Manual on National Transfer Accounts: Overview (Chapter 2)

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Outline

2.1 Introduction

2.2 Conceptual elements

2.3 The accounts

2.4 Examples

2.5 Going beyond basic NTA
2.1 Introduction

• What are NTAs?
  – Accounting for economic flows by age
  – Aggregate values are broadly consistent with concepts developed in national accounts, codified in the System of National Accounts (SNA)

• (Introduction to manual “test drive”)

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Outline

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2.2 Conceptual Elements

• Economic lifecycle and reallocation systems
  – Consumption and labor income by age present the “problem” to be solved by all economies.
  – The “problem” is solved by reallocation
    • transfers between age groups
    • using assets to transfer resources through time
2.2 Conceptual Elements

- Economic lifecycle and reallocation systems (cont)
  - Reallocation is facilitated by institutions and mechanisms
    - Transfer systems
      - Private (families, non-profits)
      - Public (government mandated programs)
    - Assets that can act as a store of value over time

- Age and the individual perspective
  - NTA classifies economic flows by age of the *individual*
  - Individuals receive inflows and give outflows, with saving as the balancing item
  - Challenges to the individual perspective
    - Institutions are just agents, so NTA must make assumptions to attribute all flows through institutions to individuals
    - Measurement
2.2 Conceptual Elements

• Institutions provide a framework for organizing individual flows
  – Private sector (corporations, households, NPISH)
  – Public sector (all government levels, consolidated)
  – Rest of world

• Households
  – Common unit of analysis, but households are not a useful concept for analyzing the generational economy
  – BUT, in order to look inside households we need a model/assumptions
    • Usually assume equal sharing within households, except...
    • Household head owns all assets/debts and makes all inter-household transfers
2.2 Conceptual Elements

• NTA and SNA (System of National Accounts)
  – Consistencies
    • Main aggregates
    • NTA uses amounts from SNA as aggregate controls
  – Differences
    • Institutional versus individual perspective
    • Some NTA flows do not have SNA counterparts
      – Could be combination of SNA amounts (e.g. NTA labor income combines parts of SNA compensation of employees and mixed income)
      – Could be a wholly NTA concept and have no SNA counterpart (e.g. intra-household transfers)
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2.3 The accounts

- NTA flow identity, in two arrangements, by age x

\[
Y^l(x) + \tau^+(x) + Y^k(x) + Y^{p+}(x) = C(x) + \tau^-(x) + Y^{p-}(x) + S(x)
\]

\[
C(x) - Y^l(x) = \tau^+(x) - \tau^-(x) + Y^A(x) - S(x)
\]

- Lifecycle Deficit
- Net Transfers
- Asset-based Reallocations
- Age Reallocations
2.3 The accounts

• NTA, aggregate values, aggregate constraints
  – Levels of aggregation at which NTA flows are the same as SNA flows
  – Some flows must be balanced
    • Transfers and property income
    • May not balance within sector
    • May have a net Rest of World flow

• Economic lifecycle and age reallocation accounts (as in rearranged flow equation)
  – Lifecycle account (consumption – labor income)
  – Public reallocations (public transfers and asset-based reallocations)
  – Private reallocations (private transfers and asset-based reallocations)
2.3 The accounts

- Economic mechanisms for age reallocations
  - Transfers (no enforceable contract, market transaction, or quid pro quo)
  - Asset-based flows
    - Only involve flows during current accounting period
      - saving/dissaving
      - asset income (capital income + property income)
    - Changes in asset prices are in the capital accounts (pending)
2.3 The accounts
2.3 The accounts

- Distinguishing flows by purpose relevant to study of the generational economy
  - Education
  - Health
  - Public pensions
  - Other

- A stylized NTA flow account
  - Only three age groups
  - Example highlights important features of accounts
2.3 The accounts

Table 2.1 NTA Flow Account, Stylized, value of aggregate annual flows.

<table>
<thead>
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<th></th>
<th>Children</th>
<th>Working-age</th>
<th>Elderly</th>
<th>Total economy</th>
<th>Rest of the world</th>
<th>Total</th>
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</table>
2.3 The accounts

- Algebraic representation of NTA
2.4 Examples

- NTA with broad age groups (US 2003, tables)
- Graphical representation (Philippines, 1999)

(Are these helpful? Need more discussion?)
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- Projections
- Bequests and other capital transfers
- Wealth accounts
- Gender, time use and household production
- Inequality and poverty
- Sub-national accounts
- Environmental accounts