



About the **INFORM Act**

INTERGENERATIONAL FINANCIAL OBLIGATIONS REFORM ACT

Five Things to Know about the **INFORM Act**:

1. The **INFORM Act** is a bipartisan piece of legislation that increases transparency in the federal budget in order to encourage fiscally sustainable, economically sound and generationally equitable decisions.
2. Specifically, the bill directs CBO, GAO and OMB to incorporate “fiscal gap” and “generational accounting” analyses in their respective reports to disclose (i) the full size of our long-term fiscal imbalance and (ii) the intergenerational consequences of tax, spending and economic policy. These are proven economic analyses that have been used by dozens of other countries.
3. The **INFORM Act** provides policymakers with better information about our country’s finances, so that they can make better decisions. Currently, lawmakers do not have enough information to fully understand how current policy will affect young people and future generations in the long-run.
4. The Can Kicks Back championed the idea of the **INFORM Act** in a February 2013 whitepaper. The recommendation was based on the academic work of economists Laurence Kotlikoff, Alan Auerbach, and Jagadeesh Gokhale. The former head of the Government Accountability Office and ten Nobel Prize winners in economics are among those who have publicly endorsed the bill.
5. Senator Thune (R-SD) and Senator Kaine (D-VA) introduced the **INFORM Act** in the United States Senate on July 24, 2013. Senator Rob Portman (R-OH), former head of OMB, and Senator Chris Coons (D-DE) are among the first to co-sponsor. We expect bipartisan introduction in the House of Representatives soon.

Why the **INFORM Act** is Important:

- The **INFORM Act** will enable lawmakers to ask important questions about major pieces of pending legislation that they are currently unable to answer, including: To what extent does a policy widen or narrow our long-term fiscal imbalance? To what extent does a policy increase or decrease the financial burden being placed on young people and future generations? To what extent would elements beyond spending and tax policy, such as changes in growth factors of the economy, affect the long-term fiscal outlook?
- While leaders may not yet agree on policy changes to meaningfully address our growing national debt, the **INFORM Act** is an opportunity for both parties to agree it is time to face the facts, not kick the can.

What We Expect the INFORM Act to Reveal:

- The full tab being handed to young people and future generations is much larger than most people think.
 - This is because fiscal gap analysis takes into account other liabilities and off balance sheet obligations of the federal government that are not factored into today's "national debt."
- An increasing amount of resources are being transferred from younger generations to older generations today.
 - A generational accounting analysis of the United States conducted by the International Monetary Fund in 2011 showed that: "Current generations are net receivers of public resources, while future generations of Americans are expected to foot the bill."
- To achieve a fiscally sustainable and generationally equitable federal budget (i.e. to close our fiscal gap and reach generational balance), lawmakers must tackle the long-term drivers of our debt without exempting any generation from necessary policy changes.
- The longer we wait to change course, the greater the burden will be on young people and future generations and the more painful and disruptive those changes will have to be.

About the Fiscal Gap:

- Fiscal gap analysis would show the difference between future projected spending and revenue, plus initial public debt, over a 75---year and an infinite time horizon, along with the change in revenue or spending needed to close this gap. The analysis would also show what different economic paths would do to change the long term outlook. This analysis is useful in showing the full size of our fiscal imbalance looking forward, not just this year's deficit or past years' debt. See an example in the 2013 Social Security Trustees report, Table IVB6.

About Generational Accounting

- Generational accounting analysis would show "net taxes" by age cohort, defined as the difference between the total projected taxes paid and transfer payments received through programs such as Social Security and Medicare. This analysis is useful in showing the liabilities passed from generation to the next, assuming future generations must close the fiscal gap. See an example in the 2011 International Monetary Fund report, "Balancing the Burden."

Frequently Asked Questions

Is there a political agenda behind the INFORM Act?

The **INFORM Act** is about providing information, not prescribing policy. We believe that in order to solve any problem, our leaders must first understand it *what* it is. *How* it gets solved is a secondary consideration.

Do fiscal gap and generational accounting analyses have limitations?

Of course. But the **INFORM Act** is about providing additional, useful information to inform the decisions of policymakers — *not* replace or remove current analyses, such as the 10-year budget projection. The **INFORM Act** will add greater context to decision-making and help reverse the bias that currently favors the present at the expense of the future.

Isn't there high uncertainty about long-term budget projections?

The aim here is not to make precise predications about the future decades from now, but rather to understand the direction of important trends, one way or another. For example, policies that have a similar impact on the deficit over the next ten-years may differ sharply in their impact on the deficit over subsequent decades.

Are the analyses in the INFORM Act credible?

Yes. In fact, the Office of Management and Budget utilized generational accounting during the last year of the George H. W. Bush administration and first year of the William Clinton administration. The Social Security Trustees still utilize fiscal gap analysis in their annual report. Further, the governments of Norway, Netherlands, Germany, United Kingdom, Chile, and Russia are now doing fiscal gap and/or generational accounting or the equivalent on either a routine or occasional basis.

Will this bill increase the workload of CBO, GAO and OMB?

The fiscal gap and generational accounting analysis provided for by the **INFORM Act** would coincide with release of long-term budget outlooks provided annually by the agencies, *not* create a new annual report. Further, CBO analysis of pending legislation would only apply to legislation that is requested by the House or Senate Budget Committee Chairman or Ranking Member AND that whose impact on taxes or mandatory spending would be greater than .5% of GDP over 10 years.

Current Supporters of the INFORM Act Include:

- Kenneth Arrow
 - Economist, Stanford University
 - Recipient, Nobel Prize in Economic Sciences (1972)
- Alan Auerbach
 - Economist, University of California – Berkeley
- James Heckman
 - Economist, University of Chicago
 - Recipient, Nobel Prize in Economic Sciences (2000)
- Laurence Kotlikoff
 - Economist, Brown University
- Robert E. Lucas Jr.
 - Economist, University of Chicago
 - Recipient, Nobel Prize in Economic Sciences (1995)
- Eric Maskin
 - Economist, Harvard University
 - Recipient, Nobel Prize in Economic Sciences (2007)
- Dale Mortensen
 - Economist, Northwestern University
 - Recipient, Nobel Prize in Economic Sciences (2010)
- Roger Myerson
 - Economist, University of Chicago
 - Recipient, Nobel Prize in Economic Sciences (2007)
- Edmund Phelps
 - Economist, Columbia University
 - Recipient, Nobel Prize in Economic Sciences (2006)
- Thomas J. Sargent
 - Economist, New York University
 - Recipient, Nobel Prize in Economic Sciences (2011)
- Vernon Smith
 - Economist, Chapman University
 - Recipient, Nobel Prize in Economic Sciences (2002)
- William Forsyth Sharpe
 - Economist, Stanford University
 - Recipient, Nobel Prize in Economic Sciences (1990)
- David Walker
 - Former U.S. Comptroller General and head of the Government Accountability Office

About The Can Kicks Back

- The Can Kicks Back is a non-partisan, Millennial movement to defeat the growing national debt and reclaim our American Dream.
- Since launching in November 2012, TCKB has expanded to over 100 local high school, college and young professional chapters and over 1,000 volunteers across the country.
- TCKB's Advisory Board includes former fiscal commission co-chairs Erskine Bowles and Alan Simpson.

**For more information and links to other sources, studies and reports please visit:
www.TheCanKicksBack.org/informact.**

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