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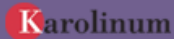
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Political Economy of Public Deficit: Perspectives for Constitutional Reform

[Geršl, Adam](#)

Year: 2007 Volume: 1 Issue: 1 Pages: 67-86

Abstract: The paper uses a dynamic inconsistency model known from monetary policy to assess three alternative proposals how to reform fiscal constitution in order to limit government's incentive to use fiscal policy for maximizing political support. The return to ever-balanced-budget rule, state-contingent rules, and the establishment of an independent Fiscal Policy Committee with power to set public deficit with the aim of stabilizing the economy are discussed from the constitutional perspective, analyzing different incentives that these proposals create for government and alternative means to enhance credibility of the arrangement.

JEL classification: E61, E63, P16

Keywords: fiscal policy; dynamic inconsistency; political economy; public deficit

RePEc: http://ideas.repec.org/a/fau/aucocz/au2007_067.html

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