



New budget law in Iceland

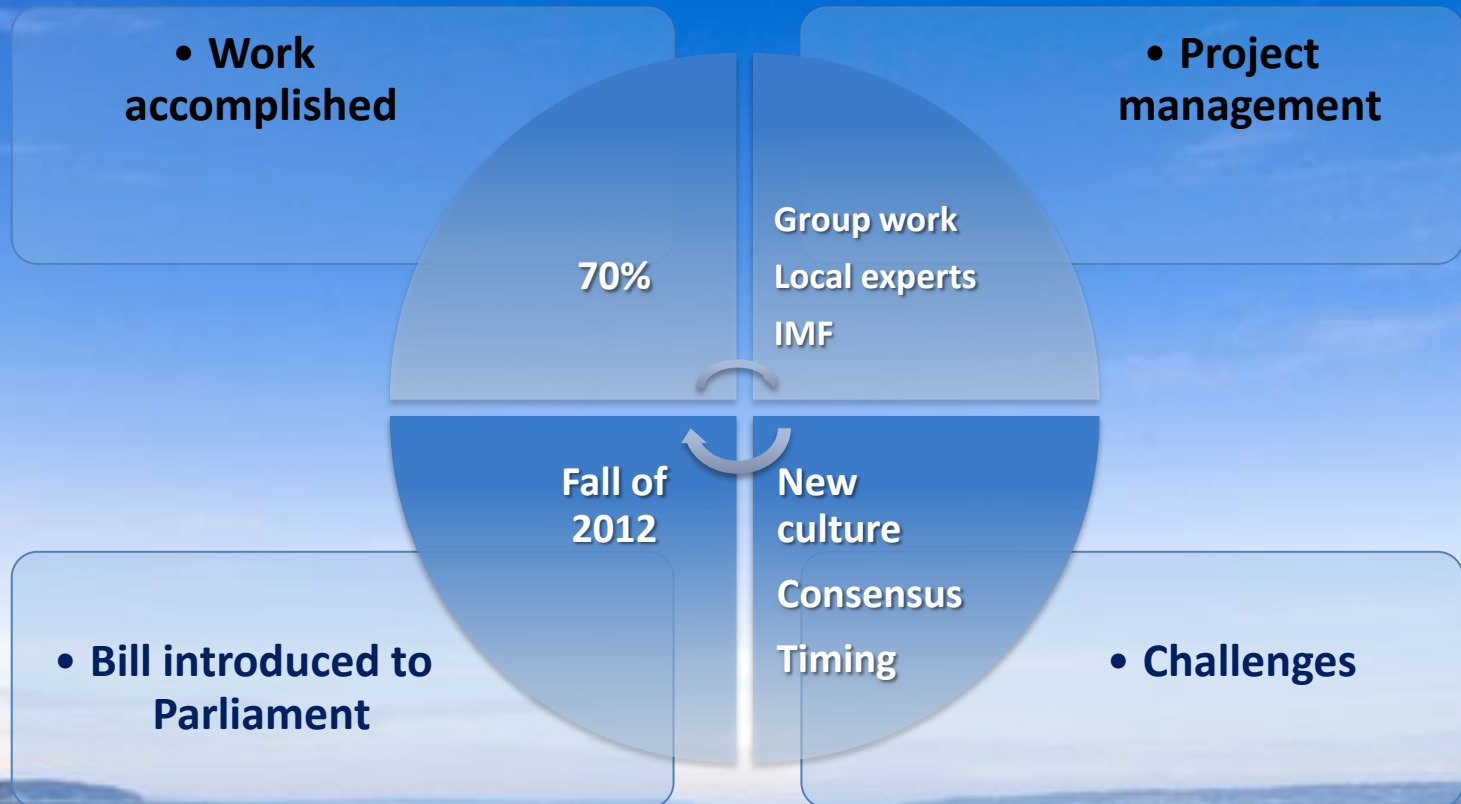
Lessons learned



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Status update – drafting new budget law



Lessons learned



LESSONS LEARNED

1 Being able to ask “why“

The most powerful “tool“ for any holistic revision

Challenge current behaviour

Accumulation of knowledge

2 Timing of revision

Urgency

Chaos vs. “calm waters“

3 Comprehensive budget framework

Risk = excessive complexity

Opportunity = Better oversight, less inconsistency

4 Being realistic

New budget law will not be perfect

Plan (in advance) for a timely “review“

5 Public awareness

Understanding of budget decision making is vital to
manage change

Public scrutiny

6 Defining “fiscal consolidation”

Budget rules – budget framework

Controls on deficit spending

Cost cutting Austerity Saving

Communication Lay-offs Spending less

Coordination Quality Constitutional debt limits

Increasing revenues Discipline Fiscal responsibility (**Monti**)

7 Budget theory

Budget theory gets limited space in literature
on government failure



Gordon Tullock



Clifford Winston

8 Systemic challenges?

Does democracy create “troubled waters“?

What will newly elected President Hollande do?

What about Mario Monti?

#9 OBL = Music



Rhythm and notes must match

A singer cannot choose random
texts to a song

10 Implementation is the real challenge...

Writing law is “easy“

A large, leafy tree stands prominently in the center of a vineyard. The tree has a thick, dark trunk and a dense canopy of green leaves. The vineyard rows are visible in the foreground and middle ground, with wooden posts supporting the vines. The background shows a line of trees and a clear sky.

Thank you!

Ministry of Finance