debt dynamics

Mendoza, Enrique <Mendoza@econ.umd.edu>   Tue, Jan 1, 2013 at 6:27 PM
To: David Backus <dbackus@stern.nyu.edu>

Hi Dave,

Happy New Year as well!!

Sorry for the slow reply, I have tons of family visiting from Mexico this year (9 people plus the 4 of us!).

The forum exchange you sent me seems to cover the angles of this well. At the end, there is a discrepancy, but in my experience with these numbers, a difference of less than 1% is actually pretty good. When one digs up on the reasons, there can actually be many, depending on how the two sets of data (the deficit flow data and the debt stock data) are put together. Most cases these are put together by two different areas of the treasury or finance ministry. The debt stock data, if put together from actual debt positions, is very tricky, because it has to aggregate debts that differ in maturity, denomination and payment flows, and if it is presumed to be at the "general government" level even worse because it has to aggregate across municipalities, cities, states and central governments. On the other hand, the flow data collects flow data on revenues, interest outlays and noninterest outlays, on a cash basis, and then one can generate a debt stock by accumulating these flows, but there is no guarantee that the two forms of computing the debt stocks will match (there is no part in the formal government accounting that requires the two to match). The closest effort I know to make these two ends meet at the general government level is what the European Commission does in Eurostat (see the web sites http://epp.eurostat.ec.europa.eu/cache/ITY_SDDS/EN/gov_dd_esms.htm and http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/data/database). But this is only good for the EU countries, and I would not be surprised if it turns out to be the same as the WEO people use.

Hope this helps

Cheers

Enrique

From: david.backus@gmail.com [mailto:david.backus@gmail.com] **On Behalf Of** David Backus
Sent: Tuesday, January 01, 2013 10:44 AM
To: Mendoza, Enrique
Subject: debt dynamics

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