

The Public Sector in the Generational Economy

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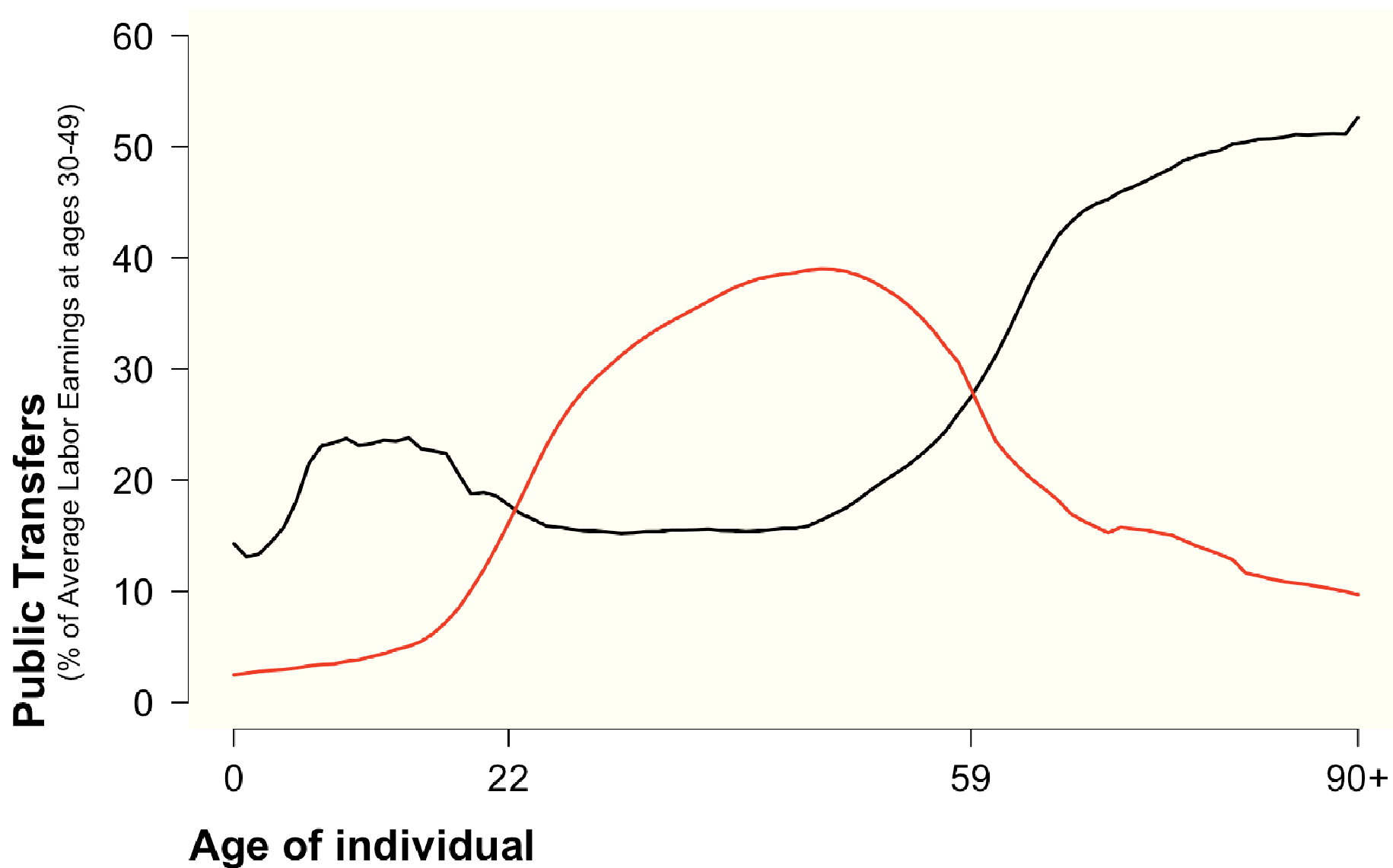
Honolulu, Hawaii

Three Questions

- ① What is the typical age pattern of government spending and taxation?
- ② Do governments tend to favor elderly over youth?
- ③ How does government spending influence the consumption levels of elderly and youth?

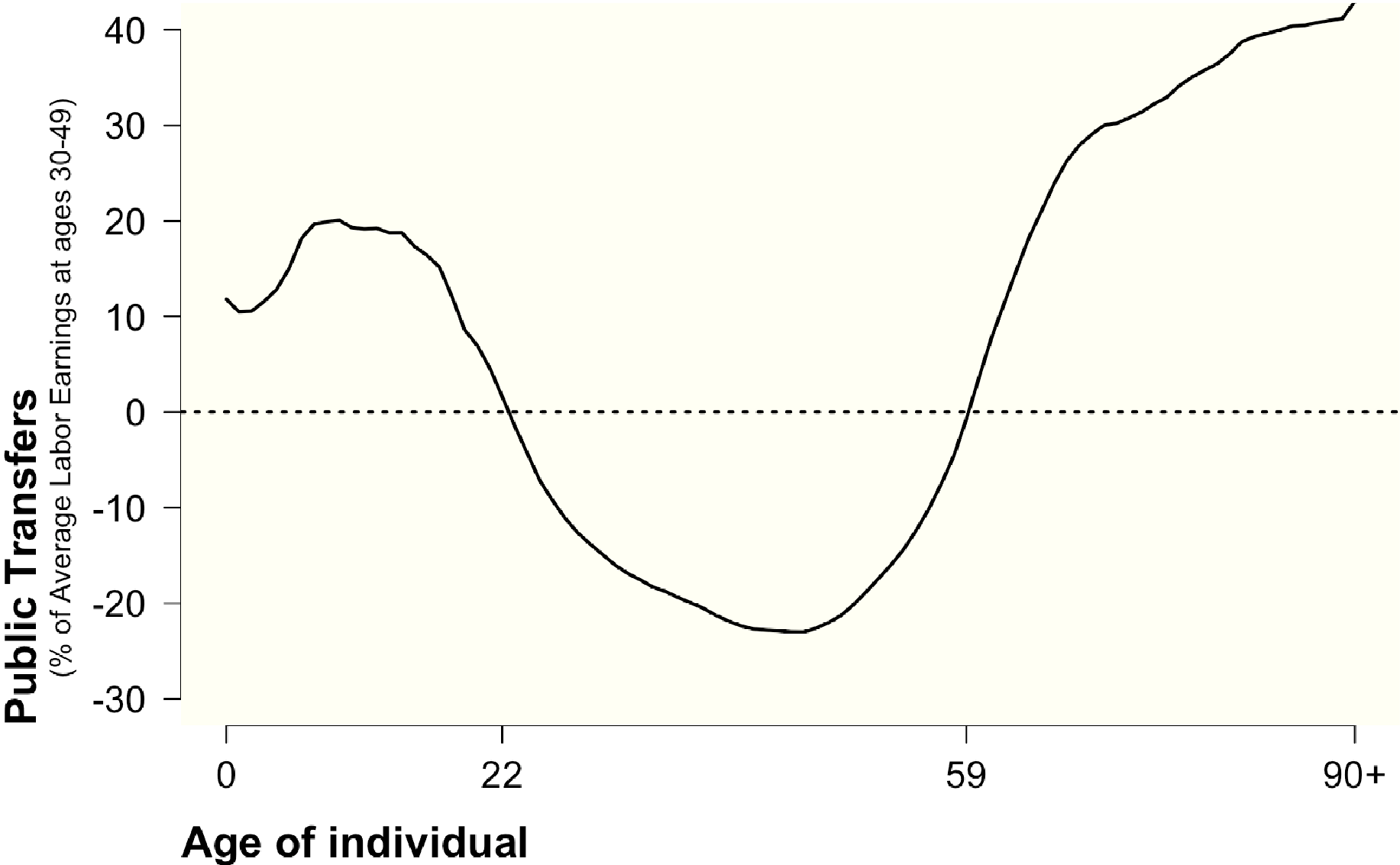
Average Public Transfer Inflows and Outflows by Age

(19 NTA countries, circa 2000)

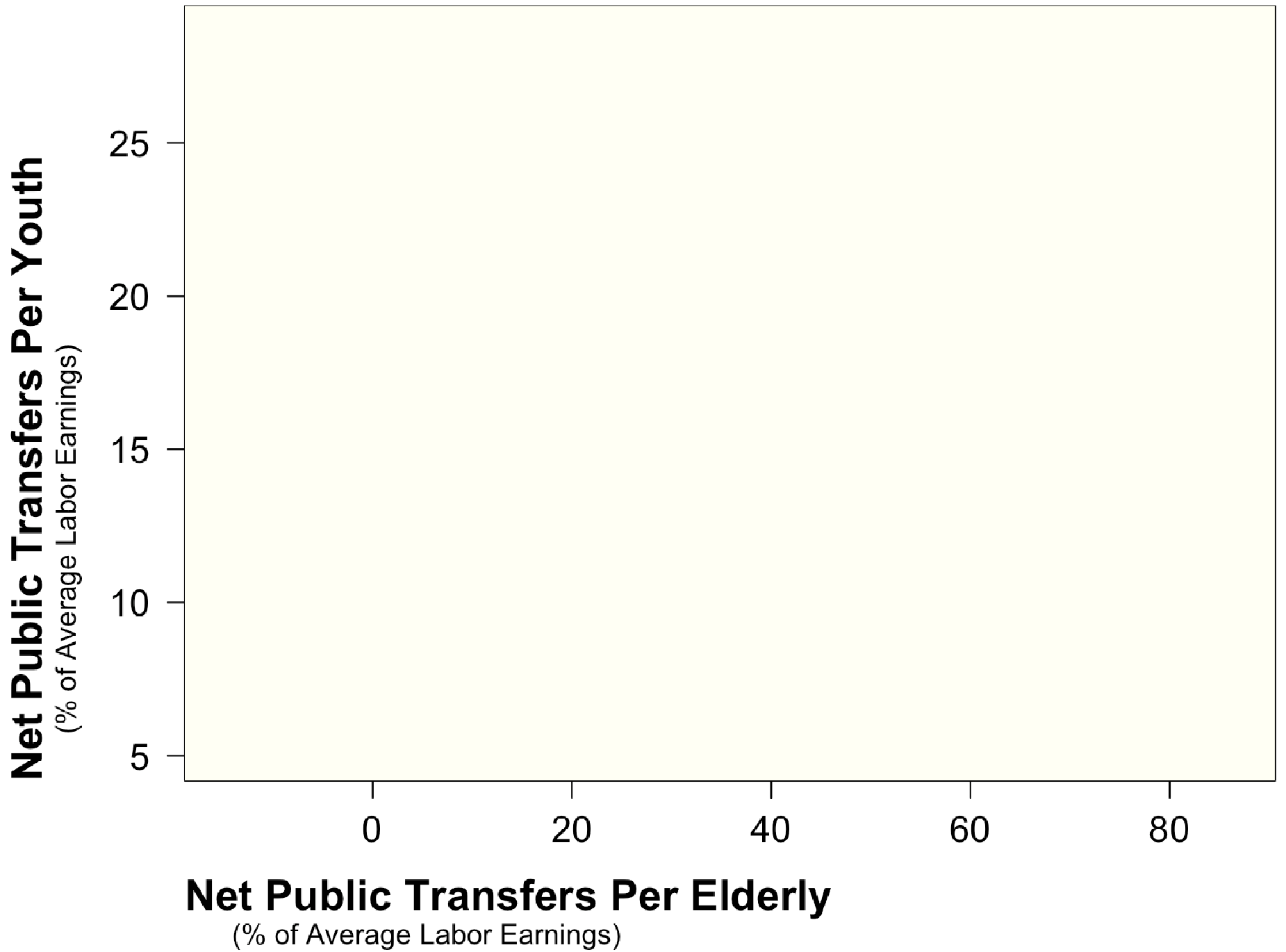


Average Net Public Transfer by Age

(19 NTA countries, circa 2000)



Do governments tend to favor
elderly over youth?



Net Public Transfers Per Youth
(% of Average Labor Earnings)

25
20
15
10
5

0

20

40

60

80

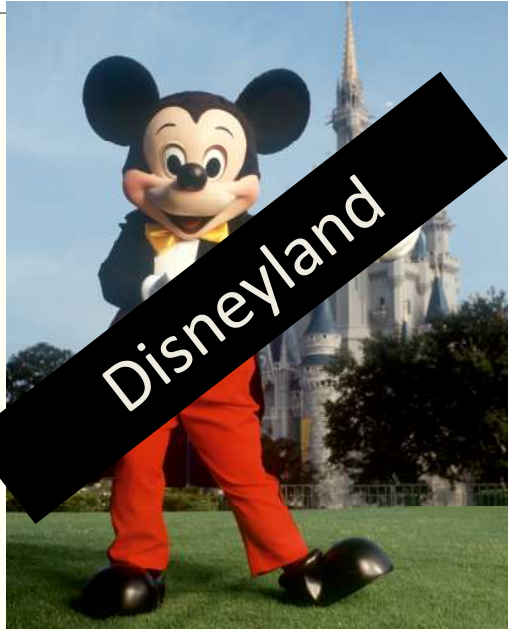
Net Public Transfers Per Elderly
(% of Average Labor Earnings)



Prestonian States

Net Public Transfers Per Youth
(% of Average Labor Earnings)

25
20
15
10
5



Net Public Transfers Per Elderly
(% of Average Labor Earnings)

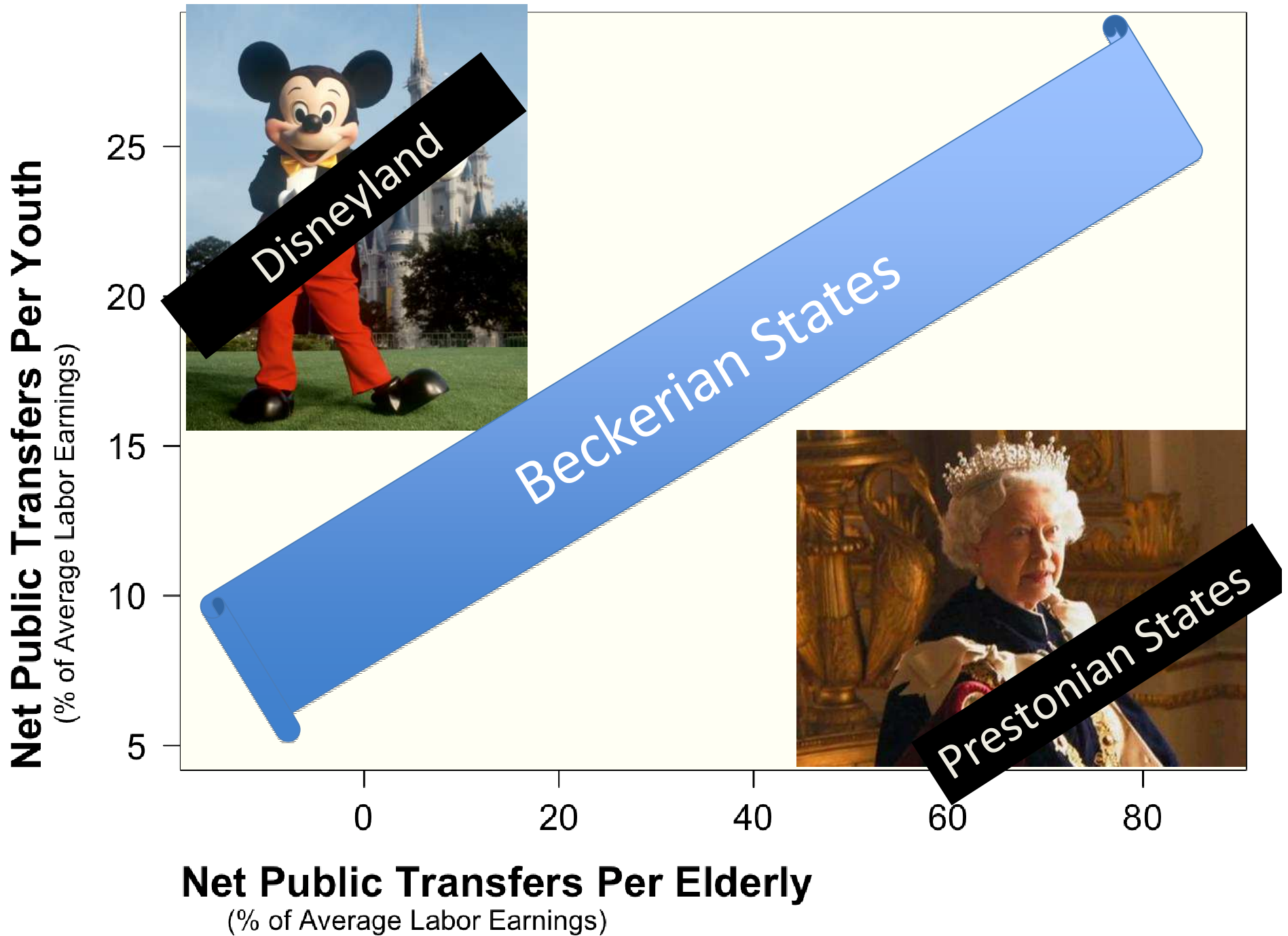
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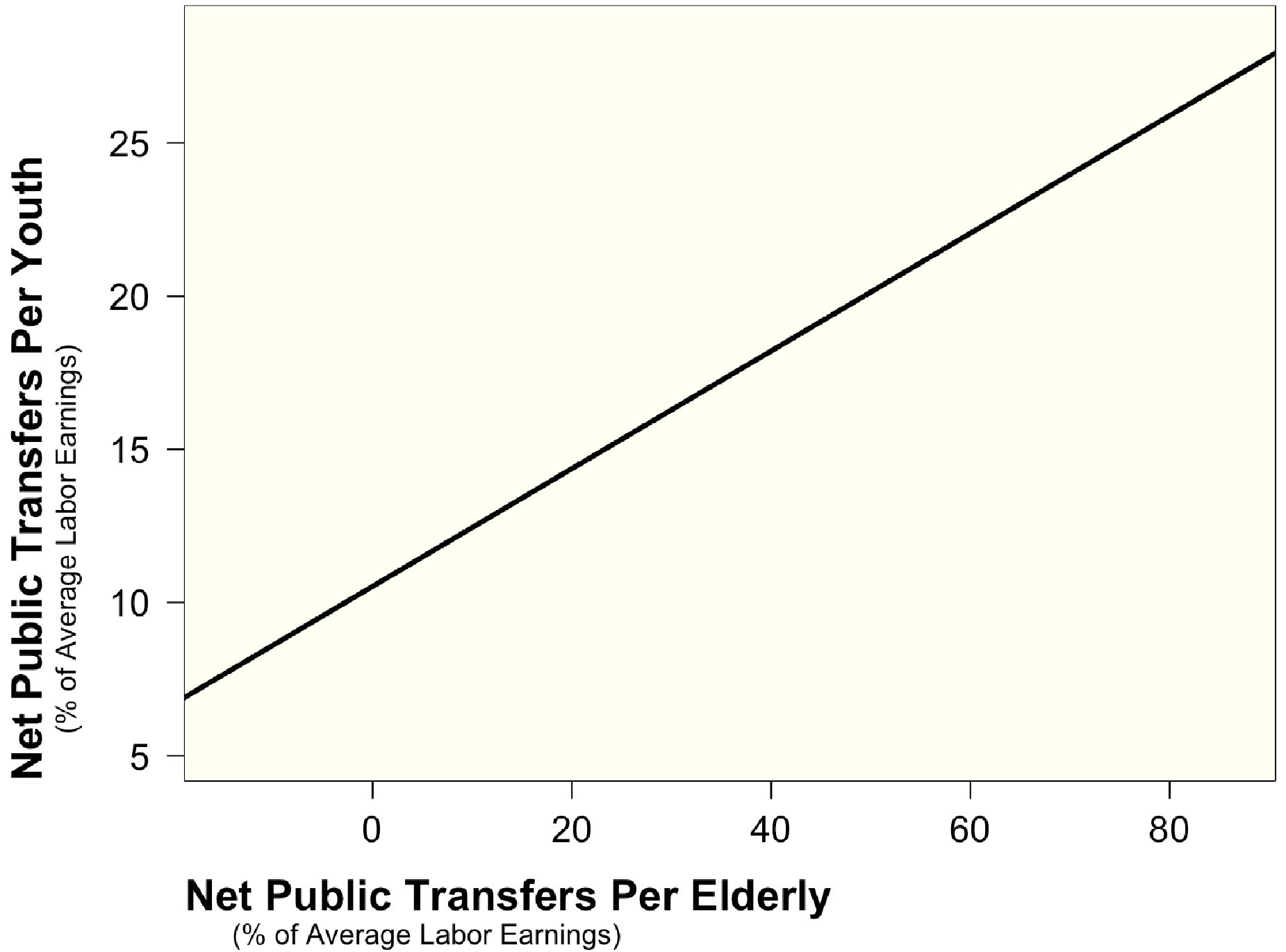
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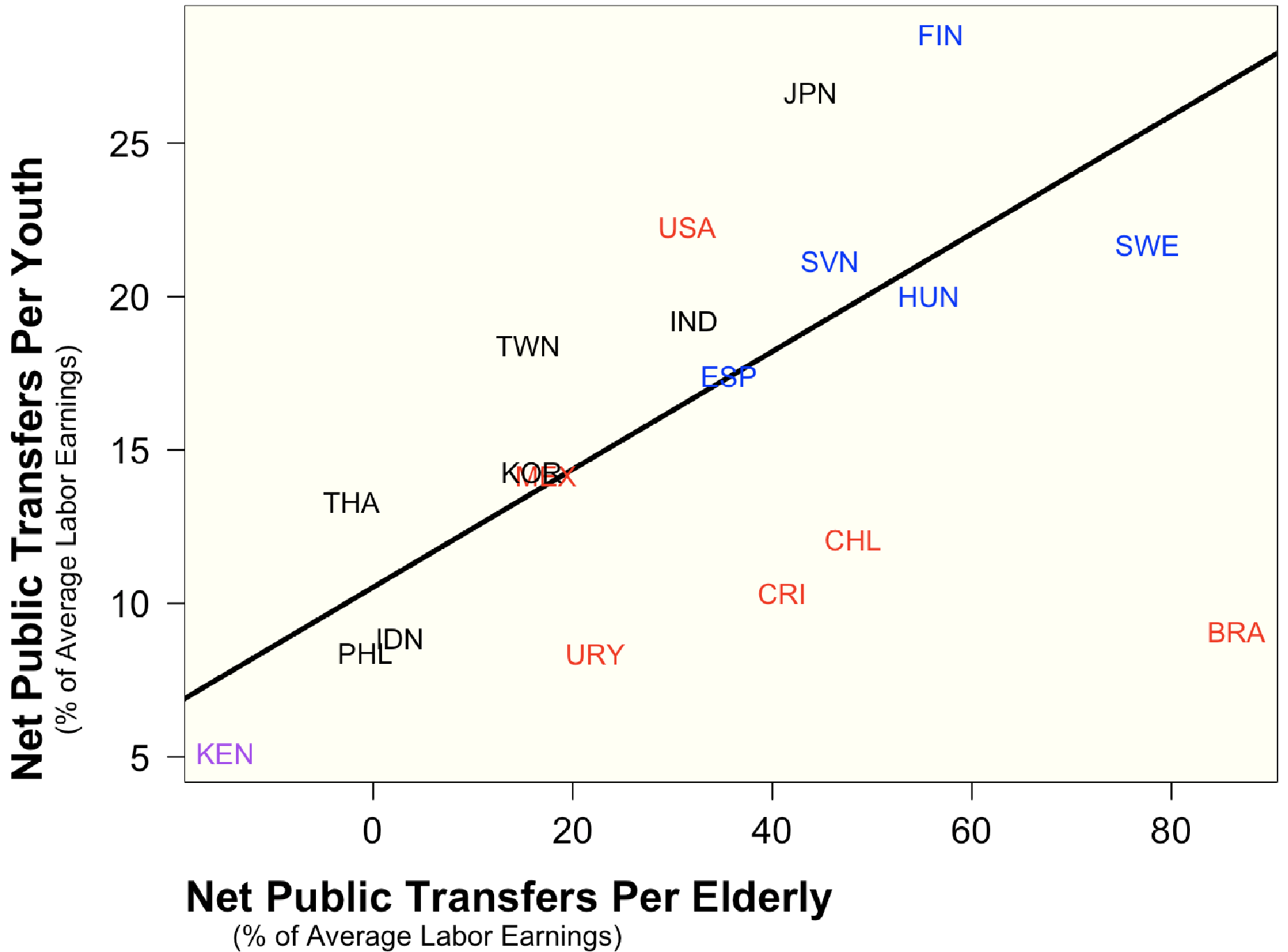
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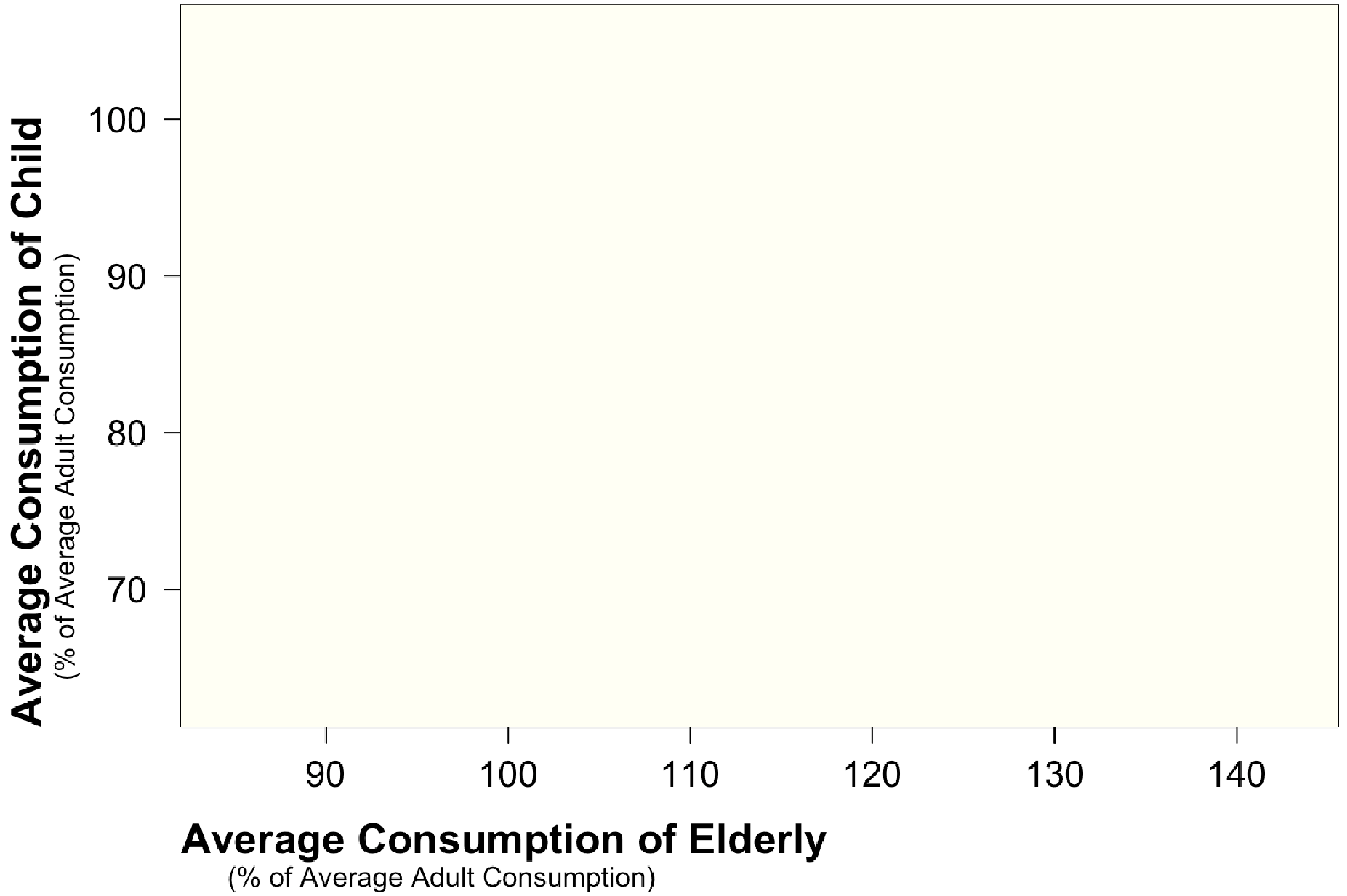
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How does government spending influence the consumption levels of elderly and youth?



Average Consumption of Child
(% of Average Adult Consumption)

100
90
80
70



90

100

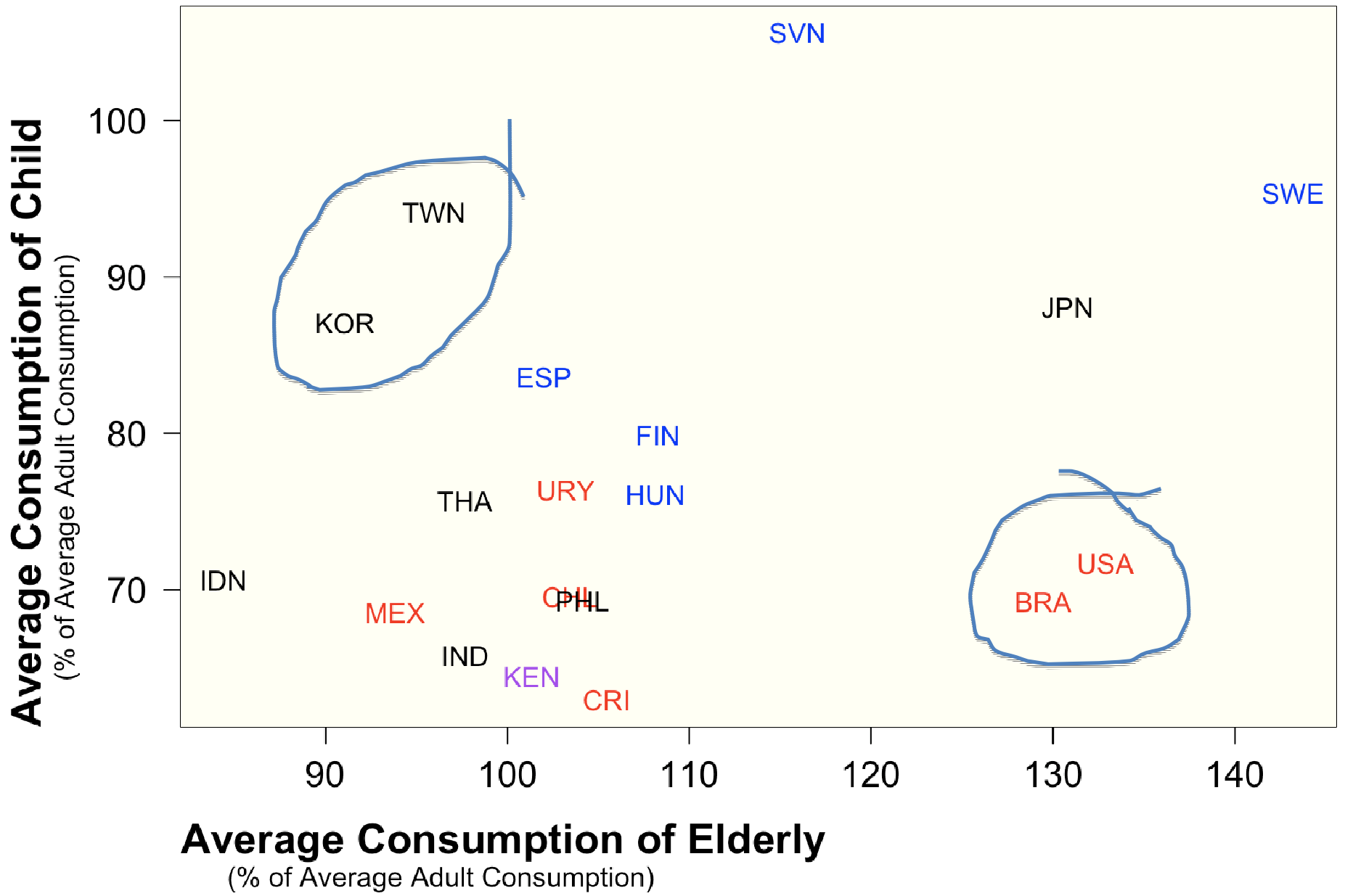
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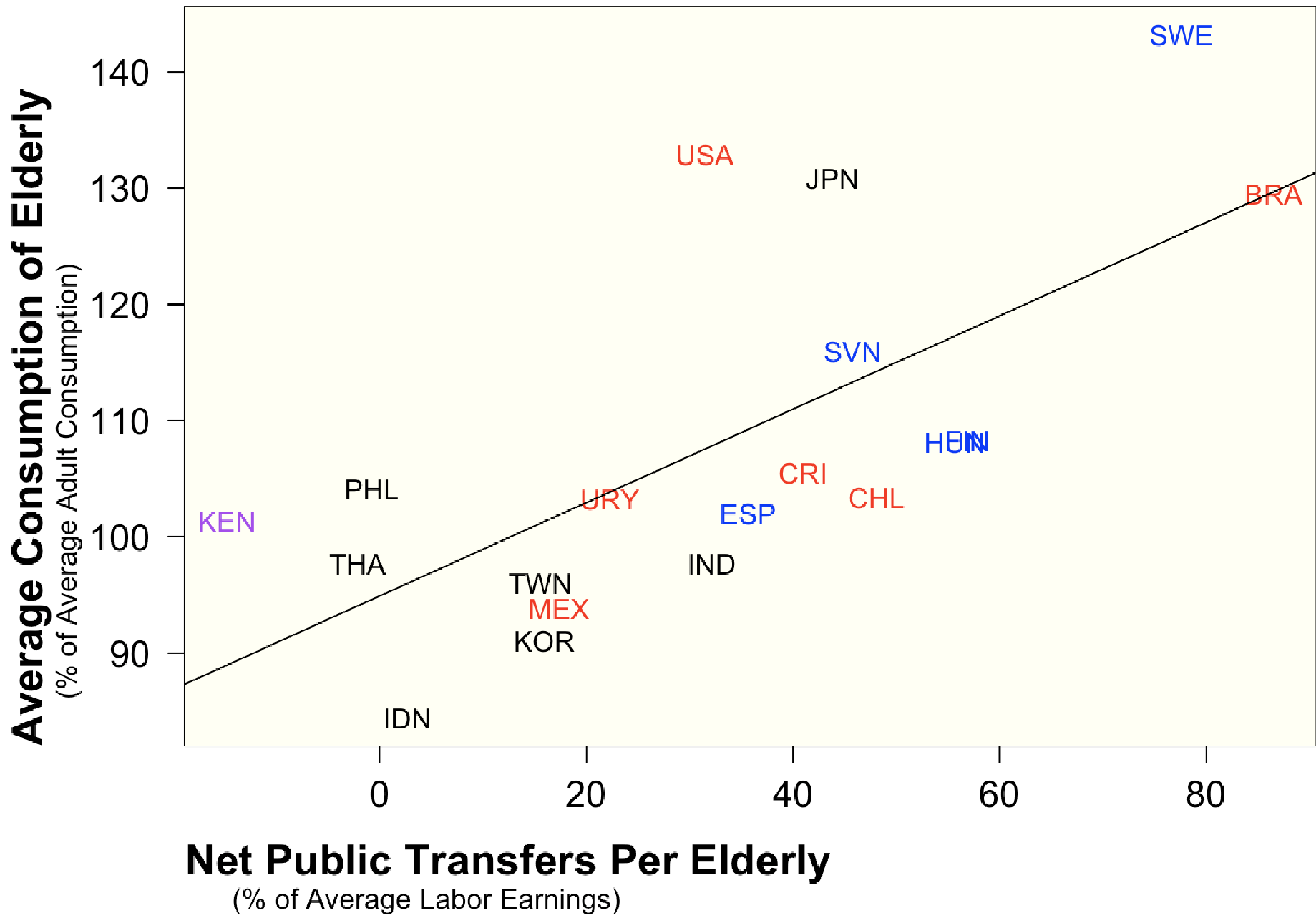
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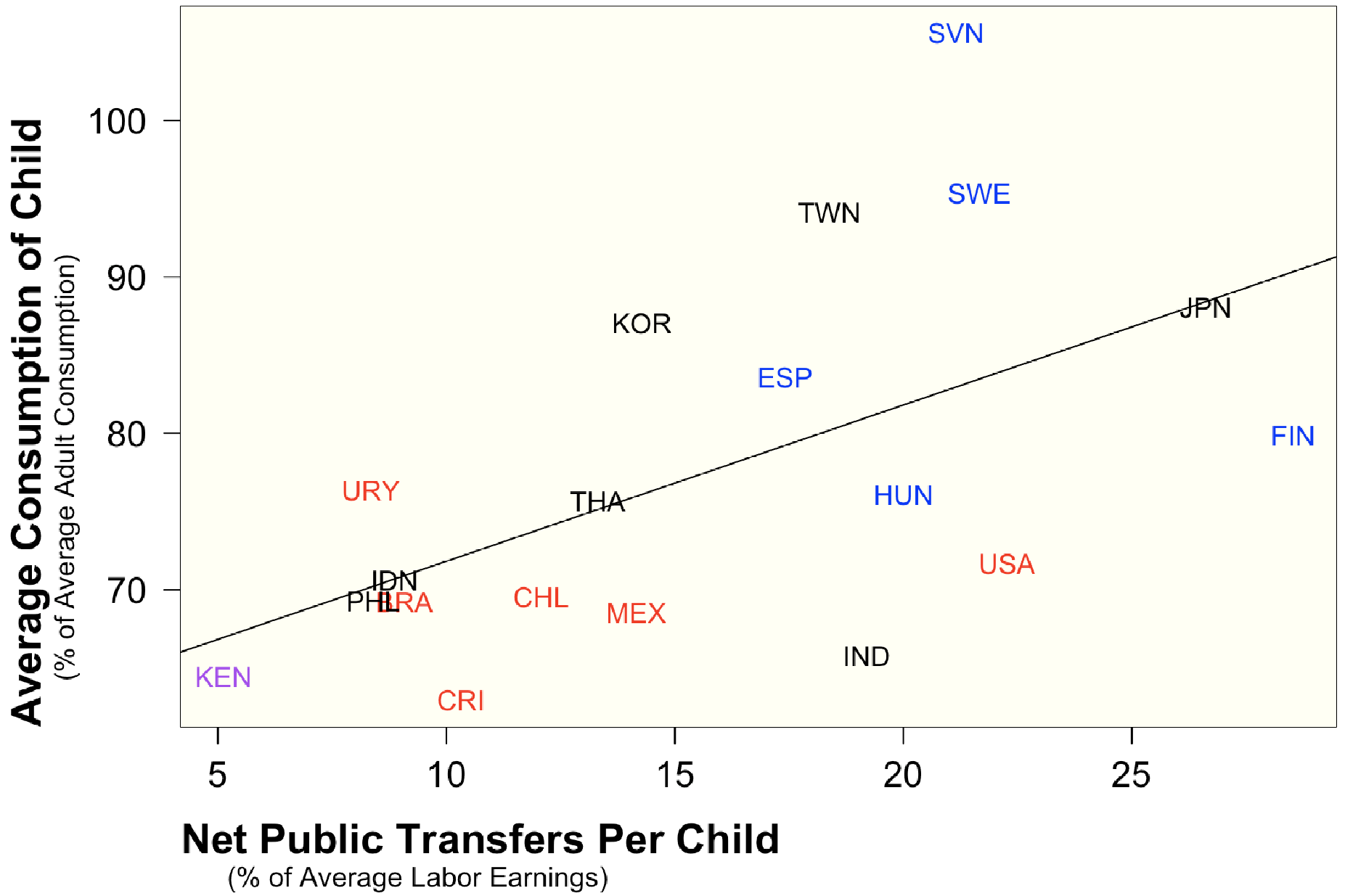
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140

Average Consumption of Elderly
(% of Average Adult Consumption)







Three Answers

- ① What is the typical age pattern of government spending and taxation?

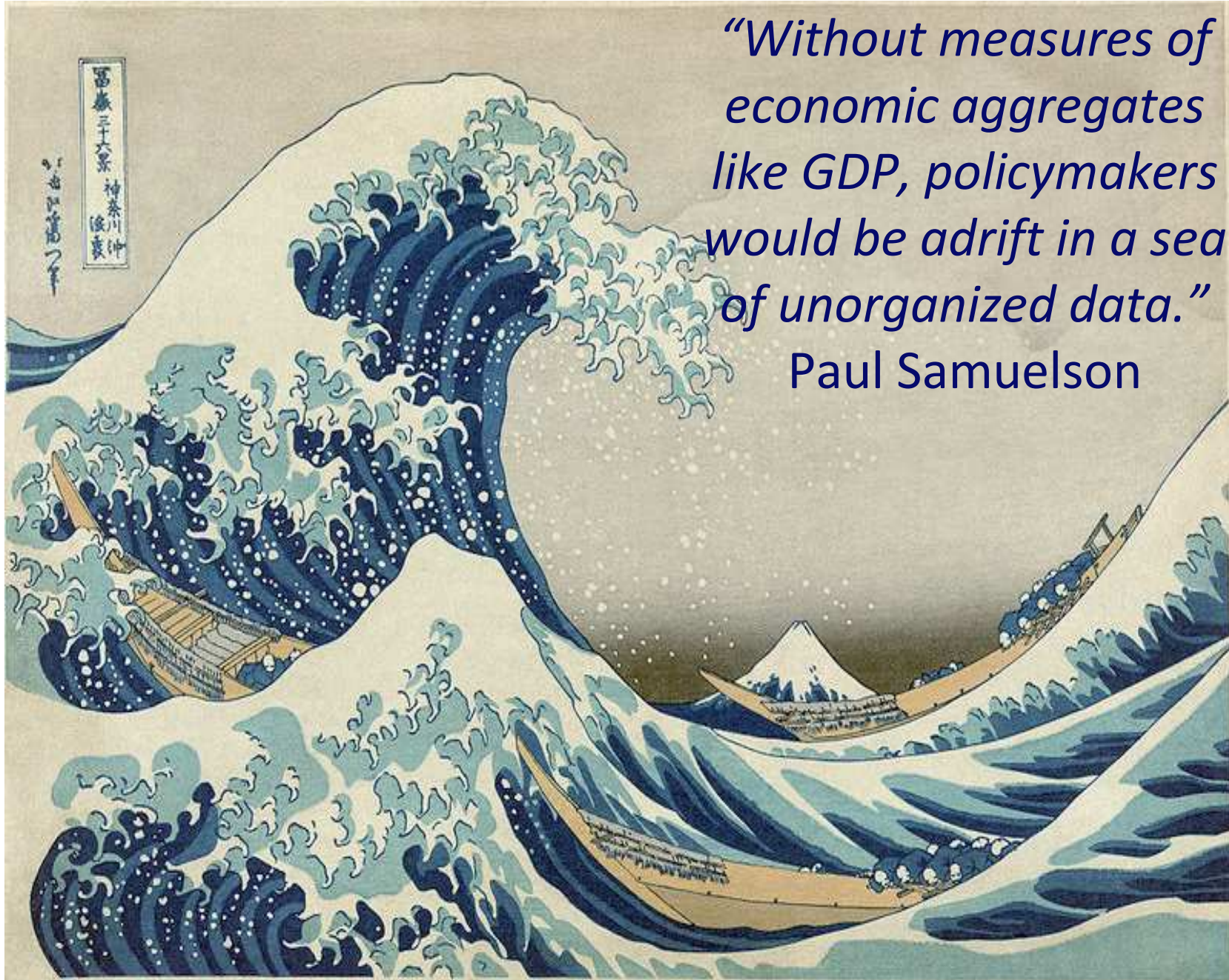
Larger surplus at older ages (58+) than among young (0-22).

- ② Do governments tend to favor elderly over youth?

Generations tend to cooperate (but see #1 above).

- ③ How does government spending influence the consumption levels of elderly and youth?

Higher government spending is associated with higher consumption levels. This is particularly true for health care among the elderly.



“Without measures of economic aggregates like GDP, policymakers would be adrift in a sea of unorganized data.”
Paul Samuelson



Mahalo!