

---

# Pre-Budget 2002 Open Forum

---

Dr Aidan Kane  
"Fiscal Policy in Context"

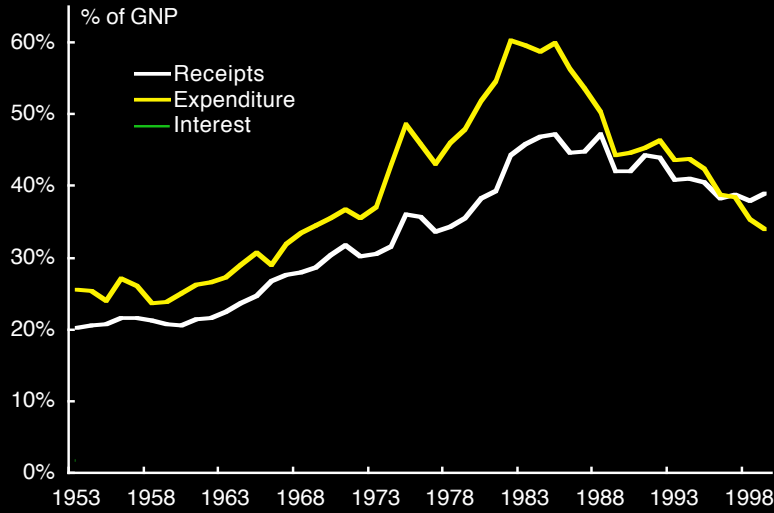
Department of Economics  
NUI, Galway  
November 2001

## 'Fiscal Policy in Context'

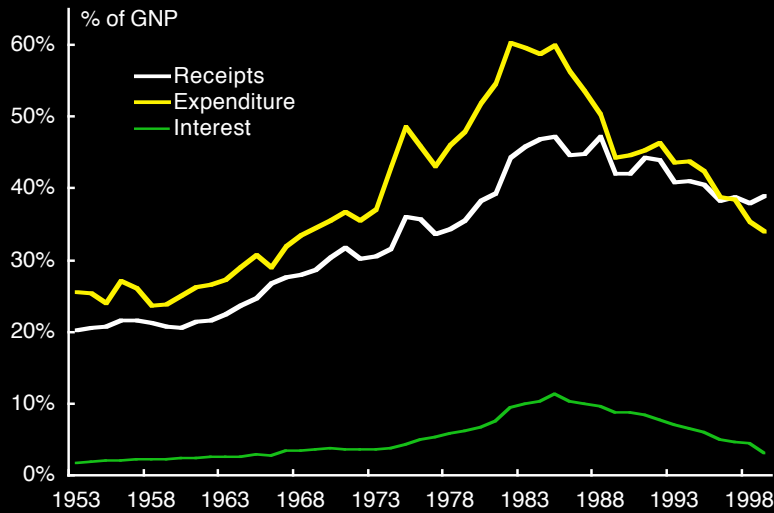
Aidan Kane

- Revenue, Expenditure levels over time
- Components of Expenditure
- A closer look at deficits
- Tax receipts this year
- Budget 2002: a return to deficits?

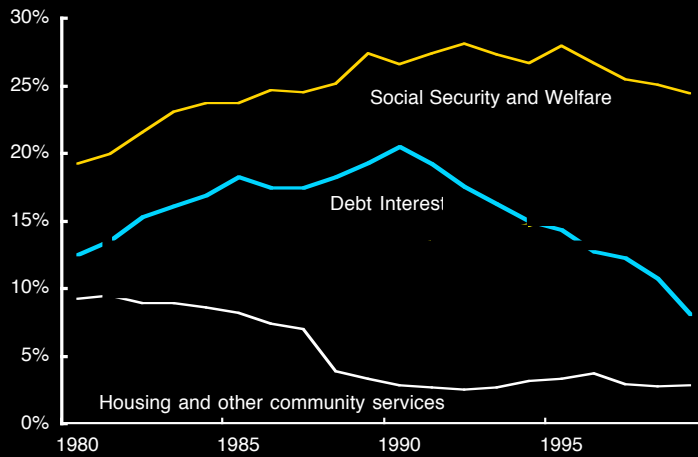
### Central Government Finances 1953–99



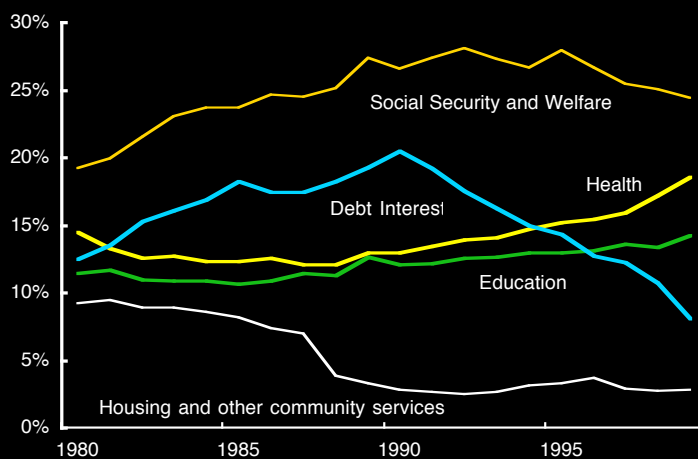
### Central Government Finances 1953–99



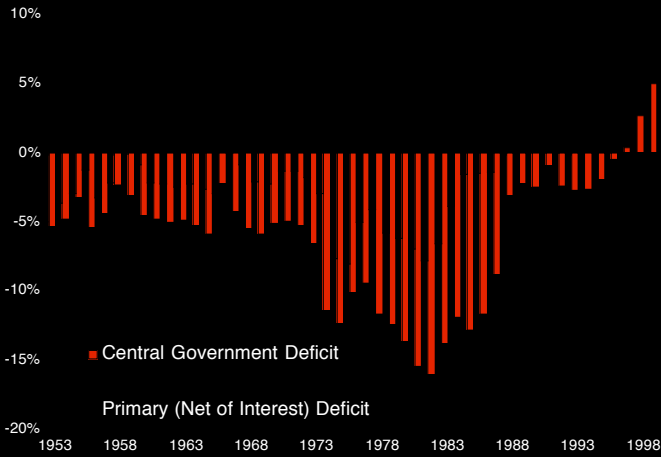
## Breakdown of Central Government Expenditure since 1980



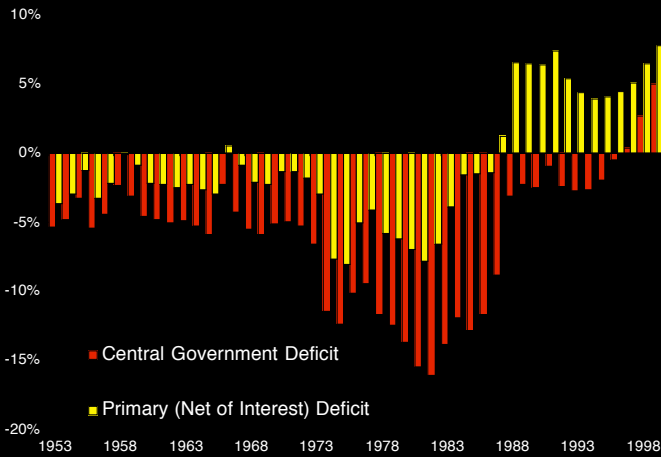
## Breakdown of Central Government Expenditure since 1980



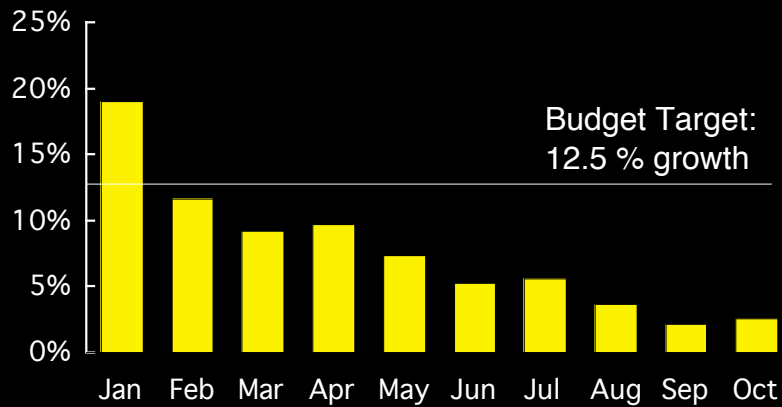
### Central Government Deficits/Surpluses 1953-99 (as % of GNP)



### Central Government Deficits/Surpluses 1953-99 (as % of GNP)



Tax Revenue 2001, compared to 2000  
(year on year % change)



## A return to deficits?

IR£ billion	2001	2002
Current Expenditure	22.9	25.3
Capital Expenditure	4.8	5.4
<b>Total</b>	<b>27.7</b>	<b>30.7</b>
Current Receipts	27.6	28.9
Capital Receipts	1.2	0.9
<b>Total</b>	<b>28.8</b>	<b>29.8</b>
<b>Exchequer Surplus/Deficit</b>	<b>1.12</b>	<b>-0.91</b>



You're facing a budget deficit of £1 billion.  
What do you do?

- A. raise taxes?
- B. cut expenditure?
- C. both?
- D. neither

## Cheer up

- Debt/GNP ratio is OK at c. 45%
- Use another definition of the deficit
- The General Government Balance
- Exchequer Deficit           – £913 million
- Various 'adjustments'    + £490 million
- Pensions Reserve Fund + £1070 million
- General Govt Surplus    = £647 million