

# **FISCAL POLICY IN SLOVENIA AFTER ENTERING EURO; NEW GOALS AND SOUNDNESS**

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## **Abstract**

Because of losing monetary sovereignty and smaller room for fiscal manoeuvre determined by the SGP, policy makers in Slovenia will have to have new fiscal goal function after entering euro. Output stabilisation and efficiency will probably have a dominant role in the new goal function of fiscal policy. In the paper, possible interrelated effects of new goals of fiscal policy and fiscal soundness are sketched, and necessary changes in the fiscal policy strategy at entering euro analysed. Because initial fiscal conditions at entering the euro area could be considerably affected by the 2006 tax reform proposal, the paper includes also brief discussion of possible measures to overcome those tax reform effects on fiscal soundness at entering euro. In addition to EMU mechanism of controlling fiscal soundness, for small underdeveloped member of EMU it is suggested also own institutionally based mechanism.