

ICE

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ALFRANCA BURRIEL, Óscar

Fiscal policy, economic growth and the environment

Abstract: The demand for environmental goods is deeply conditioned by disposable income. The hypothesis that the environment and income distribution are irrelevant to the explanation of economic growth in the European context is rejected in this paper, which also provides an empirical analysis of the power of fiscal policies to fuel growth. The primary conclusion reached is that greater income distribution equality could intensify economic growth and the increases of pollutant emissions may have a moderately favourable on growth in the EU-15 countries.

Key words: fiscal policy, environmental policy, income distribution, pollution, economic growth.

JEL Classification: E62.

ÁLVAREZ HERRANZ, Agustín

Income distribution and economic growth

Abstract: In recent decades economists have focused on factors that may enhance economic growth. Neoclassical growth models sustained that policy makers had very little room for manoeuvring in this respect. More modern growth theories, however, in particular endogenous growth models, include factors such as income distribution, fiscal policy and technological evolution, among others, in growth studies.

The present article aims primarily to study the relationship between economic growth and income distribution. Both theoretical and empirical considerations are addressed, the latter with respect to the 24 OECD countries.

Key words: fiscal policy, income distribution, human capital, social capital.

JEL Classification: H23.

BAHMANI-OSKOOEE, Mohsen

Do budget deficits contribute to trade deficits in Spain?

Abstract: The expansionary effects of budget deficits are said to result in increased imports and consequently in trade deficits. And the need to finance budget deficits puts upward pressure on interest rates, possibly prompting currency appreciation. This, in turn, hurts exports and widens the trade gap even further. The present paper draws on quarterly data for the period 1975-2004 and a bounds testing approach to co-integration, along with

error correction modelling, to show that Spain's budget deficits have short- and long-term effects on the trade deficit.

Key words: fiscal policy, budget deficit, trade deficit, exchange rate, interest rate.

JEL Classification: F14, H6.

**BUESA BLANCO, Mikel; BAUMERT, Thomas; VALIÑO CASTRO, Aurelia;
HEIJS, Joost and GONZÁLEZ GÓMEZ, Javier**

The impact of terrorist attacks on securities markets. A comparative study of the financial effects of the Islamist attacks in New York, Madrid and London

Abstract: The present paper studies the reaction of the securities exchange markets to the Jihadist terrorist attacks on New York (9/11), Madrid (9/3) and London (7/7). The results indicate that the impact lessened in intensity and duration with each new incident. This may be due in part to the fact that the magnitude —measured in economic terms— of the attacks also declined. Nonetheless, it may also appear to denote a certain «learning process» on the part of markets, suggesting that their response became gradually more rational, surmounting the overreaction and overestimates —transitory shock, in a word— that characterized the first of the attacks.

Key words: securities markets, terrorism, economic impact of terrorism.

JEL Classification: G10, G15, H56.

CALVACHE MARTÍNEZ, Ana M.^a

Central securities depository (CSD) integration in the European Union: a pressing challenge

Abstract: Central securities depositories (CSDs) are key infrastructural elements for efficient financial market operation. This business is overly fragmented in the European Union, raising the cost of cross-border securities operations and hampering the creation of a single capital market. Despite market efforts to favour industry integration, to date the results have been slow to appear and fairly insignificant. Aware of the adverse consequences of this situation for European Union economies, the European Commission and the European System of Central Banks have decided to take measures in this regard. The present article identifies the factors currently obstructing CSD integration in Europe and analyzes European authorities' recent initiatives in this area.

Key words: financial markets, securities settlement, market integration, central banks and the European Union.

JEL Classification: E58, G15, G18.

CARRASCO MONTEAGUDO, Inmaculada and PARDO GARCÍA, Isabel**The Stability and Growth Pact. Implications for an enlarged Europe**

Abstract: Given the close relationship between monetary and fiscal policy, the third phase of Economic and Monetary Union and the implementation of the Single Monetary Policy led to greater coordination of European Union countries' fiscal policies.

The application of the Stability and Growth Pact narrowed the range of discretion in fiscal policy. Since its inception in 1997, it has been the subject of a good deal of criticism and proposals for reform. A new proposal was finally adopted in 2005. The present article discusses the implications of the reform for new members, countries that combine respect for convergence criteria with the need to undertake structural reforms that will enable actual convergence.

Key words: fiscal policy, Stability and Growth Pact, enlarged Europe.

JEL Classification: E62, F02, F42.

CASTAÑO MARTÍNEZ, María Soledad**The relationship between fiscal policy and social capital**

Abstract: The present analysis of how state intervention, and more specifically fiscal policy, affects a society's social capital begins with a definition of what is meant by social capital, and whether or not state intervention is justified in this area. This is followed by a discussion of the various effects — some beneficial and others adverse — of fiscal policy on social capital. Finally, these relationships are tested via an empirical analysis and the respective conclusions are drawn.

Key words: fiscal policy, social capital, State, government, public property.

JEL Classification: H3, O4, Z0.

CORDÓN EZQUERRO, Teodoro**Taxation, efficiency and equity: thoughts from the perspective of the European Union**

Abstract: After analyzing the relationship between efficiency and tax proceeds, this paper goes on to explain that the existence of different nominal and actual rates across the EU generates efficiency costs and economic distortions that affect efficient capital allocation and therefore general welfare.

Key words: fiscal policy, taxation, equity, efficiency, European Union.

JEL Classification: H2, H87, K34.

DÍAZ DE SARRALDE MIGUEZ, Santiago

Personal income tax reform

Abstract: The present article discusses and evaluates the chief measures adopted under the income tax reform adopted in 2006, which entered into force on 1 January 2007. The reform pursues lower collection costs to protect spending policy funding, introduces greater equity in the treatment of personal and family circumstances, raises minimum taxable income thresholds, lowers taxes on earned income, increases neutrality in the treatment of savings and furthers simplification.

Key words: fiscal policy, income tax, earned income, neutrality, taxation

JEL Classification: H2, H3.

GALINDO MARTÍN, Miguel Ángel

Governance, fiscal policy and economic growth

Abstract: Governance is a controversial concept, for which terms such as corruption, institutions or democracy are sometimes regarded to be close proxies. Generally speaking, it refers to how an institution is governed, considering a number of processes, including historic, cultural, social and political determinants. This article addresses the relationship between governance and economic growth, taking account of the role of fiscal policy and its effects on private and public investment and income distribution. An empirical study covering 48 countries is also conducted, using a multi-equation model.

Key words: fiscal policy, economic growth, public investment, income distribution, governance.

JEL Classification: E62, O40.

GUTIÉRREZ LOUSA, Manuel

Tax policy trends in the European Union

Abstract: The European Union's tax policy materializes in the form of fiscal harmonization as an instrumental process to build a common market undistorted by fiscal policy. The present paper analyzes the theoretical approaches and strategies followed, with special reference to progress in the areas of direct and indirect taxation.

Key words: fiscal policy, taxation, fiscal distortions, fiscal harmonization, European Union.

JEL Classification: H2, H87, K34.

HOWELLS, Peter

Fiscal policy rules: a return to the «Treasury view»

Abstract: This paper looks at a number of fiscal policy rules, including the provisions of the Stability and Growth Pact and alternatives that have been put forward by its critics. It shows that virtually all these rules involve a rejection of the stabilizing role of fiscal policy sustained by Keynesian economics by making the issue of budgetary outturns subsidiary to monetary policy requirements. By so doing, these rules view fiscal policy in much the same way that the UK Treasury saw issues of budget balance before Keynes's *General Theory*.

Later parts of the paper show that the «Treasury view» of public finance has never been far below the surface in the UK and, indeed, has often broken through — even in periods which are sometimes regarded as the high point of the «Keynesian revolution».

Key words: fiscal policy, Stability and Growth Pact, keynesianism, stabilization.

JEL Classification: H1, H6.

MÉNDEZ PICAZO, M.^a Teresa

Fiscal policy and cash flows

Abstract: This paper purports to study the effects of fiscal policy design on one of the most important indicators of business activity: cash flows. Cash flow information is acquiring substantial relevance in accounting, for under the new National Chart of Accounts it will soon be mandatory for companies to formulate and publish such information. But even more essentially, it is highly useful to financial information users, companies themselves among them, as a decision-making tool. For all these reasons, this study undertakes a theoretical and empirical analysis of how fiscal and monetary policy makers' actions affect business variables, in this case cash flow.

Key words: cash flow, fiscal policy, accounting, economic policy, money supply.

JEL Classification: E62, H32, M49.

McMASTER, Robert

Ageing, health care and clinical-medical care: some conceptual considerations for fiscal policy analysis

Abstract: Economic discussion of future fiscal policy frequently alludes to the growth of health care expenditure as a source of considerable apprehension. The growth in such expenditure is usually associated with simultaneous pressures from technological

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advances and growing demand, especially from an ageing population. In this context health care and clinical-medical care expenditures may be comprehended as increasing encumbrances that unavoidably militate against fiscal prudence, potentially retarding socio-economic development. This paper argues that this position is exaggerated in that it is predicated on simplistic notions of ageing and categorizes care as a cost. Such conceptions are misleading, and partially based on the commodification of care. The paper contests that this is a reductionist and inaccurate characterization of care, and advances an alternative conceptualization emphasizing clinical-medical care as profoundly relational. A greater cognisance of such considerations is urgently required in economic discourse when reflecting upon fiscal policy.

Key words: fiscal policy, clinical-medical care, health care, expenditure, commodity.

JEL Classification: H5, I1.

NISSAN, Edward and CARTER, George

Connecting private consumption in OECD countries to government spending

Abstract: This paper compares OECD nations for the dependence of consumption, as measured by number of Visa cards per capita in the 1990s, on gross and net government debt-to-GDP ratios. The methodology involved testing the probability of independence between Visa card holding, as a proxy for consumer expenditure, and government debt. Analysis of variance was also employed to test for significant differences between three periods: 1990, 1995 and 1999. The results indicate independence — from the probability standpoint — between per capital Visa card issued and government debt.

Key words: private consumption, credit cards, disposable income.

JEL Classification: C33, E31, E62.

**ROMERO JORDÁN, Desiderio; SANZ SANZ, José Felix and
HERNÁNDEZ RUBIO, Carolina**

Fiscal policy around R&D: a comparative analysis of the EU-15 countries

Abstract: The present article compares R&D investment levels in the EU-15 countries. The available information shows that these nations have clearly lower R&D//GDP ratios than Japan, the United States and Finland. Important differences are also identified between public and private project funding and whether military or civil investment is involved. Business R&D investment incentives are likewise reviewed. According to the literature, most EU-15 countries use tax credits to encourage investment, although the design varies widely from one to another. Lastly, the effectiveness of such tax incentives is

examined. Although the results available on price elasticities and cost-effectiveness ratios vary widely, a larger number of papers report that such measures are scantily effective.

Key words: fiscal policy, R&D, tax incentives, EU-15, effectiveness.

JEL Classification: H20, H23.

SANTANA JIMÉNEZ, Yolanda and PÉREZ RODRÍGUEZ, Jorge V.

What volatility regime prevailed after the institution of the euro?

Abstract: The present paper analyzes the volatility regime that would have prevailed after the institution of the euro in the implicit spot exchange rates for the peseta, sterling and the yen against the dollar. This entailed modelling the heteroscedasticity of exchange rate returns using a regime switching model with ARCH-type variance estimates, and considering several regimes. Daily data were used. The results suggest that after the entry into force of the euro, the volatility regime regarded to prevail (defined in terms of the median) changed for the European currency. This is relevant, for while the European Monetary System was in place, the currencies comprising it underwent substantial risk reduction processes. The results found for the pound/dollar regime were the same, but with less extreme values. Finally, in the case of the yen, the regime was not observed to switch after the institution of the euro, with low volatility prevailing throughout.

Key words: SWARCH, pure Markov heteroskedasticity, exchange rates.

JEL Classification: G15.

VÁZQUEZ BUSTELO, Daniel and AVELLA CAMARERO, Lucía

Empirical analysis of the lean manufacturing model in Spain

Abstract: The present paper focuses on the new lean manufacturing paradigm and its implementation in Spain. A conceptual model is formulated on the basis of the literature on the subject to relate environmental turbulence, lean manufacturing practice and business performance. The model is contrasted with a sampling of manufacturers located in Spain, using survey methodology to obtain the information and a structural equation model to analyze the data. The results obtained show that in turbulent (dynamic and hostile) environments, the integrated use of lean manufacturing practices leads to the development of competitive strength that contributes to better operating, financial and market results in the Spanish companies analyzed

Key words: competitiveness, lean manufacturing, production models, industrial environment, manufacturing strength, structural equations

JEL Classification: L23, L6, M11.

