

# The Swedish Fiscal Policy Council

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Meeting with OECD Value for money mission

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# The idea of Fiscal Policy Councils (Committees)

- Offspring from the discussion, originating in the 1980s, on rules versus discretion (Kydland and Prescott).
- Monetary regime with an independent central bank.
- Can the lessons in some form be applied to fiscal policy?

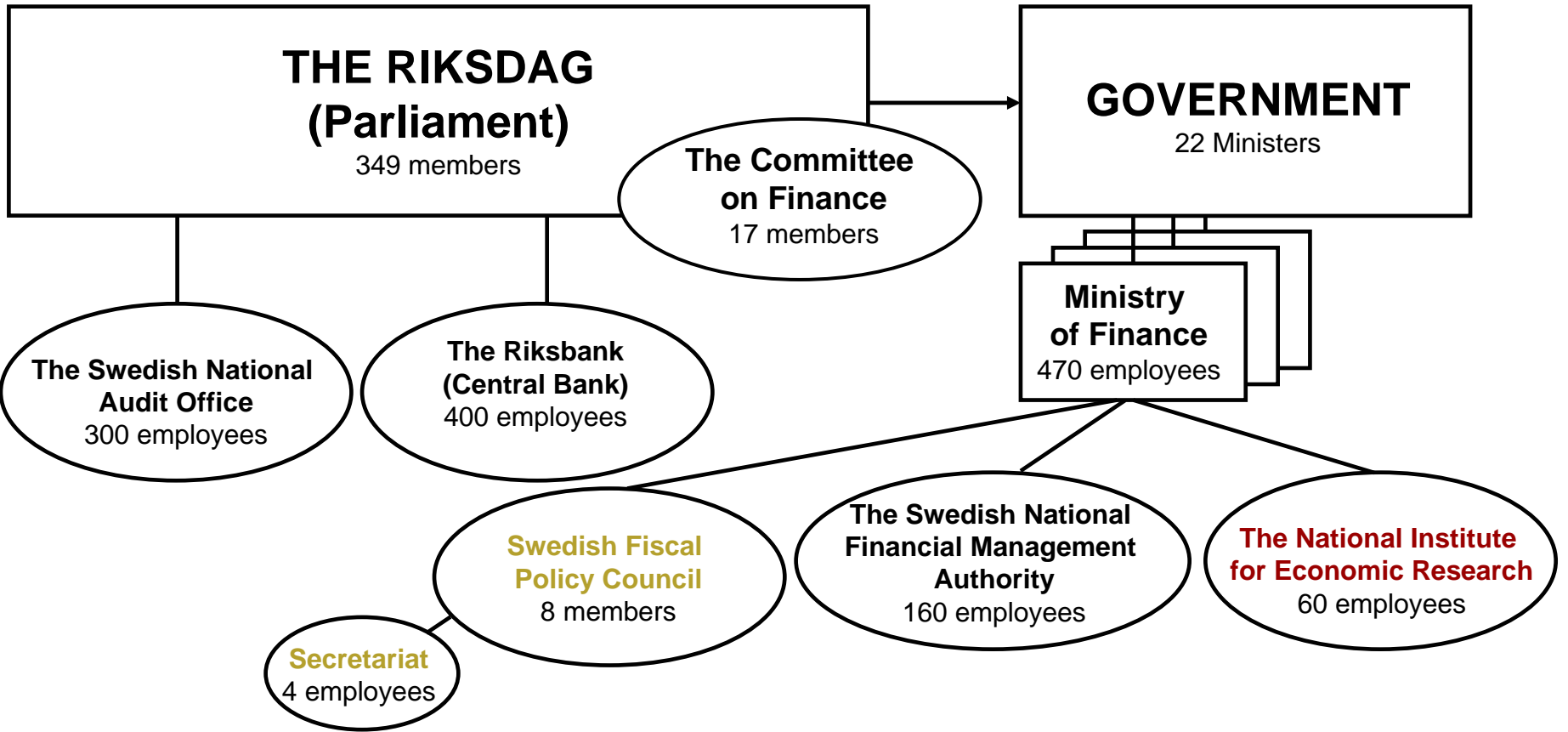
# Different approaches to Fiscal Policy Councils

1. Delegation of decisions to independent Fiscal Policy Committee
  - deviation of annual budget target from medium-term budget objective.
  - the use of one or several fiscal policy instruments as stabilisation policy tool.
2. Policy recommendations from independent Fiscal Policy Council.
3. The government should base its budget on the macroeconomic forecasts of an independent Fiscal Policy Council.

Sweden: focus on ex post evaluation, some ex ante evaluation.

# The set-up of the council

- Established 2007
- An agency under the government
- Eight members
  - six academics
  - two ex-politicians
- Supplementary activities to ordinary jobs (academic positions)
- Small secretariat: four persons
- Annual budget 700 000 €



# The tasks of the Fiscal Policy Council

1. To evaluate whether fiscal policy meets its objectives:
  - long-run sustainability
  - budget surplus target
  - the expenditure ceiling
  - stabilisation goals
2. To evaluate whether developments are in line with healthy sustainable growth and sustainable high employment
3. To monitor the transparency of the government budget proposals and the motivations for various policy measures.
4. To evaluate the government's economic forecasts and the quality of the models they are based on.

To contribute to a better economic policy discussion in general.

- Annual report: this year 17 May.
- More information on [www.finanspolitiskaradet.se](http://www.finanspolitiskaradet.se)

# The Swedish Fiscal Policy Council

Lars Calmfors, Stockholm University (Chair)

Torben Andersen, University of Aarhus (Vice chair)

Michael Bergman, University of Copenhagen

Martin Flodén, Stockholm University

Laura Hartman, Swedish Agency for Public Management

Helena Svaleryd, Research Institute of Industrial Economics

Lars Tobisson, former vice chairman of "moderaterna"

Erik Åsbrink, former social democratic Minister for Finance



# Themes in the reports

- Increase the clarity of the surplus target: net lending of one percent of GDP over a business cycle
  - underlying fundamental objectives
  - too many indicators
- Criticism of circumventions of expenditure ceiling
- Critical evaluation of fiscal sustainability calculations
- More discretionary fiscal stimulus in the current recession (but less of permanent measures)
- Evaluation of the government's labour market reforms
- The economic reporting of the government

# The council's impact

- Extensive media coverage
- Formal response in the spring fiscal policy bill
- Impact on actual policy?