

The Research Centre of the Faculty of Economics
cordially invites you to a research seminar
on Wednesday, **21th 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!