

Contents

I	Introduction	17
II	Chapters	23
1	Does Wagner's Law Ruin the Sustainability of German Public Finances?	23
1.1	Introduction - Fiscal sustainability in growing economies	23
1.2	Fiscal sustainability and Wagner's law	25
1.2.1	Fiscal sustainability: general approach and testable hypothesis	25
1.2.2	Wagner's law: general approach and testable hypothesis	27
1.2.3	Fiscal sustainability and Wagner's law in a growing economy	29
1.2.4	Fiscal sustainability and Wagner's law in German data	31
1.3	Empirical analyses: An application for German data	32
1.3.1	Structural changes in fiscal regimes	33
1.3.2	Stationarity and cointegration analyses	34
1.3.3	A dynamic and endogenous model	36
1.3.4	Fiscal restrictions and estimation of the restricted models	37
1.4	Conclusion	41
	Appendix of chapter 1	43
1.A	A testable condition for fiscal sustainability	43
1.B	The fiscal sustainability literature for German data	48
1.C	Adequate measures	49
1.D	Time series properties	50
	Bibliography	53
2	The Timing and Responsiveness of Fiscal Policy in Germany	57
2.1	Introduction and related literature	57
2.2	A concept of the cyclical policy and data	59
2.3	Benchmark results and time variation	61
2.3.1	Structural analyses based on time-invariant SVARs	62
2.3.2	Time variation	64
2.4	A time-varying parameter (TVP) VAR approach	65
2.4.1	Structural analyses based on a time-varying SVAR	68
2.5	Economic driving forces of fiscal policy responsiveness	74
2.5.1	Identifying economic driving forces	75
2.5.2	Variables, time series properties and estimation	77
2.5.3	Estimation results	80
2.6	Conclusion	82
	Appendix of chapter 2	85
2.A	Results of comprehensive estimation approach	85
2.B	Additional plots of impulse responses	86

2.C	Structural shocks	86
2.D	Driving forces: Time series properties and estimation results	87
	Bibliography	90
3	Estimating Dynamic Tax Elasticities for German Data	93
3.1	Introduction	93
3.2	Dynamic tax revenue elasticities	94
3.2.1	Conception and related literature	94
3.2.2	Econometric set up – modeling dynamic elasticities	97
3.3	Data	99
3.3.1	Tax revenues in Germany	99
3.3.2	The adequate base(s) for each tax category	100
3.3.3	Accounting for tax reforms	101
3.4	Time series properties	102
3.5	Estimation	104
3.6	Results	104
3.6.1	Profit-related taxes	104
3.6.2	Wage taxes	107
3.6.3	Value-added taxes	108
3.7	Conclusion	113
	Appendix of chapter 3	114
3.A	Results of stationarity tests	114
3.B	Results of cointegration tests	118
3.C	Results for VAT (disaggregated tax base)	119
	Bibliography	120
4	Fiscal Policy under Sustainability Constraints	123
4.1	Introduction and literature	123
4.2	Fiscal long-run constraints – A modified fiscal sustainability condition	126
4.3	Data	130
4.4	Empirical model	133
4.5	Identification	134
4.6	Measurement of the effects of fiscal policy shocks	138
4.7	Results	139
4.8	Conclusion	146
	Appendix of chapter 4	148
4.A	Estimation results and diagnostic checks	148
4.B	Weak exogeneity and causality structure	150
	Bibliography	150
III	Summary and Conclusions	153