The Missing Link

Aligning Public Investment with Fiscal Strategy

Eddie Casey,
Concept Symposium 2026
24 September 2026

Backdrop

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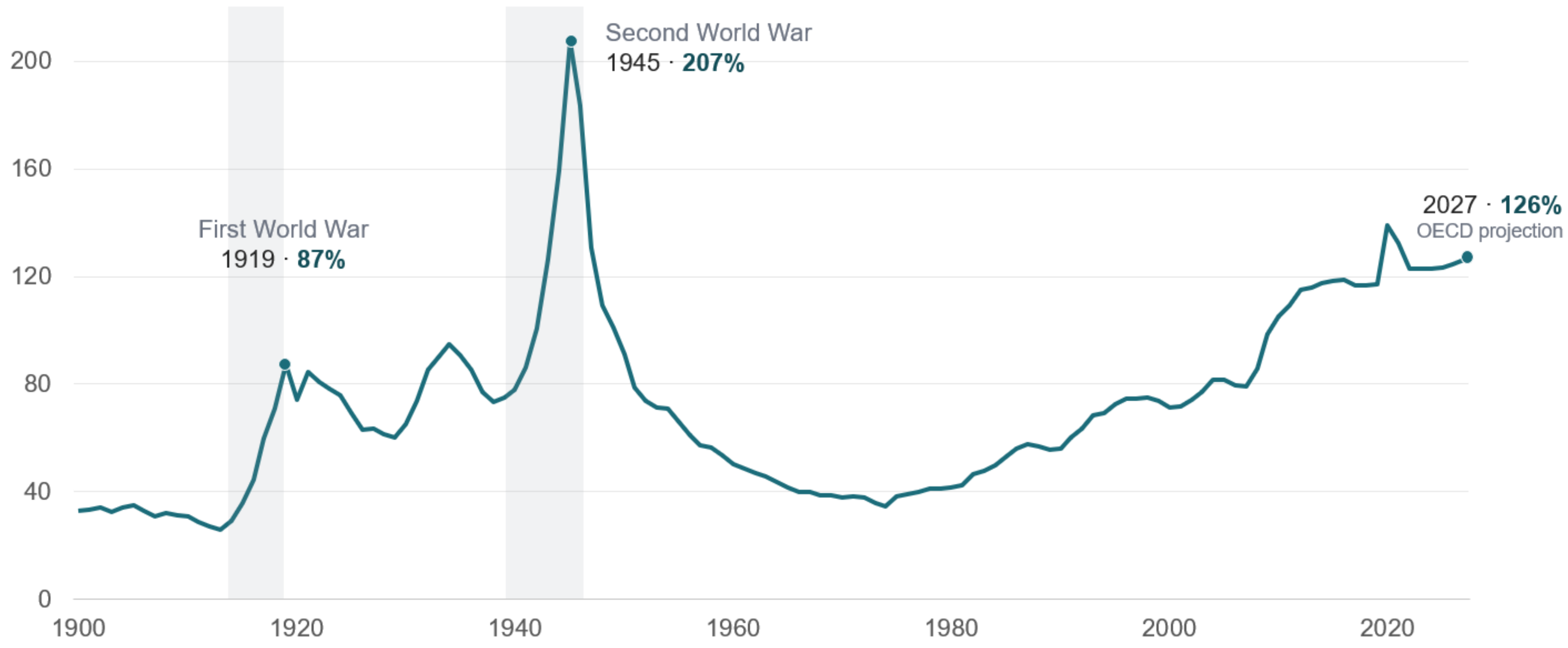
Multiple crises

High debt

Substantial new pressures

Debt has climbed to post-war levels

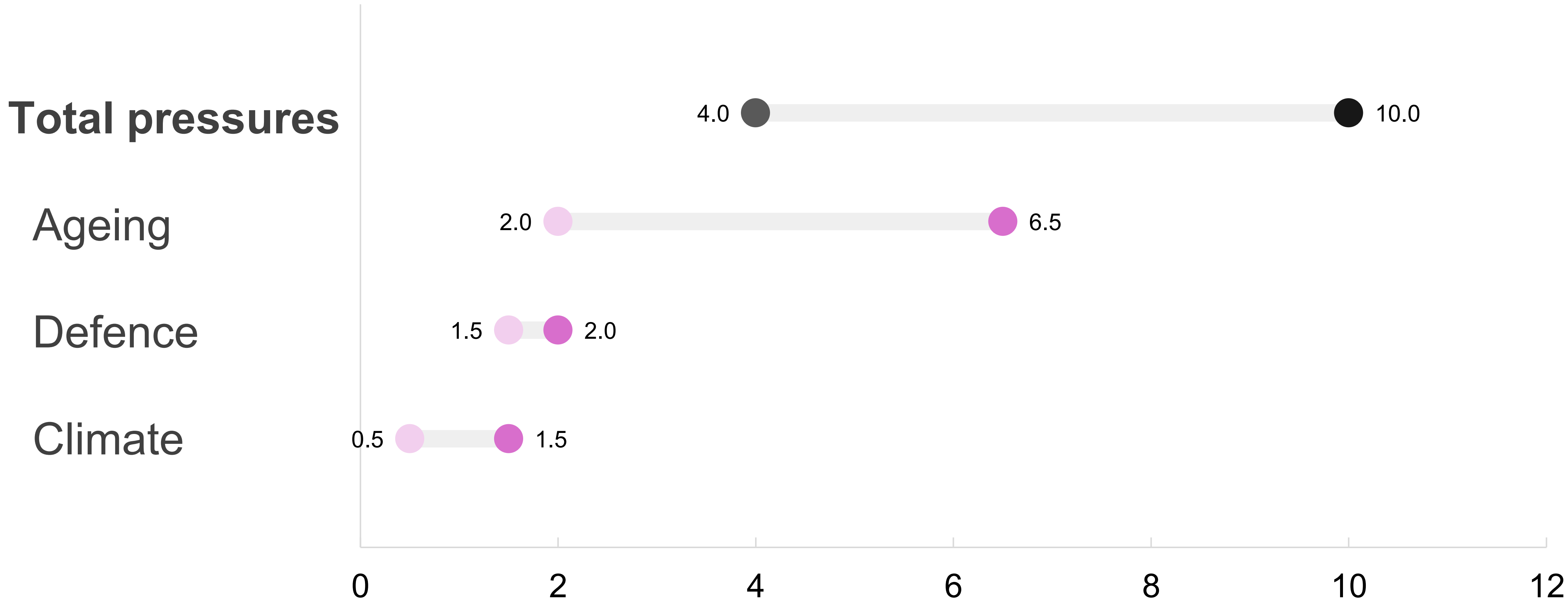
% of GDP, general government gross debt, G20 advanced economies, weighted by GDP at current PPPs



Source: Abbas et al. (2014); OECD Economic Outlook No. 119 (Edition 2026/1); Maddison Project Database 2023; own calculations.
Note: G20 advanced economies: Australia, Canada, France, Germany, Italy, Japan, the U.K. and the U.S. Pre-1961 spliced to the OECD basis; 2025–27 are OECD projections.

There are substantial pressures

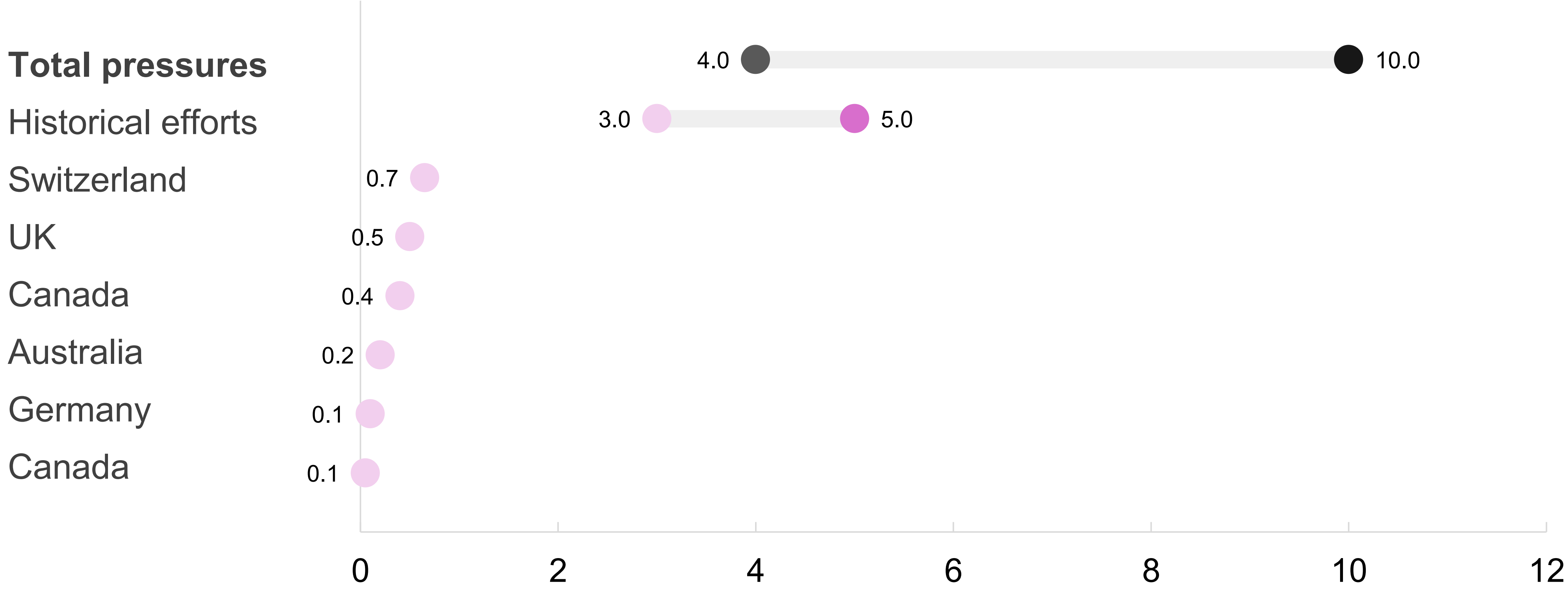
Overall budgetary cost pressures up to 2040
OECD aggregate, % GDP



Source: Langenus (2025)
Note: The numbers in the table represent a bottom-up estimate of what the overall impact could be based on the discussion of the cost drivers. As in most cases the point estimates come with a lot of uncertainty and depend on the exact scenario used, a wide range of impacts seems more appropriate

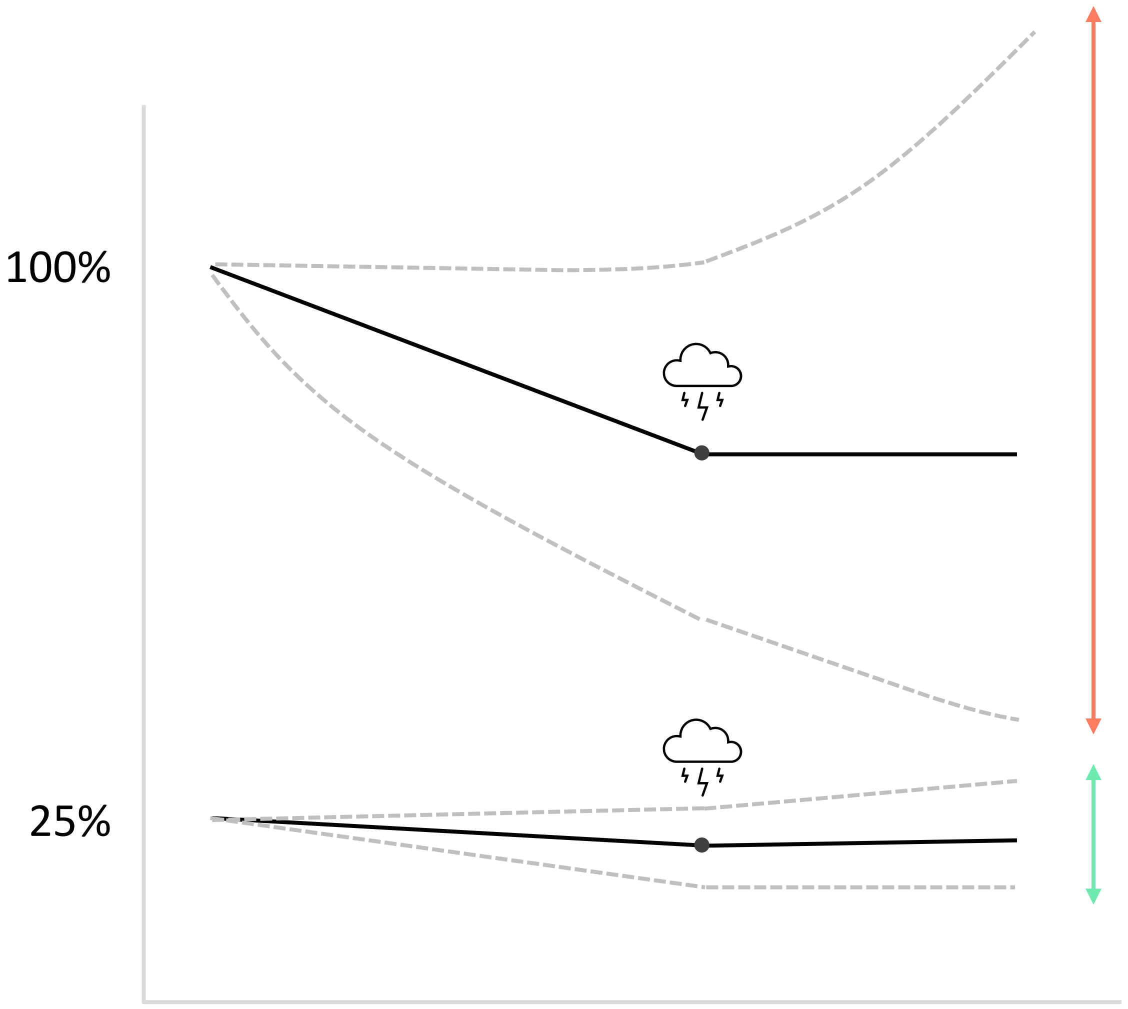
But current efforts are minimal

Size of consolidation effort,
% of GDP*



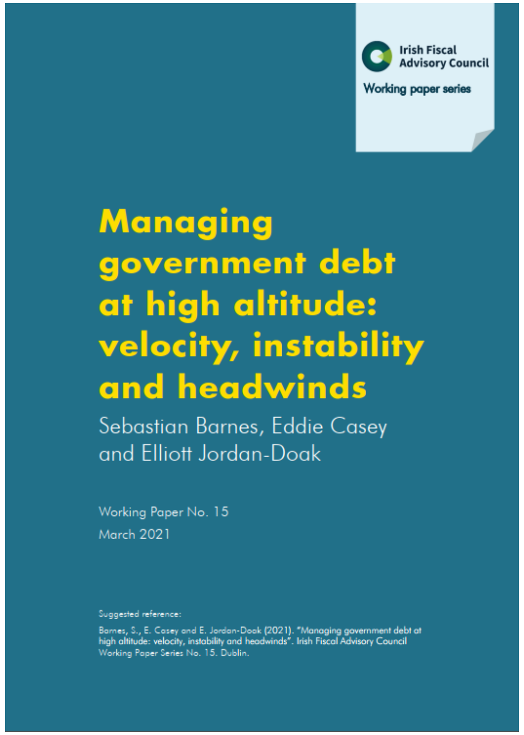
Source: Moretti and Rabbitte (2025); Balasundharam et al. (2023).
*Estimates for Australia, Canada, Germany, and the UK are based on 2024 Nominal GDP data retrieved from national statistical sources.

High debt and a recession



With high debt, the impact is much more intense

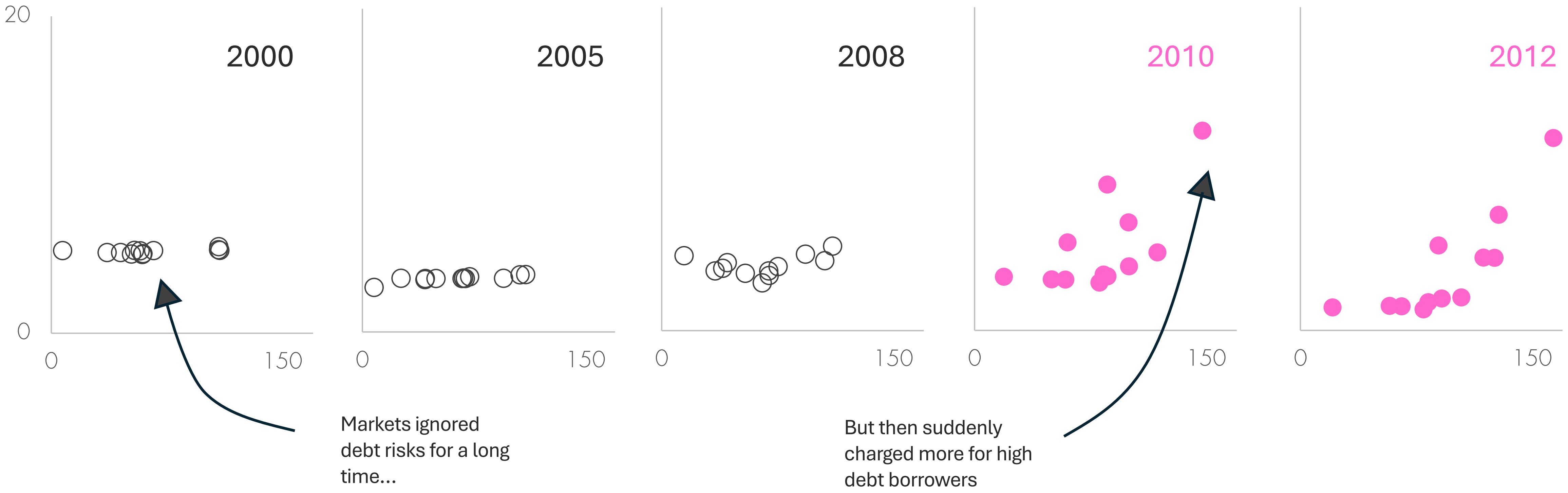
Note: The figure shows how debt ratios evolve for an illustrative interest-growth differential of -2% (with lighter lines showing -5% and 0%, with a zero primary balance. The shock shows what happens if the differential worsens by 2 percentage points.



Barnes, Casey, Jordan-Doak (2021). Managing Government Debt at High Altitude: Velocity, Instability and Headwinds

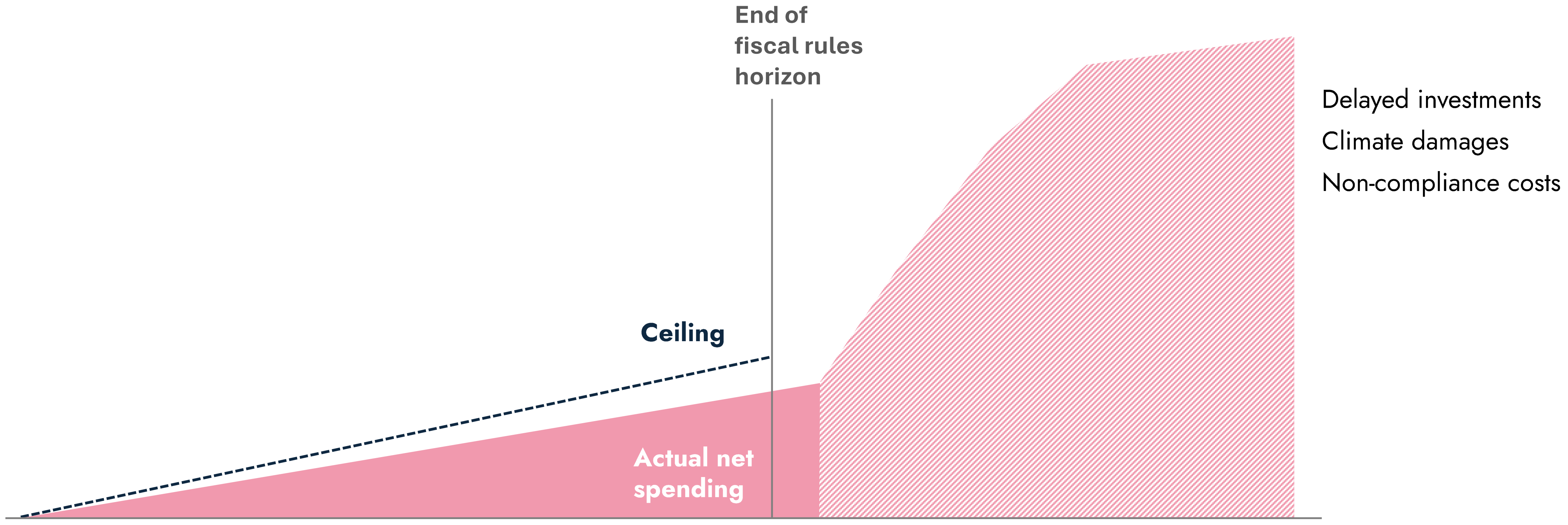
Lenders react slow, then fast

%, ten-year bond yields



Whelan (2013)

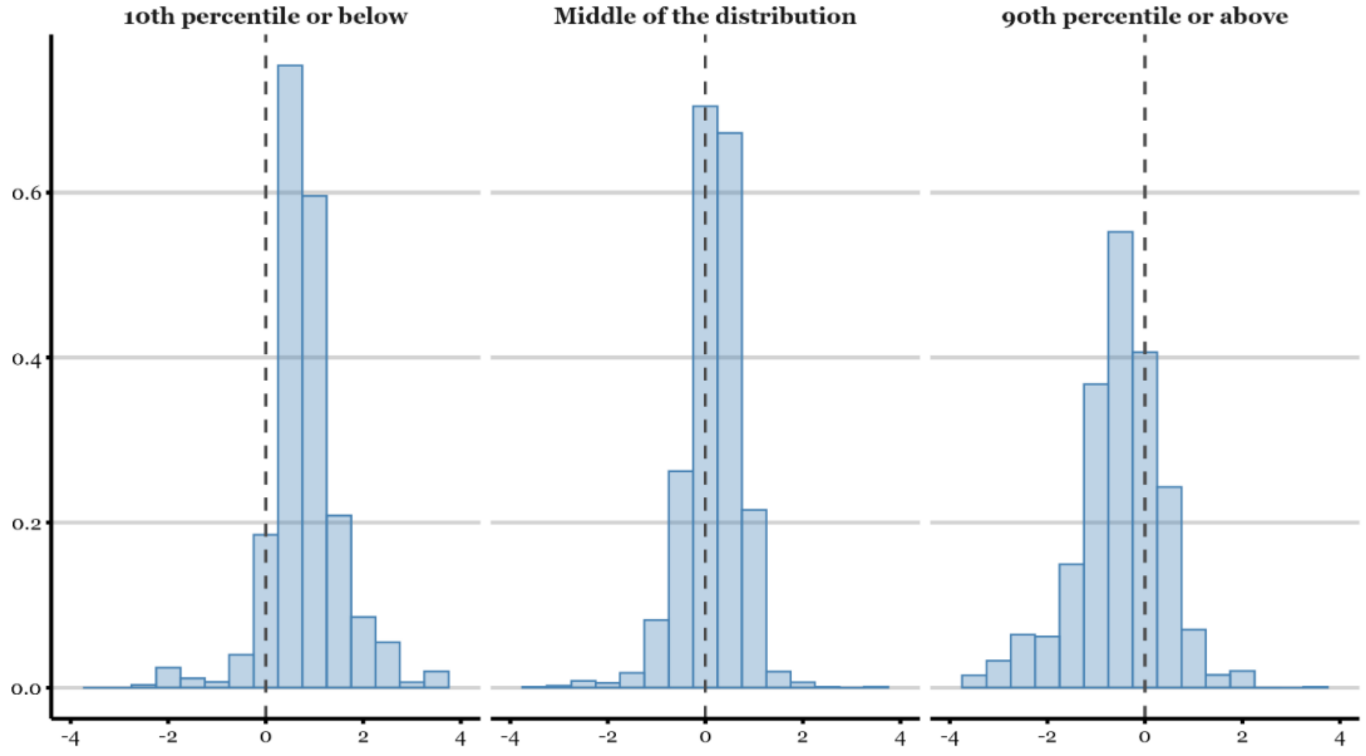
Fiscal rules can be short-sighted



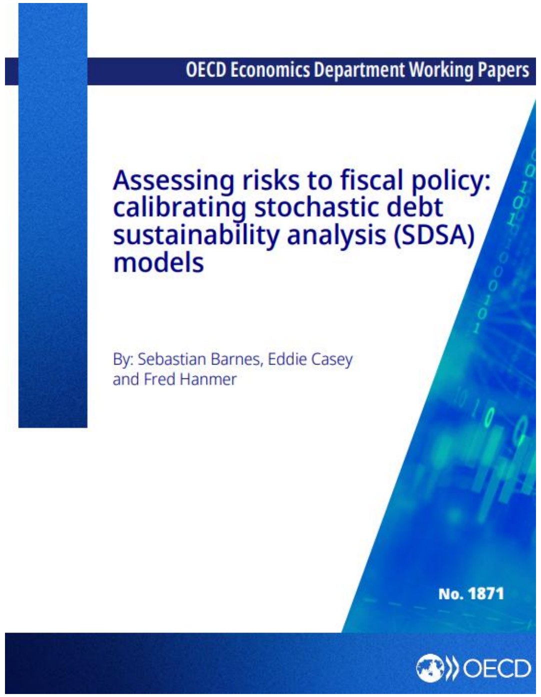
And ask too little in good times

Figure 12: Downside risks to GDP are significantly higher when the economy is booming

GDP level forecast errors by percentile of output gap at time of making forecast (%), one year ahead

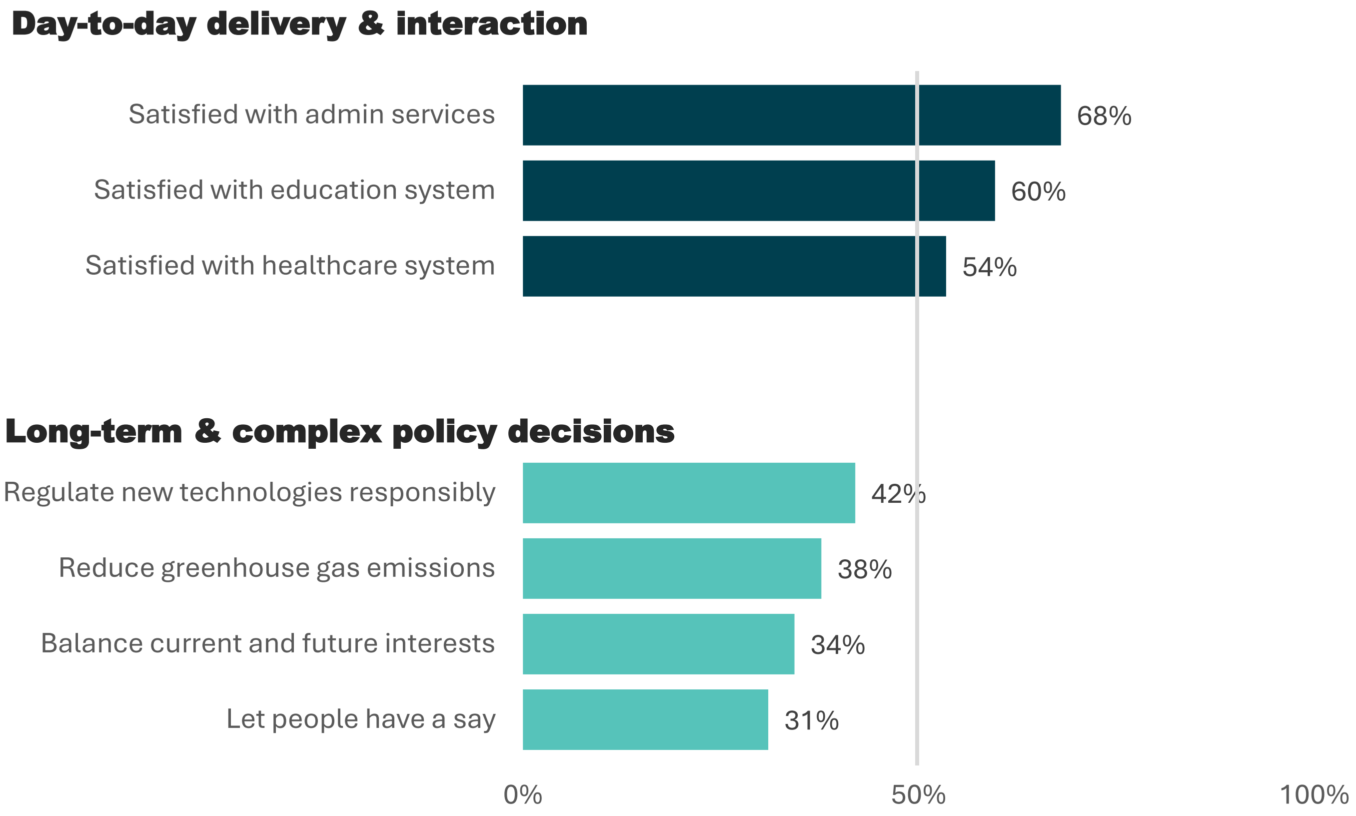


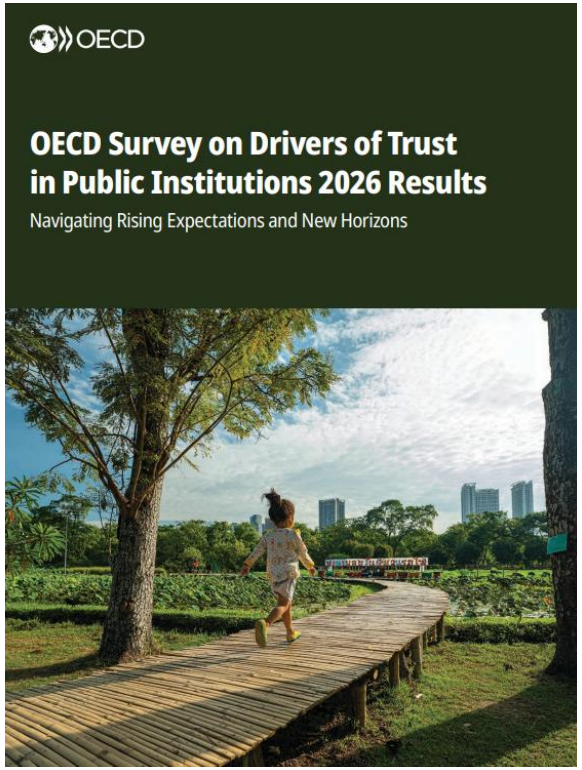
Source: Authors' calculations. The charts shows the distributions of the forecast errors on the level of GDP at the 5-year horizon for different ranges of initial output gaps based on pool data for the long panel and the method set out above.



Barnes, Casey and Hanmer (2026). Assessing risks to fiscal policy: Calibrating stochastic debt sustainability analysis models.

Citizens’ trust is low





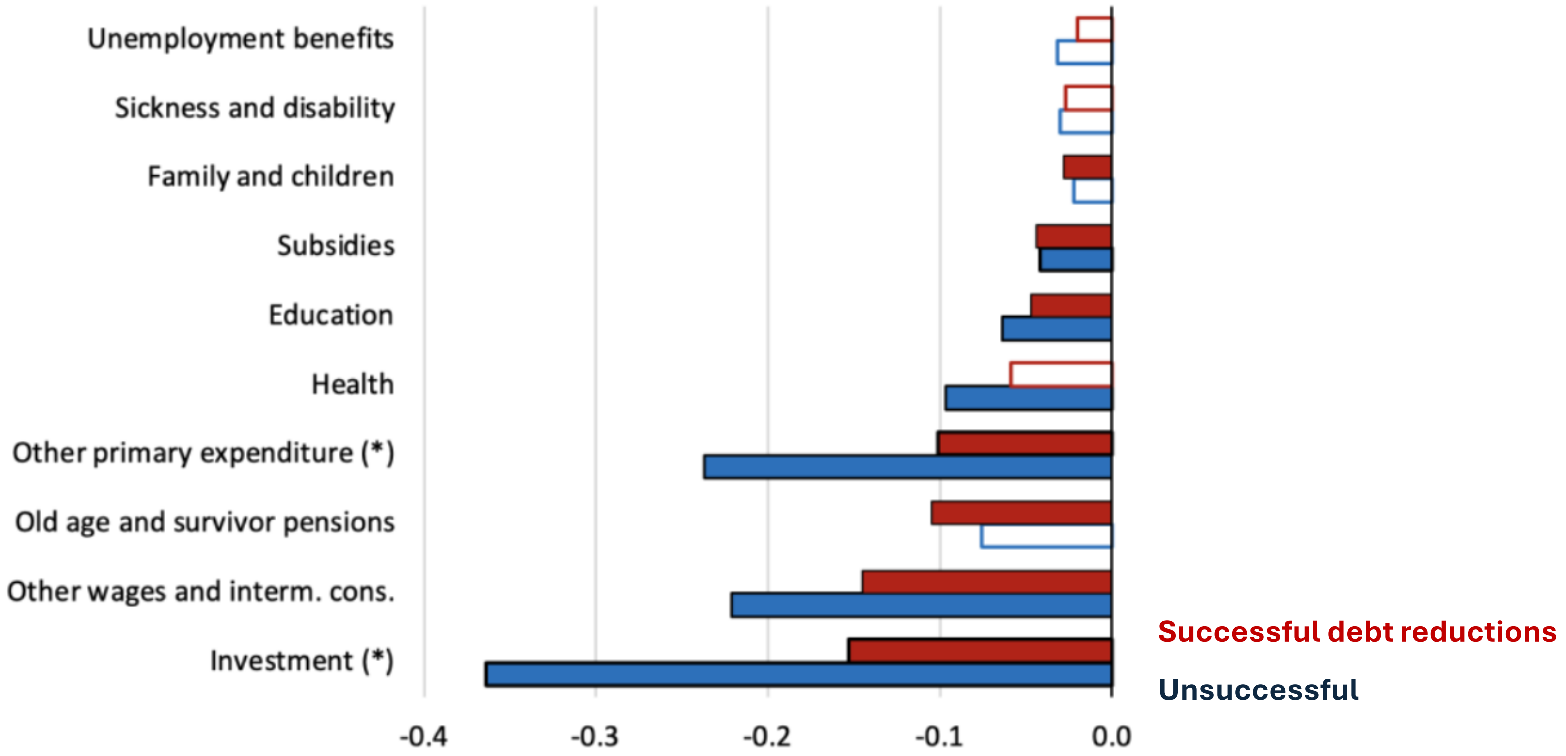
[OECD 2025 Survey on Trust in Public Institutions.]

% respondents answering “likely”, “satisfied”, or “high” or “moderately high confidence” on reliability and responsiveness of governments. The satisfaction rates with essential public services shown are for individuals who have come into recent contact with admin, education or health services.

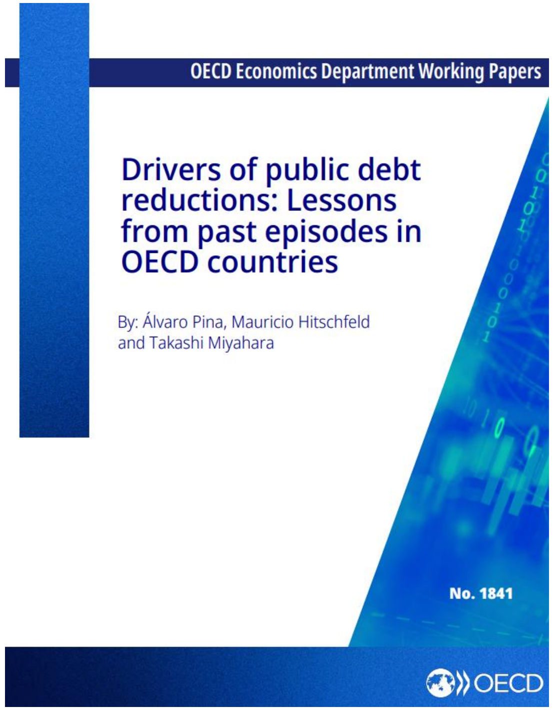
Will investment be protected?

Underlying changes during consolidations

Difference relative to baseline years in % of potential GDP



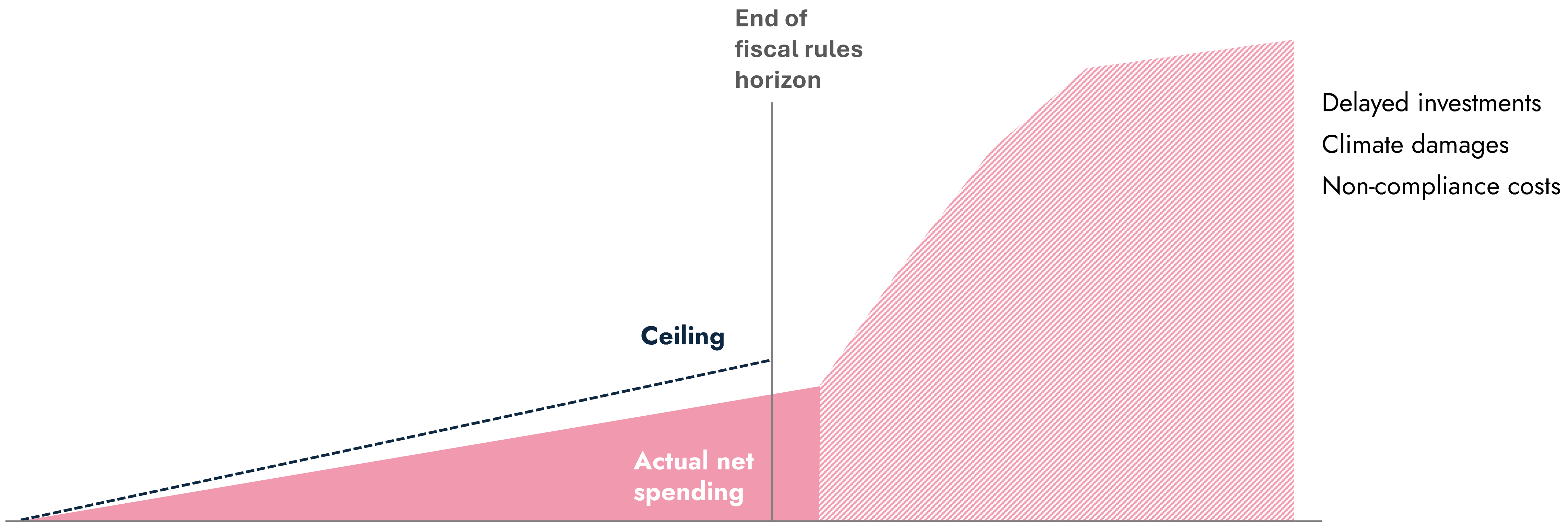
Note: Bars show the average annual change as % potential GDP. Solid bars are statistically significant. An asterisk (*) means the difference between the red and blue bars is statistically significant.



[Pina, Hitschfeld and Miyahara (2026). What we can learn from public debt reductions in OECD countries.]

The Missing Link

Plan further ahead



Link to priorities

We know the pressure points:

Ageing

Climate

Defence

We need to link these to investment priorities

Protect investment

Design suggestions:

1) Reform how we view investment
   - Better protect it from cyclical cuts
   - Introduce a benchmark floor — e.g. 3% of GDP
   - Even if informal, a powerful signalling device

2) Strengthen management
   - Rigorous front-end appraisal
   - Norwegian State Project Model

3) Plan for the downturn
   - Maintain a pipeline of ‘shovel-ready’ projects
   - Enhance value for money and support capacity

National Institute Economic Review (2025), 272: 1, 70–85
doi:10.1017/nie.2025.10079

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ARTICLE

FROM BUST TO BOTTLENECKS: LESSONS FROM THE IRISH EXPERIENCE OF PUBLIC INVESTMENT AND FISCAL POLICY

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Abstract
Using the Irish experience of public investment and fiscal policy management over the last 25 years, we identify five core lessons. These concern (1) the need for sustained investment effort even when facing tough choices regarding public expenditure, (2) the importance of assessing the adequacy of public capital, (3) counter-cyclicality as an important principle of public investment, (4) crowding-in private investment and (5) the challenge for public investment caused by longer-term challenges such as the necessary climate transition. We also propose two overarching design suggestions for fiscal policy and investment management frameworks.

Keywords: Fiscal policy; public investment; economic growth; climate transition; demographics; productivity

JEL Codes: E62; H6

1. Introduction

This paper reflects on the Irish experience of public investment and fiscal policy management over the last 25 years to draw key policy lessons. The lessons from Ireland’s boom-and-bust cycle are especially instructive for how to manage investment and fiscal policy. Ireland initially experienced rapid economic growth with abundant fiscal headroom up to 2007. There was then a deep crisis around the global financial crisis (GFC), which necessitated severe fiscal austerity. Since 2015, the Irish economy has recovered strongly. Though painful, Ireland’s experience offers a unique insight into the challenges of managing public investment dynamically, challenges that are often hidden in more stable economies.

While drawn from the Irish case, these lessons are broadly applicable. Many economies face similar pressures: demographic change, climate transition imperatives, constrained fiscal environments and institutional capacity gaps.

Based on our analysis, and motivated by a desire to improve the quality and effectiveness of public capital formation, this paper identifies five core lessons. These concern (1) the need for sustained investment effort even when facing tough choices regarding public expenditure, (2) the importance of assessing the adequacy of public capital, (3) counter-cyclicality as an important principle of public investment, (4) crowding-in private investment and (5) the challenge for public investment caused by longer-term challenges such as the necessary climate transition. We also propose two overarching design suggestions for fiscal policy and investment management frameworks.

The rest of the paper is structured as follows: we next give a very brief discussion of the macroeconomic and fiscal context of the Irish experience for readers unfamiliar with it. We then explore how public sector capital might affect economic activity emphasising the importance of adequate capital stock

Bergin et al (2025). From Bust to Bottlenecks: Lessons from the Irish Experience of Public Investment and Fiscal Policy

Protect investment

- **Demonstrated need**: Projects must address a need rather than being ready or seen as urgent
- **Proven project worthiness**: Cost-benefit analysis must confirm they deliver net economic and social value, align with strategic goals
- **Capacity to deliver**: need realistic multi-annual budgeting that accounts for full life-cycle costs and fiscal sustainability

OECD (2023). Public Investment in Bulgaria.
Review led by Robert Addison of the Infrastructure and Public Procurement Division

Unblock progress

The OECD is now calling for significantly simplified government and regulation

The accumulation of institutional, regulatory, and procedural complexity constrains governments' capacity to deliver results, and business and citizens' ability to interact with government. Internal complexity slows decision making, fragments responsibilities, raises co-ordination costs, and frustrates citizens and businesses.

If governments are to get unstuck, they will need to move beyond incremental streamlining and pursue radical simplification: re-engineering structures, processes, and accountability frameworks around clarity, speed, and delivery. For people, this means a government that is accessible and understandable. For government, it means the capacity to take timely decisions and deliver meaningful results.

Radical simplification spans regulatory, service delivery, and administrative dimensions, eliminating friction and duplication while strengthening transparency and accountability.

Key elements include digital technologies and AI, a new civil service culture, simplified organisational design, and reengineering services around life events and user journeys.

OECD

Government Unstuck

Governments face rapid change, rising citizen expectations, and low trust. Government Unstuck shows how governments are overcoming these challenges. Drawing on new OECD data from 40 countries, Government Unstuck identifies cutting-edge practices in digital technology and artificial intelligence, citizen participation, public service capabilities, regulation, procurement and public finance.
Together, these practices shape a coherent vision of a government "unstuck": simpler, more agile, proactive and connected to citizens.

/reinforcing-democracy-initiative/government-unstuck.html

Communicate need for action

000,000,000

Big numbers

Use human scales

Use perspective clauses and concrete household examples

$1,000

Lack of salience

Make it relevant

Connect long-term trade-offs to immediate everyday concerns

Tax bill

Curse of knowledge

Speak plainly

Drop the jargon, help people grasp the consequences of inaction

!

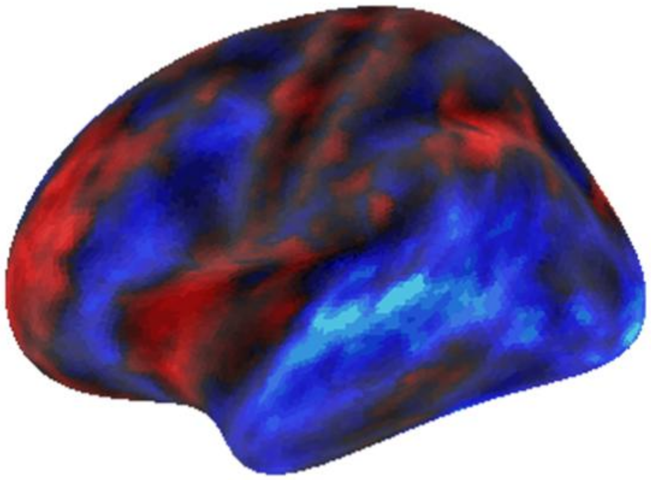
OECD

The People and the Budget

Empowering Public Understanding of Public Finances

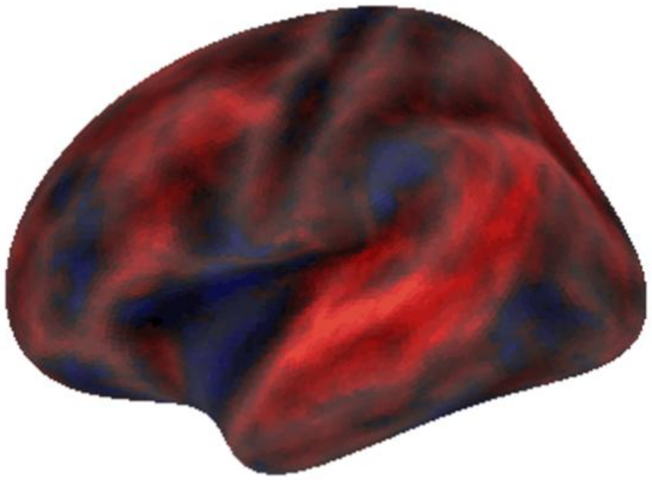
[OECD (2026). The People and the Budget: Empowering Public Understanding of Public Finances.]

Forthcoming "Fiscal Literacy" work



Plain language

Limited activation for straightforward language that brain processes with little effort



Technical language

Intense activation in the areas where the brain processes language and leans on working memory

Thanks

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