The Research Centre of the Faculty of Economics cordially invites you to a research seminar on Wednesday, 21st January 2015 at 12 p.m. in room P-109 at the Faculty of Economics, University of Ljubljana

Author: Igor Masten, University of Ljubljana, Faculty of Economics, and Bank of Slovenia

Coauthor: Ana Grdović Gnip, Juraj Dobrila University of Pula, Faculty of Economics and Tourism

will present the article:

"Stress testing the EU fiscal framework"

“The main goal of this study is to stress test the EU fiscal framework while focusing on the efficiency of the cyclically-adjusted budget balance (CABB) - a remaining gauge in the enforced European fiscal framework when evaluating fiscal discipline. We do this by means of a simulation experiment. We use an estimated DSGE model to simulate all the macroeconomic data needed to assess the CABB according to the official EC methodology. Additionally, the model contains an expenditure fiscal rule that accounts for non-automatic variation in the budget, which allows us to observe the true discretionary measures of fiscal policy. Our results indicate that the EC methodology frequently fails to identify the true fiscal policy stance and also frequently fails to correctly signal potential violations of the SGP limit on structural deficit. In the latter case triggering corrective fiscal contractions to comply with the SGP results in increased macroeconomic instability. In addition, we show that allowing for a bigger role for stability-oriented discretionary policy and thus relaxing the SGP limit on structural deficit could enhance the stabilization efficiency of fiscal policy, while simultaneously increasing the compliance with the Maastricht Treaty.”

You can register for the free seminar by phone (01) 58-92-490, or via e-mail: research.seminars@ef.uni-lj.si by Tuesday, 20th January 2015.

We look forward to seeing you!