



CPB Netherlands Bureau for Economic
Policy Analysis

Time for fiscal watchdogs?

Discussion of paper by
Debrun, Gerard and Harris

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- Content of the paper
- Theoretical model illustrates that fiscal watchdogs mainly influence fiscal policy via public debate



- Empirical part looks at media impact of fiscal watchdog in relation to real-time fiscal developments:
- First test: Compare relation between media impact and cyclically adjusted balance for EC-countries of which 7 have a fiscal watchdog, period 2003-2010





- Conclusion first test:
 - yes, more media impact when budget slippages
 - but media impact has only weak relation with subsequent policy changes





- Second test:
 - Two case studies, Dutch CPB and Belgian High council of Finance
 - Link between monthly media impact in times of budgetary interest, e.g. fiscal outturn much worse than budgetary forecast or when budget forecast exceeds budget ceiling





- Conclusion: CPB is successful when it matters most; High council of finance also, but to a lesser extent





Discussion: Impact of CPB on Dutch fiscal policy mainly via public debate?

- Yes, very important
- But also via:
 - > major stakeholders (trade-unions and employers'org.)
 - > direct link with political parties
 - > reputation among economists
 - > embedded in official decision-making process
 - > advisory group on fiscal policy





Discussion: Measuring the impact of CPB on fiscal policy

- Downloads CPB website (June-December 2011): top 12 pages:
 - Macro-economic outlook Sept.
 - Policy brief June forecasts
 - September forecasts
 - World trade monitor
 - Europe in crisis
 - March forecasts
 - Policy brief December forecasts.
 - Working at CPB
 - Policy brief Education
 - CEP: March outlook
 - Note on pension agreement
 - Note on personal care budget reform



Impact on policy may be important but difficult too measure

- Bob Coats (1989): economists can only influence via “damage minimization by modifying, refining, or even blocking the ill-considered policy proposals by laymen, for example by emphasizing the opportunity costs of a given action or, more broadly, the system-wide implications of a specific policy”
- Ronald Coase: “an economist who delays a bad policy from being implemented by as little as a week has earned his salary for a lifetime”

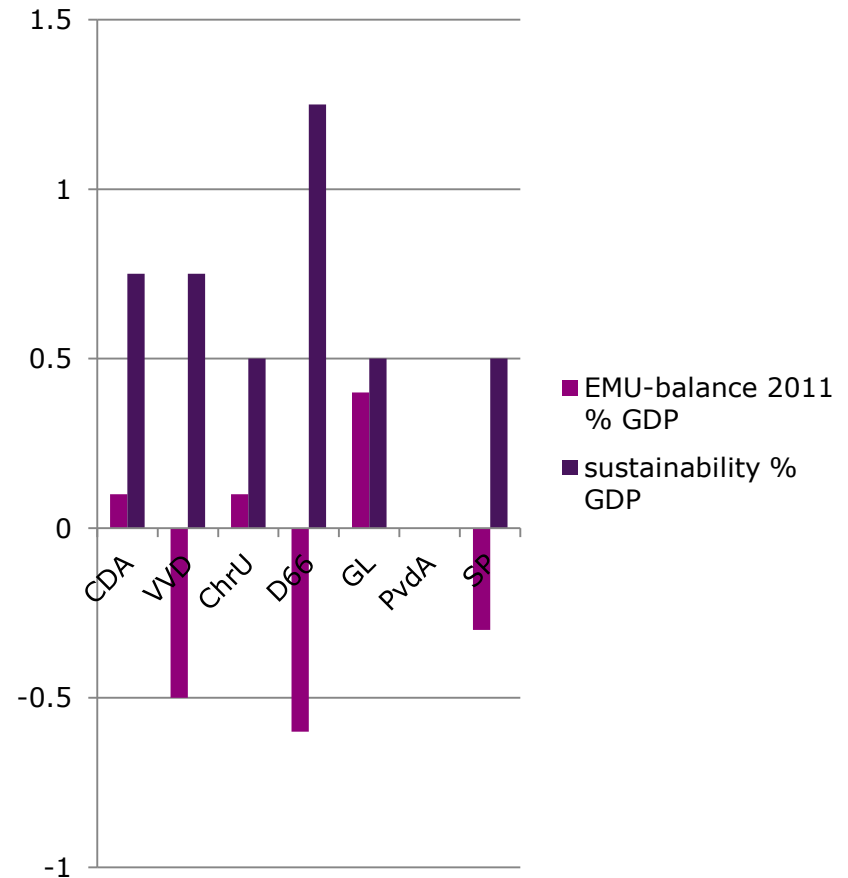


- OECD on political economy of reform: “reform institutions like Australia’s productivity commission or the Dutch CPB can help to de-politicise sensitive reform issues ... can make progress easier by fostering consensus on certain basic issues, including the costs and benefits of both the status quo and reform”



Development of budget cuts proposed in election cycle

- Election cycle for 2007-2011:
 - CPB: sustainability gap is 15 bln euro (3% GDP)
 - Advisory group on fiscal policy: government should reduce this gap, but this can be done in various ways
 - Political parties in their election platforms:
 - New coalition agreement: 4.5 bln euro reduction in 2011;





- Election cycle 2011-2015:
 - CPB: sustainability gap is 29 bln euro (3% GDP)
 - Advisory group on fiscal policy: 15 bln should be realized in 2015
 - Political parties in their election platforms: 10-20 bln should be realized in 2015
 - New coalition agreement: 18 bln euro to be realized in 2015

