Long-term Trends in Public Finances

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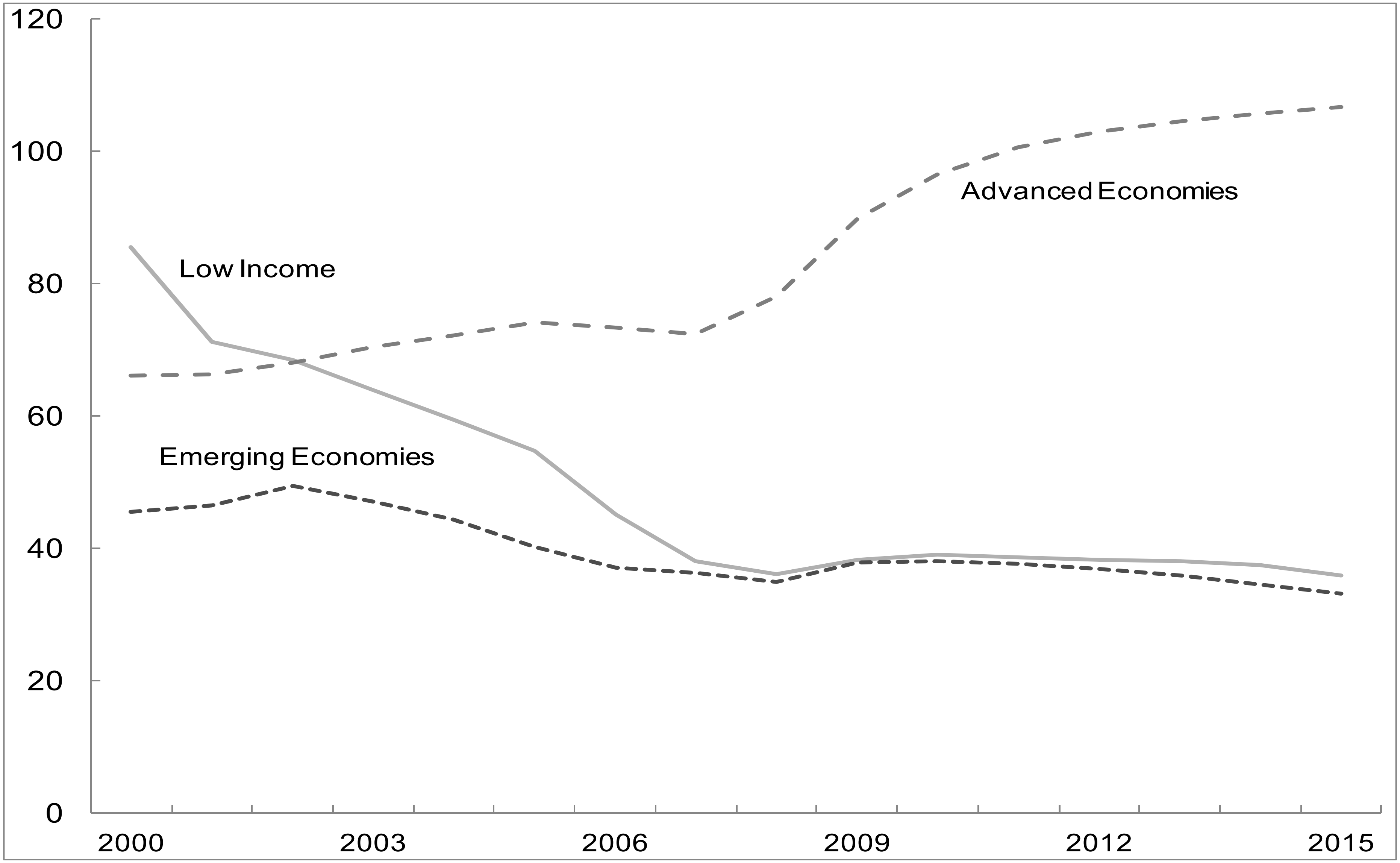
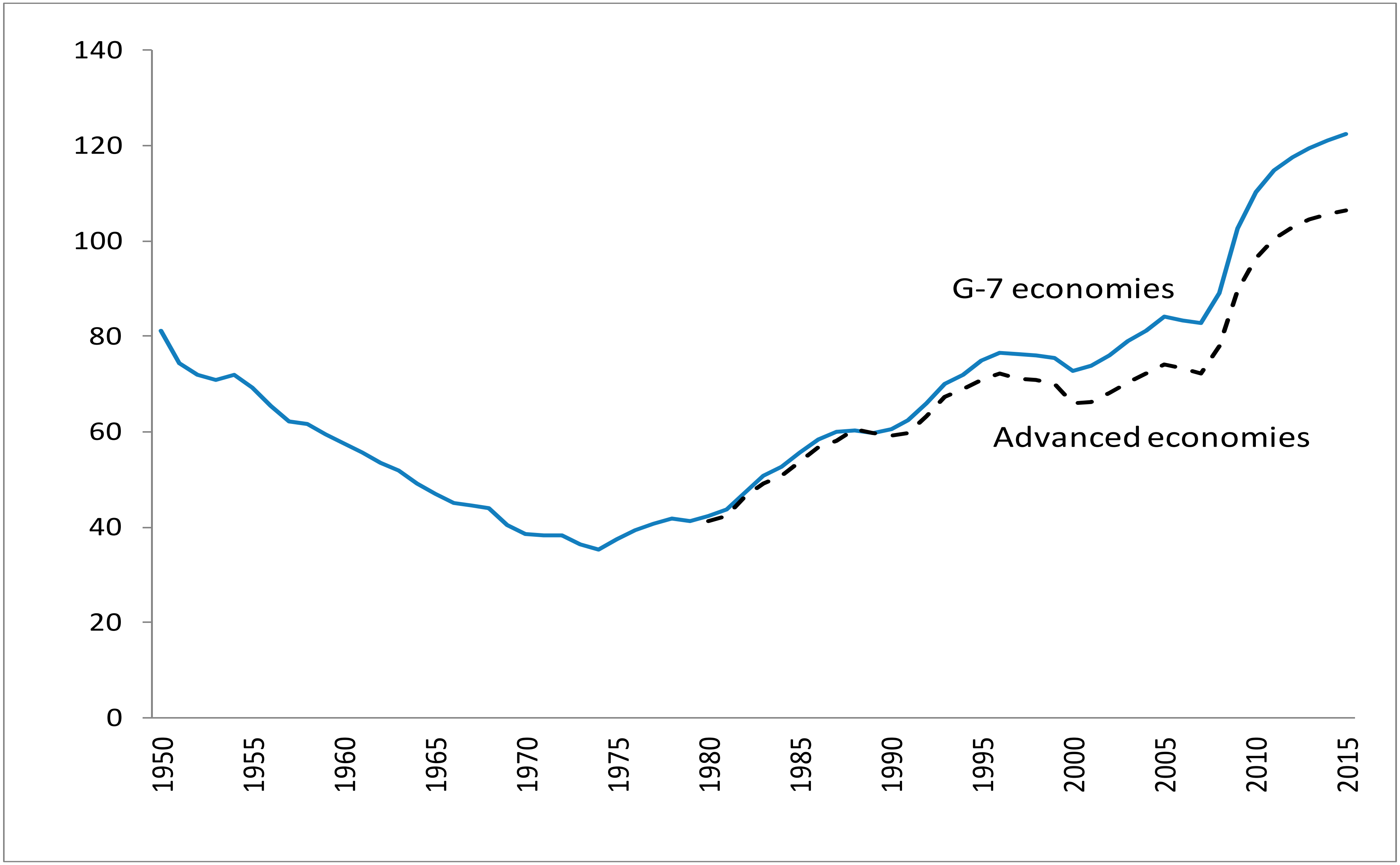
Tokyo

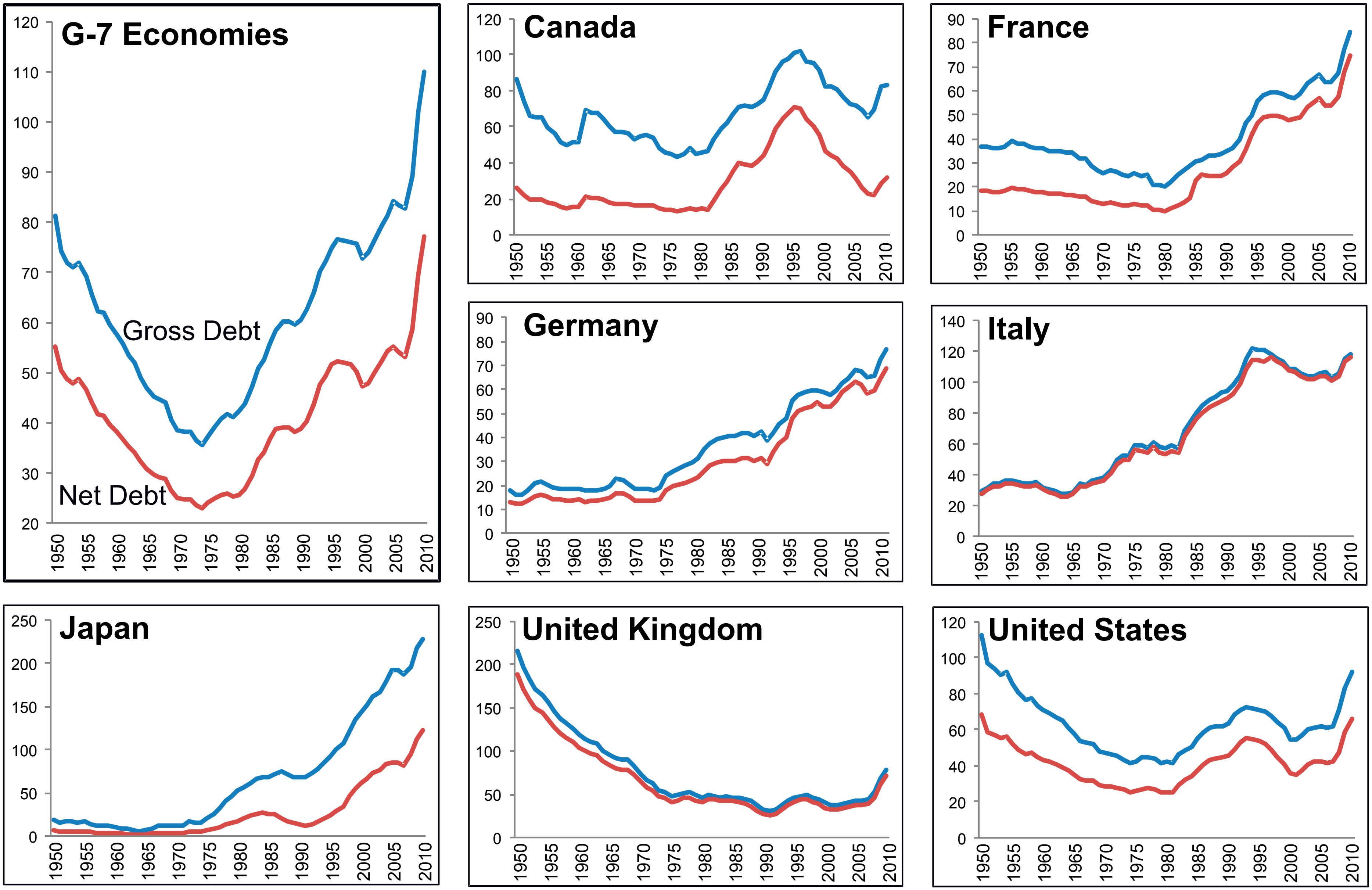
General Government Debt
(In percent of GDP)



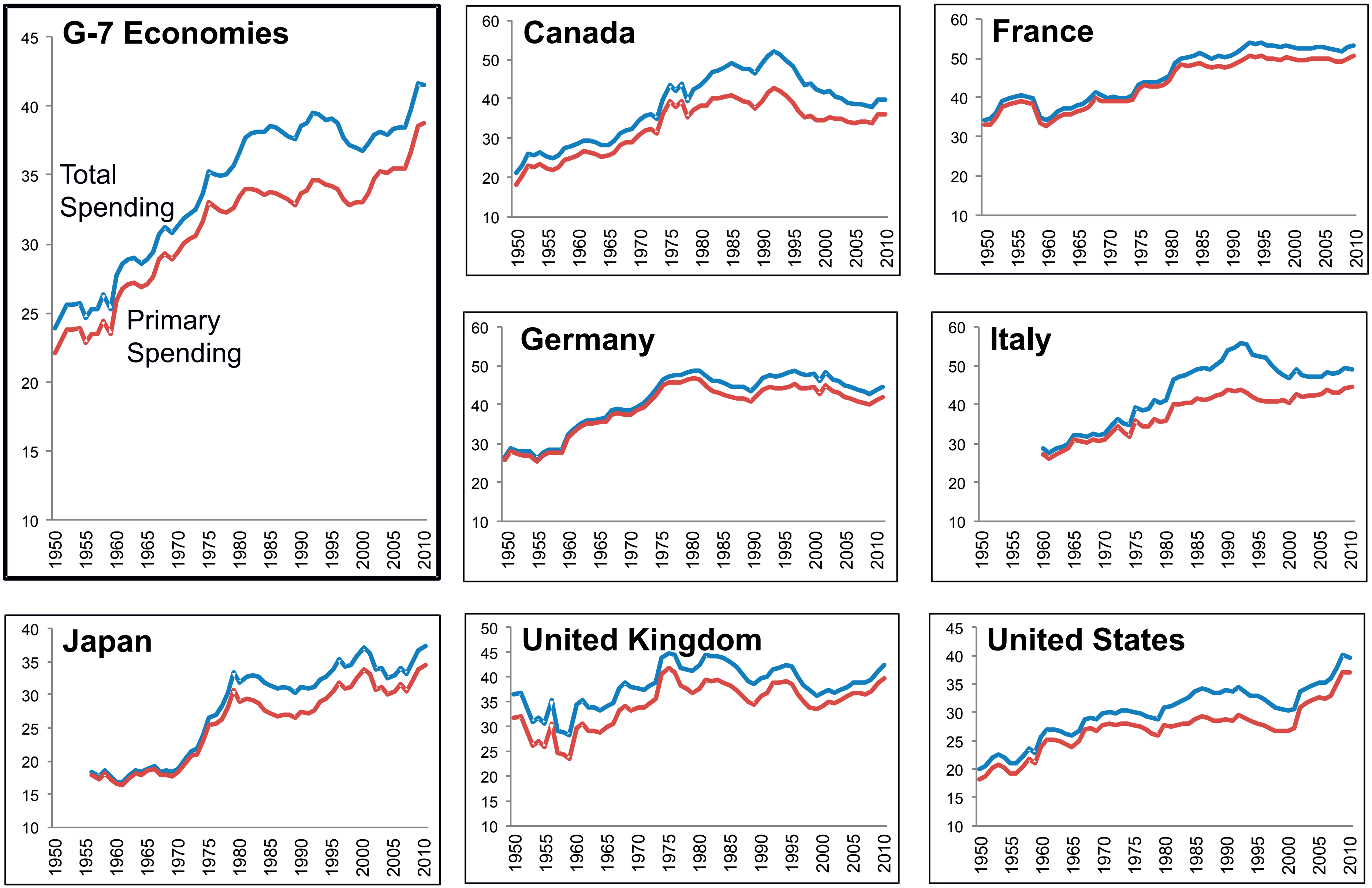
Long Term: Government Gross Debt—G7 and Advanced Economies
(PPP-weighted average, in percent of GDP)



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

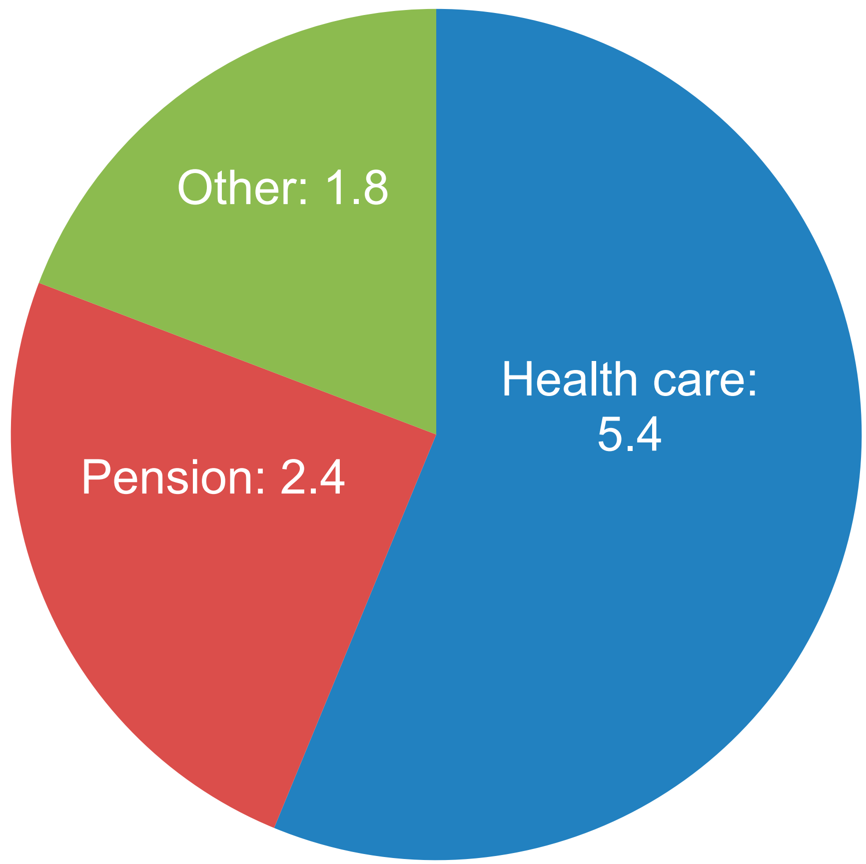


General Government Expenditure in G-7 Economies, 1950-2010 (In percent of potential GDP)



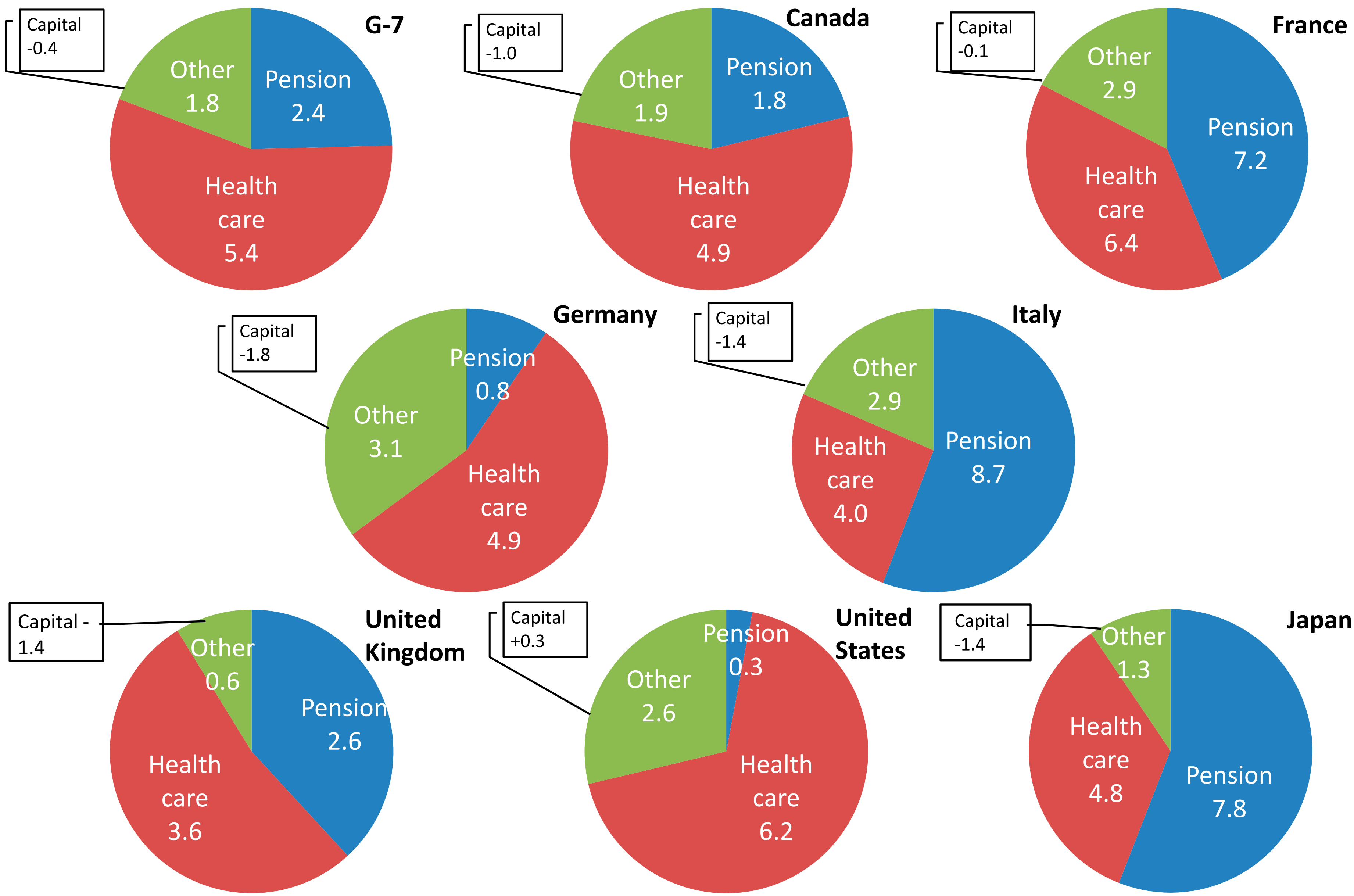
Composition of Primary Expenditure Increase 1960-2007 (In percent of potential GDP)

Primary Expenditure Increase:
9.6 percentage points



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

Composition of Primary Expenditure Increase 1960-2007 for G-7 Economies (In percent of potential GDP)

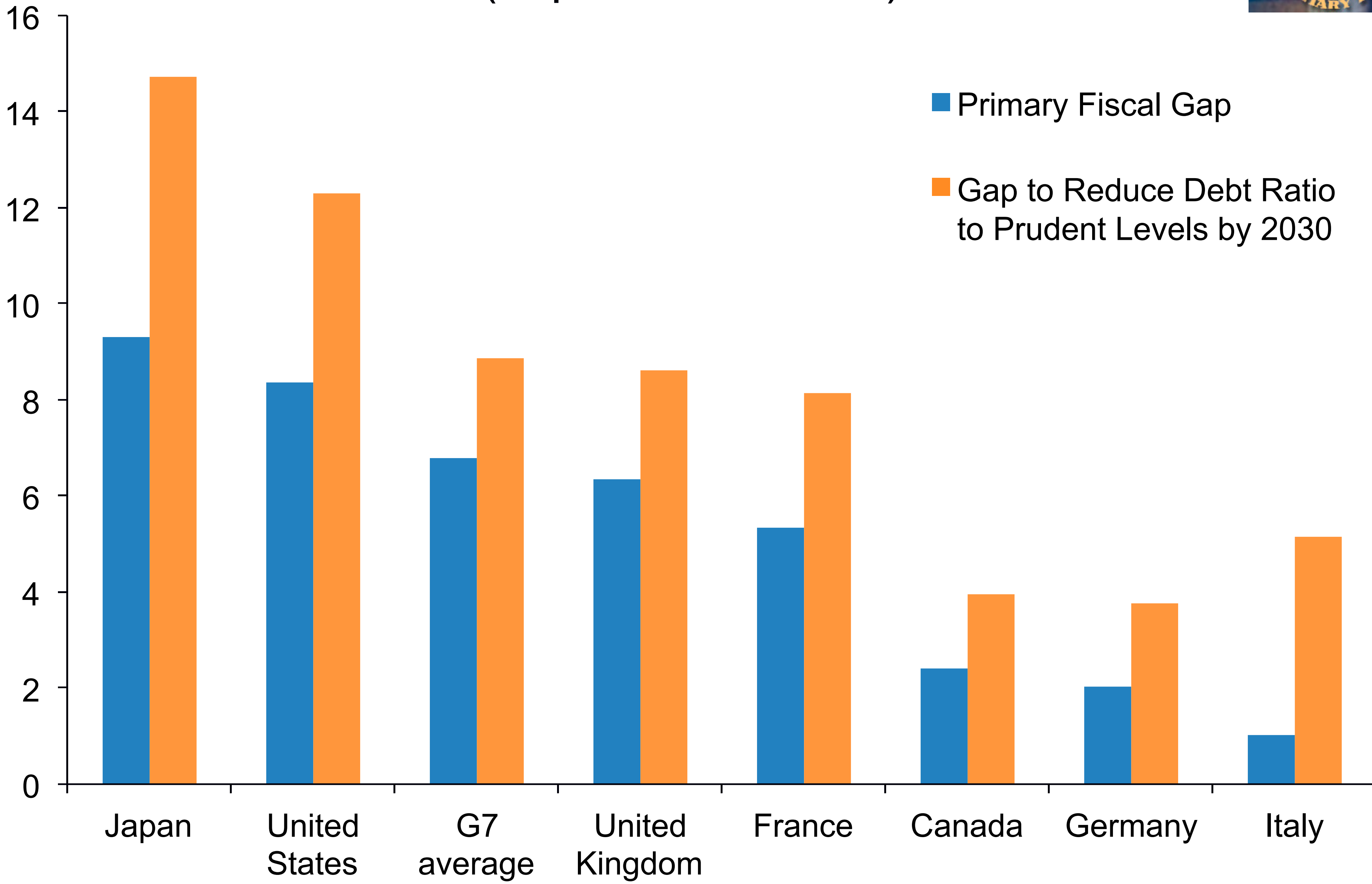


Public Debt Will Keep Rising

- 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

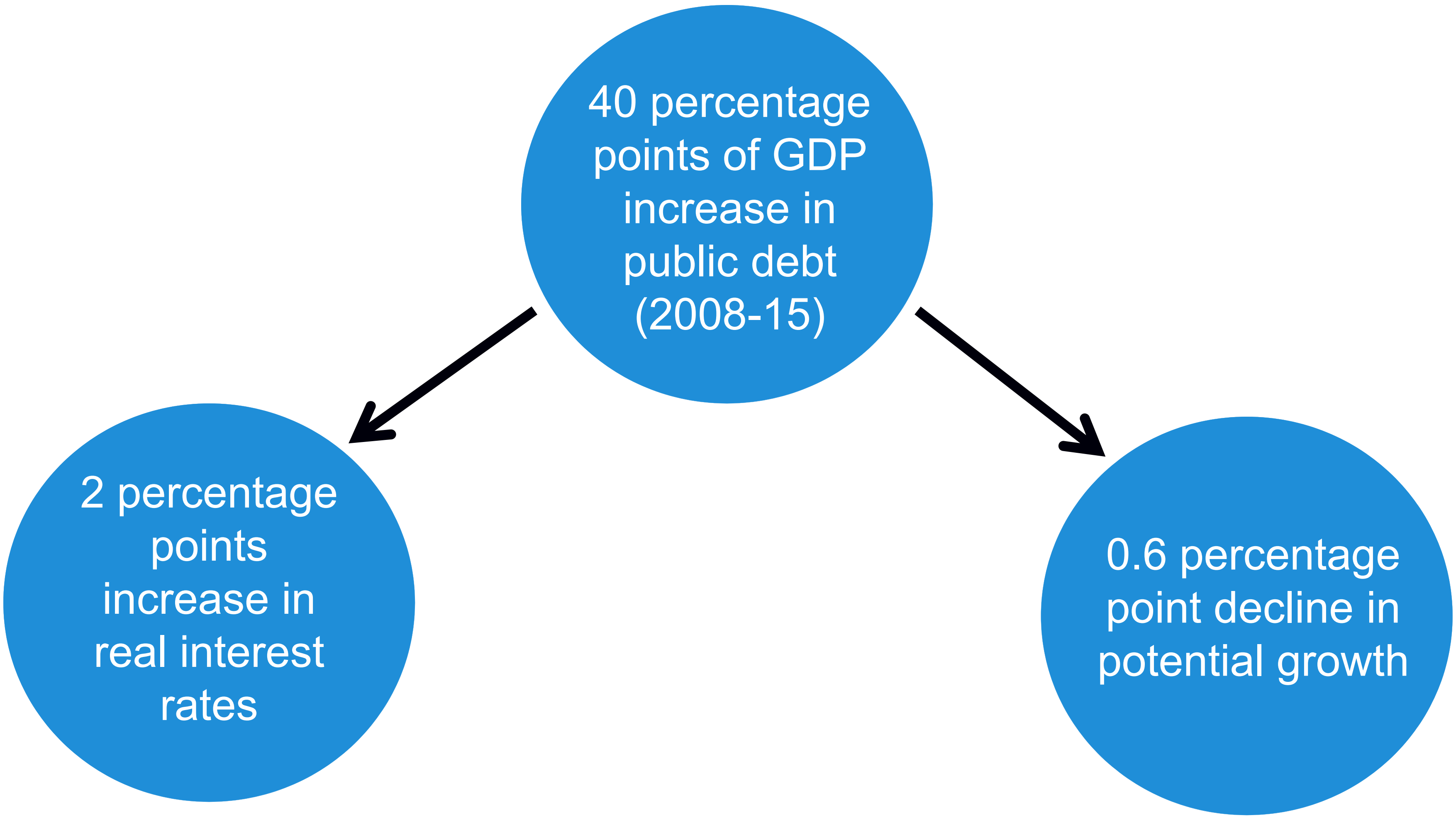
(In percent of GDP)



Source: IMF *Fiscal Monitor* May 2010.

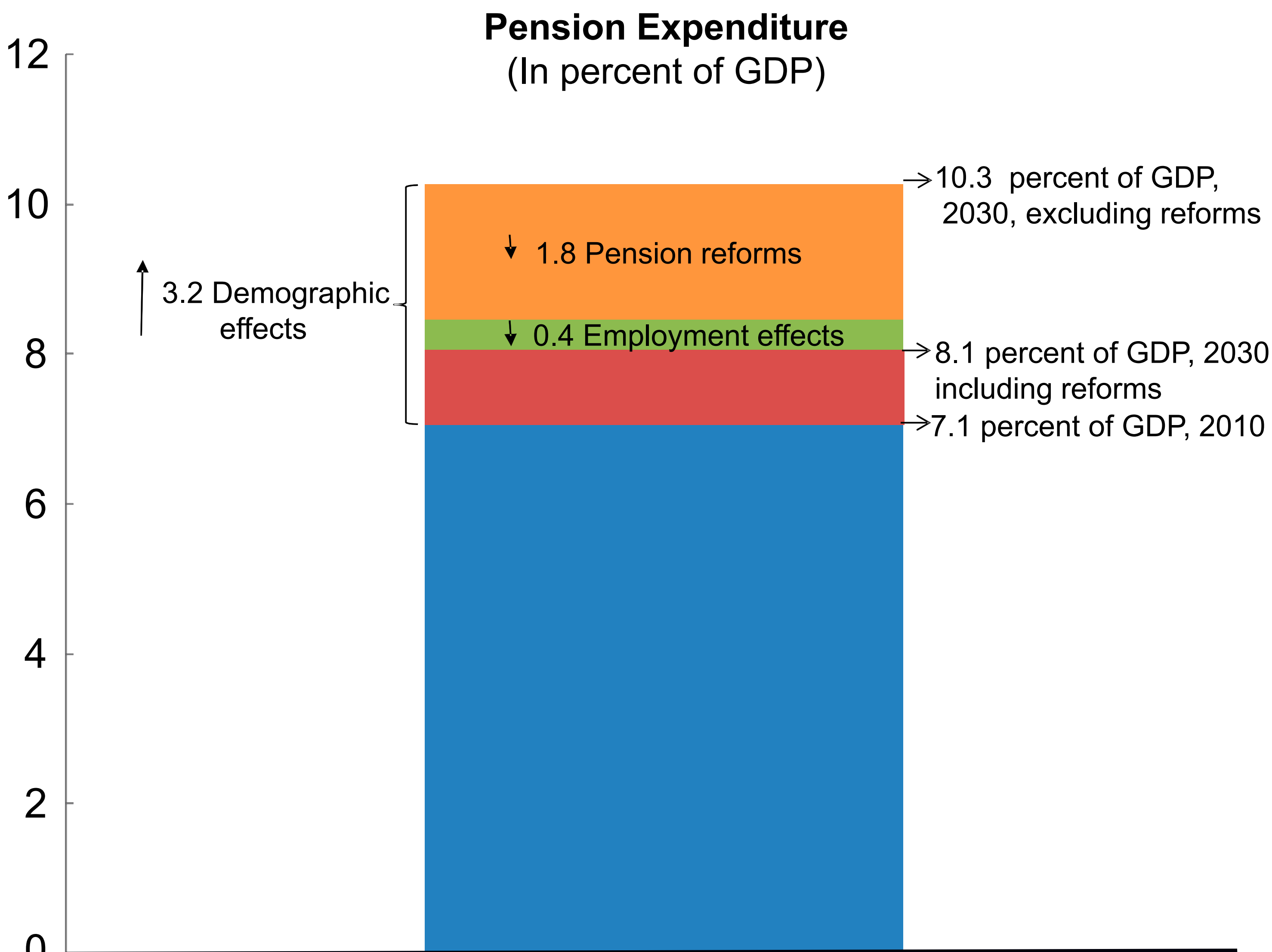
Impact of Public Debt on Interest Rates and Growth

G-7 Economies



Source: IMF *Fiscal Monitor* May 2010.

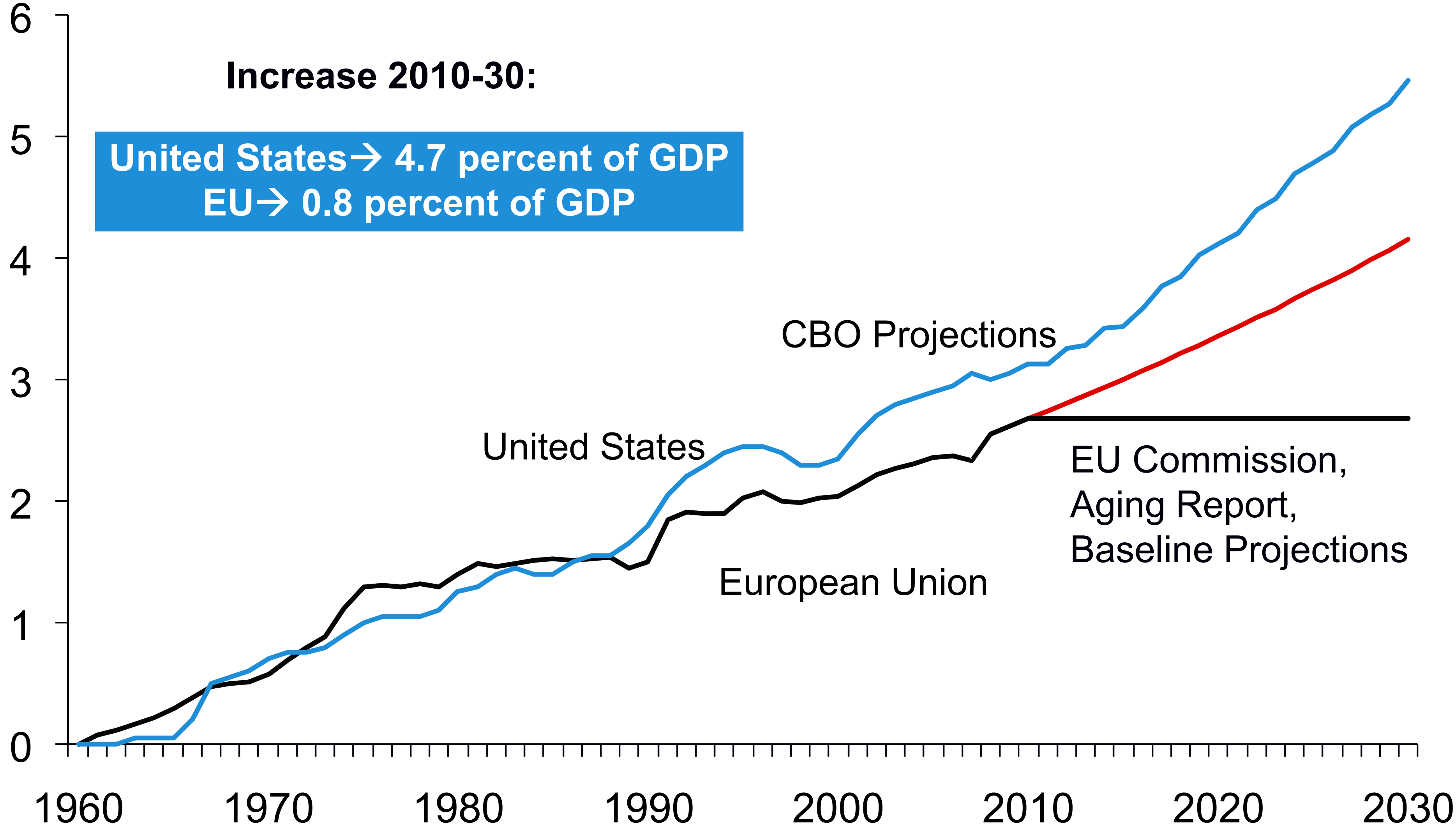
The Effect of Enacted Pension Reforms



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

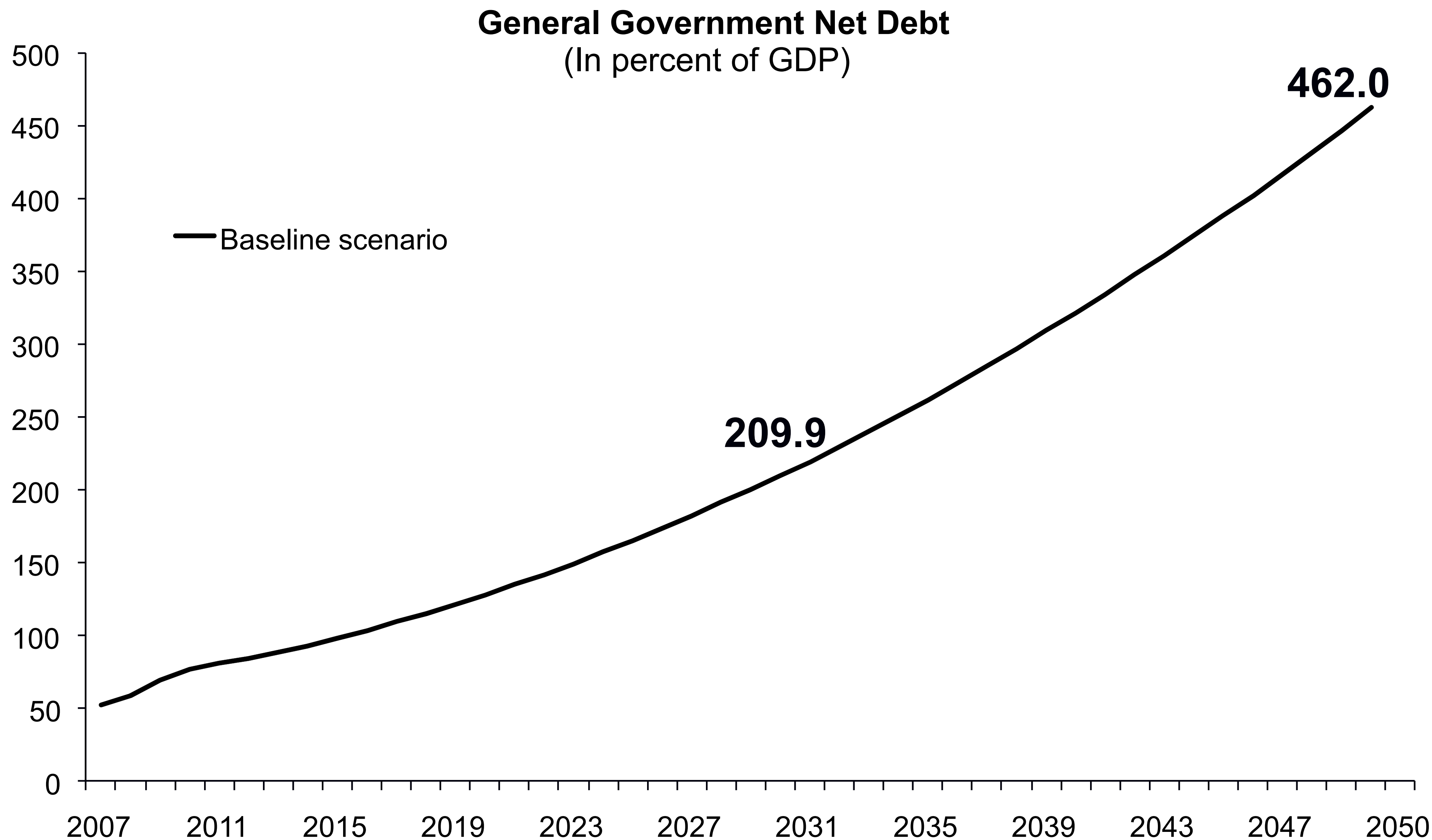
Health Care Spending: Impact of Better Quality and Higher Prices

(In percent of GDP)



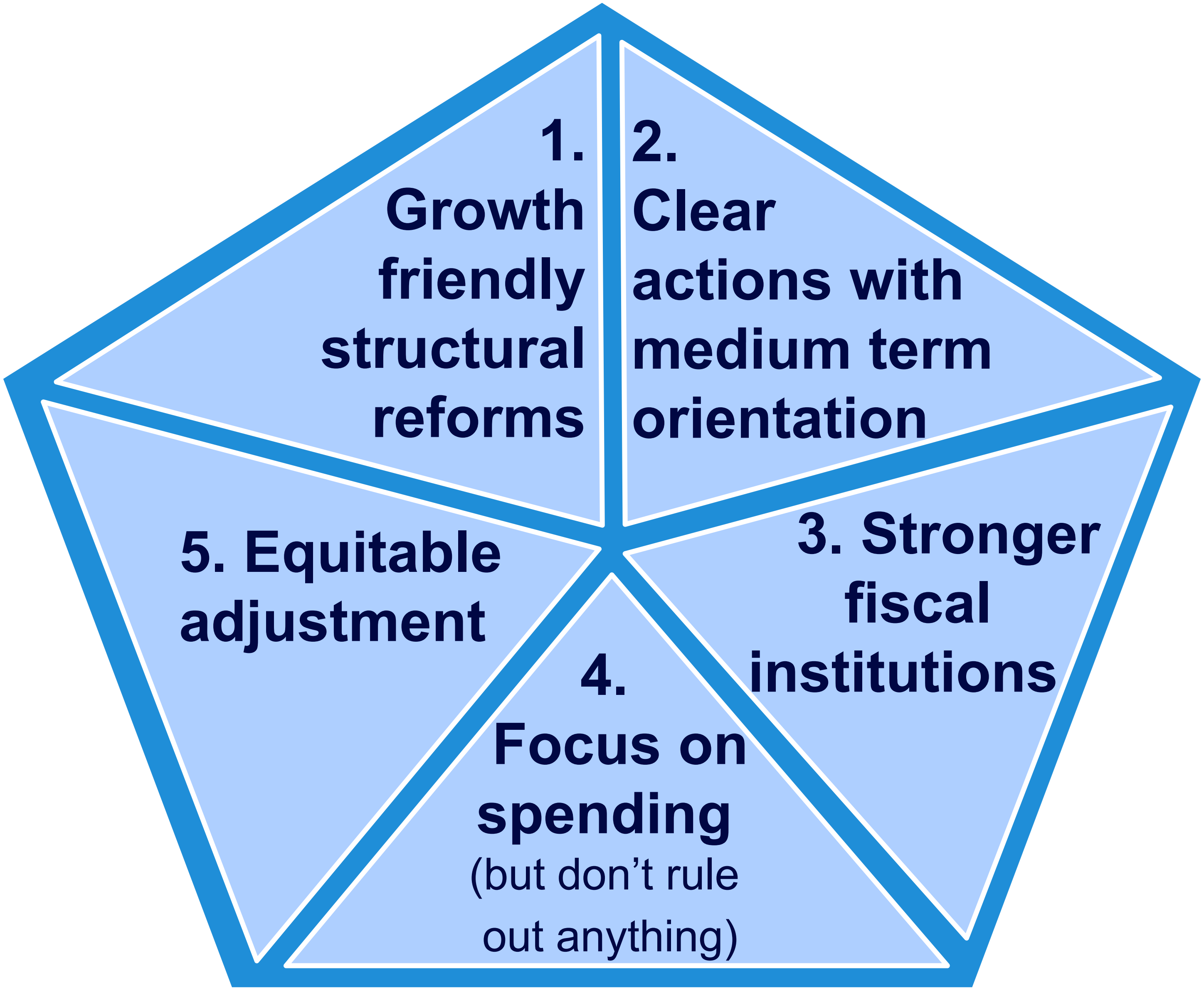
Sources: European Commission, OECD, United States Congressional Budget Office, and IMF staff estimates.

The Public Debt Spiral

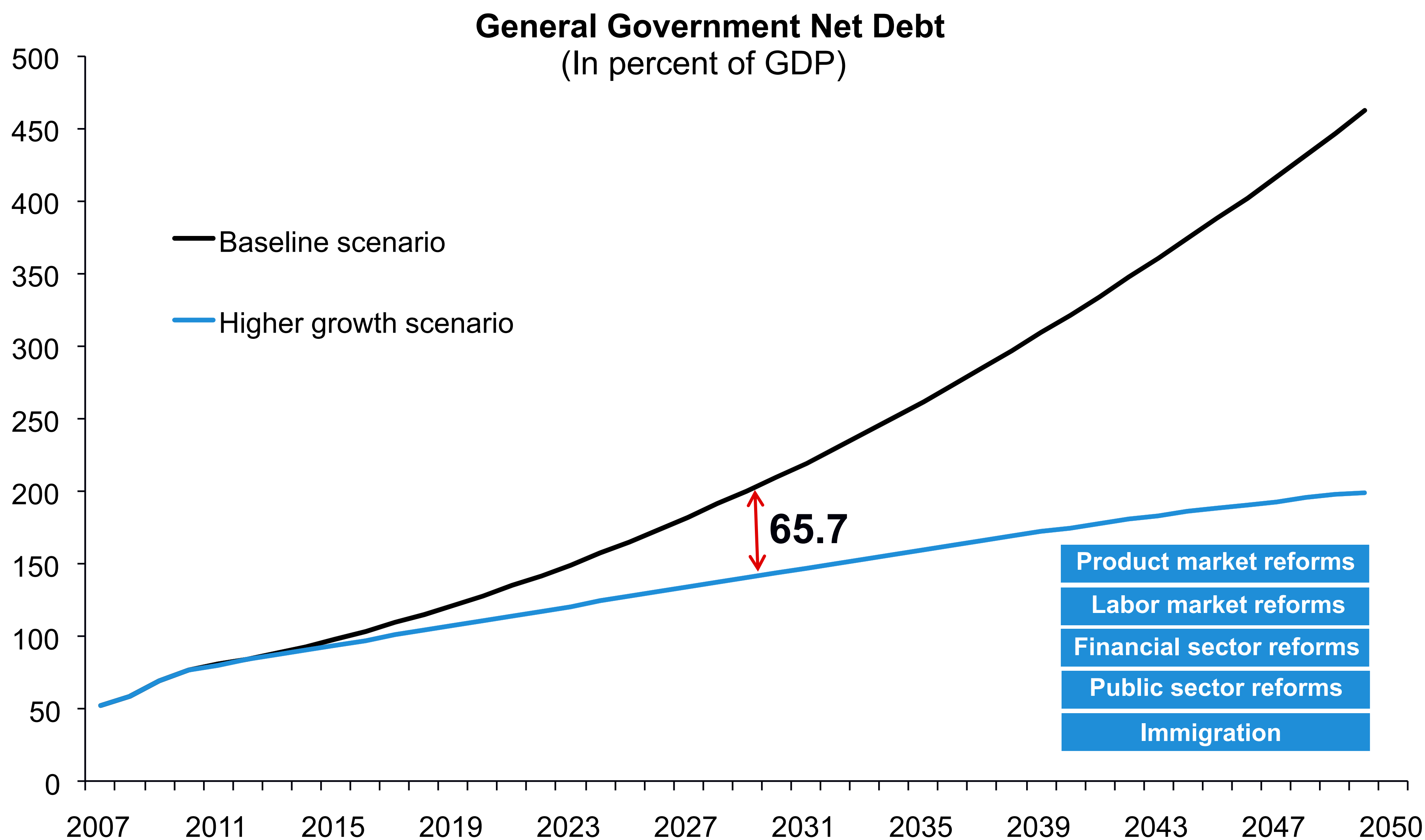


Source: IMF staff estimates.

Five Principles for Fiscal Adjustment Strategies



The Public Debt Spiral



Source: IMF staff estimates.

References

- Cottarelli and Schaechter (2010): “Long-Term Trends in Public Finances in the G-7 Economies,” IMF http://www.imf.org/external/pubs/ft/spn/2010/spn1013.pdf
- IMF FAD (twice-yearly): “Fiscal Monitor” http://www.imf.org/external/ns/cs.aspx?id=262
- IMF FAD (2010): “From Stimulus to Consolidation - Revenue and Expenditure Policies in Advanced and Emerging Economies” http://www.imf.org/external/np/pp/eng/2010/043010a.pdf

Thank You!