



Making Fiscal Commitments Credible Institutions for Responsible and Transparent Fiscal Policy in Slovakia

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Michal Horváth², Ľudovít Ódor³

Abstract

The discussion paper analyzes the weaknesses of current fiscal institutions in Slovakia and proposes a new institutional framework for fiscal policy based on international best practices and the theoretical concept of net worth. We propose supplementary fiscal rules to the Stability and Growth Pact – stricter limit to gross debt, expenditure ceilings, golden rule for municipalities and rules for fiscal transparency. To control and monitor fiscal rules and processes we advocate setting up a Council for Fiscal Sustainability under the patronage of the Parliament. We expect this new framework to increase the credibility of the Slovak fiscal exit strategy after the current crisis and also to lower sovereign credit spreads and to contribute to more dynamic and less volatile economic growth in the medium to long-term.

JEL classification: E02, E61, E62.

Key words: Fiscal rules, Fiscal council, Time inconsistency, Net worth.

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² Nuffield College, University of Oxford, michal.horvath@economics.ox.ac.uk

³ National Bank of Slovakia, ludovit_odor@nbs.sk