

Press Release: Fiscal Council conference focusses on high government debt post-Covid

The Fiscal Council holds its fifth annual “Path for the Public Finances” conference on 8-9 February.

The “Path for the Public Finances” conference looks at the key question of fiscal policy in the era of high public debt and low interest rates that follows Covid-19. A panel of international experts is taking part, including Olivier Blanchard (former Chief Economist of the IMF), Philip Lane (Chief Economist of the ECB) and Agnès Bénassy Quéré (Chief Economist of the French Treasury).

Opening the conference, the Council’s Chairperson, Sebastian Barnes, noted that:

“The central question for fiscal policy is how to make sense of today’s high debt ratios and very low interest rates. This may be the biggest question macroeconomics has faced in decades. It has major implications for fiscal, monetary and financial policies. We are glad to bring together leading economists to share their insights”.

The “Path for the Public Finances” conference is an important space for the Council to explore key issues in fiscal policy with leading Irish and international experts. Past conferences have looked at the structural budget balance, pensions and climate change. This year’s conference has attracted over 200 participants from Ireland and globally.

The Council’s Chief Economist, Eddie Casey, will today present new analysis by the Council exploring the debt dynamics associated with these conditions. It finds that governments are afforded additional space due to favourable debt dynamics. This is made possible by low interest rates, especially as they are likely to be lower than growth rates. However, this space should be used cautiously, given the heightened sensitivity that debt ratios exhibit at higher levels when there are shortfalls in growth and rises in interest rates. In addition, there are pressures associated with an ageing population in terms of higher spending and lower tax revenues over the coming decades. A credible medium-term plan for fiscal policy that anchors the debt ratio and allows space for adjustment if conditions deteriorate would be prudent.