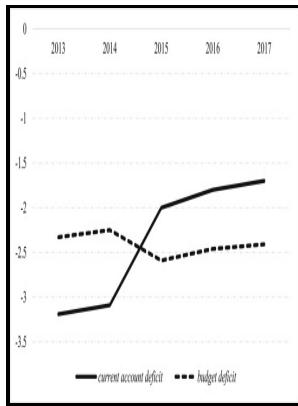


# Fiscal deficit reduction - an evaluation of alternatives

Brookings Institution - 164 Ways to Reduce the Deficit



Description: -

Fiscal policy -- United States.

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## Financing of Budget Deficit through Printing Money

See about how to correct material in RePEc. We shall call this compensation the monetary correction. Demand management: Keynesian economists support the use of changing the level of government borrowing as an instrument of managing aggregate demand.

## Inflation and the Measurement of Fiscal Deficits : IMF Staff papers : Volume 34 No. 4:

As mentioned above, the case of domestic index-linked debt is almost identical to the case of foreign debt, provided that the adjustment of the principal for inflation the monetary correction is treated as amortization and is thus not considered an interest expenditure.

## P.L. 109

The answer is not as straightforward as the above discussion may have led one to believe. In 2010-12, the Eurozone was hurt by rising bond yields, as markets feared the liquidity of Eurozone nations. In developing such a plan, the Secretary shall consult with relevant affected parties and shall consider experience with such demonstrations that are relevant to the value based purchasing program under this subsection.

## Adopting rationalization in spending to avoid the general budget deficit

This story is generally being reported in terms of what it means for fiscal policy at the Autumn Statement. What is the appropriate adjustment under such circumstances? This may happen, first, because individuals may attempt to get out of non-interest-bearing money and may thus increase their demand for interest-bearing assets.

## 9 Effects of Inflation on Measurement of Fiscal Deficits: Conventional Versus Operational Measures : How to Measure the Fiscal Deficit:

Under noninflationary conditions, a certain stability of the private sector balance may be expected at least in the short run; then, the relationship between changes in the government fiscal deficit and changes in the current account becomes obvious. Thus when the government finances its budget deficit through creation of new high powered money and in the process causes inflation, the purchasing power of old money balances held by the public falls. In some cases, the suggestion to adjust the deficit measure for inflation has gone far enough to correct for the inflationary impact

on all public debt, including the non-interest-bearing monetary base; such a proposal would additionally amount to considering as fiscal revenue the inflation tax on the monetary base.

### **Criteria for Evaluating Budget Plans**

However, if the government borrow during a period of high growth, the crowding out will mean growth and cyclical tax revenues will be unchanged.

### **The Structural Deficit is a bad target for policymakers**

In particular, how well did surveillance handle vulnerabilities related to public debt dynamics, balance-sheet mismatches, and sustainability of exchange rate pegs? One is the role of forward looking asset markets in the adjustment to a credible deficit reduction package. You can help adding them by using.

### **Effectiveness of IMF**

These include money illusion effects, which would induce bondholders to increase their consumption; or, much more likely, the possible perception of increased default risk, which would accompany a higher nominal stock of debt and a high rate of inflation. Bondholders might reinvest these proceeds in additional government bonds, at existing market conditions, provided that these bonds retain their relative attractiveness as earlier. When requesting a correction, please mention this item's handle: RePEc:wop:briedp:101.

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