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Fiscal Consolidation Used as a Way to Stabilise Public Budgets – A Perspective from the Level of Subnational Governments

Abstract. *This paper outlines the current data about the subnational government's fiscal position and points out the issue and role of fiscal consolidation in the process of deficit and debt reduction at a subnational government level. The theoretical framework of fiscal consolidation has been presented in detail. The policies and instruments of fiscal consolidation have also been mentioned within the paper. In addition, the fiscal consolidation instruments and rules have been discussed. The aim of the paper is to highlight and diagnose the importance of fiscal consolidation after the financial crisis of 2008, and to highlight the factors contributing to successful fiscal consolidation. This manuscript presents the issues for Organisation for Economic Co-operation and Development (OECD) countries during the years 2010-2016. The study uses methods such as the critical analysis of literature, observations, case studies, and logical reasoning.*

Keywords: *deficit, debt, fiscal consolidation, self-government, fiscal rules*

Introduction

The importance of fiscal consolidation as an economic phenomenon arose after the financial crisis of 2008. Many countries in Europe, and elsewhere in the world, have had critical problems with stabilizing their budgets due to the crisis and its aftermath, which include excessive deficit and debt [Lassen 2010: 3; The Great Recession 2010]. There are many reports and analyses that focus their research on fiscal consolidation (IMF, OECD, and WB) however, theoretical and empirical approaches are not the same. There are two crucial paths of fiscal consolidation presented in related works: the first one carries out research on the influence of fiscal consolidation on economic growth, development, and consumption [e.g. Hernández de Cos & Moral-Benito 2013; Kleis & Moessinger 2016; Eyraud & Weber 2012; Favero & Giavazzi 2007], and the second one shows the effects and efficiency assessment of fiscal consolidation and the evaluation of the probability of success of debt reduction [e.g. Heylen, Hoebeeck & Buyse 2013; Afonso & Jalles 2012; Alesina & Ardagna 1998; Ardagna 2004; Guichard et al. 2007; Larch & Turrini 2011; McDermott & Wescott 1996].

The effects of fiscal consolidation are different, and determined by many factors. The kind of fiscal consolidation[1] also matters according to its final effect. Silvia Ardagna, Alberto Alesina, and Roberto Perotti emphasized that the output effect of fiscal consolidation based on expenditure is much more sustainable than if it were based on revenue [Ardagna 2004; Alesina & Perotti 1997]. In the empirical study done in 2015 (which looked at 16 OECD countries over a 30-year period) Alberto Alesina, Carlo Favero and Francesco Giavazzi argue that the effects of consolidations depend on their design. The authors stated that "fiscal adjustments based upon spending cuts are much less costly, in terms of output losses, than tax-based ones and have especially low output costs when they consist of permanent rather than stop-and-go changes in taxes and spending" [Alesina, Favero & Giavazzi 2015]. According to other studies prepared by Emanuele Baldacci, Sanjeev Gupta, and Carlos Mulas-Granados [2013] "fiscal adjustments that are gradual and rely on a mix of revenue and expenditure measures can support output expansion, while reducing public debt" [Baldacci, Gupta & Mulas-Granados 2013].

It is important to mention that the effects of fiscal consolidation are determined inter alia by the type and level of government, the nature of consolidation[2], the period during which the fiscal episodes have occurred, and the time perspective (short and long-term effects of fiscal consolidation). The type of spending (operating or capital expenditures) that has been cut is equally crucial. The empirical evidence provides findings that show that cuts in transfer programs and government wage expenditures are more effective than capital expenditure cuts [Alesina & Perotti 1997]. In additional research carried out by Charles Amo-Yartey, Machiko Narita, Garth Peron Nicholls, Joel Chiedu Okwuokei, Alexandra Peter, and Therese Turner-Jones in several successful fiscal consolidation episodes, spending cuts were used to reduce deficits and associated with economic expansions rather than recessions [Amo-Yartey et al. 2012: 10].

One of the crucial outcomes of fiscal consolidation should be debt reduction, as austerity pro-grams are designed for dealing with excessive debt. The research in this field is generally focused on an analysis, how strong the effect may be, and

[1] Fiscal consolidation based on expenditures or revenue based fiscal consolidation.

[2] Gradual or sharp consolidation, large or small.

what factors determine this effect, while taking into account consolidation based on revenue and expenditures (for example as seen in Maria Grazia Attinasi Luca Metelli 2016). For the purpose of this paper, the analysis will focus strongly on the relation between debt reduction and fiscal consolidation at the subnational government tier in OECD countries.

The aim of the paper is to present the theoretical background regarding the issues of fiscal consolidation (with special mention to the sub central government level) and its importance as a tool of reducing excessive deficit and debt in the public sector, especially after the financial crisis of 2008. The objective of the study is to present different approaches and results of empirical research carried out by many authors from different countries, and to diagnose any gaps in their research. The study is uses methods such as the critical analysis of literature, observations, case studies, and logical reasoning.

The paper is organized as follows: in section one, the theoretical background and related works have been presented, particularly the problem of fiscal imbalances and fiscal consolidation as an economic phenomena; in section two, there is a discussion about fiscal rules and fiscal consolidation across the sub-central government. Conclusions are presented in the final part of the paper.

1. Fiscal consolidation as an answer to the fiscal imbalance problem

The problem of fiscal balance is widely discussed and presented in almost every school of economic thought. The theory of general equilibrium was the subject of research done by Leon Walras and Vilfredo Pareto. On the other hand, Alfred Marshall worked on the cash balance theory. Representatives of the various economic schools differ in their views on the issue of financial imbalances. Generally, the discussion mainly relates to arguments and evidence in the sphere of the legitimacy (or lack thereof) in maintaining a balanced budget. At this point, it should be noted that budgetary imbalances are a smaller category of imbalances in the scope of public finance or the public sector finance imbalance. An overview of the main trends represented by the different schools of economic theory leads to the conclusion that the views of the imbalances were twofold and related to postulate a balanced budget, or the budget of an unbalanced nature (surplus/deficit). However, in the case of an unbalanced budget a deficit balance is an important instrument of fiscal impact. Keynesians believe that deficit may stimulate demand and economic growth and, during the recession, an imbalance in the budget is a must, as any kind of deficit reduction will temper economic growth and increase recession [Miron 2015: 3-4]. This opinion was not shared by classical economic school representatives such as Adam Smith, David Ricardo, and John Stuart Mill et al. who were convinced of the absence of the need to intervene with the creation of a deficit budget and believed that the budget should not affect the economy in any way. The balanced approach to budgets was also supported by economists like Jean-Baptiste Say and Alvin Harvey Hansen. The negative impact of imbalanced budgets, such as financial burdens created by debt cost, was emphasized by economists like James M. Buchanan and Joseph Alois Schumpeter.

In light of the discussion about the cost of benefits of imbalanced budgets, the question about the reason of fiscal distress and imbalanced budgets arises, as well as, that of public finance. According to Jon Riley and Robert Chote, the key economic developments that have shaped public finances are: the weakness of nominal GDP, the stubbornly high inflation of consumer price, productivity, the fall of real wages, a disproportionate hit to the financial sector, very low interest rates, and weak asset markets [Riley & Chote 2014: 2-3]. Besides the economic factors mentioned above, the impact of the so-called "old and new social risks" on public finance is crucial, especially demographic ones like the problem of an aging society, a longer life expectancy, and a decreasing birth rate. Richard Hudson highlights the problem of financing long-term health care related to the above mentioned problem [Hudson 1997: 105-107]. This influences the increase of the material costs of providing public services, which becomes highly problematic in the case of excessive indebtedness and an unsolved problem of threats resulting from the so-called "old social risk". The following causes determining fiscal imbalance are also pointed out: conjectural cycles, political aspects,[3] budgetary processes, structural factors, and ineffective tax collecting [Tujula & Wolswijk 2004: 13-14].

Besides the determinants mentioned below, a crucial role in destabilizing public budget is played by the financial market, especially the banking sector who created a new phenomenon called "financialization." The crisis that started on subprime marked credit spilt over to the public sector and public sector finance, as the governments took the cost of the restructuring and resolution of financial institutions that seemed to be "too big to fail". The condition of the public finance PIGS group (Portugal, Ireland, Greece and Spain) was especially problematic; however, this was not a complete list because in 2012 and 2013, only Luxemburg and Germany had a positive budget balance out of all the EU countries. Japan's debt in relation to its GDP, is the largest one in the world, similarly to the total debt of the USA (Chart 1 and 2). The financial crisis of 2008 showed that the instruments of debt control that were used so far were insufficient. Countries across the word started to implement austerity programs that were generally based on cutting public expenditures, in order to improve budgets balance. Austerity programs are

[3] Political-economy aspects, political fragmentation, political business cycle, political orientation of cabinet etc.

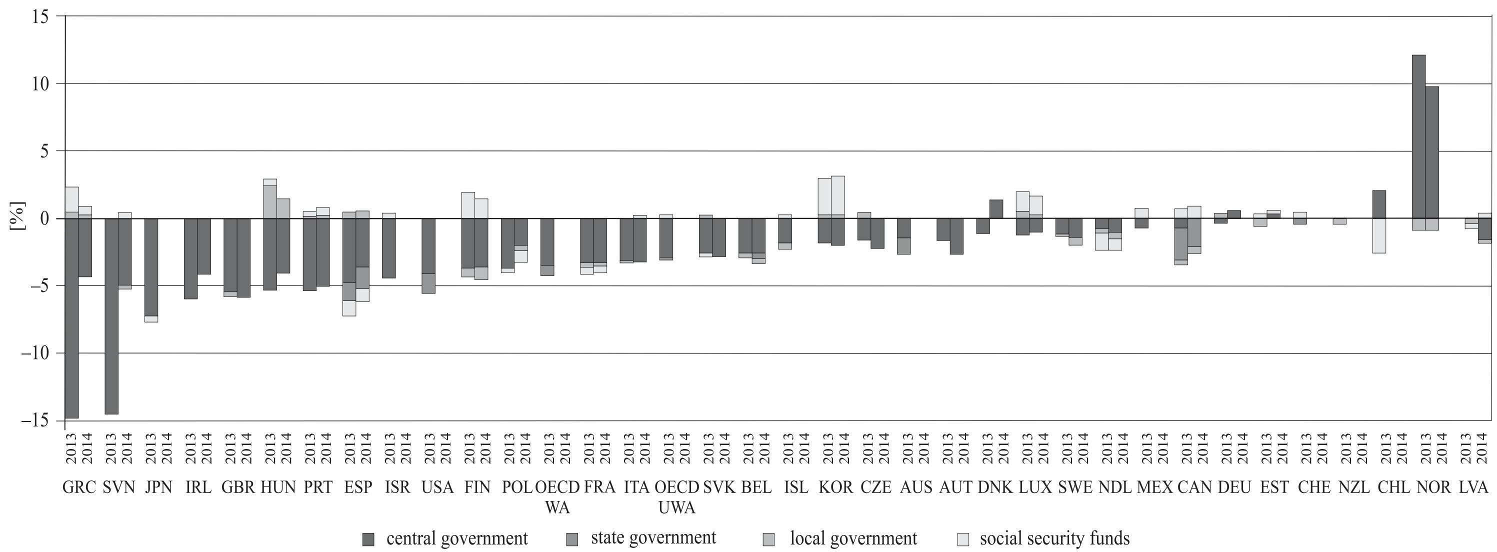
important tools of fiscal consolidation. In most commonly presented definitions, fiscal consolidation is defined as "an improvement in the CAPB[4] of at least 1.5% taking place in one single year (cold shower) or taking place over three years if each and every year the CAPB does not deteriorate by more than 0.5% of GDP (gradual consolidation)" [Barrios, Langedijk & Pench 2010: 11; Alesina & Perotti 1995]. According to the definition presented by OECD, fiscal consolidation is defined as "concrete policies aimed at reducing government deficits and debt accumulation. These consolidation plans and detailed measures are given as a percent of nominal GDP" [Fiscal consolidation... 2011: 17]. The definition of fiscal consolidation itself is homogenous and, in parallel, successful fiscal consolidation is defined and explained. Generally, in literature, fiscal consolidation is successful if the reduction in the debt-to-GDP ratio (or the primary budget balance) is sufficiently large and persistent [Alesina & Perotti 1995]. The alternative criterion of successful fiscal consolidation points out that there is a relationship between cutting public wages and successful fiscal adjustment as follows: the higher the proportion of the consolidation conducted via reducing public wages, the higher the probability of the adjustment being successful in terms of persistence in the deficit reduction [Hernández de Cos & Moral-Benito 2013: 4]. There are also many definitions of expansionary fiscal consolidation [Holden & Midthjell 2013: 26][5]. The discussion about the outcomes of fiscal consolidation is still open. Doris Prammer stated that, "even though the theoretical rationale for the existence of non-Keynesian effects of fiscal policy is straightforward, its empirical relevance crucially hinges on whether consolidation efforts of governments are credible and based on the empirical result, concluded that fiscal policy has lost some of its ability to stabilize the economy over the recent past" [Prammer 2004: 49].

There are many reports and studies about the impact of fiscal consolidation on growth. Fabio Padovano and Emma Galli studied a group of 23 OECD countries and showed that progressive taxation and marginal tax rates during the years 1951-1990 remained negatively correlated with economic growth [Padovano & Galli 2001]. On the other hand, Eric M. Engen and Jonathan S. Skinner analyzed the relationship between taxes and economic growth in the US and abroad. They have shown that the reduction of marginal tax rates by 5 percentage points leads to an increase in a long-term economic rise, for example, by 0.2-0.3 percentage points in the past century [Engen & Skinner 1996]. Alberto Alesina, Silvia Ardagna, and Roberto Perotti indicate a higher durability of fiscal consolidation based on expenditure rather than on income, and a smaller negative impact of such a consolidation on economic growth [Ardagna 2004; Alesina & Perotti 1995].

[4] Cyclically adjusted primary balance.

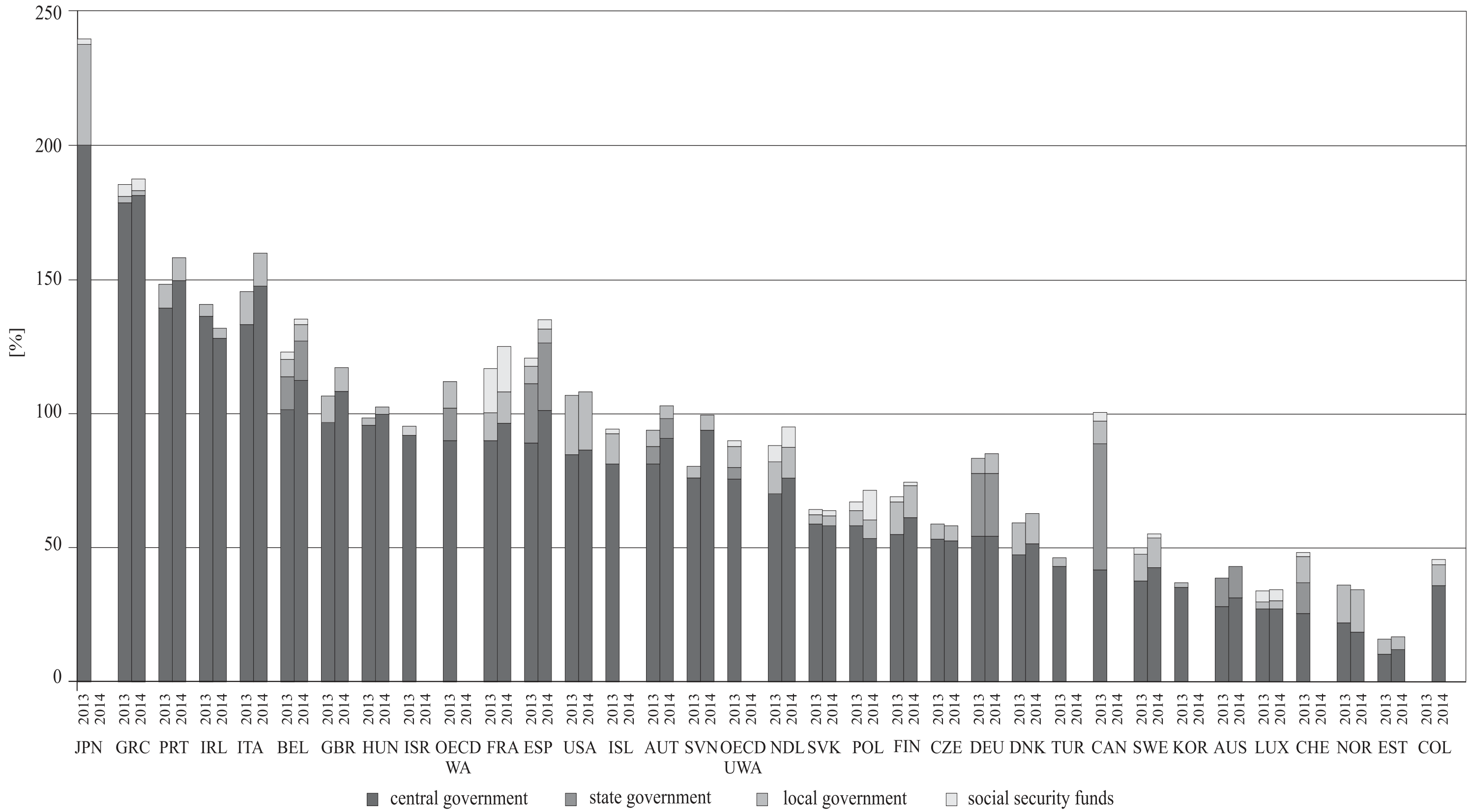
[5] Expansionary fiscal consolidation is an episode of fiscal adjustment is expansionary if the average real GDP growth in each adjustment year and in the two years after is greater than the average real GDP growth in the two years before.

Chart 1. Government fiscal balances across levels of government as a percentage of GDP in the years 2013 and 2014



Source: OECD National Accounts Statistics (database), Government at a Glance 2015 – OECD 2015.

Chart 2. Government gross debt across levels of government as a percentage of GDP in the years 2013 and 2014



Source: OECD National Accounts Statistics (database), Government at a Glance 2015 – OECD 2015.

Katarzyna Anna Bilicka and Michael P. Devereux researched the effects of fiscal consolidation on short-term growth and found out that a brief review of the macroeconomic theory suggests that the impact of fiscal consolidation programs on short-term growth is ambiguous. The impact depends on several factors, including the type and credibility of the consolidation. The authors concluded that there are a number of weaknesses in empirical literature. These include the lack of a very clear identification of both fiscal consolidations and expansionary effects.[6]

2. Fiscal consolidation at the subnational government level

Fiscal and economic crises strongly affected public finances OECD-wide, at both central and sub central government levels. The crisis was the leading factor responsible for the deterioration of local finance across OECD countries; however, the consolidation programs launched by central governments, especially the reduction of transfers into the sub central government level and a decreasing cash flow from income tax, were also the ones that determined the poor shape of the local finance budgets. Finally, the removal of financing from financial institutions (borrowing conditions have deteriorated significantly after Lehman collapsed in 2008) in many cases, resulted in being able to sustain public investment and preserve their operational expenditures as well [Vammalle & Hulbert 2013: 7-8]. This situation is especially difficult, as the government is solely responsible for spending an average of 50% of their budget on education, health, and social protection sectors, so there are the fields where cuts are particularly visible, unpopular, or may create high costs in the long run [Vammalle & Hulbert 2013: 7-8].

According to public statistics, the general government deficit in OECD countries shot up from 1.3% in 2007, to 8.2% of the GDP in 2009. It then declined to 7.7% in 2010, and further down to 6.5% in 2011, while subnational government deficits rose from 0.3% of GDP in 2007, to 1.7% in 2009, and up again to 1.8% in 2010. In 2011 it declined to 1.5% [Blöchliger 2011: 4]. That year, almost half of the OECD countries showed primary deficits (especially Australia, Canada, and Spain). Subnational government debt increased form an average of 8% of GDP in 2007, to 10% in 2010, and thereby accounted for an average of 14% of total public debt, with the sub-national debt share ranging from 1% in Greece, to 53% in Canada [Vammalle & Hulbert 2013: 10]. Taking into consideration the debt externalities (descending, ascending, and horizontal), and the fact that the subnational government is responsible for public safety and providing public goods

[6] www.oxfordscholarship.com/view/10.1093/acprof:oso/9780199698165.001.0001/acprof--9780199698165-chapter-10 [access: 5.07.2016].

and services that are crucial for local society, the health section of local finance should be the highest priority for local authorities. One of the ways to stabilize subnational government budgets is to use austerity measures in the form of fiscal consolidation which has taken place at the subnational government level in OECD countries since 2009 [Blöchliger 2011:4]. The fiscal consolidation at the subnational level is generally expenditure-based and is not a new phenomenon. The large fiscal episodes in the past which are worth mentioning are: Australia (between 1984-88 and 1994-98), Canada (between 1993-97), Denmark (between 1983-86), Finland (between 1993-2000), the United Kingdom (between 1993-98), Greece (between 1990-94), Ireland (between 1982-88), Italy (between 1990-95), Japan (between 1979-87), Sweden (between 1981-87 and 1994-97), and the United States (between 1993-98). Nowadays, after the subnational governments made efforts to stabilize their budgets after the crises, sub-central fiscal consolidation needs are relatively low in general, with some exceptions. According to the analysis of Hansjörg Blöchliger in terms of GDP, the state level in Australia, Canada, and Spain have the largest consolidation needs, while the fiscal gap is negative at the local level in Greece and Hungary [Blöchliger 2011: 11]. As the fiscal consolidation at the subnational government level is based generally on cutting expenditures, it is important to know the role of intergovernmental transfers for the success of general government consolidation, as the transfers are usually reduced at first while the economic downturn is happening [Vammalle & Hulbert 2013: 15][7]. James R. Hines and Richard H. Thaler (1995) point out that an analysis of the impact of intergovernmental transfers on fiscal consolidation should be done only with special emphasis on the "flypaper effect." They stated that in the condition of the "flypaper effect lower transfers would improve budget balance at the central level more than they would deteriorate them at the sub-central level, hence the net effect would be positive" [Hines & Thaler 1995, after: Blöchliger 2011: 14].

Supporting policies are significantly important for successful fiscal consolidation at the subnational government level. Policies and their implements may include two kinds of instruments which affected the revenue or expenditure sectors. Generally, the policies are based on revenue and spending instruments and should include such actions as: increasing the sub-central tax share, reducing the pro-cyclicality of grants, simplifying the grant system, improving coordination across governments, transparency in public investment, relying more on the private sector, promoting market mechanisms in sub-central public service provisions, strengthening the property tax base, fighting tax evasion to increase revenue, and pricing services better (for example, water pricing) [Blöchliger 2011]. Taking into

[7] Ireland was one of the first countries reducing transfers to SNGs by 15% in 2009 and by 18% in 2010.

consideration the fact that the fiscal autonomy of subnational governments is generally limited, spending instruments are more commonly used than the revenue ones in fiscal consolidation programs. Nowadays, almost every subnational government has taken steps to strengthen budget discipline by conducting a responsible fiscal policy. The fiscal consolidation goals and responsible fiscal policies are strongly supported by fiscal rules. The fiscal rule is a kind of government inter-

Table 1. The Types of Fiscal Rules in Selected EU Countries

Country	Type of fiscal rule in place				National (0), supra-national (1), both (2)				Year of implementation			
	ER	RR	BBR	DR	ER	RR	BBR	DR	ER	RR	BBR	DR
Austria	–	–	1	1	–	–	2	1	–	–	1995	1995
Belgium	–	–	1	1	–	–	1	1	–	–	1992	1992
Bulgaria	1	–	1	1	0	–	2	2	2006	–	2006	2003
Cyprus	–	–	1	1	–	–	1	1	–	–	2004	2004
Czech Republic	–	–	1	1	–	–	1	1	–	–	2004	2004
Denmark	1	–	1	1	0	–	2	1	1994	2001	1992	1992
Estonia	–	–	1	1	–	–	2	1	–	–	1993	2004
Finland	1	–	1	1	0	–	2	2	2003	–	1995	1995
France	1	1	1	1	0	0	1	1	1998	2006	1992	1992
Germany	1	–	1	1	0	–	2	1	1982	–	1969	1992
Greece	–	–	1	1	–	–	1	1	–	–	1992	1992
Hungary	–	–	1	1	–	–	1	1	2010	–	2004	2004
Ireland	–	–	1	1	–	–	1	1	–	–	1992	1992
Italy	–	–	1	1	–	–	1	1	–	–	1992	1992
Latvia	–	–	1	1	–	–	1	1	–	–	–	–
Lithuania	1	1	1	1	0	0	1	2	2008	2008	2004	1997
Luxembourg	1	–	1	1	0	–	1	2	1990	–	1992	1990
Malta	–	–	1	1	–	–	1	1	–	–	2004	2004
Netherlands	1	1	1	1	0	0	1	1	1994	1994	1992	1992
Poland	1	–	1	1	0	–	1	2	2011	–	2004	1999
Portugal	–	–	1	1	–	–	1	1	–	–	1992	1992
Romania	1	–	1	1	0	–	1	1	2010	–	2007	2007
Slovak Republic	–	–	1	1	–	–	1	2	–	–	2004	2004
Slovenia	–	–	1	1	–	–	1	1	–	–	2004	2000
Spain	1	–	1	1	0	–	2	1	2011	–	1992	1992
Sweden	1	–	1	1	0	–	2	1	1997	–	1995	1995
United Kingdom	–	–	1	1	–	–	2	2	–	–	1992	1992

ER: Expediture rule, RR: Revenue rule BBR: Budget balance rule DR: Debt rule.

Source: IMF Fiscal Rules Dataset 2012; Schaechter, Kinda, Budina & Weber 2012; Zioło 2013.

vention that imposes a long-lasting constraint on fiscal policies through numerical limits on budgetary aggregates [Schaechter, Kinda, Budina & Weber 2012: 12]. George Kopits and Steven Symansky define fiscal rule as "permanent constraint on fiscal policy through simple numerical limits on budgetary aggregates" [Kopits & Symansky 1998: 2]. Generally, there are four kinds of fiscal rules: the budget balance rules, the debt rules, the expenditure rules, and the revenue rules. After 2008, the number of fiscal rules increased in response to the crisis. The types of fiscal rules in selected EU countries are presented in Table 3.

Based on Table 3, budgetary rules (deficit and debt rules) are dominant for subnational governments, while expenditure rules are usually restricted for the general government tier. Revenue rules, among all the other types of fiscal rules, are very rare. In the case of European Union countries, the debt rule is compulsory and is included in the Maastricht Treaty (1992). After 2009, some deficit and debt control mechanisms have had to be revisited as they had failed and were inefficient. Also, after 2009, most countries required and included SNGs when taking part in national fiscal consolidation plans, in order to achieve budget deficits and targets, and to fulfill the objective of stability programs (for example, Belgium's Stability Programme of 2012, Spain's Organic Law 2/2012, Denmark's target of zero growth in expenditure, Italy's Internal Stability Pact, etc.) [Vammalle & Hulbert 2013: 17]. Sub-national government deficit objectives (as a % of GDP) in selected countries are presented in Table 4.

Table 2. Sub-National Government Deficit Objectives (as a % of GDP)

Country	2010	2011	2012	2013	2014	2015	2016
Austria (state and local)		–0.70	–0.50	–0.40	–0.30	–0.10	0
Belgium	–0.70	–0.30	–0.40	0.0	0.10	0.10	
Czech Republic	–0.30	–0.50	–0.30	–0.20	0		
Poland	–1.10						
Slovenia	–4.80	–5.20	–3.70	–2.80	–1.90		
Spain	–0.60	–0.80	0	0	0		
Germany	Länder budgets must be structurally balanced as of 2020						

Source: Vammalle & Hulbert 2013: 7-8.

Although it is not popular, some subnational governments (like Australia, Belgium, Canada, the Czech Republic, Denmark, Estonia, Finland, Greece, Hungary, Italy, Poland, Spain, and the United Kingdom) besides strengthening fiscal responsibility and the fiscal balance with fiscal rule support, decided to increase their own tax rates and fees or to broaden their tax base as well. The scale and size of a tax policy depends on the tax autonomy and fiscal federalism regulations of each country [Vammalle & Hulbert 2013: 17]. In Belgium, the subnational government eliminated tax breaks. In 2010, the Flemish Community abolished a tax cut. In Spain, local governments increased some taxes and cut some expenditure by spending on the side. Some countries also increased their local fees (Austrian municipalities, local Greek and English authorities). Activities strengthening tax evasion were implemented in Spain, Greece, Canada, and Ireland. Canada, Estonia, and the United States also decided to cut on spending (personnel, health and social benefits, and intergovernmental transfers) in order to increase fiscal consolidation effects and improve financial efficiency.

Conclusion

The subnational government plays a crucial role in the national economy as it is responsible for public safety and delivering public goods and services that secure the needs of local communities and determine the quality of life. This is the reason why public finance, and especially public budgets, should be sound in the long run. The financial crisis of 2008 strongly affected public budgets and, as a result, many public entities were financially distressed or about to fail. At the same time, access to external financing was limited – or nonexistent – because of the condition of the financial sector, especially within the banking sector. It is very important to emphasize that fiscal stability is strongly determined by the condition of the financial sector, and the safety and stability of financial institutions, while taking into account bail outs and state aid.

As central governments started austerity programs and stability plans, subnational governments were also required to take proper steps to adjust their plans, programs, and strategies. Subnational governments put a lot of effort into stabilizing their budgets and design fiscal consolidation programs at the sub central government level, which is especially required, because the financial autonomy of subnational governments is very often limited.

Taking into account the steps which were taken after the crisis of 2008 at the sub central government level, OECD-wide subnational governments have been in a fiscal consolidation process since 2009 to stabilize their budgets with revenue and expenditure instruments, with special emphasis on budgetary fiscal rules. The fiscal consolidation at the sub central government level is still in progress, and it is mainly focused on the strengthening of fiscal rules, especially designing fiscal rules that are dedicated for subnational government. The fiscal consolidation programs are still upgraded according to subnational government limitations and expectations. The restructuring process and reforms are concentrated on intergovernmental transfers, which are not transparent and are ineffective. Generally, the reform of transfers is strictly connected with restructuring of the layout of operational expenditure. The big challenge in the context of fiscal consolidation which is based on revenue is tax evasion and increasing the effectiveness of taxation (tax rates and tax base action). The crucial challenge is also the proper pricing of public good and services, especially in the sectors where a monopoly exists and where environmental costs are important, like in the case of water, whose price depends on tariffs which are usually set up by local authorities. Finally, there is the problem in the assessment of the cost of public services which varies across governments and countries, and governments do not always know the cost of the public goods or services.

All of the factors mentioned have affected successful fiscal consolidation programs at the subnational government level and are crucial in local finance management, especially debt management. The condition of local finance is coherent with the condition of central government finance, so it is crucial to design an efficient system of local financing in order to avoid the need of fiscal consolidation in the future.

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Konsolidacja fiskalna jako sposób stabilizowania budżetów publicznych. Perspektywa jednostek szczebla samorządu terytorialnego

Streszczenie. *W artykule przedstawiono aktualne dane i problemy dotyczące sytuacji budżetowej na szczeblu samorządowym oraz zwrócono uwagę na rolę konsolidacji fiskalnej w procesie redukcji deficytu i długu na poziomie samorządowym. W szczególności odniesiono się do teoretycznych ram konsolidacji fiskalnej oraz omówiono towarzyszące jej zasady i instrumenty. Celem artykułu jest wskazanie na rolę konsolidacji fiskalnej w stabilizowaniu budżetów publicznych po kryzysie finansowym z 2008 r. oraz zwrócenie uwagi na determinanty udanej konsolidacji fiskalnej. Zagadnienie zaprezentowano posługując się przykładem krajów OECD w latach 2010-2016. W badaniu wykorzystano metody, takie jak krytyczna analiza literatury, metoda obserwacji, analiza przypadków i rozumowania logicznego.*

Słowa kluczowe: *deficyt, dług, konsolidacja fiskalna, samorząd, reguły fiskalne*