Good afternoon Ladies and Gentleman.

I am delighted to be here today to jointly present the Miriam Hederman O’Brien Prize to Diarmaid Smyth and Ronan Hickey for their paper – *‘The Financial Crisis in Ireland and Government Revenues’.*

I’d like to thank the Foundation for Fiscal Studies for the invitation to take part in today’s event. I know that the Foundation’s main objective is to promote the study and discussion of issues relating to fiscal policy. Today’s gathering serves that purpose by recognising the important contribution that Rónán and Diarmaid have made to the debate and by providing a forum to discuss their paper.

Their presentation of the paper today is also timely as we all look forward to the Budget in a fortnight’s time and I am pleased to see policy-makers from Government Departments in the audience today to engage in the debate.

Since Ireland joined the euro, fiscal policy is now the main tool by which government can influence the economy. Thanks to the growing economic recovery, we now have choices again in terms of how we spend money, what we choose to invest in and how we achieve the appropriate balance between spending and taxation.

The paper makes an important contribution to informing these policy choices. It examines trends in government revenues during and after the financial crisis and it clearly demonstrates the mistakes of the past in terms of over-reliance on cyclical tax revenues. That over-reliance on property-dependent taxes left the Irish tax base vulnerable to economic shocks and meant that the collapse in the housing market, and subsequent recession, had a much bigger impact on the public finances than would have otherwise been the case.

Crucially, the composition of growth in the economy is now more balanced and sustainable than was the case previously and the paper encourages policy-makers to apply the lessons from the past and maintain a broad and stable tax base and use cyclical non-tax revenues to reduce debt.

Putting the public finances on a sound and sustainable footing has been one of the key objectives of this Government since taking office. Put simply, stable public finances are a pre-requisite for economic growth.

This Government has broadened the tax base, and reduced dependence on volatile revenue streams, through a renewed focus on environment and property taxes. However, I would highlight that these policies have been challenging to implement and it is only through informed debate that such measures will gain widespread acceptance in the longer term.

Organisations like the Foundation have a really important role in this regard. I know that one of the key criteria for today’s prize was that the research in question be written in a manner that makes it accessible to non-specialists in the area. I would strongly agree that there is no point in economists talking only to one another and producing ground-breaking research if no-one else can understand the debate and engage in it! One of the strengths of today’s paper is that it presents complex information in a very straightforward and simple manner and applies the lessons of the past to today’s fiscal policy choices.

I know that the Minister for Finance has been keen to emphasise that despite the positive developments in the public finances, there will be no return to the “If I have it, I spend it” budgets of the past. And, as you know, from next year onwards a new set of fiscal rules apply and we will be required to make progress towards a balanced budget in structural terms. These rules are designed to ensure that fiscal policy enhances economic growth and macroeconomic stability going forward.

The European Semester and these new fiscal rules have presented the opportunity to reform the budgetary policy process in Ireland.

The Government had already moved to a medium term expenditure framework to enhance the management of public expenditure. The broad thrust of the reforms is to move discussions about expenditure decisions away from consideration of short-term issues to a broader strategic debate about key challenges facing public expenditure and public services.

The new annual process starts with the Spring Economic Statement which sets out the fiscal position in order to facilitate an open discussion about options and priorities well in advance of the October Budget. By setting out the available fiscal space – it gives people the parameters within which an important debate can be had

The next phase in the process is the National Economic Dialogue which took place for the first time in July of this year. The aim of the dialogue is to widen consultation on the Budget with key stakeholders. It is about ensuring we have an informed and mature discussion regarding both the short and medium-term priorities. The National Economic Dialogue was broadcast live from Dublin Castle this year and is an important development in terms of increased transparency in the budgetary process.

This new process presents real opportunities for organisations like the Foundation for Fiscal Studies to play an important role in facilitating the broader policy debate to feed into the process.

The wide-ranging ranging reforms to the budgetary architecture, introduced by the Government, have been informed by the core principle that a more open and transparent process, allowing for clearer accountability and oversight, supports the efficient use of public funds to deliver effective services for citizens.

Next month’s Budget will represent the outcome of this annual process and the legislation underpinning it will be introduced by the end of the year.

The increased transparency around the budgetary process and greater access to information about the parameters within which policy choices can be made is an important reform and I would encourage the Foundation to grasp this new opportunity and continue its work to stimulate fiscal debate for the greater good.

In conclusion, I would like to return again to the theme of winning paper which is essentially that we should collectively learn from the difficult lessons in our recent past to ensure that we make better decisions to improve our futures.

I would like to congratulate Diarmaid and Rónán on their well-deserved prize and I am sorry that I cannot stay for the remainder of today’s event but I wish the Foundation every success in its future endeavours and hope that it continues to promote and support such important contributions to informing policy-making.