

Title: *Aging and Inter-Generational Fairness – A Canadian Analysis*

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Inter- generational equity is a fundamental concern of public policy. It is highlighted as an issue with the combination of population aging and pay-go funded public pensions. Relatedly, Generational Accounting (GA) was developed in the 1990s in response to concerns that fiscal policy generally (not just pension policy), particularly in the U.S., was paying insufficient attention to the accumulated national debt. However, the dichotomy drawn by conventional GA between the tax burdens of the living, and those likely to fall on future generations, typically using steady-state representative agent style modeling, misses the major amount of redistribution that occurs between men and women, and between those with different lifetime earnings, within a given generation. A more appropriate analysis differentiates birth cohorts, e.g. by decade, and also takes account of the substantially heterogeneities in life paths within birth cohorts – especially by sex and income. Previous analysis for Canada (Wolfson and Rowe, 1998) showed that these two kinds of redistribution were in fact far larger than that between decadal birth cohorts. This paper updates that analysis to account for a number of changes to Canada's tax/transfer system, and particularly to assess the dramatic change in fiscal position in Canada where the national government has run a surplus in all of the past 8 years. Statistics Canada's LifePaths longitudinal dynamic microsimulation model is used to conduct the analysis. To the extent possible, comparisons of results will be made to those estimated for other countries.