Abstract (Chapter 1): Governments and international institutions have tried to limit sovereign debt growth by imposing a multiplicity of fiscal rules: at the beginning of the 90’s less than 10 countries had a fiscal rule in place, for a grand-total of a dozen rules; the corresponding numbers for 2015 are over 90 nations and more than 250 rules. Given the impressive proliferation of rules imposed by national or international fiscal institutions, it seems pivotal to provide a theory-based approach to rule selection that can have practical and empirical validity. I study dynamic optimal fiscal rules in a supranational setting in which national governments with quasi-hyperbolic preferences are subject to privately observed idiosyncratic shocks. In this context, fiscal rules aim at striking a balance between flexibility to react to shocks, and commitment to avoid excessive government spending. I compare optimal rules in two different environments: one in which the supranational authority is allowed to transfer resources across countries (i.e. a fiscal union) and one in which transfers are forbidden. I find that optimal fiscal rules can be implemented as deficit limits and are complemented with a combination of grants and loans in a fiscal union. All instruments are debt-contingent: higher public debt contemporaneously tightens deficit limits and reduces the entity of both transfers and credits. Welfare gains from setting up a transfer system are positive but vanish in the limit case in which governments only care about their own consumption. Further, gains from transfers are found to be diminishing in the degree of political bias. I present a sample calibration of the model using EU data. Optimal deficit limits are not far from Maastricht 3%; member countries under extreme distress receive help in the form of grants and loans; grants account for 30% of the overall financial help and are at most 4.5% of GDP.