Generational Accounting Book Plan

9th Meeting of Working Group on
Macroeconomic Aspects of
Intergenerational Transfers
June 5, 2013

GA Book Contents

- **Overview of the Book**

  1. Methodology: Generational Accounting using National Transfer Account (Ron Lee, Alan Auerbach, Andy Mason)
  2. Summary of findings

- International comparison of Generational Accounting

  1. Comparison of public finance structure
  2. Comparison of GA

     2.1. Comparison using relevant indices
     - generational imbalance
     - required tax change
     - Sustainability Gap

2.1 Identification of sources of difference in GAs

- Demographic factors
- Fiscal deficit and Debt
- Expected change in the future cash balance in the future (if any)
- Policy factors and which policy factors:

    e. g. pension, medical insurance, or others

- Other sources of difference (if any)

    e.g. Macroeconomic factors:

- Country Reports(15-20 pages)
  1. Structure of public finance
     - Reports the aggregates and proportions of the government expenditure and revenue
  2. Special features of each country
     - Highlight the most important generational policy
  3. Generational Accounts and its interpretation
     - GA under current policies
       – Benchmark assumption
       – Under alternative assumptions
     - Effects of the expected reforms (if any)

- Assumptions:
  - Benchmark assumption
    - Real interest rate =3.5
    - Productivity growth = 1.5% annum
    - Country specific population projection
  - Alternative assumptions
    - Country-specific interest rate
    - Country-specific productivity growth
    - Fixed population
- Choice of country-specific discount rate?
  - Rate of return
  - Risk-free rate of return (government bond rate)
  - How to deal with difference of return of government fund and bond rate?

- **Aggregate control**
  - National Account base
  - Aggregate expenditure excluding interest payment
  - Revenue including tax and non-tax revenue
    - Exclude borrowing, sales of property
  - Primary fiscal balance
- **Net Government Wealth**
  - Net property income / rate of return
  - Gather and compute net government wealth (debt)

- Special issues
    - Effect of Immigration (Mexico)
    - Effect of Health Care on Fiscal Sustainability
        - Miller and Mason's projection (will update)
        - Need to provide GDP projection and Health Expenditure to Tim and Carl
    - Retrospective accounts (Hungary for Public Pension)
        (Account for National Pension of Korea can be added)
    - Controlling business cycle (Spain)
        (Presented the paper at the 9th Meeting)
    - Full generational accounts including private and public transfers (Presented the paper at the 9th Meeting).

Where we are?

– Country report is ready (8 countries).
   - Austria, Columbia, Finland, India, Peru, Spain, South Korea, US

– Updating under way (3 countries)
   - Hungary (Robert, by August), Mexico (Ivan), Slovenia (Jose)

– Other countries (3)
   - Japan is working on Computing
   - Chile: Tim Miller and Young Jun Chun will be working on Chile's account.
   - Indonesia: Malike is working on the Indonesia's account

Final Plan

- **Until July 15:**
  - Provide health expenditure data and GDP projection data to Time and Carl

- **June-August 2013:**
  - Revision of submitted country reports
  - Submission of additional country reports
  - Special issue chapters

- **September:**
  - Writing 'comparison' chapter

- **October:**
  - Revision of comparison chapter reflecting feedback from country chapter contributors

- **November 2013-: Book Editing**