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Generational Accounting: A Meaningful Way to Evaluate Fiscal Policy

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Abstract

This paper illustrates the technique of generational accounting, a new way to evaluate fiscal policy that overcomes the inherent ambiguities of traditional deficit accounting. The authors illustrate why there is no 'correct' measure of the deficit and how generational accounting--estimating the fiscal burdens current policy places on different generations--provides a clearer picture of the intergenerational and macroeconomic effects of fiscal policy than any measure of the deficit. Their calculations suggest that, despite recent changes, U.S. fiscal policy is unsustainable in that it will ultimately require future generations to bear a much higher burden than those currently alive.

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