Comment on the Swedish Fiscal Policy Council, the High Council of Finance in Belgium and the Government Debt Committee

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The Swedish Fiscal Policy Council, the High Council of Finance in Belgium and the Austrian Government Debt Committee differ in structure, tasks and history. The interplay between the national fiscal councils and other national institutions deserve a further look. As a consequence of the changing European framework – new economic governance rules and new procedures – the national fiscal councils will have to redefine their roles. Finally, assessing the effectiveness of heterogeneous national fiscal councils is methodologically challenging. A first short attempt on assessing the effectiveness of the Austrian Government Debt Committee delivers mixed results.

1. Which tasks for a fiscal policy council?

Three models of fiscal policy councils were presented that differed in their histories and also with respect to their tasks. The Austrian Government Debt Committee was founded in 1970 and has its origins as a "genuine" government debt committee with a rather narrow focus. Later on its mandate was widened as described in *Chaloupek* (2011). The Belgian High Council of Finance was established already in 1937 with a broad mandate including – inter field – the assessment and recommendations for budgetary and tax policy, and studies on ageing. The Swedish Fiscal Policy Council was founded recently in 2007. The trigger for its establishment were considerations of a possible Swedish membership in the European Monetary Union. Its main tasks are the assessment of the achievement of fiscal policy objectives by the government, monitoring the transparency of the government's Budget bill and evaluating the government's economic forecasts.

Even at a first glance on these three councils considerable heterogeneities with respect to their structure and their tasks become evident. However, mandate and tasks are interrelated on the national level with competing and/or complementary institutions like ministries of finance, courts of audit, economic institutes or the parliament.[1] As these institutions also differ in their structures and their tasks this heterogeneity comes not as a surprise.

2. Changing European framework

On the European level on the wake of the European debt crisis various European institutions called for a stronger involvement of fiscal councils in the national budgetary surveillance (*Franco*, 2011), besides the intended introduction of a whole set of new Economic Governances rules and procedures. In January 2011 the European Semester was applied for the first time. The aim of the European Semester is a stronger interactivity between the European Council and the national governments and parliaments with regard to the national budgetary procedures. It should reinforce coordination while major budgetary decisions are still under preparation. But not only the European Council will monitor national budgets more closely, also Eurostat and the European Commission will take a stronger role with respect to national budgetary issues. Along the reinforcement of economic governance in the EU the European Commission has presented a set of legislative measures which enhance the powers of the mentioned European institutions. With the upcoming of all these new European rules and procedures it remains unclear, also from a European perspective, which role national fiscal councils should have in the end. Are national fiscal councils thought only to paraphrase recommendations of several European institutions? How much national independence will remain for the national fiscal councils?

3. Assessing effectiveness

A discussion on national fiscal councils without the effectiveness issue would be incomplete. Despite the expectations of European institutions of the prospective effectiveness of national fiscal councils these expectations should not be too high: "*„A fiscal council can contribute to improved fiscal performance in a variety of ways, but is no ‚silver bullet' for securing and maintaining fiscal discipline."* (*Hagemann*, 2010)

First of all, it has to be made clear which effectiveness should be measured which is not trivial at all. Since fiscal councils differ in their mandate a one for all measure seems to be hardly attainable. Should the influence of the council on the setting of budgetary objectives be measured? Should the achievement of the budgetary objectives be measured? Only if these two topics are dealt with in a single question or measure the obtained results are of a doubtable quality. Further, the use of synthetical indicators as for example in *Langenus* (2011) shows serious methodological caveats. What does a single number really tell us about a multidimensional phenomenon? Does the evaluation by the means of simple grades from 0 to 5 really reflect complex qualitative answers?

1 In order to mention a practical example: Should the national expenditure ceiling be monitored not only by the Federal Austrian Court of Auditors but also by the Government Debt Committee?

Despite these relatively general comments a fist attempt – definitely not comprehensive and not in depth – on assessing the effectiveness of the Austrian Government Debt Committee will be undertaken. As can be seen in *table 1* the Austrian Government as well as the Parliament have revised their expenditure objectives – operationalised by the expenditure to GDP quota – several times in favor of increasing expenditures. The recommendations of the Government Debt Committee favoring the reduction of expenditure dynamics are not reflected by the presented numbers. However, the majority of the Stabililty Programmes date before the introduction of the expenditure ceiling in 2009 (*Steger/Pichler*, 2008).

Table 1: **Public expenditure objectives published in Austrian Stability Porgrammes**

Public Expenditure objectives published in Austrian Stability Programmes (% of GDP)										
Stability Programmes	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
2009-2013					48,9*	51,5*	51,6	50,9	50,2	49,7
2008-2013				48,3*	48,7*	51,1	51,3	51,1	50,9	
2007-2010			49,3*	48,3	48,1	47,7	47,2			
2006-2010		50,1*	49,1*	48,6	48,2	47,4	46,7			
2005-2008	49,8*	49,5	48,5	47,6	46,7					
2004-2008	50	49,5	48	46,7	45,8					

Source: Austrian Stability Programmes, Federal Ministry of Finance

Debrun/Kumar (2008) developed six measures (dimensions) to assess the fiscal councils in member countries of the European union covering the areas set-up, independence and the potential influence of the fiscal councils on the budgetary process. The Austrian Government Debt Committee scored in all dimensions at the lower end clearly below the average of the analyzed countries.[2] Having in mind the methodological caveats of the measures some qualitative assessment may complement the picture somewhat. Overall the effectiveness of the Austrian Government Debt Committee recommendations seems to be mixed. The Government Debt Committee held a workshop on the prospective implementation of a debt brake and gave a recommendation of implementing expenditure ceilings. The latter started to work 2 years ago. Recommendations with regard to a balanced budget, the compliance of Austrian Stability Pact and numerous recommendations of administrative/pension/fiscal federal system reforms have been less fruitful. Nonetheless, it has to be be assumed that the recommendations are influencing the public opinion as well as political decision makers. The annual report of Government Debt Committee fulfills an important function with respect to the transparency of budgetary data and provides analyses in fields not covered by other economic institutions. The Government Debt Committee does agenda setting for economic analysis and political discussion by organizing workshops as well as media work is done.

2 The respective scores for the euro area average and for Austria are: Overall (de jure influence and independence): EU: 3,4; AT:1,3; De jure influence on the budget process: EU: 2,5; AT: 2,5; Impact of independent forecast: EU: 0,4; AT: 0,2; Formal guarantees on political independence; EU: 4,2; AT: 1,7; Perceived impact on fiscal discipline: EU: 3,2; AT: 1,5; Fiscal rule index: EU: 0,7; AT 0,5. Maximum score is 10.

Further potential for the Austrian Government Debt Committee can be seen in determining its new role in the revised European framework for Economic Governance. The extraordinary circumstances by the financial and economic crisis 2008/2009 and the subsequent European debt crisis may ask for more and rather just in time recommendations. When the Greek crisis occurred policy makers at the European level nearly lost their capacity of making timely decisions. Fast and competent recommendations of national fiscal councils could support the decision making process in such critical situations. The Belgian model of the fiscal council stresses the analysis of demographic developments, since long run sustainability issues are gaining in importance with regard to monitoring and recommendations. Demographic developments will also have a considerable impact on the future Austrian budget. Last but not least, the Swedish model of a public hearing of a representative of the national fiscal council in parliament could be worth a try in Austria, too.

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Abstract **Jel-No: H61**

■■■ Deutsche Überschrift bitte noch ergänzen ■■■

Der schwedische Fiskalrat, der belgische Hohe Rat für Finanzen und der österreichische Staatsschuldenausschuss unterscheiden sich in ihrer Geschichte, in ihren Aufgaben und in ihrer Struktur. Auch die Beziehungen zwischen den Fiskalräten und anderen nationalen Institutionen wie Rechnungshöfen, Parlamenten, Finanzministerien und Wirtschaftsinstituten sind von Relevanz. Die neu zu schaffenden und bereits neu geschaffenen Regeln und Prozesse im Rahmen Europäischen wirtschaftspolitischen Steuerung wird eine Neupositionierung der nationalen Fiskalräte erfordern. Ein kurzer erster Versuch der Einschätzung der Effektivität des österreichischen Staatsschuldenausschusses bringt gemischte Ergebnisse, auch vor dem Hintergrund grundsätzlicher methodischer Probleme bei der Bewertung.