

NTA: Aggregate Controls

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(Adopted from Gretchen Donehower's presentation, Summer Seminar 2010)

What are macro/aggregate controls?

- Macro controls are
 - Aggregate indicators of national activity over a fixed period of time,
 - Based on internationally accepted accounting principles,
 - Including ALL flows in an economy,
 - Adjusted in a few important ways when national accounting concepts differ from NTA concepts,
 - Rearranged to focus on what NTA cares about: PRODUCE, CONSUME, SHARE AND SAVE

What do we do with them?

- We adjust our age profiles (AP) proportionally to make our aggregates match:

$$AP_{adjusted}(x) = \left\{ \frac{MacroControl}{\sum_{x=0}^{x=90+} AP_{unadj}(x) Pop(x)} \right\} AP_{unadj}(x)$$

- Implicit assumption: any error in my unadjusted age profile is PROPORTIONAL by age

Why do we need them?

- Allows NTA to connect existing, accepted accounting system
- Available age profiles may not fully represent economic activity
 - Only have participation, not actual unit value
 - Have something similar but not exactly

Consumption Macro Controls

- The macro controls for consumption are based on *Final Uses in GDP*.
 - Total NTA consumption = “**Final consumption expenditure**”,
 - Public consumption = “**General government final consumption expenditure**,”
 - Private consumption = “**Household final consumption expenditure**” + **NPISHs’ final consumption expenditure.**”
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- The macro control for public consumption of health, education, and other public consumption are similarly based on the classification of public consumption by purpose.

Labor Income Macro Control

- Using the terminology of the 1993 UN System of National Accounts, labor income consists of three components
 - **compensation of employees**
 - labor's share (2/3) of **mixed income**
 - labor's share of **taxes on net production and on imports** (known as **indirect taxes**) less **business subsidies**.

Labor Income Macro Control (cont'd)

- The compensation of employees consists of **wages and salaries** and **employers' social contributions**, including labor income of residents who are working abroad.
- Some of the non-resident remittances are in fact compensation. Individual country teams have to decide what would be the most relevant method for their country (e.g. the Philippines' guest workers)

Labor Income Macro Control (cont'd)

- Two-thirds of the household **mixed income** is labor income, which is consistent with the best available information.
 - In some countries, the aggregate control **mixed income** includes the **operating surplus (imputed rent)** of households. In this instance the operating surplus of households should be subtracted from mixed income before labor's share is estimated

Indirect Taxes Adjustment

- Some taxes on production and on imports are borne by workers in the form of reduced compensation, by owners of assets in the form of reduced asset income, and by consumers in the form of higher prices.
- In NTA, total labor income should be increased by net taxes on labor, i.e., an estimate of the share of taxes on production and on imports less subsidies borne by labor.