestic product for a number of institutions. projections for the EC is based on the Commission staff working paper presented with the EC country specific recommendations.

Table 12: Projections of government gross debt for for the Netherlands

	2010	2011	2012	2013	2014
BEPA (FPC)	63.7	65.5	65.9	n/a	n/a
Stability	62.7	64.5	64.9	64.7	64.1
EC	62.7	63.9	64.0	n/a	n/a
OECD	71.4	74.3	75.2	n/a	n/a
IMF	63.7	65.6	66.5	66.7	66.5

Projections of gross government debt as percent of GDP of the Netherlands for a number of institutions. The projections for OECD is based on general government gross financial liabilities, this measure is slightly different than the gross government debt measure and leads to higher levels of debt described. Projections for the EC is based on the EC staff working paper presented with the EC country specific recommendations. The figures for FPC and stability have both been projected on CPBs short-term outlook in March 2011 however additional sources from the April notification to Eurostat and Ministry of Finance have been used in the convergence programme which explains the difference between them. OECD numbers are for general government gross financial liabilities.

Table 13: Projections of real GDP-Growth for Slovenia

	2010	2011	2012	2013	2014
SFC (FPC)	0.9	2.5	3.1	n/a	n/a
Stability Programme	1.2	1.8	2.2	2.3	2.8
EC	1.2	1.9	2.5	n/a	n/a
OECD	1.2	1.8	2.6	n/a	n/a
IMF	1.2	2.0	2.4	n/a	n/a

Projected real GDP growth as percent of initial GDP for a number of institutions. Projections for the EC is based on Working papers by the EC staff. The Slovenian Fiscal Council provides a number of forecasts by a number of independent fiscal organisations. The forecasts provided under the title 'FPC 'in the tabell are from the Institute of Macroeconomic Analysis and Development of the Republic of Slovenia (IMAD). The forecasts provided by IMAD are most frequent in the report.

Table 14: Projections of government budget balance for Slovenia

	2010	2011	2012	2013	2014
SFC (FPC)	n/a	n/a	n/a	n/a	n/a
Stability	-5.5	-5.5	-3.9	-2.9	-2.0

Commission	-5.6	-5.8	-5.0	n/a	n/a
OECD	-5.6	-5.6	-4.1	n/a	n/a
IMF	-5.2	-4.8	-4.3	-3.5	-3.1

The Slovenian Fiscal Council provides a number of forecasts by a number of independent fiscal organisations. The forecasts provided under the title 'FPC 'in the tabell are from the Institute of Macroeconomic Analysis and Development of the Republic of Slovenia (IMAD). The forecasts provided by IMAD are most frequent in the report.

Table 15: Projections of government gross debt for for Slovenia

	2010	2011	2012	2013	2014
SFC (FPC)	n/a	n/a	n/a	n/a	n/a
Stability	30.0	43.4	45.3	46.2	46.0
Commission	38.0	42.8	46.0	n/a	n/a
OECD	47.5	52.9	56.5	n/a	n/a
IMF	37.2	42.3	44.9	46.7	48.0

Projections of gross government debt as percent of GDP of Slovenia for a number of institutions. The projections for OECD is based on general government gross financial liabilities, this measure is slightly different than the gross government debt measure and leads to higher levels of debt described. Projections for the EC is based on the Commission staff working paper presented with the EC country specific recommendations. The Slovenian Fiscal Council provides a number of forecasts by a number of independent fiscal organisations. The forecasts provided under the title 'FPC 'in the table are from the Institute of Macroeconomic Analysis and Development of the Republic of Slovenia (IMAD). The forecasts provided by IMAD are most frequent in the report.

Table 16: Projections of Real GDP-Growth for Sweden

	2010	2011	2012	2013	2014
NIER (FPC)	5.7	4.4	2.9	n/a	n/a
Convergence programme	5.5	4.6	3.8	3.6	2.8
EC	5.5	4.2	2.5	n/a	n/a
OECD	5.3	4.5	3.1	n/a	n/a
IMF	5.5	3.8	3.5	n/a	n/a

Projected real GDP growth as percent of initial GDP for Sweden for a number of institutions. Projections for the EC is based on working papers by the EC staff.

Table 17: Projections of government budget balance for Sweden

	2010	2011	2012	2013	2014
NIER (FPC)	0.0	2.0	0.9	n/a	n/a
Convergence	0.0	0.6	2.0	2.9	3.7
EC	0.0	0.9	2.0	n/a	n/a

OECD	-0.3	0.3	1.4	n/a	n/a
IMF	-0.2	0.1	0.4	0.9	1.2

Projections of general government sector deficit/surplus of Sweden as a share of gross domestic product for a number of institutions. Projections for the EC is based on the EC staff working paper presented with the EC country specific recommendations. Not that these numbers mark a surplus and not a deficit.

Table 18: Projections of government gross debt for for Sweden

	2010	2011	2012	2013	2014
NIER (FPC)	39.7	36.5	34.4	n/a	n/a
Convergence	39.8	36.8	33.4	28.8	23.7
EC	39.8	36.5	33.4	n/a	n/a
OECD	49.1	45.4	41.1	n/a	n/a
IMF	39.6	37.3	34.9	32.2	29.3

Projections of gross government debt as percent of GDP of Sweden for a number of institutions. The projections for OECD is based on general government gross financial liabilities, this measure is slightly different than the gross government debt measure and leads to higher levels of debt described (See word-list for discussion). Projections for the EC is based on the EC staff working paper presented with the EC country specific recommendations.

Table 19: Projections of Real GDP-Growth for the UK

	2010	2011	2012	2013	2014
FPC/Convergence	1.3	1.7	2.5	2.9	2.9
Commission	1.3	1.7	2.1	n/a	n/a
OECD	1.3	1.4	1.8	n/a	n/a
IMF	1.3	1.7	2.3	n/a	n/a

Projected real GDP growth as percent of initial GDP for the UK for a number of institutions. Projections for the EC is based on Working papers by the Commission staff.

Table 20: Projections of government budget balance for the UK

	2010	2011	2012	2013	2014
FPC/ Convergence	-9.8	-7.9	-6.2	-4.1	-2.6
Commission	-11.4	-8.6	-7.0	n/a	n/a
OECD	-10.3	-8.7	-7.1	n/a	n/a
IMF	-10.4	-8.6	-6.9	-5.0	-3.4

Projections of general government sector deficit/surplus for the UK as a share of gross domestic product for a number of institutions. projections for the EC is based on the Commission staff working paper presented with the EC country specific recommendations. The convergence and fiscal outlook makes frequent use of ‘public sector net borrowing’. To make comparison easier between countries the ‘Maastricht’ deficit’ also available in the documents is presented.

Table 21: Projections of government gross debt for for the UK

	2010	2011	2012	2013	2014
FPC/Convergence	78.7	84.1	87.0	87.2	85.7
Commission	80.0	84.2	87.9	n/a	n/a
OECD	82.4	88.5	93.3	n/a	n/a
IMF	77.2	83.0	86.5	87.4	86.5

Projections of gross government debt as percent of GDP of the UK for a number of institutions. The projections for OECD is based on general government gross financial liabilities, this measure is slightly different than the gross government debt measure and leads to higher levels of debt described. Projections for the EC is based on the Commission staff working paper presented with the EC country specific recommendations. Presented here is the 'Maastricht' defined Gross Government Debt, however other measures of debt is used in the Convergence Programme.

15.2 List of Central Bank documents assessed

BANK OF ENGLAND, (2010). "Annual Report 2010."

BANK of Finland (2010). "Annual Report 2010."

BANQUE DE FRANCE (2010). "2010 Annual Report To The President of the Republic And Parliament."

BUNDESBANK, D. (2010). "Annual Report 2010."