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Who Helps State Financing as “Fiscal Agent”?

~ A Brief Comparison of Germany with Japan ~

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~ A Brief Comparison of Germany with Japan ~

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1. Introduction

Why did Japan plunge into a fiscal crisis? This is one of the biggest puzzles in Japan. By comparing the structural features of state financing in Germany to that in Japan, this article aims at casting new light on this matter.

“Fiscal agents” play vital roles in supporting state financing especially when states need to issue a large amount of securities. A “fiscal agent” as the subject of this research is mainly the Bundesbank (Bbk) in Germany, and the Bank of Japan (BOJ) or the Fiscal Investment and Loan Program (FILP). The purpose of this article is to clarify the similarities and differences between Germany and Japan concerning fiscal and monetary coordination between the government and the central bank.

Germany fell into a fiscal crisis in 1975 and then the Bbk implemented the pegging operation, which was exceptional in post-war Germany, to help state financing in June. In March 2001, economic and fiscal crisis in Japan also made the BOJ carry out an unprecedented measure, the so-called quantitative easing policy (QEP), to overcome deflation. However, while the Bbk abandoned its policy stance in only 5 months, the BOJ maintained its policy stance until March 2006. Such a clear difference would shed new light on the issue about the present fiscal crisis in Japan. Consequently a detailed comparative analysis should be required.

To achieve the aim of this study, this article is divided into two main parts. First, we will consider the question, “Why the pegging operation was implemented and immediately abandoned in Germany using primary sources?” Secondly, the structural traits of state financing in Japan will be outlined using mainly some secondary sources, and then we will examine the question, "What kind of roles the FILP and the BOJ played in enabling Japan to accumulate a large amount of debt?"

2. What Did the Bbk Learn from the "Experiment" in 1975?

In 1974 and 1975, Germany suffered its worst recession since WWII. In September 1974, the number of the unemployed was 557,000, but it doubled by the end of the year. At its peak, in February 1975 it reached 1,184,000. The recession in 1974 and the further aggravation of the unemployment problem in 1975 forced Germany to implement an expansionary fiscal policy. From 1974 to 1975, expenditure on social security and unemployment benefits rose by 39.2%. In addition, the tax reform in 1975, which included child benefit reform (Kindergeldreform), boosted social expenditure. As a result, the expenditure on family and youth service increased by 235.4%.

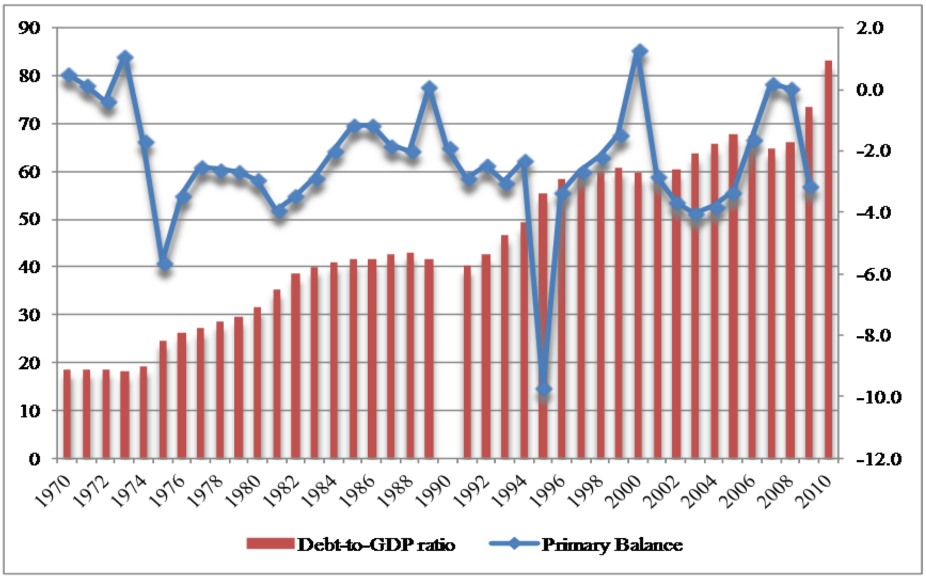
From an international and comparative perspective, social security spending in Germany increased from 24.7% of GDP in 1974 to 29.7% of GDP in 1975, whereas that across EUR 12 expanded on average by only 0.1%[2]. In addition, the amount of government subsidies, which were transferred into the receipts of social budget (Sozialbudget), grew by 21.1% during the same period, while employer's contributions increased by 6.7% and insured person's contributions by 10.2%[3]. As a result of this dramatic hike, the share of the government subsidies in the receipts of the social budget reached 38.1% and became larger than that of employer's contributions (36.5%) in 1975. Consequently, as Figure1 illustrates, the primary balance reached -5.6% of GDP and the

[2] Its share has increased by 1.3% (18.8%→20.1%) in Britain, and by 2.4% (20.5%→22.9%) in France. Refer to Statistisches Taschenbuch 2007.

[3] Refer to Statistisches Taschenbuch 2007. Social budget is a biannual report, published by the Federal Government, on recent and projected expenditures and revenues of social security.

rate of growth in the federal government's debt reached 46.6% in 1975, while its rate was 9% in 1973 and was 15.2% in 1974[4].

Figure1 Debt-to-GDP ratio and Primary Balance



Source: Sachverständigenrat

How did the federal government collect revenue to meet such a high public demand? Japan has the FILP which enabled the government to make huge investments in public works to meet public demand, as will be mentioned in more detail in the following chapter. Yet, Germany has no explicit FILP like Japan. German saving banks, which are similar to postal savings in Japan, behave largely like private banks, while postal savings funds in Japan had been deposited with the Trust Fund Bureau (TFB) and mainly used for policy-based finance and for the purchase of Japanese government bonds (JGBs). This lasted until the reform of the FILP was carried out (Robaschik and Yoshino 2000). Hence, the federal government had to find other resources.

4 Refer to Sachsteandigenrat, Jahresgutachten 1991/92.

First, the federal government asked local governments to support state financing. When the child benefit law was amended in 1974, it was proposed that the share of the costs of child benefit between federal and local government should be changed[5]. In other words, the federal government wanted to lighten its financial burden. However, it could not obtain financial cooperation from local governments. In turn, almost all the burdens caused by the reform were laid on the federal government.

In such circumstances, it was the Bbk that attempted to help state financing through the use of the pegging operation. Historically, open market operation has not been used as the principal monetary instrument in post-war Germany, compared to the use of other measures. Yet, the federal government and German Council of Economic Experts (Sachverständigenrat) often suggested that the efficiency of open market operation should be strengthened. In addition, the Bbk had already carried out large-scale open market operation between 1967 and 1969 and started to regard it as useful and practicable instrument to stimulate and restrain economic activity[6]. In such context, the Bbk began to implement the pegging operation.

2-1. Implementation and Abandonment of the Pegging Operation in Germany

It was in June 1975 that the Bbk adopted the pegging operation to avoid the rise in the yield of securities. The Bbk spent 1.93 billion DM to purchase the federal government bonds during the month of July. Concerning this operation, the President of the Bbk, Karl Klasen, declared in public several times, that the Bbk would continue the

[5] AdSD, 2/BTFG 002766, I A 7, Die finanziellen Auswirkungen der Steuerreform auf die Haushalte der Gebietskörperschaften, Bonn, den 19, August 1974.
[6] B330/DRS.142, Offenmarktgeschäfte mit längerfristigen Wertpapieren, Frankfurt am Main, 17. Januar 1973.

support buying for the time being[7]. At that time, guests, such as the State Secretary of the Federal Ministry of Finance (FMOF), Karl Otto Pöhl, participated in the meeting of the Central Bank Council several times to discuss with the members of the Council the economic and fiscal crisis and the measure to overcome such a problem. The FMOF has a consistent opinion that interest payment burden needed to be lowered by using the monetary policy.

In the 429th meeting of the Central Bank Council, held in January 1975, the members of the Central Bank Council debated with Pöhl over financial issues[8]. The amount of the federal government's debt was predicted to increase massively in 1975, so Heinrich Irmler, a member of the Central Bank Council, stated that it might be more economically rational for Germany to pursue shorter-term financing on a large scale, to solve the financing problem by controlling the growth for central bank money properly. In addition, Pöhl emphasized that a further decrease in interest rates would be essential because this decision could stimulate investments and lighten the burden on the participants owing interest payment, although this advice was not given to lighten the burden on the governments. In the 441st meeting of the Central Bank Council, held in July, the FMOF gave a similar counsel[9]. It is impossible to make sure whether the FMOF had a certain intention to profit itself, but it is obvious that the further decrease in interest rates would benefit itself to some extent.

Since then, discount rate and Lombard rate decreased one after another and large-scale buying operation has also been implemented. Under such circumstances, the decision started to be made with the intention of making it easier for the governments to

7 BArch, B126/65643, VII A1-62 00 00/4-7/75, VII A2-Su 3010-57/75, Bonn, den 31. Oktober 1975.
8 Protokoll der 429. Sitzung des Zentralbankrats der Deutschen Bundesbank in Frankfurt am Main, HA Bbk, B330.
9 Protokoll der 441. Sitzung des Zentralbankrats der Deutschen Bundesbank in Frankfurt am Main, HA Bbk, B330.

finance. In the 442nd meeting of the Central Bank Council, held in August 1975, the members debated with the guest participants, Hans Apel, the Minister of Finance, and Pöhl over financial and monetary issues including open market operation which the Bbk started in the end of June[10]. Apel mentioned that the federal government had to issue a large amount of securities in the second half of this year because of a shortage of tax revenue and financial resources of BA. In this context, the Central Bank Council decided to decrease discount rate and Lombard rate again and to continue a buying operation[11]. Support was unanimous for the continuation of the buying operation, and all the members thought a rise in the yield of securities had to be avoided by using its operation.

Yet, it is uncertain if its operation had a certain impact on the yield of securities. In the 444th meeting of the Central Bank Council held in September 1975, some members maintained that the yield of securities, which were assisted through "Support Buying" did not seem to be lowered although the amount of securities acquired by the Bbk accounted for about 12% of the total amount of the current federal government securities[12]. In the 446th meeting of the Central Bank Council held in October 1975, more members came to be skeptical about the impact of the pegging operation on the yield of securities[13]. Some members came to believe that the Bbk should abandon the pegging operation for four reasons. The first reason was that people might regard this operation as illegal. The second reason was that this operation would increase the volume of central bank money (Zentralbankgeld) excessively, and the third reason was that it also would have undesirable side effects. The last reason was that the members of

[10] Protokoll der 442. Sitzung des Zentralbankrats der Deutschen Bundesbank in Frankfurt am Main, HA Bbk, B330.
[11] Market operation was first introduced by the Reichsbank in 1901. Refer to "Die Zeit", 24 Nov 1967.
[12] Protokoll der 444. Sitzung des Zentralbankrats der Deutschen Bundesbank in Frankfurt am Main, HA Bbk, B330.
[13] Protokoll der 446. Sitzung des Zentralbankrats der Deutschen Bundesbank in Frankfurt am Main, HA Bbk, B330.

the Council started to be convinced that the rise in yield of securities could not be intentionally avoided through using this operation.

There was also an organization which strongly recommended the Bbk to stop the pegging operation. It was the Central Capital Market Committee (ZKMA) whose aim was to avoid excessive securities issuance and to keep order in the capital markets[14]. ZKMA also pointed out that there was no improvement in the gap between the yield of securities, which were not assisted through "support buying (Stützungskäufe)", and that of the federal government securities.

Under such conditions, the pegging operation was finally abandoned in the end of October 1975. As Table1 demonstrates, the amount of securities purchased by the Bbk reached about 7.5 billion DM in 1975, which was an unprecedented scale in post-war Germany. It had increased dramatically within 5 months, between the end of June and the end of October, and in the end it came to account for 20.8% of the total amount of the current federal government securities[15].

[14] Refer to Protokoll der 446. Sitzung des Zentralbankrats der Deutschen Bundesbank in Frankfurt am Main, HA Bbk, B330. As for ZKM, refer to Kohama=Yamatani (1978).

[15] Protokoll der 445. Sitzung des Zentralbankrats der Deutschen Bundesbank in Frankfurt am Main, HA Bbk, B330.

Table1 Acquisition of Securities by the Bbk (Million DM)

1961	15	1971	13	1981	-186	1991	694
1962	-101	1972	-359	1982	1672	1992	1269
1963	-50	1973	-28	1983	2388	1993	-1336
1964	-35	1974	444	1984	-3457	1994	-1557
1965		1975	7490	1985	-206	1995	-2320
1966	-8	1976	-6534	1986	1068	1996	-853
1967	1251	1977	-726	1987	-711		
1968	-404	1978	3525	1988	402		
1969	-467	1979	-2105	1989	-686		
1970	-73	1980	1757	1990	-33		

Source: Deutsches Geld- und Bankwesen in Zahlen 1876-1975, Monatsberichte April 1976. Monatsberichte der Deutschen Bundesbank, Dezember 1976, 1985, 1993, 2005

Even after the Bbk decided to give up such operation, the government and the Bbk kept being criticized. After all, the government ended up being interpellated about this buying operation by members of parliament and CDU/CSU in Federal Parliament[16]. In the question-and-answer sessions, questioners often used the concept, “support buying”, and it means that they might regard the open market operation as granting of credit from the Bbk to the federal government. One of the most remarkable questions was whether the amount of securities acquired through buying operation should be included in the credit limit. As for a credit limit, it is prescribed in §20 of the Bbk Law, but this criticism was beside the point, because §20 is an article about short-term credit limit and it was bonds that the Bbk purchased with the pegging operation. As the questioned answered, the federal government securities acquired through the open market operation would not be included in the limit, because the money created through a buying operation does not flow into the issuer, but into the seller of the securities.

However, it is a fact that even the members of the Central Bank Council were skeptical about the pegging operation and the amount of securities accepted by the Bbk

[16] BArch, B126/65643, VII A1-62 00 00/4-7/75, VII A2-Su 3010-57/75, Bonn, den 31. Oktober 1975.

in 1975, was the unprecedented scale in the post-war era. In addition, this operation could work as "support buying" whether it was intentional or not. Consequently, it is natural that such risky policy made people think that it might be illegal.

2-2. Policy Making After the Bbk Abandoned the Pegging Operation

In the 447th meeting of the Central Bank Council, the Vice President of the Bbk, Otmar Emminger declared that the Bundesbak and the federal government reached an agreement on the point that the Bbk would abandon the pegging operation[17]. The Bbk had a prior consultation about the monetary policy change with the federal government in Bonn. In the discussions, the federal government expected the Bbk to change its policy stance without damaging state financing. Nevertheless, the technical and detailed argument was not made in Bonn, but in Frankfurt.

The main issue in the 447th meeting of the Central Bank Council was how the Bbk should adjust the yield of the federal government bonds which were assisted through "support buying" to market equilibrium rates. There were three different proposals about this matter discussed in the Council. The first proposal was that the Bbk should change its policy stance immediately without considering negative effects on the federal government due to such decision. The second one was that such policy change should be done carefully with certain transition measures. It was proposed by Emminger who did not necessarily support the idea that the Bbk should give up the pegging operation. The third proposal was made by Irmler. He took a moderate stand between these two opinions. He emphasized that the Bbk should change its policy stance as soon as

[17] Protokoll der 447. Sitzung des Zentralbankrats der Deutschen Bundesbank in Frankfurt am Main, HA Bbk, B330. This section was written largely based on this document.

possible, while limiting the negative impacts on state financing due to its decision.

In the end, Irmler's proposal was adopted. In the policy-making process, the Bbk also decided not to sell the federal government securities until its price reached the new market equilibrium price. The most important point here is that the Bbk could not change its policy stance without taking into account possible negative impacts on the federal government due to its decision and had to take certain transition measures for the federal government.

Hence, when Germany fell into a fiscal crisis in 1975, the Bbk attempted to support state financing through taking unprecedented risky measures, but in the process the Bbk learned that the rise in the yield of securities could not be intentionally avoided with such an operation, and it was unreasonable to keep taking such a risky and an ineffective monetary measure. In addition, the Bbk also learned that even after its abandonment of the pegging operation, the Bbk had to keep making efforts to stabilize the price of the federal government securities.

2-3. Lessons Learned from the "Experiment" in 1975

The experience in 1975 made Bbk start regarding the pegging operation as an unacceptable choice. In a speech in Düsseldorf on 30 December 1975, Emminger expressed his opposition to the pegging operation[18]. He also professed that the "interesting experiment" in 1975 proved that the Bbk could not control the yield of the securities by using only monetary policy contrary to the market expectations for the yield. The remarkable point here is that it was Emminger, who had not necessarily

[18] N-2/00019, Ansprache von Otmar Emminger, Vizeräsident der Deutsche Bundesbank, anläßlich der Eröffnung des neuen Bankgebäudes des Bankhauses Trinkaus & Burkhardt, Düsseldorf, 30 Oktober 1975.

supported the idea that the Bbk should abandon the pegging operation until the decision was made, that positioned himself against such a risky operation.

In 1978, the amount of securities purchased by the Bbk reached about 3.5 billion DM, which was the second largest scale in post-war Germany. Nevertheless, in the meeting of the Board of Directors of the Bbk held in May 1978, the President of the Bbk, Emminger made proposals on the principle of its capital market policy. In the proposal, he used the term, "no pegging (kein Pegging)". In other words, he suggested that the Bbk should not adopt the pegging operation again[19]. Since then, the term "Pegging" has not been used in the meeting of the Council and the Board of Directors, so far, as I checked through a search engine in the Bbk.

Concerning the 1990s, it is still impossible for us to access the primary sources because of the thirty year rule. However, such a continuous large-scale buying operation, as the Bbk adopted in 1975, has not been carried out since then. Especially in the 1990s, although the federal government needed to finance the sharp increase in social expenditures due to the reunification, the Bbk did not support state financing through buying operation. On the contrary, it surprisingly implemented a selling operation. This implies that Germany has built a basis of its relatively stable state financing structure owing to the lesson learned in 1975. It may be this state financing structure that brought Germany its relatively stable fiscal condition.

3. Structural Features of State Financing in Japan

The debt to GDP ratio in Japan reached around 200%. Why did Japan plunge into

[19] B330/9049, Protokoll zur Sitzung des Direktoriums der Deutschen Bundesbank,am Montag, 29. Mai 1978.

such a serious fiscal crisis? Some point out that this is because of a huge amount of expenditure on wasteful public works, but Ide=Steinmo (2009) rather emphasized that Japan's budget deficit was not caused by excessive spending but from a lack of tax revenue. Further, Ide (2011) clearly stated that the unprecedented budget deficits were brought about due to the Japanese unique welfare state structure, "construction state".

Although Japan is faced with an unprecedented fiscal crisis, the general government net debt interest payments to GDP ratio in Japan is surprisingly low. The ratio in Japan is about 1.2%, while that in Germany, which has maintained a relatively sound fiscal policy stance in the post-war era, is 2.2% (Kimura forthcoming).

In this chapter, first of all, the characteristics of the FILP, a core of "construction state", which enabled Japan to increase public works, to carry out continuous tax cuts, and to issue a huge amount of bonds without increasing interest payments to GDP ratio, will be described. Next, we will examine how the QEP introduced by the BOJ in 2001, when the FILP fundamental reform was implemented, formed a structure which accelerated the aggravation of the Japanese state fiscal condition and made Japan postpone implementing full-scale fiscal reform.

3-1. FILP and its Reform

The FILP was a sort of government intervention to the financial sector. Before its fundamental reform was implemented in April 2001, it was compulsory to deposit the funds from postal savings and pension reserves to the TFB. The government used the funds to make low interest loans to FILP agencies. As mentioned before, it was also used for the purchase of JGBs.

The FILP was a core of “construction state”. It enabled the government to carry out continuous tax cuts to lower tax burden on taxpayers. Thereby, it allowed the government to gain support among the middle class, managers of small and medium-sized Agency and the self-employed. In addition, the FILP enabled the government to stimulate the economy through public works. By that means, the government could create job opportunities for low-income people. It means that even low-income people came to be able to pay tax and social insurance premium owing to this measure (Ide 2011). In consequence, such huge budget deficits in Japan were caused chiefly because of its structure of “construction state”.

Moreover, such tax cuts brought about by the FILP encouraged the domestic savings, and thereby a huge amount of low-yield JGBs could be held by financial authorities. In 1989, the TFB came to hold 39.6% of the total domestic government bonds. Because of the existence of the FILP, the BOJ did not have to hold a large amount of JGBs at that time (Kimura forthcoming).

However, the reform in 2001 disconnected postal savings and public pension reserves from the FILP (Iwamoto 2002). As a result of the reform, the government lost such huge funds which had been used for purchase of JGBs. Table 2 illustrated that the amount of bonds and FILP bonds accepted by the TFB or Government Investment and Loan Fund (GILF) started to decrease sharply after the reform, whereas that held by the BOJ began increasing at the same period. This implies that the reform can be one of the factors having made the BOJ start purchasing a huge amount of JGBs through the QEP (Kimura forthcoming).

Table 2 Bonds and FILP Bonds accepted by the TFB (GILF) and the BOJ (Billion Yen)

	1990	1995	1998	1999	2000	2001	2002	2003	2004	2005	2006
TFB(GILF)	48,955	52,734	82,713	79,898	77,266	70,914	65,728	53,505	48,791	39,359	23,934
BOJ	11,091	27,340	40,136	43,579	47,700	69,877	81,117	83,924	92,088	86,697	71,024

Source: BOJ, Flow of Funds Accounts

3-2. QEP

The QEP was implemented from March 2001 through March 2006 with a focus to stemming the continuous price decline. This policy was composed of three pillars;

1. to change the main operating target for money market operation from uncollateralized overnight call rate to the outstanding current account balances (CABs) held by financial institutions at the BOJ, and provide ample liquidity to realize a CAB target substantially in excess of the required reserves;
2. to make the commitment that the above ample liquidity provision would continue to stay in place until the CPI registered stably at zero percent; and
3. to increase the amount of outright purchases of long-term JGBs, up to a ceiling of the outstanding balance of banknotes issued, should the BOJ consider such an increase to be necessary for providing liquidity smoothly (Ugai 2007).

First, concerning the effects of the QEP on yields, empirical analyses clearly confirm the effects of the commitment that the expectation that the zero interest rate would be maintained for some time into the future lowered the yield curve, centering on the short to medium term (Ugai 2007). The long-term prime rates also decreased from 2.05% in February 2001 to 1.25% in June 2003. The rates were relatively low from 2001 to 2006 compared to that at any other period. In addition, in the Monetary Policy Meeting on June 28, 2001[20], the President of the BOJ, Hayami Masaru stated that such positive effects on the medium-term yield have already been observed, and seemed to regard the QEP as effective. Comparing this to the German case, the QEP seemed to be regarded as an effective measure. In consequence, it seemed that the BOJ did not have such a clear reason to exit the QEP, as the Bbk had to abandon the pegging operation.

Next, the CAB target in 2001 was ¥5 trillion and was raised as the economic situation deteriorated to ¥30 trillion - ¥35 trillion. As for JGBs, the BOJ's holdings of long-term JGBs reached around ¥63 trillion in 2005, while it was about ¥30 trillion in 1999. According to the Minutes of the Monetary Policy Meeting on March 19, 2001[21], the Vice President, Sakuya Fujiwara expressed his opposition to the idea that the BOJ increased the amount of purchases of long-term JGBs in order to support bond price[22].

Nevertheless, the BOJ came to hold a huge amount of long-term JGBs due to the QEP as mentioned above. In consequence, even after the BOJ gave up the QEP, it came to be extremely difficult for BOJ to fully exit the zero interest rate policy and to normalize its monetary policy stance. This came about because the rise in yields of long-term JGBs and in interest payment would damage not only the accounts of the financial Authorities but also that of the BOJ (Oshima=Ide 2006). The QEP created a structure which forced the BOJ to maintain its continuous low interest rate stance and

[20] Minutes of the Monetary Policy Meeting on June 28, 2001.
http://www.boj.or.jp/mopo/mpmsche_minu/record_2001/gjrk010628a.pdf
[21] Minutes of the Monetary Policy Meeting on March 19, 2001.
http://www.boj.or.jp/mopo/mpmsche_minu/record_2001/gjrk010319a.pdf
[22] Saito (2009) mentioned that the prevailing arguments after the adoption of the QEP, which the long-term yield should be lowered through the increase in the amount of purchases of long-term JGBs, obviously related to the pegging operation.

aggravated the state fiscal condition. In the End, this structure made Japan postpone carrying out full-scale fiscal reform including tax increase which should have been implemented earlier.

4. Conclusion

So far the features of state financing supported by certain “Fiscal Agents” in two countries have been described. Two essential points in this paper will be briefly described below. The first point is that when Germany and Japan fell into economic and fiscal crisis, the central banks in both these countries made efforts to support state financing. The second point is that the Bbk abandoned the pegging operation shortly after the Bbk came to regard the policy as ineffective, but the BOJ kept implementing the QEP for a while even if it was risky. The Bbk has never carried out such risky policies, and Germany maintained relatively low debt to GDP ratio at least until its reunification. On the contrary, Japan postponed implementing full-scale fiscal reform including tax increase through the QEP, although the debt to GDP ratio had already been extremely high due to the continuous tax cuts and the large-scale public works brought about by Japanese unique welfare state structure, even before the BOJ introduced such a policy. Hence, Japan plunged into the unprecedented fiscal crisis.

Could existing theoretical frameworks account for the difference? For example, Mabuchi (1994) emphasized the importance of institutional settings and pointed out that large-scale budget deficit in Japan was formed because the BOJ was not independent of the Ministry of Finance (MOF). This framework can seemingly account for the differences in fiscal performances between Germany and Japan, because Germany, which has a highly independent central bank, the Bbk, recorded relatively low debt to GDP ratio, while Japan, which has a central bank, which is highly dependent on the government, the BOJ, fell into a fiscal crisis.

However, even the Bbk, which is highly independent of the FMOF, tried to support state financing by using the pegging operation when Germany was faced with economic and fiscal crisis, even if the Bbk had to take a certain risk. Moreover, in 1997 the new BOJ law came into force to strengthen its central bank independence, but the BOJ reinforced its cooperation with the MOF after the reform (Oshima=Ide 2006). Furthermore, before the FILP reform was implemented, a huge amount of JGBs was held by the TFB, so huge financial support from the BOJ was not required (Kimura forthcoming). Given this fact, the government's debt in Japan was not caused by the existence of the highly dependent central bank, but by that of TFB which could strongly support state financing. In addition, the QEP accelerated the pace of its accumulation.

Hence, it seemed that Mabuchi's framework could not show us a proper mechanism which accounts for the differences in fiscal performances among countries. In order to comprehend such a mechanism, we need to further examine how and why "Fiscal Agents" came to support state financing and why they decided to strengthen or weaken its cooperation in historical context.

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