

Hungary's fiscal council must stay independent

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Sir, The [sovereign debt crises](#) show that existing fiscal frameworks are not sufficient in many countries. This has led to a search for new ways to ensure sound fiscal policy, specifically the establishment of independent watchdogs. European Union finance ministers have just agreed to work out standards for fiscal councils “tasked with providing independent analysis, assessments and forecasts”.

Independent institutions with fiscal surveillance already exist in some countries. The [Central Planning Bureau](#) in the Netherlands and the [Congressional Budget Office](#) in the US are two examples. Recently, similar institutions have been created in Sweden, Hungary, Slovenia and the UK.

The idea is to strengthen the incentives for fiscal discipline by providing better information on the consequences of various policy decisions and on the sustainability of public finances.

Hungary established a [fiscal council](#) in 2008 as part of a new Fiscal Responsibility Law. The new fiscal framework was a response to a history of fiscal profligacy. The council was entrusted with monitoring that the fiscal rules were followed.

Hungary's council has executed its remit in an independent way which has earned it international respect. But its existence is now threatened. After having pointed out that the government's current budget bill is too optimistic, a budget cut for the council that would in effect imply its abolition has been proposed in parliament. The ruling Fidesz party seems determined to replace the council with a more toothless alternative.

Killing the council – because it has done its job – would further jeopardise the credibility of Hungarian fiscal policy. Such a move would go contrary to the current international trend of strengthening fiscal surveillance. We strongly urge Fidesz to rethink.

Developments in Hungary are also of a more general interest for the viability of independent fiscal monitoring. It is easy for a government to be in favour of this in principle. It is more difficult to stand criticism when it is actually delivered.

There are examples also from other countries. President Hugo Chávez abolished the fiscal council in Venezuela. In Sweden, the [Fiscal Policy Council](#) has been threatened with budget cuts by the minister for finance after criticising policies.

In countries with a longer track record, fiscal watchdogs have acquired a reputation which protects them against political pressures. In countries with more recent institutions, their position could be more precarious. Here politicians should learn to live with them.

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