Long-term Trends in Public Finances in Advanced Economies

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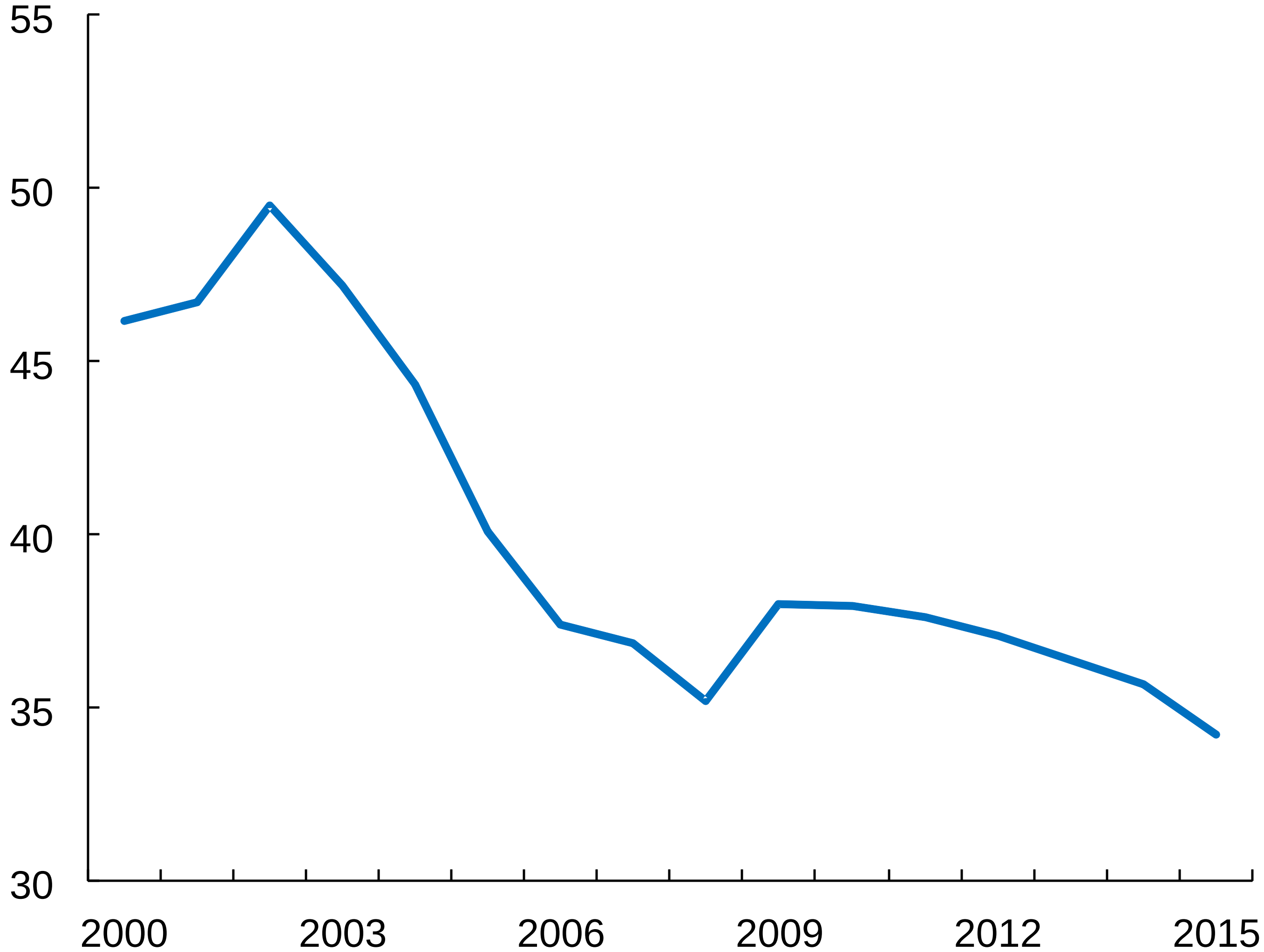
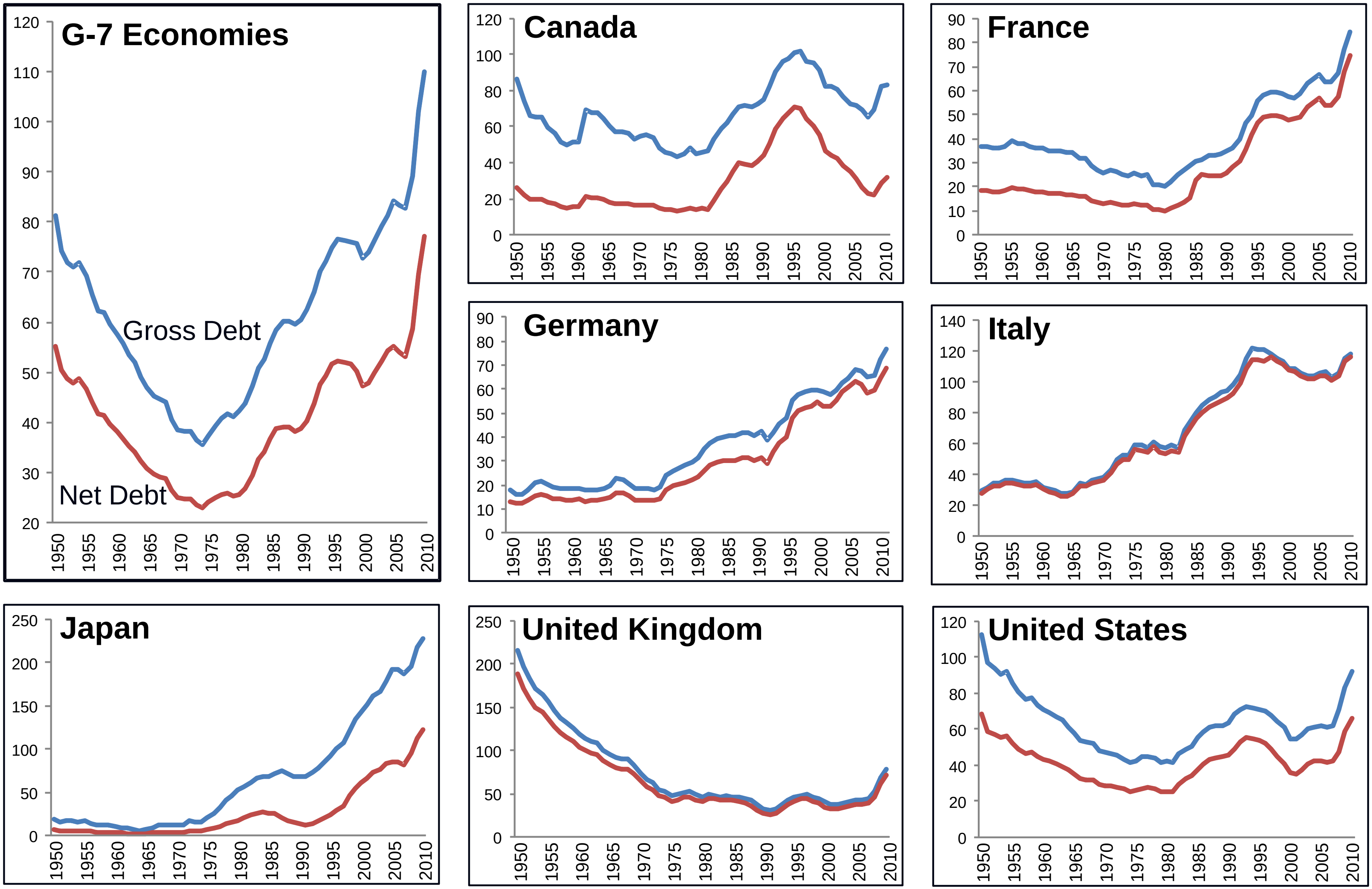
General Government Debt in Emerging Economies (In percent of GDP)

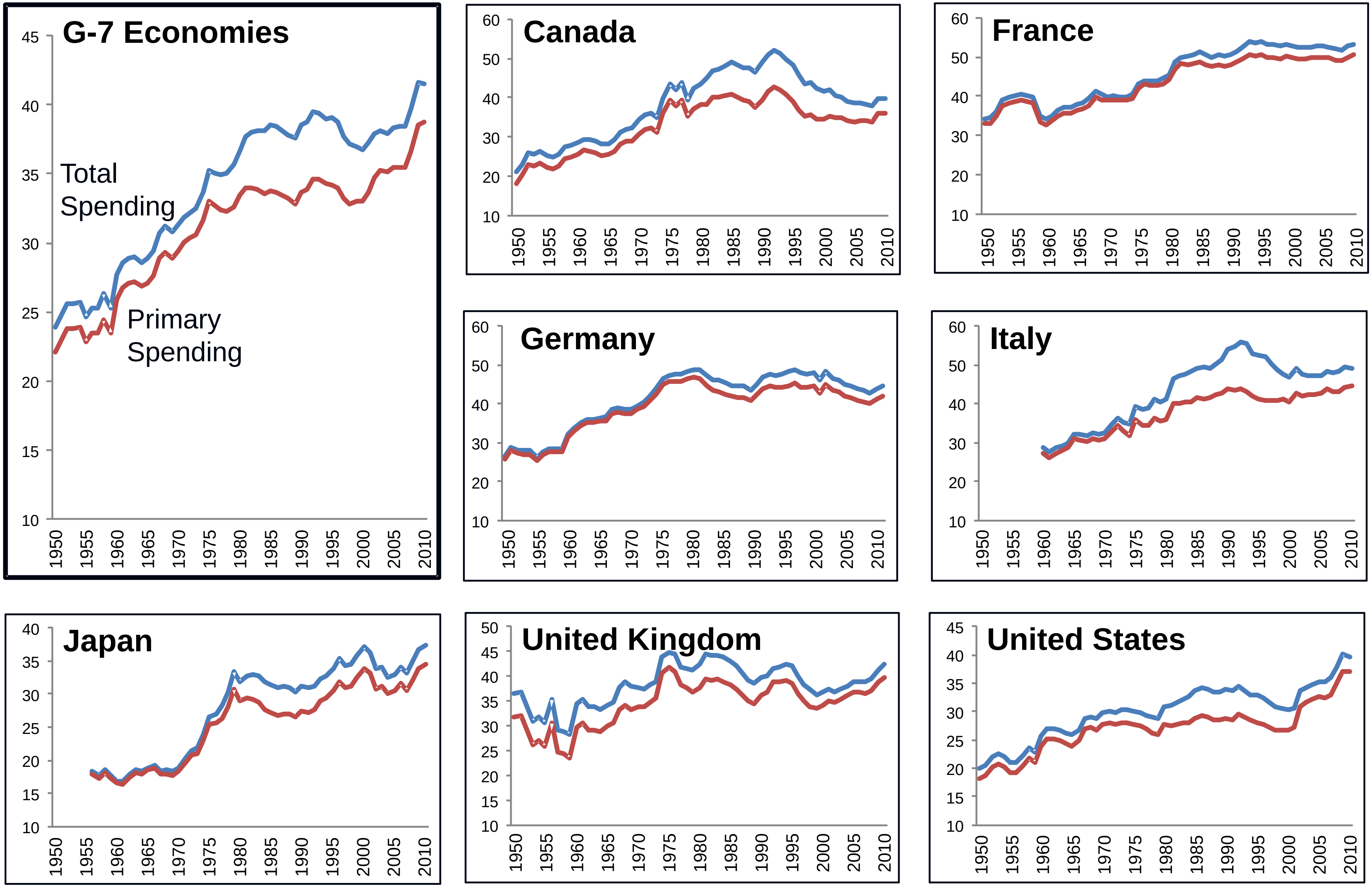


Source: IMF *Fiscal Monitor* May 2010.

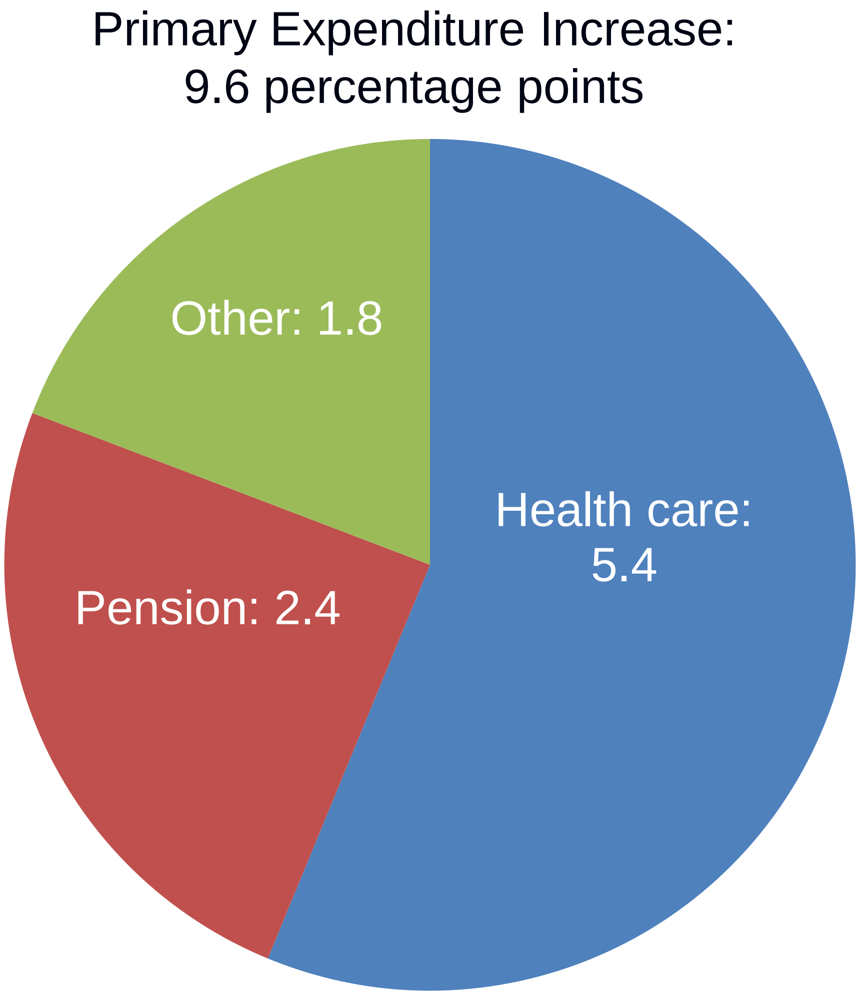
General Government Gross and Net Debt in G-7 Economies, 1950-2010 (In percent of GDP)



General Government Expenditure in G-7 Economies, 1950-2010 (In percent of potential GDP)



Composition of Primary Expenditure Increase 1960-2007 (In percent of potential GDP)



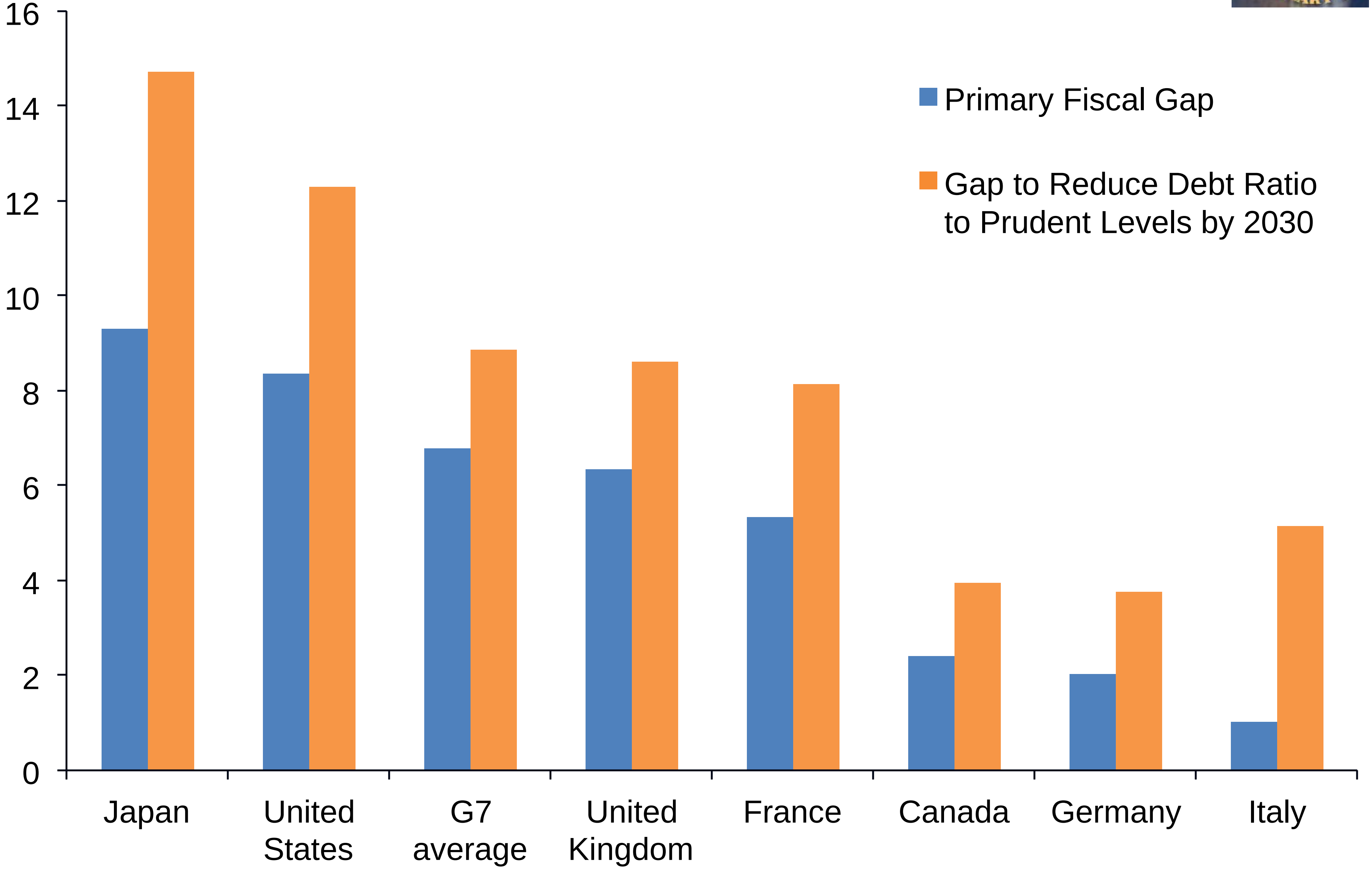
Sources: OECD, Tanzi and Schuknecht (2000), WEO and IMF staff estimates.

Public Debt Will Keep Rising

- A sizeable primary gap in 2010
- Impact of public debt on interest rates and growth
- Pressure from pension and health care spending

Primary Fiscal Gap

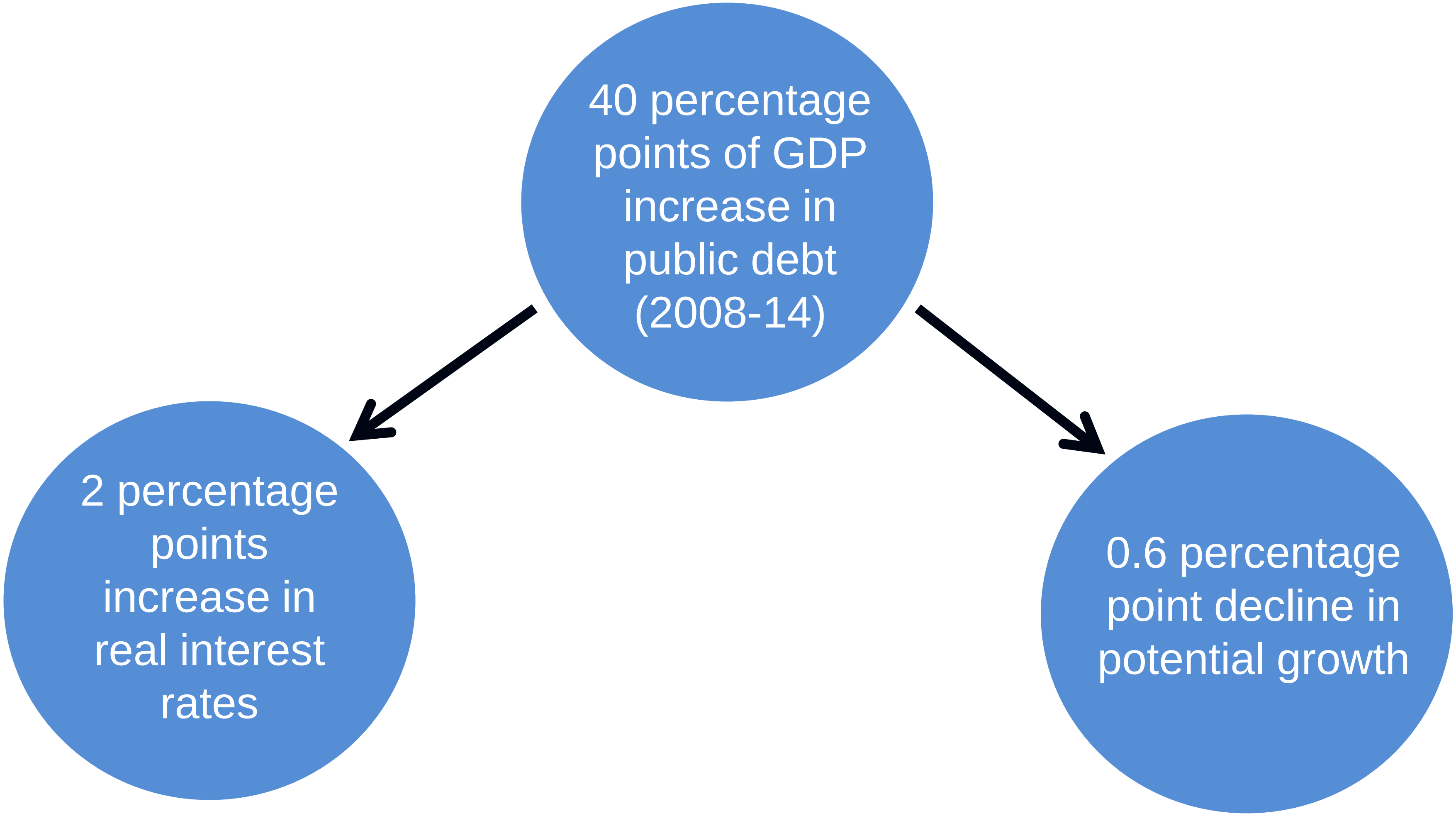
(In percent of GDP)



Source: IMF *Fiscal Monitor* May 2010.

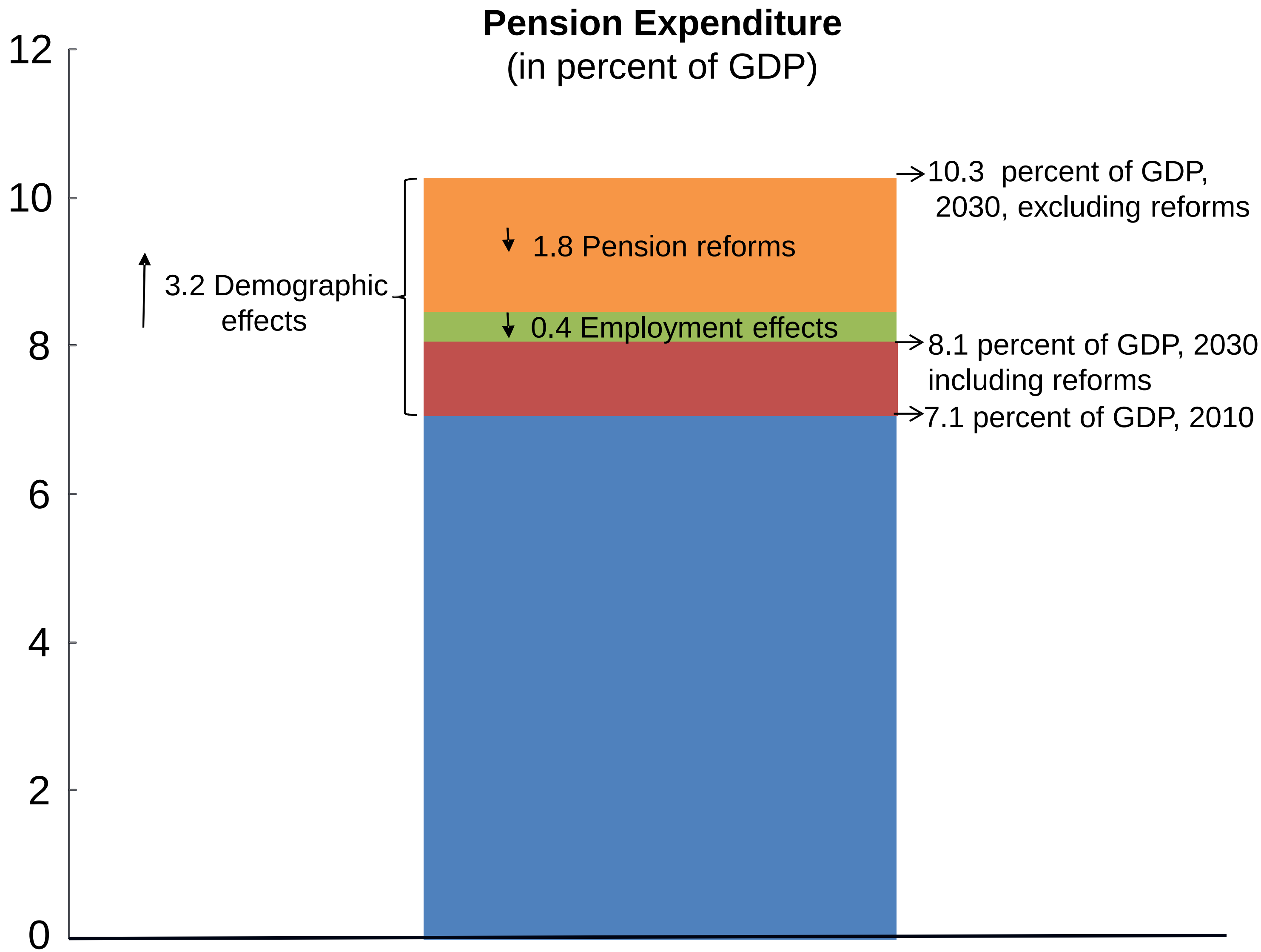
Impact of Public Debt on Interest Rates and Growth

G-7 Economies



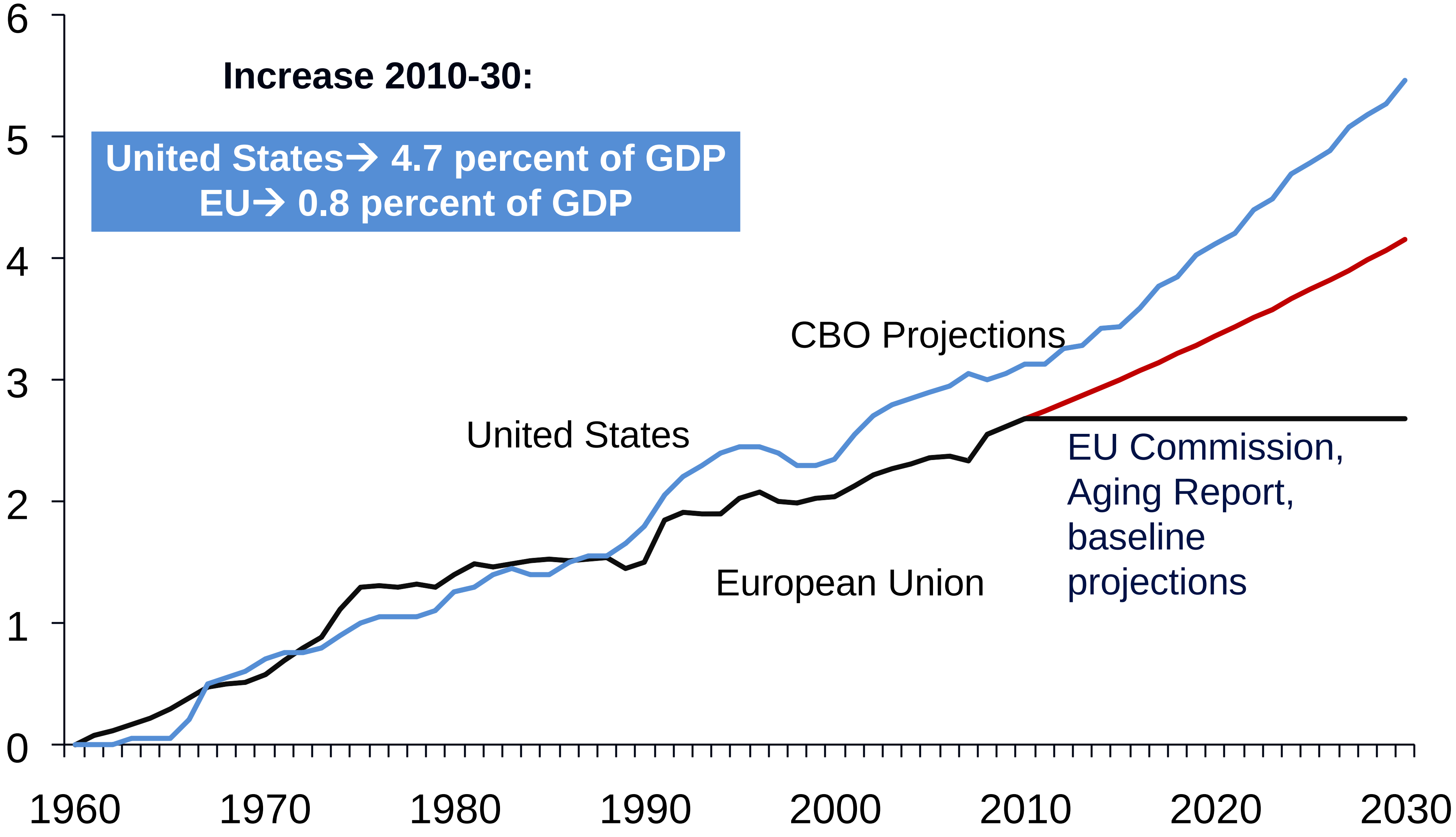
Source: IMF *Fiscal Monitor* May 2010.

The Effect of Enacted Pension Reforms



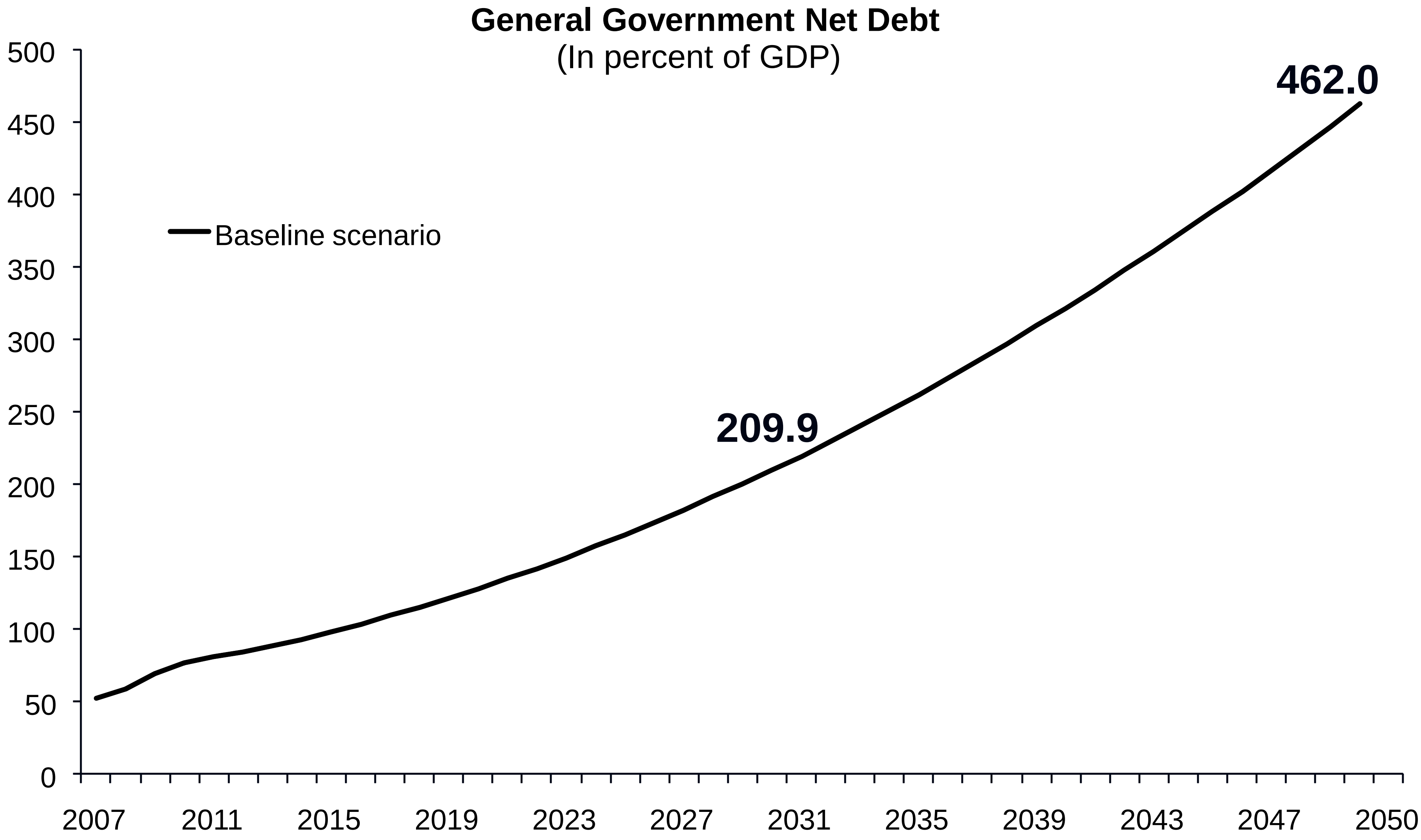
Sources: US Census Bureau (2009), European Commission (2009), and IMF staff estimates.
Note: Sample includes advanced-G20 economies.

Health Care Spending: Impact of Better Quality and Higher Prices



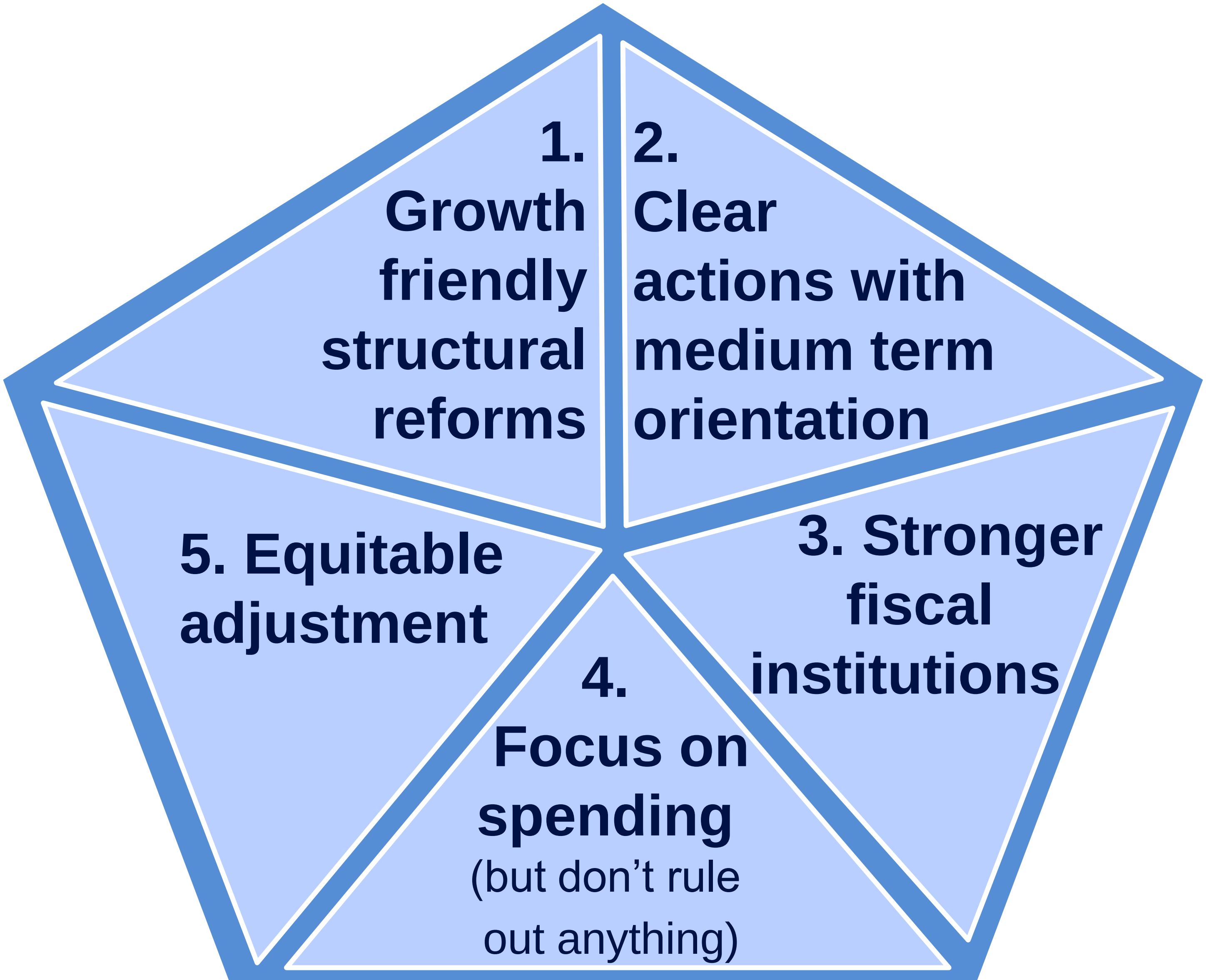
Sources: European Commission, OECD, United States Congressional Budget Office, and IMF staff estimates.

The Public Debt Spiral

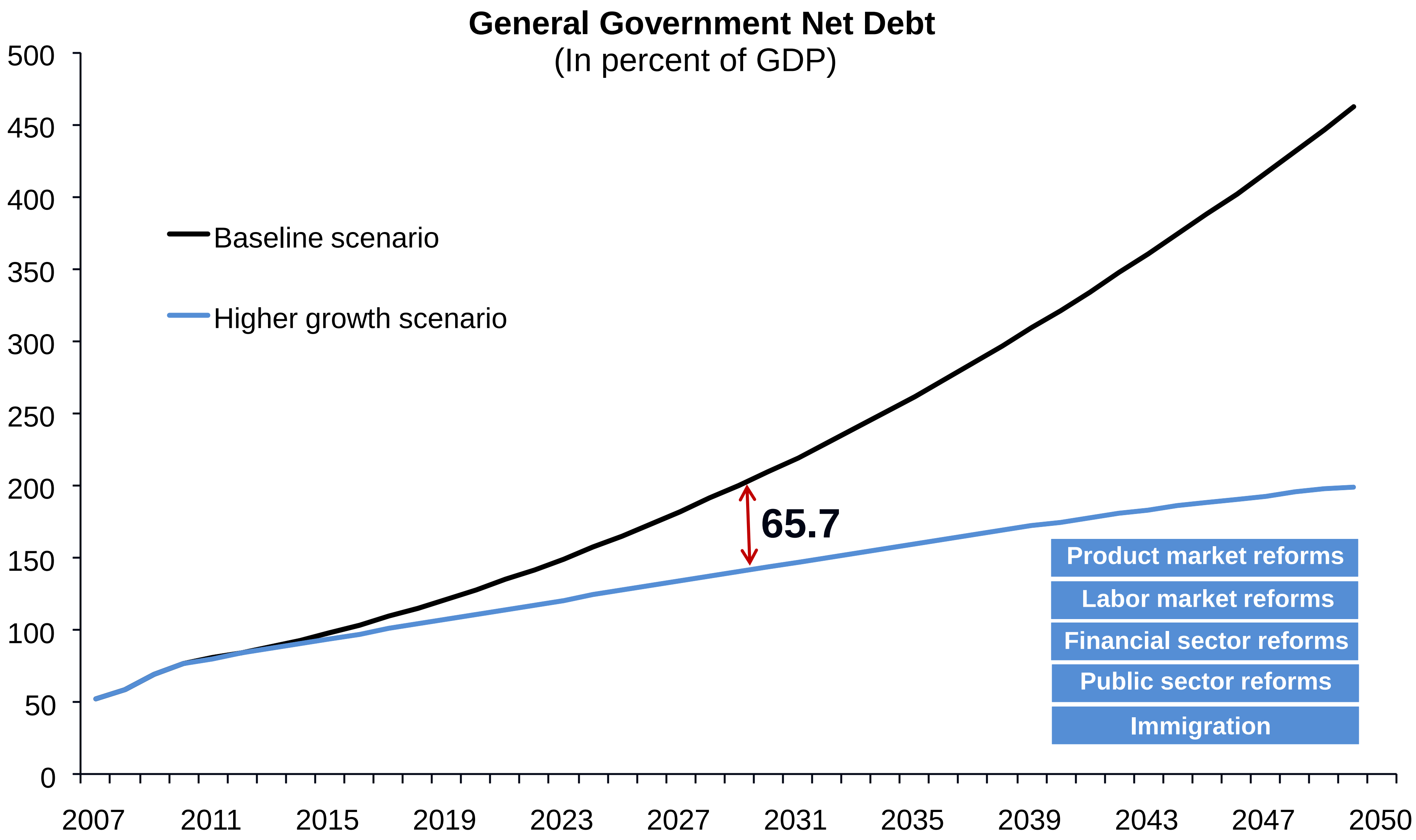


Source: IMF staff estimates.

Five Principles for Fiscal Adjustment Strategies



The Public Debt Spiral



Source: IMF staff estimates.

Thank You!