Contents

Foreword		ix
Acknowledgments		
Introduction		xiii
CHAPTER 1	Canada: A Success Story	1
	Cemile Sancak, Lucy Qian Liu, and Taisuke Nakata	
	Introduction Background Plans versus Outcomes: Macroeconomic Factors Nature and Composition of Adjustment Structural Reforms Extent to which Adjustments Were Sustained Conclusion Notes	1 2 7 13 21 23 25 27
CHAPTER 2	United States: The Quest for Fiscal Discipline Jiri Jonas	31
	Introduction First Attempt: Balanced Budget and Emergency Deficit Control Act 1985 Second Attempt: Omnibus Budget Reconciliation Act of 1990 Third Attempt: Omnibus Budget Reconciliation Act of 1993 Actual versus Projected Fiscal Performance under Omnibus Budget Reconciliation Act of 1993 1990s Deficit Reduction: Good Policy or Good Luck? Easy Won, Easy Lost? Conclusion Notes	31 33 36 38 42 44 50 52 54

V

CHAPTER 3	France: Virtue and Fortune	57
	Edouard Martin, Irina Tytell, and Irina Yakadina	
	Introduction: Factors Underlying the Need for Fiscal	
	Consolidation	57
	Early Attempts at Fiscal Adjustment	61
	A First Attempt at Medium-Term Fiscal Consolidation,	
	1994–97	64
	A More Systematic Approach to Medium-Term Budgeting: Consolidation Experiences under the Stab	ility
	and Growth Pact	72
	Conclusion	81
	Notes	82
CHAPTER 4	Germany: Fiscal Adjustment Attempts With	
	and Without Reforms	85
	Christian Breuer, Jan Gottschalk, and Anna Ivanova	
	Introduction	85
	1975–79 Consolidation Attempt	88
	1981–85 Consolidation Attempt	93
	1991–95 Consolidation Attempt	99
	2003–07 Consolidation Attempt	105
	Lessons	110
	Notes	112
CHAPTER 5	United Kingdom: Four Chancellors Facing Challenges	115
	Toni Ahnert, Richard Hughes, and Keiko Takahashi	
	Introduction	115
	Selection of Consolidation Plans	116
	Background, Content, and Performance of the Four	
	Adjustment Plans	117
	Determinants of Success and Failure	125
	Lessons from Success and Failure	138
	Appendix 5A. United Kingdom: Fiscal Adjustment Plans and Outturns	140
	Notes	150
CHAPTER 6	Italy: Medium-Term Fiscal Planning under Frequent	
CARM TER V	Government Changes	153
	Fabrizio Balassone, Sandro Momigliano, and Pietro Rizza	
	Introduction	153
	A Brief History of Italy's Fiscal Planning Framework	155

Contents vii

	Short-Term Origins of Medium-Term Failures A Narrative of Design and Performance of Pre- and	157
	Post-European Monetary Unit Plans	162
	Implementing Plans for the Year Ahead	165
	Two Important Plans Analyzed in Detail	167
	Conclusion	172
	Notes	174
CHAPTER 7	Japan: Fiscal Adjustment Plans and Macroeconomic	
	Shocks	177
	Keiko Takahashi and Kiichi Tokuoka	
	Introduction	177
	The 1997 Fiscal Structural Reform Act	178
	Medium-Term Fiscal Adjustment Plans: Fiscal Year 2002	
	and the Following	189
	Conclusion	203
	Appendix 7A: The Bohn Fiscal Sustainability Test	206
	Appendix 7B: Timeline of Medium-Term Fiscal	
	Adjustment Plans in Japan	209
	Notes	209
CHAPTER 8	The Performance of Large Fiscal Adjustment Plans in the	
	European Union: A Cross-Country Statistical Analysis	213
	S. Ali Abbas, Fuad Hasanov, Paolo Mauro, and Junhyung Park	
	Introduction	213
	Data, Sample Selection, and Methodology	216
	Descriptive Analysis	219
	Regression Analysis	232
	Conclusion	241
	Appendix 8A: Data Issues and Cyclical Adjustment	243
	Appendix 8B: Timeline for European Monetary	
	Integration (1990–2009)	245
	Notes	246
CHAPTER 9	Conclusion	249
	Key Findings: What Failed and What Worked in	
	Past Attempts at Fiscal Adjustment	251
	Implications for Planned Adjustments	255
	Notes	258

viii	Contents	
References	259	
About the Project Team	267	
Index	271	