New Zealand’s Public Finance Act @ 30
Insights from the IMF

Vitor Gaspar
Fiscal Affairs Department
International Monetary Fund

Wellington, New Zealand
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Growth and Inflation Dynamics Before and After 1989

Cumulative Real GDP growth rate (1965-1989, indexed at 1965)


Cumulative Inflation (1961-1989, indexed at 1961)


Source: IMF World Economic Outlook.
The Growing Domination of the Inflation Targeting Regime


Share in global GDP of countries with an inflation targeting regime

Source: IMF. US and Euro area countries are considered as inflation targeters in this chart.
Slower Progress in Fiscal Policy

Number of countries with inflation targeting vs. with public sector balance sheet

Source: IMF
The Emergence of Double-entry Bookkeeping in Italian City-states

Source: H. Schedel, Nuremberg Chronicle, 1493
The Gradual Adoption of Double-entry Bookkeeping by Governments

Adoption of double-entry bookkeeping by selected European governments
(source: Irwin, 2013)

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<tr>
<th>Country</th>
<th>14th century</th>
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<td>Italian city-states (Genoa, Venice)</td>
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Allegory of Good Government

Ambrogio Lorenzetti, *Allegory and Effects of Good and Bad Government*, fresco, Sala dei Nove, Palazzo Pubblico, Siena (Italy)
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The IMF and Public Sector Balance Sheets
Aggregate PSBS for 38 countries

Aggregate Public Sector Balance Sheet (in percent of GDP)

Assets

- Financial Assets 97%
- Infrastructure 71%
- Natural Resources 37%
- Others 11%

Liabilities

- GG Debt 94%
- Pension Liabilities 46%
- Others 56%
- Net Worth 21%

US$103 Trillion or 216 percent of GDP

195 percent of GDP

New Zealand’s PSBS Relative to Other Countries

The Analytical Power of PSBS


China: General Government Net Financial Worth (percent of GDP)

Source: IMF Fiscal Monitor, Fall 2018. General government balance sheet data covers total of 60 countries. The figure plots only 26 emerging market economies.
* Central Government.

Source: China Public Finance Statistics Yearbooks; and IMF staff estimates.
Indonesia: impact of a public investment surge on intertemporal net worth (percent of 2023 baseline GDP)

Source: IMF, Fiscal Monitor, October 2018
Norway and Finland: intertemporal net worth (percent of GDP)

Future flows reduce Norway’s net worth but add to Finland’s.

Source: IMF, Fiscal Monitor, October 2018
Questions
Questions

• Why did New Zealand adopt a comprehensive economic policy reform in 1989? Why did it last? What did you learn?
• Inflation targeting has spread around the world while progress in public finances has been less widespread. Why?
• Where do you see the next frontiers in economic policy?
List of References

• International Monetary Fund, October 2019, “Managing Public Wealth”, Fiscal Monitor
Background slides
Inflation Dynamics Before and After IT Adoption

Inflation Trends, 1961-2018 (percent)

Australia

New Zealand

Advanced Economies

Source: IMF World Economic Outlook.
Inflation Trends, 1961-2018 (percent)

Inflation Dynamics Before and After IT Adoption

Source: IMF World Economic Outlook.
Public Debt Dynamics

Note: Data for 2018 and 2019 is taken from the General Government variable from WEO. Data for 1950-2017 for public debt is from GDD. Regions where General government debt is unavailable, Central Government debt is taken as public debt. Data for Australia before 1989 is Central Government Debt and after 1989 is General Government. Data for New Zealand is Central Government Debt.

Source: IMF Global Debt Database; and IMF World Economic Outlook.