



# NTAs for the 90%: The economic life cycle of the non-rich.

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personal views of the authors and does  
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United Nations.



What can NTAs tell us about the economic life of the non-rich\* (90% of the population)?

\* The bottom 90% of the pre-tax income distribution.

## Caution: Averages likely to mislead us.



- NTAs – based on *averages* by age – may not reflect the economic experience of the vast majority of people in the country ...
- ... because consumption, labor earnings, assets, and taxes are highly skewed.
- The richest 10% consume much more, earn much more, and own much more than the general population. NTA averages are heavily influenced by these “outliers.”

# What can NTAs tell us about the economic life of the non-rich (90% of the population)?

## Method 1

### NTAs for the 90%

- **An initial benchmark.**
- A simple hack of NTAs.
- Combines NTA with DINA.
- Information on the 90%.

## Method 2

### Distributional NTAs

- **The gold standard.**
- A sophisticated imputation.
- Creates NTA microdata sets.
- Information on everyone.

# The Simple Hack:

DINA + NTA = NTA for the 90%

## Step 1: DINA

Estimate NTA Macro Control Totals for the non-rich population using data from Distributional National Accounts (Piketty, Saez, and Zucman, 2018).



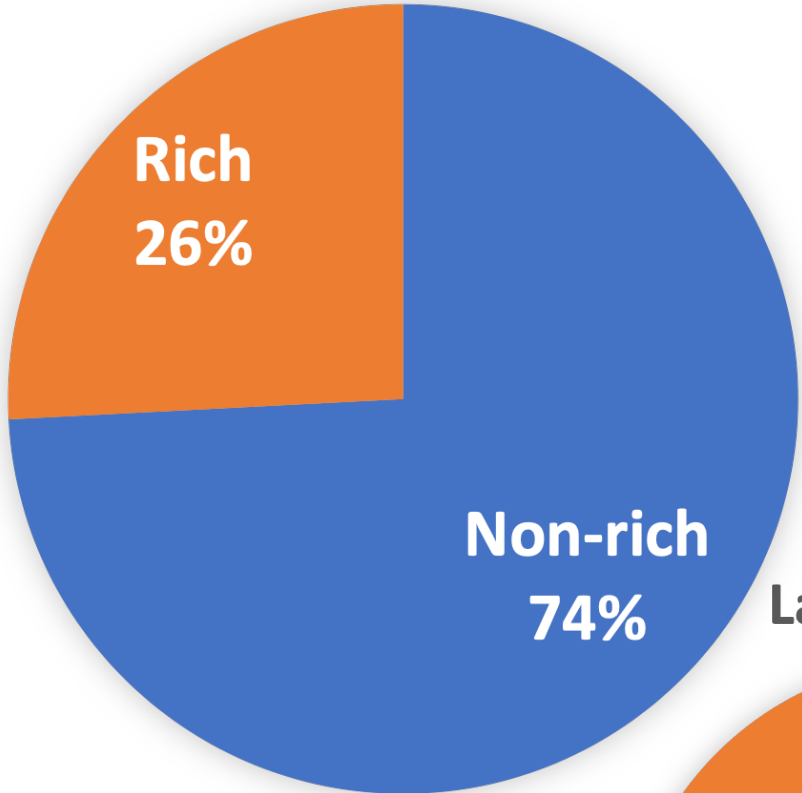
## Step 2: NTA

Adjust NTA age profiles to these new Macro Control Totals.

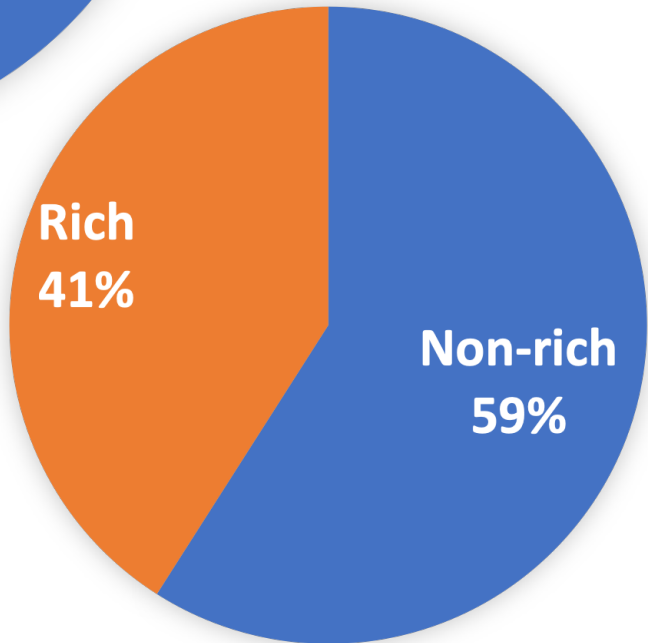


# Consumption

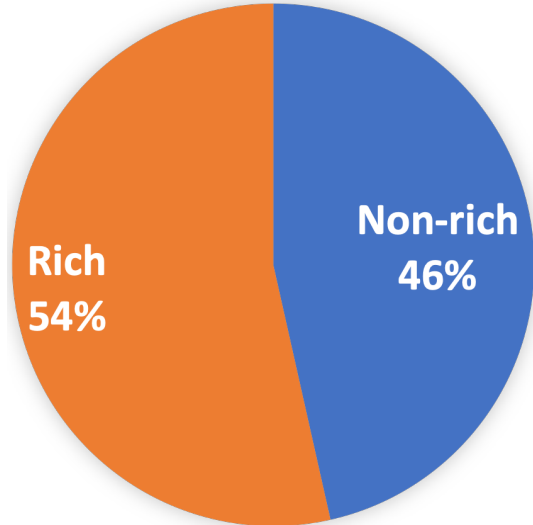
NTA Macro Control shares:  
rich (top 10%) vs non-rich (bottom 90%)  
USA 2011



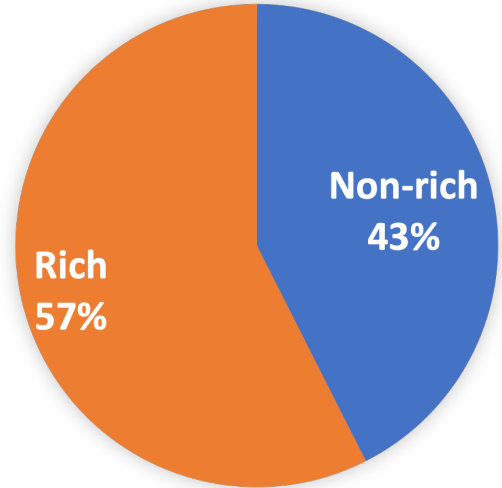
# Labor Income



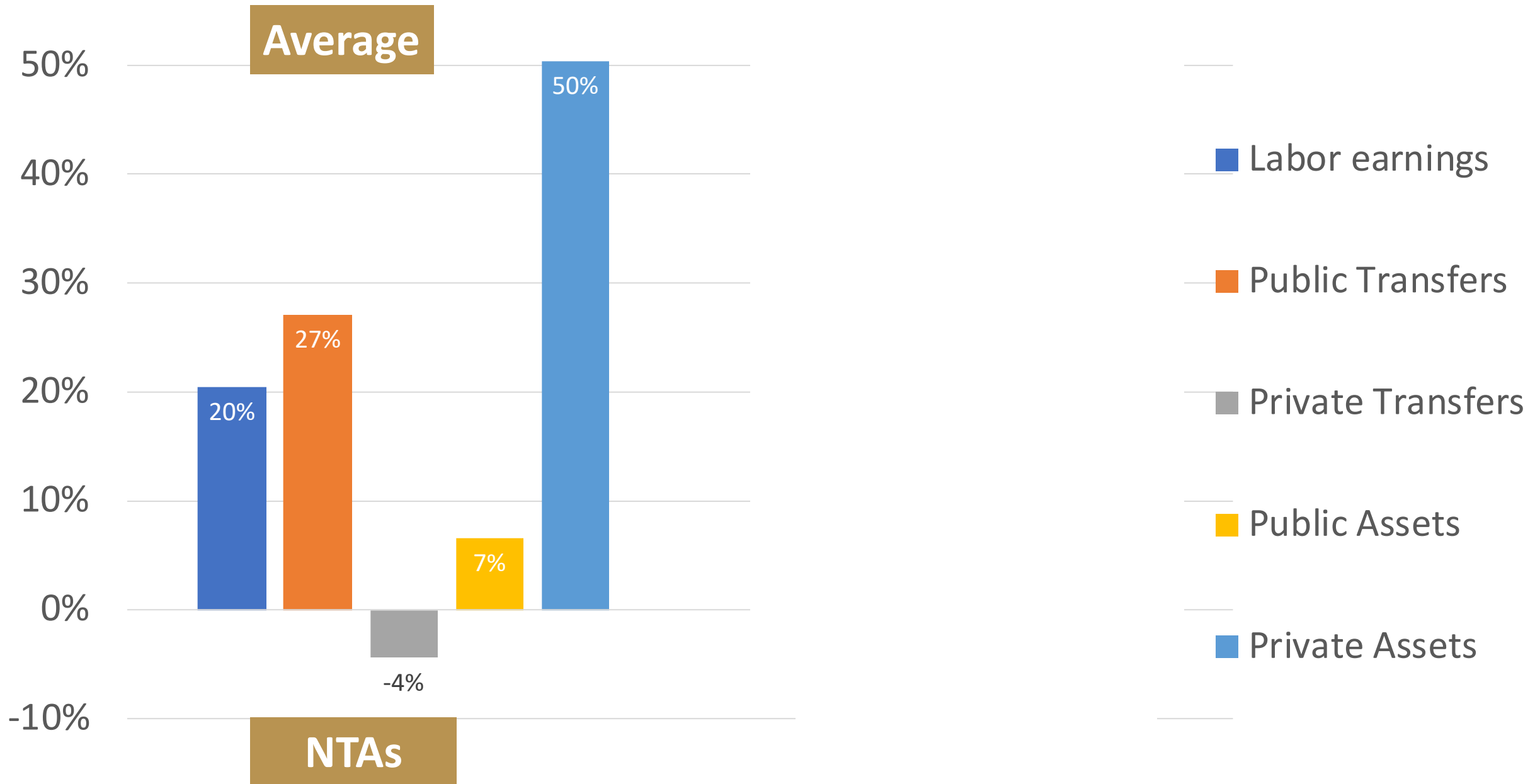
# Taxes



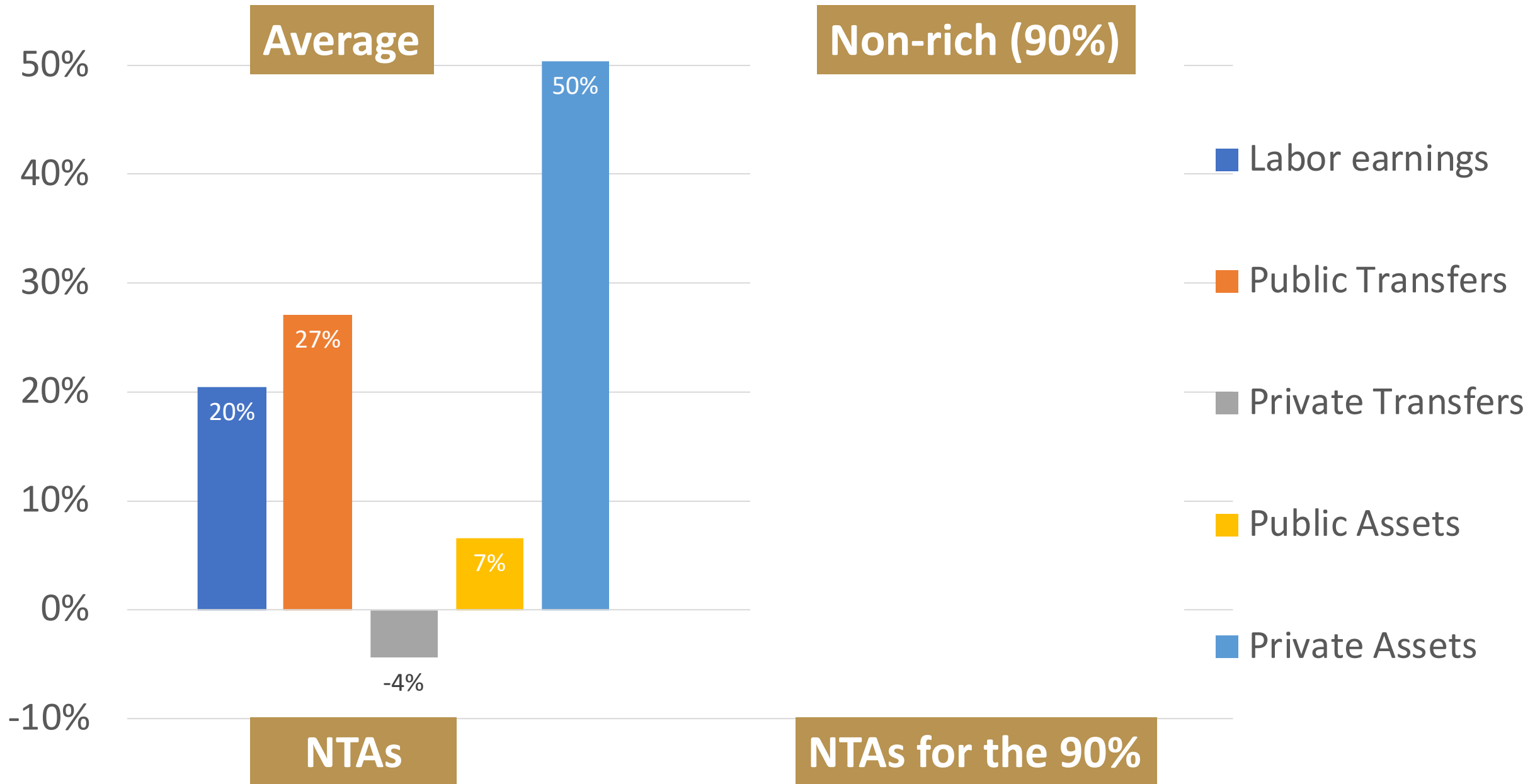
# Private Asset Income



# How older persons fund consumption: USA, 2011.

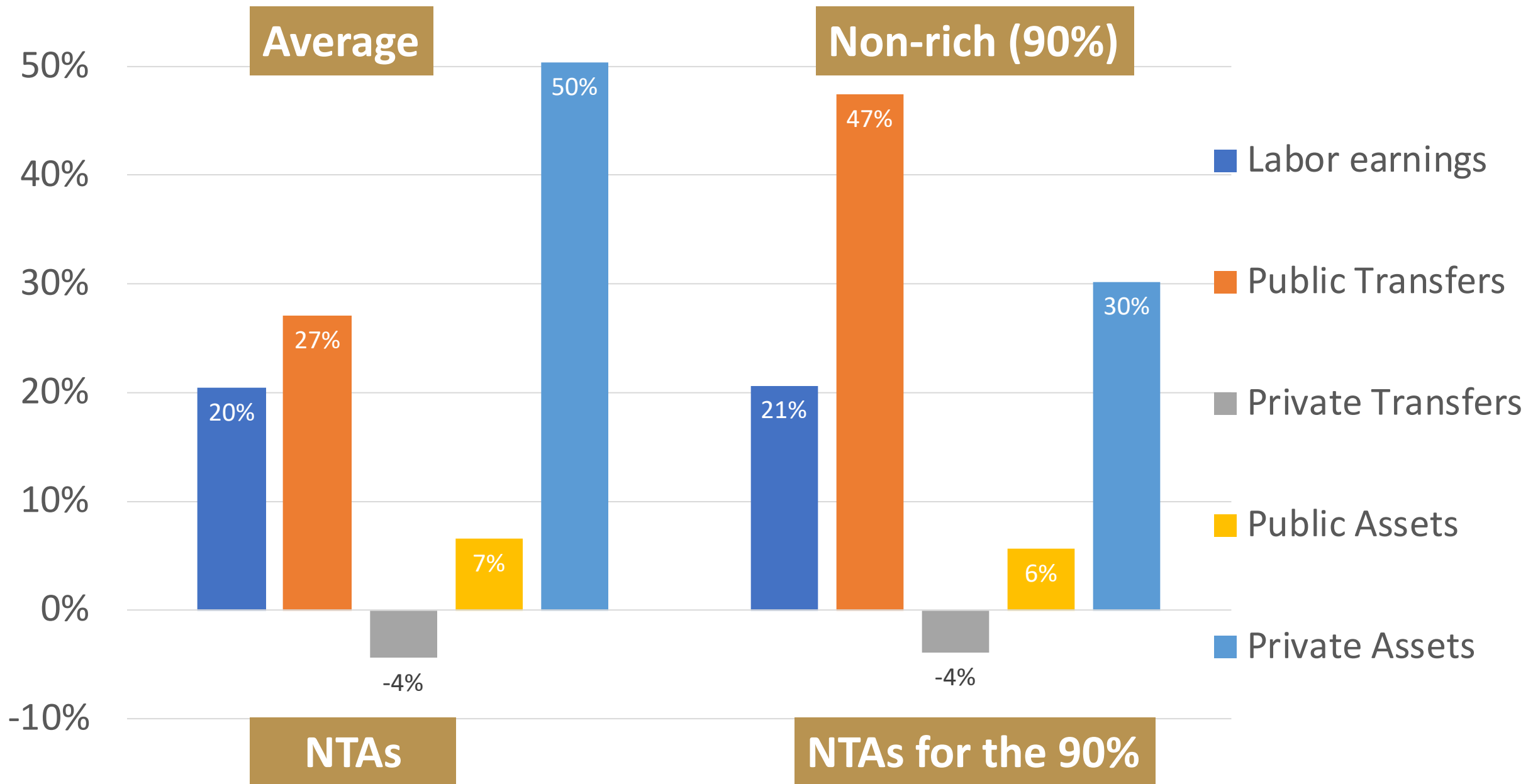


# How older persons fund consumption: USA, 2011.





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# NTAs for the 90%: Next steps

- Evaluate the hack against the “gold standard” of distributional NTAs (for example, Lee, Donehower, Mason, and Abrigo, 2020).
- If the hack works, let’s calculate NTAs for the 90% for all NTA countries using information on inequality gleaned from Distributional National Accounts (DINA) and World Inequality Database.
- Both dNTA and DINA aim to develop a micro-accounting of the macro-economy. Both research groups confronted the same sorts of problems in how to assign taxes, benefits, primary deficits, etc. Let’s compare the solutions arrived at by these two groups.