

# A Review of the Generational Accounts for the United States

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# Agenda

- Inputs and Assumptions
- Preliminary results

# Inputs

# Inputs of the Generational Accounting model

- Public transfers by age
- Taxes by age
- Net Wealth
- Public expenditure (not age specific)
- Rate of technological progress ( $g=2\%$ )
- Discount rate ( $r=3.5\%$ )
- Benchmark year (2009)

# Government Current Receipts and Expenditures

## U.S. 2009

Concept	Billion	%GDP
Total receipts	3728.8	26.8%
Current receipts	3703.7	26.6%
Capital transfer receipts	25.1	0.2%
Total expenditures	5350.5	38.4%
Current expenditures	4999.7	35.9%
Gross government investment	505.4	3.6%
Capital transfer payments	161.8	1.2%
Net purchases of nonproduced assets	7.3	0.1%
Less: Consumption of fixed capital	323.7	2.3%
Net lending or net borrowing (-)	-1621.7	-11.6%
Net Public Debt	-8451.57	-60.6%

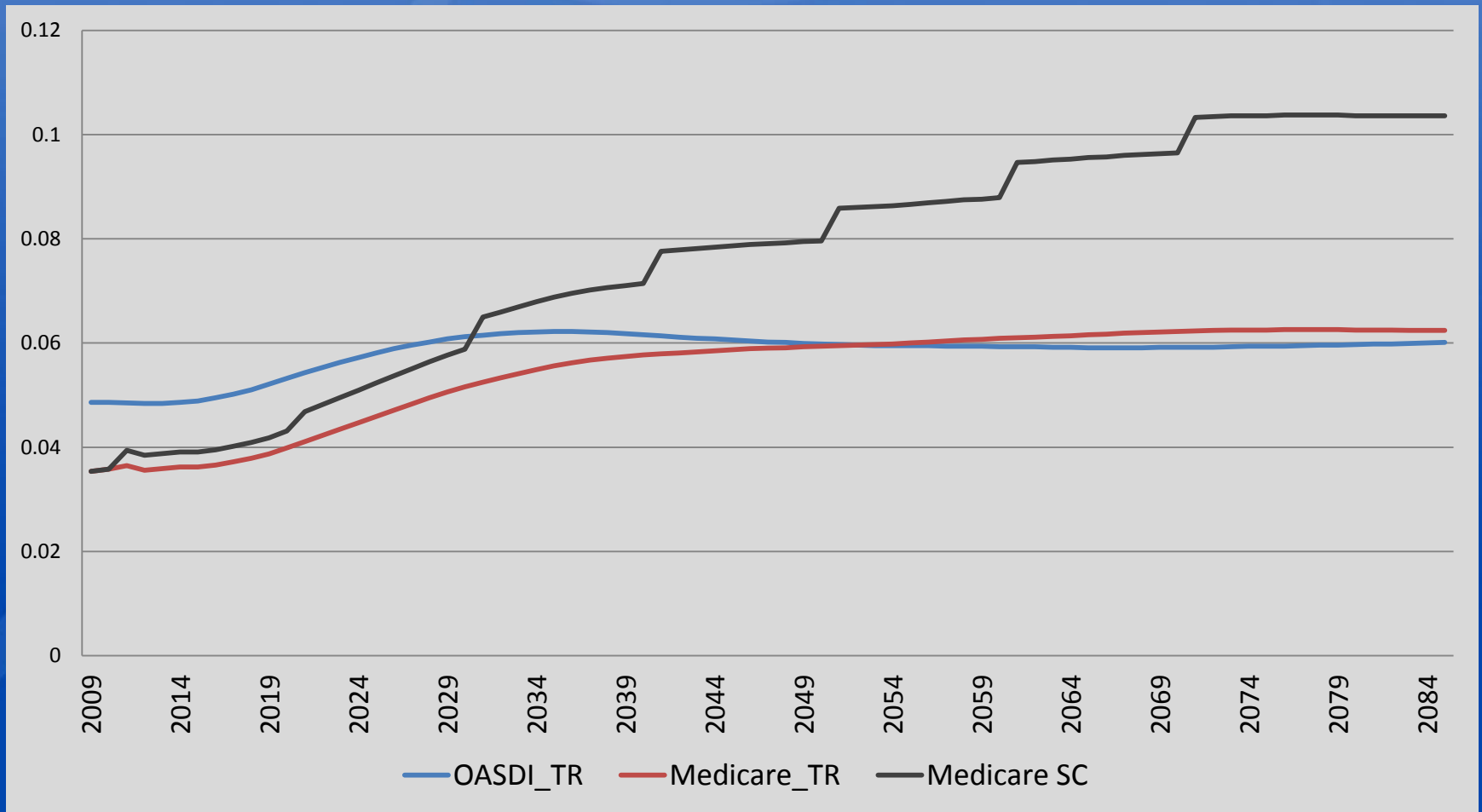
Source: BEA



## KEY for the U.S. case

- Projections:
  - OASDI (social security benefits)
  - Medicare
    - Social Security Board of Trustees
      - Immediate physician fee reductions
    - Shatto and Clemens (2011):
      - “The immediate physician fee reductions required under current law are clearly unworkable and are almost certain to be overridden by Congress. The productivity adjustments will affect other Medicare price levels much more gradually, but a strong likelihood exists that, without very substantial and transformational changes in health care practices, payment rates would become inadequate in the long range.”

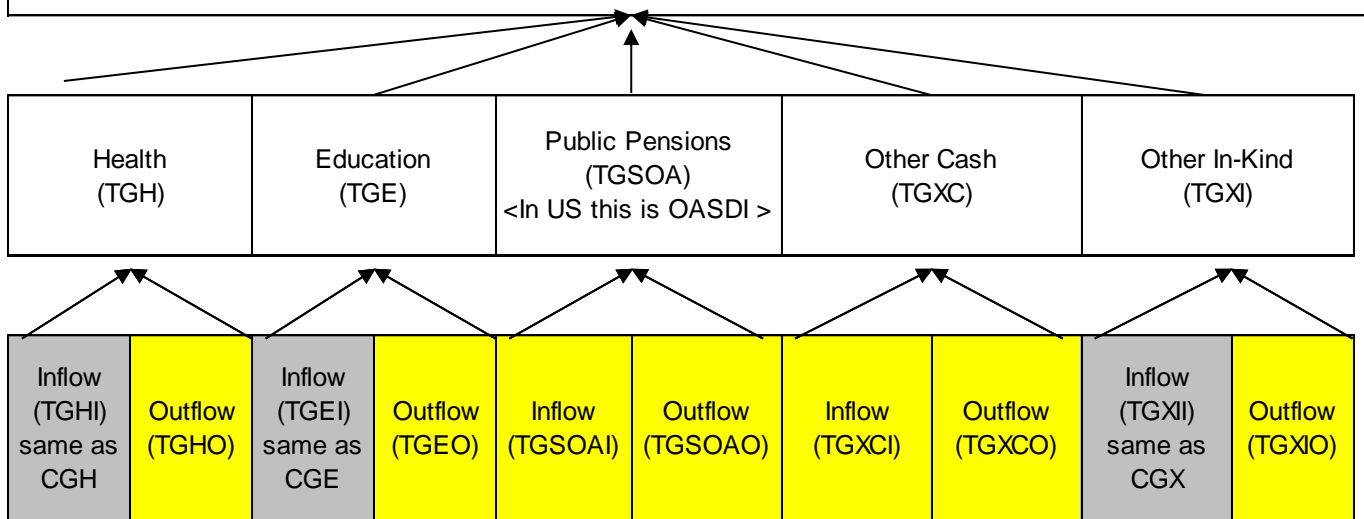
# Social Security and Medicare Cost (% GDP)



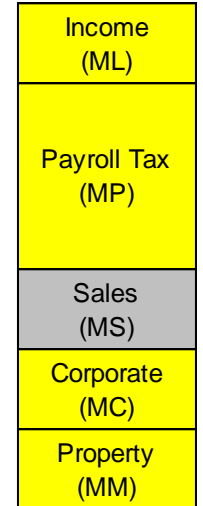
Source: BEA



# Public (TG)



## TAXES





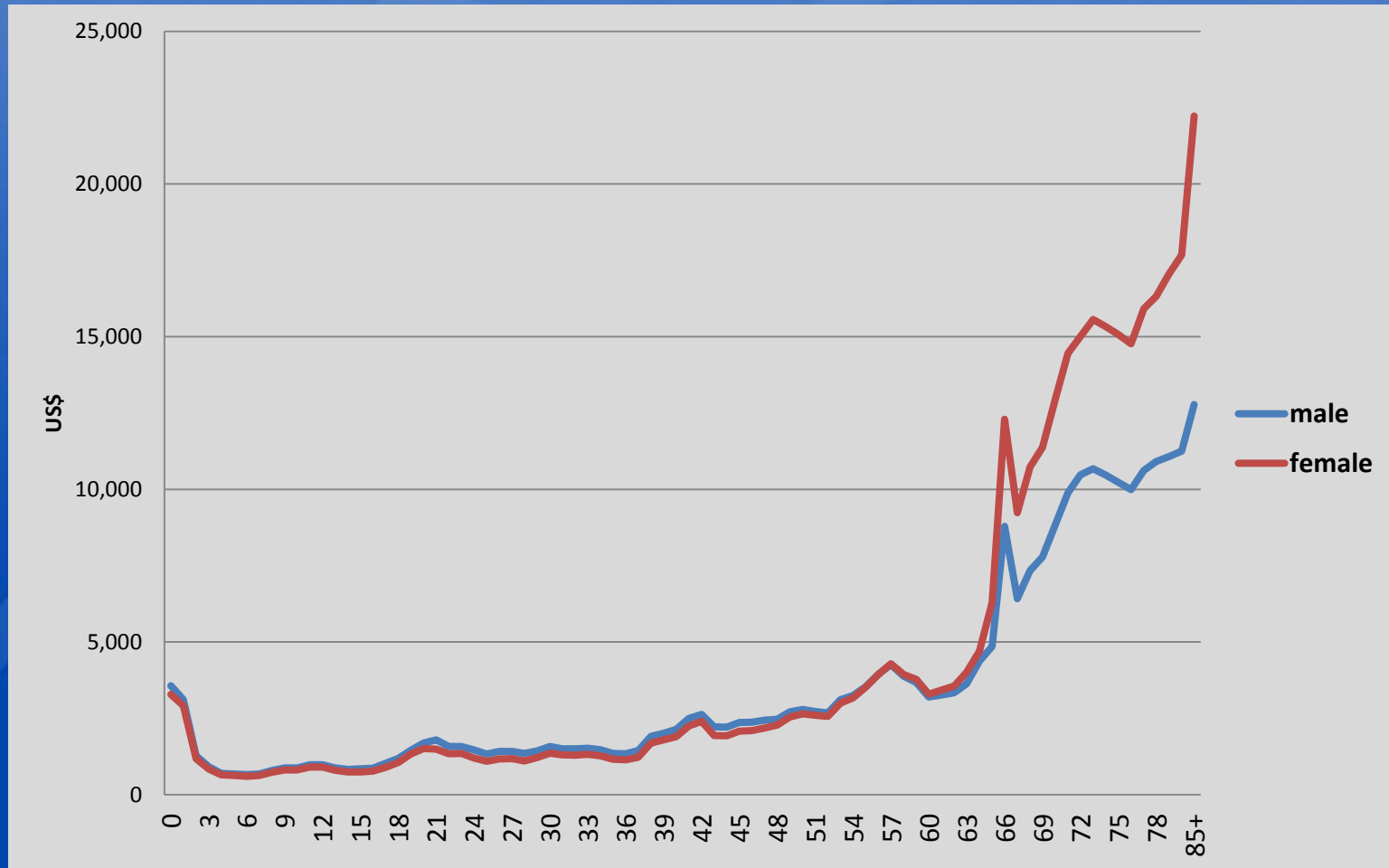
# Public Transfers in the U.S.

<b>Public Transfers</b>	<b>Billion</b>	<b>% GDP</b>
<b>Outflows</b>		
Public Pensions	-704.0	5.1%
Public Education	-690.1	5.0%
Public Transfers, Other Cash	-480.2	3.4%
Medicare	-302.6	2.2%
Medicaid	-423.6	3.0%
Public Health Other	-313.3	2.2%
<b>Inflows</b>		
Payroll	972.0	7.0%
Income	1,102.5	7.9%
Sales	542.4	3.9%
Property	419.8	3.0%
Corporate	289.5	2.1%
Other income	402.6	2.9%
Seigniorage	47.9	0.3%

Source: NIPA

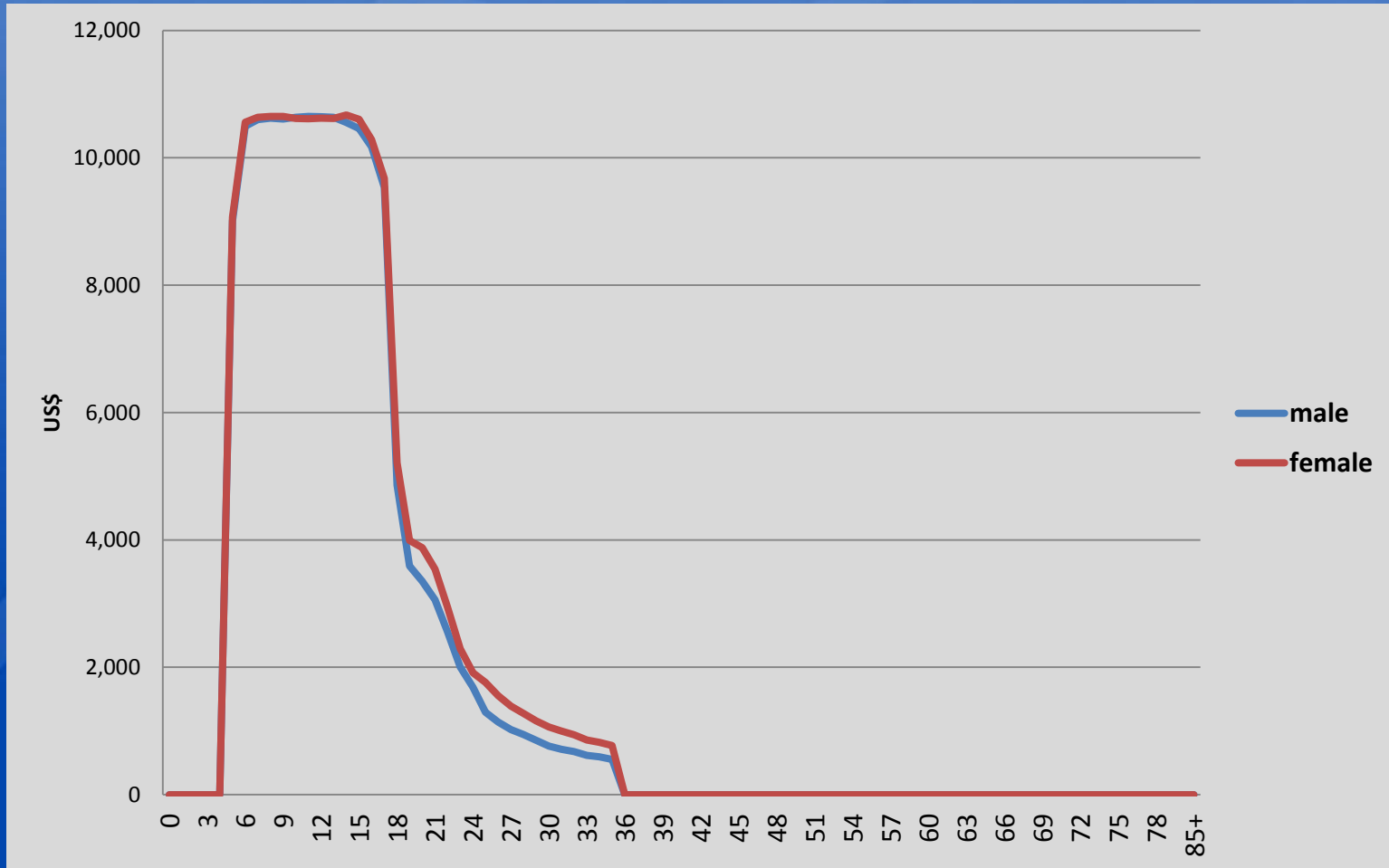


# Public health



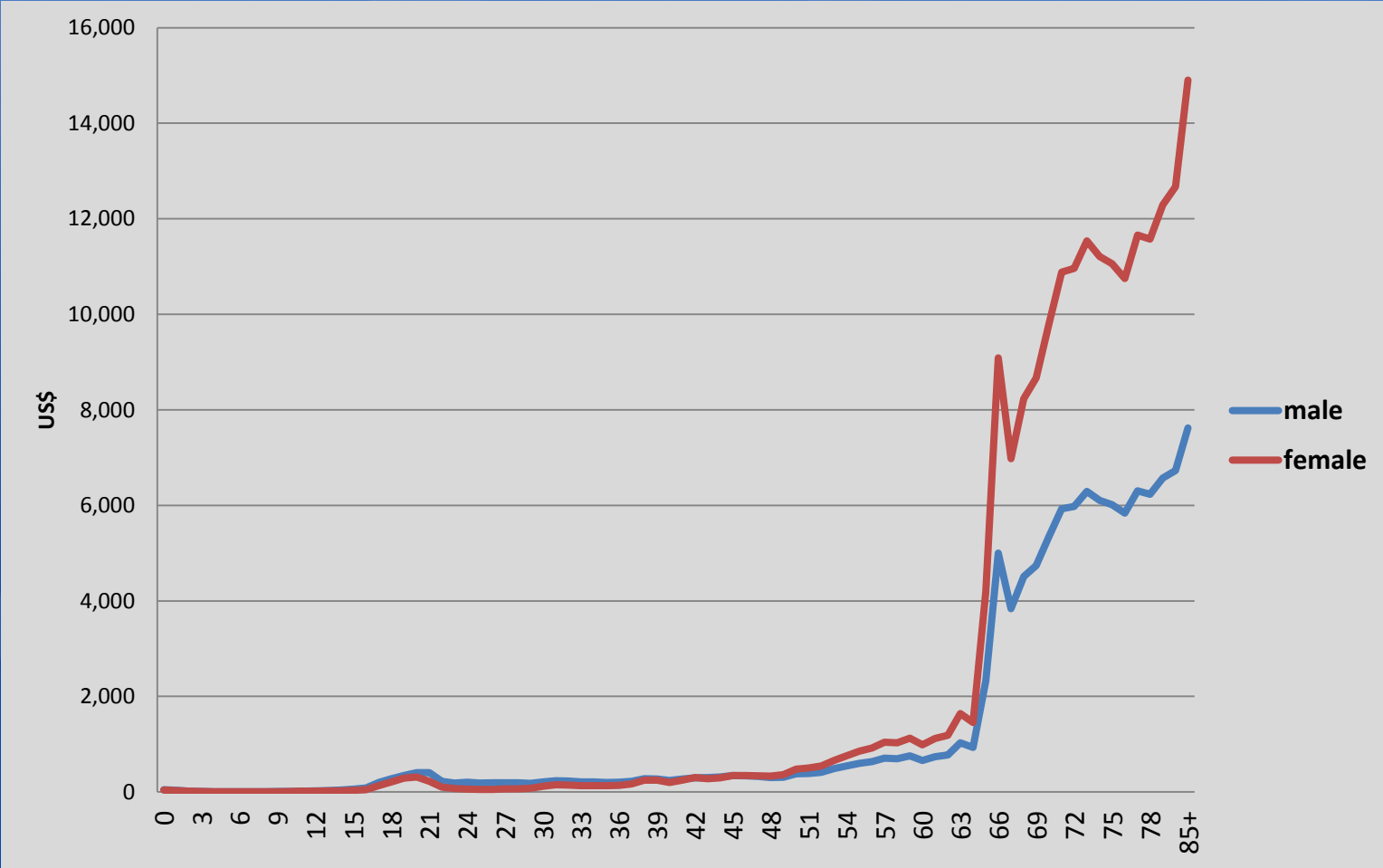
Source: Gretchen Donehower, personal communication

# Public education



Source: Gretchen Donehower, personal communication

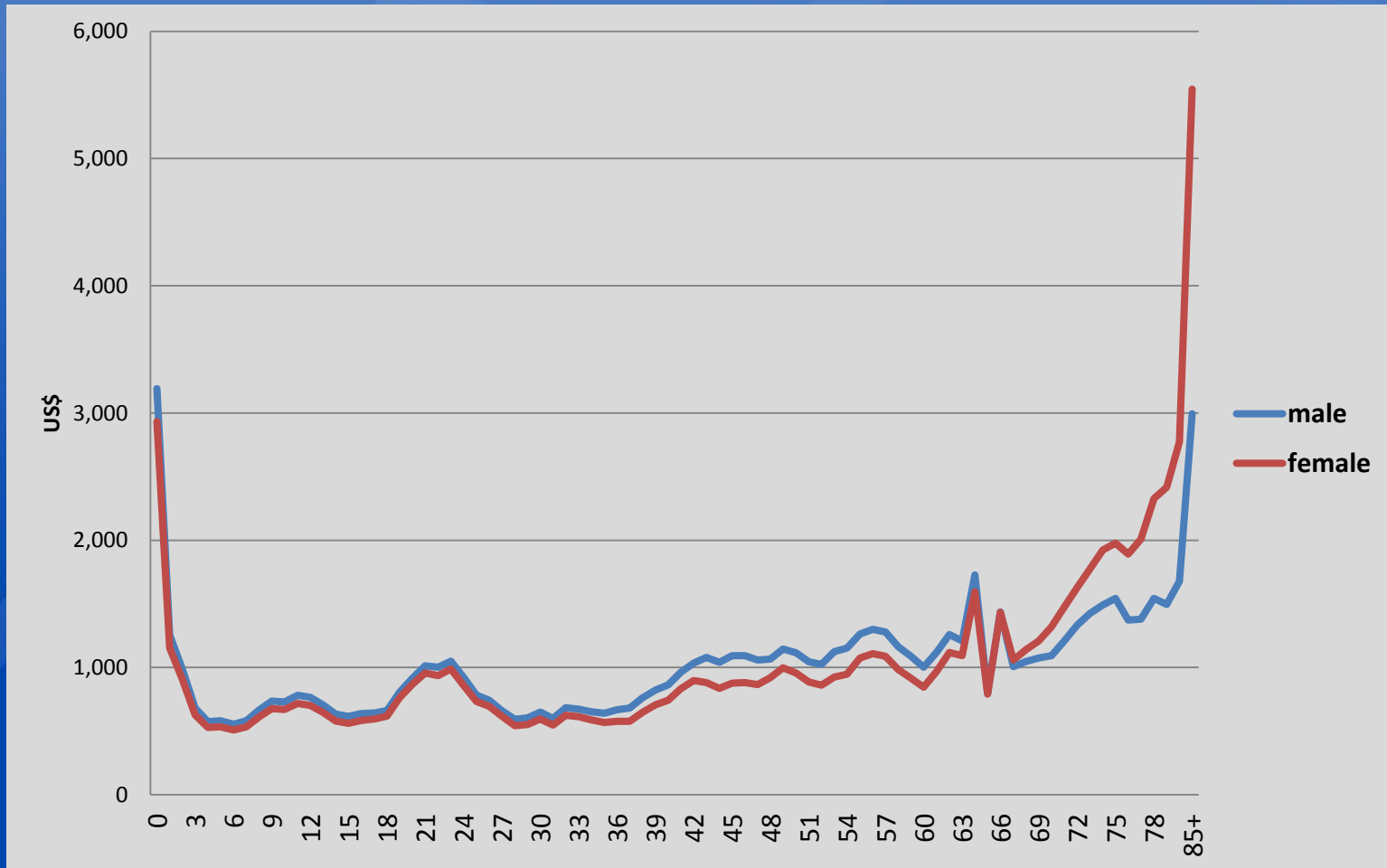
# Medicare



Source: Gretchen Donehower, personal communication



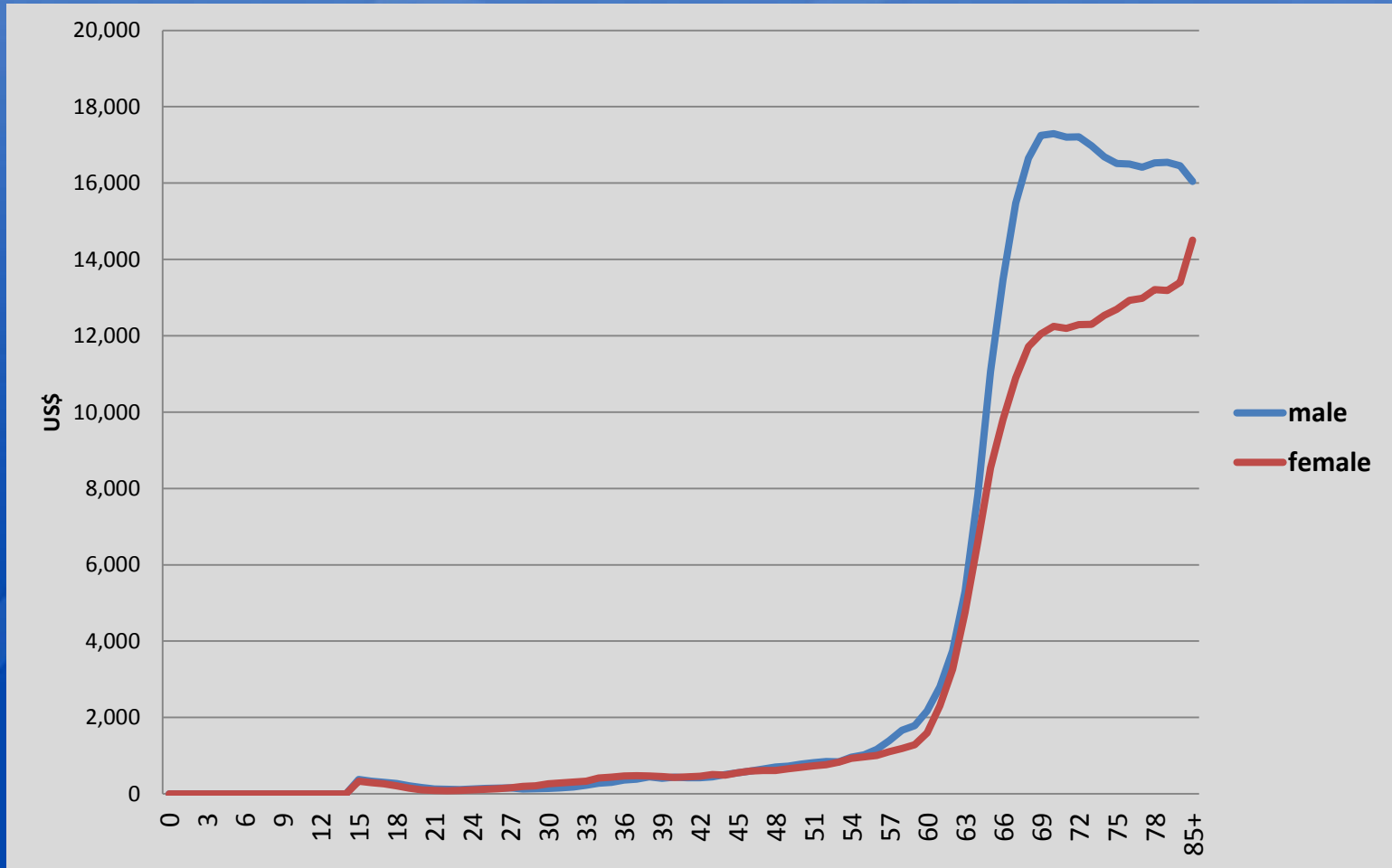
# Medicaid



Source: Gretchen Donehower, personal communication



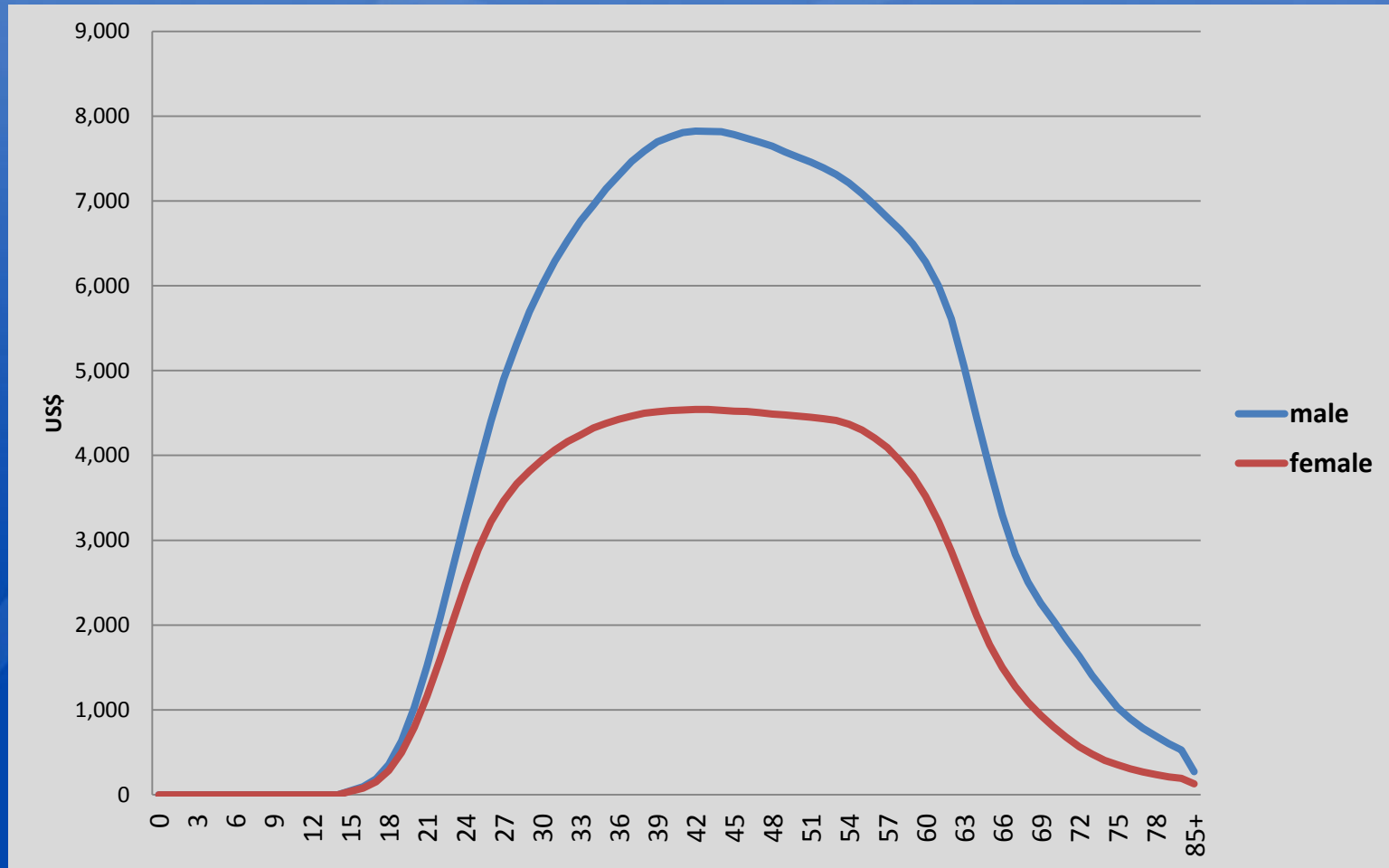
# OASDI



Source: Gretchen Donehower, personal communication



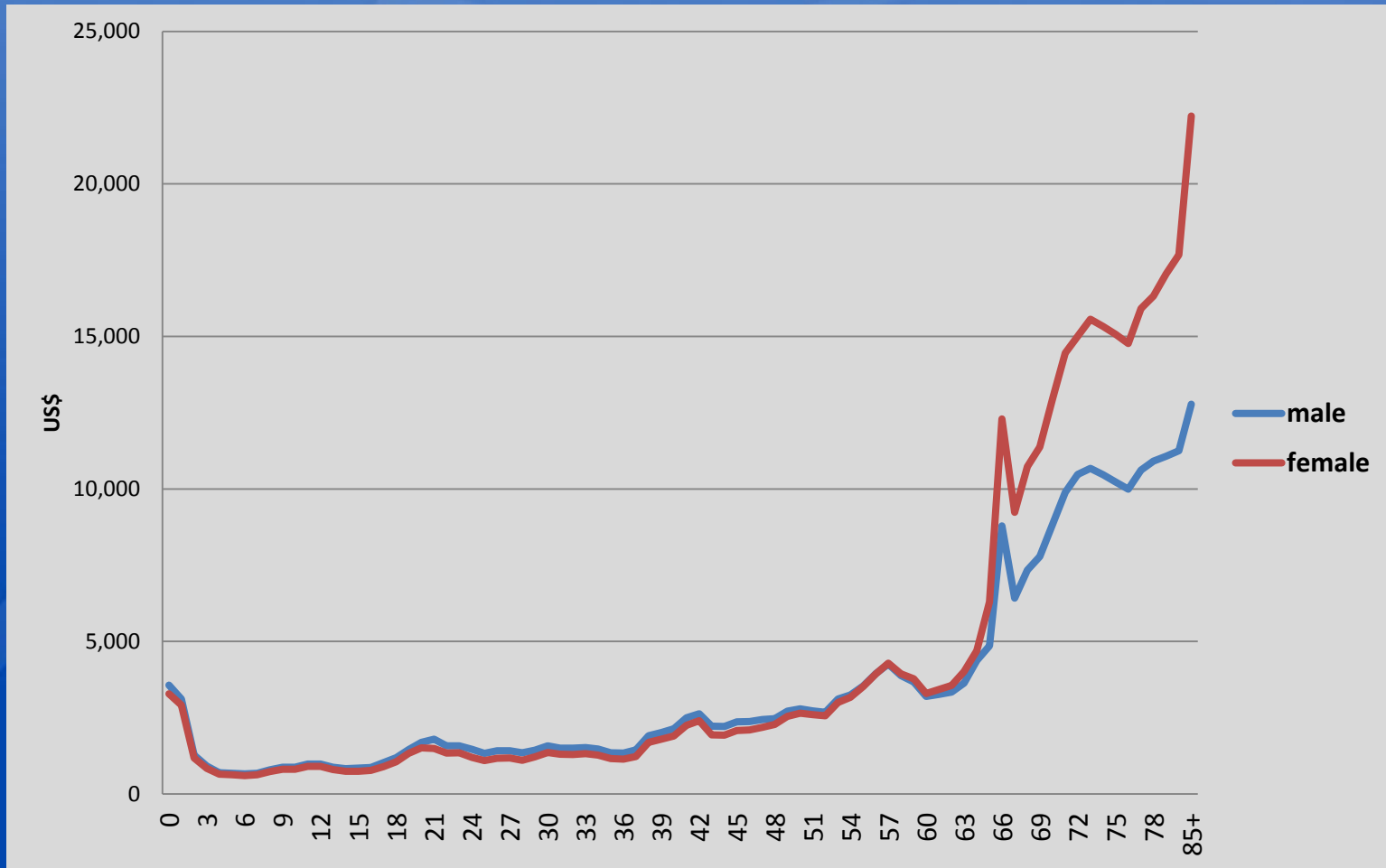
# Payroll Taxes



Source: Gretchen Donehower, personal communication



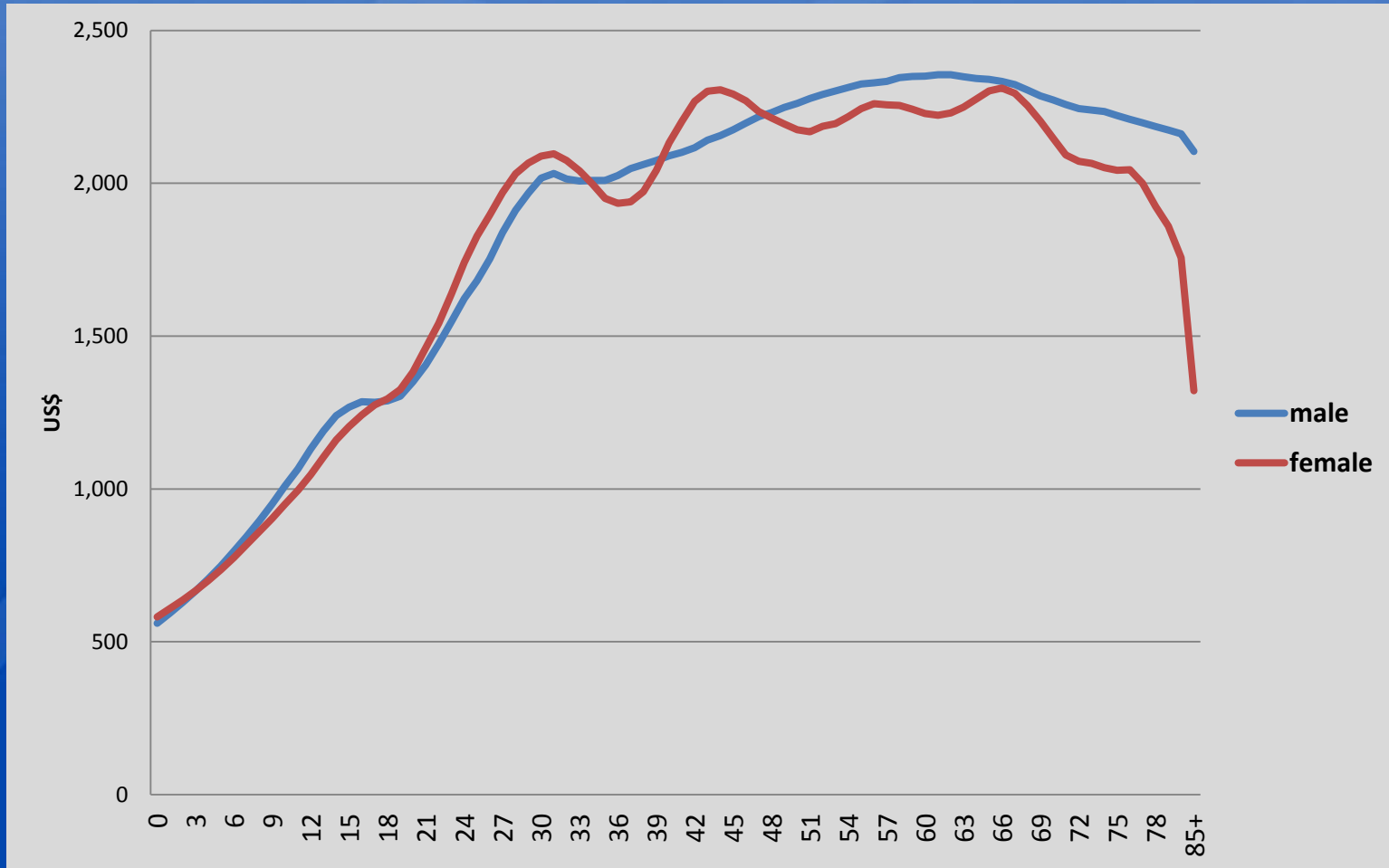
# Public health



Source: Gretchen Donehower, personal communication



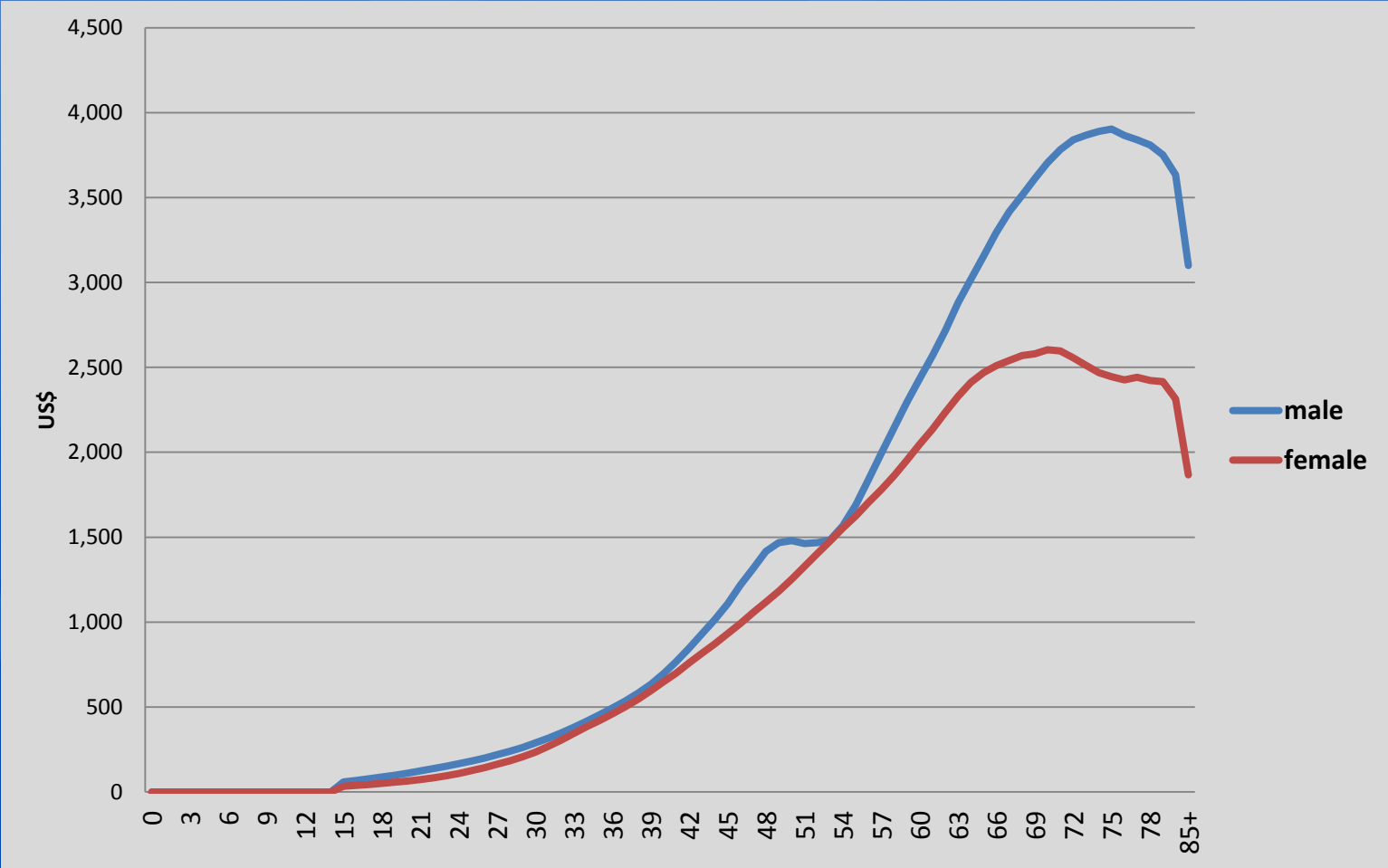
# Sales Taxes



Source: Gretchen Donehower, personal communication



# Corporate Taxes



Source: Gretchen Donehower, personal communication



# Preliminary Results

# Generational Imbalance in the U.S.

<b>OASDI / Medicare</b>	<b>Imbalance (%)</b>
Rate of technology progress	337
SSBT (2011)	BIG