

cpb

Titel van de presentatie

Plaats
Datum

CPB as a fiscal watchdog

Coen Teulings

The start

- Directly after WW II
- Founded by Jan Tinbergen
 - ▶ Member of the socialist party
 - ▶ First Nobel laureate
 - ▶ Had enormous reputation in the Netherlands
- Era of popularity of planning
- Never did any planning
 - ▶ Namechange *Planningbureau* unthinkable
- First macro model in 1953

Related to the Poldermodel

- Poldermodel = low lands model
- Multi party system, coalition governments
- 1950: start Social Economic Council SER
- Tripartite body
 - ▶ Employers federations
 - ▶ Trade unions
 - ▶ Independent ('crown') members
 - ▶ Amongst whom directors of CPB and central bank
- Role CPB in wage bargaining: inflation forecast
- Wider role SER in policy making

Formal position

- Department within Ministry of Ec.Affairs
- Not an *agency* or *independent body*
- Instituted by law
- Director = civil servant
 - ▶ Appointed by cabinet
 - ▶ 7 year term
 - ▶ Personal evaluation by Secr.General of Ministry
- Staff of 150

A public reputation

- Director said to be 7th on list powerful persons
- Generally accepted as an independent source
- Day to day in the press
- Evaluation of election platforms
- Works also for opposition parties
- Recently: directly accessible for parliament

Position of CPC

- = Central Planning Committee
 - ▶ Formally: advisory body
 - ▶ Our effort: make it supervisory body
 - Everybody needs countervailing power
 - But don't let it be Minister or his Secr.General
 - ▶ Independent members
 - Scientists, business men, trade unionist
- Commissioner evaluation committees
 - ▶ Every 5 years
 - ▶ Scientific: international (Hellwig, Zimmermann)
 - ▶ Policy: national

Similar institutions

- CBO in US
 - ▶ But more firmly grounded in economic theory
- IFS in UK
 - ▶ Far less scientific output
 - ▶ Far better embedded in policy making
- 5 institutes in Germany
 - ▶ CPB has monopoly in forecasting
 - ▶ Far better in scientific methods and output
- Martin Hellwig (last evaluation committee)
 - ▶ *High quality at cross road of academic research and policy*
 - ▶ underpublished

Types of publications

1. Institutional analysis of specific sectors
 2. Ex ante cost benefit analysis
 3. Ex post evaluations
 4. Short and medium term forecasting
 5. Long run scenario studies
 6. Background studies
- Trends
 - ▶ Parallel to science: from macro to micro
 - ▶ From forecasting to institutional analysis
 - ▶ Hellwig: still too much effort in forecasting
 - ... part of the Tinbergen heritage

Rules of conduct

- Independence is part of tradition
- Existing procedures *guarantee* independence
 - ▶ Provide a focal point
 - ▶ E.g. rules on press conferences
 - ▶ However: have a conservative impact
- Try to be ahead of policy debate
- Leave convincing voters to political parties
- We are only arbitrator in a dispute on request
 - ▶ Such requests come in quite often
- Three values
 - ▶ Transparency
 - ▶ Scientific quality, mainly mono-disciplinary
 - ▶ Policy relevance

Even then

- Regular attempts to influence our stance
- Mainly by members of the cabinet
- Also by civil servants
 - ▶ On behalf of their political bosses
 - ▶ ... or on their on behalf
- Poses demands on
 - ▶ Corporate culture of CPB
 - ▶ The personality of the director

Election cycle (4 years)

- Mid term forecast
 - ▶ Including an analysis of ageing and sustainability
- Advisory Group on Fiscal Policy
 - ▶ Gives advice on budgetary goals
- CPB analysis of election platforms
- Elections
- Negotiations on new coalition agreement
 - ▶ Ceilings for expenditure in real terms
 - ▶ Half way deficits should be compensated
 - ▶ Tax rates and premiums on revenue side
 - ▶ Automatic stabilization on revenue side
- Decisions on half way adjustments difficult

Ageing study

- Generational accounting
- For non steady state situation
- Are current institutions sustainable
 - ▶ How to define “current”?
 - ▶ How to deal with health
 - What is ageing effect
 - Public versus private funding
 - ▶ Not sensitive to variations in TFP
 - Poses problems in political use
- Noticeable increase in grey political pressure

Evaluation election platforms: Merits

- Same underlying economic scenario
- Evaluation based on identical standards
- Makes programs comparable
- Improves technicalities in proposals
- Deeply suspicious regarding free lunches
- Checks practical and juridical feasibility

- Plays important role in post-election bargaining

Evaluation election platforms: Objections

- Constrains political debate
 - ▶ e.g. juridical feasibility
- Bias in debate to verifiable proposals
 - ▶ E.g. institutional reform in health care
 - ▶ Compare free lunch scepticism
- Favours short run Keynesian above structural effects
 - ▶ Solution
 - Mimic model
 - No mid term effects

Evaluation budgetary cycle

- Set standards at start of 4 year government
 - ▶ Revenues
 - ▶ Expenditure
 - ▶ Endogenous deviations in revenues for the deficit
- Legitimation: automatic stabilization
- From economic theory point of view
 - ▶ What is proper adjustment rule?
 - ▶ Economic theory provides little answer
 - ▶ Probably linear adjustment on lagged GDP
- From governance side
 - ▶ Merits of fixed targets