

FIRSTRUN or
Fiscal Rules and Strategies under Externalities
and Uncertainties

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Consortium

- Horizon 2020 project, 2015-2018
- Partners: CASE (Poland), CEPS (Belgium), ETLA (Finland), IER (Slovakia), IHS (Austria), LSE (UK), LUISS (Italy), NIESR (UK).

Selected goals

1. Assess the effectiveness of the enhanced EU economic governance in securing economic stability.
2. Evaluate potential new coordination or shock-absorbing mechanisms.
3. Design good national fiscal policy strategies that take into account EU fiscal rules.
4. Investigate the institutional mechanisms for enforcing the fiscal rules and how their legitimacy can be assured.

Use historical data to test the new fiscal rules

- Simulate what the enhanced SGP would have implied in the past.
 - Are the outcomes reasonable?
 - Can we easily improve the rules?
- If applied in the past, would MIP have identified imbalances?
- Use *real-time* estimates

Models

- Use different economic models, e.g. multi-country DSGE and OLG, NiGEM.
- Characterize optimal policies.
- Quantify the role of potential new coordination mechanisms
 - For example, EU-level unemployment insurance and fiscal capacity
- Structural reforms

Case studies of national implementation

- National governments and EU commission likely to have different priorities and interpretations on fiscal governance.
- By 2016, the key fiscal governance innovations introduced 2011-13 will have been through three full annual cycles of Member State submissions and EU level responses.
- We analyze the reports and interview stakeholders to arrive at verdicts on how well the coordination is working.

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