

High public debt raises fiscal crisis risk: IMF official

WASHINGTON, May 20 (Xinhua) -- An official of the International Monetary Fund (IMF) warned here on Monday that high public debt would raise the possibility of fiscal crisis, and countries in different fiscal situations should take various fiscal adjustment paces. "We tend to underestimate the cost of fiscal crises before they occur," Carlo Cottarelli, Director of IMF's Fiscal Affairs Department, said during a luncheon speech hosted by the Washington-based think tank Peterson Institute for International Economics (PIIE). He said the ratio of public debt to gross domestic product (GDP) has surpassed 90 percent in some advanced economies, and high debt would hamper economic growth. He urged countries to adopt appropriate fiscal adjustment steps in line with their fiscal scenarios. A country's fiscal strategy should also be supported by relaxed monetary conditions and structural reforms in a bid to boost economic growth, he said. For countries that are not subject to market pressure, fiscal adjustment should proceed at a moderate pace within a medium-term adjustment plan. Countries under market pressure should proceed with fiscal adjustment more rapidly, Cottarelli added.