

# Population Ageing and Fiscal Policy Responses

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## Abstract

My talk will be based on my two recent papers (co-authored with Chung Tran and Alan Woodland) – *“The Dynamic Fiscal Effects of Demographic Shift: The Case of Australia”* and *“Facing Demographic Challenges: Pension Cuts or Tax Hikes?”*. The first paper quantitatively explores the economic and fiscal effects of demographic shift towards pronounced ageing of Australia’s population. The main contribution of the paper is the decomposition of the effects by source of demographic change – separately investigating the effects of fertility, mortality and immigration changes. The second follow-up paper considers two fiscal policy options to mitigate the fiscal gap projected to result from Australia’s ageing demographic. Specifically, the paper examines the macroeconomic and distributional welfare implications of pension cuts (via several public pension measures) and tax hikes (via altering either various direct income taxes or indirect consumption taxes). In my presentation, I will introduce Australia’s retirement income policy, describe our economic model and discuss the key results of the two papers. I will conclude with reference to my current related work in progress where we study the means testing of public pensions as a policy response mechanism to population ageing.