

Part VI

Resources

1. Glossary

Accession Countries Countries in the process for accession to the European Union. They include Bulgaria and Romania.

Automatic stabilisers Various features of the tax and spending regime which react automatically to the economic cycle and reduce its fluctuations. As a result, the budget balance tends to improve in years of high growth, and deteriorate during economic slowdowns.

Broad Economic Policy Guidelines (BEPGs) Annual guidelines for the economic and budgetary policies of the Member States. They are prepared by the Commission and adopted by the Council of Ministers responsible for Economic and Financial Affairs (ECOFIN).

Budget balance The balance between total public expenditure and revenue in a specific year, with a positive balance indicating a surplus and a negative balance indicating a deficit. For the monitoring of Member State budgetary positions, the EU uses *general government* aggregates. See also *structural budget balance*, *primary budget balance*, and *primary structural balance*.

Budgetary rules Rules and procedures through which policy-makers decide on the size and the allocation of public expenditure as well as on its financing through taxation and borrowing.

Budgetary sensitivity The variation in the budget balance in percentage of GDP brought about by a change in the output gap. In the EU, it is estimated to be 0.5 on average.

Candidate countries Countries that wish to accede to the EU. Besides the *accession countries*, they include Croatia and Turkey.

Close-to-balance requirement A requirement contained in the *Stability and Growth Pact*, according to

which Member States should, over the medium term, achieve an overall *budget balance* close to balance or in surplus.

Code of Conduct on the format and content of the stability and convergence programmes Policy document endorsed by the ECOFIN Council in July 2001 setting down the information requirements and key definitions to be followed by Member States in preparing their stability or convergence programmes.

Convergence Programmes Medium term budgetary and monetary strategies presented by each of those Member States that have not yet adopted the euro. They are updated annually, according to the provisions of the *Stability and Growth Pact*. Prior to the third phase of EMU, convergence programmes were issued on a voluntary basis and used by the Commission in its assessment of the progress made in preparing for the euro. See also *stability programmes*.

Crowding-out effects Offsetting effects on output due to changes in interest rates and exchange rates triggered by a loosening or tightening of fiscal policy.

Cyclical component of budget balance That part of the change in the *budget balance* that follows automatically from the cyclical conditions of the economy, due to the reaction of public revenue and expenditure to changes in the *output gap*. See *automatic stabilisers*, *tax smoothing* and *structural budget balance*.

Cyclically-adjusted budget balance See *structural budget balance*.

Demand and supply shocks Disturbances that affect the economy on the demand side (e.g. changes in private consumption or exports) or on the supply side (e.g. changes in commodity prices or technological innovations). They can impact on the economy either on a temporary or permanent basis.

Dependency ratio A measure of the ratio of people who receive government transfers, especially pensions, relative to those who are available to provide the revenue to pay for those transfers.

Direct taxes Taxes that are levied directly on personal or corporate incomes and property.

Discretionary fiscal policy Change in the *budget balance* and in its components under the control of government aiming at stabilising the economy. It is usually measured as the residual of the change in the balance after the exclusion of the budgetary impact of *automatic stabilisers*. See also *fiscal stance*.

Early-warning mechanism is part of the preventive elements of the SGP, and is activated when there is significant divergence from the budgetary targets set down in a stability or convergence programme.

Economic and Financial Committee (EFC) Formerly the Monetary Committee, renamed the Economic and Financial Committee as of January 1999. Its main task is to prepare and discuss (ECOFIN) Council decisions with regard to economic and financial matters.

Economic Policy Committee (EPC) Group of senior officials whose main task is to prepare discussions of the (ECOFIN) Council on structural policies. It plays a large role in the preparation of the BEPGs, and it is active on policies related to labour markets, methods to calculate cyclically-adjusted budget balances and ageing populations.

Effective tax rate The ratio of broad categories of tax revenue (labour income, capital income, consumption) to their respective tax bases.

ESA95 / ESA79 European accounting standards for the reporting of economic data by the Member States to the EU. As of 2000, ESA95 has replaced the earlier ESA79 standard with regard to the comparison and analysis of national public finance data.

Excessive Deficit Procedure (EDP) A procedure according to which the Commission and the Council monitor the development of national *budget balances* and *public debt* in order to assess the risk of an excessive deficit in each Member State. Its application has been further clarified in the *Stability and Growth Pact*. See also *stability programmes* and *Stability and Growth Pact*.

Expenditure rules A subset of *fiscal rules* that target (a subset of) public expenditure.

Fiscal consolidation A continuous improvement in the *budget balance*, either specified by the amount of the improvement or the period over which the improvement continues.

Fiscal decentralisation The transfer of authority and responsibility for public functions from the central government to intermediate and local governments or to the market.

Fiscal federalism A subfield of public finance that investigates the fiscal relations across levels of government.

Fiscal impulse The estimated effect of fiscal policy on GDP. It is not a model-free measure and it is usually calculated by simulating an econometric model. The estimates presented in the present report are obtained by using the Commission services' model *QUEST*.

Fiscal rule A permanent constraint on fiscal policy, expressed in terms of a summary indicator of fiscal performance, such as the government budget deficit, borrowing, debt, or a major component thereof. See also *budgetary rule*, *expenditure rules*.

Fiscal stance A measure of the discretionary fiscal policy component. In this report, it is defined as the change in the *primary structural budget balance* relative to the preceding period. When the change is positive (negative) the fiscal stance is said to be expansionary (restrictive).

General government As used by the EU in its process of budgetary surveillance under the *Stability and Growth Pact* and the *excessive deficit procedure*, the general government sector covers national government, regional and local government, as well as social security funds. Public enterprises are excluded, as are transfers to and from the EU Budget.

Government budget constraint A basic condition applying to the public finances, according to which total public expenditure in any one year must be financed by taxation, government borrowing, or changes in the monetary base. In the context of EMU, the ability of governments to finance spending through money issuance is prohibited. See also *stock-flow adjustment*, *sustainability*.

Government contingent liabilities Obligations for the government that are subject to the realization of specific uncertain and discrete future events. For instance, the guarantees granted by governments to the debt of private corporations bonds issued by enterprise are contingent liabilities, since the government obligation to pay depend on the non-ability of the original debtor to honour its own obligations.

Government implicit liabilities government obligations that are very likely to arise in the future in spite of the absence of backing contracts or law. The government may have a potential future obligation as a result of legitimate expectations generated by past practice or as a result of the pressure by interest groups.

Most implicit liabilities are contingent, i.e., depend upon the occurrence of uncertain future events.

Hodrick-Prescott (HP) filter A statistical technique used to calculate trend GDP and *output gaps* by filtering actual GDP.

Indirect taxation Taxes that are levied during the production stage, and not on the income and property arising from economic production processes. Prominent examples of indirect taxation are value added tax (VAT), excise duties, import levies, energy and other environmental taxes.

Interest burden *General government* interest payments on public debt as a share of GDP.

Maastricht reference values for public debt and deficits Respectively, a 60 percent *general government* debt/GDP ratio and a 3 percent *general government* deficit/GDP ratio. These thresholds are defined in a protocol to the Maastricht Treaty on European Union. See also *Excessive Deficit Procedure*.

Maturity structure of public debt The profile of total debt in terms of when it is due to be paid back. Interest rate changes affect the budget balance directly to the extent that the *general government* sector has debt with a relatively short maturity structure. Long maturities reduce the sensitivity of the *budget balance* to changes in the prevailing interest rate. See also *public debt*.

Minimal benchmarks Values indicating a budgetary position that would provide a cyclical safety margin for the *automatic stabilisers* to operate freely during economic slowdowns without leading to excessive deficits. The minimal benchmarks are estimated by the European Commission. They do not cater for other risks such as unexpected budgetary developments and interest rate shocks and should not be confused with the '*close-to-balance or in surplus*' medium-term requirement of the Pact.

Monetary Conditions Index (MCI) An indicator combining the change in real short-term interest rate and in the real effective exchange rate to gauge the degree of easing or tightening of monetary policy.

Mundell-Fleming model Macroeconomic model of an open economy which embodies the main Keynesian hypotheses (price rigidity, liquidity preference). In spite of its shortcomings, it remains useful in short-term economic policy analysis.

NAIRU Non-Accelerating Inflation Rate of Unemployment.

Non-Keynesian effects Supply-side and expectations effects which reverse the sign of traditional Keynesian

multipliers. Hence, if non-Keynesian effects dominate, fiscal consolidation would be expansionary.

Old age dependency ratio Population aged over 65 as a percentage of working age population (usually defined as persons aged between 15 and 64).

Output gap The difference between actual output and estimated potential output at any particular point in time. See also *cyclical component of budget balance*.

Pay-as-you-go pension system (PAYG) Pension system in which current pension expenditures are financed by the contributions of current employees.

Pre-accession Economic Programmes (PEPs) Annual programmes submitted by candidate countries which set the framework for economic policies. The PEPs consist of a review of recent economic developments, a detailed macroeconomic framework, a discussion of public finance issues and an outline of the structural reform agenda.

Pre-accession Fiscal Surveillance Framework (PFSF) provides the framework for budgetary surveillance of candidate countries in the run up to accession. It closely approximates the policy co-ordination and surveillance mechanisms at EU level.

Policy-mix The overall stance of fiscal and monetary policy. The policy-mix may consist of various combinations of expansionary and restrictive policies, with a given *fiscal stance* being either supported or offset by monetary policy.

Primary budget balance The *budget balance* net of interest payments on *general government* debt.

Primary structural budget balance The *structural (or cyclically-adjusted) budget balance* net of interest payments.

Pro-cyclical fiscal policy A *fiscal stance* which amplifies the economic cycle by increasing the *structural primary deficit* during an economic upturn, or by decreasing it in a downturn. It can be contrasted with (discretionary) counter-cyclical policy that has the opposite effects. A neutral fiscal policy keeps the *cyclically-adjusted budget balance* unchanged over the economic cycle but lets the *automatic stabilisers* work. See also *tax-smoothing*.

Production function approach A means to estimate the potential level of output of an economy on taking inputs on labour and capital as well as trend factor productivity into account. This is used to estimate the *output gap* that is a key input in the estimation of cyclical budget component.

Public debt Consolidated gross debt for the *general government* sector. It includes the total nominal value of all debt owed by public institutions in the Member State, except that part of the debt which is owed to other public institutions in the same Member State.

Public goods Those goods and services that are consumed jointly by several economic agents and for which there is no effective pricing mechanism that would allow private provision through the market.

Public investment The component of total public expenditure through which governments increase and improve the stock of capital employed in the production of the goods and services they provide.

Public-private partnerships (PPP) Agreements that transfer to the private sector investment projects that traditionally have been executed or financed by the public sector. To qualify as a PPP, the project should concern a public function, involve the general government as the principal purchaser, be financed from non-public sources and engage a corporation outside the general government as the principal operator that provides significant inputs in the design and conception of the project and bears a relevant amount of the risk.

Quality of public finances The part of the EU fiscal framework that relates to the identification of strategic priorities and the effective and efficient use of resources in reaching them.

Quasi-fiscal activities Activities promoting public policy goals carried out by non-government units.

QUEST The DG ECFIN's macroeconomic model of the EU Member States plus the US and Japan.

Recently acceded Member States Countries that became members of the EU in May 2004 and include Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Ricardian equivalence Under fairly restrictive theoretical assumptions on the consumer's behaviour (*inter alia* infinite horizon for decision making), the impact of fiscal policy does not depend on whether it is financed by tax increases or by a widening deficit. The basic reasoning behind this statement dates back to Ricardo and was revisited by Robert Barro in the 1970s.

Securitisation Borrowing (issuing of bonds) with the intention of paying interest and capital out of the proceeds derived from assets (use or sale of) or from future revenue flows.

Sensitivity analysis An econometric or statistical simulation designed to test the robustness of an estimated economic relationship or projection, given various changes in the underlying assumptions.

Significant divergence A sizeable excess of budget balance over the targets in the stability or convergence programmes, that triggers the *Early warning* procedure of the *SGP*.

'Snow-ball' effect The self-reinforcing effect of public debt accumulation or decumulation arising from a positive or negative differential between the interest rate paid on public debt and the growth rate of the national economy. See also *government budget constraint*.

Social Security Contributions (SSC) Mandatory contributions paid by employers and employees to a social insurance scheme to cover for pension, health care and other welfare provisions.

Stability and Growth Pact (SGP) Approved in 1997, the SGP clarifies the provisions of the Maastricht Treaty regarding the surveillance of Member State budgetary policies and the monitoring of budget deficits during the third phase of EMU. The SGP consists of two Council Regulations setting out legally binding provisions to be followed by the European Institutions and the Member States and two Resolutions of the European Council in Amsterdam (June 1997). See also *Excessive Deficit Procedure*.

Stability Programmes Medium term budgetary strategies presented by those Member States that have already adopted the euro. They are updated annually, according to the provisions of the *Stability and Growth Pact*. See also *Convergence Programmes*.

Stock-flow adjustment The stock-flow adjustment (also known as the debt-deficit adjustment) ensures consistency between the net borrowing (flow) and the variation in the stock of gross debt. It includes the accumulation of financial assets, changes in the value of debt denominated in foreign currency, and remaining statistical adjustments.

Structural budget balance The actual *budget balance* adjusted for its *cyclical component*. The structural balance gives a measure of the underlying trend in the budget balance, when taking into account the automatic effect on the budget of the economic cycle. It is referred to also as the *cyclically-adjusted budget balance*. See also *primary structural budget balance*.

Sustainability A combination of budget deficits and debt that ensure that the latter does not grow without bound. While conceptually intuitive, an agreed operational definition of sustainability has proven difficult to achieve.

Tax gaps Measure used in the assessment of the *sustainability* of public finances. They measure the difference between the current tax ratio and the constant tax ratio over a given projection period to achieve a

predetermined level of debt at the end of that projection period.

Tax smoothing The idea that tax rates should be kept stable in order to minimise the distortionary effects of taxation, while leaving it for the *automatic stabilisers* to smooth the economic cycle. It is also referred to as neutral *discretionary fiscal policy*. See also *cyclical component of fiscal policy*.

UMTS Third generation of technical support for mobile phone communications. Sale of UMTS licences gave rise to sizeable one-off receipts in 2001.

Wagner's law Theory according to which public spending – since it comprises 'luxury goods' with high elasticity to income – would tend to rise as a share of GDP as per-capita income increases.

Welfare state Range of policies designed to provide insurance against unemployment, sickness and risks associated with old age.

2. References

- Aghion, P., P. Bacchetta and A. Banerjee (2004), 'Financial Development and the Instability of Open Economies', *Journal of Monetary Economics*, 51, pp. 1077–1106.
- Alesina, A. and S. Ardagna (1998), 'Tales of fiscal adjustment', *Economic Policy*, 27, pp. 489–545.
- Alesina, A. and A. Drazen (1991), 'Why are stabilisations delayed?', *American Economic Review*, 81, pp. 1170–88.
- Alesina, A., R. Hausmann, R. Hommes and E. Stein (1999), 'Budget Institutions and Fiscal Performance in Latin America', *IDB Working Paper Series*, 394.
- Alesina, A. and R. Perotti (1994), 'The political economy of budget deficits', *NBER Working Paper*, 4637.
- Alesina, A. and R. Perotti (1999), 'Budget Deficits and Budget Institutions', in Poterba, J.M. and J. von Hagen, *Fiscal institutions and fiscal performance*, NBER, the university of Chicago press, 1999.
- Annett, A., J. Decressin and M. Deppler (2005), 'Reforming the Stability and Growth Pact', *IMF Policy Discussion Paper*, PDP/05/02.
- Auerbach, A. J. and L. J. Kotlikoff (1987), *Dynamic Fiscal Policy*, Cambridge University Press, Cambridge, MA.
- Auerbach, A. J., L. J. Kotlikoff, R. Hagemann and G. Nicoletti (1989), 'The economic dynamics of an ageing population: The case of four OECD countries', *OECD Economic Review*, 12.
- Ballabriga, F. and C. Martinez-Mongay (2004), 'Sustainability of EU public finances', European Commission, mimeo.
- Banco de España (2003), 'Macro-financial Imbalances and Economic Slowdown in Some Euro Area Countries', *Annual Report*, Box I.3.
- Bassanini, A., and E. Ernst (2002), 'Labour market institutions, product market regulations and innovation: Cross-country evidence', *OECD Economics Department Working Papers*, 316.
- Beetsma, R. and X. Debrun (2003), 'Reconciling stability and growth: Smart pacts and structural reforms', *CEPR Discussion Paper*, 3930.
- Beetsma, R. and X. Debrun (2005), 'Implementing the Stability and Growth Pact: Enforcement and Procedural Flexibility', *CEPR Discussion Paper*, 5005.
- Bishop, G. (2003), 'The future of the Stability and Growth Pact', *International Finance*, 6(2), pp. 1–12.
- Blanchard, O. (1984), 'Current and Anticipated Deficits, Interest Rates and Economic Activity', *NBER Working Paper*, 1265.
- Blanchard, O. (1990), 'Suggestions for a New set of Fiscal Indicators', *OECD Working Papers*, 79.
- Blanchard, O. and F. Giavazzi (2003), 'Macroeconomic Effects of Regulation and Deregulation in Goods and Labor Markets', *Quarterly Journal of Economics*, 118, 879–907.
- Bleaney, M., N. Gemmell and R. Kneller (2001), 'Testing the Endogenous Growth Model: Public Expenditure, Taxation and Growth over the Long-Run', *Canadian Journal of Economics*, 34.
- Borio, C. (2003), 'Towards a Macroprudential Framework for Financial Supervision and Regulation?', *BIS Working Paper*, 128.
- Borio, C., C. Furfine and P. Lowe (2001), 'Procyclicality of the Financial System and Financial Stability: Issues and Policy Options', *BIS Papers*, 1.
- Boskin, M. J., L.J. Kotlikoff, D.J. Puffert and J.B. Shoven (1987), 'Social Security: A Financial Appraisal Across Generations and Within Generations', *National Tax Journal*, Vol. XL, pp. 19–34.

- Burnieaux, J.M., R. Duval and F. Jaumotte (2003), 'Coping with ageing: a dynamic approach to quantify the impact of alternative policy options on future labour supply in OECD countries', *OECD Economics Department Working Papers*, 371.
- Burns, A. and K-Y. Yoo (2002a), 'Improving the Efficiency and Sustainability of Public Expenditure in the Czech Republic', *OECD Economics Department Working Paper*, 328.
- Burns, A. and K-Y. Yoo (2002b), 'Public Expenditure Management in Poland', *OECD Economics Department Working Paper*, 346.
- Buiter, W. and C. Grafe (2002), 'Patching up the Pact: Some Suggestions for Enhancing Fiscal Sustainability and Macroeconomic Stability in the Enlarged European Union', *CEPR Discussion Paper*, 3496.
- Buti, M. and A. Sapir, eds. (1998), *Economic Policy in EMU – A Study by the European Commission Services*, Oxford University Press: Oxford.
- Buti, M. and A. Sapir, eds. (2002), *EMU and Economic Policy in Europe: The Challenge of the Early Years*, Edward Elgar, Cheltenham, UK.
- Buti, M. and L. Pench (2004), 'Size matters – why large countries flout the Stability and Growth Pact', *Journal of Common Market Studies*, vol. 42, 5.
- Buti, M., S. Eijffinger and D. Franco (2003), 'Revisiting the Stability and Growth Pact: Grand Design or Internal Adjustment?', *CEPR Discussion Paper*, 3692.
- Cabral, A.J. (2001), 'Main Aspects of the Working of the SGP', in Brunila, A., M. Buti and D. Franco, (eds.) (2001), *The Stability and Growth Pact – The Architecture of Fiscal Policy in EMU*, Palgrave, Basingstoke.
- Cavalcanti, C. and Z. Li (2000), 'Reforming Tax Expenditure Programs in Poland', *World Bank Policy Research Working Paper*, 2465, Washington D.C.
- Coe, D. and D. J. Snower (1997), 'Policy complementarities: The case for fundamental labour market reform', *IMF Staff Papers*, 44, pp. 1-35.
- Deroose, S. and S. Langedijk (2005), 'Improving the Stability and Growth Pact: the Commission's three pillar approach', European Commission, *European Economy, Occasional papers*, 15.
- Dewatripont, M. and G. Roland (1992), 'Economic reform and dynamic political constraints', *Review of Economic Studies*, 59, pp. 703-30.
- Dixit, A.K. and R.S. Pindyck (1994), *Investment under Uncertainty*, Princeton University Press, Princeton, N.J.
- Drazen, A. (2000), *Political Economy in Macroeconomics*, Princeton University Press Princeton, N.J.
- Easterly, W. and S. Rebelo (1993), 'Fiscal policy and economic growth', *Journal of Monetary Economics*, 32, pp. 417–58.
- Economic Policy Committee (2001), 'Budgetary Challenges Posed by Ageing Populations: the Impact of Public Spending on Pension Health and Long-Term Sustainability of Public Finances', EPC/ECFIN/655/01-EN final.
- Economic Policy Committee (2002), 'Reform challenges facing public pension systems: The impact of certain parametric reforms on pension expenditure', EPC/ECFIN/237/02-final.
- Economic Policy Committee (2003), 'The impact of ageing populations on public finances: overview of analysis carried out at EU level and proposals for a future work programme', EPC/ECFIN/435/03 final, available at http://europa.eu.int/comm/economy_finance/epc/documents/2003/pensionmaster_en.pdf.
- Eichengreen, B. and C. Wyplosz, (1998), 'The Stability Pact: more than a minor nuisance?', *Economic Policy* 26, pp. 67-104.
- European Commission (1997), 'Agenda 2000: For a stronger and wider Union', COM(97)2000 final.
- European Commission (2000), 'Public Finances in EMU – 2000', *European Economy*, 3/2000.
- European Commission (2002a), 'Public Finances in EMU – 2002', *European Economy*, 3/2002.
- European Commission (2002b), 'The EU economy, 2002 review', *European Economy*, 6/2002.
- European Commission (2003a), 'Public Finances in EMU – 2003', *European Economy*, 3/2003.
- European Commission (2003b), 'Key structural challenges in the acceding countries: The Integration of the Acceding Countries into the Community's Economic Policy Co-ordination Processes', *European Economy, Occasional papers*, 4/2003.
- European Commission (2004a), 'Public Finances in EMU – 2004', *European Economy*, 3/2004.
- European Commission (2004b), 'EMU after 5 Years', *European Economy Special Report*, 1/2004.
- European Commission (2004c), 'Convergence Report 2004', *European Economy*, 6/2004.
- European Commission (2004d), 'The Portuguese economy after the boom', *European Economy, Occasional paper*, 8/2004.
- Feldstein, M. (2005), 'The Euro and the Stability Pact', *NBER Working Paper*, 11249.
- Fernandez, R. and D. Rodrik (1991), 'Resistance to reform: Status-quo bias in the presence of individual-

- specific uncertainty', *American Economic Review*, 81, pp. 1146-55.
- Forni, L. and S. Momigliano (2004), 'Cyclical Sensitivity of Fiscal Policies Based on Real-Time Data', *Applied Economics Quarterly*, 3/2004, p. 299 – 324.
- Franco, D., M. R. Marino and S. Zotteri (2005), 'Pension Expenditure Projections, Pension Liabilities and European Union Fiscal Rules', *Les finances publiques: défis à moyen et long termes*, Papers and Proceedings of the 16ème Congrès des Economistes belges de Langue française, Centre Interuniversitaire de Formation Permanente (CIFO), pp. 287-342.
- Funck, B. (2002), 'Expenditure Policies Towards EU Accession', *World Bank Technical Paper*, 533, Washington D.C.
- Gali, J. and R. Perotti (2003), 'Fiscal policy and monetary integration in Europe', *Economic Policy*, 37, pp. 533–72.
- Giavazzi, F. and M. Pagano (1990), 'Can severe fiscal contractions be expansionary? Tales of two small European countries', *NBER Macroeconomics Annual*, 5, pp. 75-111.
- Gertler, M. (1999), 'Government debt and social security in a life-cycle economy', *Carnegie-Rochester Series on Public Policy*, 50, pp. 61-110.
- Giudice, G., A. Turrini and J. In't Veld (2003), 'Can fiscal consolidations be expansionary in the EU? *ex post* evidence and *ex ante* analysis', European Commission, *Economic papers*, 195.
- Gleich, H. (2003), 'Budget institutions and fiscal performance in central and eastern European countries', *ECB Working Paper Series*, 215.
- Grossman, G.M. and E. Helpman (2002), *Interest Groups and Trade Policy*, Princeton University Press, Princeton, N.J.
- Haan, J. de., W. Moessen and B. Volkerink (1999), 'Budgetary Procedures – Aspects and Changes: New Evidence for some European Countries', in Poterba, J.M. and J. von Hagen (1999), *Fiscal institutions and fiscal performance*, NBER, the University of Chicago Press.
- Hagen, J. von (1992), 'Budgeting Procedures and Fiscal Performance in the European Communities', European Commission, *Economic Papers*, 96.
- Hagen, J. von, A. Hugues Hallet and R. Strauch (2001), 'Budgetary consolidation in EMU', European Commission, *Economic Papers*, 14.
- Hagen, J. von, A. Hughes Hallet and R. Strauch (2002), 'Budgetary institutions for sustainable public finances', in Buti, M., J. von Hagen and C. Martinez-Mongay (eds.), *The behaviour of fiscal authorities: Stabilisation, Growth and Institutions* Basingstoke, Palgrave.
- Hallerberg, M. (2004), *Domestic budgets in a united Europe: fiscal governance from the end of Bretton Woods to EMU*, Cornell University Press, Ithaca, NY.
- Hallerberg, M, R. Strauch and J. von Hagen (2004), 'The design of fiscal rules and forms of governance in European Union countries', *ECB Working Paper Series*, 419.
- Hallet, M. (2004), 'Fiscal Effects of Accession in the New Member States', European Commission, *Economic Papers*, 203/2004.
- Hallet, M. and F. Keereman (2005), 'Budgetary Transfers between the EU and the New Member States: Manna from Brussels or a Fiscal Drag?', in European Commission Directorate-General for Economic and Financial Affairs (2005), *Country Focus*, 2, 3 February 2005, available at: http://europa.eu.int/comm/economy_finance/publications/country_focus/2005/cf02_2005en.pdf.
- Heinemann, F. (2004), 'Explaining reform deadlocks', *ZEW Discussion Paper*, 04-39.
- Heller, P.S. (2004), 'Who Will Pay? Coping with Aging Societies, Climate Change, and Other Long-Term Fiscal Challenge's, IMF, Washington DC.
- Hodson, D. (2005), *Economic Governance and the Dual Outcome in Euro Area Fiscal Policy 1999-2002*, PhD Dissertation, London School of Economics and Political Science.
- Hviding, K. and M. Merette (1998), 'The macroeconomic effects of pension reforms in the context of ageing populations: overlapping generations model simulations for seven OECD countries', *OECD Economics Department Working Paper*, 201.
- IMF (2002), 'Assessing sustainability', Prepared by the Policy Development and Review Department, 28 May 2002.
- IMF (2003), 'Sustainability Assessments—Review of Application and Methodological Refinements', Prepared by the Policy Development and Review Department, 10 June 2003.
- IMF (2004a), *World Economic Outlook*, April 2004, Washington, D.C.
- IMF (2004b), 'Euro Area Policies: Selected Issues', *IMF Country Report*, 04/235, Washington D.C.
- IMF (2004c), 'Adopting the Euro in Central Europe – Challenges of the Next Step in the European Integration', *IMF Occasional Paper*, 234, Washington, D.C.
- Jaeger, A. and L. Schuknecht (2004), 'Boom-bust Phases in Asset Prices and Fiscal Policy Behaviour', *IMF Working Paper*, WP/04/54.

- Jonung, L. and M. Larch (2004), 'Improving fiscal policy in the EU: the case for independent forecasts', European Commission, *Economic Papers*, 210.
- Kim, S. (2003), 'Macro-effects of corporate restructuring in Japan', *IMF Working Paper*, 03/2003.
- Kneller, R., M. Bleaney and N. Gemmell (1999), 'Fiscal policy and growth: Evidence from OECD countries', *Journal of Public Economics*, 74, pp. 171–90.
- Koen, V. and P. van den Noord (2005), 'Fiscal Gimmickry in Europe: one-off measures and creative accounting', forthcoming in Wiertz, P.J., S. Deroose, E. Flores and A. Turrini (eds.), *Fiscal policy surveillance in Europe*, forthcoming, Edward Elgar, Cheltenham, UK.
- Kohler-Toglhöfer, W., P. Baecke and F. Schardax (2003), 'Fiscal developments in Central and Eastern European Countries. An Overview one-and-a-half Years before the May 2004 Enlargement of the European Union', in Austrian National Bank (2003), 'Focus on Transition', 1, 2003, Wien.
- Kopits, G. and S. Symansky (1998), 'Fiscal policy rules', *IMF Occasional Paper*, 162.
- Larch, M and M. Salto (2003), 'Fiscal rules, inertia and discretionary fiscal policy', European Commission, *Economic Papers*, 194.
- Levine, R. (2004), 'Finance and growth: Theory and evidence', *NBER Working Paper*, 10766.
- Malo de Molina, J. L. (2003), 'Una visión macroeconómica de los veinticinco años de vigencia de la Constitución Española', Banco de España, *Documento ocasional*, 0307.
- McMorrow, K. and W. Roeger (2004), *The Economic and Financial Market Consequences of Global Ageing*, Springer-Verlag, Berlin.
- Mendoza, E., G.M. Milesi-Ferretti and P. Asea (1997), 'On the effectiveness of tax policy in altering long-run growth: Harberger's superneutrality conjecture', *Journal of Public Economics*, 66, pp. 99-126.
- Milesi-Ferretti, G.M. (2003), 'Good, Bad or Ugly: on the Effects of Fiscal Rules with Creative Accounting', *Journal of Public Economics*, 88, pp. 377-394.
- Milesi-Ferretti, G.M. and K. Moriyama (2004), 'Fiscal adjustment in EU countries: a balance sheet approach', *IMF Working Paper*, 143.
- Montanino, A., B. Przywara and D. Young (2004), 'Investment in education: the implications for economic growth and public finances', European Commission, *Economic Papers*, 217.
- Nickell, S. (1996), 'Competition and corporate performance', *Journal of Political Economy*, 104, pp. 724-746.
- Nickell, S. and L. Nunziata (2001), 'Labour market institutions database', LSE, London,, available at <http://cep.lse.ac.uk/pubs/download/data0502.zip>.
- Nicoletti, G. and F. L. Pryor (2001), 'Subjective and Objective Measures of the Extent of Governmental Regulations', unpublished, AEI-Brookings Joint Center, Washington, available at <http://ssrn.com/abstract=285494>.
- Nicoletti, G. and S. Scarpetta (2003), 'Regulation, Productivity and Growth: OECD Evidence', *OECD Economics Department Working Paper*, 347.
- Olson, M. (1971), *The Logic of Collective Action: Public Goods and the Theory of Groups*, Harvard University Press, Cambridge, MA.
- Perotti, R., R. Strauch and J. von Hagen (1997), 'Sustainability of Public Finances', *CEPR Discussion Papers*, 1781.
- Pichelmann, K. and W. Roeger (2004), 'The EU Growth Strategy and the Impact of Ageing', *Review of International Economics*, 12 (2).
- Pirttilä, J. (2001), 'Fiscal policy and structural reforms in transition economies. An empirical analysis', *Economics of Transition*, 1, pp. 29-52.
- Pissarides, C.A. (1990), *Equilibrium unemployment Theory*, Basil Blackwell, Oxford
- Polackova Brixí, H. (2004), 'Contingent Liabilities in New Member States', paper for the conference on fiscal surveillance in EMU, European Commission Directorate General for Economic and Monetary Affairs, Brussels, November 2004.
- Poterba, J. M. (1996), 'Do budget rules work?', *NBER Working Paper Series*, 5550.
- Razin, A. and E. Sadka (2002), 'The Stability and Growth Pact as an Impediment to Privatizing Social Security'. *CEPR Discussion Paper*, 3621.
- Rodrik, D. (1996), 'Understanding economic policy reforms', *Journal of Economic Literature*, 34, pp. 9-41.
- Roeger, W. and J. I't Veld (1997), 'QUEST II: a multi-country business cycle and growth model', European Commission, *Economic Papers*, 123.
- Romero de Avila and R. Strauch (2003), 'Public finances and long-term growth in Europe: Evidence from a panel data analysis', *ECB Working Paper*, 246.
- Roseveare, D., W. Leibfritz, D. Fore and E. Wurzel (1996), 'Ageing populations, pension system and government budgets: Simulations for 20 OECD countries', *OECD Economics Department Working Papers*, 168.
- Sachs, J. (1994), 'Life in the Economic Emergency Room', in J. Williamson, (eds.), *The Political Economy*

- of Policy Reform*, Institute for International Economics, Washington DC.
- Saint Paul, G. (2002), 'Employment protection, innovation, and international specialization', *European Economic Review*, 46, 2, pp. 375-395.
- Salgado, R. (2002), 'Impact of structural reforms on productivity and growth in industrial countries', *IMF Working Paper*, 10/2002.
- Sapir, A. et al. (2004), *An Agenda for a Growing Europe*, Oxford: Oxford University Press.
- Strauch, R., M. Hallerberg and J. von Hagen (2004), 'Budgetary forecasts in Europe – the track record of stability and convergence programmes', *ECB Working Paper Series*, 307.
- Tabellini, G. and A. Alesina (1990), 'Voting on the budget deficit', *American Economic Review*, 80, 65, pp. 147-62.
- Van den Noord, P. (2000), 'The Size and Role of Automatic Stabilizers in the 1990s and Beyond', *OECD Economics Department Working Paper*, 230.
- Williamson, J. (eds.) (1994), *The Political Economy of Policy Reform*, Institute for International Economics, Washington, D.C.
- Wyplosz, C. (2004), 'Large and Unknown Implicit Liabilities: Policy Implications for the Eurozone', forthcoming, European Commission, Brussels.
- Ylaoutinen, S. (2004), 'Fiscal Frameworks in Central and Eastern European Countries', Ministry of Finance of Finland.

3. Useful Internet links

European Union

European Commission	europa.eu.int/comm
Directorate General for Economic and Financial Affairs	europa.eu.int/comm/dgs/economy_finance/index_en.htm
European Council	ue.eu.int/
European Parliament	www.europarl.eu.int/

Economics and Finance Ministries

Belgium	treasury.fgov.be/interthes	Ministère des Finances - Ministerie van Financien
Denmark	www.fm.dk	Ministry of Finance
Germany	www.bundesfinanzministerium.de	Bundesministerium der Finanzen
Spain	www.mineco.es/	Ministerio de Economía y Hacienda
France	www.finances.gouv.fr	Ministère Économie, Finances et l'Industrie
Ireland	www.irlgov.ie/finance	Department of Finance
Italy	www.tesoro.it	Ministero dell'Economia e delle Finanze
Luxembourg	www.etat.lu/FI	Ministère des Finances
Netherlands	www.minfin.nl	Ministerie van Financiën
Austria	www.bmf.gv.at	Bundesministerium für Finanzen
Portugal	www.min-financas.pt	Ministério das Finanças
Finland	www.vn.fi/vm	Ministry of Finance
Sweden	finans.regeringen.se	Finansdepartementet
United Kingdom	www.hm-treasury.gov.uk	Her Majesty's Treasury
Bulgaria	www.minfin.bg	Ministry of Finance
Cyprus	www.mof.gov.cy	Ministry of Finance
Czech Republic	www.mfcr.cz	Ministry of Finance
Estonia	www.fin.ee	Ministry of Finance
Hungary	www.p-m.hu	Ministry of Finance
Latvia	www.fm.gov.lv	Ministry of Finance
Lithuania	www.finmin.lt	Ministry of Finance
Malta	mfea.gov.mt	Ministry of Finance and Economic Affairs
Poland	www.mofnet.gov.pl	Ministry of Finance
Romania	www.mfinante.ro	Ministry of Finance
Slovak Republic	www.finance.gov.sk	Ministry of Finance
Slovenia	sigovl.sigov.si/mf	Ministry of Finance
Turkey	www.maliye.gov.tr	Ministry of Finance
Japan	www.mof.go.jp	Ministry of Finance
United States of America	www.ustreas.gov	Department of the Treasury

Central Banks

European Union	www.ecb.int	European Central Bank
Belgium	www.nbb.be	Banque Nationale de Belgique / Nationale Bank van België
Denmark	www.nationalbanken.dk	Danmarks Nationalbank
Germany	www.bundesbank.de	Deutsche Bundesbank
Greece	www.bankofgreece.gr	Bank of Greece
Spain	www.bde.es	Banco de España
France	www.banque-france.fr	Banque de France
Ireland	www.centralbank.ie	Central Bank of Ireland
Italy	www.bancaditalia.it	Banca d'Italia
Luxembourg	www.bcl.lu	Banque centrale du Luxembourg
Netherlands	www.dnb.nl	De Nederlandsche Bank
Austria	www.oenb.co.at	Oesterreichische Nationalbank
Portugal	www.bportugal.pt	Banco de Portugal
Finland	www.bof.fi	Suomen Pankki
Sweden	www.riksbank.com	Sveriges Riksbank
United Kingdom	www.bankofengland.co.uk	Bank of England
Bulgaria	www.bnb.bg	Bulgarian National Bank
Cyprus	www.centralbank.gov.cy	Central bank of Cyprus
Czech Republic	www.cnb.cz	Czech National Bank
Estonia	www.eestipank.info	Eesti Pank
Hungary	www.mnb.hu	National Bank of Hungary
Latvia	www.bank.lv	Bank of Latvia
Lithuania	www.lb.lt	Lietuvos Bankas
Malta	www.centralbankmalta.com	Central Bank of Malta
Poland	www.nbp.pl	Narodowy Bank Polski
Romania	www.bnro.ro	National Bank of Romania
Slovak Republic	www.nbs.sk	National Bank of Slovakia
Slovenia	www.bsi.si	Bank of Slovenia
Turkey	www.tcmb.gov.tr	Central Bank of the Republic of Turkey
Japan	www.boj.or.jp	Bank of Japan
United States of America	www.federalreserve.gov	Board of Governors of the Federal Reserve System