

# Fiscal Sustainability in Europe

## Fact Sheet

### Project Information

FISCSUST

Funded under  
FP7-PEOPLE

Grant agreement ID: 294255


Overall budget  
€ 100 000

Status  
Closed project

EU contribution  
€ 100 000

Start date  
1 December 2011

End date  
30 November 2015

Coordinated by  
**MIDDLE EAST TECHNICAL  
UNIVERSITY**  
 Turkey

## Objective

The purpose of this research project is to develop a new theoretical framework in evaluating the sustainability of fiscal policy and evolution of debt with particular emphasis on recent European experience. Fiscal or debt sustainability in literature in its most stylized form is defined as satisfying an inter-temporal budget constraint. Although it serves as a useful benchmark lower bound based on 'ability' to pay, this is a very crude approach due to its disregard of many interesting dynamics economic and political sphere contains related to 'willingness' to pay as for political decision makers with limited life spans that depend on public approval, it is really hard to make the distinction between the notions 'ability' and 'willingness' to pay. In this project we aim to introduce measures and develop a framework that incorporates these neglected dimensions in existing literature. We will do so by building general equilibrium models that endogenize optimal fiscal policy making in environments that have richer preference and constraints structure that resemble what we observe as practical fiscal policy making sphere more. This framework will allow us to investigate the dynamic interaction of fiscal policy with political sphere in the form of preferences

the dynamic interaction of fiscal policy with political sphere in the form of preferences and institutional constraints. We will also specifically focus on the evaluation of 'fiscal rules' in a dynamic stochastic general equilibrium framework that allows for welfare analysis as well. To be more precise, we will be able to find endogenous sustainability thresholds under different preference and environment scenarios. This will provide us with valuable insights that can be translated into policy sphere and possibly tested against data.

## Field of science

/humanities/languages and literature/literature - general

/social sciences/other social sciences/social sciences interdisciplinary/sustainable development

## Programme(s)

## Topic(s)

## Call for proposal

FP7-PEOPLE-2011-CIG

## Funding Scheme

MC-CIG - Support for training and career development of researcher (CIG)

## Coordinator



### MIDDLE EAST TECHNICAL UNIVERSITY

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Activity type

Higher or Secondary  
Education Establishments

[Contact the organisation](#) 

EU contribution

€ 100 000

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