. Record Nr.	UNINA9910155013103321
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Titolo	Fiscal Discipline and Exchange Rates : : Does Politics Matter? / / João Tovar Jalles, Carlos Mulas-Granados, José Tavares
Pubbl/distr/stampa	Washington, D.C.:,: International Monetary Fund,, 2016
ISBN	1-4755-5578-4 1-4755-5583-0
Descrizione fisica	1 online resource (30 pages) : illustrations, tables
Collana	IMF Working Papers
Altri autori (Persone)	Mulas-GranadosCarlos TavaresJosé
Disciplina	332.45
Soggetti	Foreign exchange rates - Political aspects Foreign Exchange Public Finance Structure, Scope, and Performance of Government National Deficit Surplus Debt Debt Management Sovereign Debt Currency Foreign exchange Public finance & taxation Exchange rate arrangements Conventional peg Government asset and liability management Exchange rate flexibility Exchange rates Public financial management (PFM) Finance, Public Austria
Lingua di pubblicazione	Inglese
Formato	Materiale a stampa
Livello bibliografico	Monografia
Nota di bibliografia	Includes bibliographical references.

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We look at the effect of exchange rate regimes on fiscal discipline, taking into account the effect of underlying political conditions. We present a model where strong politics (defined as policymakers facing longer political horizon and higher cohesion) are associated with better fiscal performance, but fixed exchange rates may revert this result and lead to less fiscal discipline. We confirm these hypotheses through regression analysis performed on a panel sample covering 79 countries from 1975 to 2012. Our empirical results also show that the positive effect of strong politics on fiscal discipline is not enough to counter the negative impact of being at/moving to fixed exchange rates. Finally, we use the synthetic control method to illustrate how the transition from flexible to fully fixed exchange rate under the Euro impacted negatively fiscal discipline in European countries. Our results are robust to a number of important sensitivity checks, including different estimators, alternative proxies for fiscal discipline, and subsample analysis.