



Irish Fiscal Advisory Council

Comments on George Kopits, “Ireland’s Fiscal Framework: Options for the Future”

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Overview

- The superiority of debt rules
- National ownership of the fiscal framework
- Procedural rules: multi-year budgeting/pay-go requirements
- Should IFAC's mandate be extended? Is IFAC adequately resourced?



Debt vs. deficit rules

- Paper makes arguments for the superiority of debt rules
- Strong case for debt rules starting from a clean slate
- But the difference between debt and deficit rules can be exaggerated
 - Deficit rules can be written as implied debt rules



Simple 1/20th debt rule

$$\Delta d < 0.05(60 - d_{-1})$$

Or

$$\Delta d < 3 - 0.05d_{-1}$$



3 percent deficit rule can be written as an implied debt rule

$$\Delta d = Def - gd_{-1}$$

Imposing $Def < 3$ percent \Rightarrow

$$\Delta d < 3 - gd_{-1}$$

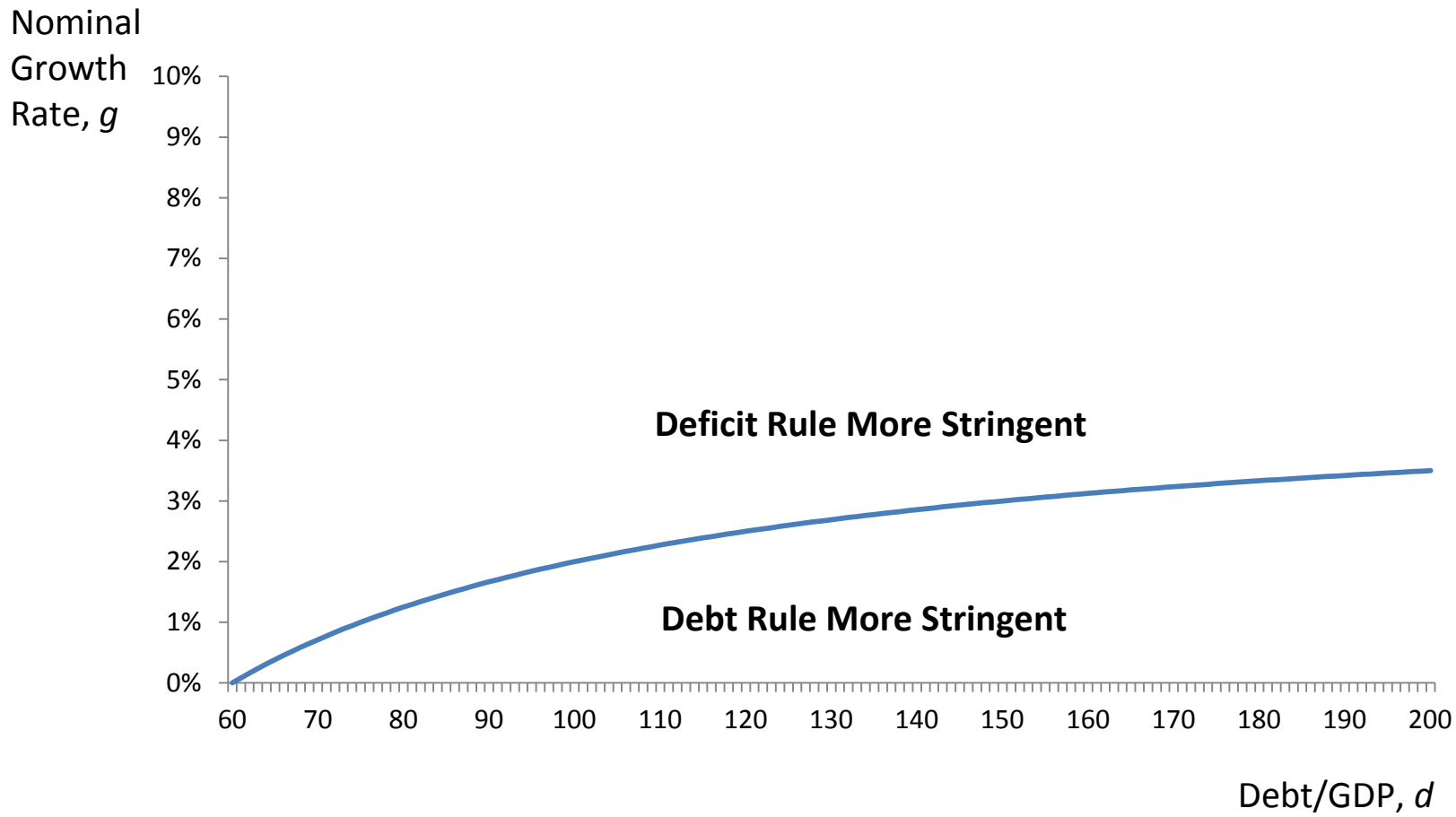


Comparison of 1/20th Debt Rule and 3 percent Deficit Rule





Comparison of 1/20th Debt Rule and 0 percent Deficit Rule





Ownership of the fiscal framework

- Decision made to incorporate key European fiscal rules into national fiscal framework
 - Budgetary Rule designed to be consistent with preventative arm of SGP
- European rules
 - Quite demanding
 - Highly complex
- But legitimate concerns about the enforceability of the SGP



Consistency should support a positive interaction

Effectiveness
of National
Fiscal
Framework



Effectiveness
of European
Fiscal
Framework



Multi-year budgeting / Pay-go rules

- Multi-annual expenditure ceilings provide a significant step in this direction
 - Now underpinned by statute
- Complementary with the SGP *Expenditure Benchmark*
- Expenditure Benchmark has pay-go like features
 - Expenditure growth limited to the growth in potential GDP unless matched by discretionary revenue increases



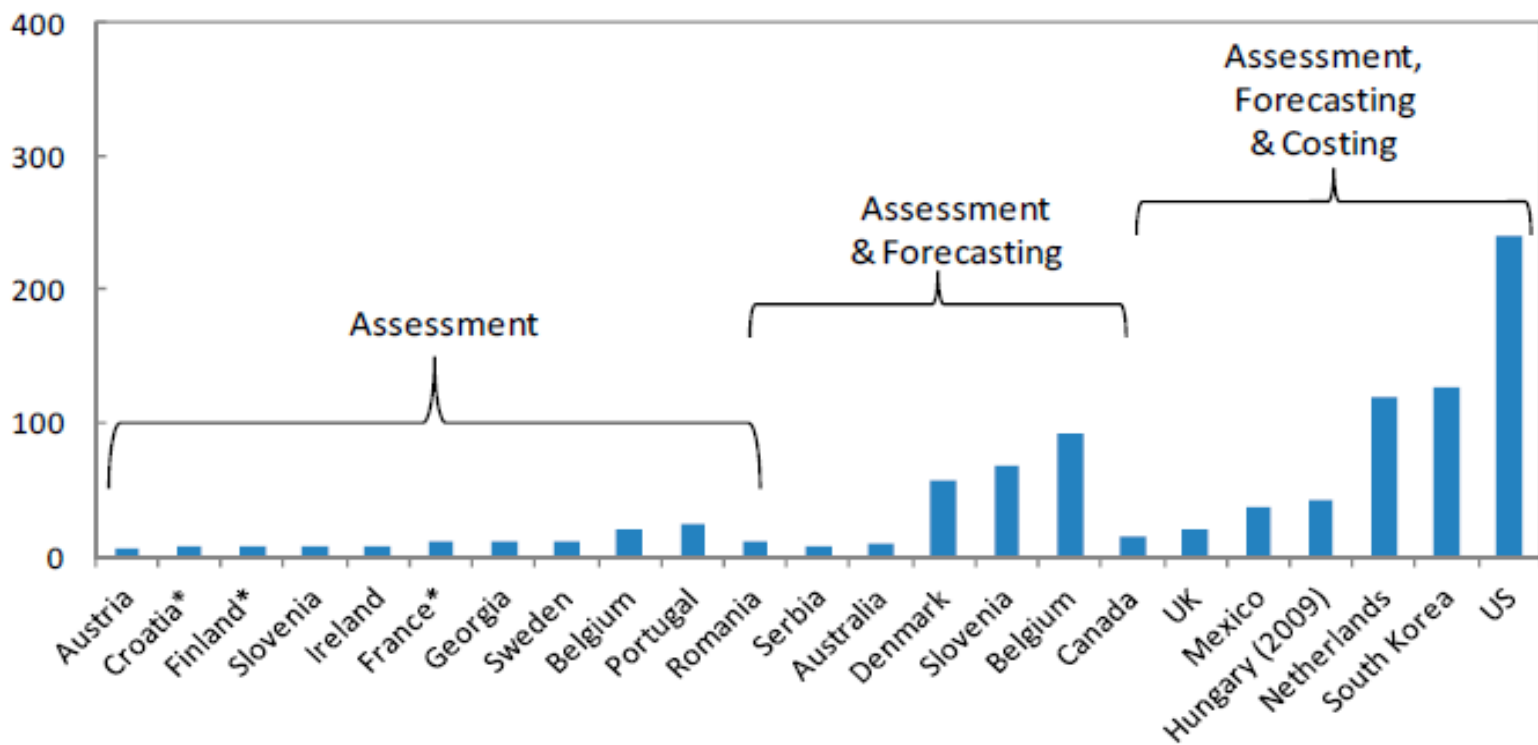
IFAC's mandate

- Current mandate
 - Endorse and assess macroeconomic forecasts
 - Assess fiscal forecasts
 - Assess compliance with budgetary rules
 - Assess fiscal stance
- Potential extensions
 - Macro/fiscal forecasts
 - Costing of new policy measures



Are IFAC's resources sufficient?

Figure 14. Number of FTE Staff and Functions



Sources: IMF Fiscal Council Dataset.

Source: IMF (2013)