

## Introduction

The Wim Drees Foundation for Public Finances – a not for profit organisation based in The Hague – aims to stimulate the public debate on government spending, issues in taxation, the budget balance and government debt. To this end the Foundation publishes the Journal of Public Finances and the Yearbook on Government Finances. In addition, the Foundation regularly organizes meetings on current issues in the field of public finances. The spring meeting that took place on April 15<sup>th</sup>, 2011 considered efforts of policy makers in various OECD-countries to improve the public finances. The chairman of the meeting, Chris Buijnk (secretary general of the Ministry of Economic Affairs, Agriculture en Innovation) welcomed two prominent speakers: Aart Jan de Geus (deputy secretary general of the Organisation for Economic Co-operation and Development) and Conrad Smewing (deputy director Fiscal Policy of HM Treasury, United Kingdom). This special issue of the Journal of Public Finances (Tijdschrift voor Openbare Financiën) contains two articles. These contributions are extended versions of the presentations at the spring meeting. Aart Jan de Geus and Dirk Jan Kraan (senior economist, OECD-secretariat) discuss plans for fiscal consolidation in The Netherlands and compare these with similar policy efforts in other OECD member countries. Conrad Smewing presents the fiscal strategy of the UK government.

Last spring, the OECD published its study 'Restoring public finances', with a profound analysis of different consolidation plans, covering 30 OECD member countries. De Geus and Kraan compare, on the basis of this study, the Dutch consolidation package with that of other countries. The Dutch set of budgetary measures is smaller than the package of countries where the public finances deteriorated in recent years most rapidly, such as Greece and Ireland. On the other hand, the Dutch effort surpasses the package of countries with rather sound public finances or countries that did as yet not articulate a substantial medium-term fiscal consolidation plan. The authors try to estimate the chance of success or credibility of the Dutch package on the basis of the results of OECD-research with respect to the conditions that favor reform actually happening. They consider the budget institutions of the Netherlands to be strong and to offer sufficient guarantees that planned savings will be realized. The credibility of the Dutch package is reinforced by the emphasis on structural reforms, the focus on the spending side of the budget and the rather detailed and specific character of most of the proposed measures. Finally, it is important that the package is based on a firm political commitment and that the population seems to be largely convinced that policy action is needed.

In recent years, economic growth in the United Kingdom has been underpinned by the accumulation of unsustainable levels of private sector debt and rising government debt. While rising debt was an international phenomenon, it was more pronounced in the UK than in most other countries. The fiscal deficit rose to more than 10 per cent of GDP in 2009–2010, which explains that deficit reduction is one of the top priorities of the government of the UK. Smewing outlines in his article the consolidation measures that should reduce the deficit. The consolidation package of the British government is, given the greater required consolidation, bigger than the Dutch package. The UK chooses a higher share of revenue measures in its consolidation plan than the Netherlands, although also in the UK the emphasis is on the spending side of the budget. An important

institutional innovation in the UK concerns the establishment of the new Office for Budget Responsibility (OBR). This institute will take on a role in the fiscal framework which is in some ways similar to the role of the Dutch CPB Netherlands Bureau for Economic Policy Analysis. According to the IMF "the establishment of the OBR is a welcome step toward strengthening the budget process."

**Jan Donders**