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Fiscal policy under rules and restrictions

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Acknowledgements

This PhD thesis is the result of almost five and a half years of work at the University of Amsterdam (UvA) and Tinbergen Institute (TI) in the Netherlands. Its completion has been a dream since the beginning of my studies in Economics twelve years ago in São Paulo. The move from Brazil to Europe and everything that I learned and experienced during this time is impossible to describe in full. Writing a PhD thesis in a foreign country; indeed, another continent, is a process that requires not only hard work but a lot of support from family, friends, and colleagues. Therefore, I would like to thank some of those who helped me and contributed directly or indirectly to the accomplishment of this degree.

I would like to start from the beginning and thank Jolanda Baptista, who was the first lecturer in my Master in São Paulo, and a fundamental personage in the history of this thesis. In June 2000, Jolanda brought Professor Rob Alessie from TI to teach a winter course in my Master program. During that course, he made me an invitation that culminated in my first visit to the TI in Amsterdam in September 2001, for which I would like to thank him here.

During that visit, I came to understand and appreciate the standard of academic quality that the UvA and TI represent. I also made a lot of friends there. Among them were Aljaz, Bang, Lev, Jos, Johan, Martijn, Mathijs, Robert, Silvia, and Simona; to all of whom I am grateful for their kindness and friendship. A special thank goes to Carla, Miguel and Mauro, who helped me a lot in my first time living abroad, far away from Brazil.

Following my first, positive experience of TI, I decided to apply for a Ph.D position in Amsterdam. That decision was particularly encouraged by the DGE of TI at that period, Professor Maarten Lindeboom. He suggested some PhD proposals to me, among them that of Professor Frank de Jong. Eventually, our research interests did not match, but I am thankful for his suggestions and introduction to my future supervisor, Professor Roel Beetsma.

In Brazil, while I was waiting for the final decision about my PhD candidature at UvA, several people supported my application and helped me in finishing my Masters. In particular, I would like to thank Professor Gesner Oliveira, Professor William Eid Jr., and Ricardo Rochman for all their support and the projects that we did together. Professor Carolina Leme was fundamental in supervising my MSc. thesis and encouraging me to pursue a PhD abroad.

On September 20th of 2002, I started simultaneously my PhD at UvA and the Mphil program at TI. In the following two years, I worked very hard and learned a lot, but also managed to enjoy Amsterdam. During that time, I made several new friends at TI, who remained close during all my PhD years. My thanks go to Ana, Carlos, Dessi, Dinara, Harris, José, Razvan, Rute, Seble, Valentin, and Yin Yen, among others. They made my life more pleasant during the Mphil. Moreover, I am grateful to Sara and Brigitte, who introduced me to the Dutch culture and with whom I learned so much and had so much fun. Further, my international friends Alberto, Fred, Irfan, Isabel, and Mischa helped me a lot to feel at home during this initial period in Amsterdam.

During my MPhil, I was also fortunate enough to be able to participate in the creation

of the TI Student Council, which organizes a lot of activities for TI students and established itself as the main channel of communication between the TI management and students. As a member of the Council, I shared very nice time with the other fellows: Ernesto, Marco, Maria, Sandra, Sebi, Vali, and Wendy; who became very good friends. The TI staff also deserves a special mention due to their attention and assistance through all these years. My special thanks go to Marian, Carine, Professor Jaap Abbring, and Nora.

My stay in Amsterdam was not always only fun and hard work though. In the beginning of 2004, I had a terrible fire in my apartment, in which some neighbours were seriously injured, and where I lost all my belongings. That maybe was the toughest time of my life and I managed to quickly recover from it due to the help of my family, friends, and colleagues. Especially, I would like to acknowledge the exceptional support received from the staff of the Personnel Department of the Faculty of Economics from UvA. Bernadette Clemens, in particular, was like an angel to me. I also would like to include here my thoughts to all the victims of the fire in Marnixstraat, to whom I also dedicate this thesis and years of work.

In the past three and a half years, I have worked almost full time at my office at UvA. There, the environment in the TOE research group was always stimulating and cordial. I am grateful to: Professor Henk Jager, who guided me in preparing my first course taught in International Economics at UvA; Dirk Veestraeten, who advised me in supervising Bachelors theses; and Koen Vermeylen, who supervised my tutorials of the Macroeconomics course. Recently, Professor Wouter den Haan and Philip Jung joined TOE, making the quality and the environment of the group even better. Further, I would like to thank Naomi and Tijmen for their friendship and company during these years sharing the same floor and situation in UvA. The staff of the *Algemene Economie Afdeling* should also be acknowledged. In particular, Jolanda, Robert and Wilma were very helpful and caring with me. Bas Bouten from Resam deserves a special mention for his friendship and support with several UvA-bureaucracy issues.

Living in Amsterdam is per se a fantastic experience. In this city, my second home, I did various extra activities in which I met a lot of people. The first and most important was, as usual, Karate. Since my childhood this sport has provided me with a lot, and in Amsterdam that was no different. I am grateful for the friendship of Alex, Almir, Andrew, Daniel, Hein, Hogni, Katel, Shireen, and Sureshi. A special thanks go to my Senseis, Bregje, Carl, and Tom; who accepted me in the SKCA and made my life in Amsterdam more pleasant. Thanks also go to Markus, who became a close friend and my favorite DJ.

Throughout these years, I also managed to learn Dutch, a language whose degree of difficulty of its courses is comparable to any TI MPhil course. In learning such hard but *gezellig* language, I created a nice group of friends. Claudia, Daniel, Fabrizio, Janelle, Joana, Kateryna, Nicholas, Maya, and others, *dank jullie wel voor alles!* I should also thank my very good friends Pietro and Srdjan. Pietro was a great colleague in UvA. Further, Mischa, Paul and Joost were nice shareholders of our enormous boat...

In Brazil, football is almost a religion, but I found out that in the Netherlands it is too! It was not difficult to find good football players here with whom I had a lot of fun during all these years. In particular, the Fridays' football with the UvA group will be always in my heart. I thank Adam, Marco, Chris, Justin, Professor Arthur Schram, Professor Teo Offerman, Tim, and all others Adam's friends for sharing those great moments with me. My special thanks go to Adam, who organized this activity and who is sharing my expe-

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During my PhD, I did not stay the entire time in Amsterdam. I was very fortunate to do internships in some of the main international organizations around the world. My first, and therefore, most remarkable experience was at the Office of the Secretary General of the United Nations in New York in 2006. The view of the Hudson river from the UN building and the meetings on the floor of the then Secretary General, Kofi Anan, are unforgettable. In New York, I had a fantastic time and made good friends, David, Maria, Michael, Ribu, Sam and my bosses Silva, Minh-Thu, Mark, who I miss a lot! In particular, I am grateful to my friend Neeltje, with whom I always had fun during my visits to the US.

In the winter of 2007, I joined the IMF in Washington DC for another internship. That was also a fascinating experience academically and personally speaking. There, I entered into contact with the topic of the African economy, which became part of my current research agenda. DC is also a nice city where I made new contacts. Flavia and Claudia, and my roommate Kathleen deserve a special acknowledge for having received me in their place in DC. The other IMF interns, besides their quality, formed a very nice group of friends. My thoughts go to Alberto, Ernesto, Gunes, Giovanna, Sofia, and in particular to Luciana and Rodriguinho who became close friends. Finally, I am very grateful for all confidence deposited on me from my friend and co-author Alfredo Baldini, from whom I learned so much there in the Fund.

My last internship was recently in the ECB in Frankfurt. Again a great experience, there I would like to thank my colleagues from the Fiscal Policy Division, in particular Eloise and Nicola, who supervised me during my stay in Frankfurt. Antonio Afonso also deserves a special mention. Finally, thanks go to Anastacia, Davide, Ferdinand, Guido, Joan, Lea, Mark, Mathijs, Nelia, Pietro, Rossana, Sara, and Tom; who made from Frankfurt a pleasant place even in the stressful period of the end of my PhD.

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In Amsterdam, my two "sisters" were Sandra and Débora, who are also the paraninf of my PhD defence. Sandra was close to me from my first class in the TI in 2002 till the last days of my PhD. With her I shared most of my stories and personal problems. Débora was another one with whom I would spend hours talking about the PhD, life, and our

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If Sandra and Débora were my sisters, Massimo was definitely my brother in Amsterdam. In the last 4 years, it is difficult to remember a day in Amsterdam that I did not speak with him or ask his advice. Massimo would always be there helping and giving me good advice on what to do. He also contributed substantially to my PhD thesis, particularly in Chapter 4, in which I benefited from his knowledge on Econometrics and Applied Macroeconomics. Thank you, Massimo, Holly and Rose for everything! Very recently, another nice Italian friend has been Jacopo, who warmly welcomed me in Paris, and who has helped me to survive in this city without speaking a word of French.

In spite of all these friends and colleagues, the crucial person to this PhD was my supervisor Roel Beetsma. I will never forget the first time that I spoke with Roel by phone back in Brazil. Those five minutes changed my life... Besides being a fantastic scholar, Roel is the most professional researcher I have ever met. No text, no idea would return from him without a careful and precise comment, suggestion or correction. What I learned from him is impossible to describe here. Roel followed carefully every single line of this PhD thesis, which substantially improved its quality, and for that I will be ever grateful. Beyond, his friendship (and sometimes patience), was also remarkable. Roel, it was a great privilege and good fortune to have you as supervisor, thank you for everything!

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Amsterdam, December 2007.