CONTENTS

1

| 1 | THE | STRUCTURAL | BUDGET | DEFICIT: | DEFINING | THE | ISSUES |
|---|-----|------------|--------|----------|----------|-----|--------|
|---|-----|------------|--------|----------|----------|-----|--------|

1.1 Introduction

| 1.0 41/2 | 1 |
|--|----|
| 1.2 Alternative interpretations of 'structural' deficits | 4 |
| 1.3 The deficit as a summary measure | 6 |
| 1.4 Outline of the book | 8 |
| | Ü |
| | |
| 2 APPLICATIONS AND PRIOR ESTIMATES | |
| | |
| 2.1 Introduction | |
| 2.2 Applications of the structural budget deficit | 10 |
| 2.2.1 Introduction | 12 |
| | 12 |
| 2.2.2 Tool for fiscal policy | 12 |
| 2.2.2.1 Introduction | 12 |
| 2.2.2.2 Structural budget policy in the past | 13 |
| 2.2.2.3 The role of structural budget estimates | 18 |
| 2.2.3 Measure of fiscal stance and fiscal impulse | 18 |
| 2.2.3.1 Introduction | 18 |
| 2.2.3.2 Fiscal stance | 19 |
| 2.2.3.3 Fiscal impulse | |
| 2.2.4 Role in economic analysis | 21 |
| 2.3 Prior estimates of the Dutch structural deficit | 25 |
| | 28 |
| 2001 Military Carlotte | 28 |
| 2.3.2 Organizations, methods and purposes | 29 |
| 2.3.3 Results | 32 |
| 2.4 Implications | 37 |
| | 91 |

91

3 STRUCTURAL INCOME: MEANING AND MEASUREMENT

| 3.1 Introduction | 43 |
|--|----------|
| 3.2 Methods to estimate structural income | |
| 3.2.1 Introduction | 44 |
| 3.2.2 Equilibrium methods | 44 44 |
| 3.2.3 Time series methods | |
| 3.3 Implications of the uses selected for structural income | |
| 3.4 Trend-reversion in national income | |
| 3.5 Estimates of structural income | 54 |
| 3.5.1 The middle-expansion trend income method | 57 |
| 3.5.2 Estimation of middle-expansion trend income | 57 |
| 3.5.2.1 Introduction | 59 |
| 3.5.2.2 Cyclical indicator of national income | 59 |
| 3.5.2.3 Prior studies on the data of the state of the sta | 60 |
| 3.5.2.3 Prior studies on the dating of turning points 3.5.2.4 Turning points of national in an | 63 |
| g points of national income | 65 |
| 3.5.2.5 The middle-expansion trend income series 3.5.3 Comparison with earlier results | 69 |
| r with carrier results | 70 |
| 3.6 Sensitivity of prices to the income gap | |
| Appendix 3.A Data on real net national income | 77 |
| | |
| ESTIMATING STRUCTURAL RECEIPTS AND EXPENDITURES | |
| THE CENTER AND EXPENDITURES | |
| 4.1 Introduction | |
| 4.2 Cyclically-sensitive budget items | 80 |
| 4.3 Estimating structural values | 81 |
| | |
| 4.4 Adjusting for discretionary policy changes | 86 |

4

4.5 Estimation of structural bases

INDIRECT TAXES

| 5.1 Introduction | |
|--|-----|
| 5.2 Specific indirect taxes, sales tax and value added tax | 96 |
| 5.2.1 Introduction | 96 |
| 5.2.2 Specific indirect taxes | 96 |
| 5.2.3 Sales tax | 97 |
| 5.2.4 Value added tax | 99 |
| 5.2.4.1 Introduction | 103 |
| 5.2.4.2 Value added tax on consumption | 103 |
| 5.2.4.3 Value added tax on investment | 104 |
| 5.3 Import duties | 109 |
| | |
| Appendix 5.A Actual and structural indirect tax revenues | 113 |
| 6 GOVERNMENT EXPENDITURES | |
| 6.1 Introduction | |
| 6.2 Development aid | 114 |
| 6.3 Investment tax credits | 115 |
| 6.4 Transfers to the EC | 117 |
| 6.5 Social workshop wages | 119 |
| 6.6 Individual rent subsidies | 122 |
| 6.7 Unemployment benefits | 124 |
| 6.8 Disability benefits | 125 |
| 6.9 Scholarships and family allowances | 130 |
| unowances | 133 |

Appendix 6.A Actual and structural government expenditures

133

136

188 192

7 DIRECT TAXES

8.5 Summary

| 7.1 Introduction | |
|--|-----|
| 7.2 Wage tax | 139 |
| 7.2.1 Structure of the wage tax | 140 |
| 7.2.2 Actual revenue of the wage tax | 140 |
| 7.2.3 Base of the wage tax | 142 |
| 7.2.3.1 Introduction | 144 |
| 7.2.3.2 Private sector wage sum | 144 |
| 7.2.3.3 Public sector wage sum | 145 |
| 7.2.3.4 Level of benefits | 146 |
| 7.2.3.5 Social insurance contributions | 148 |
| 7.2.4 Structural revenue of the wage tax | 149 |
| 7.3 Personal income tax | 152 |
| 7.4 Corporate income tax | 154 |
| 7.5 Dividend withholding tax | 159 |
| | |
| Appendix 7.A Overview of social security programs Appendix 7.B Income of self-employed Appendix 7.C Distribution | 164 |
| Appendix 7 C. Distribution | 165 |
| Appendix 7.D The reduced - form equation for the private sector wage rate | 166 |
| Appendix 7.E Actual and structural diment to | 168 |
| social insurance contributions | 480 |
| | 172 |
| | |
| THE STRUCTURAL BUDGET DEFICIT: SIZE AND SIGNIFICANCE | |
| TO T | |
| 8.1 Introduction | |
| 8.2 Size of the structural deficit, 1960-1987 | 174 |
| 8.3 Comparison with prior results | 174 |
| 8.4 Use of the structural deficit estimates | 180 |
| 8.4.1 Introduction | 182 |
| 8.4.2 Historical assessment of structural budget policy | 182 |
| 8.4.3 Prospects for structural budget policy nineties | 183 |
| nineties budget policy in the | |

CONTENTS

| LIST OF ABBREVIATIONS | 197 |
|---------------------------------|-----|
| LIST OF SYMBOLS | 201 |
| DATA: SOURCES AND METHODS | 210 |
| BIBLIOGRAPHY | 218 |
| SAMENVATTING (SUMMARY IN DUTCH) | 231 |