

Population Aging and Intergenerational Transfers: Introducing Age into National Accounts

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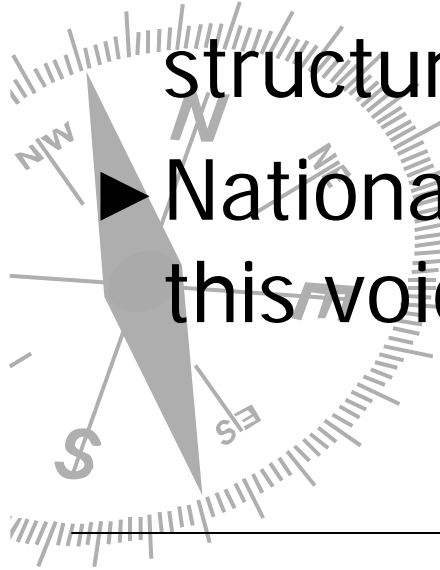
East-West Center



National Transfer Accounts

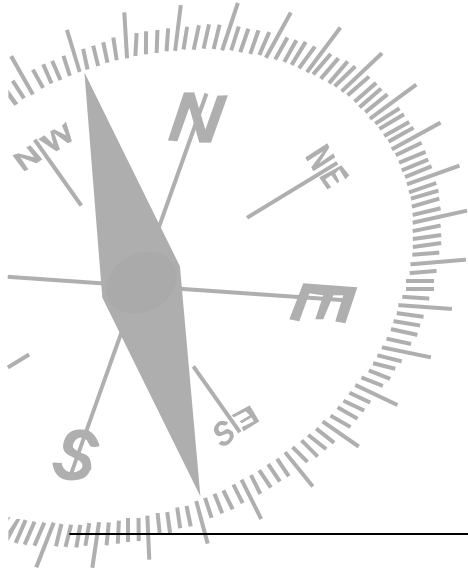
Motivation

- ▶ Population aging has important economic implications.
- ▶ Statistical systems provide little information about the link between population age structure and aggregate economic flows.
- ▶ National Transfer Accounts is intended to fill this void.



Objective of Presentation

- ▶ A very brief introduction to National Transfer Accounts
- ▶ Three examples of how the accounts can be used.



I. National Transfer Accounts

▶ Objective:

- A comprehensive set of accounts that measures age-specific economic flows and stocks in a manner consistent with the System of National Accounts.

▶ Conceptual foundation:

- Lee (1994) but also Samuelson (1958), Diamond (1965), and Willis (1988).

▶ Organization:

- Collaboration between EWC/UH and UC-Berkeley. Core funding from NIA. Sub-projects supported by UNFPA and others.

▶ Website: www.ntaccounts.org

Participating Countries

ASIA

China

India

Indonesia

Japan

Korea, S.

Philippines

Taiwan

Thailand

EUROPE

Austria

France

Hungary

Slovenia

Sweden

NORTH AMERICA

United States

LATIN AMERICA

Brazil

Chile

Costa Rica

Mexico

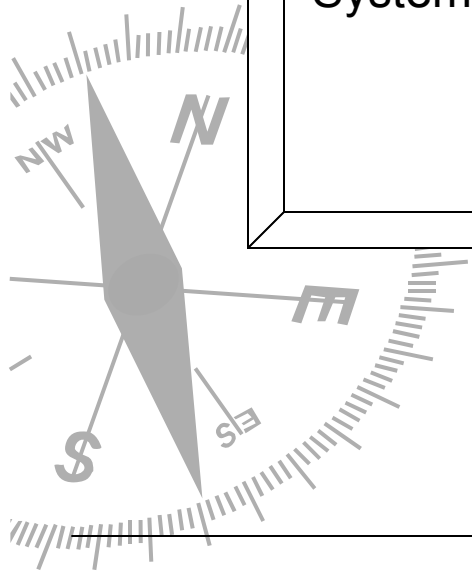
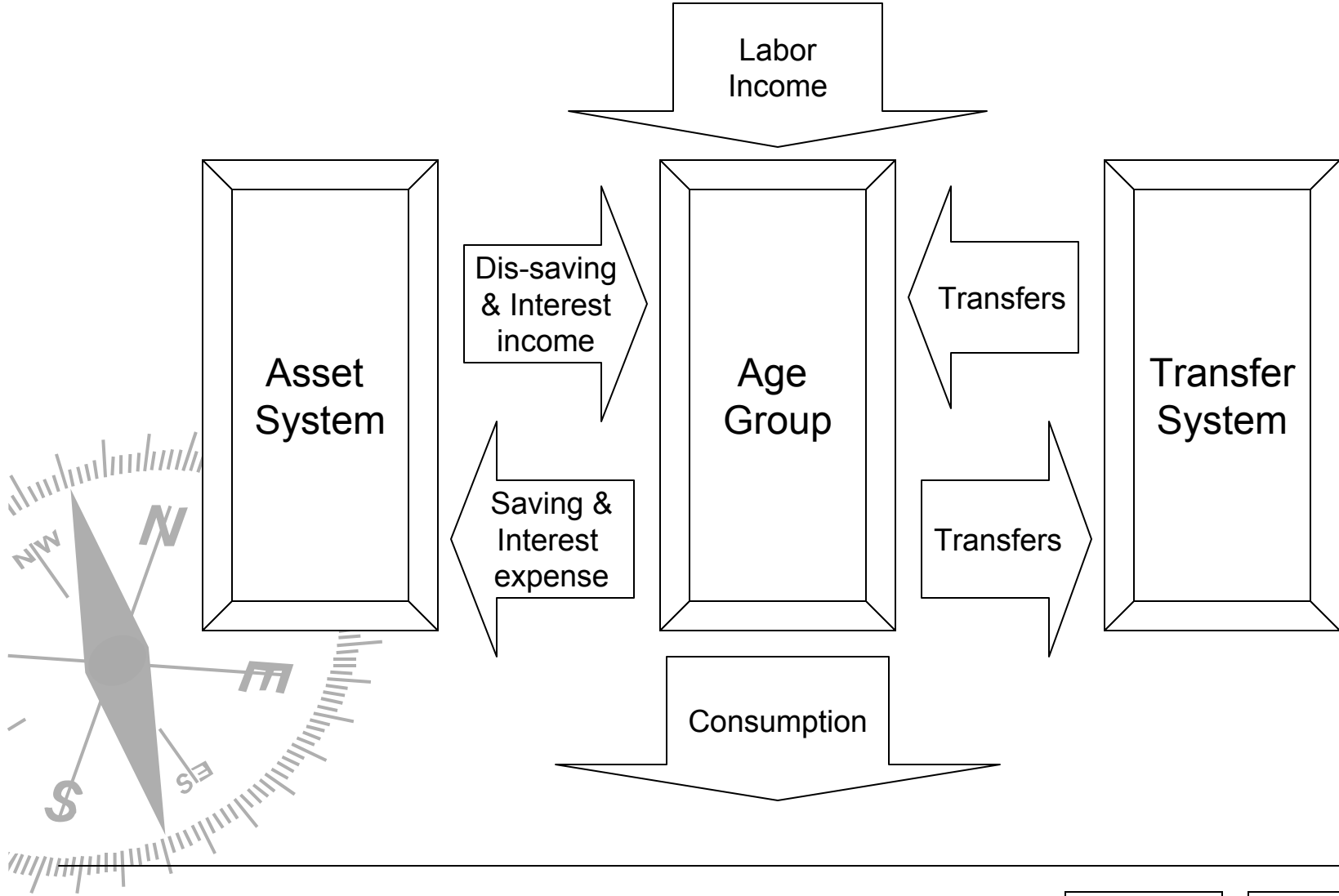
Uruguay

OCEANIA

Australia



National Transfer Account Flows



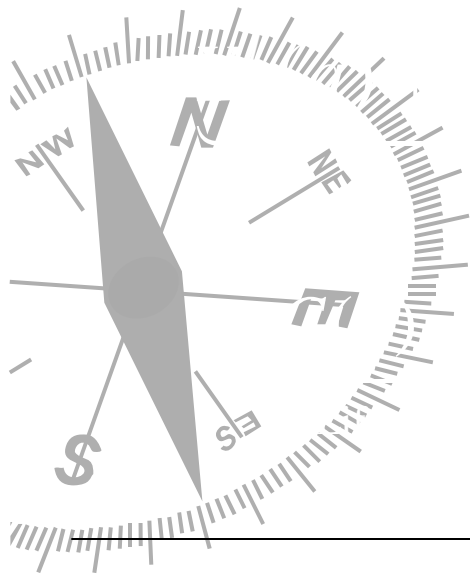
The Flow Account Identity

► Inflows

- Labor Income
- Asset Income
- Transfer Inflows

► Outflows

- Consumption
- Saving
- Transfer Outflows



National Transfer Accounts

Detailed National Transfer Flow Account

- ▶ Consumption: public and private for health, education, housing, and other.
- ▶ Public transfers: in-kind (health, education, other) and cash (pensions and other).
- ▶ Private transfers: intra-household for health, education, housing, and all other; inter-household for other.
- ▶ Asset-based reallocations: Public and private investment; public and private credit/debt.
- ▶ Domestic flows and flows to ROW.

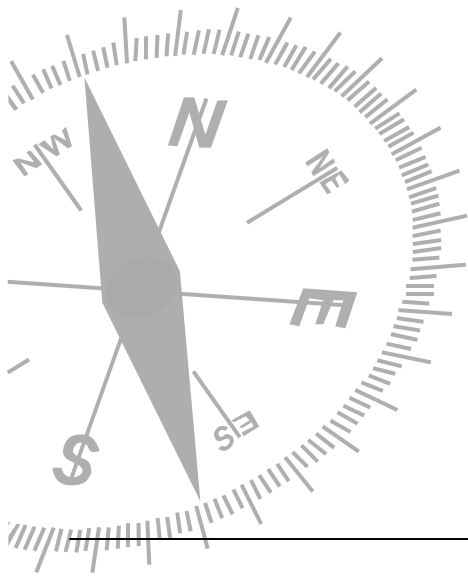
Approach to Estimation

- ▶ Aggregate controls: National Income Accounts and other aggregate statistics.
- ▶ Age profiles: Nationally representative household surveys and administrative data.
- ▶ Common methodology documented on www.ntaccounts.org



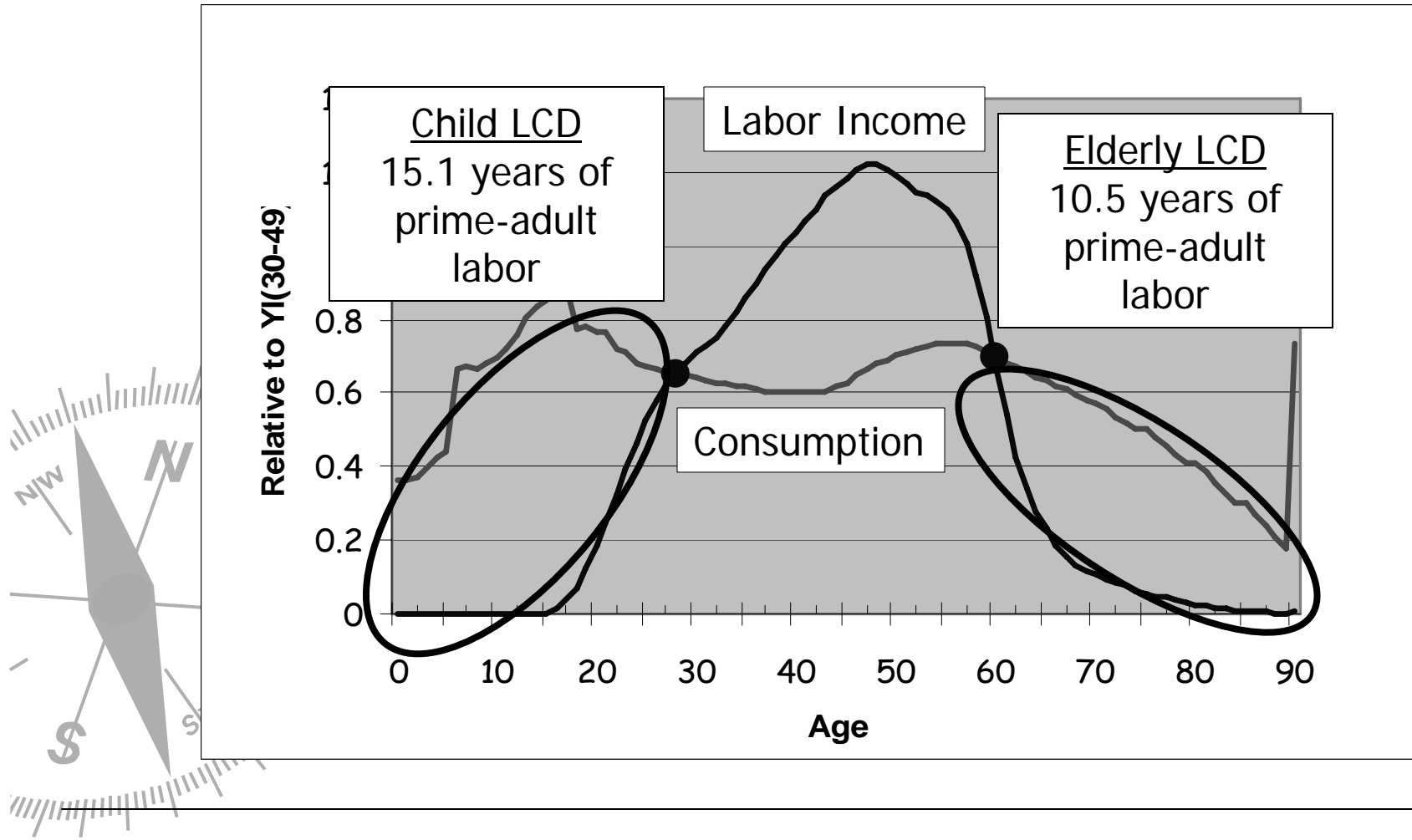
The Economic Lifecycle

- ▶ Example 1. The lifecycle deficit for children.
- ▶ Example 2. The lifecycle deficit for elderly.

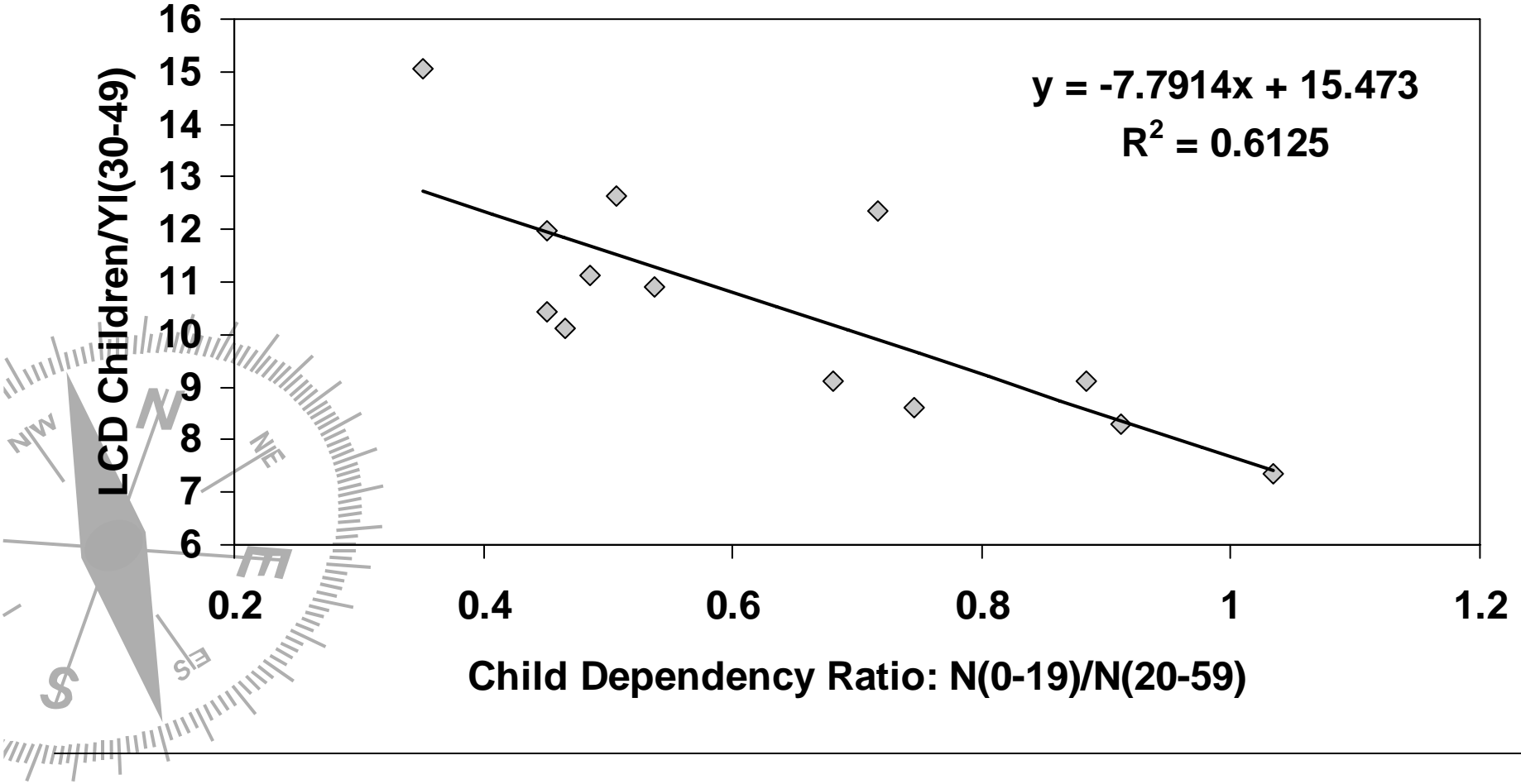


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Economic Lifecycle, Japan 2004, Survival Weighted

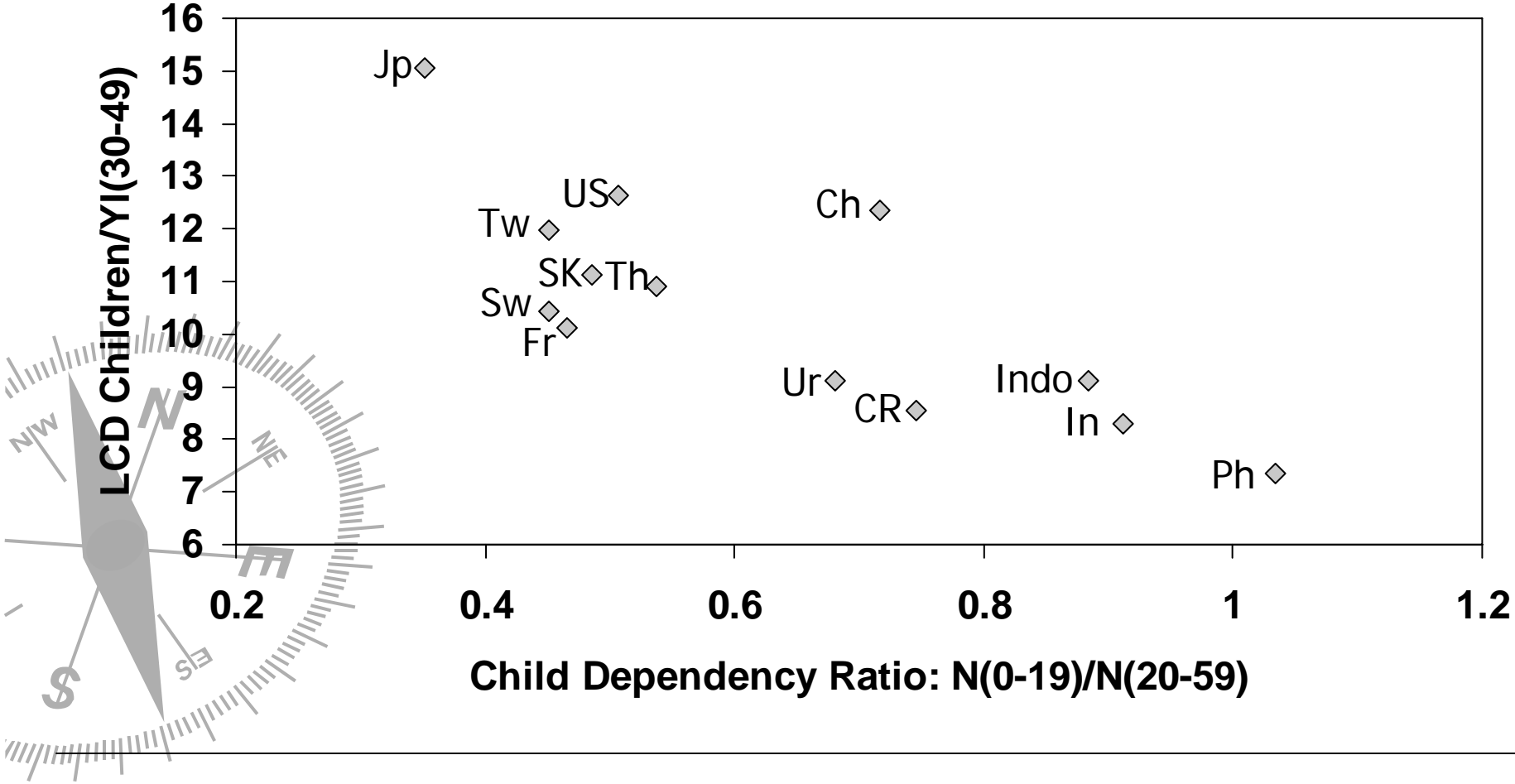


Tradeoff: Deficit per Child and Number of Children, 13 Countries



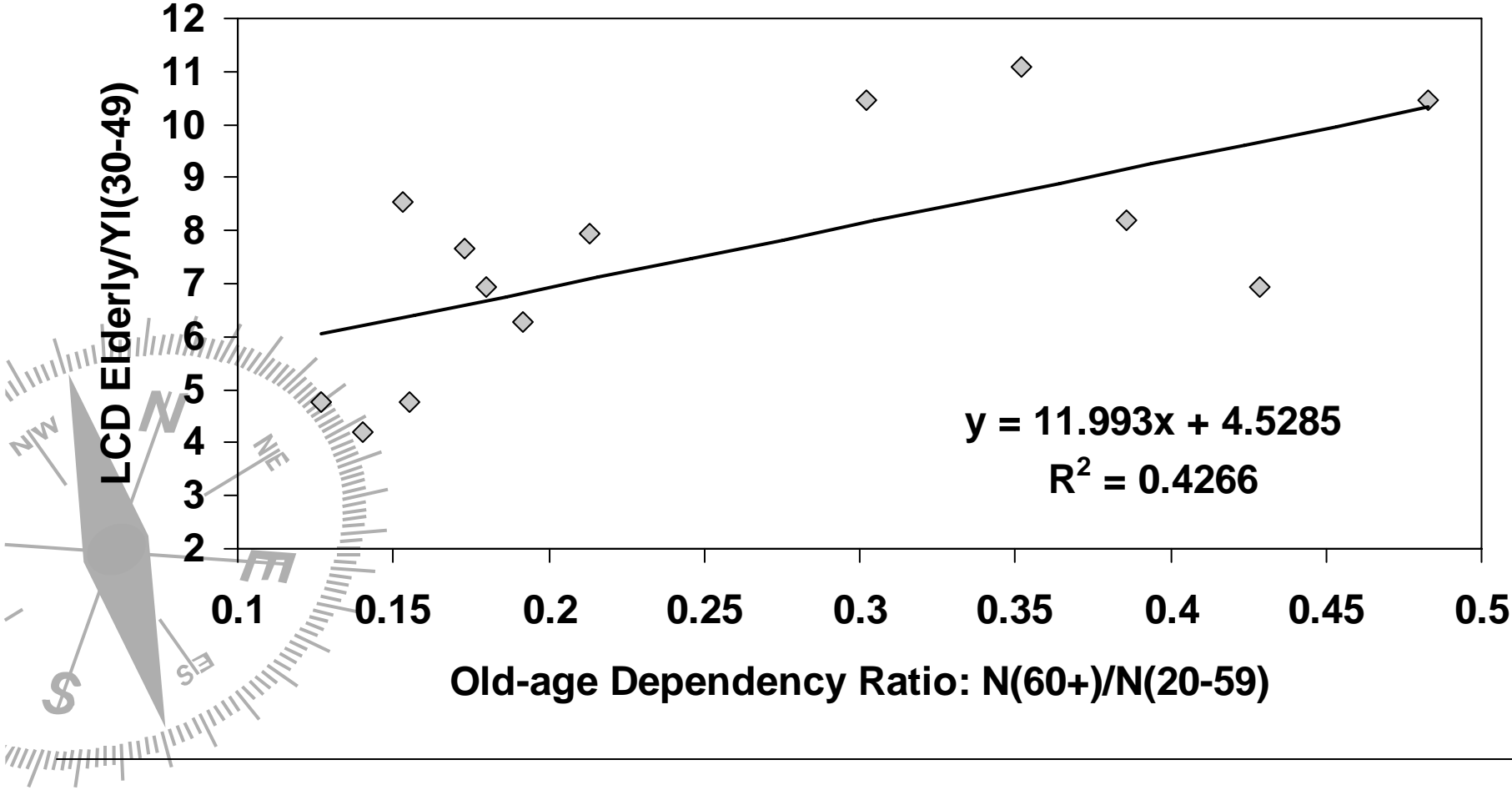
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Tradeoff: Spending per Child and Number of Children, 13 Countries



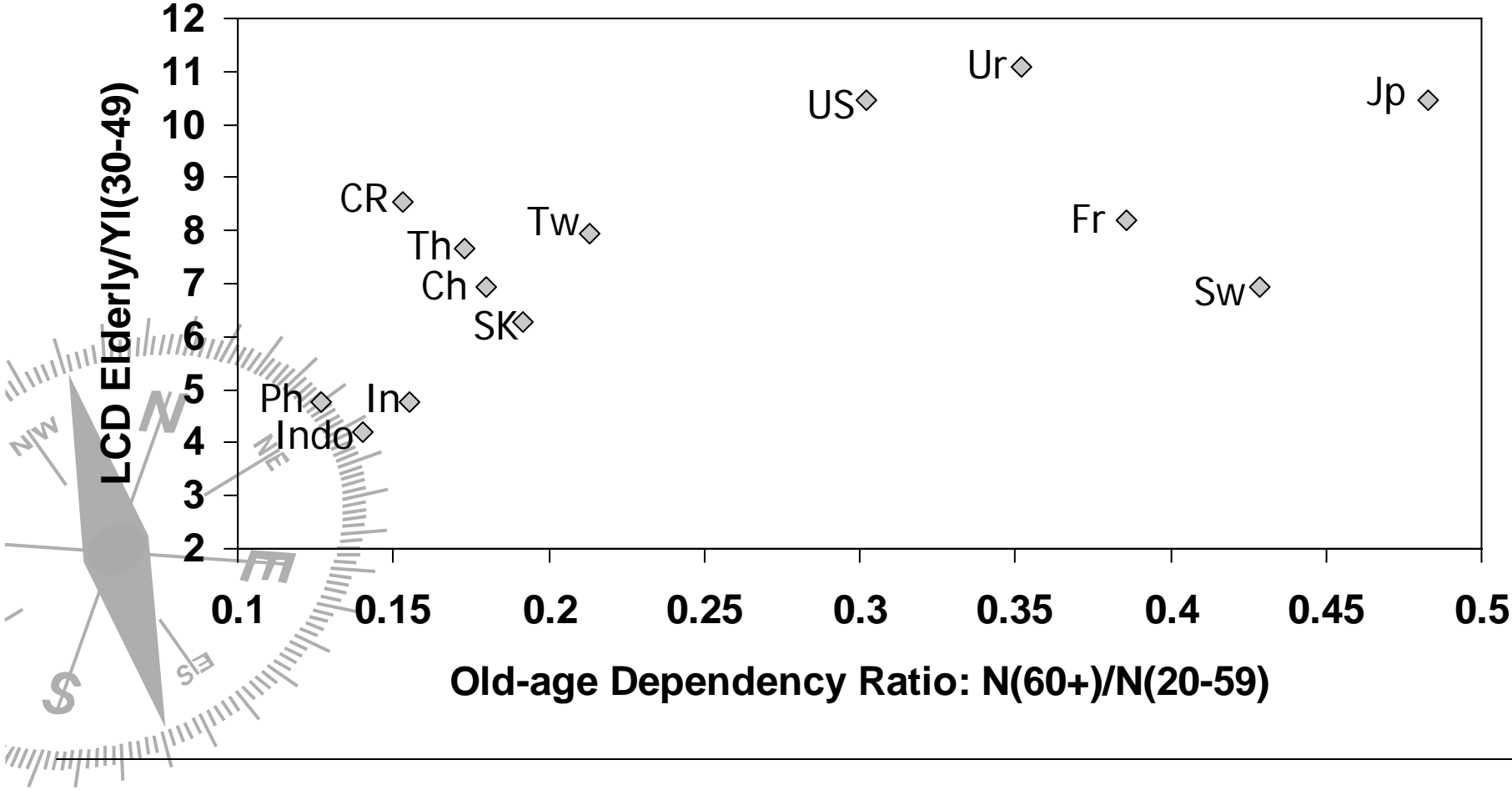
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Tradeoff: Spending per Elderly and Number of Elderly, 13 Countries



National Transfer Accounts

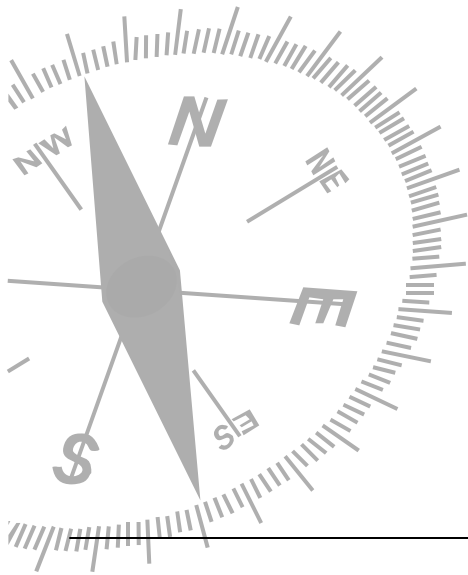
Tradeoff: Spending per Elderly and Number of Elderly, 13 Countries



National Transfer Accounts

Issue 3: How are the elderly covering their lifecycle deficit?

- ▶ Familial transfers
- ▶ Public transfers
- ▶ Saving



National Transfer Accounts

Old-Age Support Systems

Saving

Thailand: 50-50
saving and familial
support

United States:
50-50 saving and
public support

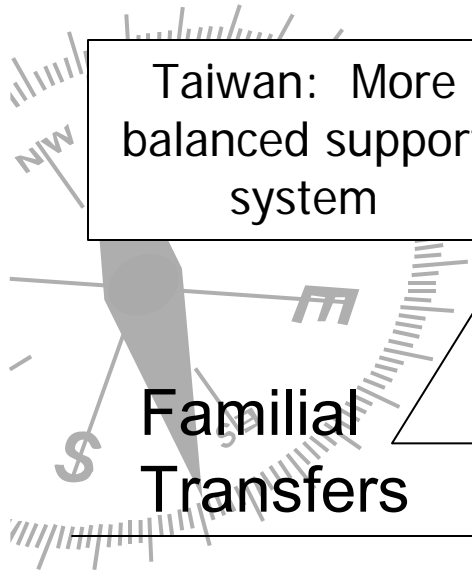
Japan: 25-75
saving and public
support

Taiwan: More
balanced support
system

Familial
Transfers

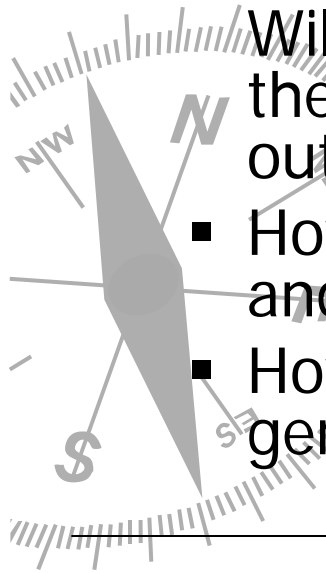
Public
Transfers

National Transfer Accounts



Conclusions

- ▶ Integrating age into national accounts will help us understand many important issues
 - How much do children cost? How much is born by parents? By grandparents? By society? With what effect on childbearing?
 - How are the components of old age support related? Will expanding public support for the elderly increase their consumption? Crowd out familial support? Crowd out asset accumulation?
 - How will population aging influence capital accumulation and economic growth?
 - How will population aging and public policy influence generational equity?



**The National Transfer Accounts project is a collaborative effort of
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and
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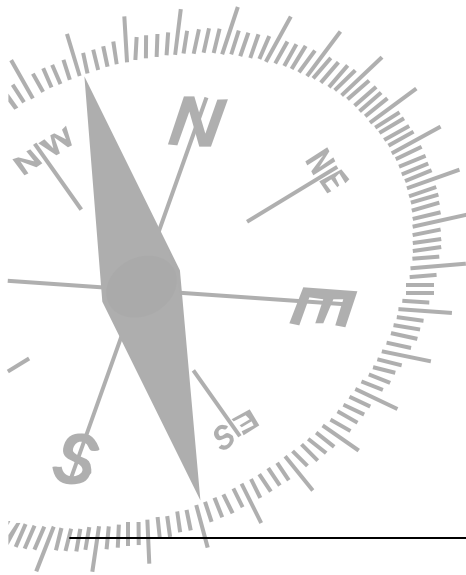
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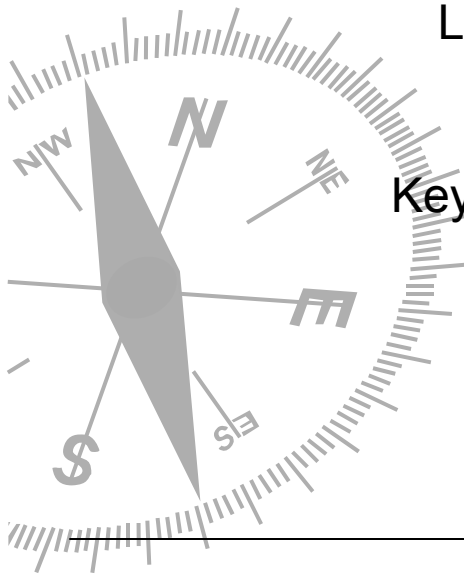
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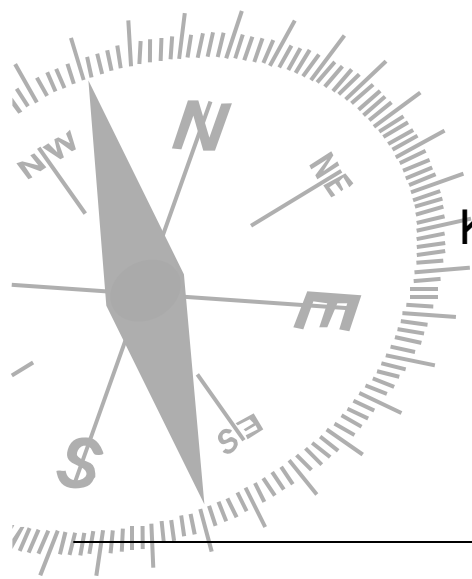
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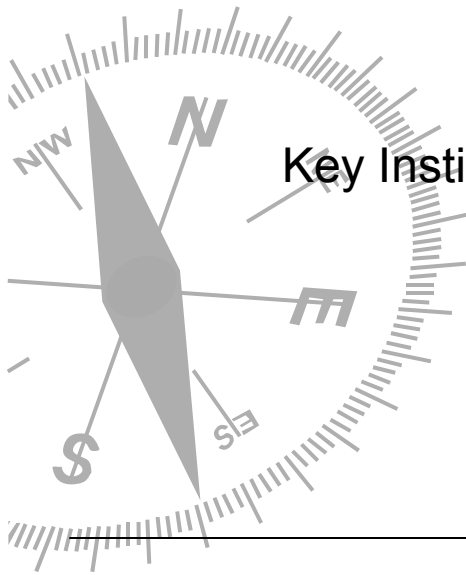
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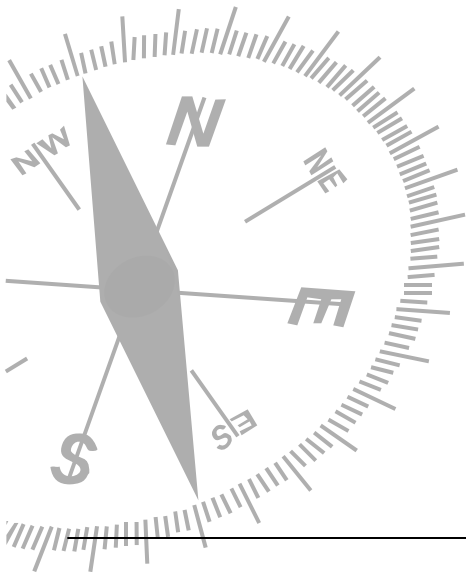


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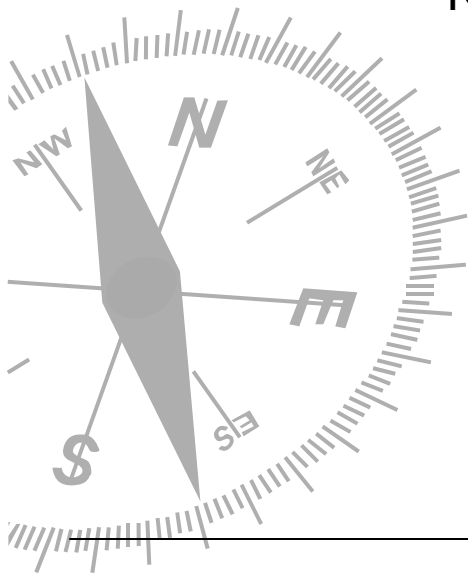
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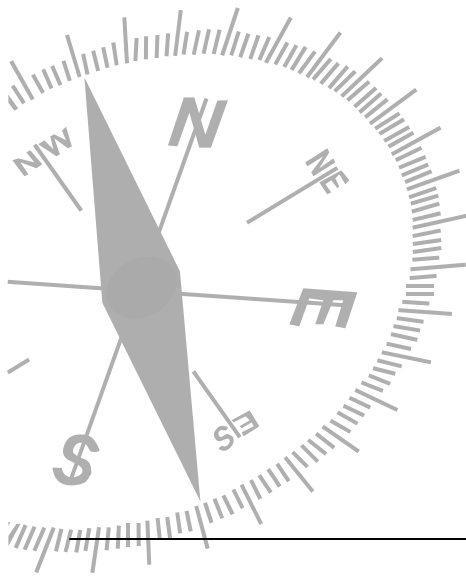
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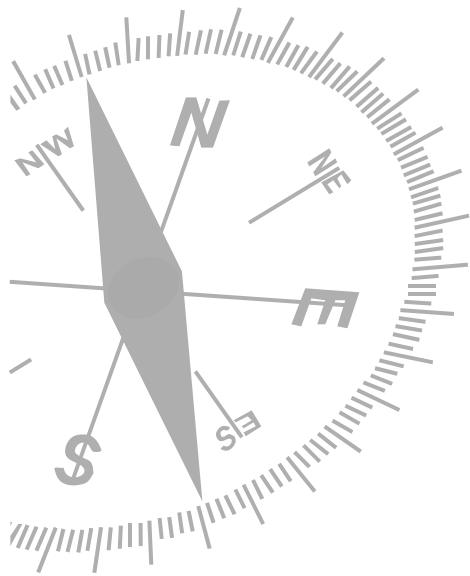
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The End



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