

Politique budgétaire et fiscale discrétionnaire globale et par grandes Entités: le cas belge 1990-2010

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ABSTRACT

The present study gives a quantified analysis of the main discretionary impulses and reorientations of the Belgian tax and fiscal policy over the last two decades. The study has been carried out not only at the general government level, but also at the more disaggregated or decentralised level of the two main Entities forming the backbone of the Belgian public finances.

Moreover, the present paper differs from the usual analyses about “structural” primary balances as it also deals distinctly with respectively the “public revenue” side and the “primary expenditure” side of the observed evolutions and of their main determinants. This is carried out within a common conceptual and methodological framework which is consistent with a long-period retrospective approach. The analysis also completes and refines the usual standard approaches that generally correct the budgetary balances only for the cyclical factors and some “one-shot” or one-off incidences. That standard approach does indeed not take into consideration the other non-discretionary incidences that are of a more structural nature or are less reversible at first sight. As a result, particular attention has here been paid, globally and at the level of each large Entity, to those other non-discretionary (and non-cyclical) incidences, as well with respect to the revenue side (“structure” or “composition” effects) as regarding primary expenditures (“relative-price” effects and socio-demographic incidences, just to mention the main ones).

As far as Belgium is concerned, the analysis shows notably that, since the end of the 90’s, corresponding to the admission of Belgium to membership in the Euro zone, the (primary) discretionary direction of the Belgian budget and tax policy has been almost systematically – and strongly – expansionary (6% of GDP since 1999), the largest part (more than 80% of the total) being located at the level of Entity I.

It also clearly shows that, contrary to what is usually stated on the basis of partial and non-exhaustive analyses, the major part of this expansionary discretionary impulse can be located at the level of public revenue (4.5% of GDP

or about 75% of the total) and not at the level of primary expenditure (with an impulse of “only” 1.5% of GDP over 11 years).

Finally, a major part – but not the whole – of this expansive primary impulse could be compensated by the concomitant reduction of the burden of interest charges. This led still consequently and at the end to a real even if limited deterioration of the structural balance. That deterioration made it not possible to ensure, as foreseen in the context of a longer term sustainability strategy, a certain degree of pre-financing of the budgetary burden of ageing. So, it is in a context of structurally weakened public finances that the Belgian authorities had to face up to the budgetary consequences of the financial crisis of the end of the last decade.

Keywords: Belgian public finances, fiscal policy and coordination, fiscal stance, structural deficits, cyclical impacts, automatic stabilisers

JEL Classification Code: E6, E62, H6, H62, H7