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

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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)?

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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.
NTA Macro Control shares:
rich (top 10%) vs non-rich (bottom 90%)
USA 2011
How older persons fund consumption: USA, 2011.
How older persons fund consumption: USA, 2011.

- **Average**
  - Labor earnings: 20%
  - Public Transfers: 27%
  - Private Transfers: -4%
  - Public Assets: 7%
  - Private Assets: 50%

- **Non-rich (90%)**
  - Labor earnings: 50%
  - Public Transfers: 20%
  - Private Transfers: 7%
  - Public Assets: 4%
  - Private Assets: 30%
How older persons fund consumption: USA, 2011.

Average
- Labor earnings: 50%
- Public Transfers: 27%
- NTAs: 20%
- Private Transfers: 7%
- Private Assets: 0%
- Public Assets: 10%

Non-rich (90%)
- Labor earnings: 47%
- Public Transfers: 21%
- NTAs: 6%
- Private Transfers: 30%
- Private Assets: 0%
- Public Assets: 10%
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.