



Revenue and Expenditure Gaps and Fiscal Consolidation: a Cross-Country Analysis

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Several governments still need to adjust their fiscal balance after the Great Recession. In this paper, I construct a novel dataset to estimate the revenue potential and expenditure cutting space for a cross-section of 150 countries, and decompose their fiscal capacity into specific taxes and spending categories. Then, I compare the estimated fiscal potential with the consolidation required to stabilize the debt ratio, and classify countries into one of three groups: (i) countries that do not need further fiscal consolidation; (ii) countries that seem to have enough fiscal capacity to stabilize their debt ratio; and finally (iii) countries that do not appear to have enough fiscal potential and thus will need to implement major reforms.

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