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Origin and Evolution of Australia's Intergenerational Reports

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Key points

- The preparation of long-term fiscal projections by the Australian government and governments of many other countries had its origin in the governmental reforms of the 1980s and 1990s and in the growing awareness of the demographic destiny and associated fiscal stress that was awaiting in the new century.
- The Organisation for Economic Cooperation and Development (OECD) has played an important role in arguing that long-run fiscal perspectives are required to assess such matters as the impact of ageing on government spending, public debt sustainability and the budgetary impacts of structural reforms.
- There is a diversity of approaches in the development of long-term fiscal projections. Projection timeframes vary but the most common periods are for 40 to 50 years. Periodicity varies, but annual reporting is the most common, though Australia to date has produced most reports on a five-yearly basis, as has New Zealand. These two countries are also exceptions in having legislative bases for their reports. Reports also vary considerably across countries in other respects, such as the objectivity, institutional independence and scope of their reports.

- In most countries, the aim of their reports is to objectively analyse the consequences of current policy in the light of the most likely future outlooks. This is primarily achieved through granting a measure of independence to the authoring institution. New Zealand's legislation, for example, has been framed to ensure the independence of Treasury's assessment and reporting of the fiscal outlook. In contrast, Australia's reports have tended to reflect the policies and perspectives of the government of the day.
- A shortcoming of Australia's intergenerational reports (IGRs) is that the budgetary analyses are limited to Commonwealth responsibilities even though the states and territories comprise a significant share of total public sector outlays—especially for the delivery of public hospital services.
- In terms of report scope, some countries have remained firmly focused on the demographic outlook and its fiscal implications. Others have attempted to expand the relevance of their reports to both policymakers and the wider community, such as by broadening the concept of sustainability and drawing on the wellbeing frameworks developed by the OECD and some member countries such as New Zealand.

Introduction

This chapter outlines the origins of the preparation of long-term fiscal projections by governments in Australia and internationally and the varying roles and methodologies that those countries have adopted for their reports. The chapter provides a contextual overview for the subsequent chapters that focus on many of the fiscal, economic, social and environmental projections contained in the Australian government's 2021 Intergenerational Report (IGR) (Commonwealth of Australia 2021). The chapter also contributes to the discussion commenced in Chapter 1—whether future reports should focus primarily on a country's long-term fiscal sustainability or broaden the concept of sustainability to that of the future wellbeing of the community as a whole.

Background: The significant governmental reforms of the 1980s and 1990s and a growing awareness of the destiny of demography

Australia's commitment to the periodic production of IGRs, which was formally enshrined in legislation in 1998, emerged as part of the wider public governance, economic and financial reforms that were taking place across many countries in the 1980s and 1990s.

During that period the perceived failings of big government were being contrasted with the powerful incentives for effectiveness and efficiency that were embedded in market forces. In Australia, several phases of reforms were initiated. The first phase was managerialism, which was based on a results-driven private sector approach and included financial management improvement and a focus on establishing government business organisations. Markets were the central concept of the second phase, which included outsourcing and privatisation. The third phase has been described as integrated governance with central control and a performance-based orientation (Edwards et al. 2012:36, 37).

Alongside these reforms, there was a growing awareness of the prospective social, environmental and economic consequences of a forthcoming shift in the demographic profile of many mainly developed countries. Fertility rates were declining and lifespans were increasing. It became evident that population ageing was already entrenched in the structure of those existing demographics and that its impacts would accelerate in the early decades of the twenty-first century.

Some of this new thinking was brought together in 1982 when the United Nations held its first 'World Assembly on Aging'. As the report of that assembly noted:

> At certain stages of development, trends of population growth, age distribution and demographic structure could create additional difficulties for sustained development, if they were out of balance with social, economic and environmental factors. On the other hand, if taken into account and properly planned for, these trends could enhance development. (United Nations 1982:44)

There is much truth in the notion that 'demography is destiny'. Although that particular phrase is of uncertain origin, it encapsulates the structural certainties of two of the drivers of populations: fertility and mortality. This is not to say that they are immune to change or are shielded from policy intervention, as is evidenced by investments in health research, which have contributed to reductions in age-specific mortality. Similarly, social expectations, cultural norms and developments in birth control have reduced fertility rates in many countries, as have policy interventions such as the population planning policies of the Communist Party of China. Migration policies also vary considerably and, at the margin and over time, can affect demographic profiles and either entrench cultural homogeneity or lead to more multicultural societies.

The World Assembly was an early international response to the destiny that was being foretold by the established demographic trends. The concluding remarks of the secretary-general of the United Nations noted that this gathering of nations:

> was one of the few occasions on which an issue of global impact and importance had been considered by the international community at a relatively early stage, before it was too late. (United Nations 1982:45)

Although the consideration may have been timely, it did not translate into widespread action. Nonetheless, many governments did start modelling the lower rates of revenue raising that would result from declining proportions of workers in their populations and the higher levels of expenditure on healthcare services and income support that would be needed for their growing elderly populations.

By the mid-1990s, only four Organisation for Economic Cooperation and Development (OECD) members were preparing some form of long-term fiscal projections—New Zealand, Norway, the United Kingdom and the United States—but many other countries adopted the practice shortly afterwards. In 1998 Australia made a legislative commitment to produce an IGR and the first of these was published in 2002 as part of the 2002–03 Commonwealth government budget (Commonwealth of Australia 2002).

The OECD itself undertook an active role in developing a global understanding of the importance of ageing and the need for countries to analyse their demographic outlooks and make early adjustments to many of their policy settings. By 2009, an OECD analysis of the long-term projections being published by 27 of its member countries argued that such projections:

> raise the profile of fiscal sustainability, provide a framework to discuss the fiscal sustainability of current policies and the possible fiscal impact of reforms, and centralise responsibility for long-term policy analysis. (Anderson and Sheppard 2009:9)

However, they also posed the question: 'What evidence is there regarding the effectiveness of fiscal projections in managing the political incentives that result in a projected mismatch of government obligations and revenues?' (2009:8) The authors were unable to come to a definitive answer and the question remains relevant today.

Approaches to reporting on long-term fiscal projections

Countries have adopted a diversity of approaches in their development of long-term fiscal projections, including in terms of their timeframes, periodicity and legislative basis. As discussed later, they also vary considerably in other respects such as their objectivity, institutional independence and scope.

The great majority of fiscal projections that were being produced in the first decade of this century, including those from New Zealand and Australia, adopted a timeframe of 40 to 50 years for their analyses, with the US being a notable outlier at 75 years. The majority, including the US, also reported on an annual basis, though New Zealand and Australia were two of the five that produced periodic reports (every 3–5 years). Similarly, although various European countries were bound to produce reports by requirements of the European Union Stability and Growth Pact, New Zealand and Australia were exceptions in having formal legislation that set out fiscal management principles and required the preparation and publication of long-term fiscal projections (Anderson and Sheppard 2009).

The diversity of approaches can be illustrated through a brief overview of three models.

United States — Statement of Long-Term Fiscal Projections

In the later decades of the last century, the US government was very focused on its fiscal gap and the need to reduce the budget deficit, in large part by targeting discretionary expenditure. The *1990 Budget Enforcement Act* replaced the earlier legislated policy of setting deficit targets and sought, instead, to enforce agreed-upon levels of discretionary spending and ensure the budget neutrality of new spending and taxation laws (Muhleisen and Towe 2004).

Through the 1990s, the Congressional Budget Office (CBO) produced its series of annual reports on the state of the economy and the budget and included an outlook for the following decade. However, the report released in 1996 represented a marked change in long-term thinking and acknowledged that a 10-year timeframe was no longer sufficient. The CBO drew attention to the expected longer-term increase in the number of the elderly accessing federal Social Security, Medicare and Medicaid, and the increasing per person cost of Medicare, together with the slowing in the rate of growth of the labour force and related collection of payroll taxes, which support the programs. The 1996 report set out projections and sensitivity analyses for the 55-year period to 2050 (CBO 1996).

The CBO warned that the mounting deficits would be exceptionally large, even before considering the effects of economic feedbacks and concluded that: 'If those pressures are not dealt with by reducing spending or increasing taxes, the mounting deficits could seriously erode future economic growth' (CBO 1996:xiii). Over two decades later, the 2020 Financial Report of the US government, prepared by the Department of the Treasury, was still coming to similar conclusions: 'The current fiscal path is unsustainable' (US Department of the Treasury 2021:8).

New Zealand — Statement on the Long-Term Fiscal Position

In the 1980s and 1990s, New Zealand was a leader in public governance and financial reforms. Its *Fiscal Responsibility Act 1994* accompanied the opening of the economy, deregulation, asset sales and the market-led restructuring of the public sector.

The Act established a set of fiscal management principles that had a focus, similar to that of the US, on achieving and maintaining prudent levels of total Crown debt and Crown net worth as well as on managing fiscal risk and maintaining a degree of tax rate stability (New Zealand 1994:section 4(2)). The Act also created the obligation to produce a Budget Policy Statement, which specified the government's long-term objectives for fiscal policy for a forward-looking period of 10 or more years and to produce a Fiscal Strategy Report (sections 6 and 7).

The New Zealand Act received international recognition when it was first legislated, and many of its features were emulated by other countries, including the United Kingdom and Australia. The International Monetary Fund's 2007 update of its *Manual on Fiscal Transparency* held the New Zealand initiative in high regard, stating that it was 'a benchmark piece of legislation, which sets legal standards for transparency of fiscal policy and reporting, and holds the government formally responsible to the public for its fiscal performance' (International Monetary Fund 2007:95).

The substance of the 1994 legislation was incorporated into *New Zealand's Public Finance Act 1989* in 2004 (New Zealand 2021). Section 26N of the revised 1989 Act requires the retitled Statements on the Long-term Fiscal Position to:

- be prepared by the Treasury
- be published at least every four years
- have a 40-year trajectory of government finances
- state all significant assumptions underlying the projections.

Although there were many differences in approach, scope and period of analysis between the New Zealand and US projections, the headline messages were aligned. The New Zealand Treasury determined that fiscal pressures would continue to build, with population ageing slowing revenue growth and increasing expenses (a message reinforced in its 2021 Statement, though with an overlay of the impact of the debt incurred in response to the COVID-19 pandemic) (New Zealand Treasury 2021).

Australia — Intergenerational Report

The Australian government's approach to fiscal sustainability followed the initiatives of New Zealand. The purpose of its *Charter of Budget Honesty Act 1998* (Commonwealth of Australia 1998a) is to improve fiscal policy outcomes (section 1), and one of the fiscal management principles requires the government to 'ensure that its policy decisions have regard to their financial effects on future generations' (section 5(1)(e)).

Unlike the case of New Zealand, section 20 of the Act requires the Australian treasurer to publish an intergenerational report within five-yearly intervals and section 21 requires the report to 'assess the long-term sustainability of current government policies over the 40 years following the release of the report, including by taking account of the financial implications of demographic change'.

Although the New Zealand and Australian government statements are closely aligned in their primary intent, frequency of publication and legislative underpinnings, there are noteworthy differences. These relate to the level of independence of the reports from the government of the day and the scope of issues under analysis.

The sought-after benefits of long-term fiscal projections

The benefits of producing long-term fiscal projections are invariably lauded in the opening passages of the reports in which they are published. As argued in an OECD working paper:

> Questions around the impact of ageing on government spending, public debt sustainability, the sensitivity of fiscal positions to interest rate normalisation, the budgetary impacts of structural reforms, etc., all require a long-run perspective. (Guillemette and Turner 2017:5)

The Australian government's 2021 IGR affirmed that its role was to examine the long-term sustainability of current policies and how demographic, technological and other structural trends may affect the economy and the budget over the next 40 years. (It also cautioned, however, that the 2021 report was prepared in particularly uncertain times given the COVID-19 pandemic and drew particular attention to the importance of its sensitivity analyses of key variables.)

Despite the lofty objectives, Australia's IGRs have been received with somewhat muted applause from the outset. A critique of the first (2002) IGR by two noted academics (Dowrick and McDonald 2002) drew attention to several significant limitations. These include that 'only relatively small variations from recent trends are tested' and that 'there is a range of possible policy initiatives that could significantly alter the assumptions of the model'. They highlighted that 'the report does not deal with State and Territory budgets or with household budgets', and considered that the resulting distributional issues should have been addressed more explicitly. They were also critical of the fact that the workings of the model and numerous minor assumptions were not made explicit, which meant that they were not in a position to re-run the model with different assumptions (Dowrick and McDonald 2002:1, 2).

Objectivity of the analyses

A commonly held position is that long-term fiscal projections should objectively inform the community and hold the government to account for its management of future risks and its policy positions. However, there have been instances where the political narrative has become more evident in the crafting of the reports.

The OECD's Committee of Senior Budget Officials recommends that one of the principles of a sound budgetary governance framework is to identify, assess and prudently manage longer-term sustainability and other fiscal risks. On this basis it argues that governments should publish a report on the long-term sustainability of the public finances regularly enough to make an effective contribution to both public and political discussion (OECD 2015:10). Similarly, the US Treasury considers that an important purpose of its Financial Report is to aid the public understanding of the current fiscal policy, to stimulate public discourse on what is required to achieve fiscal sustainability and to comprehend the merits of policy reform (US Department of the Treasury 2021:8).

New Zealand's enabling legislation places responsibility for the preparation of its statement on its Treasury. The Treasury acknowledges the balancing act it plays:

> While we provide ongoing advice to the government of the day, we also take into account how New Zealand's economy and state sector need to evolve over coming decades in response to a changing world. (New Zealand Treasury 2016:3)

Australia's federal Charter of Budget Honesty also supports the ideal of informing the public and making the government accountable for its policies and performance:

> The purpose of the Charter is to improve fiscal policy outcomes. The Charter provides for this by requiring fiscal strategy to be based on principles of sound fiscal management and by facilitating public scrutiny of fiscal policy and performance. (Commonwealth of Australia 1998a:section 1)

But the degree to which the public is informed, and the government is held accountable, depends greatly on the transparency of the consultations held in developing the projections, the level of specification of assumptions, the publication of the modelling, and the justifications given for the myriad of judgements that are required to be made. The concerns raised by Dowrick and McDonald in 2002 remain relevant today.

The Australian government's IGRs have had a tendency to promote the specific policies of the government of the day. For instance, the 2010 IGR devoted considerable space to explaining the then government's support of policies relating to climate change and other environmental issues as well as to its wellbeing policies (Commonwealth of Australia 2010).

In a departure from earlier practice, the 2015 report was more overtly political in its intent. It offered three sets of fiscal projections based on the following scenarios:

- previous policy—being the set of policies in place prior to the 2014–15 budget (in effect, the policies of the previous government)
- currently legislated position—based on the laws passed by the Australian parliament (in effect excluding the government's proposals that were blocked by the parliament at that time)
- proposed policy—which anticipated the full implementation of the government's proposed policies.

The report was strident in its tone:

> The first two scenarios show an unequivocal deterioration in fiscal sustainability. The third scenario shows that the government's current set of policies would bring the budget back to a sustainable path over the medium to long term. (Commonwealth of Australia 2015:xiii)

Two academics described the 2015 IGR as offering Australians a limited and political view of the country's future (Woods and Kendig 2015).

At issue, therefore, is not whether there should be public and political discourse on a report's projections or even on any policy scenarios it may analyse, as the two are intertwined, but whether the reports themselves should have a political bias. In most countries the aim is to objectively analyse the consequences of current policy in the light of the most likely future outlooks (demographic, macro- and micro-economic, environmental, etc.) to determine whether those policy settings are fiscally sustainable. As discussed next, the objectivity of a report can depend on the independence of its authorship.

Independence of the agency, or at least for its production of the report

Some countries have established technocrat bodies to contribute to the preparation of long-term fiscal projections while others have strengthened the independence of the authorship of the report by an agency that is otherwise subject to ministerial direction.

The European Union's Economic Policy Committee has established a Working Group on Ageing Populations and Sustainability. As stated on its website, this technical Working Group has been constituted to:

> contribute to improving the quantitative assessment of the long-term sustainability of public finances and economic consequences of ageing populations of the EU Member States, so as to assist policy formation. (European Union 2022)

In contrast, New Zealand's Statement on the Long-Term Fiscal Position is prepared by the Treasury, which is an agency subject to ministerial direction. However, New Zealand's legislation has been framed to ensure the independence of the assessment and reporting of the fiscal outlook. The Treasury secretary is required to certify that the assessment of risks and the outlook represent Treasury's best professional judgements. The preparation of the statement involves wide consultation and the data that underpin the judgements is published.

As noted above, Australia's legislation requires the treasurer, a minister of the elected government, to publish its intergenerational report and, at least in the case of the 2015 IGR, the report's independence and objectivity have been called into question.

Although the 2021 IGR has gone some way toward re-establishing the reputation of the reports, Australia could take steps to shore-up the objectivity of future reports. One simple approach would be to adopt the highly regarded New Zealand governance model through a legislative amendment to the *Charter of Budget Honesty Act*.

An alternative approach, which would also require legislation, would be to entrust the task to the Parliamentary Budget Office (PBO) or a legislatively independent body such as the Productivity Commission. The former's website describes its role as follows:

> The PBO improves transparency around fiscal and budget policy issues … and publishes a report after every election that shows the fiscal implications of major parties' election commitments (Parliament of Australia 2022).

Australia's Productivity Commission is an independent policy research and advisory agency established under its own legislation (Commonwealth of Australia 1998b). Its remit spans economic, social and environmental issues and its three operational pillars are its independence, transparency and community-wide perspective (Productivity Commission 2023).

In 2005, at the request of the Council of Australian Governments (COAG), the Productivity Commission examined the productivity, labour supply and fiscal implications of likely demographic trends over the next 40 years for all levels of government—federal and states and territories (including their subsidiary local governments, where practicable). Consistent with the commission's commitment to transparency, its 2005 report was accompanied by the publication of all modelling and the 14 associated technical papers. The commission also undertook extensive consultation and published the 74 submissions it received, including on a draft of the report that it circulated for comment. Given the long timeframes over which the projections are made and the uncertainty that necessarily ensues, the Productivity Commission also noted:

> In the face of such uncertainty, the appropriate stance is to model a variety of possible futures so that policymakers can determine the best overall responses. Consequently, sensitivity analysis is used throughout this study. (Productivity Commission 2005:3)

Mirroring the New Zealand approach, the Commission observed:

> apart from ignoring the likely reactions of government, the projections are the Commission's best judgements about what Australia will be like as it ages over the next 40 years. (Productivity Commission 2005:3)

A further option could be for the Australian Treasury to be empowered to lead the production of an independent IGR along the New Zealand model as noted above, but have it draw on the expertise of the Productivity Commission and Australian Bureau of Statistics to contribute, including in terms of public consultations, specialist analyses and modelling.

Long-term fiscal reports play a legitimate role in aiding policy and political debate, but the community is best served when the analysis of risks and the modelling of outlooks are undertaken independently and objectively, are transparent and draw on the best available expertise.

Jurisdictional scope

There are differences in the jurisdictional coverages of long-term fiscal projections, and these are primarily the consequence of more fundamental constitutional differences between countries. New Zealand has a central government supported only by local councils and therefore its Statement on the Long-term Fiscal Position encompasses all of the country's main public sector functions.

In the context of Australia as a federation, the Australian government's IGR is focused on the fiscal projections of its own functions and generally excludes those of the states and territories. The underlying demographic, economic and related projections, however, necessarily relate to the whole country/economy.

Separately, state and territory governments may prepare their own long-term fiscal projections. The New South Wales government is required by section 8 of its *Fiscal Responsibility Act 2012* (New South Wales 2012) to include, in the annual budget papers, an assessment of the impact of the budget on the state's long-term fiscal gap and, on a five-yearly basis, to include an updated report on long-term fiscal pressures and a reassessment of that gap.

Australia does produce nationally aggregated public sector financial statistics such as the Government Finance Statistics, which are collected and published by the Australian Bureau of Statistics (ABS 2021). This series provides a quarterly report on the finances of the general government and public non-financial corporation sectors for the various levels of government in Australia. It is accompanied by a contextual commentary on the data, but that commentary does not extend to any form of forward-looking impact analysis.

The Productivity Commission's 2005 report recognised the limitations of the IGR's jurisdictional scope and included coverage of all levels of government in its analyses. This enabled it to draw meaningful conclusions on the overall public sector fiscal outlook over the 40-year projection period. Unsurprisingly, the Commission determined that the major source of budgetary pressures would be health costs and that, although much of this would be borne by the federal government: 'there are significant potential burdens faced by State and Territory Governments' (Productivity Commission 2005:XII).

The divided responsibility for the delivery of health services between the Australian government and the states and territories is a particular limitation on the usefulness of the IGR. In 2017–18 the Australian government was responsible for 42 per cent of total expenditure on health, with a further 27 per cent being funded by state and territory governments. The remainder was paid for by individuals (17 per cent), health insurance providers (9 per cent) and other non-government entities (6 per cent) (AIHW 2020:36). Without an aggregation of federal and state/territory data, it is not possible to properly assess the public sector fiscal impact of drivers of health expenditure, of which demographics is only one (Chapter 9 examines in more detail the 2021 IGR analysis of the fiscal impact of health expenditure).

Defining the scope of sustainability more broadly

As noted earlier, a major driver of the development of the initial long-term fiscal projections by governments late last century was a growing concern about the impact of population ageing. As that destiny unfolds, some reports remain firmly focused on demography and its fiscal implications while others have attempted to expand their relevance to both policymakers and the wider community. Chapter 1 of this volume posed the question of whether future IGRs should broaden the concept of sustainability by drawing on the wellbeing frameworks developed by the OECD and some member countries such as New Zealand.

Chapter 1 refers to the OECD's work on this issue, which began around the turn of the century. The OECD's framework included consideration of the quality of life and material living conditions and broadened the concept of capital to encompass economic, human, social and natural capital. The US Treasury's Statements of Long-Term Fiscal Projections consider only a limited number of variables when calculating the present value of its 75-year projections. Demography is at the centre, the receipts and non-interest expenditure items are high-level aggregations, and the assessed impact on the budget deficit is seen as the core output.

The European Commission's 2021 Ageing Report, its seventh, is similarly centred on demography and future fiscal sustainability. It contains 50-year projections of the budgetary impacts of the retirement of the baby boomers and the increasing life expectations of the population. Its ageing reports do, however, feed into policy debates at the EU level that have a slightly wider scope: 'they are used in the context of the coordination of economic policies to identify relevant policy challenges and options' and 'support the analysis of the macroeconomic impact of population ageing, including on the labour market and potential economic growth' (European Commission 2021:1).

From its inception, New Zealand's Statement on the Long-term Fiscal Position has had a broader perspective, with expenditure modelling extending beyond health and income support to include education, transport and communications and other heads of expenditure (New Zealand Treasury 2006). The New Zealand Treasury's 2016 Statement also forewarned of threats to the country's natural resources from climate change, a reduction in water quality and the impact of natural disasters, all of which would add to long-term fiscal pressures. It placed a new weight on social inclusion: 'unlike previous Statements, this time we also consider whether improving social outcomes provides fiscal benefits in addition to improving living standards' (New Zealand Treasury 2016:3). New Zealand Treasury advocated for: 'reducing and removing the significant barriers to social and economic participation for the minority of New Zealanders who face these challenges' (New Zealand Treasury 2016:6).

The rationale for this expanded approach was Treasury's recognition that there was a dynamic relationship between New Zealand's long-term public finances and intergenerational wellbeing, with the latter relying on the growth, distribution and sustainability of the four capitals. In New Zealand's case, they were defined as: 'financial and physical capital; human capital (e.g. health and skills); social capital (e.g. institutions and trust); and natural capital (e.g. water and biodiversity)' (New Zealand Treasury 2016:6).

New Zealand has recently expanded its financial management and budgetary stewardship reporting arrangements to include a new Long-term Insights Briefing. The briefing first accompanied the 2021 Statement with the aim of informing the public about medium- and long-term trends, risks and opportunities affecting the country, together with 'information and impartial analysis, including policy options (but not recommendations) to respond to these trends, risks and opportunities. This report must be done independently of Ministers' (New Zealand Treasury 2021:3). The Treasury must also consult publicly on the preparation of the insights briefing.

The scope of the Australian government's first IGR, in 2002, included separate modelling for health, aged care, income support (five categories), education and training, Commonwealth superannuation and defence. There was also a one-page summary of various future fiscal impacts of environmental challenges, though there was no attempt to model these (Commonwealth of Australia 2002).

The 2010 IGR expanded its coverage of environmental issues by devoting a chapter to climate change, water and land matters. It stated that: 'Climate change is the largest threat to Australia's environment and represents one of the most significant challenges to our economic sustainability' (Commonwealth of Australia 2010:71). The 2021 IGR also included a chapter on the environment, which, while covering climate change and some broader environmental issues, was largely descriptive and made note of the government's initiatives in this area. The 2010 IGR also canvassed the possibility of considering a broader social agenda: 'In this report wellbeing and sustainability are assessed through the prism of the stock of economic, environmental, human and social resources' (Commonwealth of Australia 2010:83).

Chapter 3 makes clear another limitation of the scope of Australian IGRs. The 2021 IGR continues the practice of focusing on the expenditure side of the budget, rather than also on revenue. The assumption it adopts of maintaining a tax-to-GDP ratio of 23.9 per cent of GDP is seen as a binding constraint (rather than as a policy position that can be challenged) and does little to allow sensitivity analyses of various revenue options and projections over the next 40 years. This policy constraint is a significant driver of the future fiscal unsustainability that is a central message of the report.

The 2010 IGR illustrates some of the opportunities open to the government to adopt a more comprehensive analysis of the wellbeing prospects facing the Australian community. As will become evident in the following chapters, the authors are in general agreement that the concept of sustainability should be broadened to enable subsequent IGRs to better prepare for Australia's future.

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This text is taken from *More Than Fiscal: The Intergenerational Report, Sustainability and Public Policy in Australia*, edited by Andrew Podger, Jane Hall and Mike Woods, published 2023 by ANU Press, The Australian National University, Canberra, Australia.

doi.org/10.22459/MF.2023.02