This paper analyzes the implications for acceding countries of the existing EU fiscal framework, focusing on three main issues. First, the 3% ceiling on the budget deficit does not leave sufficient room to acceding countries to run counter-cyclical policies during downturns. This is due to the much higher rate of potential output growth and volatility of rates of growth in acceding countries. Second, accession countries have much higher public investments-to-GDP ratios than current EU members. Therefore, current budgetary ceilings are much more stringent for acceding countries than for current EU members. Some form of “golden rule” seems appropriate and consistent with the main goal of convergence and cohesion among EU countries. Third, the procedures associated to the implementation of EU fiscal rules are subject to political influence. As most acceding countries are small and relatively poor countries, they risk to become members of a “second league” of the EU.

JEL Classifications: E62, E63, H50, H62, P35