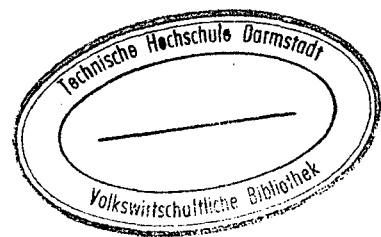


The Role of National Saving in the World Economy

Recent Trends and Prospects

By Bijan B. Aghevli, James M. Boughton, Peter J. Montiel,
Delano Villanueva, and Geoffrey Woglom



International Monetary Fund
Washington, D.C.
March 1990



Contents

	<i>Page</i>
Preface	vii
PART ONE General Introduction and Summary	
I. Overview	3
Industrial Countries	
Developing Countries	
PART TWO Industrial Countries	
I. Trends in National Saving	9
Overview of Major Developments	
International Comparisons	
Projections	
II. Determinants of Saving	16
Government Saving	
Age Structure of the Population	
Income and Productivity Growth	
Wealth Revaluation	
Pension Plans and Insurance	
Relative Prices	
Interest Rates and Inflation	
Enterprise Saving	
Financial Liberalization	
III. Adequacy of Saving	22
Growth Models with Exogenous Technical Progress	
Growth Models with Endogenous Technical Progress	
IV. International Distribution of Saving and Investment	25
Saving, Investment, and Current Account Balances	
Implications of Current Account Imbalances	
V. Policy Options	28
Budget Policy	
Tax Policy	
Comprehensive Reform	
Tax Incentives to Encourage Saving	
Removing Tax Incentives that Encourage Borrowing	
International Dimension to Saving and Investment Policies	
Conclusions	

	<i>Page</i>
PART THREE Developing Countries	
I. Trends in National Saving	35
II. Determinants of Saving	39
Private Saving	
Household Resources	
Time Profile of Income Streams	
Household Preferences	
Intertemporal Rates of Return	
Aggregate Household Saving	
Public Saving	
Interactions Between Public and Private Saving	
III. Saving, Investment, and Growth	42
The Saving-Investment Relationship	
Effects of Saving and Investment on Growth	
Direction of Causation Among Saving, Investment, and Growth	
IV. Policy Determinants of Saving and Investment	45
Fiscal Policy	
Credit Policy	
Exchange Rate Policies	
Interest Rate Policy and Financial Liberalization	
Conclusions	
Appendices	
I. Measurement of Saving in Industrial Countries	51
II. Measurement of Saving in Developing Countries	57
III. An Econometric Analysis of Saving in Developing Countries	58
Bibliography	60
TABLES	
1. Industrial Countries: Saving Rates by Sector, 1980-87	11
2. Developing Countries: National Saving and Domestic Investment Rates and Growth, 1976-88	36
3. Macroeconomic Balance of the Six Largest Latin American Countries, 1980-87	37
4. Saving-Investment Correlations in Developing Countries	42
5. Capital Importing Developing Countries: Contribution of Capital to Growth, 1974-87	43
6. Factors Determining Growth in Fifty-Five Developing Countries, 1970-85	44

CHARTS

1. Industrial Countries: Gross and Net National Saving Rates, 1965-87	9
2. Selected Major Industrial Countries: Gross Saving Rates by Sector, 1965-87	10
3. Selected Major Industrial Countries: Net Saving Rates by Sector, 1965-87	10
4. Industrial Countries: Gross National Saving, Gross Domestic Investment, and Current Account Balance, 1965-87	10
5. Industrial Countries: Gross National Saving	12
6. Selected Major Industrial Countries: National, Private, and General Government Gross Saving Rates, 1965-87	13
7. Selected Major Industrial Countries: Private, Household, and Enterprise Sectors' Gross Saving Rates, 1965-87	14
8. Selected Major Industrial Countries: Gross National Saving, Domestic Investment, and Current Account Balance, 1965-87	15
9. United States: Net National Saving, 1949-87	52
10. Selected Major Industrial Countries: Gross National Saving Rates Adjusted to Include Consumer Durables, 1965-87	55