

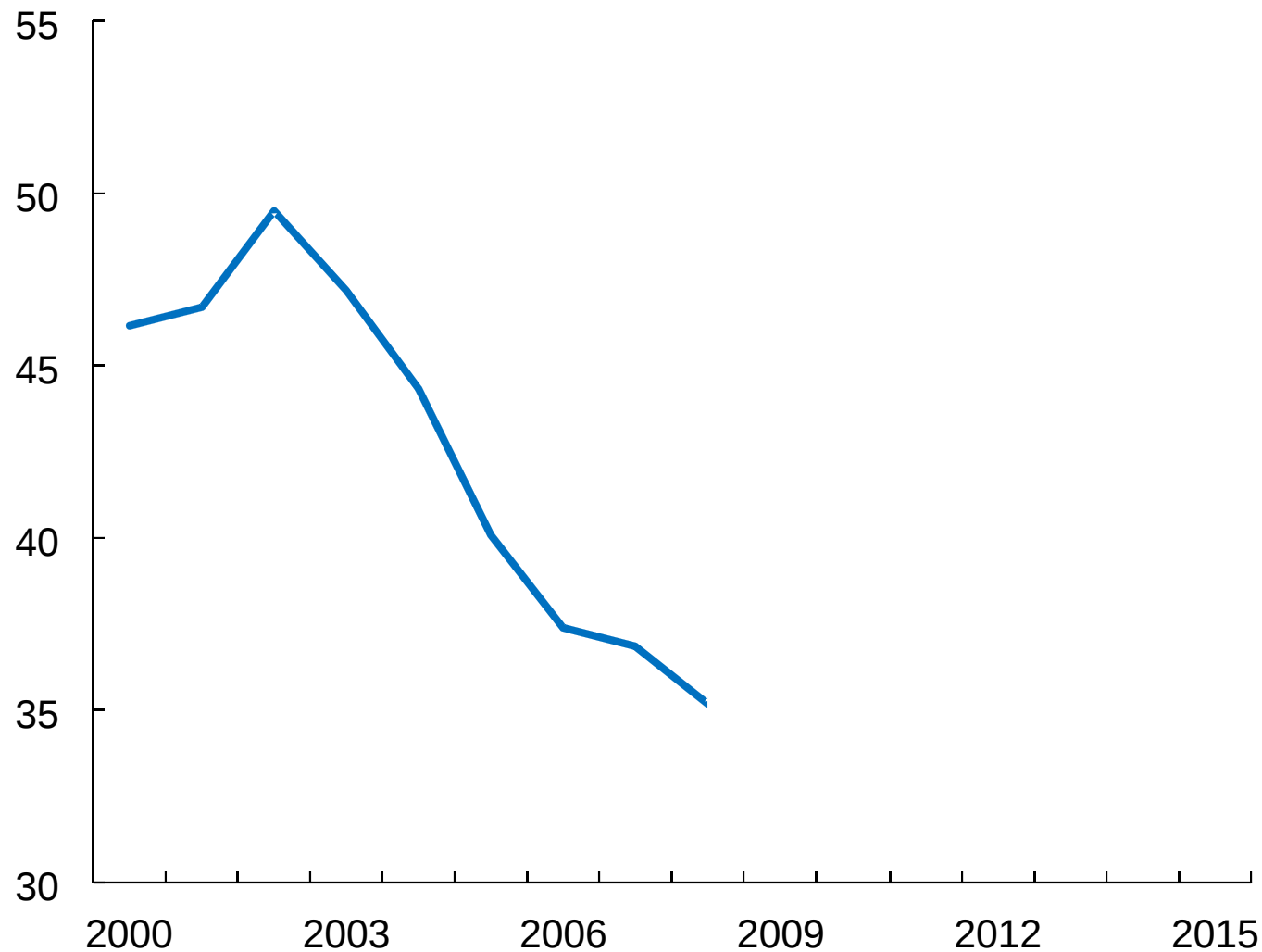
Long-term Trends in Public Finances in Advanced Economies



Carlo Cottarelli
Director
Fiscal Affairs Department

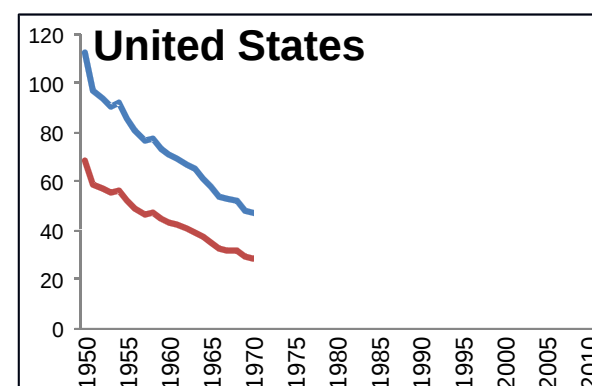
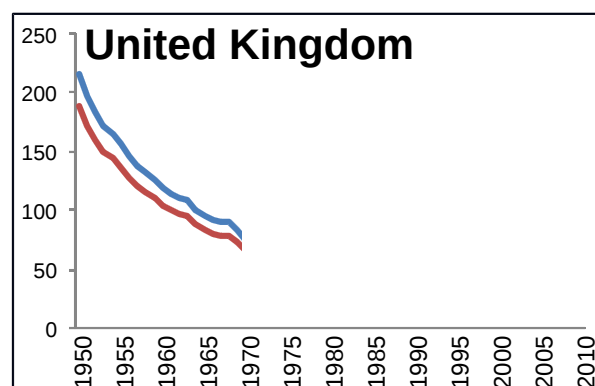
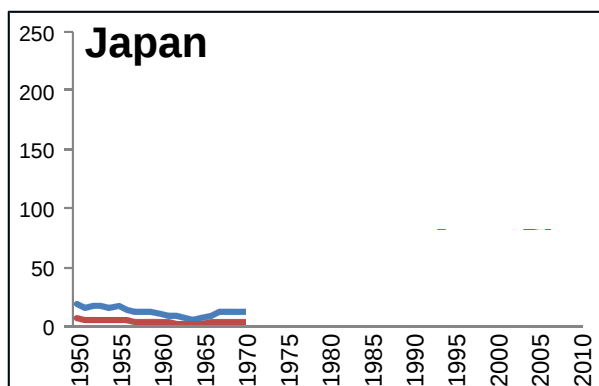
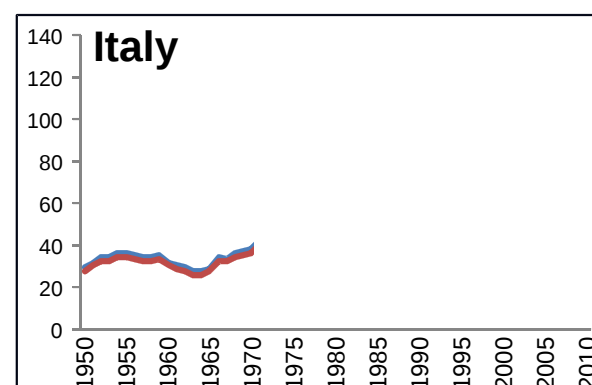
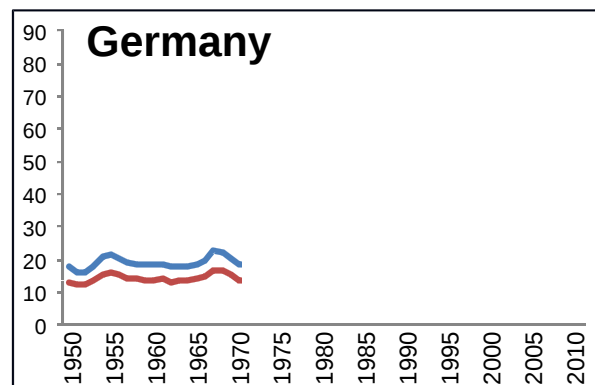
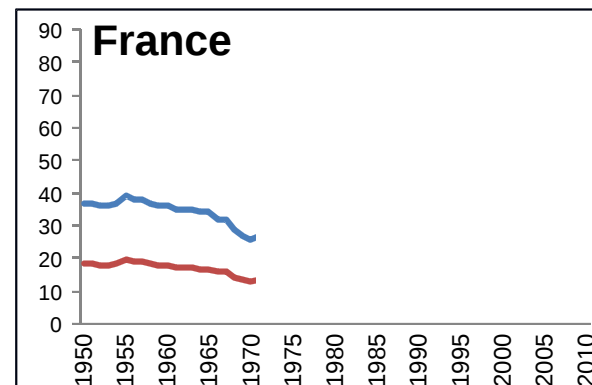
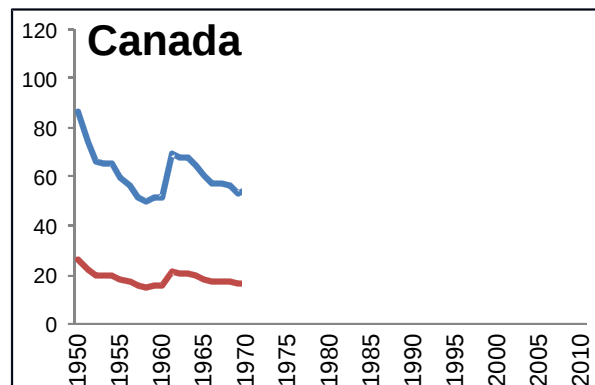
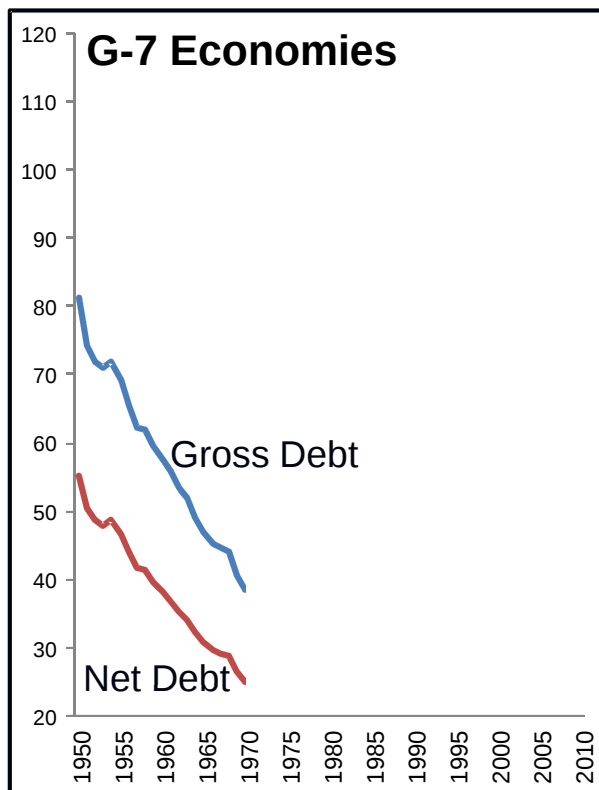
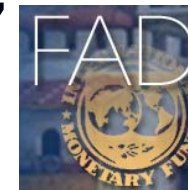
June 17, 2010
Rome

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

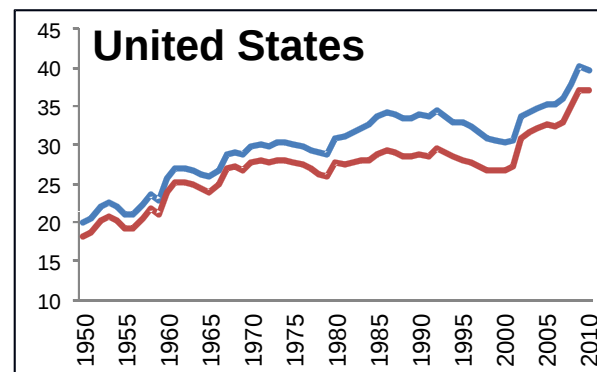
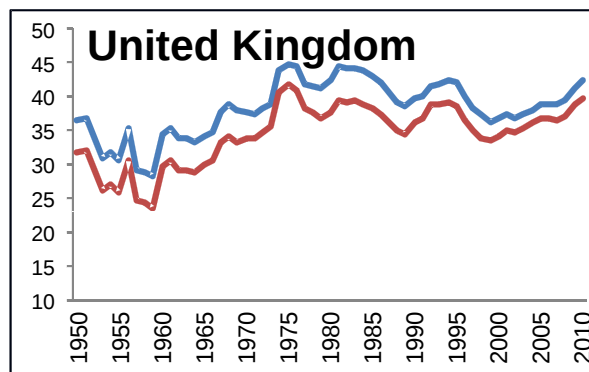
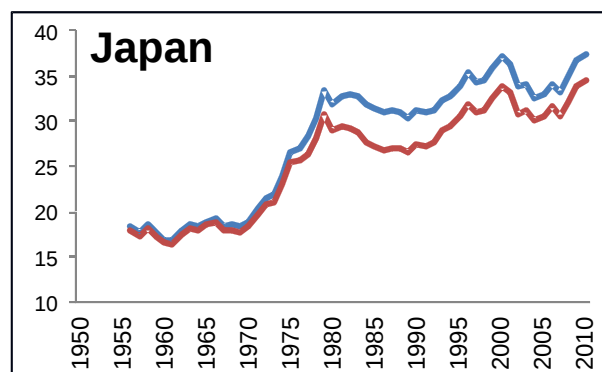
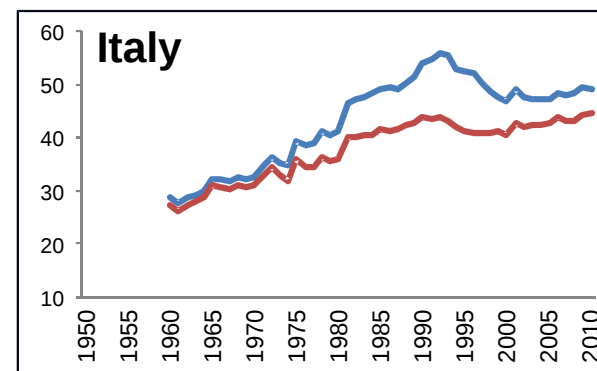
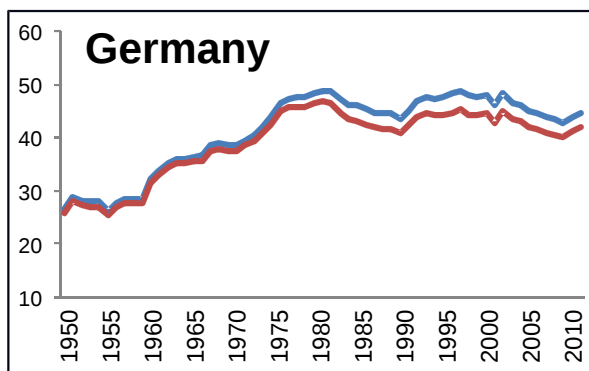
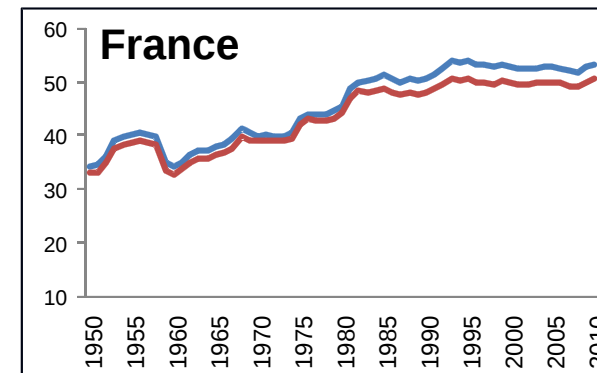
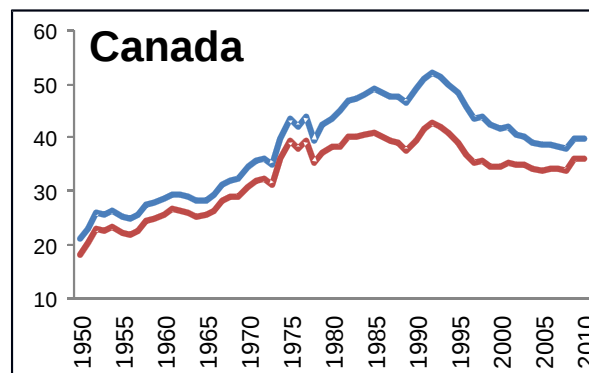
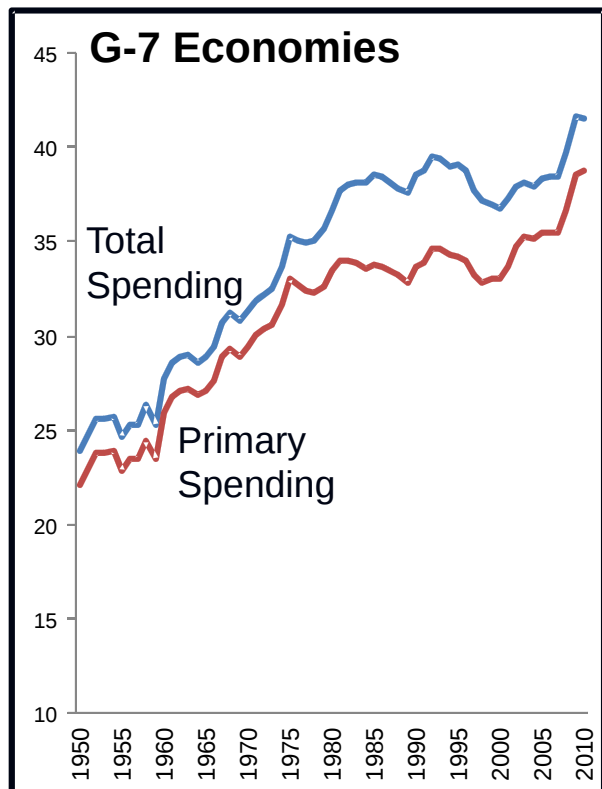
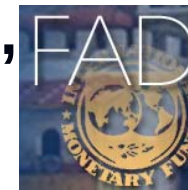


Source: IMF *Fiscal Monitor* May 2010.

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



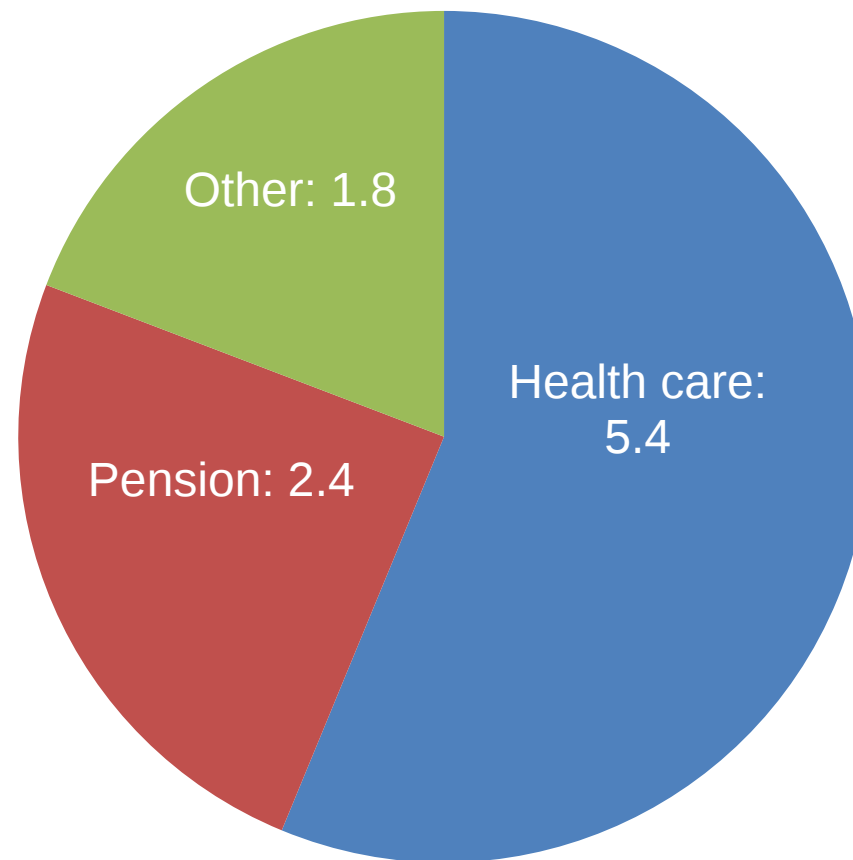
General Government Expenditure in G-7 Economies, 1950-2010 (In percent of potential GDP)



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



Primary Expenditure Increase:
9.6 percentage points



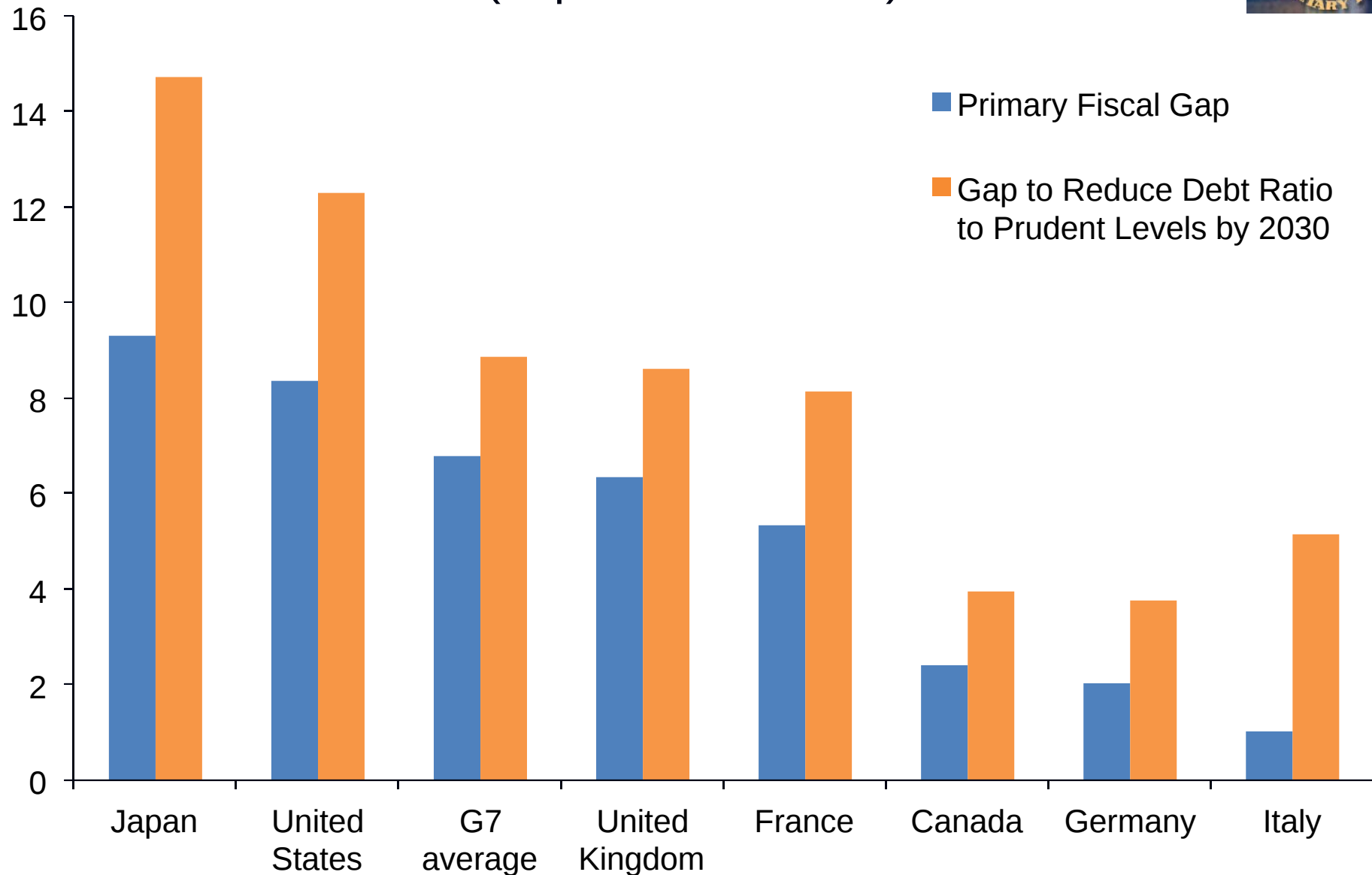


Public Debt Will Keep Rising

- A sizeable primary gap in 2010

Primary Fiscal Gap

(In percent of GDP)





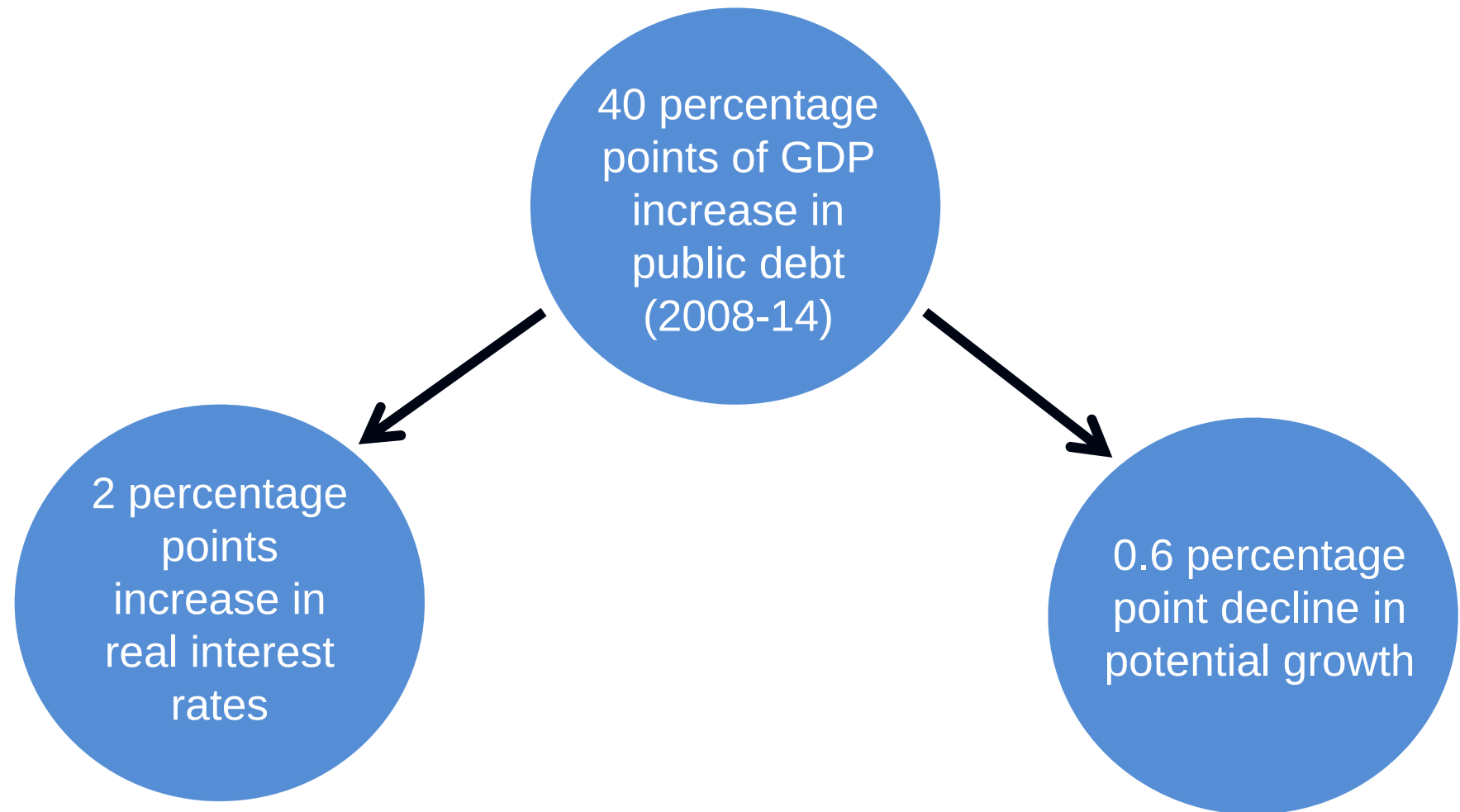
Public Debt Will Keep Rising

- A sizeable primary gap in 2010
- Impact of public debt on interest rates and growth (and vice versa)

Impact of Public Debt on Interest Rates and Growth



G-7 Economies

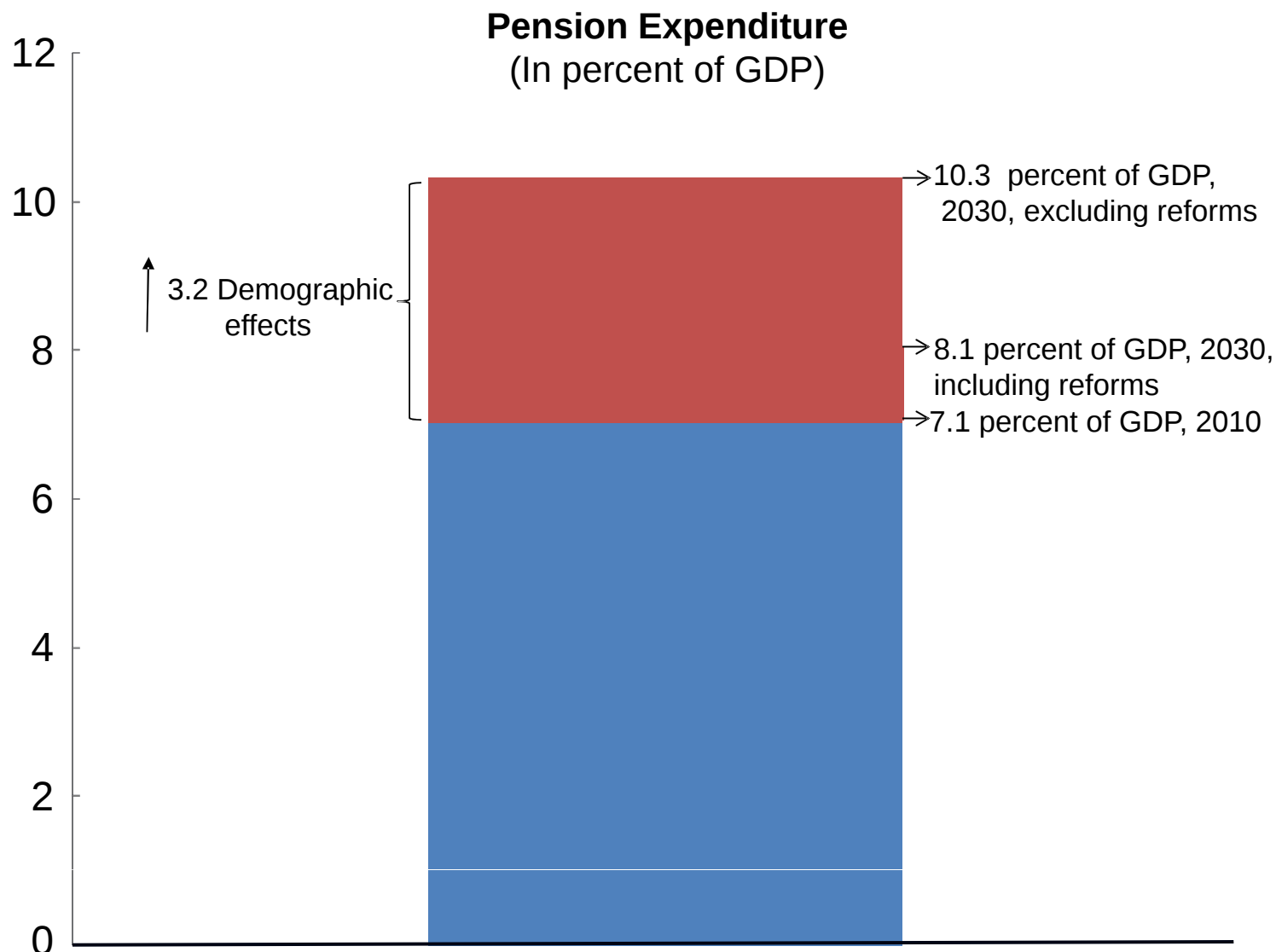
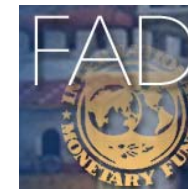




Public Debt Will Keep Rising

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

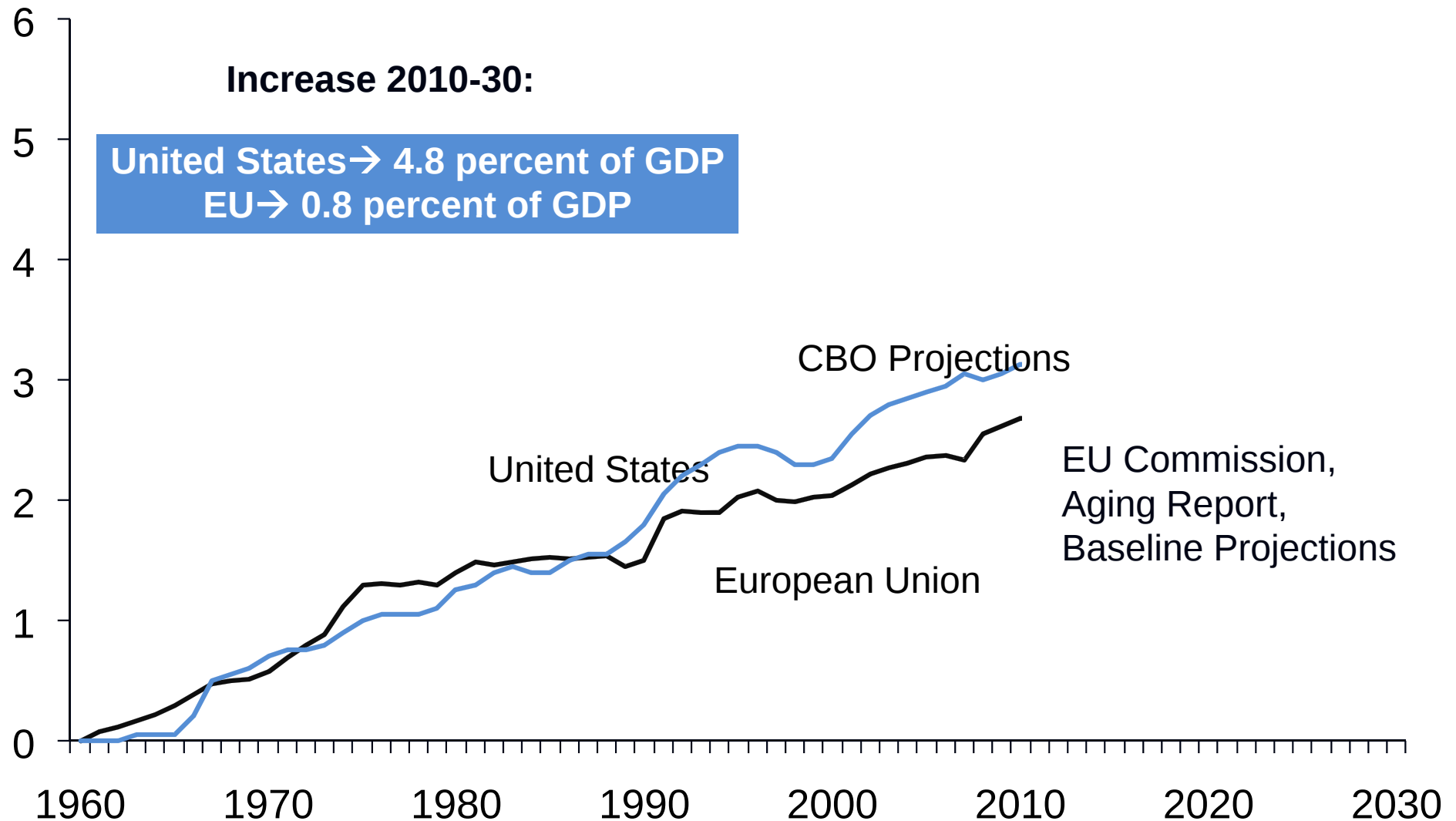
The Effect of Enacted Pension Reforms



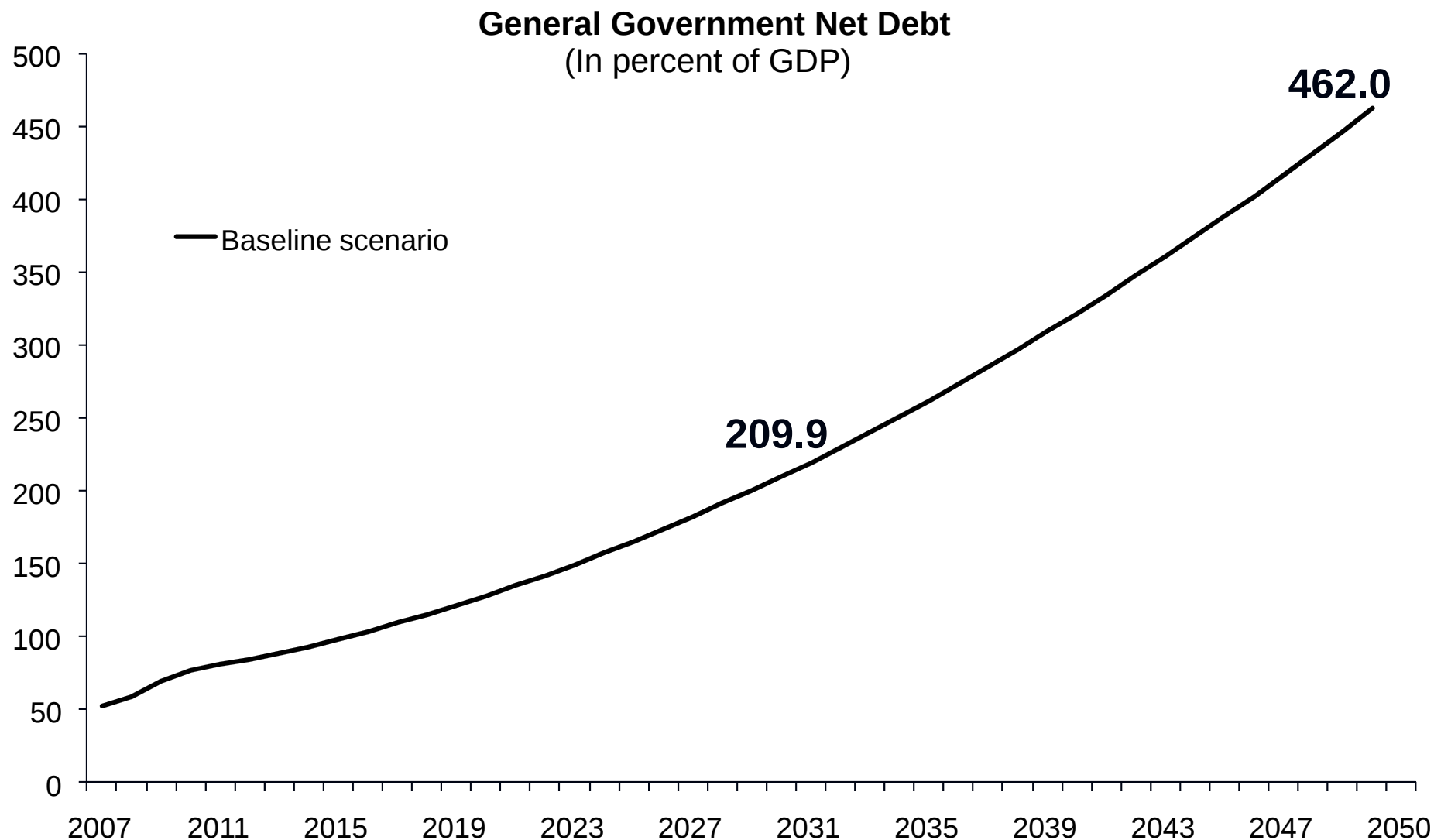
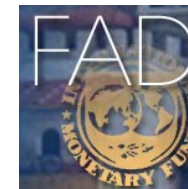
Sources: US Census Bureau (2009), European Commission (2009), and IMF staff estimates.
Note: Sample includes advanced-G20 economies.

Health Care Spending: Impact of Better Quality and Higher Prices

(In percent of GDP)

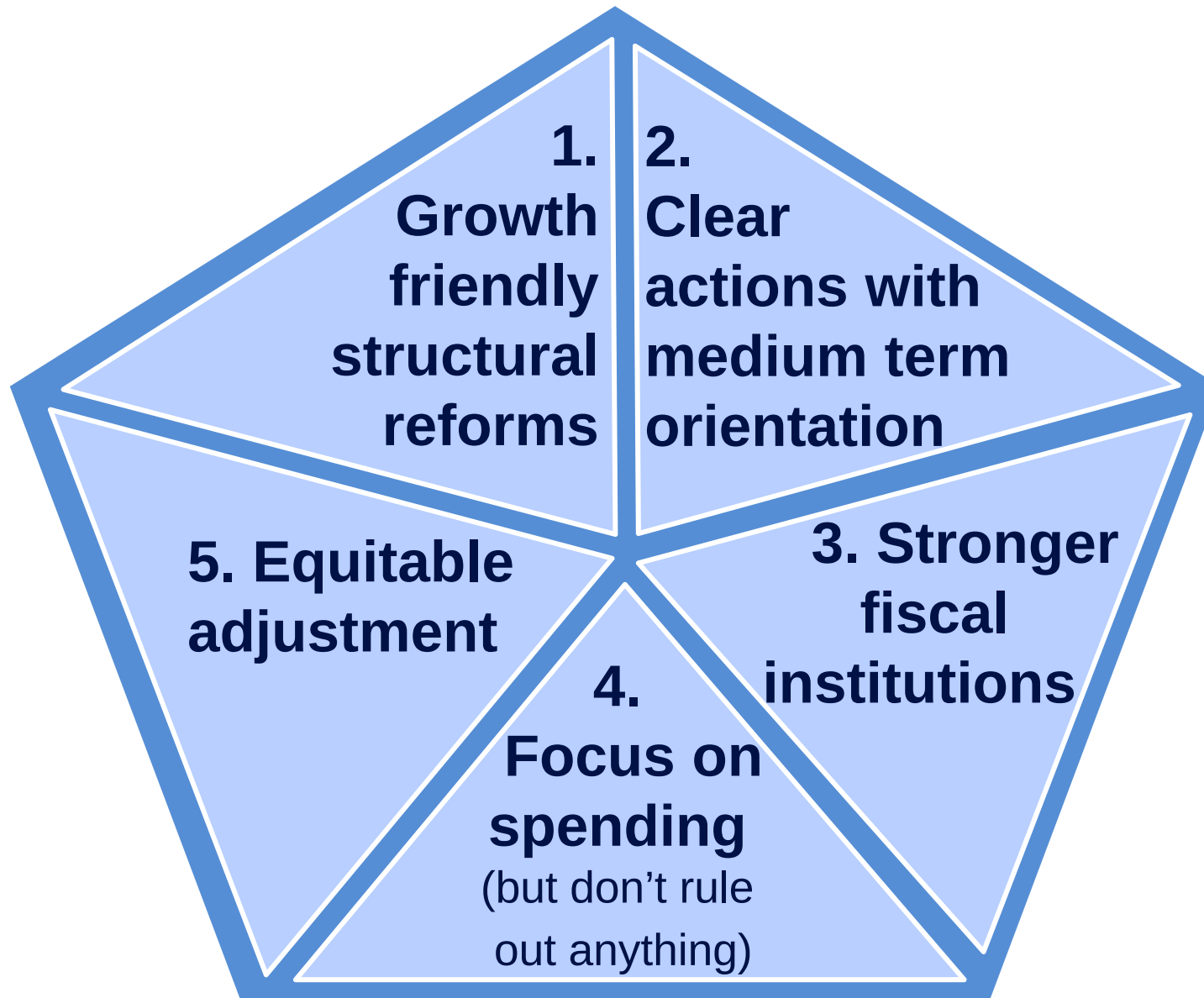


The Public Debt Spiral



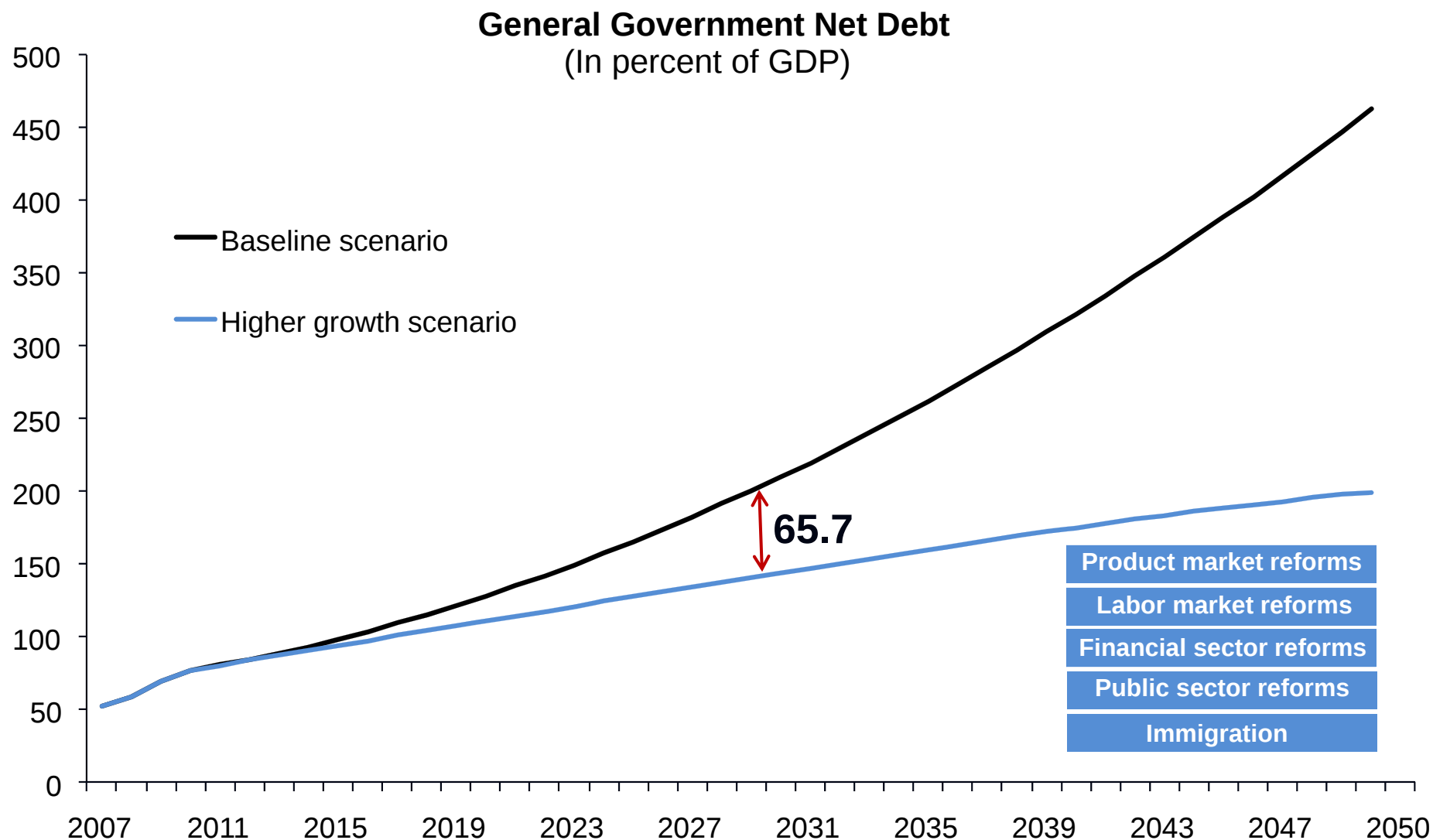
Source: IMF staff estimates.

Five Principles for Fiscal Adjustment Strategies



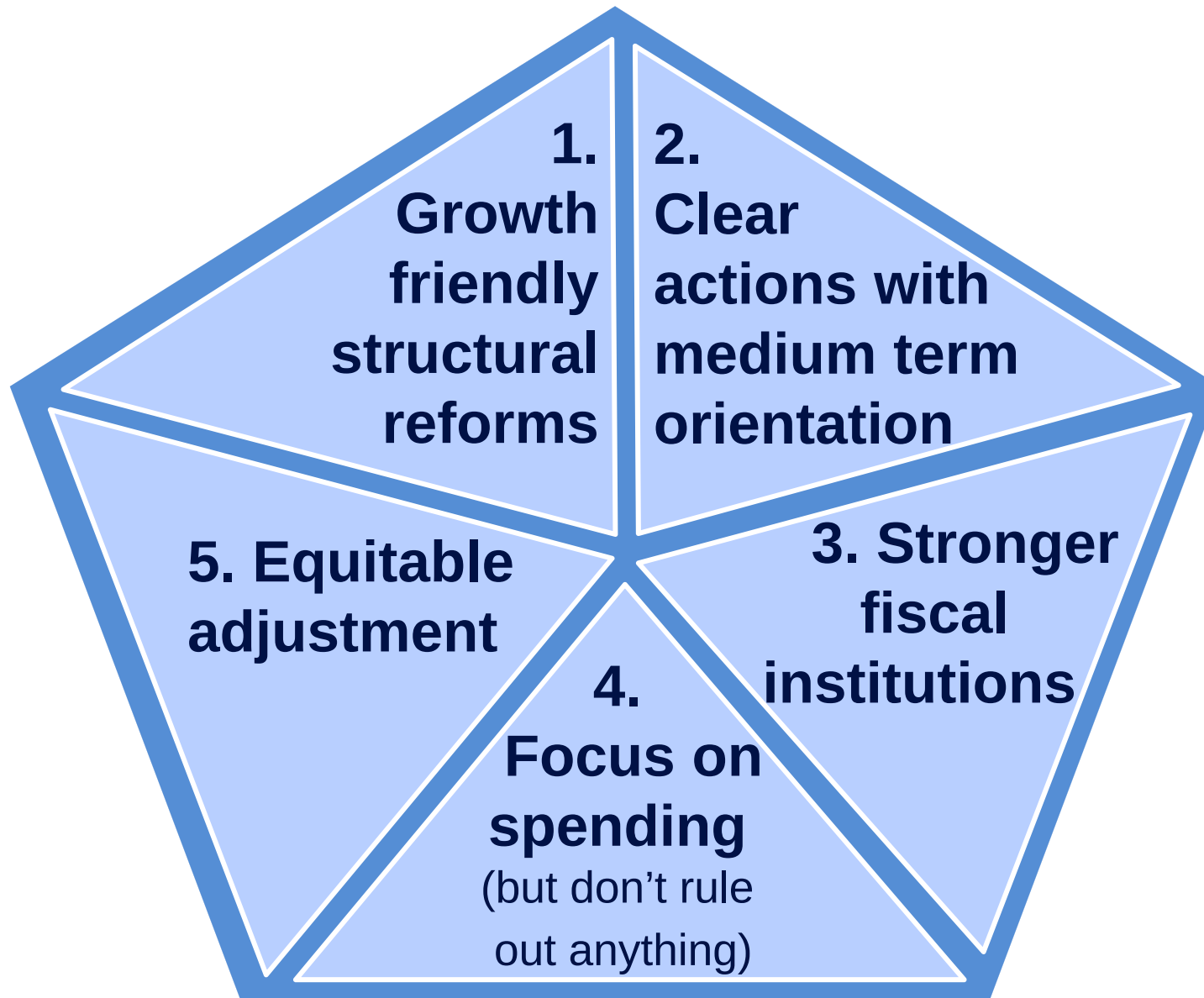


The Public Debt Spiral



Source: IMF staff estimates.

Five Principles for Fiscal Adjustment Strategies





Thank You!