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**Brief Comment on  
"The Politics of Fiscal Austerity"  
by Posner and Sommerfeld**

**What makes a difference in fiscal consolidation?**

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# 1. Remarkable research

1. To analyze comprehensively political economy of fiscal consolidation based on the latest data and literatures.
2. To find out successful strategies to fiscal consolidation.
3. To remind budget officers of imperatives.

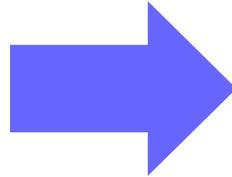
## 2. Before and after consolidation

*When to start?*  
economic and  
political factors

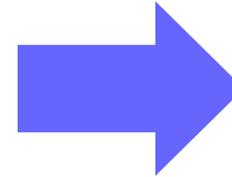
*What kind of strategies?*  
composition  
and duration

*What brings about?*  
economic and  
political consequences

**Beginning of  
consolidation**



**Implementation  
of consolidation**

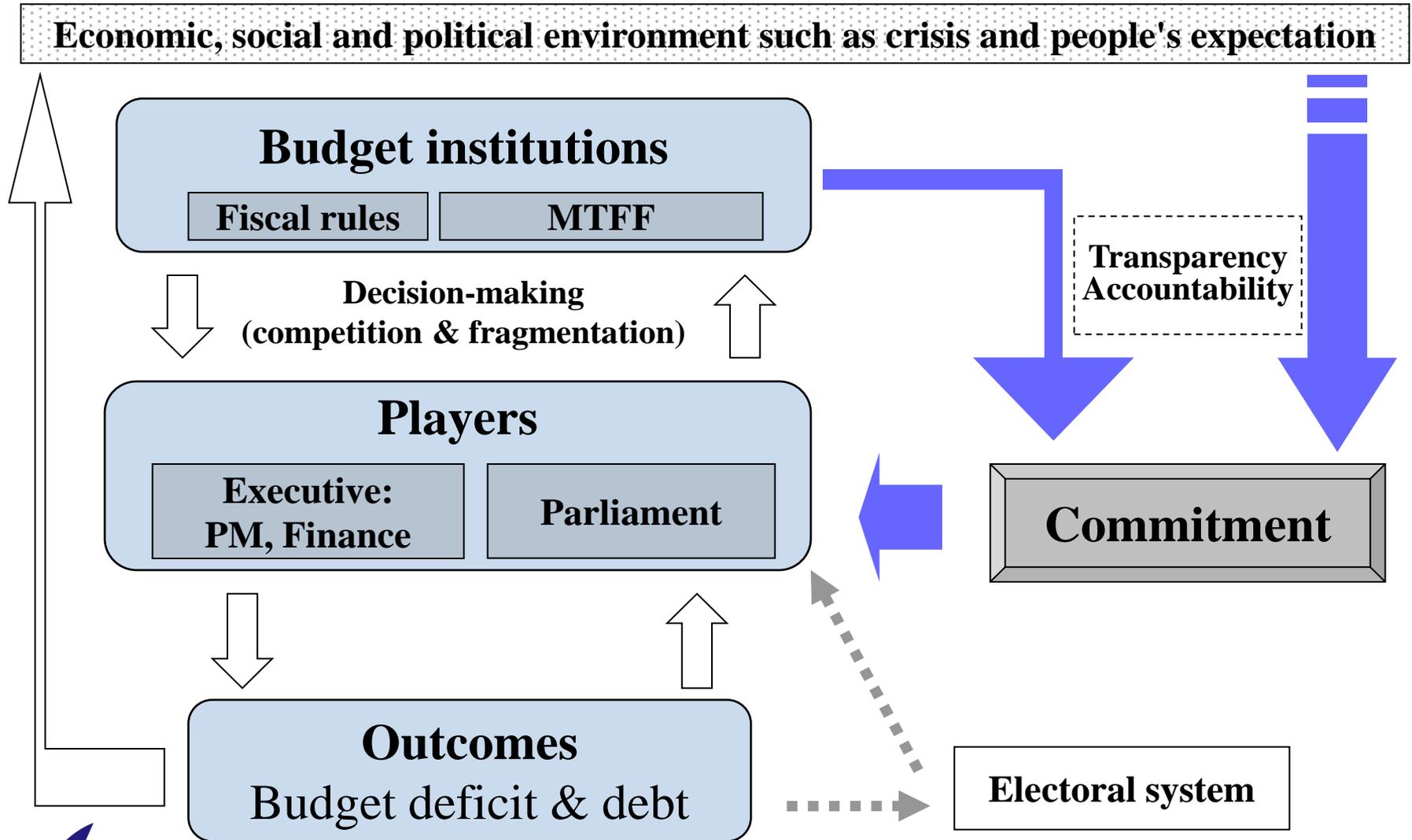


**Consequence of  
consolidation**

*Two biggest questions;*

1. How to make politicians realize the necessity of fiscal consolidation and take necessary actions?
2. How to maintain fiscal discipline and political commitment even after fiscal consolidation?

# 3. Players, institutions and environment



# 4. Commitment devices

Fiscal rules are not self-enforcing. Rules don't work without political commitment. It is crucial to reform budget institutions which make politicians comply with rules continuously.

## 1. Ex-ante commitment devices: to make politicians commit repeatedly and continuously

Expenditure ceilings approved by parliament (Sweden), Coalition agreement (Netherlands) , Fiscal target set by Fiscal Responsibility Act (New Zealand)

## 2. Ex-post commitment devices: to monitor the deviation from rules regularly and increase political cost of breach

Reconciliation tables, Assessment by independent institutions, Twice-a-year reports, Strict accounting standard

# 5. Case of Japan

Weak mechanism to make politicians commit to maintaining fiscal discipline

1. Environment - commitment

Low interest rate, low debt service, less frequency in change of government

2. Budget institutions - commitment

Weak commitment devices both ex-ante and ex-post, less transparent, policy-makers less accountable to results

**Only crisis could bring about consensus to implement necessary structural reform and make politicians commit to actions**

## 6. A question to authors and participants

There may be a possibility that democracies institute necessary reforms without crisis or external shocks. Early actions could have mitigated extreme actions. However, even if a country faces a crisis, it does not guarantee the success of structural reforms and the introduction of strong budget institutions. It would depend on the capability and competence of government or governance of society.



**If so, what is a critical factor which makes possible?**

For instance, nature of politics and public administration, culture of society, the relationship between government and society, people's confidence to government, individuality and characteristics of political leaders such as prime minister, president and finance minister, the role of civil service and so on