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FISCAL INSTITUTIONS – A COMMENT

Fiscal Rules

Fiscal rules are needed but they have to be

- based on the requirements of sustainability (Finnish Government Programmes?)
- strict enough (Spain fulfilled the SGP criteria until -08)
- credible and real (SGP?)
- solid but not *pereat mundus* (US?)

It is not easy to construct rules which *both* bring discipline *and* avoid being pro-cyclical

Establishing an independent fiscal council in Finland? (1)

Pros

- boost to presently scant fiscal policy discussion
- puts pressure on government to better justify and defend its policy

Cons

- may *either* be fully neglected *or* regarded as always knowing how things really are and giving objective statements unlike “lying politicians”
- may be influenced by various political or personal agendas of its members

Establishing an independent fiscal council in Finland? (2)

- Who should appoint the council and what should its administrative position be (all public bodies are *somewhere* in administration)?
 - should not be under / appointed by government or MoF!
 - cannot be in connection with BoF (cf. FSA)
 - being directly under parliament could subject the council to political pressure and/or get it mixed with tensions between parliament and government

Establishing an independent fiscal council in Finland? (3)

- A council should *not* be a *public body*
- Its views should not be given official status
- It should build its role and reputation through its work (well-known members would help!)
- It could be established and funded by private foundations and maybe other non-political organisations – such as the Yrjö Jahansson Foundation and the Finnish Economic Association!