
Index

- Accumulation of debt, 161–63
 - analytical framework and literature review on, 163–65
 - episodes of successful debt reductions versus, 179–85
 - the Great Accumulation, 171–79
 - during the Great Recession and Great Depression, 165–71
- Asset-liability management, 273–77
- Audit systems, internal and external, 509–10
- Automatic stabilizers, 319, 320, 375

- Balance sheets, government, 273–77, 465, 466, 479n5
- Borrowing
 - costs, 142–45, 440–44, 445, 448
 - debt restructuring and, 477–78
 - by sub-national governments, 409–10, 417–18
- Central banks
 - market liquidity and, 456–57
 - role in fiscal consolidation, 470–74
 - support of the financial sector, 394–95
- Credibility, 554–55
- Credit risk, 440–44, 445
- Currency-denominated debt, 39–40

- Debt bias in corporate finance, 228–32
- Debt dynamics.
 - average effective interest rates and, 63n4
 - debt-stabilizing primary in, 35
 - debt sustainability indicators in, 35–39
 - fiscal gap measures in, 35–36
 - foreign currency-denominated and inflation-indexed, 39–40
 - gross and net, 40–42
 - sustainability tests based on fiscal policy reaction function, 37–38
- Debt reductions, 179–85, 444, 458
- Debt-stabilizing primary fiscal balance, 35, 72–73
- Default, 477–78, 480n20
- Deficit reductions, 141–42
 - high debt and, 461
 - instruments for mobilizing revenue for, 239–41

- EU fiscal governance framework reforms, 495–99
- European Central Bank, 194, 209, 210, 211–12, 224n4
 - response to financial shock, 204–205, 206
- European Financial Stability Facility (EFSF), 209
- European Stability Mechanism (ESM), 499
- Excessive imbalances procedure (EIP), 498

- Financial market liberalization, 182–84, 539–40
- Financial repression, 181, 474–76
- Financial sector, 393–94
 - asset restructuring, 402
 - bank levies, 241–42
 - central bank and government measures to support the, 394–96
 - earlier episodes of systemic crises, 399–403

- financial activities tax (FAT), 242–43
- financial transactions tax, 243–45
- guarantees of bank liabilities and, 395
- pledged and utilized government support, 396–99
- public support and conditionality during systemic crises in the, 401–402
- recapitalization and nationalizations, 395–96
- recovery of fiscal costs, 398–400
- Fiscal Compact, 210, 211
- Fiscal consolidation, 455, 478–79, 535, 548
 - advanced economies, 443, 445, 451
 - asset and liability management and, 464–70
 - central banks and, 470–74
 - coordinated with structural reform, 535–37
 - emerging/nonadvanced economies, 443, 446, 450
 - euro area, 539
 - financial repression and, 474–76
 - net debt and, 40–42
 - political economy considerations and, 555
 - restructuring, 477–78
 - role of fiscal policy in managing, 461–64
 - role of other policies in managing, 464–78
 - United States, 538
- Fiscal councils, 499–502
 - in practice, 502–508
- Fiscal crisis, 1–2, 129, 155–57, 277–78, 315–16
 - appropriateness of stimulus measures during, 265–73
 - asset price increases prior to, 145–51
 - debt paths in advanced and emerging economies diverged prior to, 138–41
 - falling costs of borrowing prior to, 142–45
 - financial sector taxation and, 241–45
 - fiscal impulse during, 261–63
 - gradual buildup of fiscal vulnerability prior to, 130–34
 - policy lessons from, 551–56
 - public sector asset and liability management issues and, 273–77
 - response in G20 economies, 257–65
 - sub-national governments response to, 414–20
- Fiscal institutions, 485–86, 510–11
 - before and during the crisis, 486–89
 - fiscal councils in practice and, 502–508
 - improving public financial management and, 508–10
 - national fiscal rules, 490–95
 - need for strengthening, 555–56
 - “next-generation” rules, 490–99
 - nonpartisan fiscal agencies, 499–508
 - reforming the EU fiscal governance framework and, 495–99
- Fiscal multipliers, 315–16
 - automatic stabilizers and, 319, 320
 - debate on magnitude of, 316–25
 - econometric approaches to, 318–19
 - economic theory predictions about size of, 336
 - key factors influencing size of, 319–25
 - literature survey, 335, 340–62
 - policy implications, 333–34, 337–39
 - role of nonlinearities in, 323
 - state of economy and, 324–32
 - when output gaps are large and monetary policy is constrained, 553–54
 - zero lower bound and, 323–24
- Fiscal policy
 - countercyclical, 416–18
 - as effective stabilization tool, 553
 - in first phase of euro area crisis, 203–209
 - fiscal multipliers implications for, 333–34, 337–39
 - lessons from the crisis, 551–56
 - response in G20 economies, 257–65
 - role in managing high debt, 461–64
 - sub-national governments, 414–20
- Fiscal stress, 151–55
- Fiscal sustainability, 29n2
 - debt-stabilizing primary and, 35
 - growth facilitating, 554
 - increase in financing cost and, 440–44, 445
 - indicators, 35–39, 38–39

- stimulus size and, 267–69
- tests based on fiscal policy reaction function, 37–38
- Fiscal transparency, 177–79
- Great Depression, 161–63
 - debt buildup during, 165–71
 - government size during, 170–71
 - pre-crisis vulnerabilities, 171–79
- Great Recession, 1–2, 161–63
 - debt buildup during, 165–71
 - euro area sovereign crisis and, 193–95
 - government size during, 170–71
 - pre-crisis vulnerabilities, 171–79
- Inflation-indexed debt, 39–40, 45n24
- Interest-rate–growth differential, 25, 33–35, 49–50, 62
 - debt reduction and, 179–82
 - impact on debt dynamics, 50–53
 - income levels and, 53–54
 - low level in nonadvanced economies, 54–62
- Internal and external audit systems, 509–10
- International financial integration and impact on growth, 109–17
- Intertemporal budget constraint, 32–35
- Investor base and assets and liability structure, 21–23, 470
- Lenders of last resort, 211–15
- Leverage, 230, 245n8
- Liability management with high debt, 464–70
- Net and gross debt, 40–42
- Net foreign asset, 109–12, 113–14
- Pensions, public, 151
 - evolution of, 516–17
 - outlook for spending on, 521–23
 - reform options, 525–27
- Personal income taxes, 228–29, 241
- Private-sector debt, 26–27
- Privatization, 466–67
- Property taxes, 235, 240
- Public debt, 97–98
 - credibility and, 554–55
 - domestic versus foreign currency-denominated, 115
 - financial crisis of 2008–2010 and, 255–56
 - foreign currency-denominated, 39–40, 45n23, 115–16
 - gross and net, 40–42
 - inflation-indexed, 39–40
 - investor base and, 21–23
 - maturity of, 21, 22
 - reductions, 179–85, 458
 - sub-national government 409–10
- Public health care spending, 151, 531
 - evolution of, 517–19, 520–21
 - outlook for, 523–25
 - reform options, 527–31
- Public pensions spending, 151, 531
 - evolution of, 516–17
 - outlook for, 521–23
 - reform option, 525–27
- Real estate
 - prices, 147–48
 - tax treatment of, 233–36
- Real interest rates
 - financial repression and, 60
 - income per capital catch-up process and, 57–59
- Recovery of fiscal costs, 398–400
- Rollover risk, 28
 - assets and liability structure and investor base in, 21–23
 - basic concepts in, 16–18
 - fiscal risks and, 23–24
 - future developments in fiscal variables and, 19–21
 - government solvency and, 16–17, 28–29n1
 - nonfiscal fundamentals and, 26–27
 - shocks and, 17, 23–26
 - short-term fiscal fundamentals and, 18–19
- Safe havens, 27
- Securities transaction tax, 243–45
- Securitization, 467–68
- Stability and Growth Pact (SGP), 199–200

- Structural fiscal balances, 147
- Structural reform
 - coordinated with fiscal consolidation, 535–37
 - euro area, 538–39, 543–44
- Sub-national government finances, 407–408, 420–22
 - borrowing and, 409–10, 417–18
 - countercyclical fiscal policy, 416–18
 - impact of the crisis on, 411–14
 - institutional framework governing, 408–10
 - long-term fiscal implications of crisis for, 419–20
 - policy response to crisis, 414–20
 - transfers from central government, 411–12
- TARP (Troubled Asset Relief Program), 398–99
- Taxation, 227–28, 245
 - addressing the debt bias and, 229–32
 - complexity, havens, and risk taking, 232–33
 - corporate income, 228–29, 232, 237–38, 240–41, 246n20
 - debt bias in corporate finance and, 228–29
 - distortion channels, 228–36
 - financial sector, 241–45
 - financial transactions, 243–45
 - options for mobilizing revenue, 239–41
 - personal income, 228–29, 241
 - policies for fiscal consolidation and growth, 236–41, 247n31
 - property, 235, 240
 - transaction, 235
 - treatment of housing, 233–36
- Value-added tax (VAT), 236, 239