
Subject Index

- Accountability: Australian priority setting, 239–40; Australian public spending management reform, 254–55; costs imposed on politicians by, 235, 242; for efficient delivery of public services, 237t, 244; of government for allocating resources, 241; to mitigate tragedy of the commons, 236–38, 243; New Zealand prereform and reform measures, 1, 237t, 246–53
- Advisory Council on Intergovernmental Relations (ACIR): data on state-level balanced-budget rules, 191; state anti-deficit provisions index, 185–86, 190–91t
- Antideficit rules: argument for, 182; effect of weak, 32; effect on borrowing costs of state-level, 204; effect on measured deficits, 182; of EMU countries, 2
- Argentina: decentralized fiscal structure in, 136–37; fiscal reform, 121–23; Law of Financial Administration (1992), 121; politics, 139–46; public spending, 139–46. *See also* Provinces, Argentina
- Australia: Competition Principles Agreement (1995), 307, 338, 340; equalization of tax revenues, 312–19; federal and state coordination of fiscal policy, 321–24; federal government neutrality toward subnational entities, 320; fiscal federalism, 304–5t; limited autonomy of states in, 302; prioritization of resource allocation, 9, 239–40; recent fiscal policy (1990s), 337–42; Standard & Poor's credit ratings of states, 342–45; transparency of budget, 303. *See also* States, Australia
- Belgium: budgetary cycle, 277t; fiscal institution changes in, 275t, 276–78; from unitary to federal state, 277, 291
- Bond market, U.S. tax-exempt: comparison of state-level differences in yields, 188–204; model of determinants of bond yield, 183–85; yield determination studies, 185–87
- Borrowing, government: with antideficit rules, 204; Australian states' arrangements for, 321–22; effect of Canadian subnational, 9–10; in model of budget process in cabinet government, 214. *See also* Bond market, U.S. tax-exempt; Debt, government
- Budget, government: as common resource pool, 235; cycle in Canada, 324–25; growth of Japan's (1975–96), 365–69; Japan's General Account, FILP, and supplementary budgets, 351–52, 361–69; lack of transparency in Japanese, 351–53; model of process in cabinet government, 212–14; tax-smoothing theory of, 151
- Budget Act (1974), United States, 18–19
- Budgetary institutions. *See* Fiscal institutions
- Budget deficit: arising from common-pool problem, 3; Canada (1990s), 330–31; effect of antideficit rules on, 182; Japan (1970s, 1990–97), 349–50, 354; levels effect smoothing function of government, 61; relation of referenda in Switzerland

- Budget deficit (*cont.*)
 to, 154–65; role in consumption smoothing, 60–61, 72, 75–77; tax-smoothing theory of, 15, 72. *See also* Debt, government
- Budget process: effect of fragmentation, 3; model of decision making in Swiss municipalities and cantons, 164–75; phases of, 16; reform in United States (1974), 18–19; relationship between executive and legislature, 24; variables and methodology in analysis of, 268–71, 272t
- Budget rules: endogeneity as topic for future research, 11; sources as topic for future research, 11–12; state-level balanced-budget rules, 189–92
- Cabinet government: choice of single-party or coalition in, 216–19; model of budget process in, 212–16
- Canada: constitutional provisions related to subnational autonomy, 303–21; equalization of tax revenues, 312–19; federal-provincial fiscal coordination, 324–30; fiscal federalism, 304–5t; provincial powers and fiscal autonomy, 302; recent fiscal policy, 330–34; regional preferences of federal government, 320; Standard & Poor's credit ratings of provinces, 342–45. *See also* Provinces, Canada
- Capital markets: monitoring of Canadian provincial finances, 324–25; response to Canada's budget deficits (1990s), 330–31
- Centralization of budget process, 3, 10–11
- Coalition governments: analog of collegial voting procedures, 21; in proportional representation systems, 210–11
- Colombia, 122
- Common-pool problem: in coalition cabinet, 217; in government with single-party cabinet, 216–17; model of budgeting, 88, 152, 214; spending and deficits arising from, 3, 10
- Common-property approach, 136–38
- Commonwealth Grants Commission (CGC), Australia: anatomy of grants (1993–94), 313–15; conditional and unconditional grants of, 312
- Commonwealth Loan Council (CLC), Australia, 321–22
- Competition Principles Agreement (1995), Australia, 307, 338, 340
- Consensus building, Australia, 240–42
- Consumption: effect of government deficits on, 60; mechanisms for regional and country-level smoothing, 63–64
- Consumption smoothing: channels in EU and OECD countries for, 62–67; effect on GDP of government, 60–61; intertemporal, 63; related to risk sharing among countries, 64–67; relation to budget deficit, 75–77; through fiscal policy in EU and OECD countries, 67–78
- Costa Rica, 122
- Credit rating: Australian states, 342–45; Canadian provinces, 342–45; relation of fiscal institutions to state-level, 185–87
- Currency: depreciation linked to deficits and debt levels, 209
- Data sources: consumption smoothing through fiscal policy, 67–68; fiscal performance in Latin America, 105; government fragmentation and fiscal policy outcomes, 84–86; on state balanced-budget rules, 191; for tax-exempt bond yields in Chubb Relative Value Survey, 185–89; testing for party differences in Argentina's fiscal policy, 142
- Debt, government: control factors in reduction of government spending bias, 153; and debt service in Japan (1965–96), 359, 364–65; deferred liquidation in Japan (1982–96), 368; effect of fast accumulation, 37–38; EU rules related to levels of, 209; in Latin American countries, 106–8; levels related to proportional representation systems, 210; in OECD countries, 13, 28t, 106–8; under pluralist electoral system, 210; referenda on budget deficits as control, 153; strategic use of, 21–22; without incentive for intertemporal smoothing, 40. *See also* Borrowing, government; Credit rating
- Debt, state-level government: effect of anti-deficit rules on, 184; effect on risk premium of tax-exempt bonds, 183–85; limits on issue of general-obligation bonds, 192
- Decentralization: in Belgian federal state, 277; of Canada's fiscal system, 327–30, 345; effect in model of fragmented policy strategies, 40–50; of fiscal authorities, 39; fiscal structure in Argentina, 136–37; pressures in Australia for, 346. *See also* Municipalities and cantons, Switzerland; Provinces, Argentina; Provinces, Canada; States, Australia; States, United States

- Default risk, state-level, 204–5
- Delegation: budget process in single-party or coalition cabinet government, 214–19; effect on budget deficit, 229–30
- Economic and Monetary Union (EMU): anti-deficit measures under Maastricht Treaty, 1–2; Belgium committed to, 278; Irish commitment to membership in, 279; Stability and Growth Pact (1997), 2
- Economic shocks: effect of exogenous, 52–53; measuring smoothing of, 64–67; smoothed by fiscal components in OECD and EU countries, 70–72; smoothing of positive and negative, 73–75; smoothing of shocks to GDP, 60–61
- Electoral systems: effect of district magnitude in, 219; EU countries, 220–22; Latin American countries, 104–5; majoritarian, 20–21; new Italian, 230; proportional, 20–21; relation to fiscal performance in Latin America, 123–29; role of district magnitude, 111, 219; trade-off between proportional and majoritarian, 20–21. *See also* Pluralist electoral systems; Proportional representation (PR) systems; Voters
- Equilibria: Markov-Nash interest group response to debt, 47–52; switching equilibrium, 51
- European Union (EU): consumption smoothing, 62–78; electoral and political systems in countries of, 220–22; fiscal institutions of member countries, 222–25, 271–74; Maastricht fiscal provisions, 278; rules related to country debt and deficits, 209
- Federalism: Australia's financial, 322–24; Canada and Australia, 304–5t; decentralized subnational fiscal authorities with, 39. *See also* Decentralization
- FILP. *See* Fiscal Investment Loan Program (FILP), Japan
- Financial markets: New Zealand liberalization, 248; openness promotes government accountability, 238; response to differences in fiscal rules, 182. *See also* Bond market, U.S. tax-exempt; Capital markets
- Fiscal components: absorption of shocks to GDP, 70–71; average size for OECD and EU countries, 69–70; cyclicity in OECD and EU countries, 69–70; smoothing of positive and negative shocks in OECD and EU countries, 73–75; smoothing over three-year horizon in OECD and EU countries, 72–73
- Fiscal constitution, optimal, 205
- Fiscal discipline: aggregate, 8–9; dependence on rules, 238; effect of tragedy of the commons on, 236–38; with line-item veto, 32–33
- Fiscal illusion theory, 25, 151
- Fiscal Institutionalization Index, 146–48
- Fiscal institutions: Argentina's decentralized revenue sharing, 136–37; categories of, 118–19; effect of U.S. state-level, 182; effect on fiscal policy outcomes, 4; endogenous, 14–15, 120–23; evolution in some European countries, 274–84; index for Latin American, 119–23; Ireland's changes in, 275t, 278–81; Italy, 281–82; in Latin American countries, 104; New Zealand prereform and reform, 237t, 245–53; proposed future research related to, 12; relation to fiscal performance in Latin American countries, 129–31; role in limiting deficits, 76–78; solutions in EU countries, 222–25; survey questions related to budgetary procedures, 286–88; Sweden, 281, 283–85; U.S. interstate differences in, 181–82; variables for EU countries, 271–74
- Fiscal institutions, state-level: effect on state bond risk premium, 183–85; relation to state credit rating, 185–87; variables used to measure, 189–93
- Fiscal Investment Loan Program (FILP), Japan, 351–52, 369–70
- Fiscal performance: in Argentine provinces, 136–48; budgetary institutions in Latin America, 115–23; effect of shocks on, 31–32; electoral systems in Latin America, 110–15; Latin American countries, 6, 31, 105–10, 123–32
- Fiscal policy: Australian coordination of federal and state, 321–24; Australia's recent (1990s), 337–42; Canadian federal-provincial, 324–34; consumption smoothing in EU and OECD countries through, 67–78; with fragmented decision making, 38, 40; internationalization of costs of, 81–82; intertemporal theory of, 5, 40; Japan (1979–87), 350, 363–73; in model of fragmented strategies for, 40–52; procyclical in Latin American countries, 103–4, 108–10, 126, 128–29; for reconstruction in Japan, 357–58; reform in

- Fiscal policy (*cont.*)
 Argentina, Peru, Costa Rica, and Colombia, 121–23; Swiss voter participation in decision making for, 154–65; testing for party differences in Argentina, 142–46; U.S. interstate differences in, 181–82. *See also* Common-pool problem; Consumption smoothing; Fiscal target commitment; Income smoothing; Tax-smoothing theory
- Fiscal Responsibility Act (1993), New Zealand, 247–48, 260
- Fiscal rules: financial market response to, 182; subnational level, 7. *See also* Antideficit rules
- Fiscal system, Japan: centralized (1975–97), 370; fiscal crisis (1991–96), 360–63; origins of crisis (1975), 354–55; policies for consolidation (1987–91), 358–60; reconstruction (1979–87), 355–58
- Fiscal target commitment: budget process in single-party or coalition cabinet government, 216–19; impact on budget deficit, 230
- Fragmentation: of budget process, 3; effect on fiscal policy outcomes, 6; in fiscal decision making, 81; government executive and legislative, 33, 83–85; model of decision making with, 41–44; procedural, 84; specification of model to estimate, 87–89
- Free riding: within idea of common pool, 138; incentives for, 7
- Governments: coalition or commitment approach in EU countries, 222–25; delegation or commitment approach to fiscal process, 214–17; relation of size to electoral systems in Latin America, 124–29; size in Latin American countries, 105–6; size in OECD countries, 105–6. *See also* Budget process; Cabinet government; Debt, government; *specific countries*
- Gross domestic product (GDP) smoothing, 60–61
- Impossibility theorem (Arrow), 17–18
- Income smoothing: channels in EU and OECD countries for, 62–67; cross-country, 63–64; international, 78–79; mechanisms for regional and country-level, 63–64; related to risk sharing among countries, 64–67
- Information: for consensus building and resource allocation, 239
- Institutions: collegial, 16–17; hierarchical, 16–17; to mitigate tragedy of the commons, 236–38; for prioritization of common-pool resource allocation, 242. *See also* Fiscal institutions; Voting procedures
- Interest groups: endogenous budget deficit derived from dynamic game, 44–47; in fragmented fiscal decision making, 38, 81; influence on fiscal institution design, 123; model of fragmented fiscal policy decision making, 41–44; in model of fragmented policy strategies, 40–50; switching strategies and equilibria related to debt, 50–52
- Interest rates: Canada (1990s), 331; link to deficits and debt levels, 209; state-specific, 182. *See also* Bond market, U.S. tax-exempt
- Ireland: budgetary cycle, 279–80; current fiscal policy, 293; financing local government, 280–81, 294; fiscal institution changes in, 1, 275; role of minister of finance, 291–92
- Italy: budgetary process in, 281–82; budget reform (1997), 281; legislature, 295–96; limited autonomy of subnational governments, 296; role of minister of finance, 294–95
- Japan: “bubble economy” effects, 353, 359; causes of fiscal crisis (1991–96), 360–63; central government budget (1970–96), 354–55; collapse of “bubble economy” (1991), 349; fiscal policy (1980s), 350; General Account, FILP, and supplementary budgets, 351–52, 361–69; opaque budget process, 351–53
- Laws: arguments against balanced-budget, 15–16; related to limits on state-level tax or spending, 190–91t, 192–93. *See also* Rules
- Legislatures: Belgium, 289–90; choices of pork barrel projects, 19–22; Ireland, 292–93; procedures for voting on budget, 18–19, 22–23
- Maastricht Treaty: antideficit measures for EMU, 1–2; effect of fiscal targets on EU member countries, 278; influence on Bel-

- gian fiscal policy, 290; influence on Irish fiscal management practices, 279; provisions related to government debt levels, 61–62, 209, 229
- Minister of finance: Belgium, 275t, 276–78, 285, 289; in hierarchical and collegial institutions, 16–17; Ireland, 278–80, 285; Italy, 294–95; role in Canada (1993–94), 332–33, 335; role in fiscal process, 214–19; Sweden, 283, 285, 297
- Ministry of Finance, Japan: failure to fix fiscal system, 370–73; fiscal consolidation policy (1987–91), 358–60; fiscal policy (1980s), 350; manipulation of FILP and special accounts, 369–70, 373; role in fiscal policy (1980s–1990s), 353; role in fiscal reconstruction (1979–87), 355–58, 363–73
- Municipalities and cantons, Switzerland: budget decision making, 156; referenda and initiatives, 155–56; relation to federal government, 154–57, 159–64
- New Zealand: fiscal institutions, 237t, 245–53; Fiscal Responsibility Act (1993), 247–48, 260; liberalization of financial markets, 248; prereform and reform fiscal measures, 237t, 246–53; Public Finance Act (1989), 246–47; public spending, 9, 237t, 245–53, 256–60; State-Owned Enterprise Act (1986), 246–47; State Sector Act (1988), 246–47
- NTT privatization, Japan (1985), 369
- Peru, 121–22
- Pluralist electoral systems: compared to proportional representation systems, 110–12, 210, 219–22; in Latin American countries, 212–15
- Political factors: outcomes in Latin American countries, 112–16; proposed future research related to, 12; variables in analysis of government fragmentation, 86–100; variables in Latin American countries, 104, 110–15
- Politics: common-property approach to fiscal, 136–38; MOF failure to convince Japanese politicians, 371–74; of prioritizing resource allocation, 239; related to fiscal issues in Argentina, 139–46
- Prime minister: role in budget process, 214–19
- Proportional representation (PR) systems: compared to pluralist electoral systems, 110–12, 210, 219–22; factors influencing, 6, 219–20; in Latin American countries, 112–15; relation to fiscal discipline, 110–12
- Provinces, Argentina: diversity of, 135; share of federal government tax revenues, 136–37
- Provinces, Canada: access to federal revenues, 303–8; capital markets' monitoring of, 324–25; conflict with Ottawa, 327–30; equalization of tax revenues among, 312–19; Ontario-Ottawa conflict, 325–27; own revenues plus federal equalization transfers (1991–92), 308, 310–11; recent fiscal policy (1990s), 330–34; Standard & Poor's credit ratings, 342–45
- Public expenditure management system: index values assigned in, 245–46
- Public Finance Act (1989), New Zealand, 246–47
- Resource allocation: Australia's prioritization of common-pool, 238–40; in government sector, 53–54
- Revenues: access of Australian and Canadian subnational units to, 303–8; equalization in Canada and Australia, 312–19; in government common pool, 7, 88, 152, 214; in Japan during "bubble economy," 359; in Japan during fiscal reconstruction (1979–87), 363–64; in model of budget process in cabinet government, 213–14
- Revenue sharing: among Australian and Canadian federal and subnational governments, 303–8, 312–19; federal-province in Argentina, 136–37
- Risk sharing: within a group of countries, 64–67
- Rules: closed and open amendment rules, 19–20, 24–25; grounding and enforcement of balanced-budget, 152; no-carry-over, 152; simple, 15–16. *See also* Budget rules; Fiscal rules; Maastricht Treaty
- Saving: consumption smoothing through, 61
- Spending, government: Australian reform management system, 253–56; Australia's recent reform developments, 260–61; comparison of New Zealand and Australian management reforms, 256–60; conditions for higher levels, 3; deficit, 59–60; determinants in Argentina, 139–46; differ-

- Spending, government (*cont.*)
 ences related to party politics in Argentina, 139–46; effect in Argentina of political and institutional variables on, 136–48; federal and provincial levels in Argentina, 139–41; growth in Japan (1970s), 354; increase (1973 to present), 37; in Japan during “bubble economy,” 359–60; Japan’s Ministry of Finance controls (1975–95), 365–67; linked to deficits and debt levels, 209; New Zealand reform management system, 246–53; New Zealand’s recent developments in management of, 260; practices reducing bias for, 153; prereform New Zealand management system, 237t, 245–46; Swedish introduction of ceilings (1995), 283–84
- Stabilization, fiscal: in model of fragmented fiscal policy strategies, 50–52; policy in argument against balanced-budget laws, 15
- Standard & Poor’s credit ratings, Australian-Canadian, 342–45
- State-Owned Enterprise Act (1986), New Zealand, 246–47
- State-owned enterprises: government transfers to money-losing, 39; privatization of NTT, 369
- States, Australia: access to federal revenues, 303–8; borrowing arrangements with federal government, 321–22; conditional and unconditional federal grants to, 311–12; equalization of tax revenues among, 312–19; in financial federalism scheme, 322–24; own revenues plus federal grants transfers (1993–94), 308–9, 311; in recent fiscal policy (1990s), 337–42; Standard & Poor’s credit ratings, 342–45
- States, United States: fiscal institutions and policy effects, 181–82; tax-exempt bond markets, 183–204. *See also* Bond market, U.S. tax-exempt
- State Sector Act (1988), New Zealand, 246–47
- Strategies: switching strategy, 51; trigger strategy, 47
- Subsidies, government: to money-losing firms, 39; smoothing effect on GDP, 60, 72
- Sweden: autonomy of lower levels of government, 298; budgetary process in, 9, 281, 283–84; changes in local government fiscal procedures, 1, 284; legislature, 297
- Switzerland: federalism and direct democracy in, 154–55. *See also* Municipalities and cantons, Switzerland
- Taxes: Argentina’s revenue-sharing agreement, 136; Canadian harmonized system, 327–30; smoothing by direct and indirect, 72; state-level tax or expenditure limit (TEL), 192; of subnational units in Australia and Canada, 303–8
- Tax-smoothing theory, 15, 37–38, 151
- Tragedy of the commons, 40, 60n1, 152, 235; effect on fiscal discipline, 236–38; institutions to mitigate, 236–38; prioritization of resource allocation, 238–39
- Transfers: income-smoothing effect of international, 63; in model of fragmented policy strategies, 40–50; smoothing effect on GDP of government, 60–61
- Transparency of budget, 16–17; approaches to increase, 27; Australia, 303; Belgian, 275t, 290–91; with centralized budget process, 3–4; costs imposed on politicians by, 235, 242; for efficient delivery of public services, 237t, 244; indicators of, 29; Ireland, 293; Italy, 296; to mitigate tragedy of the commons, 236–38, 243; model of lack of, 26; New Zealand prereform and reform measures, 237t, 246–53; role of, 25–27; Sweden, 297–98
- Trigger strategy, 47
- Voters: referenda on budget deficits, 153; referenda on budget deficits in Switzerland, 154–65
- Voting procedures: under Budget Act (1974), 18–19; in collegial institutions, 16–17, 20; in formulation and approval of budget, 16, 18–19; in hierarchical institutions, 16–17, 20; literature on, 18–23