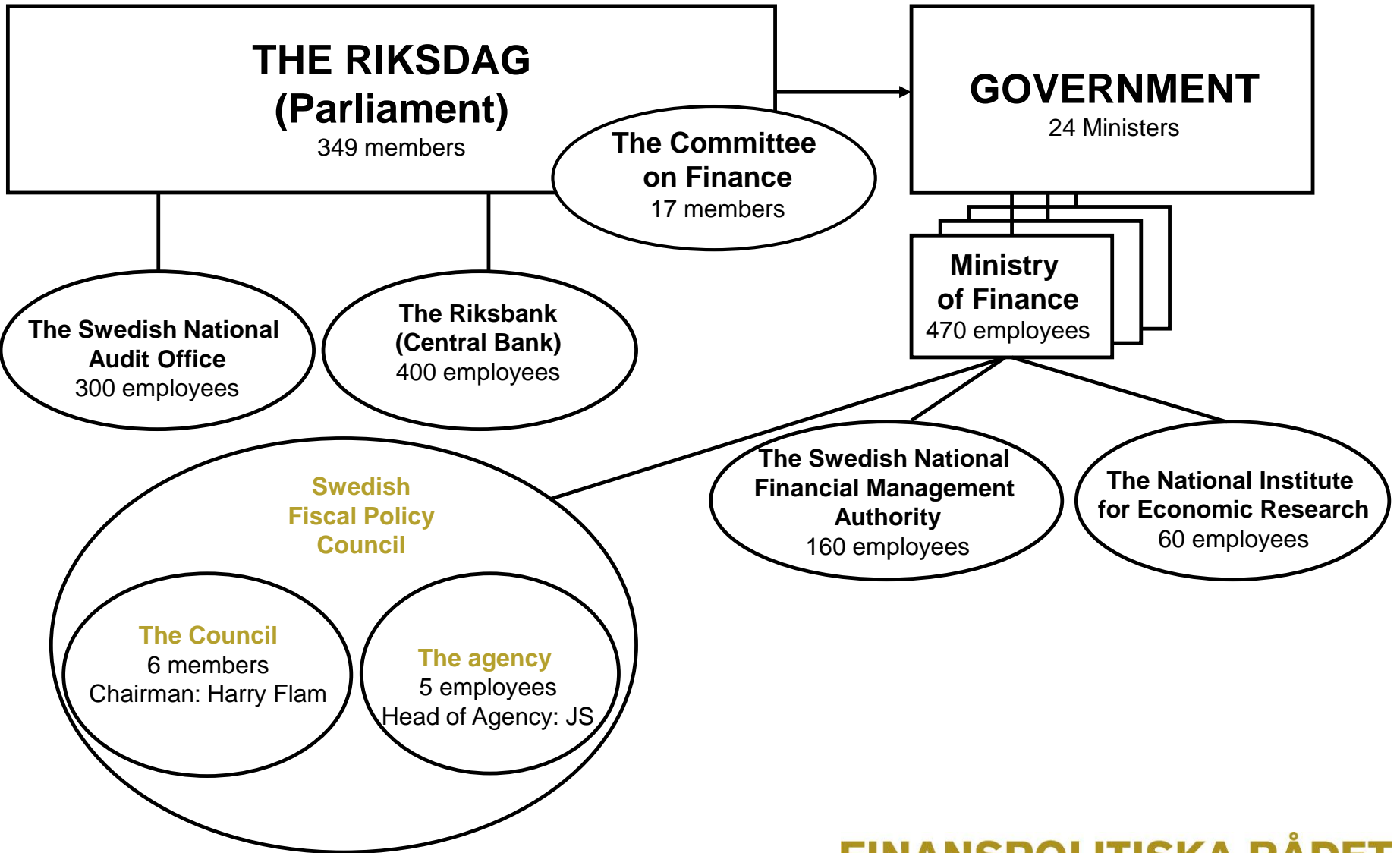


Fiscal policy and The debt Anchor

Danske Bank
20 September, 2019
Joakim Sonnegård



The tasks of the Fiscal Policy Council

1. Focus on *ex post* evaluation, with some *ex ante* evaluation;
2. Evaluate whether the fiscal policy meets its objectives:
 - Long-run sustainability;
 - Surplus target;
 - The expenditure ceiling;
 - Stabilization issues.
3. Evaluate whether the developments are in line with healthy sustainable growth and a sustainable high employment;
4. Monitor the transparency of the government budget proposals and the motivations for various policy measures;
5. Analyse the effects of fiscal policy on the distribution of welfare;
6. Contribute to a better economic policy discussion in general.

The Swedish Fiscal Framework I

- A *top-down* approach for the adoption of the budget in the Parliament;
- Central government *expenditure ceiling* set 3 years in advance; decision by Parliament;
- A fiscal *surplus target* for general government net lending of 1/3 % of GDP, on average, over the business-cycle;
- From 2019 a “debt-anchor”: a benchmark for the desired debt level of the Maastricht debt (35 per cent of GDP) in the medium term;

The Swedish Fiscal Framework II

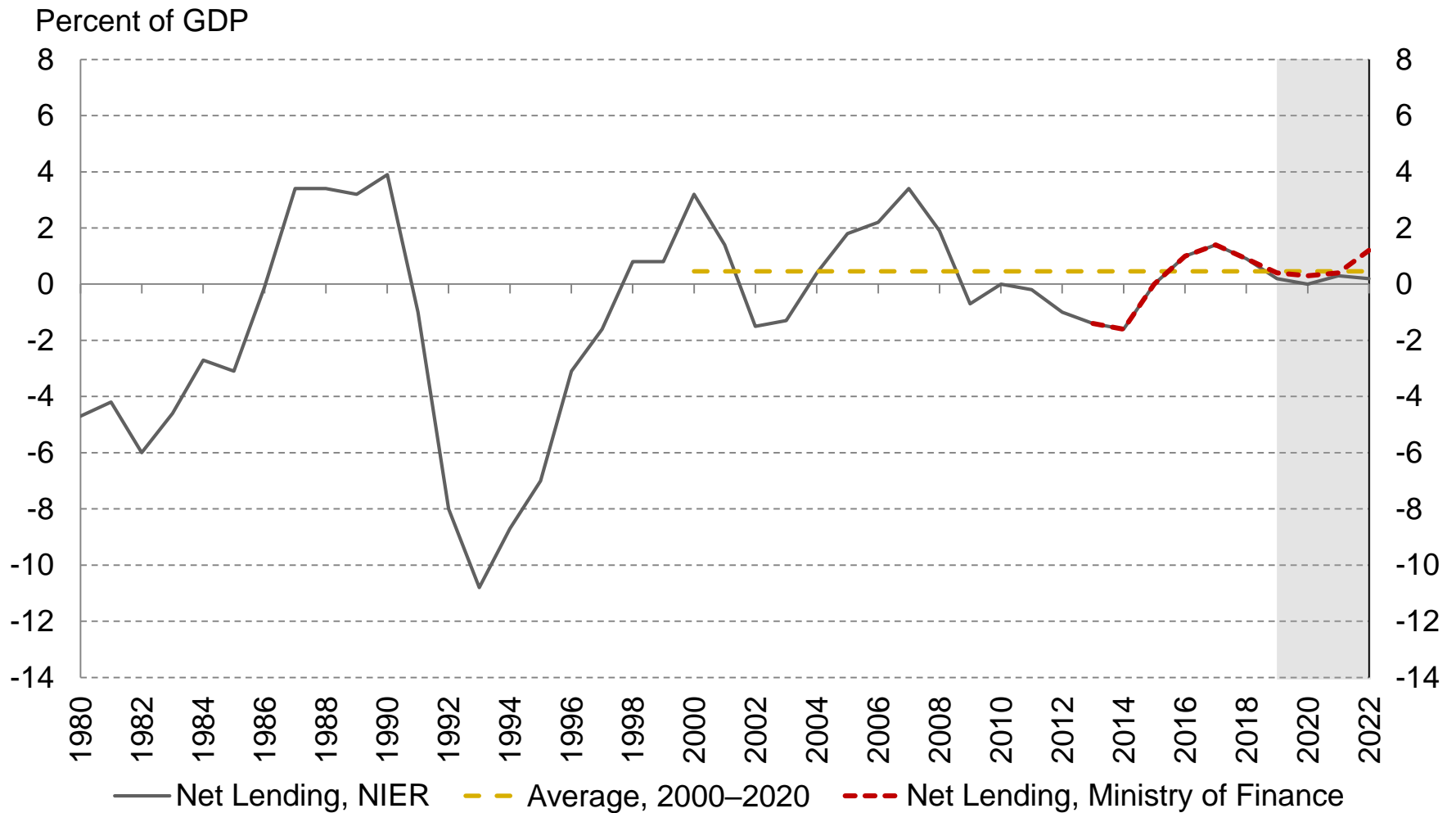
- Balanced budget requirement for local governments;
- Stability and Growth Pact;
- "Six-pack";
- Fiscal Compact;
- Since 2007, a Fiscal Policy Council with a broad remit (to facilitate transparency and accountability);
- *Note: The strength of this framework depends on the political will to respect it...*

The expenditure ceiling 1997–2022

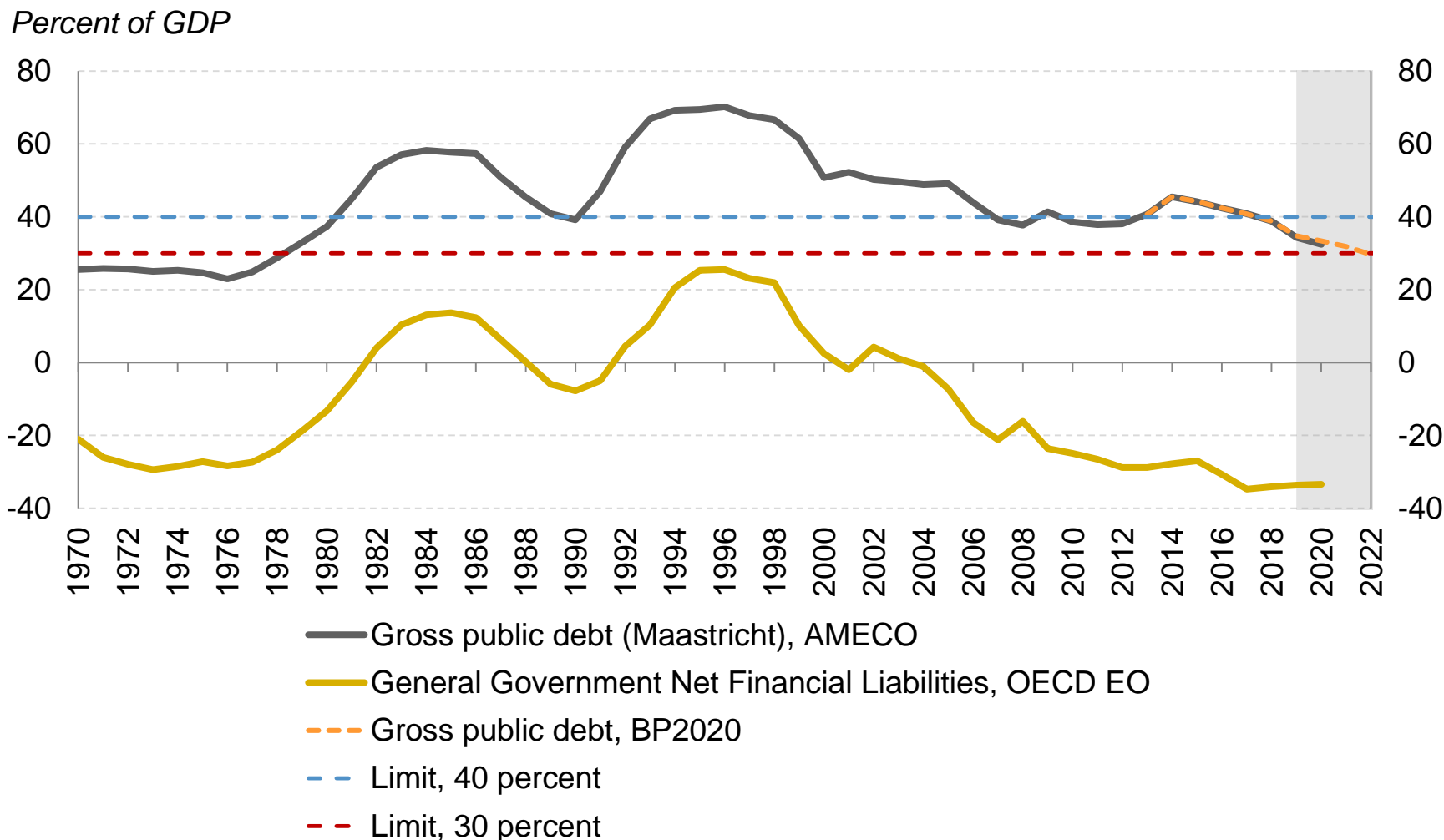
Percent of potential GDP



General Government Net Lending 1980–2022



General Government Gross and Net Debt 1970–2022



Has the fiscal policy framework worked?

- Generally successful implementation:
 - Top-down approach is followed;
 - Spending ceilings have not been breached (albeit some minor, and politically costly, examples of creative bookkeeping);
 - Surplus target has not been met...0,61 % on average;
 - Broad political support for the framework;
 - The Fiscal Policy Council has increased the transparency and facilitated a higher quality of the political discussion.

THE END