

E5005 Public Economics Seminar

"Fiscal Institutions and Fiscal Policy in Europe"

Fall 2017

Overview: This seminar is intended for Master students in Economics with interests in public economics. The main focus of the seminar is on the role of fiscal institutions and fiscal rules that shape and constrain government budgets and debt in EU countries. We cover recent research in these areas, but also pay close attention to current policy debates and institutional developments. Students must write and present a term paper (possible topics below, own suggestions within the general topic of seminar welcome).

Prerequisites: Open to all second and higher semester Master (Economics) students. For all others who wish to participate, please consult with instructor.

Instructor: Prof. Eckhard Janeba
L7, 3-5, Room 227/9
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Office hours: Wednesdays, 9-10:30 (Sept. until early Dec.)

Room, Time and Schedule

Initial Meeting (registration and assignment of topics): Friday, September 8, 10:15-11:45, in L9, 1-2, seminar room 002

Interim Presentations: Friday, October 27, 9am – 3 pm, in L9, 1-2, seminar room 002

Final Presentations: December 1, 9am-6pm, room tbd; (more presentations, if necessary, possibly on Dec. 8)

Term Papers due: December 18, 2017 (hard copy!)

Grading: Term Paper 50%, Presentation (incl.slides) 40%, Class Participation 10%

Topics and Initial Reading

1. The Fiscal Framework in Europe

European Commission: "Vade mecum on the Stability and Growth Pact, European Economy", Occasional Papers 151, May 2013.

Ludovit Odor, 2014: "The Good, the Bad and the Ugly", Discussion Paper No. 3/20, Council for Budget Responsibility, Slovakia.

2. Fiscal Discipline in the EU

Wyplosz, C.: "Europe's Quest for Fiscal Discipline", European Economy, Economic Papers 498, April 2013.

Juncker, J.-C. et al.: Completing Economic and Monetary Union, European Commission, 2015 ("5 Presidents' Report").

3. Forecasting and Fiscal Rules

Frankel, J. and J. Schreger: "Over-optimistic official forecasts and fiscal rules in the Eurozone", Review of World Economics 149 (2013), 247-272.

G. Kempkes: Cyclical Adjustment in fiscal rules: Some evidence on real-time bias for EU-15 Countries, Finanzarchiv/Public Finance Analysis 70 (2), 278-315.

Tereanu, E., Tuladhar, A. and A. Simone: Structural balance targeting and output gap uncertainty, IMF Working Paper 14/107.

4. Fiscal Councils

Calmfors, L. and S. Wren-Lewis: "What should fiscal councils do?" Mimeo, 2011.

Debrun, X. and T. Kinda: Strengthening Post-Crisis Fiscal Credibility: Fiscal councils on the rise – a new data set, IMF Working Paper 14/58, 2014.

Beetsma, R.M.W.J. and X. Debrun: Fiscal Councils: Rationale and Effectiveness, IMF Working Paper 16/86, 2016.

5. Fiscal Sustainability

European Commission, Fiscal Sustainability Report 2015/6.

Escolano, J.: "A Practical Guide to Public Debt Dynamics, Fiscal Sustainability, and Cyclical Adjustment of Budgetary Aggregates", IMF Technical Notes and Manuals, 2010.

D'Erasmus P., Mendoza, E.G. and J. Zhang: "What is a sustainable public debt?", NBER Working Paper 21574, 2015

6. Fiscal Capacity in Europe

Dolls, M., Fuest, C. and A. Peichl: Automatic Stabilizers and Economic Crisis: US vs. Europe, *Journal of Public Economics* 96, 2012, 279-294.

Feld, L.P. and S. Osterloh: Is a fiscal capacity really necessary to complete EMU? Mimeo, 2013.

7. Sovereign Insolvency and Debt Restructuring

Dolls, M., Fuest, C., Heinemann, F. and A. Peichl: Reconciling Insurance with Market Discipline: A Blueprint for a European Fiscal Union, ZEW Discussion Paper No. 044, 2015.

Bi, R., and Chamon, M. & J. Zettelmeyer, 2016. "The Problem that Wasn't: Coordination Failures in Sovereign Debt Restructurings," *IMF Economic Review*, vol. 64(3), pages 471-501, August.

Zettelmeyer, J., Trebesch, C., Gulati, M.: "The Greek debt restructuring: an autopsy" *Economic Policy* (2013) 28 (75): 513-563.

8. Effectiveness of Fiscal Rules

L. Forni, A. Bonfatti, "Fiscal Rules to Tame the Political Budget Cycle: Evidence from Italian Municipalities", January 20, 2017, IMF Working Paper No. 17/6.

Heinemann, F., M.-D. Moessinger and M. Yeter (forthcoming), "Do Fiscal Rules Constrain Fiscal Policy? A Meta-Regression-Analysis", *European Journal of Political Economy*.

Asatryan, Z., C. Castellón and T. Stratmann, "Balanced Budget Rules and Fiscal Outcomes: Evidence from Historical Constitutions", CESifo Working Paper No. 5893, May 2016.

9. German Debt Brake

Burret, H.T., L.P. Feld and E.A. Köhler, "Fiscal Sustainability of the German Laender - Time Series Evidence", CESifo Working Paper No. 4928, August 2014.

Heinemann, F., Janeba, E., Schröder, C. and F. Streif: "Fiscal Rules and Compliance Expectations – Evidence for the German Debt Brake", *Journal of Public Economics* 142, October 2016, 11-23.

Potrafke, N., M. Riem and C. Schinke, "Debt Brakes in the German States: Governments' Rhetoric and Actions", CESifo Working Paper No. 5696, January 2016.

10. Fiscal Stance in Europe

A. Bénassy-Quéré: "Euro-Area Fiscal Stance: From Theory to Practical Implementation", CESifo Working Paper 6040, August 2016.

European Fiscal Board: Assessment of the prospective fiscal stance appropriate for the euro area, June 2017.

G. Corsetti, G. J. Müller: "Multilateral Economic Cooperation and the International Transmission of Fiscal Policy", in: Globalization in an Age of Crisis: Multilateral Economic Cooperation in the Twenty-First Century, Feenstra and Taylor. 2014.