
Fiscal Implications of Population Aging

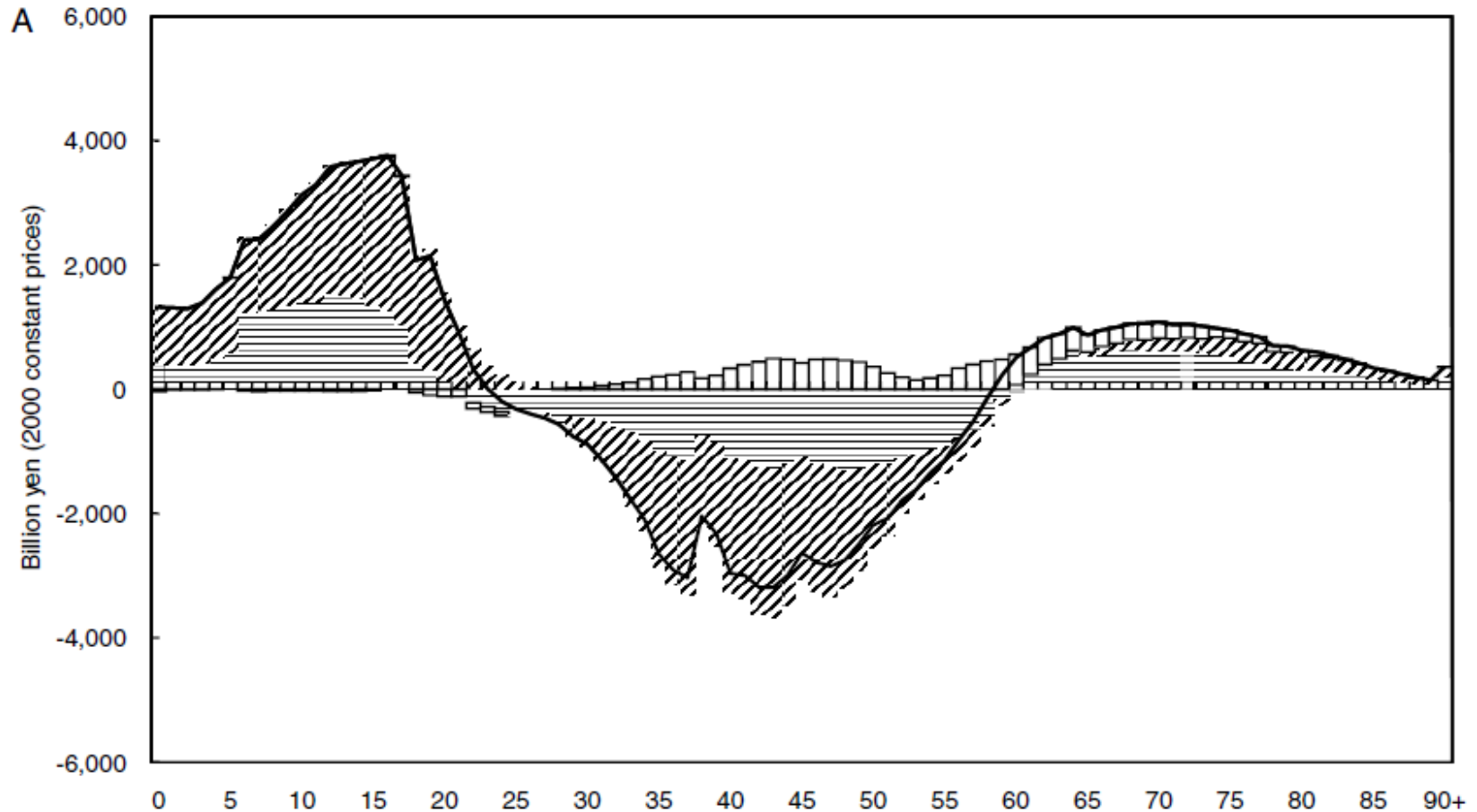
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ESRI International Conference

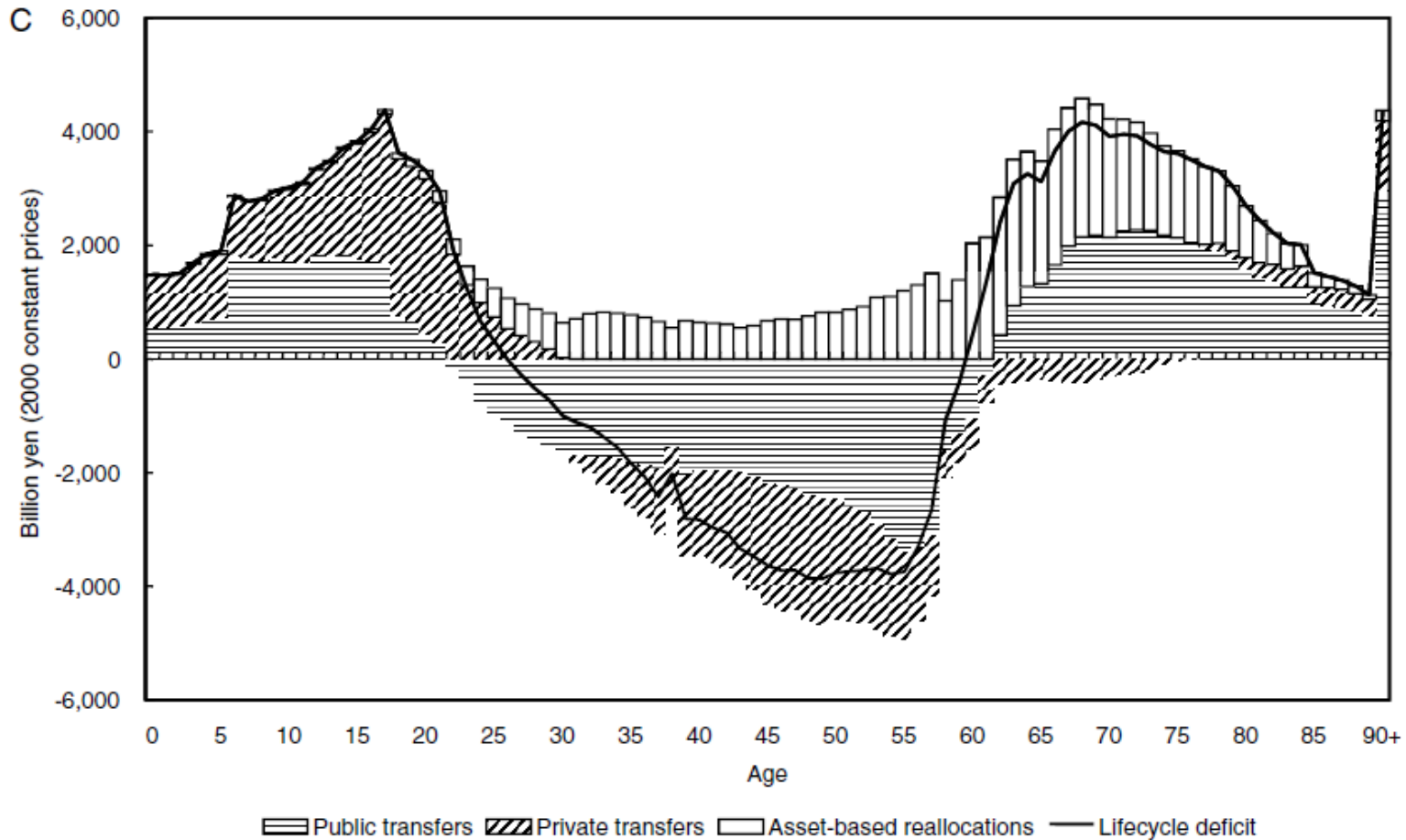
August 2 2016

Net Transfers by Age, 1984



Source: N. Ogawa, A. Mason, A. Chawla, and R. Matsukura, "Japan's Unprecedented Aging and Changing Intergenerational Transfers," in T. Ito and A. Rose, eds., Economic Consequences of Demographic Change in East Asia, NBER EASE volume, 2010.

Net Transfers by Age, 2004



Source: Ogawa, Mason, Chawla, and Matsukura, 2010.

Japanese Public Sector Shifts Resources toward Elderly

Difference Between Transfer-Weighted Average Age of Beneficiaries & Taxpayers

Japan 2015	Japan 2065	US 2015	US 2065
+4.6	+9.7	-3.5	+1.0

Source: A. Mason, R. Lee, D. Stojanovic, and M. Abrigo, “The Fiscal Impact Of Population Aging: Accounting for the Role of Demography” working paper, University of Hawaii-Manoa, 2015.

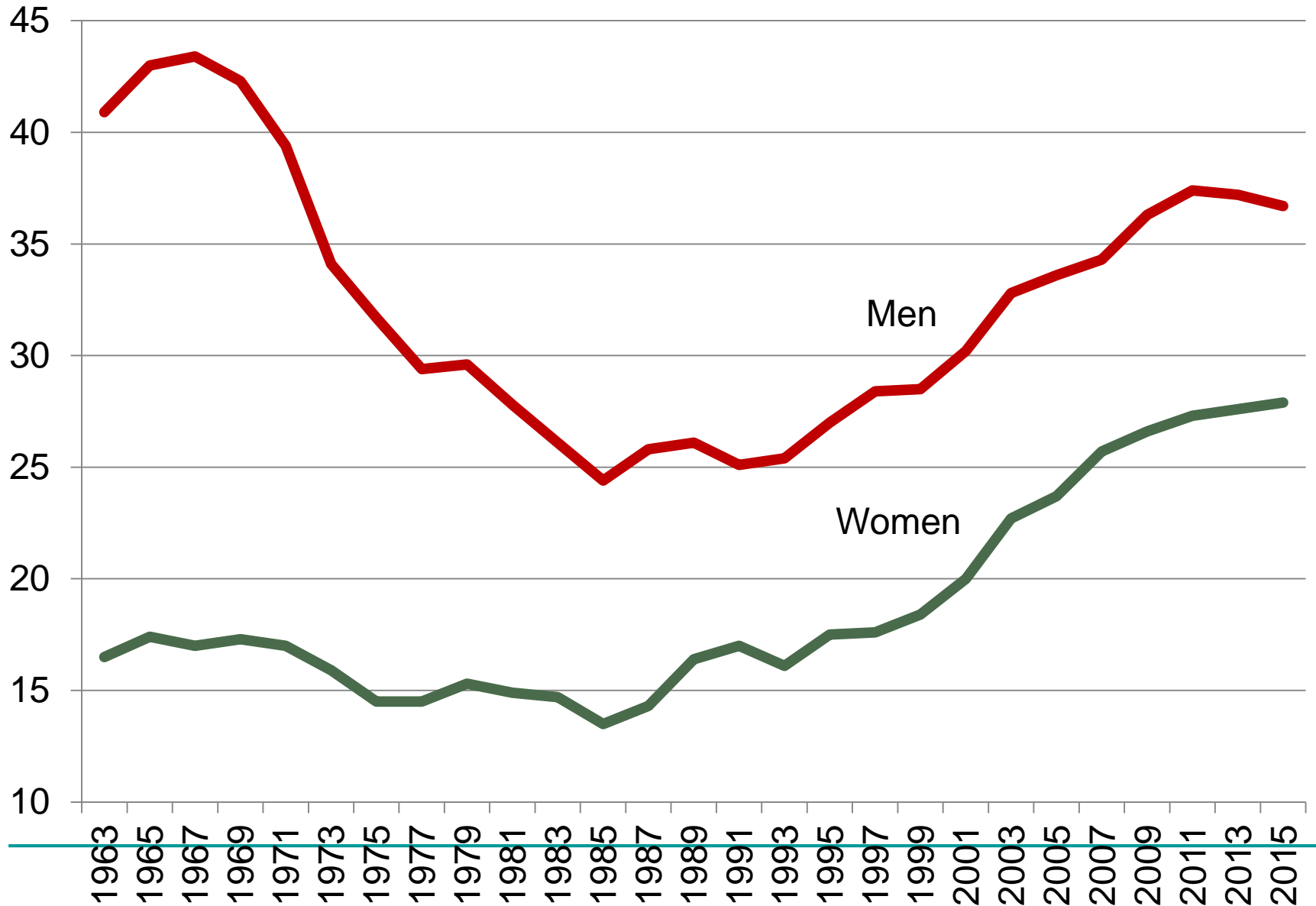
Tax Structure and Age-Specific Tax Burdens

- Wage Tax: Falls on Workers, Liability Stops at Retirement
 - Income Tax: Taxes Workers and Capital Tax Liability Continues at Older Ages
 - Consumption Tax (VAT): Taxes Workers and Retirees
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Responding to Unfunded Government Liabilities to Elderly

- Reduce Consumption by Elderly Households
 - Lengthen Working Lives/Shorten Benefit Period (Retirement/Worklife now 0.45 in US, Projected to be 0.55 in 2050)
 - Extract Larger Transfers from Younger Generations
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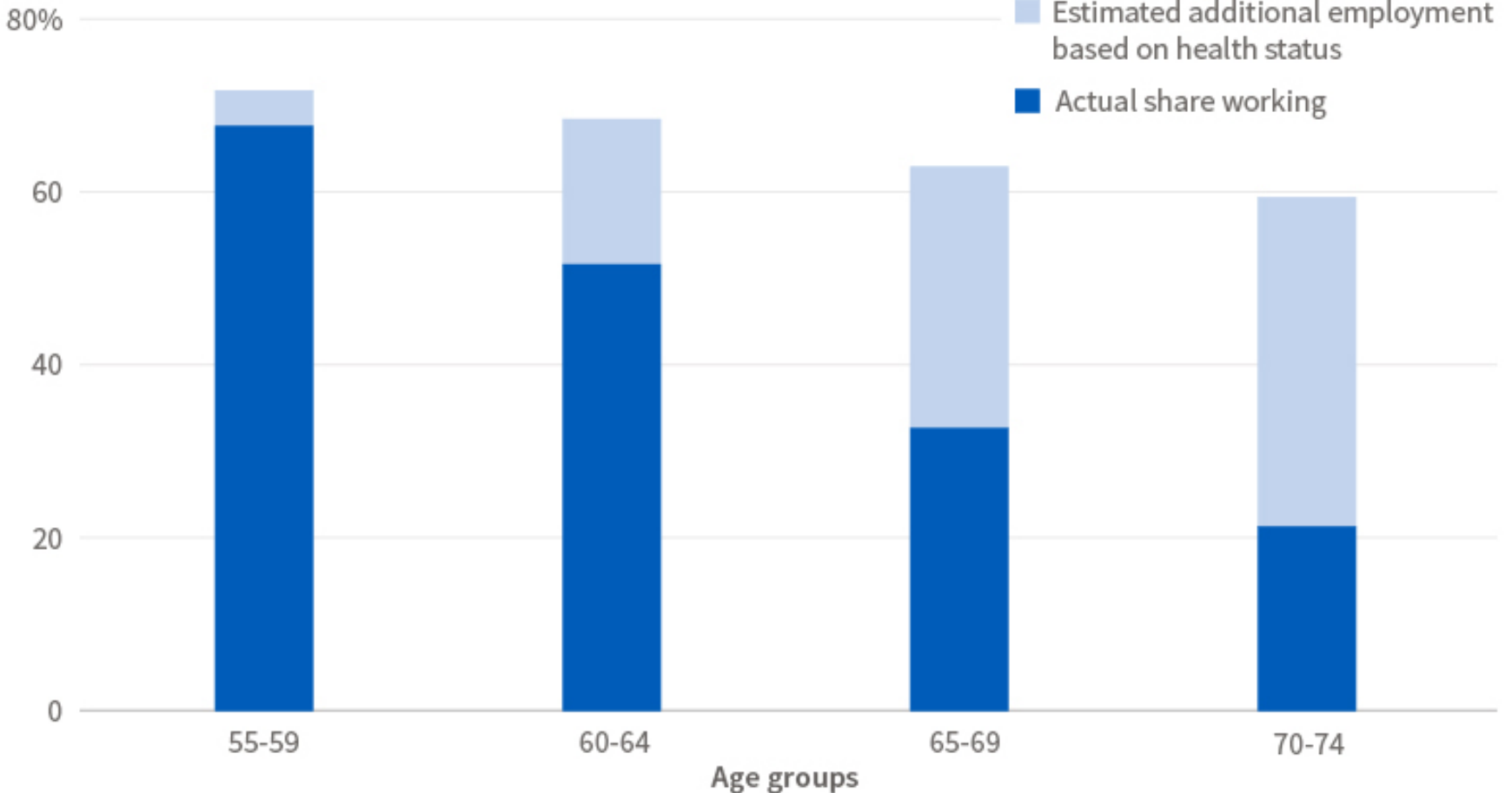
LFPR for 65-69 Year Olds in US



Work Capacity at Older Ages (US)

Share of older individuals who would be employed if employment rates matched those for 51-54-year-olds with similar health status

Share employed



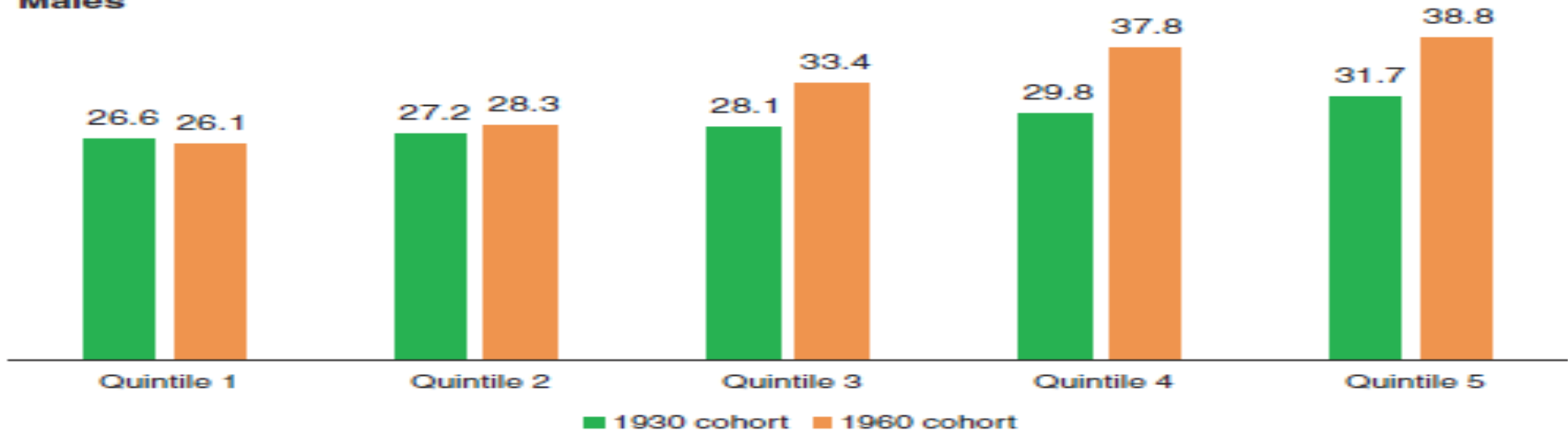
Source: Coile, Milligan, and Wise, NBER Intl Social Security Project, (2016)

Longevity Disparities and Inequality at Older Ages

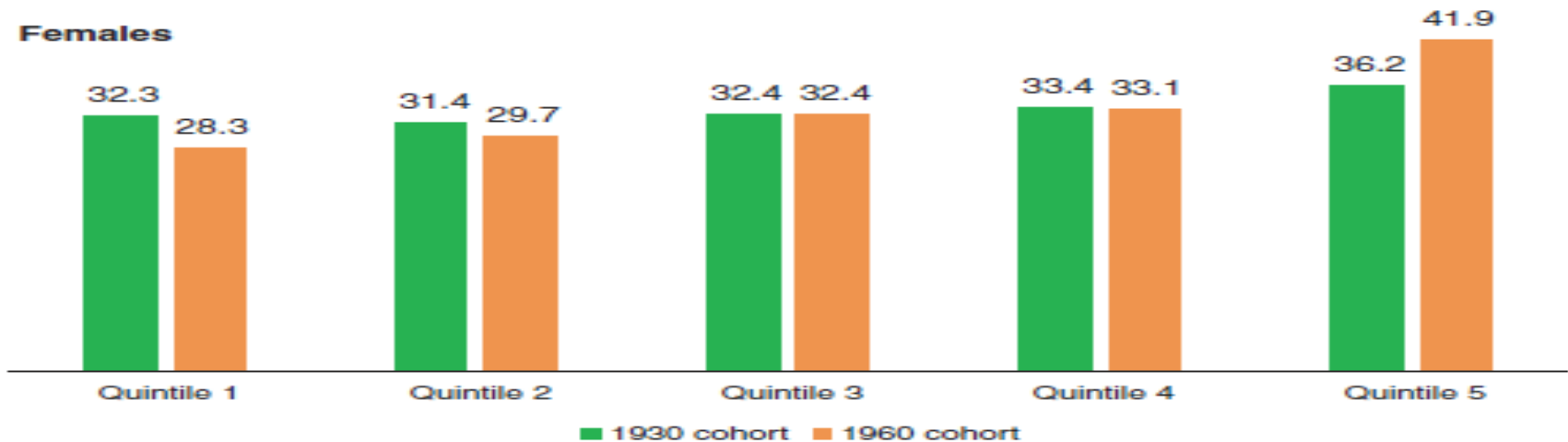
- Recent US mortality improvements have been concentrated among higher income individuals
- Mortality differences interact with transfer programs

Heterogeneity in Life Expectancy: U.S. at Age 50

Males

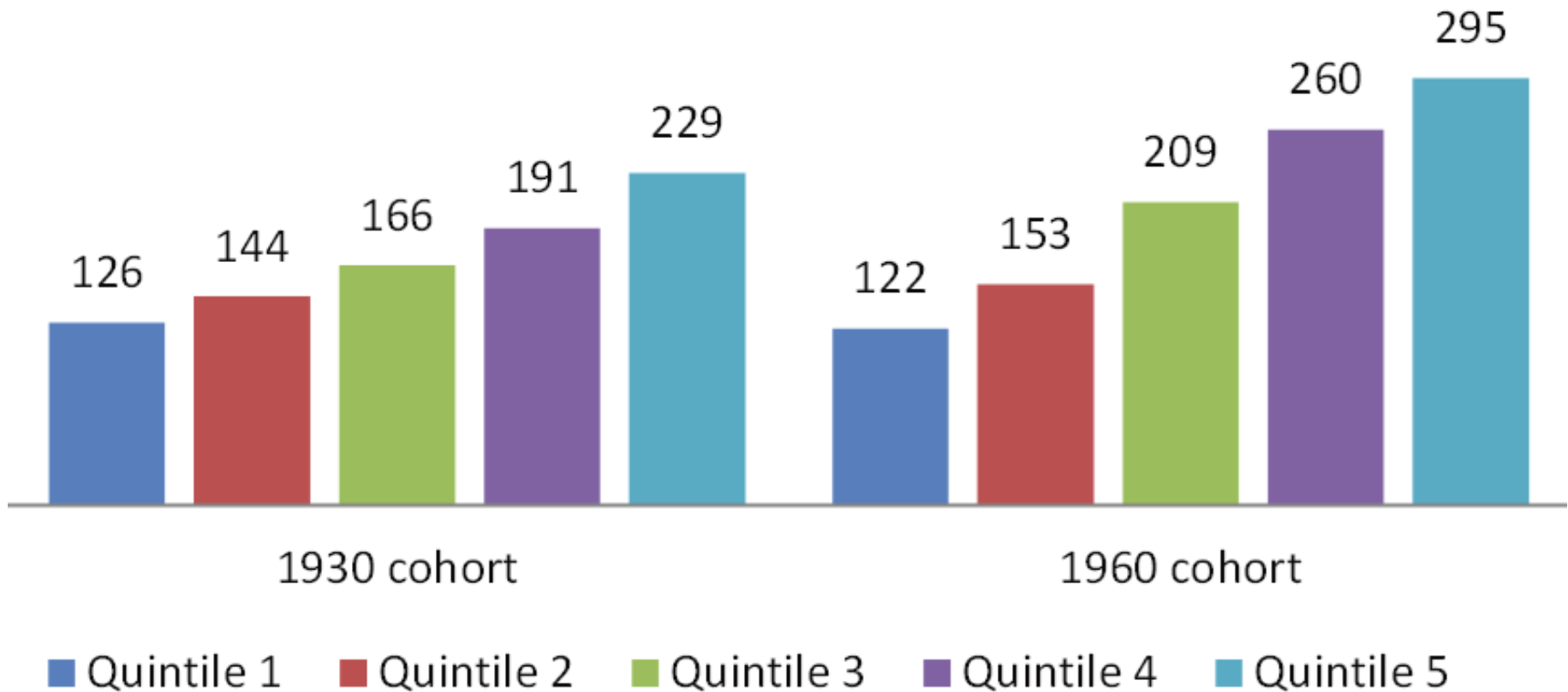


Females



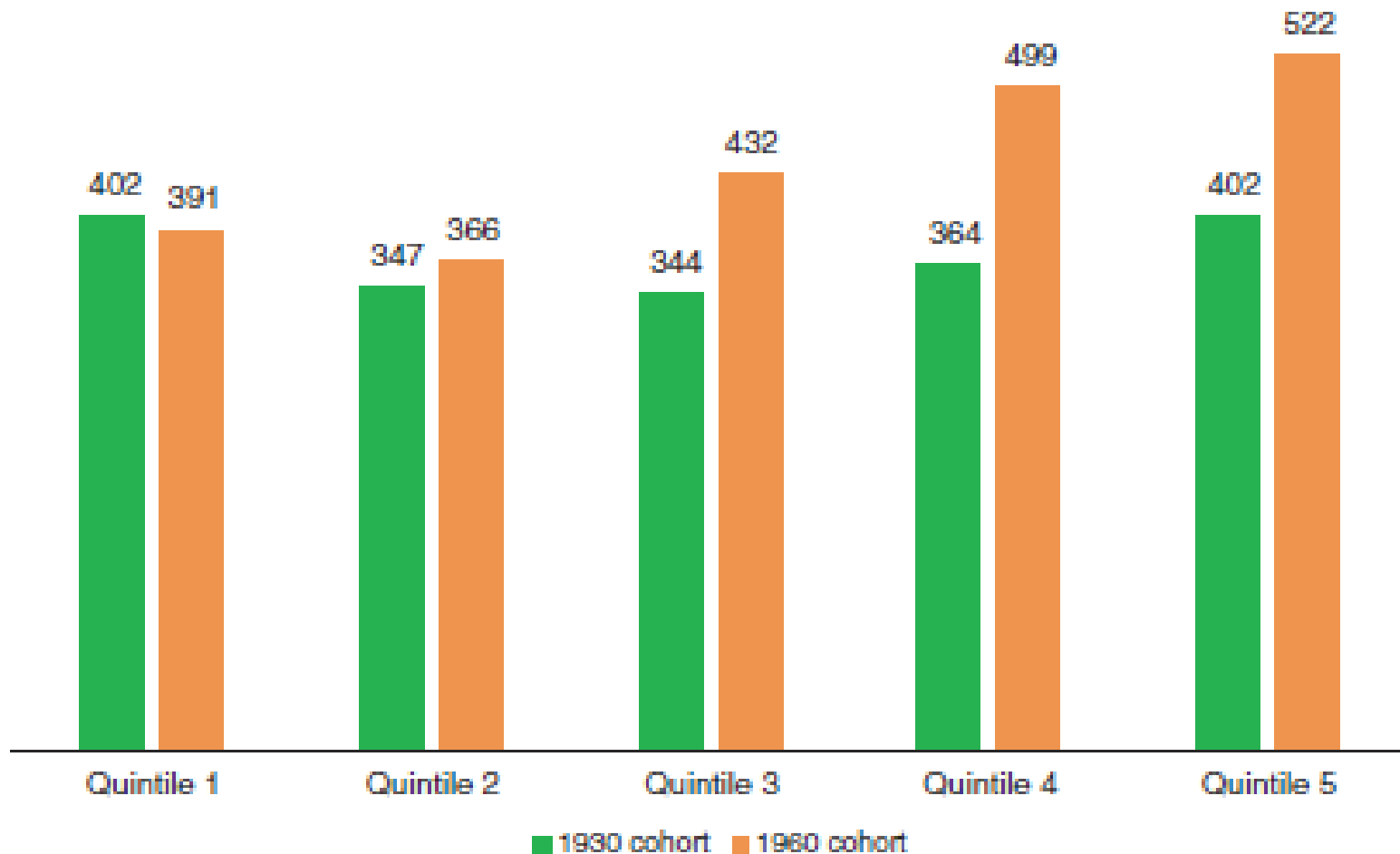
Source: National Research Council, *The Growing Gap in Life Expectancy* 2015.

Average Lifetime Social Security Benefits: Men (\$000s)



Source: National Research Council, *The Growing Gap in Life Expectancy* 2015.

Average Lifetime Total Benefits, Men (\$000s)



Source: National Research Council, *The Growing Gap in Life Expectancy* 2015.