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EUROPEAN SYSTEM OF CENTRAL BANKS IN FISCAL POLICY COMMUNITY

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Abstract *European system of central banks contributes to the smooth conduct of policies pursued by the competent authorities relating to the prudential supervision of credit institutions and the stability of the financial system. Increasing the role of central banks created the impression that these institutions can solve all economic problems. As a result, governments, which previously did not look too great enthusiasm progressively increasing powers of central banks have begun to accept that they try to compensate for the shortcomings of their own economic policies - even if some legislators and representatives of the public s were concerned appeared democratic deficit by shifting the burden of economic policy making by an institution whose leadership is elected by universal suffrage.*

Keywords
Eurosystem, central banks, fiscal policy, financial system

1. Introduction

Fiscal policies have a significant impact on growth, macroeconomic stability and inflation. Key aspects of this are the level and composition of public expenditure and income, budget deficits and public debt.

Fiscal discipline is an essential element of macroeconomic stability.[1] The need for fiscal discipline is even stronger in a monetary union such as the euro area, which is made of sovereign states that retain responsibility for their fiscal policies[2].

In the past, the tax systems of the Member States of the European Union were held, with a strong national focus, each state has to synthesize their activities according to the policies adopted in the field.

As a result of economic and financial globalization, EU tax systems are becoming increasingly connected, this may lead to the idea that national borders are becoming less relevant. The tax system is used for the uniform application of fiscal policy in the euro area, the basic task assigned to the Community institutions under the EC Treaty.

A well integrated tax system contributes to the smooth and efficient transmission of fiscal policy impulses throughout the community area.

Economic analysis of fiscal policy focuses on real activity and financial conditions in the economy and tax, taking into account the fact that price developments over the short and medium term are influenced largely by the interplay of supply and demand in the goods, services and capital. In the European Union agreed a number of institutional arrangements for sound fiscal policies also in order to limit the risks to price stability.[3]

These include prohibition of monetary financing (Article 123 of the Treaty on European Union), the prohibition of privileged access to financial institutions (Article 124 of the Treaty on European Union), the tax provisions to avoid excessive government deficits (Article 126 of the TFEU European, including the excessive deficit procedure) and the growth and economic stability in accordance with the provisions of the Covenant on economic growth and stability in the European Union (secondary legislation based on Articles 121 and 126 of the Treaty on European Union).

In addition, the fiscal compact (as part of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union) provides for the implementation of a balanced budget rules at national level and further strengthen the excessive deficit procedure.[4]

Financial and economic crisis has had a profound impact on public finances in the euro area. Forecasts suggest that the deficit in the euro area rose to nearly 7% of GDP in fiscal 2010. These developments are all

[1] Forni, L.L. Monteforte and L. Sessa (2009), "The General Equilibrium Effects of Fiscal Policy:
Estimates for the Euro Area", Journal of Public Economics, 93 (3-4), 559-585.

[2] ECB (2009b), "The impact of government support to the banking sector on euro area public finances", Monthly Bulletin, July, 63-74.

[3] Marcellino, M. (2006), "Some Stylized Facts on Non-Systematic Fiscal Policy in the Euro Area", Journal of Macroeconomics, 28 (3), 461-479.

[4] European Comission (2012). Treaty on Stability, Coordination and Governance inthe Economic and Monetary Union (TSCG). Retrieved from http://european-council.europa.eu/eurozone-governance/treaty-on-stability

the more worrying, given the increase in public spending, which is a medium-term fiscal burden.[5]

In the short term, the impact (net) of various measures to support the financial sector tax on government deficits, has so far been very small (e.g. less than 0.1% of GDP in the euro area as a whole). The direct impact on government debt levels will depend strictly on the borrowing governments to fund rescue operations.

Discretionary fiscal policies that attempt to stabilize the economy can, in principle, successful, certain criteria are met. However, the actual size of the supply and demand tends to vary depending on several factors. Moreover, past experience suggests that if a discretionary fiscal stimulus is timely, targeted and temporary risk actually be harmful to the national economy.[6]

2. ESCB and fiscal policy community

Fiscal policy is a component of economic policy representing financial support for the implementation of other policies. Fiscal policy involves the use of public expenditures that affect both production and economic activity and employment.

It is important to note that some changes in tax policy affect both demand and aggregate supply. Fiscal policy has traditionally been seen as a demand management tool.

Recommended for national governments to use fiscal measures to stimulate the economy and to approve increases not only for productive public spending. Other appropriate measures could only increases the tax rate for non-distortionary tax base and lower public spending to build a more efficient public sector.

Along with monetary policy, fiscal measures are all the second important element for the successful start of radical economic reforms. The combination of the two types of policies can ensure that the necessary economic environment for private sector development in a competitive and efficient allocation of resources.

Economic indicator that best express the relationship between fiscal and monetary policies it is inflation, given that in many cases the government authorities are tempted to cover part of the budget deficit by issuing currency.

The economic and financial policies they practice the national central banks of the Member States of the European Union boosts fiscal policy at Community level, successfully completing full fiscal flows generated by national fiscal policies.

The banking system is the backbone of any economy, whether or centralized market.

If in the latter case its activity is subject to absolute control of the central government, without the specific independent so liberal economies, where a market economy in this area is organized dual system: central bank monetary policy enforcement, i.e. commercial banks. The latter represents financial intermediaries between two fundamental categories of businesses: savings depositors or users of loans in the form of loans for production or investment.

The banking system thus ensuring circulation of financial flows in the economy, directing them to those who own them (depositors) by those who are experiencing a shortage of funds (borrowers).

The efficiency with which these financial resources are used automatically induces a corresponding degree of efficiency of all economic activities.

3. Conclusions

At Community level, the fiscal projections European System of Central Banks are based from the macroeconomic scenario resulting from its own model of macroeconomic analysis and forecasting (MAPM).

Projections of relevant macroeconomic variables (GDP deflators, consumption, employment, wages, exchange rates etc.) interact with discretionary measures on the revenue and expenditure, taken by competent authorities in the field, to produce a forecast of the budget balance consolidated (BGC) [7].

European System of Central Banks monitors and assesses financial stability in the euro area and the European Union. This activity complements and supports the corresponding activity at the national level, carried out by national central banks and supervisory authorities in order to maintain financial stability in that states.

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