

# McGuinness Institute Intern Glossary

- **Base Case**

In reference to a financial model, or financial projections. The expected case of the model using the assumptions that management deems most likely to occur. The financial results for your base case should be better than those for your conservative case but worse than those for your aggressive, or upside case.

*(GoBIG Network, n.d.)*

- **Bottom up approach**

Traditionally looks at how existing policy in current spending programmes and revenue affect the aggregate fiscal measures approaches to looking at the future fiscal position. Put simply, carry on as we are, assuming no constraints, and see where it takes us.

*(Treasury, 2006)*

- **Combined ratio**

Adding young and old people together and comparing their numbers with the working-age population.

*(Treasury, 2006)*

- **Comprehensive net worth**

Centres on the present value of future fiscal plans. This concept is broader than the reported net worth disclosed in the GAAP statements because it incorporates the present value of all future revenue and expenditure flows.

*(Treasury, 2006)*

- **Consumer price index**

The consumers price index (CPI) records changes to the prices of consumer items bought by New Zealand households, giving a measure of inflation. The CPI measures price changes for food, housing, personal and health care, recreation and education, transportation, tobacco and alcohol, credit services, household operation, and apparel.

*(Statistics New Zealand, n.d.[a])*

- **De facto-population concept**

A statistical basis for a population in terms of those present in a given area at a given time. The 'census night population count' is a census measure, and the 'estimated de facto population' is a demographic measure, of the de facto population concept.

*(Statistics New Zealand, n.d.[b])*

- **Dynamic Equilibrium**

The state in which all economic forces are balanced. Quantities will grow at the same rate, hence ratios will remain the same.

- **Fiscal Aggregates**  
 The Government's intentions for fiscal policy, in particular, for total operating expenses, total operating revenues, the balance between total operating expenses and total operating revenues, the level of total debt and the level of total net worth  
 (New Zealand Parliament, 2011)
- **Fiscal drag**  
 This occurs when increases in nominal incomes result in people moving up the income tax scale, lifting their average tax rate.  
 (Treasury, 2006)
- **Fiscal gap**  
 Calculates the change in fiscal policy settings needed to achieve a particular debt target at some point in the future.  
 (Treasury, 2006)
- **Fiscal imbalance**  
 Adds to the government's current debt the present value of projected primary balances.  
 (Treasury, 2006)
- **Fiscal Position**  
 The state of the Government's finances.
- **Fiscal transparency**  
 Fiscal transparency is the full disclosure of all relevant fiscal information in a timely and systematic manner.  
 (Treasury, 2006)
- **Generational accounting**  
 Examines the effect on different generations of alternative ways of satisfying the government's intertemporal budget constraint (*also see definition*). Generational accounting compares the projected net lifetime taxes (the difference between taxes paid and transfers received) faced by newborns born in different years.  
 (Treasury, 2006)
- **Income elasticity of demand**  
 Proportionate change in the demand for a good in response to a change in income. It is reflected in how people change their consumption habits with changes in their income levels.  
 (Business Dictionary, n.d.)
- **Infometrics**

The study of quantitative aspects of information

- ***Intertemporal Budget Constraints***

Budget constraints that are related to past, present and future events or conditions.

- ***Kyoto Protocol***

The Kyoto Protocol is an international agreement linked to the United Nations Framework Convention on Climate Change.

*(United Nations Framework Convention on Climate Change, n.d.)*

- ***Macroeconomics***

The study of large-scale or general economic factors.

*(Deverson, T., & Kennedy, G. (Eds.), 2005)*

- ***New Zealand Superannuation***

A fortnightly payment for people aged 65 and over. Recipients of New Zealand Superannuation must be aged 65 or over, be a New Zealand citizen or permanent resident and normally live in New Zealand at application time. They must also have lived in New Zealand for at least 10 years since the age of 20. Five of those years must be since the age of 50. The amount received is dependent on the individual's circumstances.

*(Work and Income, n.d.)*

- ***Nominal (value)***

A nominal figure is one that is measured in current dollars. Thus, for example, nominal GDP measures the current dollar value of goods and services produced. A nominal interest rate is simply the interest rate in question with no adjustment made for actual or expected inflation.

*(Reserve Bank of New Zealand, n.d.)*

- ***Non-parametric Programmes***

Non-parametric programmes are those where spending is the result of discrete decisions made by governments. Non-parametric programmes are more difficult to project forward, as the parameters are not clearly specified in the design of the programme and more assumptions need to be made about future policy choices.

*(Treasury, 2006)*

- ***Old ratio***

Compares those aged 65 and above with the traditional working-age population of those aged 15 to 64.

*(Treasury, 2006)*

- **Parametric Programmes**

Parametric programmes are those where all (or at least most of the material) features of spending are driven by factors that are independent of the programme.

*(Treasury, 2006)*

- **Price Index**

A price index measures the change in price of a fixed basket of goods and services between two time periods.

*(Statistics New Zealand, n.d.[c])*

- **Probabilistic**

Relating to probability, involving chance variation.

*(Deverson, T., & Kennedy, G. (Eds.), 2005)*

- **Resident-population concept**

A statistical basis for a population in terms of those who usually live in a given area at a given time. The 'census usually resident population count' is a census measure, and the 'estimated resident population' is a demographic measure, of the resident population concept.

*(Statistics New Zealand, n.d.[b])*

- **Steins Law**

If something cannot go on forever, it will stop.

*(Treasury, 2006)*

- **Stochastic**

Determined by a random distribution of probabilities.

*(Deverson, T., & Kennedy, G. (Eds.), 2005)*

- **Tax smoothing**

Tax smoothing minimizes the economic costs of raising taxes to finance a varying profile of expenditure. This standard result assumes that expenditure pressures do not vary with the short term fiscal position. In the presence of expenditure creep, however, tax smoothing is no longer optimal tax policy.

*(Treasury, 1998)*

- **Top down approach**

This projection method seeks to impose an overall set of fiscal constraints on the government and then looks at what various combinations of spending and taxes might meet these constraints.

*(Treasury, 2006)*

- **Trajectory**

The path followed by a projectile flying or an object moving under the action of given forces: can be literal or figurative.

*(Oxford Dictionaries, n.d.)*

- **Young ratio**

Compares those under 15 with the working-age population.

*(Treasury, 2006)*

## References

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