

AUSTERITY and its **ALTERNATIVES**



You Go by the Rules We Set!

German Reforms as a Template for Europe?

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WZB

Berlin Social Science Center

The Three Advisory Councils

	Council of Ministry of Finance	Council of Ministry of Economics	German Council of Economic Experts
Purpose	Annual reports & Assigned evaluations	Annual reports & Assigned evaluations	Annual evaluation of German Economy
Reporting	unanimous	unanimous	Minority-opinions may be expressed
Nr. of Experts	37 Experts	38 Experts	6 Experts
Recruitment	By members themselves	By membersthemselves	Unions, employees & government have a say who gets appointed
Membership - duration	Life-time (inactive, turning 70)	Life-time (inactive, turning 70)	4 years



Inter-state
fiscal adjustment

Bavaria pays **more than 5 Billion** for redistribution

Berlin receives **3.5 Billion** through the redistribution



Views of the Advisory Boards

- “A totally excessive redistribution [between the federal states]”
(German Council of Economic Experts, 2003)
- “The current financial constitution makes it less urgent for financially weak federal states to consolidate their household. It is tempting to exploit the loophole of indebtedness.”
(Council of Ministry of Economics, 2005)



Debt Brake

- From 2020 onwards:
- Annual net borrowing max. 0.35% GDP
- No structural deficit for federal states & municipalities
- Exceptions: Financial crisis & natural disaster
- Introduction of stability-council
- SET IN CONSTITUTION



Views of the Advisory Boards

- “Involve the citizens of an indebted federal state in the household consolidation by limiting the per capita expenses of the state below a certain level of the expenditure average.
(Council of Ministry of Finance Experts)
- “Insolvency proceedings against territorial authorities”
(Council of Ministry of Finance Experts, 2005)



Fiscal Compact

- Signed in 2012:
- Intensifies the Stability & Growth Pact
- Defines rates at which debt-levels should decrease
- National monitoring
- Institution for fiscal surveillance
- Transpose into national legal framework

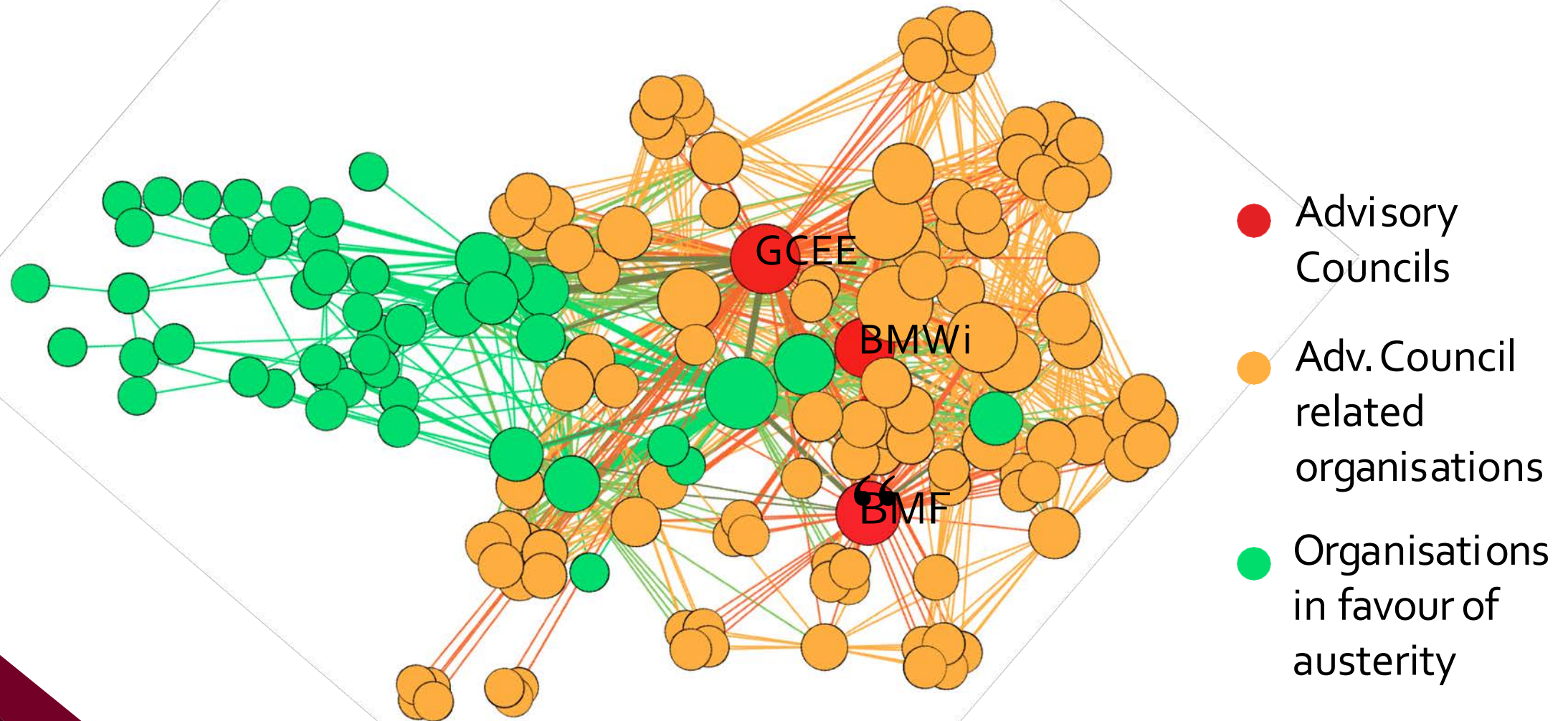


Views of the Advisory Boards

- German debt brake mandatory for EU–Member states
(German Council of Economic Experts, 2011)
- “In contrast to the Stability and Growth Pact, the German debt brake regulates not only the structural but also the cyclical debt so that deficits from a previous recession are not forgotten in the following upswing.”
(Council of Ministry of Economics, 2011)



Relations between Think-Tanks & Advisory Councils (mainly advisor board membership)



Governmental – Advisory Bodies



SVR

BMF

Stability-board

Federalism - Commission

Eucken-Institute

Mont-Pelerin-Society

Found. marked-economy

Found.-Ludwig Erhard

Social-Market-Init.

ECONWATCH

Think-Tank membership

Röpke-Institute

Giersch-Foundation

RWI-Adv. Board

DIW-Adv. Board

NOUS

(Fundamental) Views of the Advisory Boards

- “As every competition, federal competition opens a chance that the best solutions are discovered and adopted”
(German Council of Economic Experts, 2003)
- “Government action should focus on establishing suitable frameworks for the functioning of markets. This entails guaranteeing private property rights, a competitive order, which counters growing monopolies, stable monetary politics as well as a permeable school system.”
(Council of Ministry of Finance, 2009)



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