

Friday, 30 October 2015 / 9.30am-4.30pm
CONFERENCE • DEBATING AUSTERITY IN IRELAND
Presented by Royal Irish Academy's Social Sciences Committee in association with
UCD College of Social Sciences and Law

Session 4: Austerity to recovery: where do we go from here?

Global issues and macroeconomic prospects

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**A TRADITION OF
INDEPENDENT
THINKING**



UCC

University College Cork, Ireland
Coláiste na hOllscoile Corcaigh

Outline

1 Government Expenditure

2 National Indebtedness

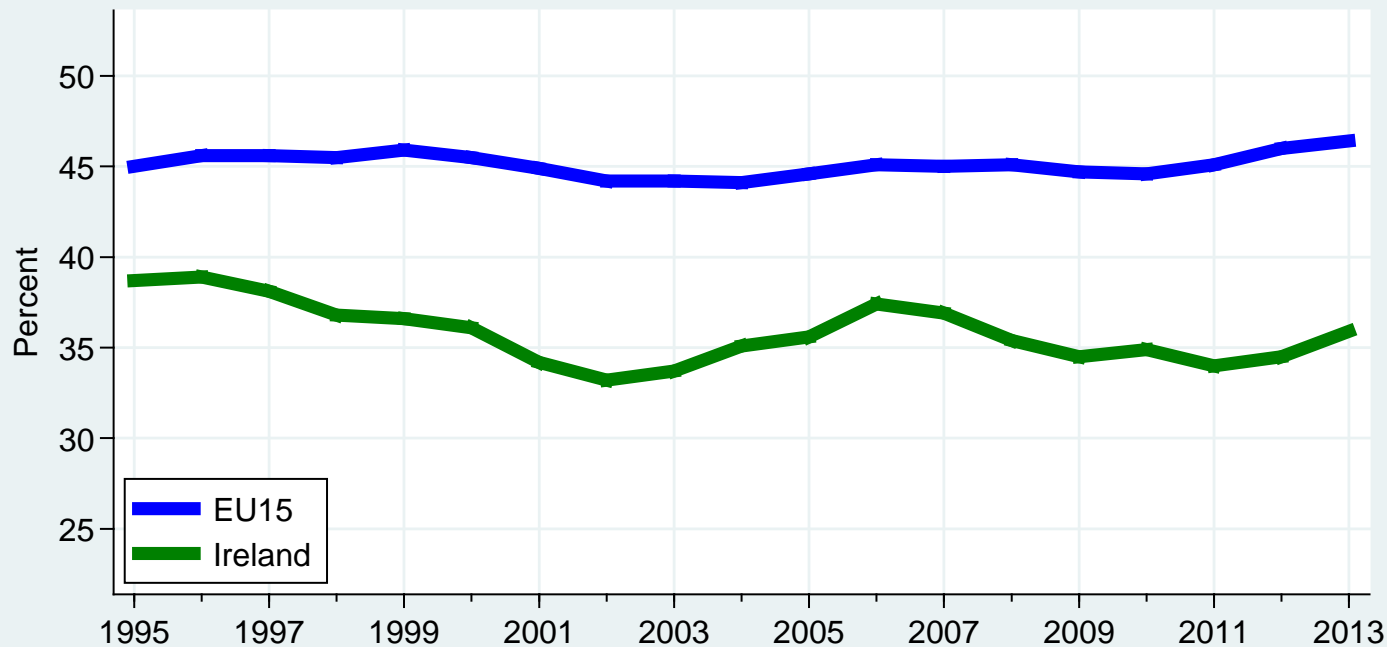
3 Risks

1 Is Ireland "low-tax" & "low-spend"?

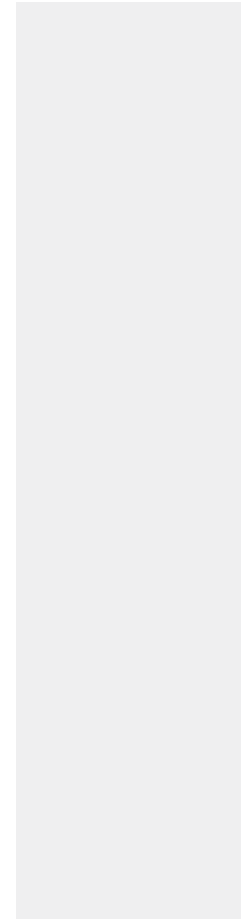


General Government Accounts

Government Revenue as a % of GDP, 1995-2013



Source: Eurostat [gov_a_main]



General Government Expenditure by Function, %GDP, 2013 (ESA2010)

General public services (inc interest)		Defence		Public order & safety		Economic affairs		Environ-mental Protection		Housing & community amenities		Health		Recreation, culture & religion		Education		Social protection		Total general government expenditure	
GF01		GF02		GF03		GF04		GF05		GF06		GF07		GF08		GF09		GF10		TOTAL	
EU28	6.8	EU28	1.4	EU28	1.8	EU28	4.3	EU28	0.8	EU28	0.7	EU28	7.2	EU28	1.0	EU28	5.0	EU28	19.6	EU28	48.6
EU15		EU15		EU15		EU15		EU15		EU15		EU15		EU15		EU15		EU15		EU15	
HU	10.4	UK	2.3	SK	3.3	EL	15.1	NL	1.5	CY	1.9	DK	8.7	EE	2.1	DK	7.0	DK	25.1	SI	59.7
CY	10.1	EL	2.1	BG	2.7	SI	14.5	MT	1.4	FR	1.4	FI	8.4	DK	1.8	PT	6.8	FI	24.9	EL	59.2
EL	9.7	EE	1.8	HR	2.2	HU	6.8	LU	1.2	BG	1.3	NL	8.3	HU	1.8	SE	6.6	FR	24.5	FI	57.8
PT	9.0	FR	1.8	PL	2.2	BE	6.6	BE	1.0	LV	1.2	FR	8.1	SI	1.8	CY	6.5	SE	22.6	DK	57.1
IT	8.9	PL	1.7	PT	2.2	RO	6.2	CZ	1.0	RO	1.2	BE	7.9	NL	1.6	SI	6.5	AT	21.4	FR	57.1
HR	8.8	CY	1.6	RO	2.2	HR	6.1	FR	1.0	HR	1.0	AT	7.9	FR	1.5	FI	6.5	IT	21.0	BE	54.4
BE	8.5	FI	1.5	SI	2.2	CZ	6.0	BG	0.9	CZ	0.8	UK	7.6	LV	1.5	BE	6.4	BE	19.7	SE	53.3
FI	8.3	SE	1.5	UK	2.2	AT	5.7	IT	0.9	HU	0.8	SK	7.5	FI	1.5	EE	6.0	LU	19.6	AT	50.9
DK	7.8	DK	1.3	CY	2.1	BG	5.1	HU	0.9	IT	0.7	CZ	7.3	BE	1.3	MT	5.9	EL	19.2	IT	50.8
SE	7.8	HR	1.3	HU	2.1	MT	5.1	SK	0.9	LU	0.7	IT	7.2	SK	1.3	LV	5.7	DE	18.9	PT	50.1
AT	7.2	SK	1.3	ES	2.0	FR	4.9	EL	0.8	PL	0.7	IE	7.1	HR	1.2	LT	5.6	PT	18.9	HU	49.7
MT	7.0	BG	1.2	IT	2.0	EE	4.8	ES	0.8	PT	0.7	DE	7.0	LU	1.2	LU	5.6	SI	18.7	HR	47.0
ES	6.9	IT	1.2	NL	2.0	LV	4.7	UK	0.8	SI	0.7	SE	7.0	CZ	1.1	FR	5.5	ES	17.6	NL	46.8
FR	6.8	NL	1.2	EE	1.9	FI	4.7	EE	0.7	SK	0.7	SI	6.9	ES	1.1	NL	5.5	NL	17.2	UK	45.5
IE	6.7	DE	1.1	LV	1.9	ES	4.4	LV	0.7	SE	0.7	PT	6.7	PL	1.1	UK	5.5	UK	16.9	DE	44.3
SI	6.7	PT	1.1	BE	1.8	SE	4.3	PL	0.7	UK	0.7	HR	6.6	SE	1.1	HR	5.3	HU	16.6	ES	44.3
DE	6.4	LT	1.0	EL	1.8	IT	4.2	RO	0.7	IE	0.6	ES	6.0	PT	1.0	PL	5.3	PL	16.2	LU	44.3
PL	5.7	SI	1.0	CZ	1.7	LU	4.2	SI	0.7	EE	0.5	MT	5.7	CY	0.9	CZ	5.2	IE	15.7	MT	42.3
UK	5.7	BE	0.9	LT	1.7	PL	4.1	DE	0.6	ES	0.5	LT	5.6	MT	0.9	AT	5.0	HR	14.3	PL	42.2
SK	5.5	ES	0.9	DE	1.6	NL	3.9	IE	0.6	NL	0.5	LU	5.3	AT	0.9	SK	5.0	MT	13.9	CZ	42.0
LT	5.3	LV	0.9	IE	1.6	DK	3.6	LT	0.5	DE	0.4	HU	5.2	RO	0.9	HU	4.7	BG	13.7	CY	41.4
LU	5.1	CZ	0.8	FR	1.6	LT	3.5	AT	0.5	AT	0.4	EE	5.1	BG	0.8	EL	4.5	CZ	13.3	SK	41.0
NL	5.1	RO	0.8	MT	1.4	PT	3.4	DK	0.4	FI	0.4	EL	5.1	DE	0.8	DE	4.3	SK	12.3	IE	40.6
RO	4.9	MT	0.7	FI	1.4	DE	3.3	HR	0.4	BE	0.3	BG	4.6	LT	0.8	IE	4.1	EE	12.0	EE	38.9
CZ	4.7	AT	0.6	SE	1.4	SK	3.3	CY	0.4	DK	0.3	PL	4.6	UK	0.8	IT	4.1	CY	11.9	BG	38.3
LV	4.7	HU	0.5	AT	1.3	IE	3.1	PT	0.4	EL	0.3	RO	4.0	IE	0.7	ES	4.0	RO	11.5	LV	36.1
BG	4.2	IE	0.4	DK	1.0	UK	3.1	FI	0.3	MT	0.3	LV	3.6	IT	0.7	BG	3.8	LT	11.4	LT	35.5
EE	4.0	LU	0.4	LU	1.0	CY	2.9	SE	0.3	LT	0.2	CY	3.1	EL	0.6	RO	2.8	LV	11.3	RO	35.2
MEAN	6.9	MEAN	1.2	MEAN	1.9	MEAN	5.3	MEAN	0.8	MEAN	0.7	MEAN	6.4	MEAN	1.2	MEAN	5.3	MEAN	17.2	MEAN	46.6

Source: Eurostat [gov_10a_exp]

General Government Expenditure on Social Protection, %GDP 2013 (ESA2010)

Sickness & disability		Old age		Survivors		Family & children		Unemployment		Housing		Social exclusion n.e.c.		Social protection n.e.c.		Social protection	
GF1001		GF1002		GF1003		GF1004		GF1005		GF1006		GF1007		GF1009		GF10	
EU28	2.8	EU28	10.4	EU28	1.4	EU28	1.7	EU28	1.6	EU28	0.5	EU28	0.8	EU28	0.3	EU28	19.9
EU15	2.7	EU15	10.9	EU15	1.8	EU15	1.6	EU15	1.9	EU15	0.4	EU15	0.6	EU15	0.3	EU15	20.3
DK	5.2	EL	14.4	IT	2.7	DK	5.0	DK	3.4	UK	1.4	NL	2.0	BE	0.8	DK	25.1
NL	4.7	IT	14.0	ES	2.3	LU	3.5	ES	3.0	IE	0.9	DK	1.9	CZ	0.7	FI	24.9
SE	4.6	FR	13.5	BE	1.9	FI	3.4	IE	3.1	FR	0.9	CY	1.8	DK	0.7	FR	24.5
HR	4.5	AT	12.9	DE	1.9	IE	2.6	BE	2.3	DK	0.7	UK	1.7	DE	0.6	SE	22.6
FI	4.5	SE	12.1	PL	1.9	FR	2.5	FI	2.3	DE	0.4	BE	1.1	EE	0.6	AT	21.4
HU	3.4	FI	12.0	PT	1.9	SE	2.5	NL	2.0	HU	0.4	FR	1.0	IE	0.5	IT	21.0
IE	3.2	PT	11.9	MT	1.7	BE	2.4	DE	1.9	NL	0.4	SE	1.0	EL	0.5	BE	19.7
DE	3.0	LU	11.4	FR	1.6	BG	2.4	FR	1.9	CZ	0.3	AT	0.9	FR	0.5	LU	19.6
BE	2.8	SI	10.3	SI	1.6	AT	2.4	PT	1.6	FI	0.3	LU	0.8	HR	0.5	EL	19.2
FR	2.8	BG	9.9	EL	1.5	HU	2.2	LU	1.5	SE	0.3	SI	0.8	IT	0.3	DE	18.9
LT	2.8	PL	9.3	AT	1.5	SI	2.2	SE	1.5	BE	0.1	FI	0.8	ES	0.3	PT	18.9
UK	2.8	DE	9.1	HR	1.3	UK	1.7	AT	1.4	BG	0.1	IE	0.7	CY	0.2	SI	18.7
PL	2.6	BE	8.8	CY	1.3	DE	1.6	CY	1.3	EL	0.1	LT	0.7	LV	0.2	ES	17.6
SI	2.5	ES	8.8	HU	1.3	HR	1.6	IT	1.2	LV	0.1	HU	0.6	LT	0.2	NL	17.2
EE	2.3	RO	8.8	IE	1.1	EE	1.5	EE	1.0	ES	0.1	CZ	0.5	LU	0.2	UK	16.9
ES	2.3	UK	8.6	SK	0.9	SK	1.5	EL	0.9	LT	0.1	SK	0.5	HU	0.2	HU	16.6
LU	2.3	DK	8.3	FI	0.8	CY	1.4	SI	0.9	MT	0.1	LV	0.4	MT	0.2	PL	16.2
CZ	2.2	MT	8.3	CZ	0.6	CZ	1.3	MT	0.6	AT	0.1	DE	0.3	NL	0.2	IE	15.7
SK	2.2	HU	8.0	LT	0.4	PL	1.3	PL	0.6	PL	0.1	HR	0.3	AT	0.2	HR	14.3
AT	2.0	CZ	7.9	SE	0.4	MT	1.1	LT	0.5	EE	0.0	MT	0.3	PL	0.1	MT	13.9
IT	1.8	LV	7.5	EE	0.1	PT	1.1	HR	0.4	HR	0.0	PL	0.3	PT	0.1	BG	13.7
LV	1.8	NL	6.9	NL	0.1	IT	1.0	LV	0.4	IT	0.0	PT	0.3	RO	0.1	CZ	13.3
EL	1.5	EE	6.8	RO	0.1	LT	1.0	HU	0.4	CY	0.0	IT	0.2	SI	0.1	SK	12.3
MT	1.5	SK	6.5	UK	0.1	NL	1.0	CZ	0.3	LU	0.0	ES	0.2	SK	0.1	EE	12.0
PT	1.5	HR	6.0	DK	0.0	LV	0.8	UK	0.3	PT	0.0	RO	0.2	FI	0.1	CY	11.9
RO	0.8	LT	5.8	LV	0.0	RO	0.8	RO	0.2	RO	0.0	BG	0.1	SE	0.1	RO	11.5
CY	0.5	CY	5.4	LU	0.0	EL	0.7	SK	0.2	SI	0.0	EE	0.1	UK	0.0	LT	11.4
BG	0.3	IE	4.1	BG	-	ES	0.6	BG	0.1	SK	0.0	EL	0.0	BG	0.0	LV	11.3
MEAN	2.6	MEAN	9.2	MEAN	1.1	MEAN	1.8	MEAN	1.3	MEAN	0.2	MEAN	0.7	MEAN	0.3	MEAN	17.2

Source: Eurostat [gov_10a_exp]

General Government Expenditure on Social Protection, %GDP 2013 (ESA2010)

Sickness & disability		Old age		Survivors		Family & children		Unemployment		Housing		Social exclusion n.e.c.		Social protection n.e.c.		Social protection		Social protection excl. old age	
GF1001		GF1002		GF1003		GF1004		GF1005		GF1006		GF1007		GF1009		GF10			
EU28	2.8	EU28	10.4	EU28	1.4	EU28	1.7	EU28	1.6	EU28	0.5	EU28	0.8	EU28	0.3	EU28	19.9	EU28	9.5
EU15	2.7	EU15	10.9	EU15	1.8	EU15	1.6	EU15	1.9	EU15	0.4	EU15	0.6	EU15	0.3	EU15	20.3	EU15	9.4
DK	5.2	EL	14.4	IT	2.7	DK	5.0	DK	3.4	UK	1.4	NL	2.0	BE	0.8	DK	25.1	DK	16.8
NL	4.7	IT	14.0	ES	2.3	LU	3.5	ES	3.0	IE	0.9	DK	1.9	CZ	0.7	FI	24.9	FI	12.9
SE	4.6	FR	13.5	BE	1.9	FI	3.4	IE	3.1	FR	0.9	CY	1.8	DK	0.7	FR	24.5	IE	11.6
HR	4.5	AT	12.9	DE	1.9	IE	2.6	BE	2.3	DK	0.7	UK	1.7	DE	0.6	SE	22.6	FR	11.0
FI	4.5	SE	12.1	PL	1.9	FR	2.5	FI	2.3	DE	0.4	BE	1.1	EE	0.6	AT	21.4	BE	10.9
HU	3.4	FI	12.0	PT	1.9	SE	2.5	NL	2.0	HU	0.4	FR	1.0	IE	0.5	IT	21.0	SE	10.5
IE	3.2	PT	11.9	MT	1.7	BE	2.4	DE	1.9	NL	0.4	SE	1.0	EL	0.5	BE	19.7	NL	10.3
DE	3.0	LU	11.4	FR	1.6	BG	2.4	FR	1.9	CZ	0.3	AT	0.9	FR	0.5	LU	19.6	DE	9.8
BE	2.8	SI	10.3	SI	1.6	AT	2.4	PT	1.6	FI	0.3	LU	0.8	HR	0.5	EL	19.2	ES	8.8
FR	2.8	BG	9.9	EL	1.5	HU	2.2	LU	1.5	SE	0.3	SI	0.8	IT	0.3	DE	18.9	HU	8.6
LT	2.8	PL	9.3	AT	1.5	SI	2.2	SE	1.5	BE	0.1	FI	0.8	ES	0.3	PT	18.9	AT	8.5
UK	2.8	DE	9.1	HR	1.3	UK	1.7	AT	1.4	BG	0.1	IE	0.7	CY	0.2	SI	18.7	SI	8.4
PL	2.6	BE	8.8	CY	1.3	DE	1.6	CY	1.3	EL	0.1	LT	0.7	LV	0.2	ES	17.6	HR	8.3
SI	2.5	ES	8.8	HU	1.3	HR	1.6	IT	1.2	LV	0.1	HU	0.6	LT	0.2	NL	17.2	UK	8.3
EE	2.3	RO	8.8	IE	1.1	EE	1.5	EE	1.0	ES	0.1	CZ	0.5	LU	0.2	UK	16.9	LU	8.2
ES	2.3	UK	8.6	SK	0.9	SK	1.5	EL	0.9	LT	0.1	SK	0.5	HU	0.2	HU	16.6	IT	7.0
LU	2.3	DK	8.3	FI	0.8	CY	1.4	SI	0.9	MT	0.1	LV	0.4	MT	0.2	PL	16.2	PT	7.0
CZ	2.2	MT	8.3	CZ	0.6	CZ	1.3	MT	0.6	AT	0.1	DE	0.3	NL	0.2	IE	15.7	PL	6.9
SK	2.2	HU	8.0	LT	0.4	PL	1.3	PL	0.6	PL	0.1	HR	0.3	AT	0.2	HR	14.3	CY	6.5
AT	2.0	CZ	7.9	SE	0.4	MT	1.1	LT	0.5	EE	0.0	MT	0.3	PL	0.1	MT	13.9	SK	5.8
IT	1.8	LV	7.5	EE	0.1	PT	1.1	HR	0.4	HR	0.0	PL	0.3	PT	0.1	BG	13.7	LT	5.6
LV	1.8	NL	6.9	NL	0.1	IT	1.0	LV	0.4	IT	0.0	PT	0.3	RO	0.1	CZ	13.3	MT	5.6
EL	1.5	EE	6.8	RO	0.1	LT	1.0	HU	0.4	CY	0.0	IT	0.2	SI	0.1	SK	12.3	CZ	5.4
MT	1.5	SK	6.5	UK	0.1	NL	1.0	CZ	0.3	LU	0.0	ES	0.2	SK	0.1	EE	12.0	EE	5.2
PT	1.5	HR	6.0	DK	0.0	LV	0.8	UK	0.3	PT	0.0	RO	0.2	FI	0.1	CY	11.9	EL	4.8
RO	0.8	LT	5.8	LV	0.0	RO	0.8	RO	0.2	RO	0.0	BG	0.1	SE	0.1	RO	11.5	LV	3.8
CY	0.5	CY	5.4	LU	0.0	EL	0.7	SK	0.2	SI	0.0	EE	0.1	UK	0.0	LT	11.4	BG	3.8
BG	0.3	IE	4.1	BG	-	ES	0.6	BG	0.1	SK	0.0	EL	0.0	BG	0.0	LV	11.3	RO	2.7
MEAN	2.6	MEAN	9.2	MEAN	1.1	MEAN	1.8	MEAN	1.3	MEAN	0.2	MEAN	0.7	MEAN	0.3	MEAN	17.2	MEAN	8.0

Source: Eurostat [gov_10a_exp]

Population aged >64 and government spending on 'old age' social protection, 2013

	Total Population	Persons aged 65 and over	Proportion of Population Aged 65 and over	Social Protection on 'Old Age', %GDP	SP spend 'old age' per pp of population over 64
EU28	506,611,827	92,218,866	18.2	10.4	0.57
Luxembourg	537,039	75,057	14.0	11.4	0.82
France	65,560,721	11,511,520	17.6	13.5	0.77
Greece	10,991,400	2,206,710	20.1	14.4	0.72
Austria	8,451,860	1,527,257	18.1	12.9	0.71
Italy	59,685,227	12,639,829	21.2	14.0	0.66
Poland	38,062,535	5,476,620	14.4	9.3	0.65
Finland	5,426,674	1,018,193	18.8	12.0	0.64
Sweden	9,555,893	1,828,283	19.1	12.1	0.63
Portugal	10,487,289	2,032,606	19.4	11.9	0.61
Slovenia	2,058,821	352,145	17.1	10.3	0.60
Romania	20,020,074	3,258,198	16.3	8.8	0.54
Bulgaria	7,284,552	1,395,471	19.2	9.9	0.52
Belgium	11,161,642	1,959,654	17.6	8.8	0.50
Spain	46,727,890	8,262,078	17.7	8.8	0.50
United Kingdom	63,905,297	10,986,368	17.2	8.6	0.50
Slovakia	5,410,836	710,222	13.1	6.5	0.50
Malta	421,364	72,278	17.2	8.3	0.48
Czech Republic	10,516,125	1,767,618	16.8	7.9	0.47
Hungary	9,908,798	1,701,675	17.2	8.0	0.47
Denmark	5,602,628	999,801	17.8	8.3	0.47
Germany	82,020,578	17,002,915	20.7	9.1	0.44
Netherlands	16,779,575	2,824,345	16.8	6.9	0.41
Cyprus	865,878	114,442	13.2	5.4	0.41
Latvia	2,023,825	379,784	18.8	7.5	0.40
Estonia	1,320,174	238,053	18.0	6.8	0.38
Ireland	4,591,087	562,405	12.2	4.1	0.33
Croatia	4,262,140	773,141	18.1	6.0	0.33
Lithuania	2,971,905	542,198	18.2	5.8	0.32
MEAN			17.4	9.2	0.53

Source: Eurostat, author's calculations

Let's make some adjustments

1 Examine general government expenditure excluding Old-Age Social Protection (GF1002)

2 We will make a second adjustment for differences between GDP and GNI

National Income Adjustment

$$\text{NIA} = \text{GDP} / (\text{GNI} + 0.5(\text{GDP} - \text{GNI}))$$

[and also sneak in an adjustment for capital transfers payable because of banking issues]

Adjusted General Government Expenditure, % National Income (ESA2010), 2013

Country	Government Expenditure, % GDP		minus 'Old Age' Social Protection Expenditure, % GDP	and Capital Transfers, payable, %GDP	equals Adjusted Government Expenditure, % GDP		multiply National Income adjustment	equals Adjusted Government Expenditure, % "National Income"	
Denmark	57.1	4	8.3	0.3	48.5	1	1.00	48.5	1
Finland	57.8	3	12.0	0.3	45.5	2	1.00	45.4	2
Belgium	54.4	6	8.8	1.9	43.7	3	1.01	43.9	3
France	57.1	5	13.5	1.0	42.6	4	1.00	42.6	4
Sweden	53.3	7	12.1	0.3	40.9	5	1.00	40.9	5
Hungary	49.7	11	8.0	1.6	40.1	6	1.01	40.7	6
Croatia	47.0	12	6.0	1.1	39.9	7	1.01	40.3	7
Slovenia	59.7	1	10.3	10.4	39.0	9	1.00	39.1	8
Netherlands	46.8	13	6.9	0.8	39.1	8	1.00	39.1	9
Ireland	40.6	23	4.1	0.6	35.9	13	1.08	38.8	10
Portugal	50.1	10	11.9	0.9	37.3	10	1.00	37.5	11
Austria	50.9	8	12.9	1.2	36.8	11	1.00	36.8	12
Luxembourg	44.3	17	11.4	1.1	31.8	22	1.15	36.6	13
United Kingdom	45.5	14	8.6	0.8	36.1	12	1.00	36.3	14
Italy	50.8	9	14.0	1.2	35.6	14	1.00	35.6	15
Spain	44.3	16	8.8	1.0	34.5	15	1.00	34.5	16
Slovakia	41.0	22	6.5	0.5	34.0	17	1.01	34.3	17
Czech Republic	42.0	20	7.9	1.0	33.1	19	1.04	34.3	18
Germany	44.3	15	9.1	0.9	34.3	16	1.00	34.3	19
Cyprus	41.4	21	5.4	2.4	33.6	18	1.02	34.1	20
Malta	42.3	18	8.3	1.3	32.7	20	1.02	33.5	21
Poland	42.2	19	9.3	0.5	32.4	21	1.00	32.4	22
Greece	59.2	2	14.4	12.8	32.0	22	1.00	32.0	23
Estonia	38.9	24	6.8	1.0	31.1	24	1.01	31.5	24
Lithuania	35.5	27	5.8	1.3	28.4	25	1.01	28.8	25
Latvia	36.1	26	7.5	0.4	28.2	26	1.00	28.3	26
Bulgaria	38.3	25	9.9	0.5	27.9	27	1.00	27.9	27
Romania	35.2	28	8.8	1.1	25.3	28	1.00	25.3	28
MEAN	46.6		9.2	1.7	35.7		1.01	36.2	

Source: Eurostat, author's calculations [data ranked by last column]

The Big Three

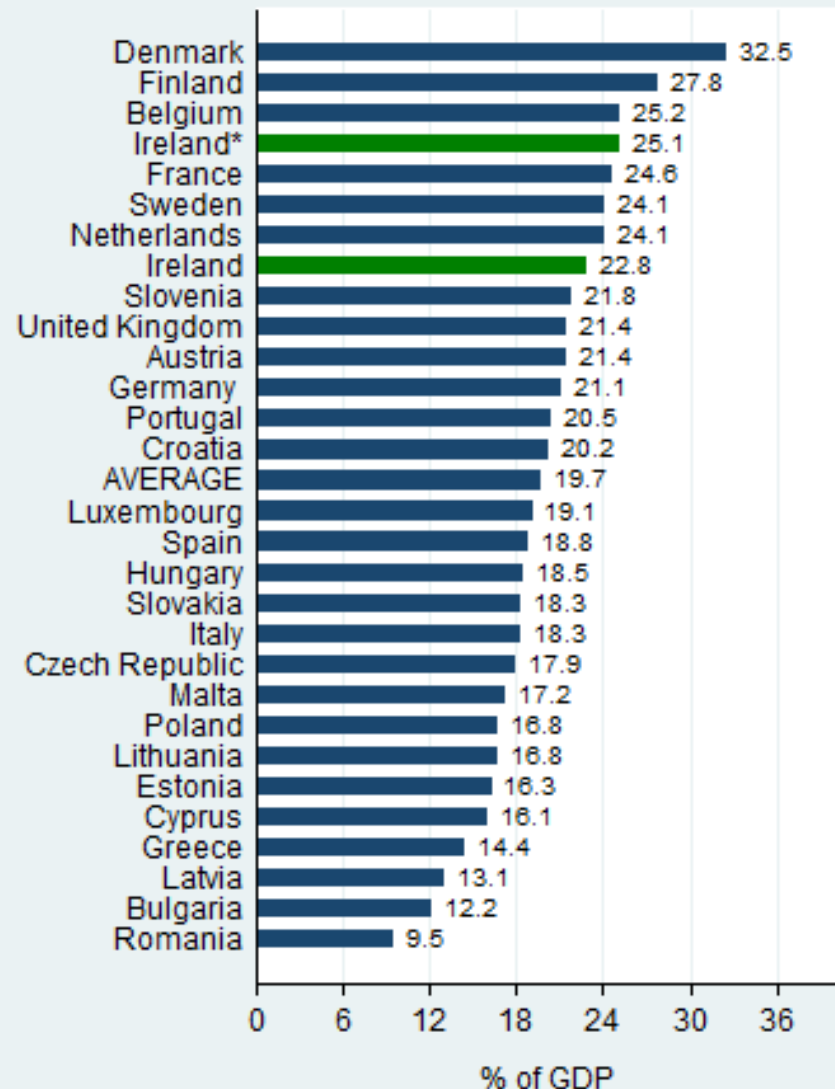
Expenditure on

- Health,
- Education, and
- Social Protection excluding Old-Age

Using a hybrid measure for national income Ireland is the fourth highest spender in the EU on these areas.

Health, Education & Social Welfare

Public expenditure on Health (GF07), Education (GF09) and Social Welfare (GF10) excluding Old-Age Social Protection (GF1002), %GDP, 2013

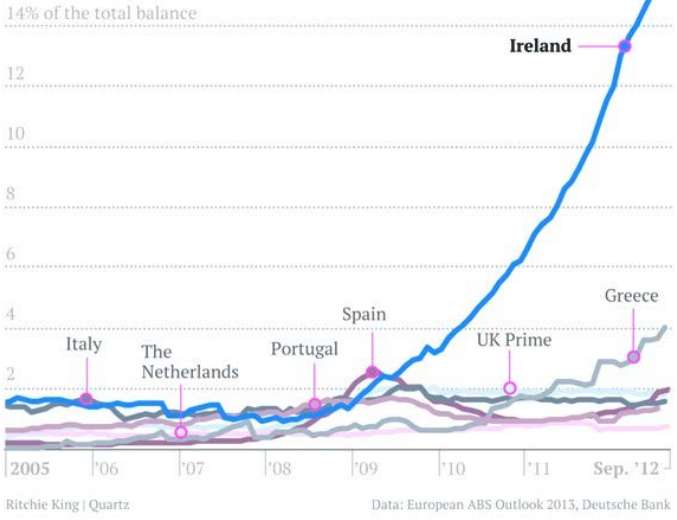


Source: Eurostat (COFOG)

* Hybrid GDP for Ireland = $GDP - 0.5(GDP - GNP)$

2 The Level of National Indebtedness

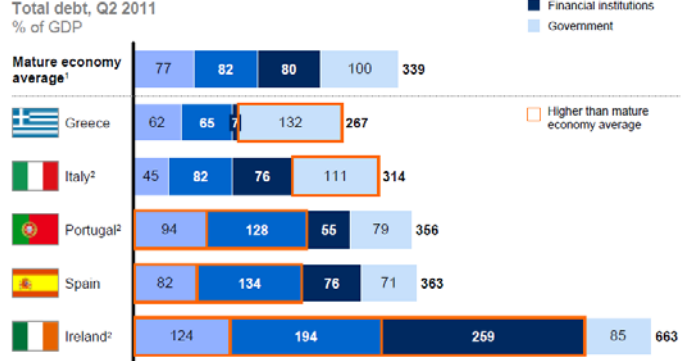
Late stage mortgage arrears in European countries



Insolvency Service of Ireland



Apart from Ireland, countries associated with the eurozone crisis do not have high levels of overall debt



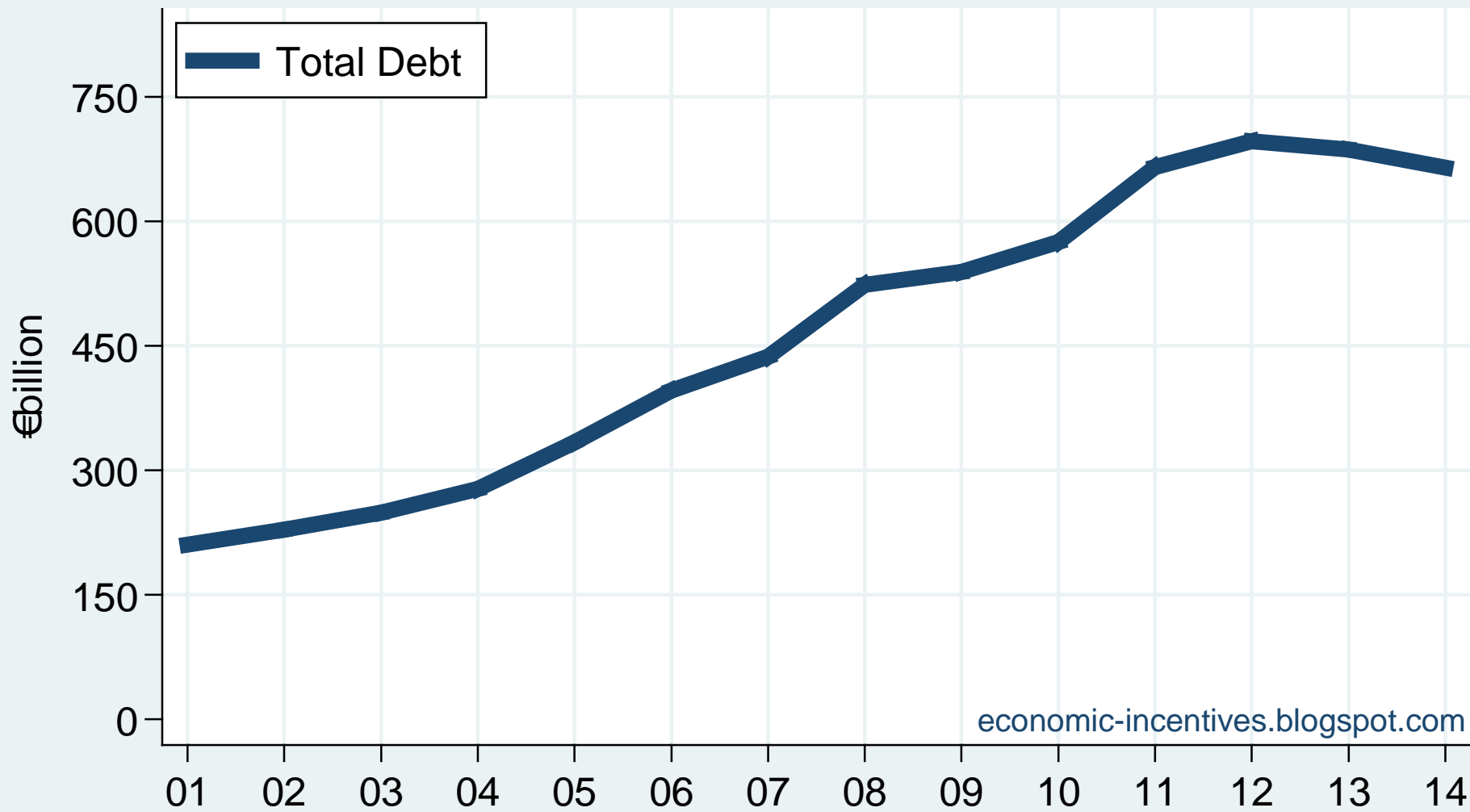
1 Average of ten largest mature economies: United States, Japan, Germany, France, United Kingdom, Italy, Canada, Spain, Australia, and South Korea.
2 Q1 2011 data.
NOTE: Numbers may not sum due to rounding.
SOURCE: Haver Analytics; national central banks; McKinsey Global Institute



National Treasury Management Agency
Managing Ireland's National Debt

Institutional Sector Accounts: Financial

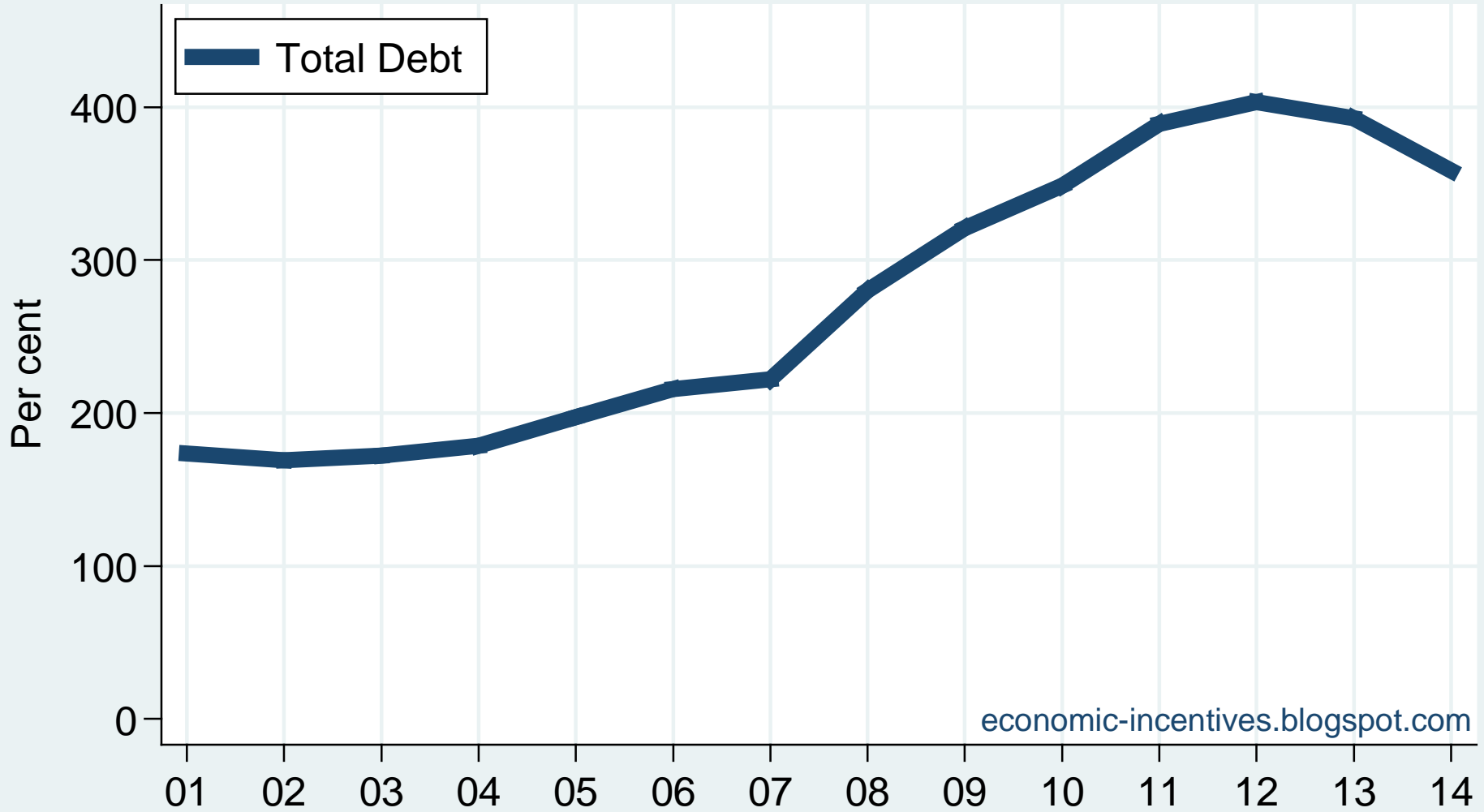
Total Real Economy Debt (HH, Gov and NFC), €billion



Source: CSO: Institutional Sector Accounts

Institutional Sector Accounts: Financial

Total Real Economy Debt (HH, Gov and NFC), %GDP

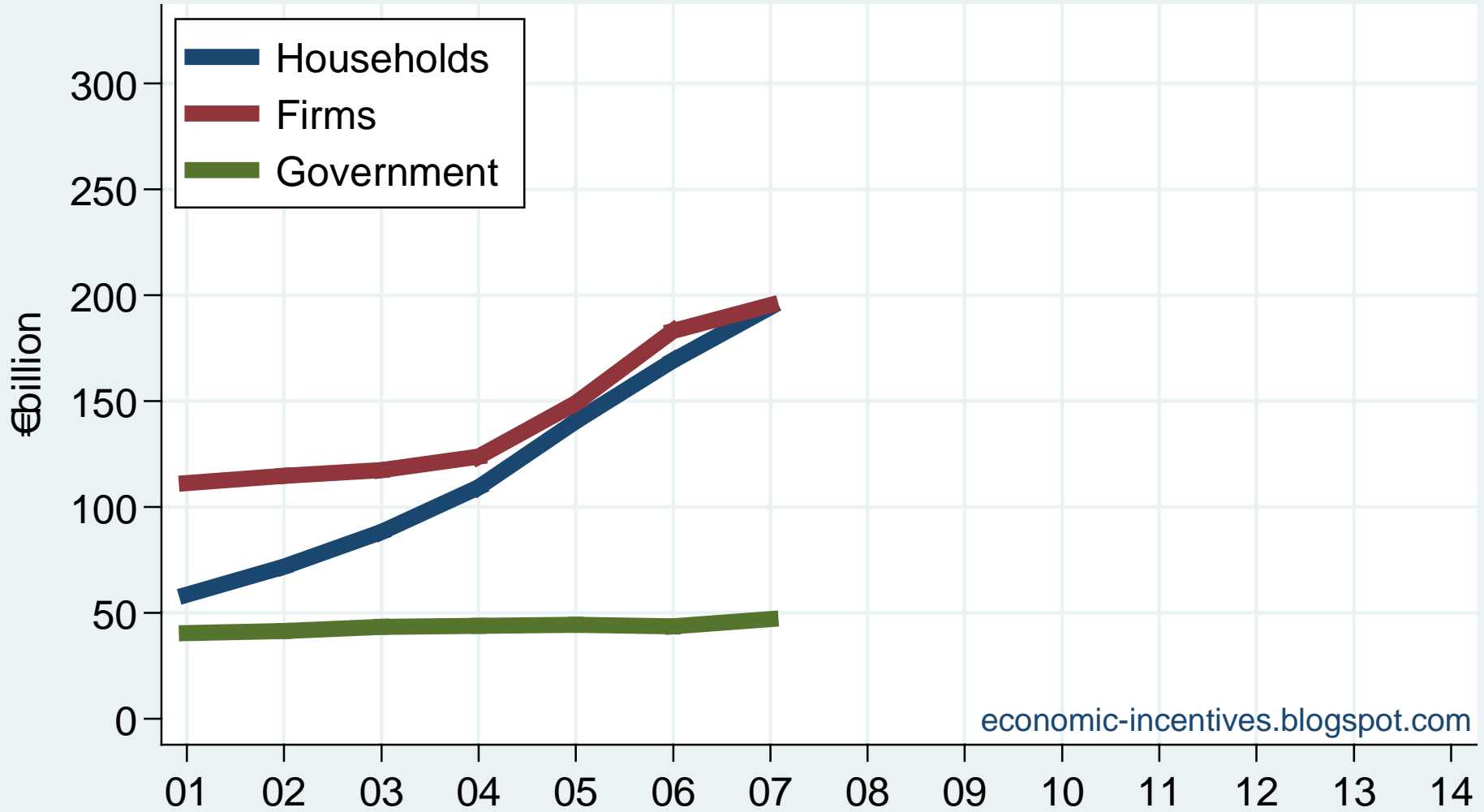


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Source: CSO: Institutional Sector Accounts

Institutional Sector Accounts: Financial

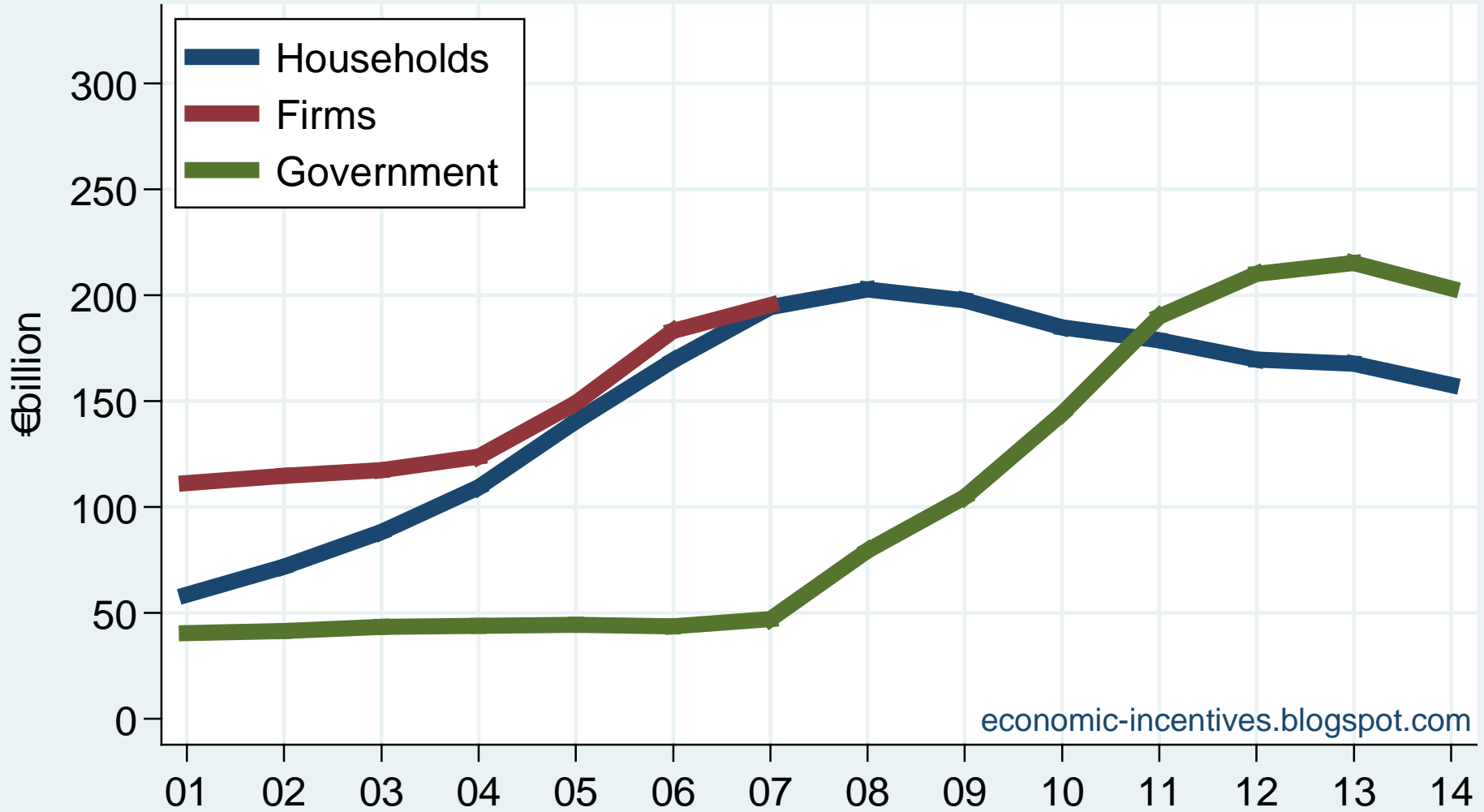
Household, Government and Non-Financial Corporate Debts, €billion



Source: CSO: Institutional Sector Accounts

Institutional Sector Accounts: Financial

Household, Government and Non-Financial Corporate Debts, €billion

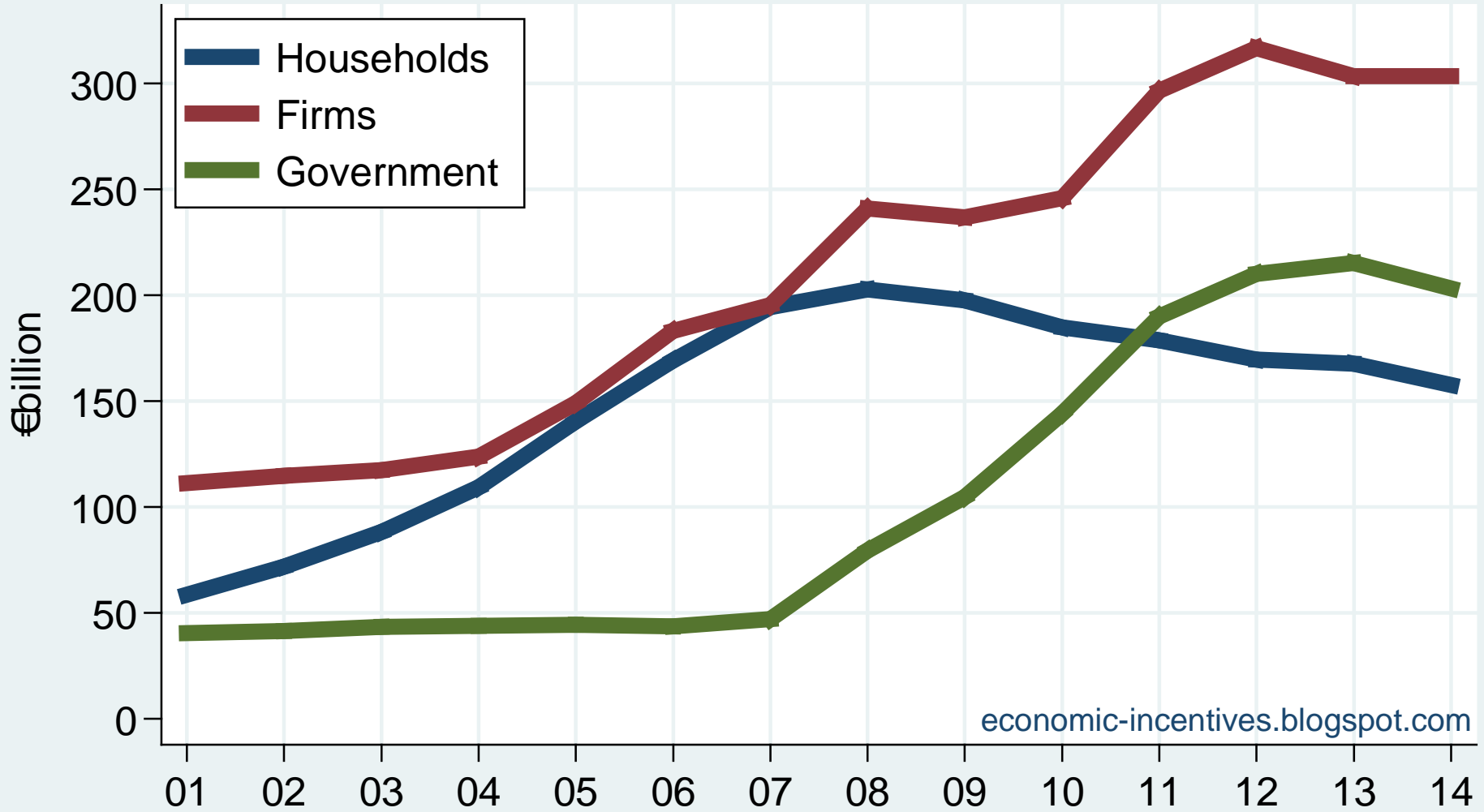


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Source: CSO: Institutional Sector Accounts

Institutional Sector Accounts: Financial

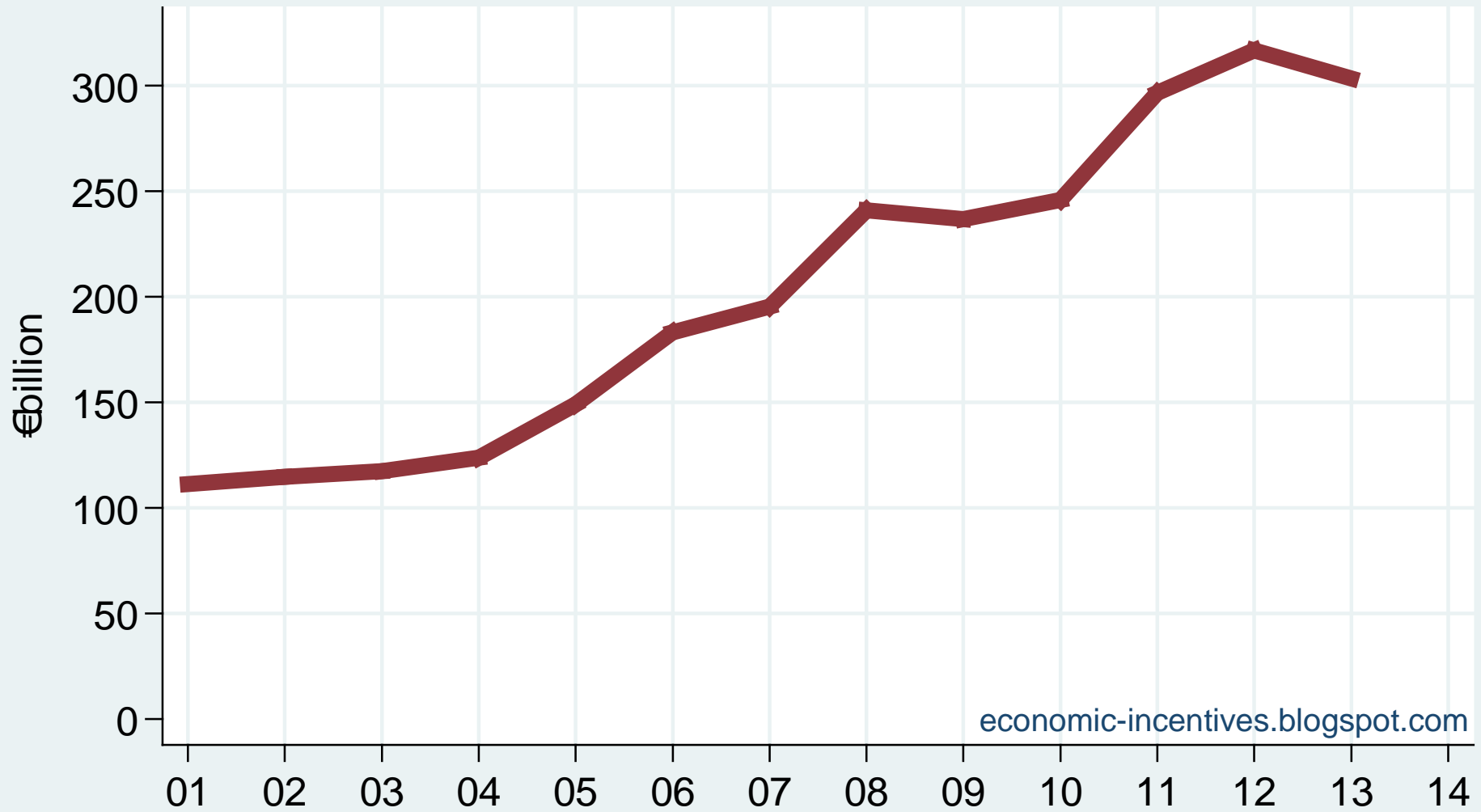
Household, Government and Non-Financial Corporate Debts, €billion



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Source: CSO: Institutional Sector Accounts

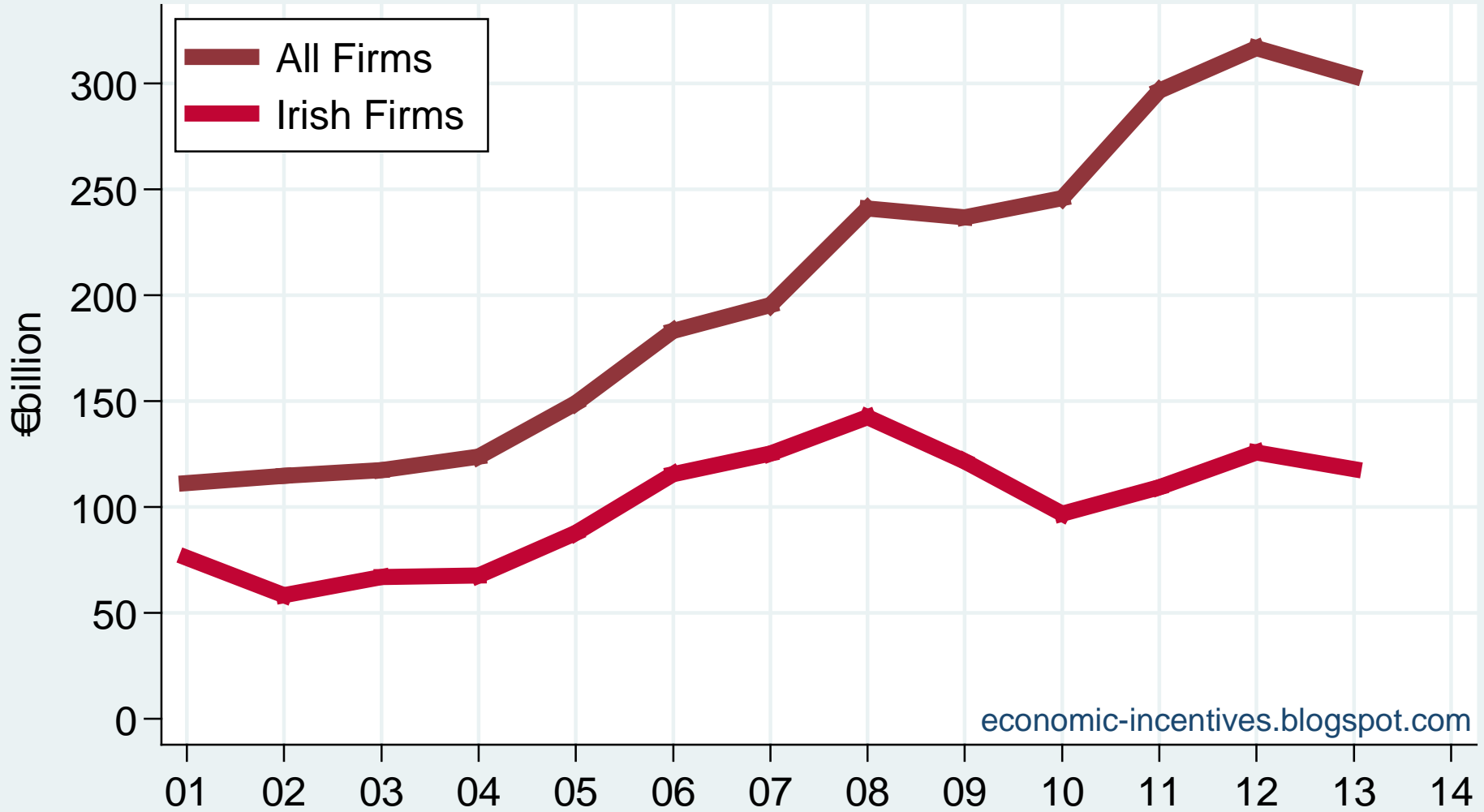
Institutional Sector Accounts: Financial Non-Financial Corporate Debts, €billion



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Source: CSO: Institutional Sector Accounts

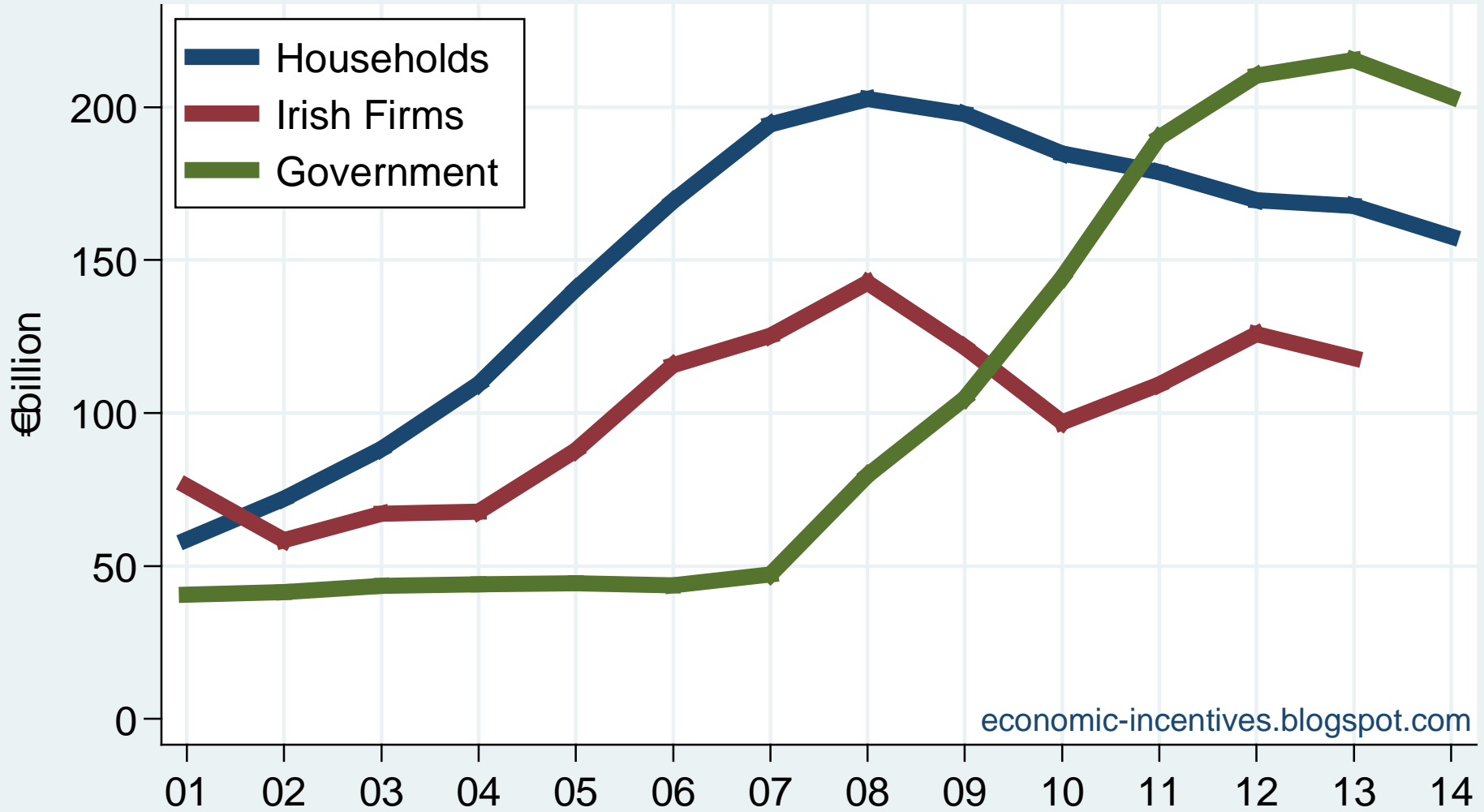
Institutional Sector Accounts: Financial Non-Financial Corporate Debts, €billion



Source: CSO: Institutional Sector Accounts

Institutional Sector Accounts: Financial

Household, Government and 'Irish-parent' NFC Debts, €billion

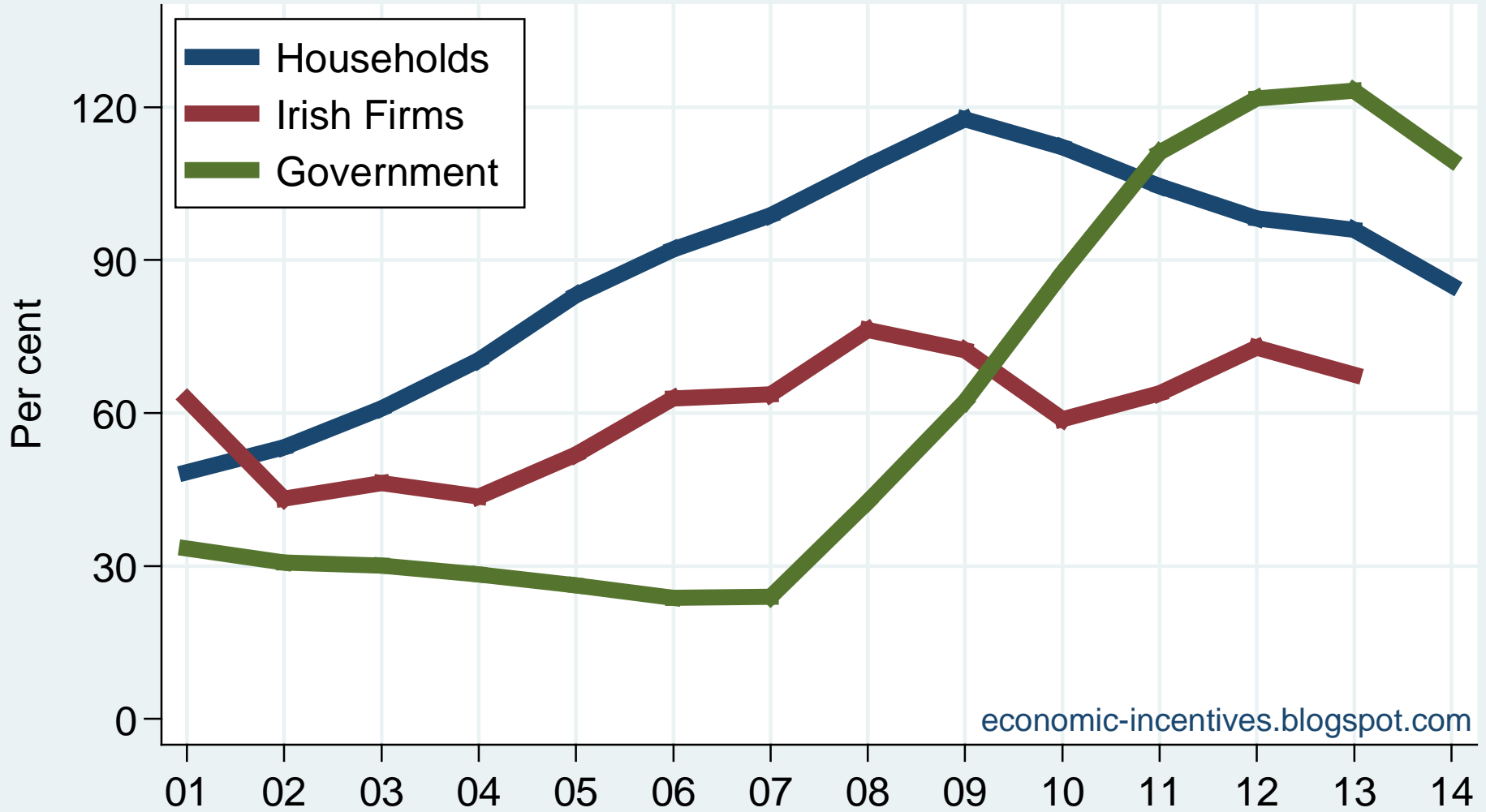


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Source: CSO: Institutional Sector Accounts

Institutional Sector Accounts: Financial

Household, Government and 'Irish-parent' NFC Debts, %GDP



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Source: CSO: Institutional Sector Accounts

3 Risks

Global factors that have moved in our favour

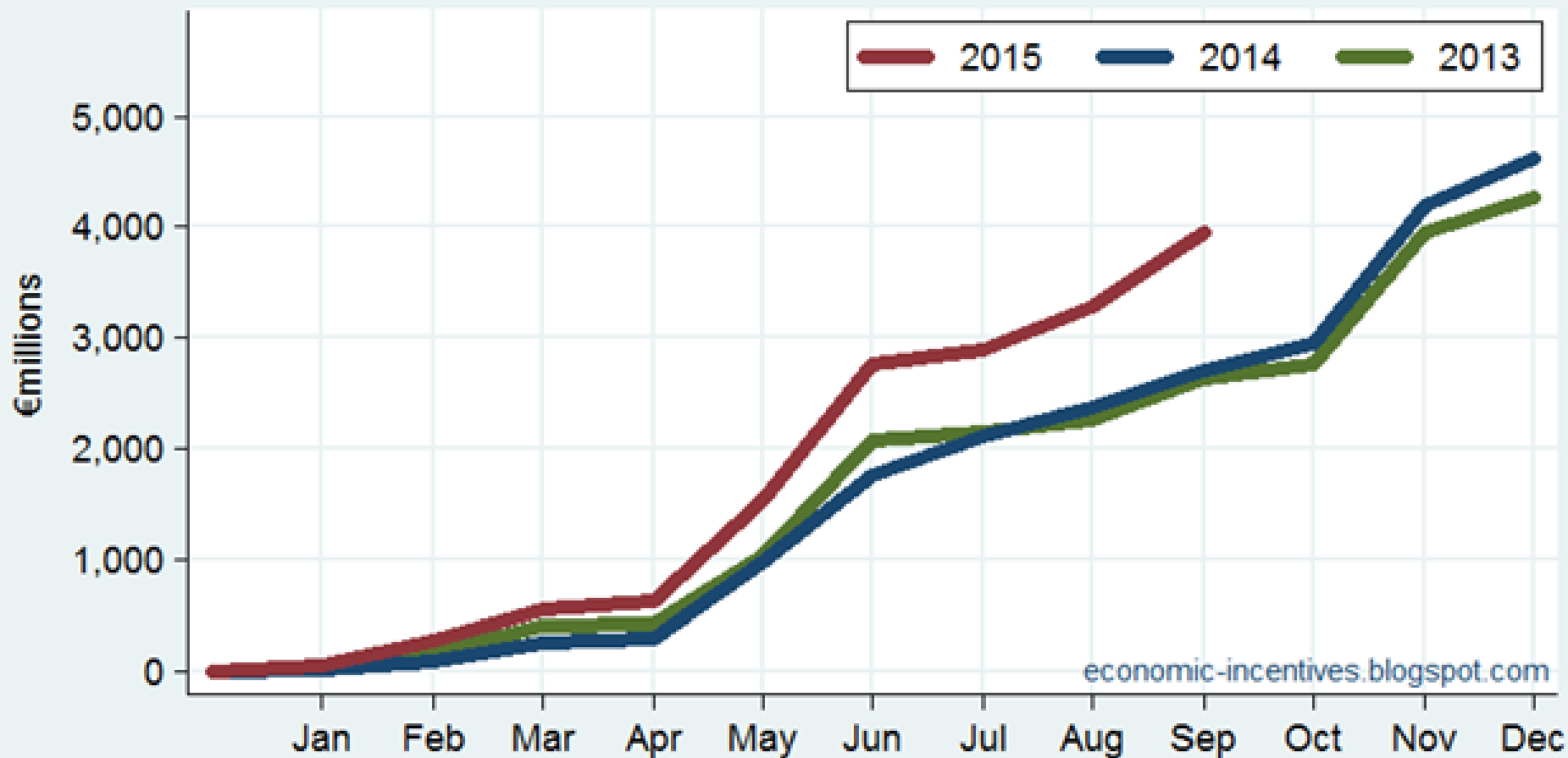
- Interest rates
- Exchange rates
- Oil prices

And something we should be concerned about

- Corporation Tax

Exchequer Returns: Corporation Tax

Cumulative Corporation Tax Revenues 2013-2015



Source: Department of Finance

One idea

- Fiscal ratios should be assessed in terms of GNP.
 - Limited impact on balance.
 - Targets a slightly lower debt level in the long run.
 - May slightly reduce fiscal space available under the 'expenditure benchmark'.
- Removing MNC profits from National Income in fiscal arithmetic is only the first step.
 - Should also exclude part of the revenues from MNC and aim for a balanced budget excluding that.
 - Could set aside 5% of the gap between GDP and GNP
 - This is approximately half of the effective tax rate of corporate profits.

- This would mean budgeting for an overall surplus in times of growth.
- The associated surplus should be saved in a “Stability Fund”
- Which then allows for fiscal space in a downturn.
- Rules based on employment projections:
 - Make contribution when growth $> 1.5\%$
 - Freeze contributions if growth $< 1.5\%$
 - Allow withdrawals if growth $< 0.5\%$