Aggregate labor income and consumption by age in India (2004) and Germany (2003)

In countries at very different stages of economic development, such as India and Germany, consumption exceeds labor income for two long periods of life. These bracket a surprisingly short period—little more than 30 years and often less—during which more is being produced than consumed.

The lifecycle deficit, defined as consumption in excess of labor income, is particularly high for the young in India and for the old in Germany. This is not because individuals in these groups have such high consumption, but rather because these age groups are so large. The NTA project is exploring how people of all ages support their consumption in a wide variety of economic settings.

NTA research scholars and graduate students are based in universities, government statistical agencies and research institutes, private research institutions, and international organizations. Project coordinators are Ronald D. Lee at the Center for the Economics and Demography of Aging, University of California at Berkeley, and Andrew Mason at the Population and Health Studies Program, East-West Center, and the Department of Economics, University of Hawai’i at Mānoa. Regional centers are based at Nihon University Population Research Institute in Japan, the United Nations Economic Commission for Latin America and the Caribbean in Chile, the African Economic Research Consortium in Kenya, and the Institute for Futures Studies in Sweden.

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National Transfer Accounts: Understanding the generational economy

Nearly all countries in the world are experiencing important changes in their population age structures. These changes are occurring largely because people are having fewer children and, to a lesser extent, because they are living longer. The National Transfer Accounts (NTA) project, initiated in 2004, is assessing the economic impact of changes in population age structure in a wide variety of social, economic, and political settings. To achieve this objective, the project is collecting data and developing methods to measure income and consumption by age as well as economic flows across age groups.

Today, teams in 36 economies are participating in the NTA project. Their objectives are to:

- Improve basic knowledge about the economic roles and relationships of people in different age groups
- Use new measures to study how demographic change will influence economic growth, generational equity, and the sustainability of economic support systems
- Provide information for policies that seek to promote rapid economic growth and sustain higher standards of living for all—children, prime-age adults, and the elderly

The NTA approach is particularly critical today because the age structures of populations are changing at an unprecedented rate. By providing estimates of income, consumption, saving, and both public and private transfers for specific age groups, NTA adds an important dimension to measures of Gross Domestic Product (GDP) and other widely used economic indicators.

NTA scholars are collecting data and developing analytical tools to help answer several important policy questions:

- How much labor income is earned at different ages?
- How much do people at each age consume?
- How do young and old people, who consume more than they produce, support themselves—do they rely on their own efforts or on their families, on taxpayers through government programs, or on assets accumulated during their working years or inherited?
- Are public pension and healthcare programs sustainable, given the growing numbers of old people?
- Will the expansion of elderly populations slow economic growth?
- What are the likely impacts of population aging on inequality?

Since 2004, the NTA project has:

- Established a global network of researchers studying the generational economy
- Developed basic methods for measuring, analyzing, and interpreting the macroeconomic aspects of population age structure
- Constructed National Transfer Accounts for countries at widely varying stages of economic development and in different regions of the world

Project activities include:

- Basic research, reflected in journal articles, chapters in scholarly books, and working papers
- Policy analysis, disseminated through the NTA Bulletin, presentations to policy audiences, and special reports
- Training workshops and instructional materials
- Participation in international conferences and seminars

One of the unique features of the NTA project is the development of a unified framework for studying intergenerational economic issues in widely varying cultural, social, political, economic, and demographic contexts. Current work focuses on improving estimates and expanding coverage to additional countries and broader time periods. Methods are also being developed to estimate economic indicators separately for men and women and for specific socioeconomic groups. When complete, NTA will provide estimates with sufficient historical depth to support important insights into changing social patterns and the effects of public policy.

NTA members

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