

Book Review

B.S. Sreekantaradhya, *Public Debt Sustainability and Fiscal Rules Some Experiences*, Bengaluru: Southern Economist, 2016, pp. 188, Price ₹ 250/-.

Chapter I is introductory covers information of the great recession and methodology of the study. The book presents case studies regarding euro area countries with special reference to Greece, Ireland, Italy Portugal and Spain, USA, Japan, U.K. and India. Sources of data used are government documents and reports of the countries concerned and publications of RBI, IMF, OECD and NBER. Chapter II presents the overview regarding public debt and fiscal rules. It also deals with the concepts, trends of debt, statements from different literatures and organisations. Chapter III examines the ratios of the debt, reasons for the debt crises and mechanisms for restoring the sustainability of deficits and debts. It is shown that after the great recession many countries came under bailout supportive situation by IMF, European Central Bank and European Partners. It is shown that fiscal rules are important for restoring the debt sustainability. Many member countries have established new fiscal councils to implementation fiscal rules as per their situations.

Chapter IV is titled Restoring Debt sustainability: the U.S. Experience. It attempts to trace the growth of deficits and debt in the U.S. economy, identify causes for the same and highlights the current thinking of the U.S. government. It provides figures relating to debt and deficits which are helpful to understand the impact of growth of public debt on the economy. In the long run the deficit increases because inter-government debt increases. The US government strategies regarding reduction of deficit are described. It is noted that fiscal rules cannot stabilize the economy in long run. Chapter V is titled Restoring debt sustainability: Japan's Experience. For to dealing with this problem, Japan has focused on the short term solutions only. IMF and OECD have warned it to make attempts to take the public debt to downward path as quickly as possible. The country has attempted to promote fiscal discipline through fiscal rules but these attempts are ad hoc, halfhearted and inefficient. Many international monetary and fiscal organizations have suggested to Japan to permanently implement fiscal rules on long term basis. Chapter VI deals with a sustainable level of deficits and debt in the U.K. It faced the problem of deficit reduction after the global crises. In this chapter its experience with regard to the use of fiscal rules for restoring sustainability of deficits and debt are also discussed. It has adopted strong fiscal rules for promoting fiscal sustainability over the longer term.

Chapter VII is relating to deficit control and fiscal rule, and the Indian experience. It covers information about debt and deficit of the Central Government. From 1980-1981 to 2002-2003 the revenue deficit increased by 1.5 per cent to 4.26 per cent. Deterioration in the finances of the Government is

mainly due to fall in tax-GDP ratio. Revenue expenditure has increased from 1990-1991 to 2002-2003 because of interest payment on defense expenditure increased. The author is focuses on the changes in deficit and debt before and after of establishment of Fiscal Responsibility and Budget Management Act, 2003. There is a need to strengthen it by recovering its loopholes.

Chapter VIII is titled Public debt sustainability and fiscal rules: A comparatively analysis. It provides a comparative analysis of experiences of different countries about deficit and debt sustainability. In Japan, UK and USA the deficit levels went up. India's deficit level rose significantly compare with other G20 emerging economies. Japan's position is unique regarding debt-GDP ratio. It increased, i.e., 183 per cent in 2007 to 215.8 per cent in 2010. G20 emerging economies were not much affected by the great recession and their average debt-GDP ratio increased slightly from 40 per cent in 2007 to 41.5 per cent in 2009.

Overall, the book has noted that fiscal rules have not been a total success in any of the countries considered here. Hence, there is a need to strengthen them to control the deficit and debt with the point of view of the international economy. This book provides the basic concepts about the finance with the proof of different experiences by countries. It is good for students and researchers to understand the fiscal rules.

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