

Barry.ANDERSON@oecd.org 9/26/2008 8:02 AM

Wendy, here are my comments on the ED.

- As I understand the recommendations in the ED, the final Statement would require long-term projections to be produced annually [after an introduction period]. I strongly recommend **annual** publication of long-term projections to familiarize politicians, the press, and the public with the projections and to provide some measures—even if crude—of the long-term consequences of current political decisions.
- I am not a fan of fiscal gap analysis presented in discounted dollars. I don't believe the use of humongous discounted figures holds much meaning to the targeted users of the projections. See for example the recent letter from the Peter G. Peterson Foundation, <http://www.pgpf.org/getinvolved/letter-to-candidates/>. Does "America's \$53 Trillion Hole" really mean much to the average citizen? How relevant is it to discount dollars back over very long periods—generations? What discount rate is used? How can these figures be so large when the economy is only a fraction of the amount? Even translating them into "\$455,000 per American household" produces figures that are so big that I think they tend to make the reader set aside such analysis because the problems are clearly outside his/her ability to do anything about. Instead, I strongly encourage that you emphasize the use of figures measured as a percent of GDP. This avoids the problems of discounting and of figures in multi-trillions of dollars. In addition, the future trends using percentage of GDP can be presented [i.e. 25, 50, or 75 years out] so that the reader can see the nature of the problems and how they grow. I think that \$53 trillion is too big to be meaningful, but putting the problem in terms of percentage of GDP { see, for example, "The Congressional Budget Office (CBO) projects that total federal Medicare and Medicaid outlays will rise from 4 percent of GDP in 2007 to 12 percent in 2050 and 19 percent in 2082—which, as a share of the economy, is roughly equivalent to the total amount that the federal government spends today." from CBO Director Orszag's testimony on The Long-Term Budget Outlook and Options for Slowing the Growth of Health Care Costs at <http://www.cbo.gov/ftpdocs/93xx/doc9385/MainText.2.1.shtml>} does a much better job of describing the nature of the long-term problems. [On a related item, I think your use of population pyramids is very good as I think they are easy to understand and do a good job of describing the nature of and changes to the US population. See how the European Commission uses them at: [http://www.lisboncouncil.net/media/almunia\\_slides.pdf.](http://www.lisboncouncil.net/media/almunia_slides.pdf)]

- Page 10, question 5: consistent with my comments above, I think it best and most easily understood to use one and only one specified time horizon, and that given that the Social Security Administration uses 75 years, that is the one I would recommend.
- Page 11, question 6: I recommend option a.: Long-Term Projections for the U.S. Government.
- Page 13, question 14. I do not believe that it is Treasury's role to propose or even list policy alternatives to close a projected fiscal gap. Thus I do not recommend that RSI should include such a requirement.
- Page 14, question 15. I do not believe that inter-generational equity information should be required, or that FASAB should do further research and analysis on how to improve the disclosure of such information. The ED goes far enough without adding this additional requirements or information.
- Page 21, ¶ 28. I suggest that you explicitly mention how to treat long-term Social Security projections. My understanding of the SS program is that the SS Trustees are prevented from paying full benefits if the amounts to pay such benefits are not available in the trust fund. Under current projections, the trust fund will not have sufficient balances to pay full benefits in 2040 or thereabouts. A strict interpretation of current law would result in the benefits paid in that year being automatically reduced to the amount supported by monies available in the trust fund—perhaps only 70% of full benefits. This is not a good assumption to use in making long-term projections because it does not provide a useful measure of the amount of resources required to pay existing benefits. My point is not to leave the treatment of long-term SS projections ambiguous, but rather to specify exactly what you think out to be included in the projections for SS.

I hope these comments are helpful.

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