

The IMF Fiscal Affairs Department and Offices in Europe are organizing a workshop on *“The Future of Rules-Based Fiscal Policy”*

In recent years, the rules guiding the conduct of fiscal policy have become increasingly complex: budget deficit ceilings are often defined in structural terms, formal escape clauses have been introduced or expanded, and countries rely more and more on multiple rules, targeting at the same time the level of the deficit, of public debt and of public spending. The 2010 reform of the European fiscal framework is a clear example of that move toward “second-generation” fiscal rules. The goal was mainly to limit the procyclical bias associated with plain numerical fiscal rules. But has the resulting system become too complex to effectively guide policy makers, and too opaque to anchor expectations and be credible in the eyes of public opinion? Has the time come to move back to simpler, more operational mechanisms? The workshop will offer a forum for policymakers and leading scholars to explore these issues and discuss options for reforms. Its three sessions will focus on (i) country experiences with second-generation rules, (ii) options for simpler yet flexible rules, and (iii) how to design effective fiscal frameworks for the long term. The workshop will close with a panel discussion to distill policy lessons and reflect upon the future of rules-based fiscal policy in Europe and elsewhere.

The conference will be hosted at the National Bank of Belgium, in Brussels, and will take place on April 29.

Participation to the conference is by invitation only. Should you have any questions regarding the program, please do not hesitate to contact Bergljot Barkbu or Xavier Debrun; and Hanni Schoelermann for any practical question.

Joint Workshop by the Fiscal Affairs Department and the Europe Office of the IMF

The Future of Rules-Based Fiscal Policy

April 29, 2015

National Bank of Belgium, rue Montagne aux Herbes Potagères 61, 1000 Brussels

8:30-9:00 am	Registration (Coffee)
9:00-9:15 am	Introductory remarks: <i>J. Franks (Director, Europe Office, IMF)</i> <i>M. Guerguil (Deputy Director, Fiscal Affairs Department, IMF)</i>
9:15-10:45 am	The Second Generation of Fiscal Rules: Too Complex to Work? The session will take stock of the experience with the so-called “second-generation” fiscal rules, which make constraints on relevant fiscal aggregates contingent on the business cycle and other policies. What are the main features of the new national-level fiscal rules in the EU? How have countries dealt with the methodological challenges of cyclical adjustment and the definition of one-offs? How have these rules been made operational? In particular, have PFM systems been adapted to better implement those rules, notably by the introduction of medium-term frameworks? To what extent have other policies—especially structural policies—been taken into account in the design of the rules? <i>Chair: M. Guerguil</i> <i>Presentation: G. Mourre (Head of Unit, DG ECFIN, European Commission)</i> <i>Discussant: R. Beetsma (Professor, University of Amsterdam)</i>
10:45-11:00 am	Coffee break
11:00-12:30 pm	Flexible and Operational Rules: Exploring Reform Options How can we circumvent methodological complexities and excessive “numerology” that can come with contingent rules, while preserving flexibility? What is the scope for so-called “rules of thumb” that would prescribe a certain policy path rather than prohibit outcomes beyond certain limits? How could they be articulated with the existing rules-based fiscal framework? Does the experience with expenditure rules justify the focus of the current policy debate on those rules? <i>Chair: L. Pench (Director, Fiscal Policy, DG ECFIN, European Commission)</i> <i>Presentation: N. Carnot (Adviser, DG ECFIN, European Commission)</i> <i>Discussant: X. Debrun (Deputy Division Chief, Fiscal Affairs Department, IMF)</i>
12:30-1:45 pm	Lunch Address by <i>R. Beetsma</i>
1:45-3:15 pm	The Long View: Fiscal Anchors, Policy Frameworks and Growth The session will discuss (i) the main features of a desirable fiscal trajectory over the longer term, (ii) effective ways to achieve it, and (iii) the potential implications of such a trajectory for long-term growth. Specific questions include: What is an appropriate long-term anchor for fiscal policy? How far beyond the public debt level can we go without jeopardizing simplicity; and in particular can we and should we incorporate fiscal risks in the definition of the anchor? What are the broad contours of an institutional framework able to credibly link the anchor to the policy trajectory? What are the potential effects of improved fiscal behavior on long-term growth? <i>Chair: B. Barkbu (Deputy Resident Representative to the European Union, IMF)</i> <i>Presentation: L. Jonung (Professor, University of Lund)</i> <i>Discussant: P. Rother (Chief Economic Analyst, European Commission)</i>
3:15-3:30 pm	Coffee break
3:30-5:00 pm	What Future for Rules-Based Fiscal Policy? Panelists will wrap up the policy lessons of the day focusing on 3 questions: (i) Can we realistically patch up second-generation rules? (ii) Should we move away from legally-binding rules and towards more prescriptive rules/benchmarks with a comply-or-explain obligation? (iii) Can we conceive a more encompassing policy framework that would foster a better coordination of fiscal, structural and even monetary policies? <i>Chair: M. Guerguil</i> <i>Panelists: C. Alcidi (Head of Economic Policy, Center for European Policy Studies), C. Kamps (Head of Section, Fiscal Surveillance, ECB), L. Pench, H. Schuiling (Director General of the Budget, Netherlands), G. Wolff (Director, Bruegel).</i>
5:00-5:15 pm	Concluding remarks: <i>M. Guerguil.</i>
5:15-6:30 pm	Closing cocktail