

Public Transfers  
across Age and Education Level:  
United States, 1962-2006

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November 2, 2007

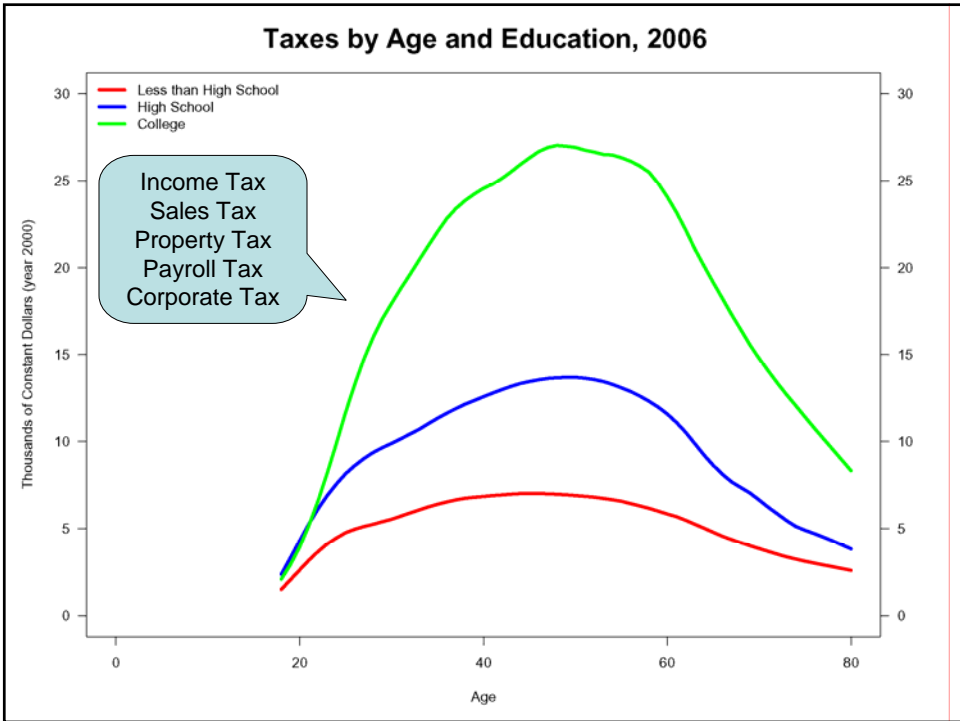
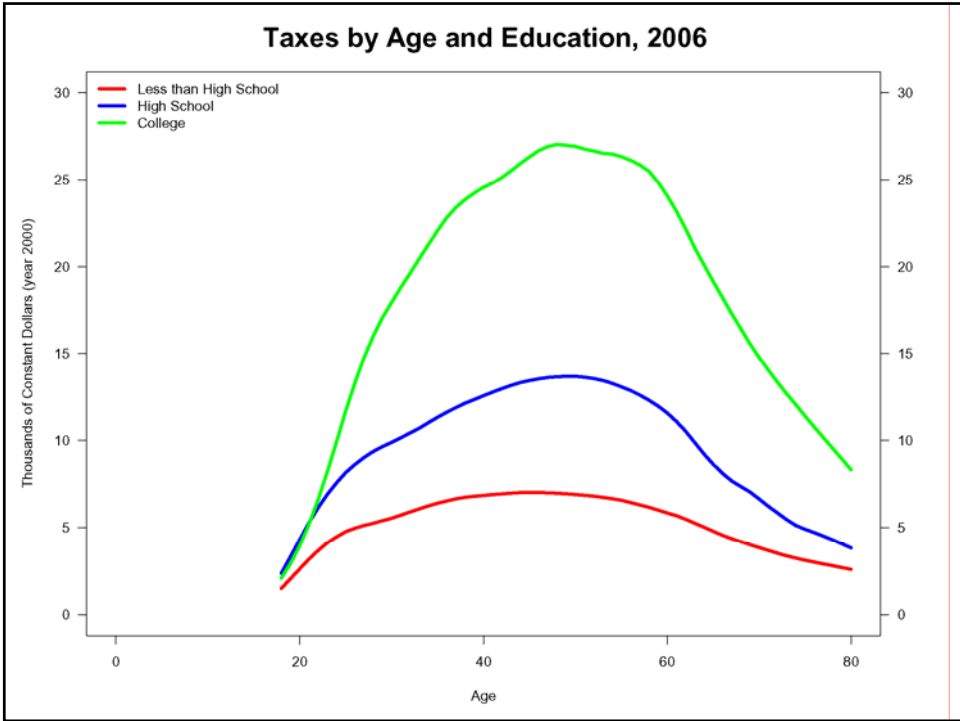
## Constructing the Accounts

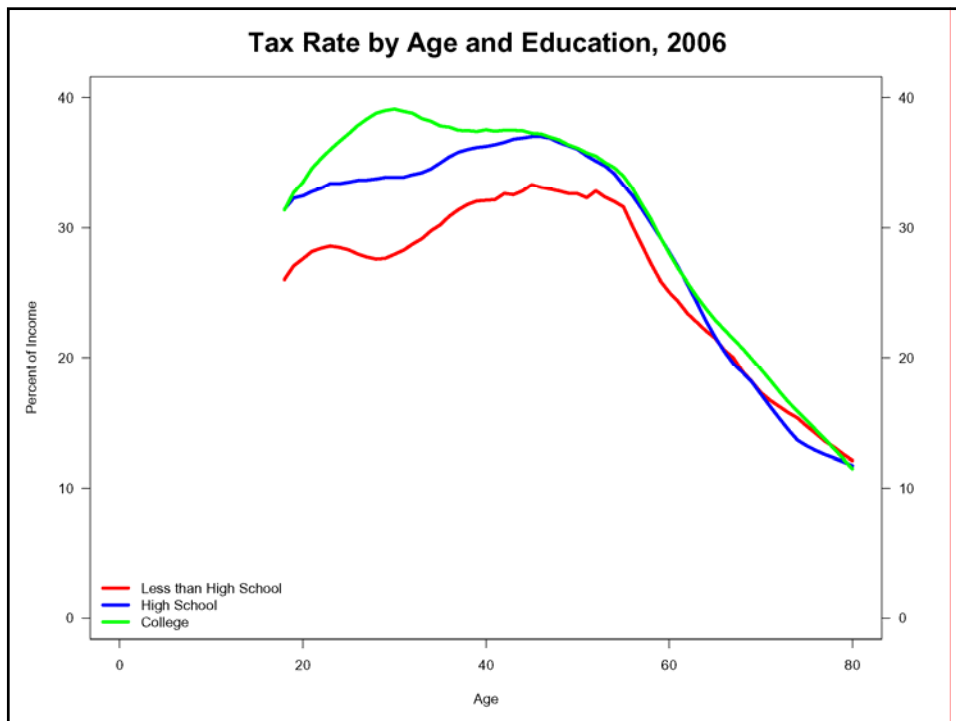
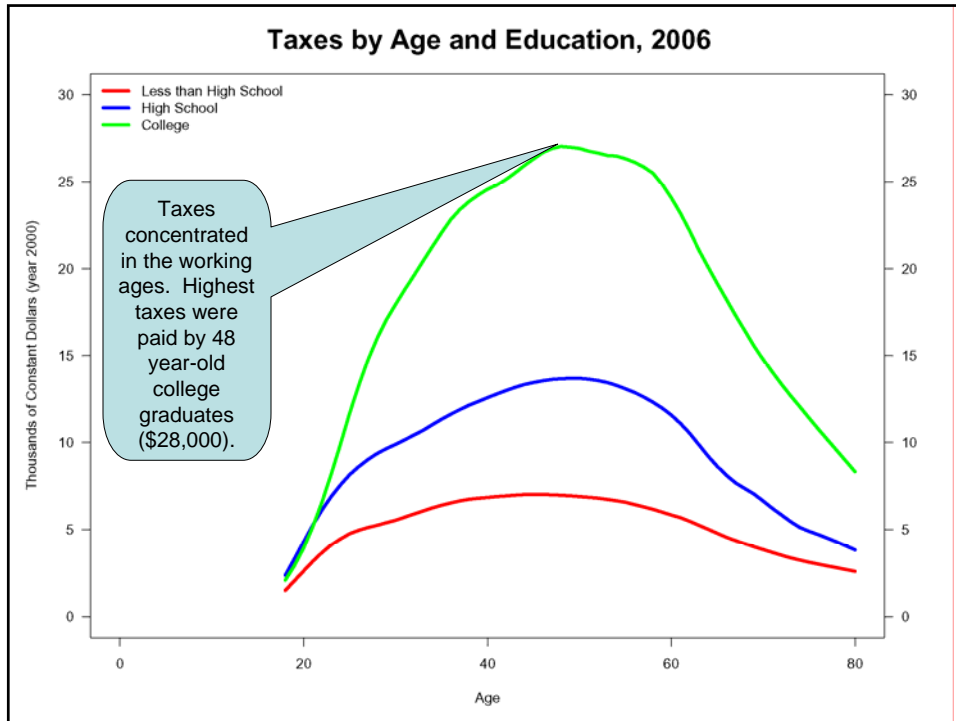
1. Using Current Population Survey (1962-2006) with supplementary information from Medical Expenditure Panel Survey (1996-2003).
2. Control totals taken from NIPA.

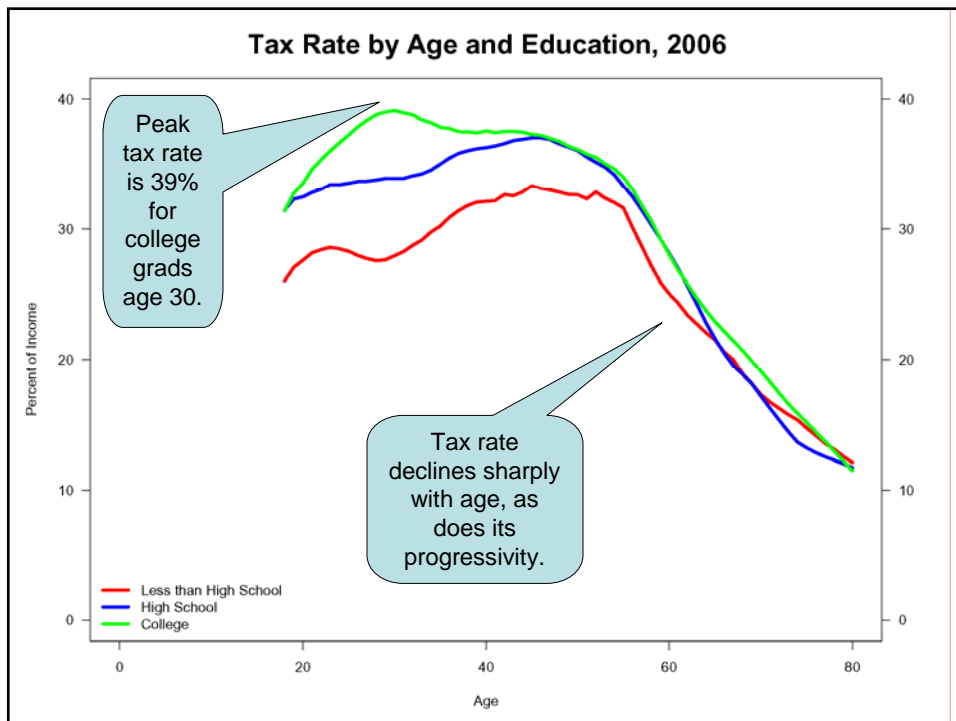
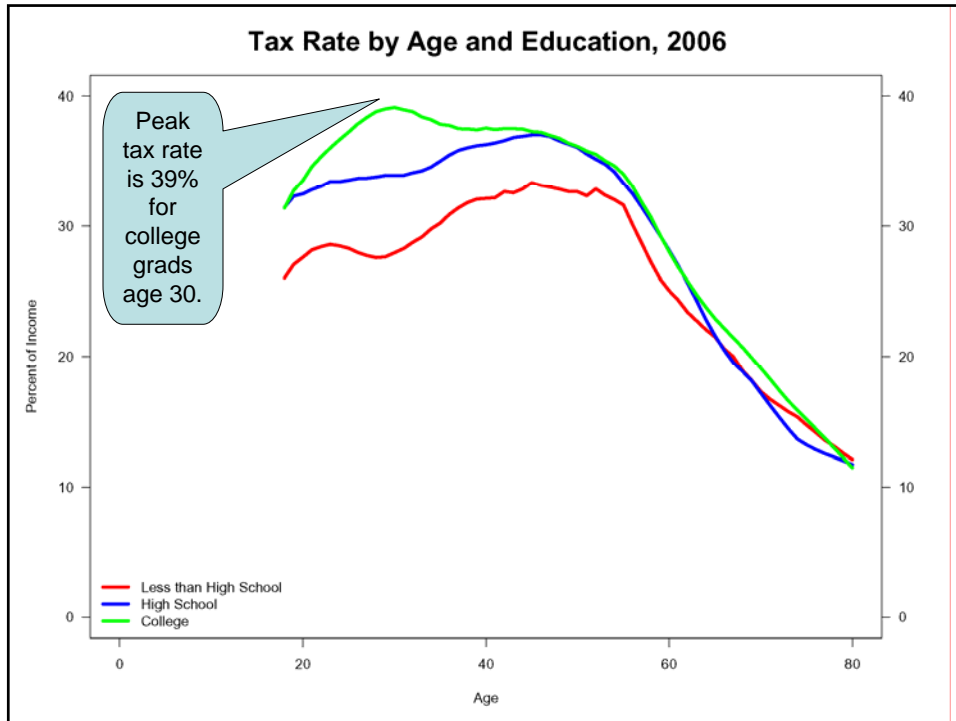
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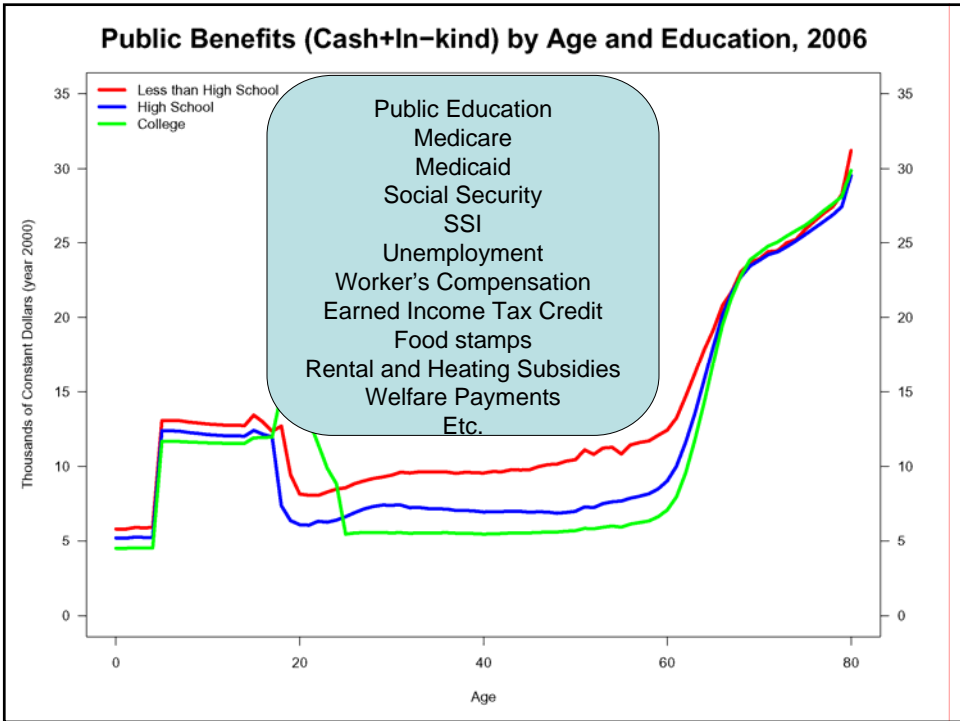
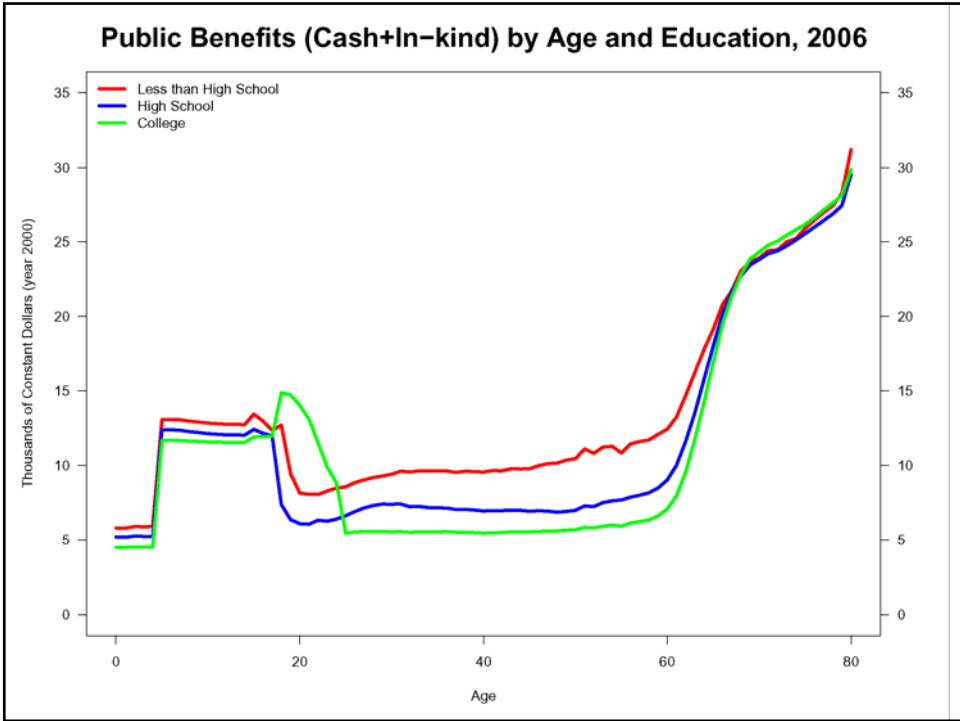
3. Estimate average taxes paid and average benefits received using standard NTA methodology. ***Cash welfare benefits are assigned to head of household.***
4. Define 81 age groups (0-79,80+) and 3 education groups (<hs, hs, >hs). ***For children, education defined by household head's education level.***

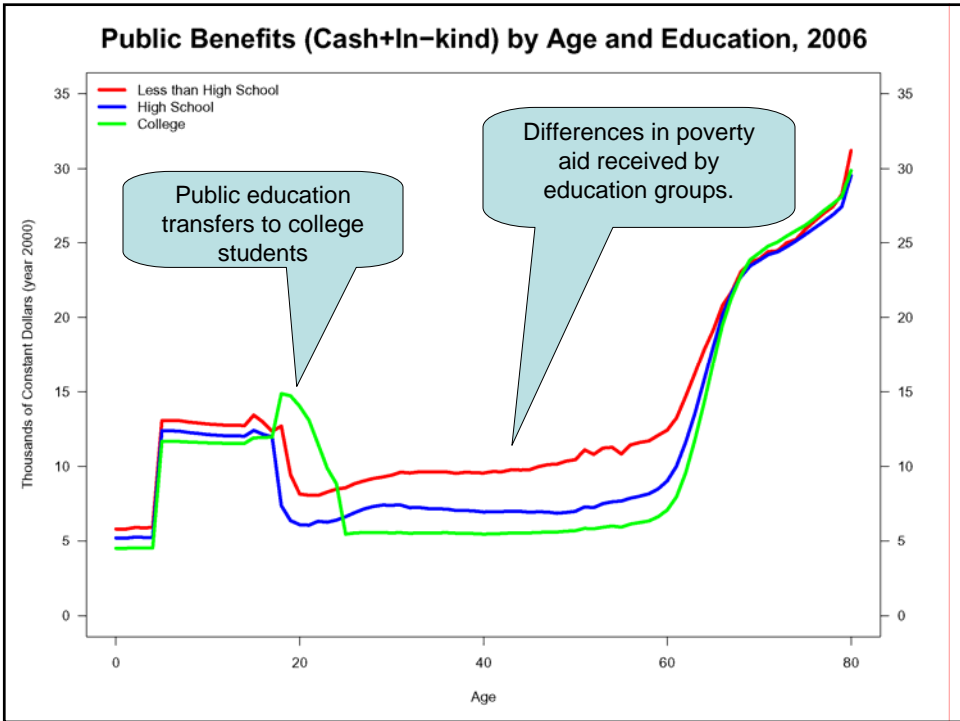
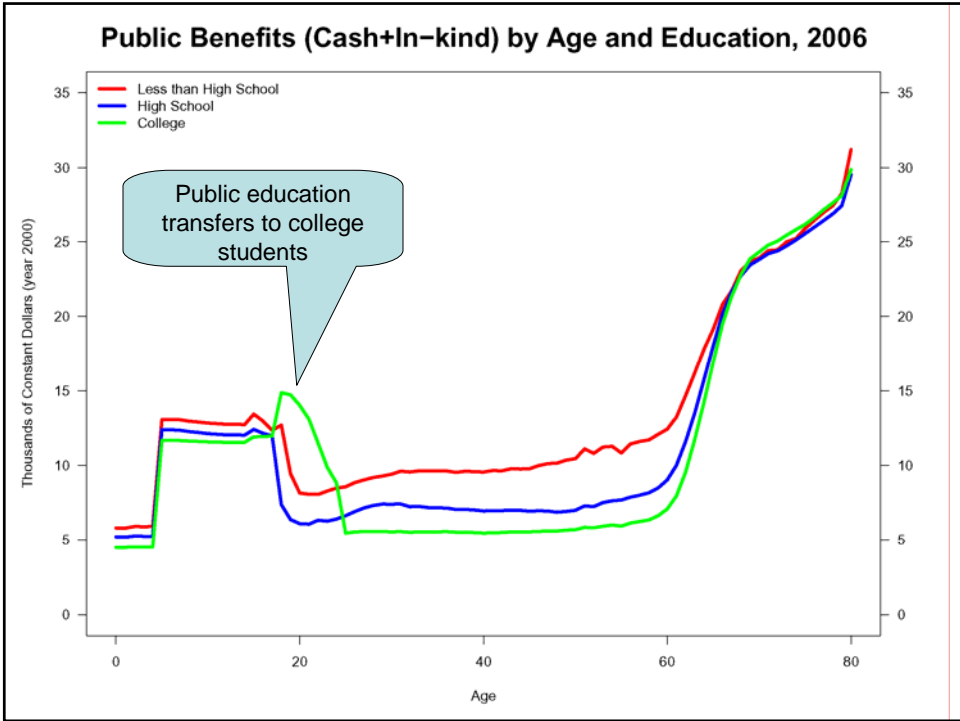
## Public Transfers by Age and Education in 2006





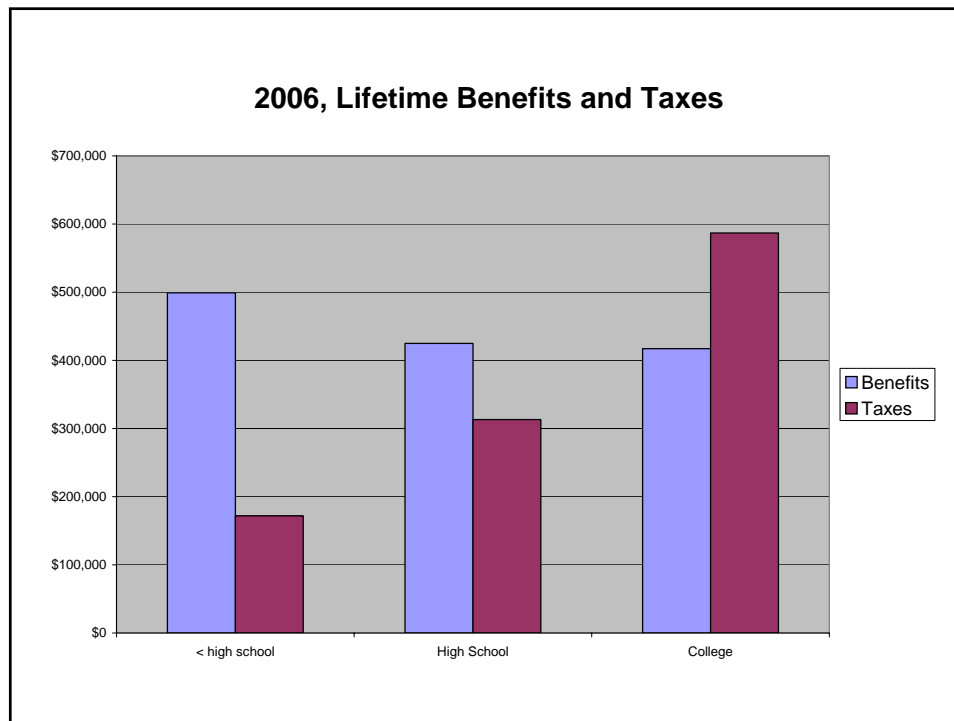


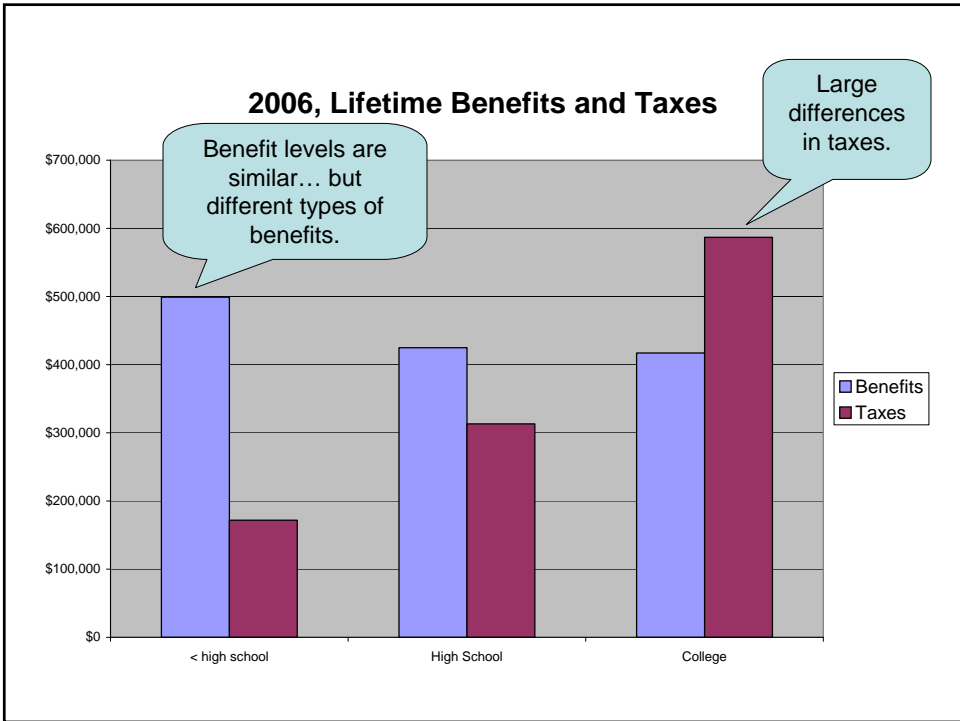
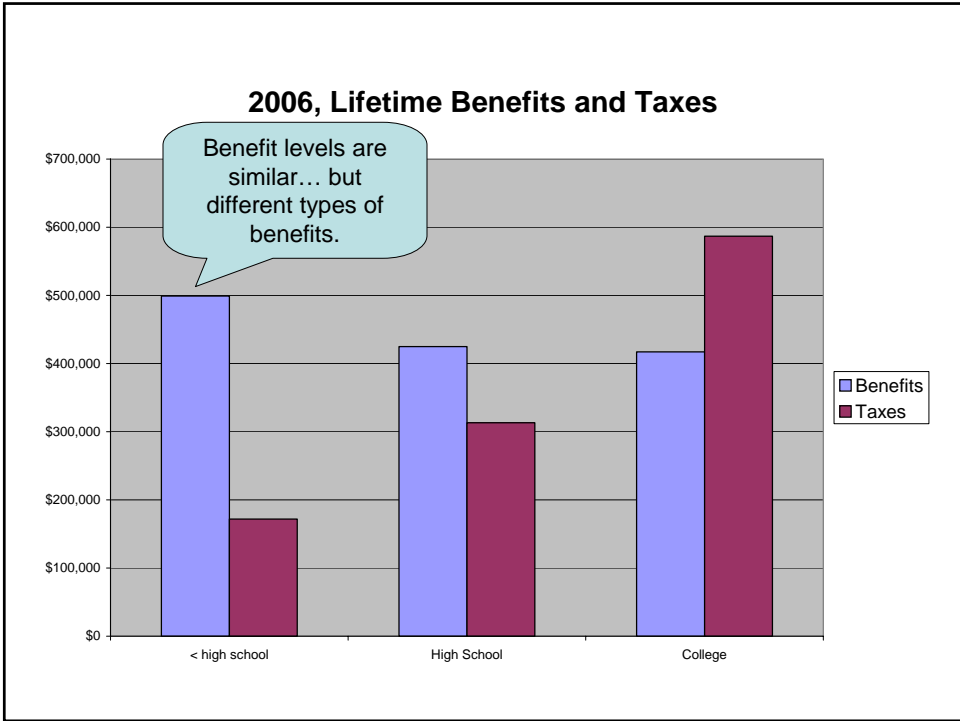


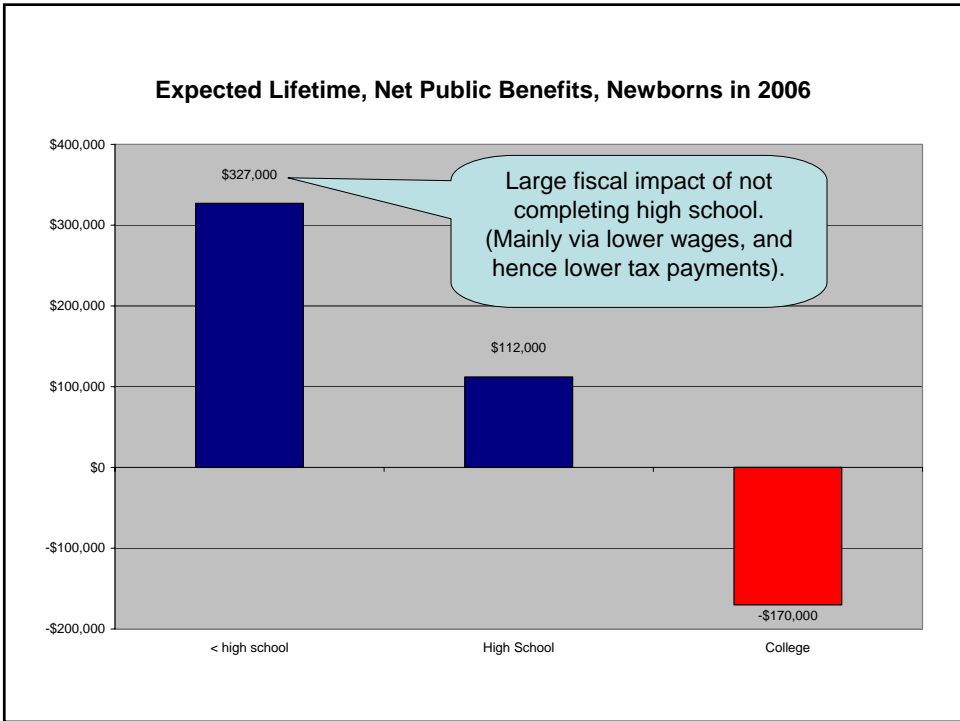
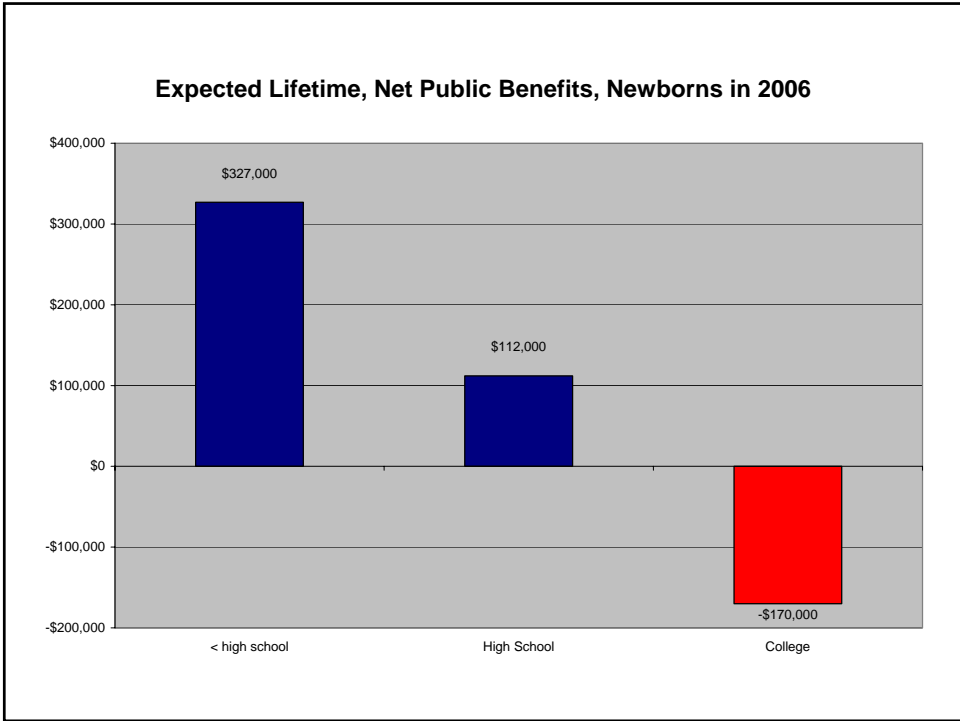


## Summarize results using Present Values.

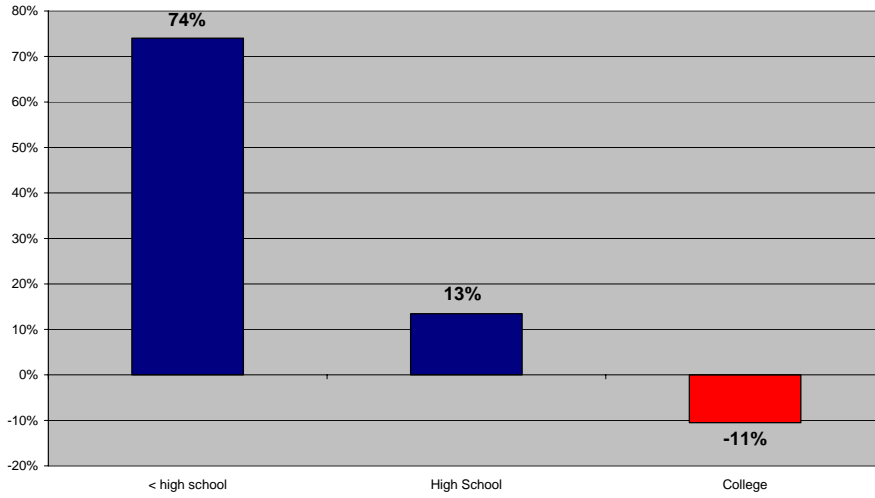
- Calculate the expected, present value of lifetime benefits, taxes, and net benefits (benefits-taxes) for newborns in 2006.
- Use year 2006 profiles. Assume productivity growth of 1.5%. Discount rate of 3%. Assume budget balanced by equal parts tax increase and benefit cut.
- Assumes no educational mobility. Need to fix this. So, benefits to <hs are overstated and benefits to > hs are overstated. But note that assignment of cash benefits to parents offsets this bias.



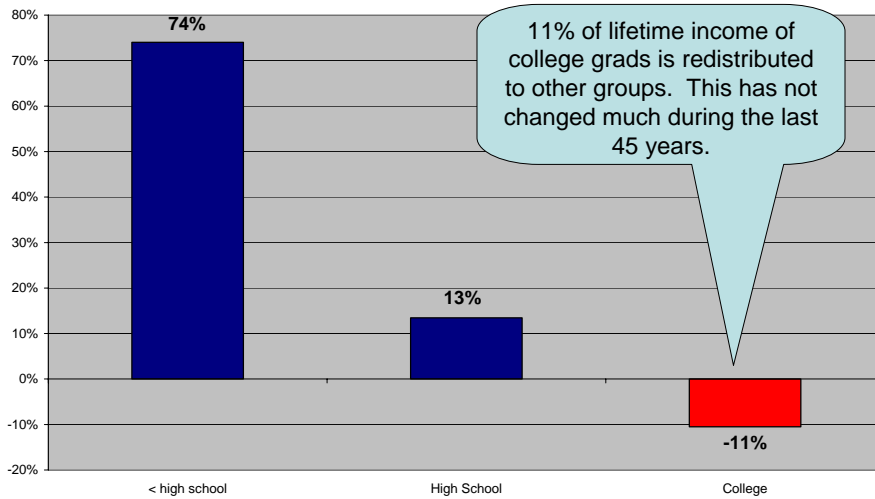




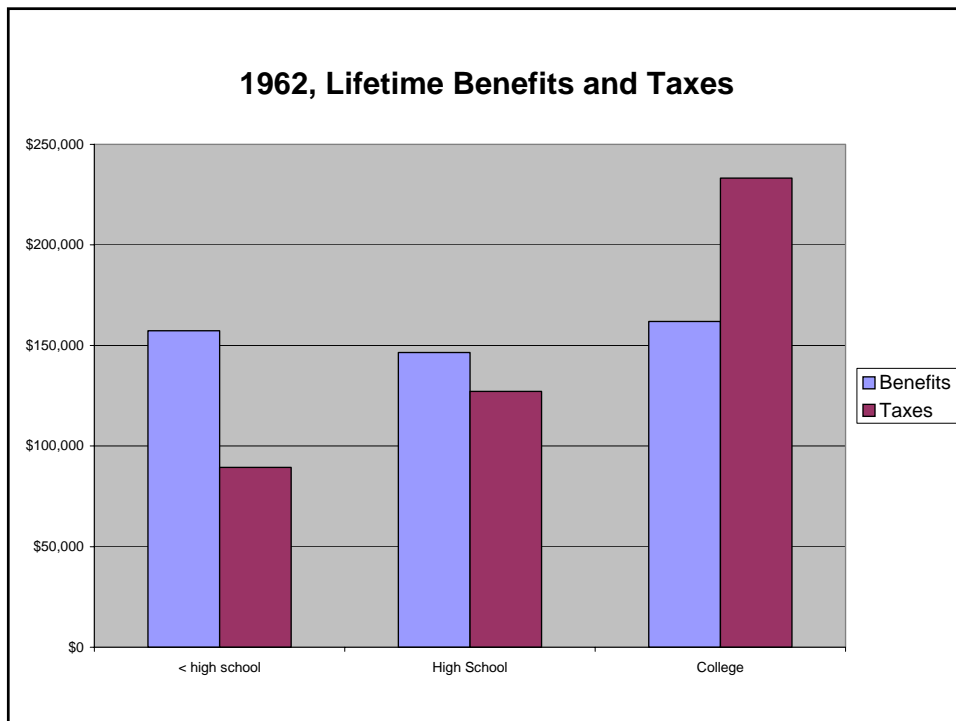
**Expected Lifetime Net Public Benefits  
as Percent of Lifetime Income, in 2006**

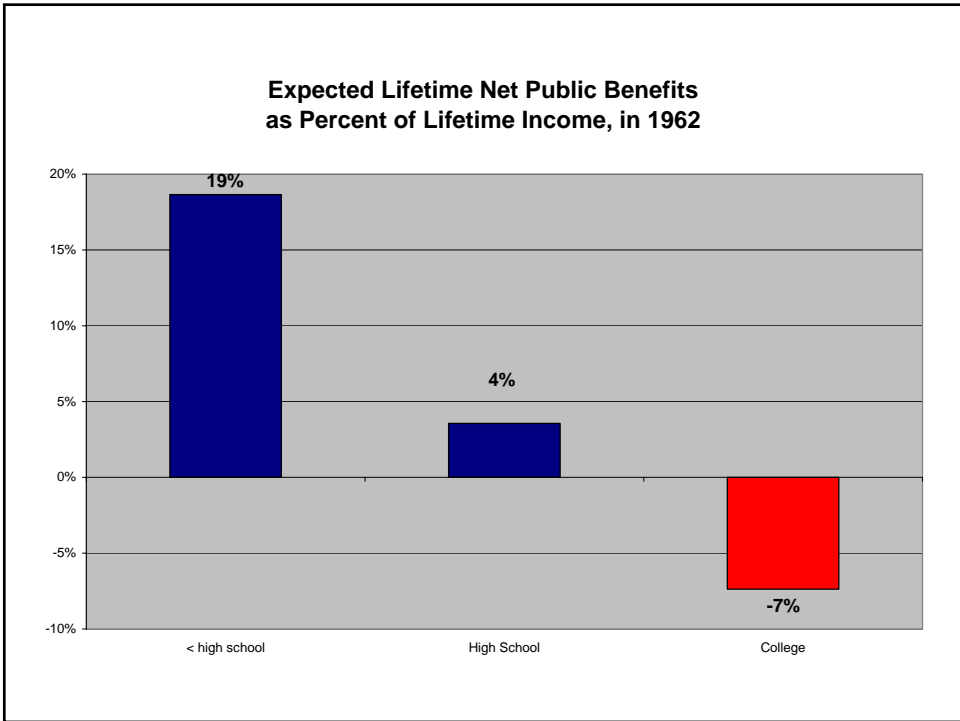
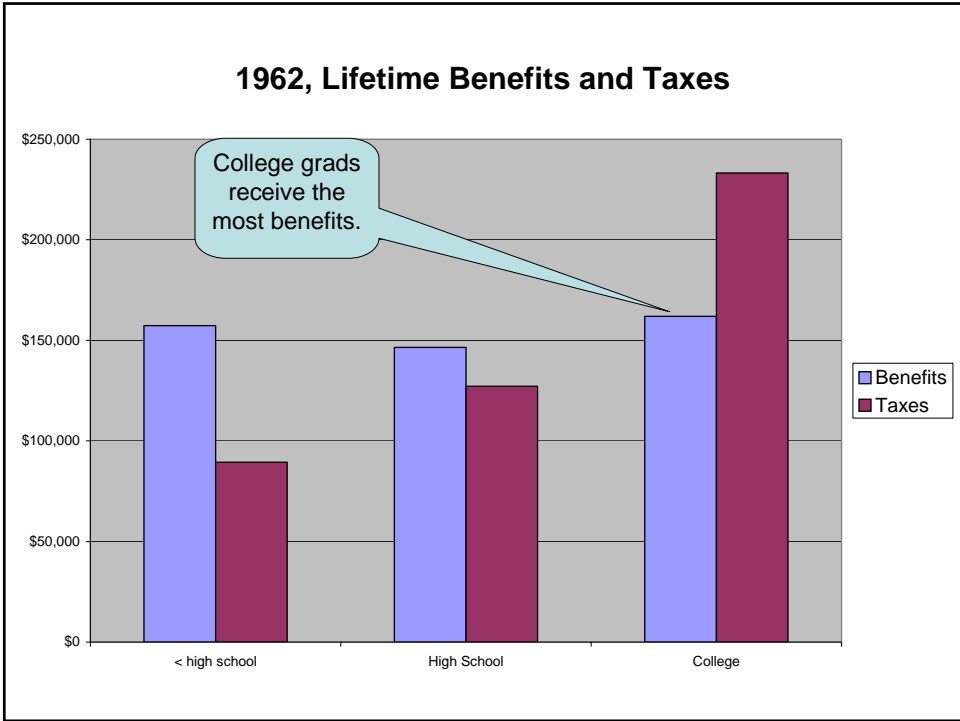


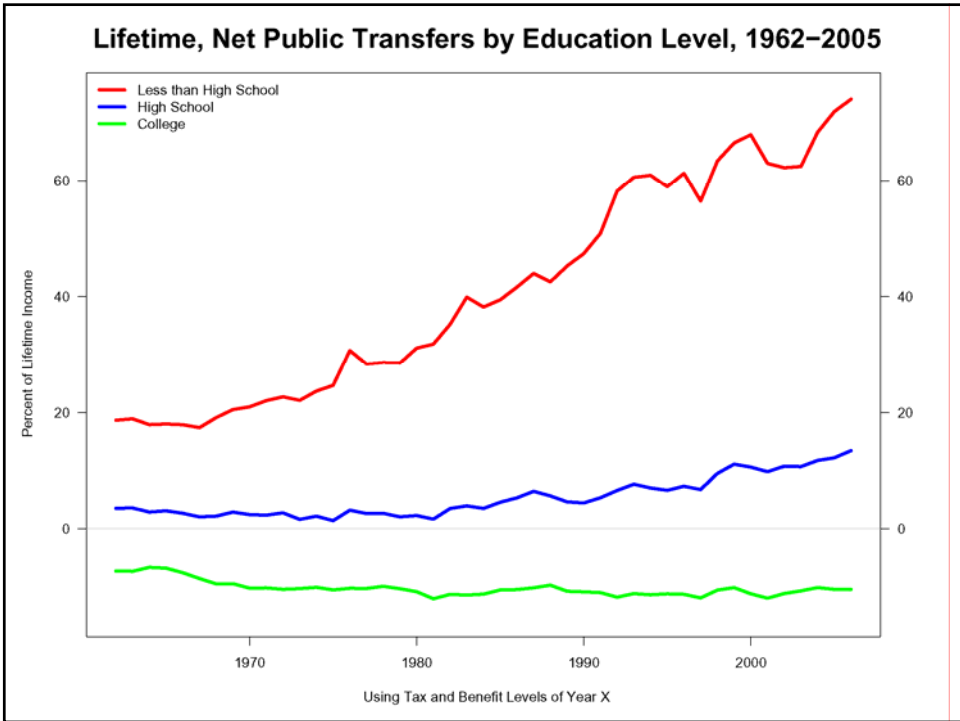
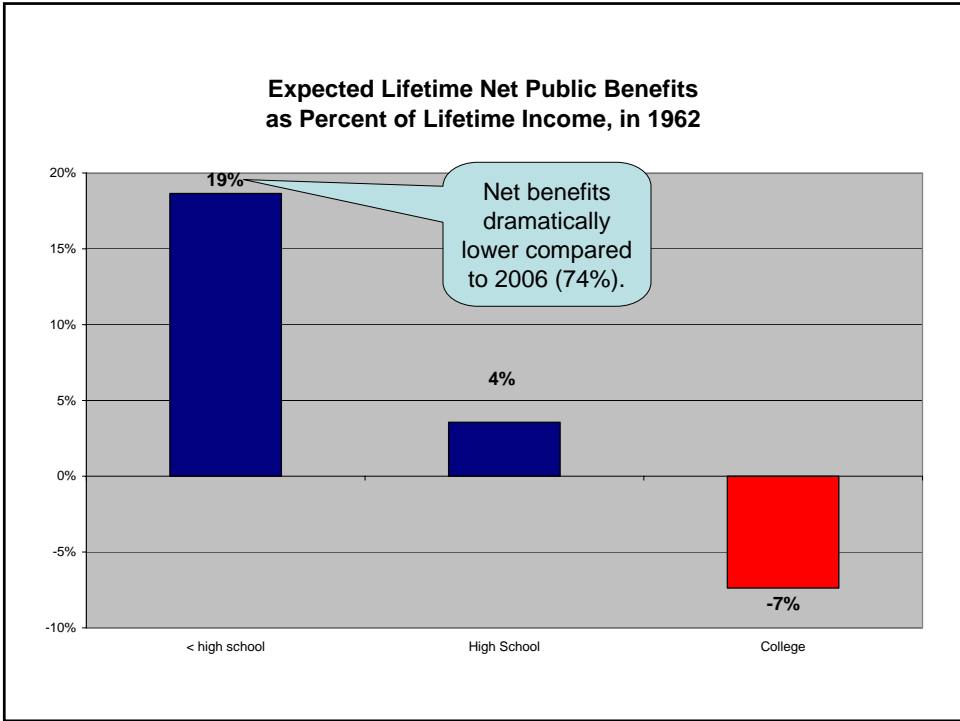
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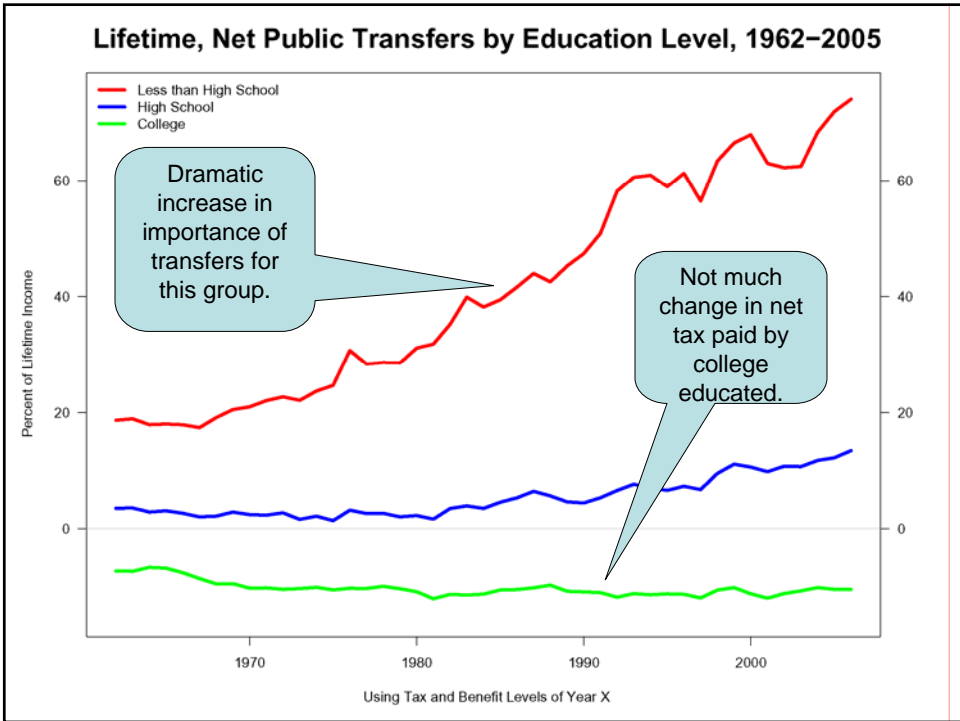
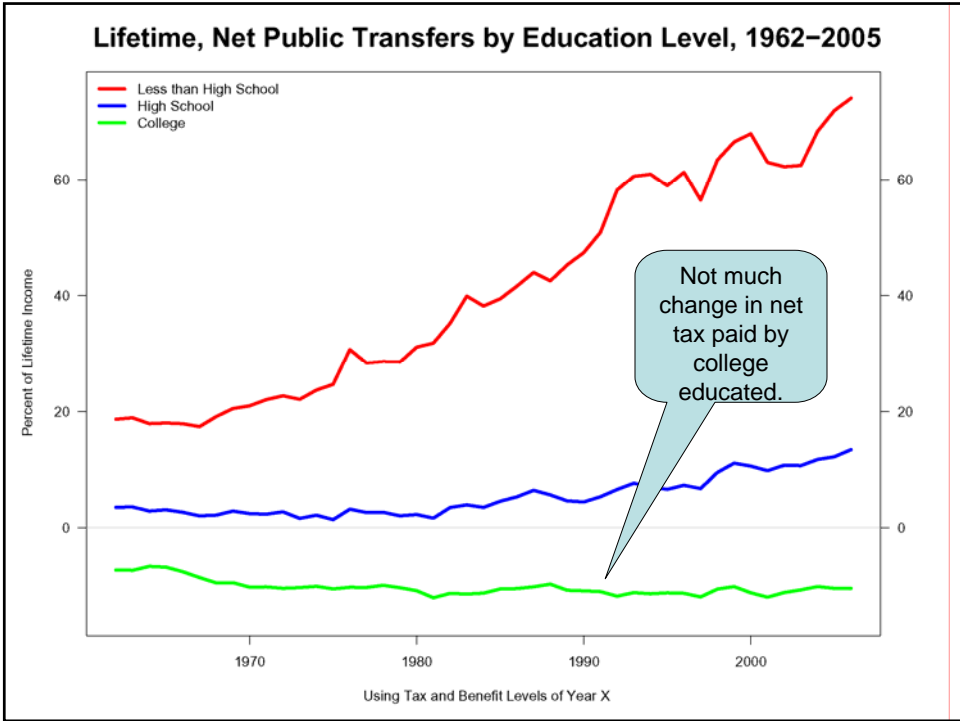


## A look back at 1962





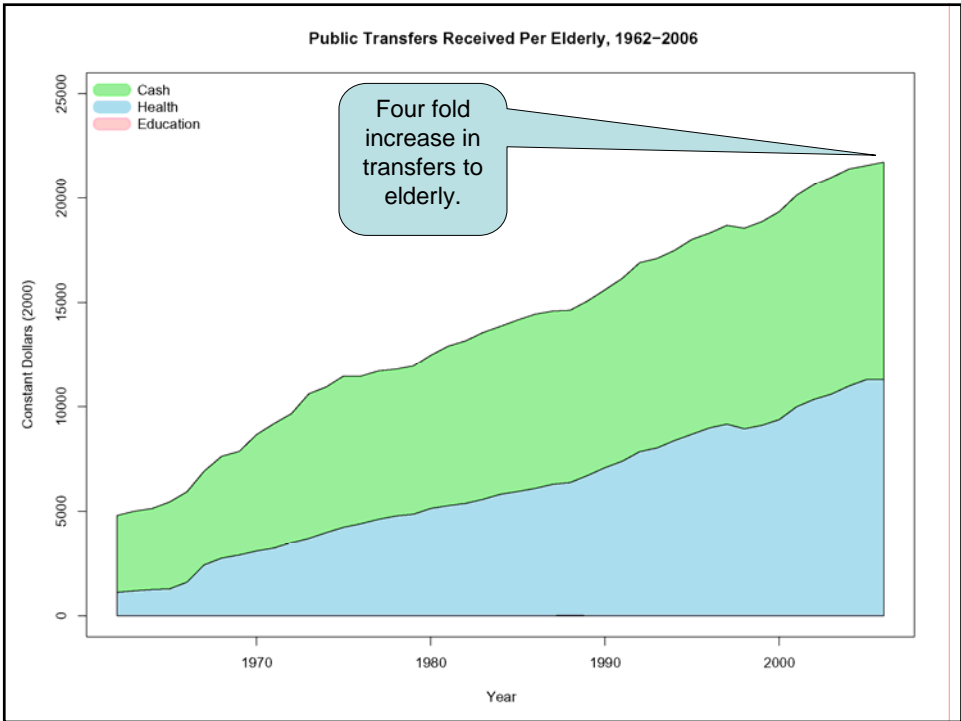
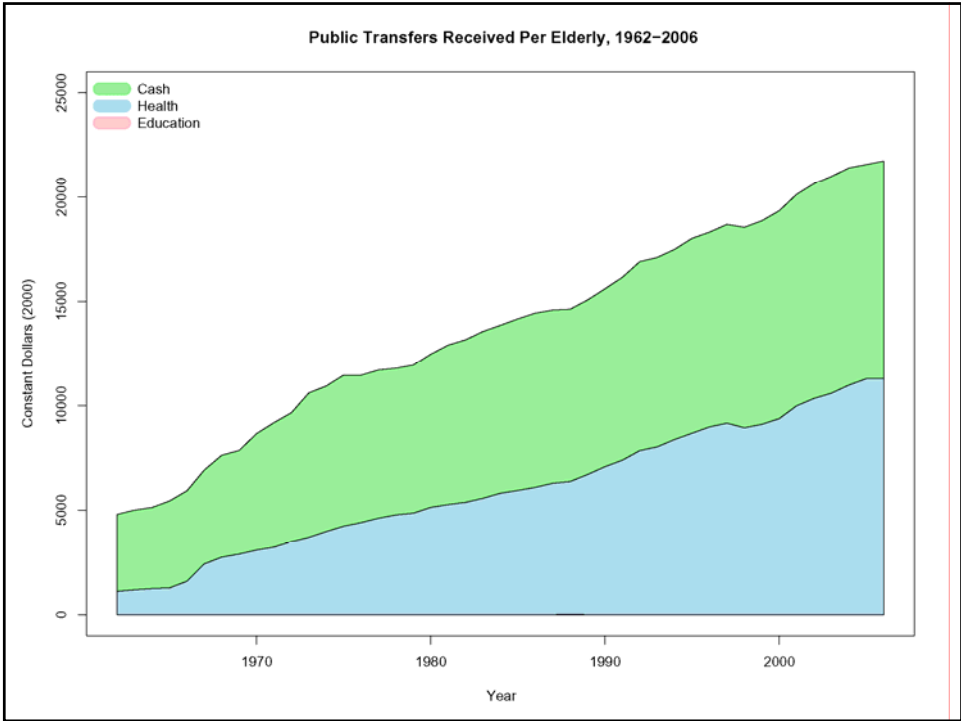


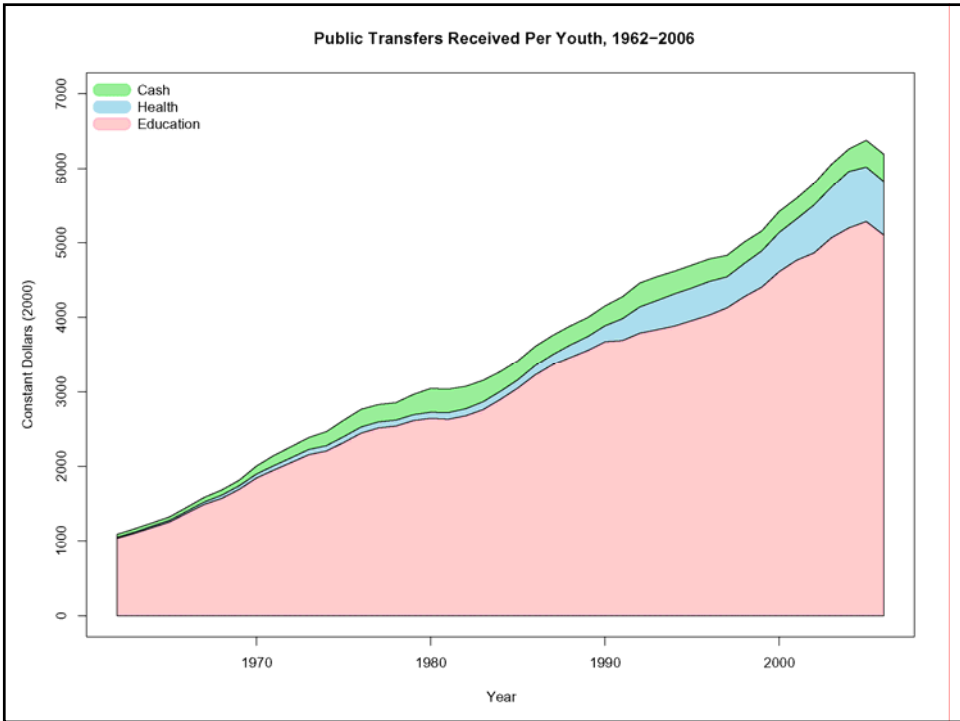
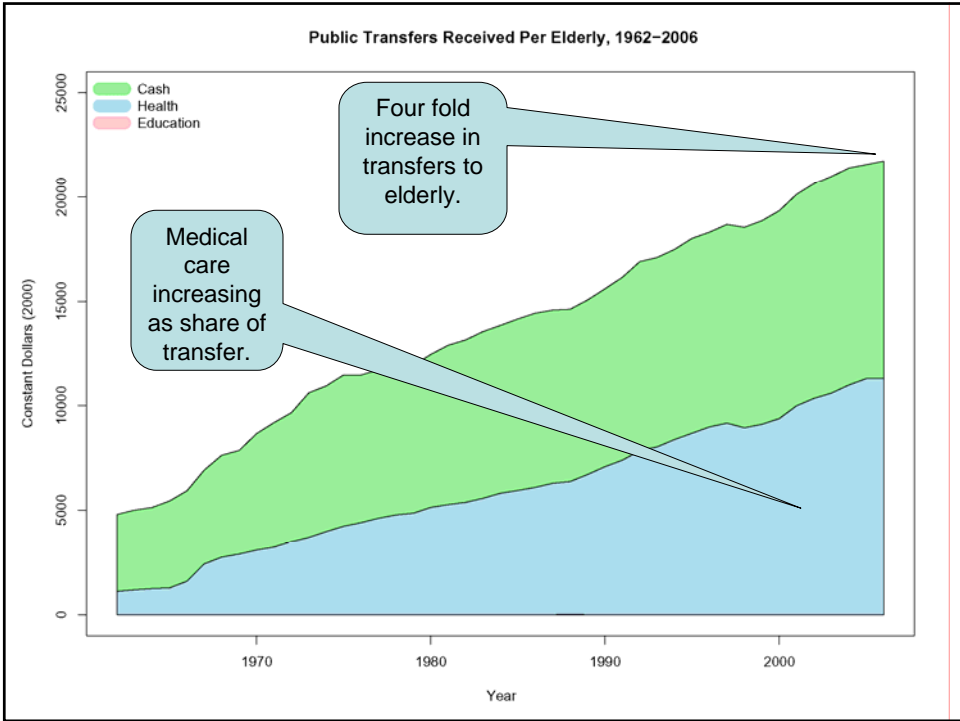


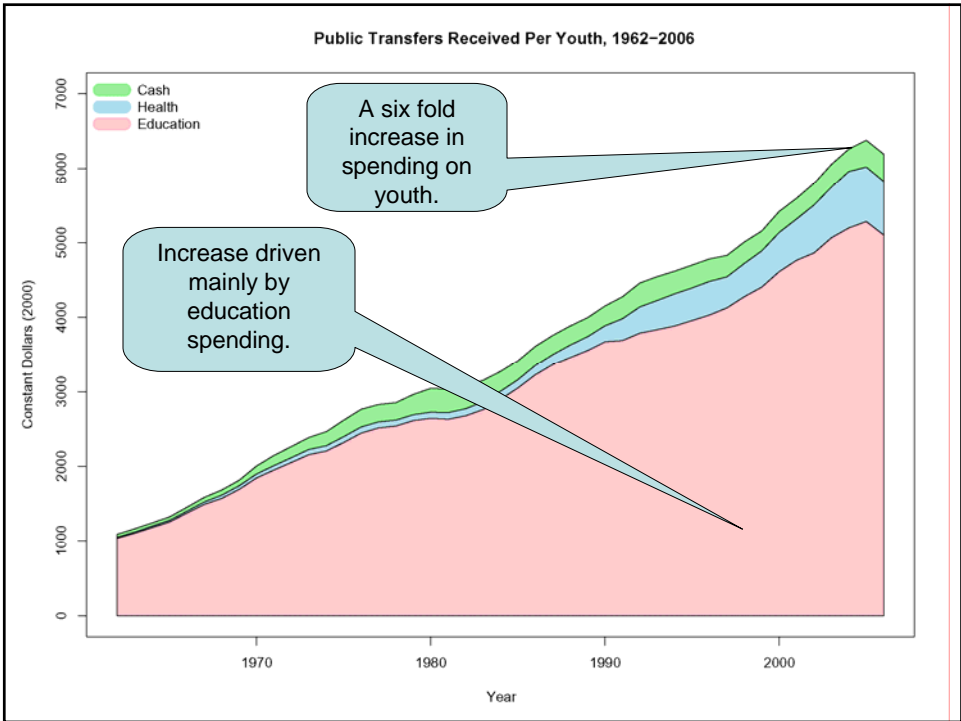
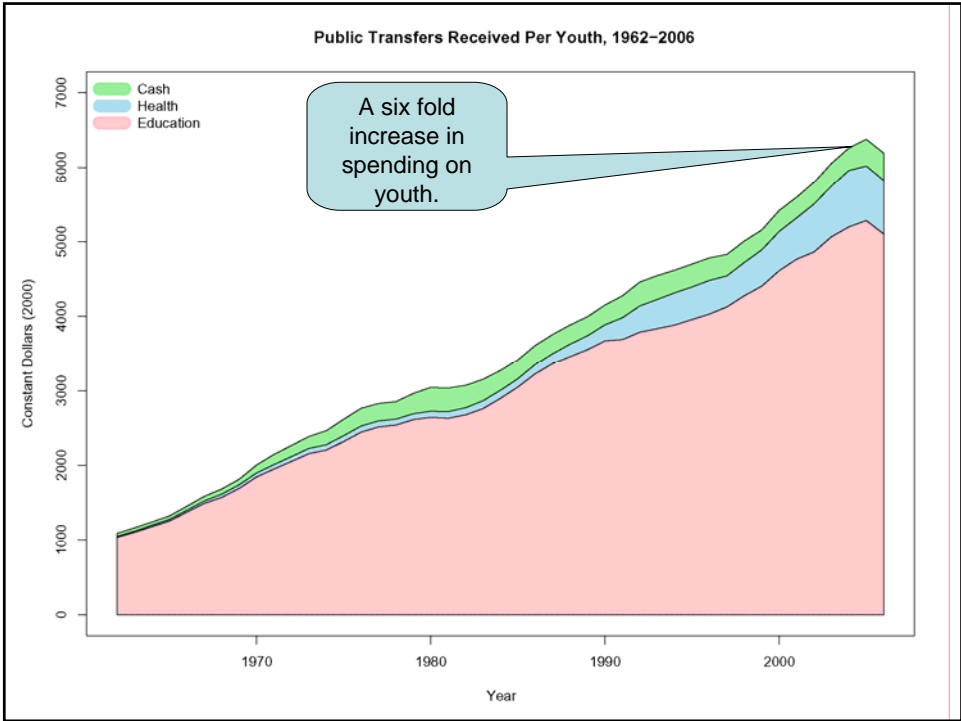
## Summary

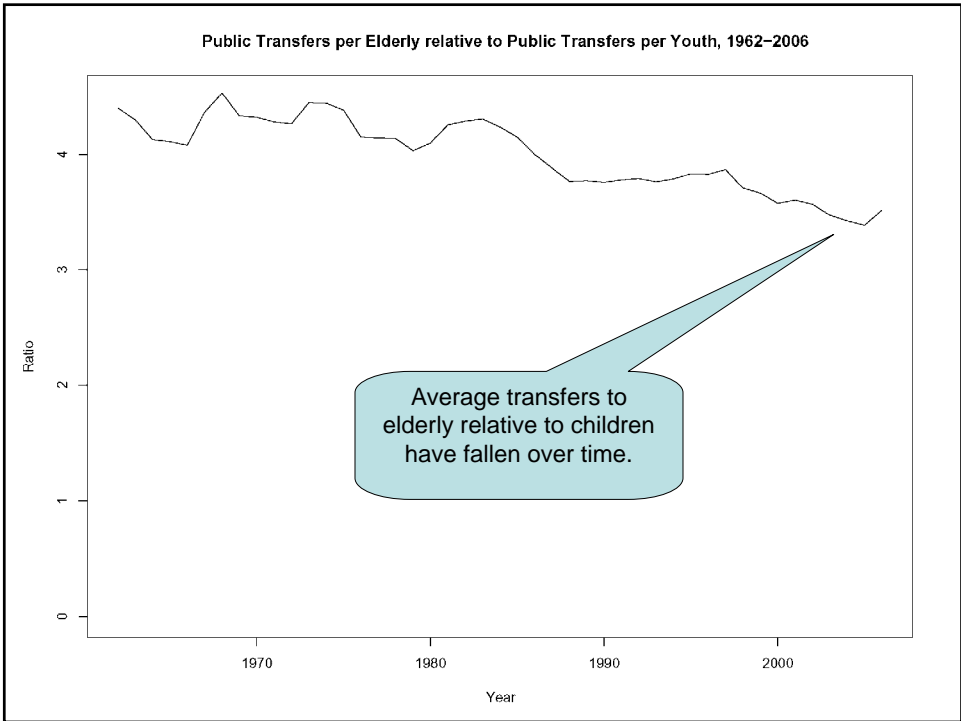
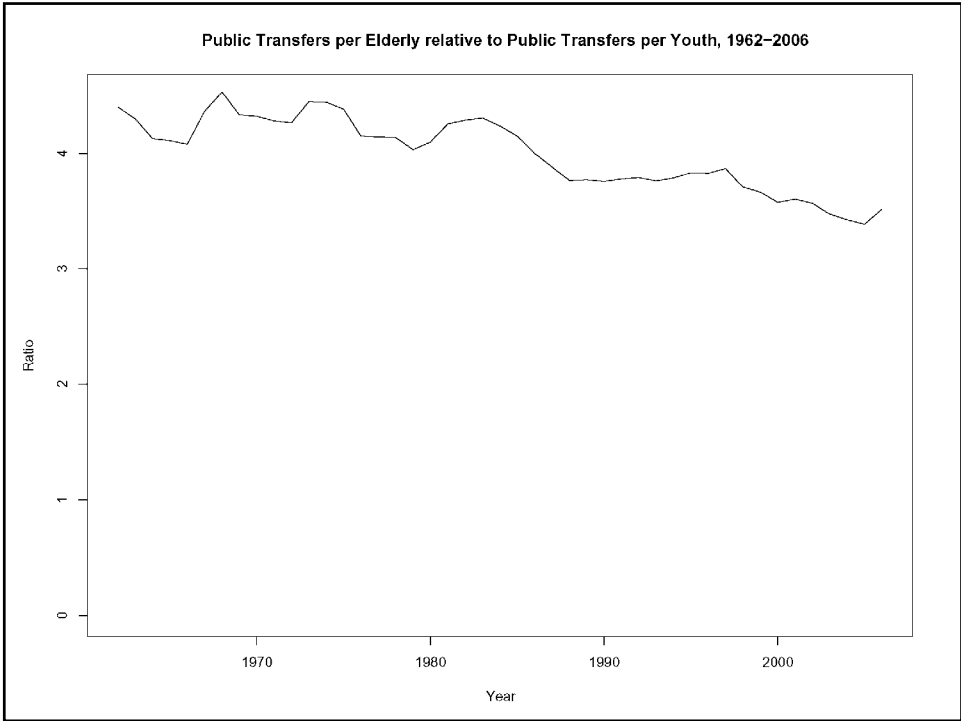
- Net transfers given by college-educated population rose from 7.4% of their lifetime income to 10.4% of income over 45 year period.
- Net transfers received by those with < high school education rose dramatically from 18.6% of their lifetime income to 74.1% of income.

A look at  
Public Transfers by Age,  
1962-2006.









## The effect of group size on per-capita group benefits?

- Larger group = less per person. A fixed-slice world.
- Larger group = more voters. Vote for a bigger slice.
- Smaller group = more per person. A fixed-slice world.
- Smaller group = fewer voters. Fewer votes means smaller slice.

## The effect of group size on per-capita group benefits?

### Elderly

- Larger group = less per person. A fixed-slice world.
- Larger group = more voters. Vote for a bigger slice.

### Youth

- Smaller group = more per person. A fixed-slice world.
- Smaller group = fewer voters. Fewer votes means smaller slice.

## The effect of group size on per-capita group benefits?

### Elderly

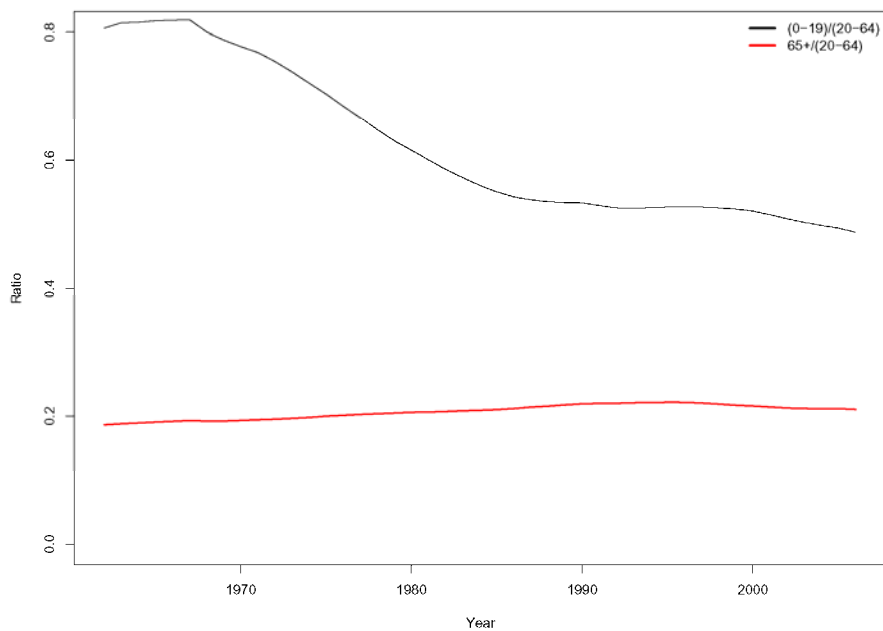
- Larger group = less per person. A fixed-slice world.
- Larger group = more voters. Vote for a bigger slice.

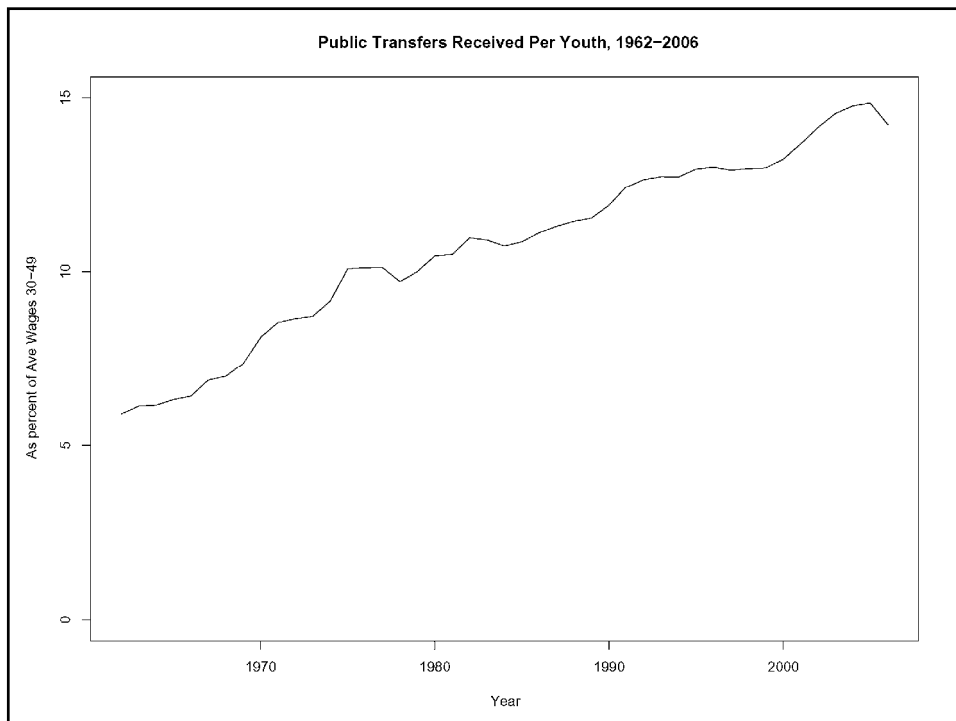
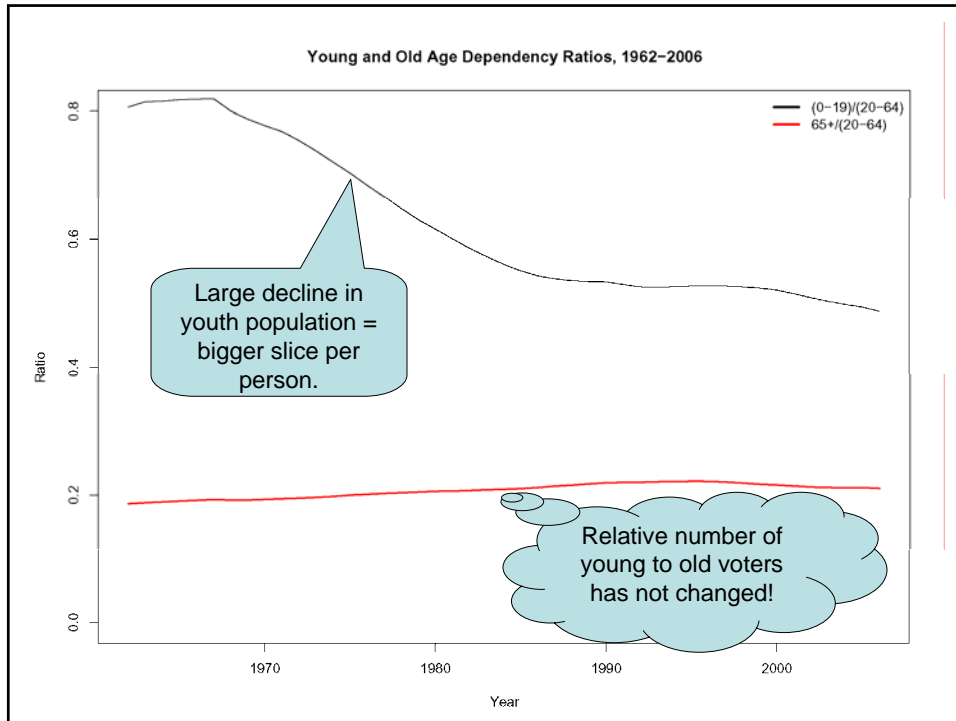
### Youth

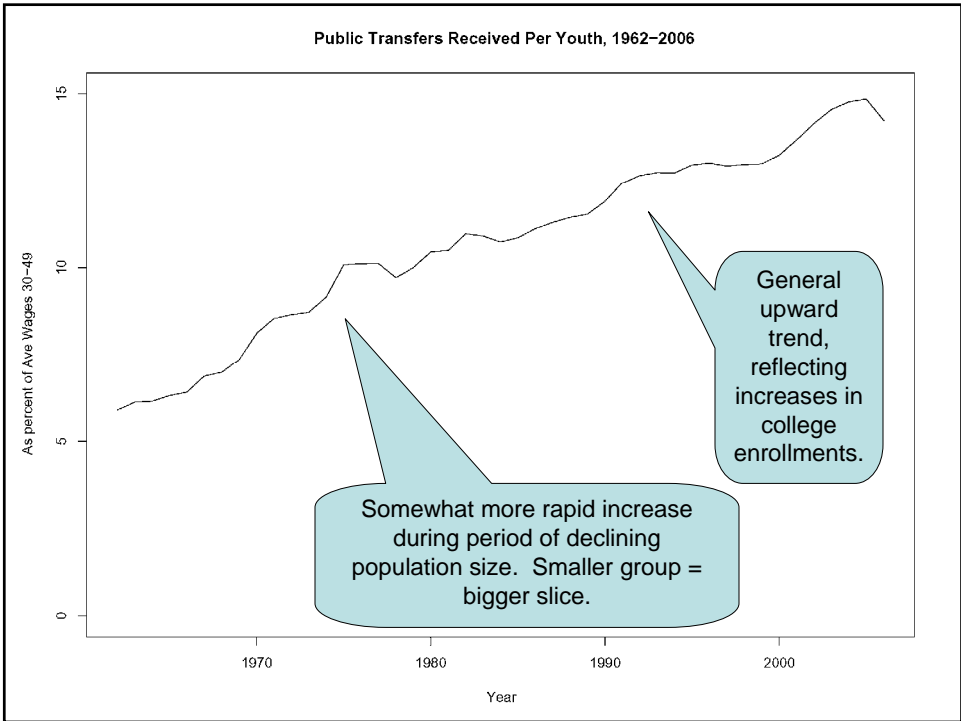
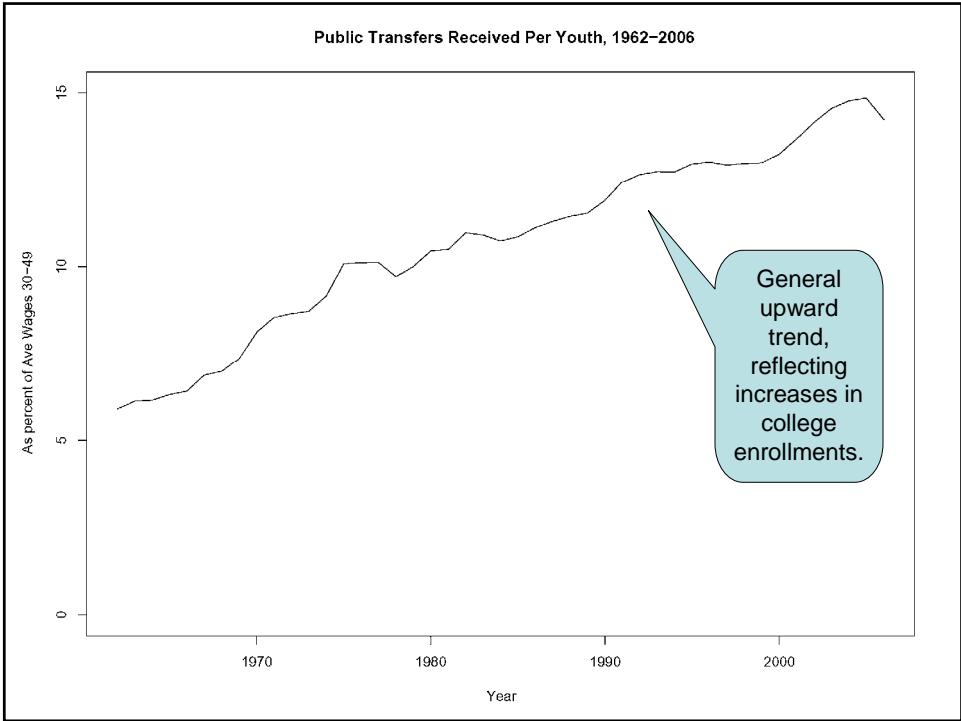
- Smaller group = more per person. A fixed-slice world.
- ~~Smaller group = fewer voters. Fewer votes means smaller slice.~~

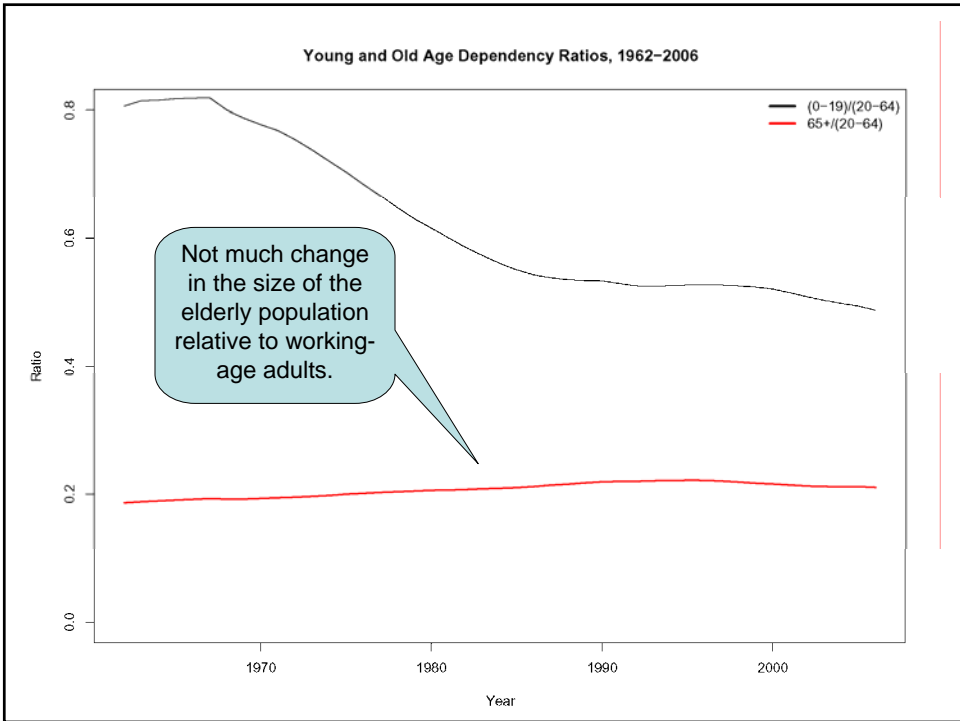
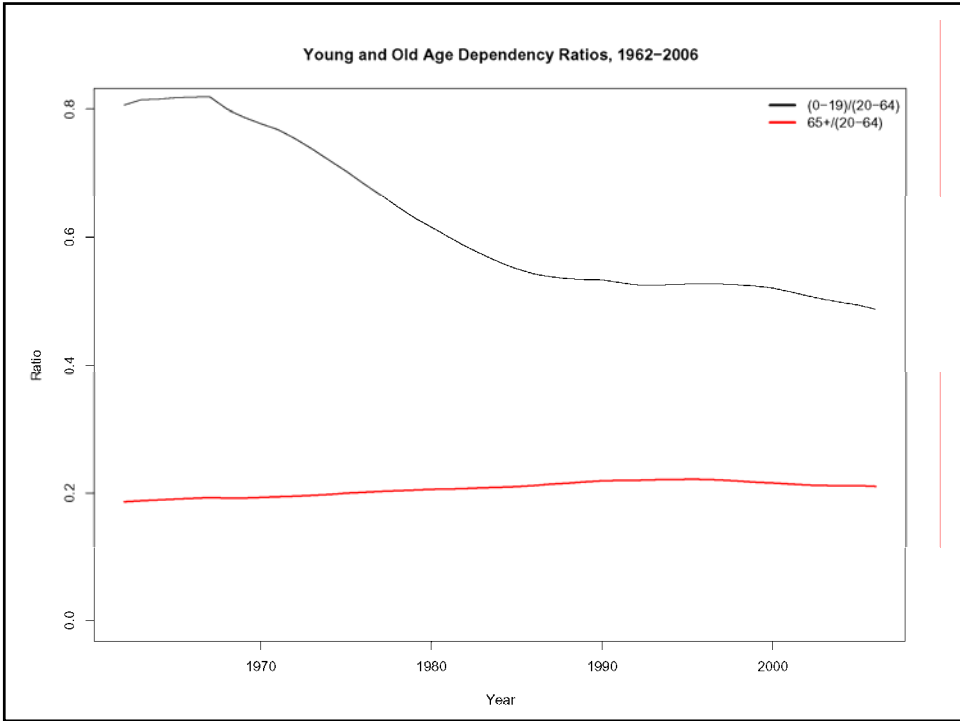
Parents as custodial guardians of voting rights of children

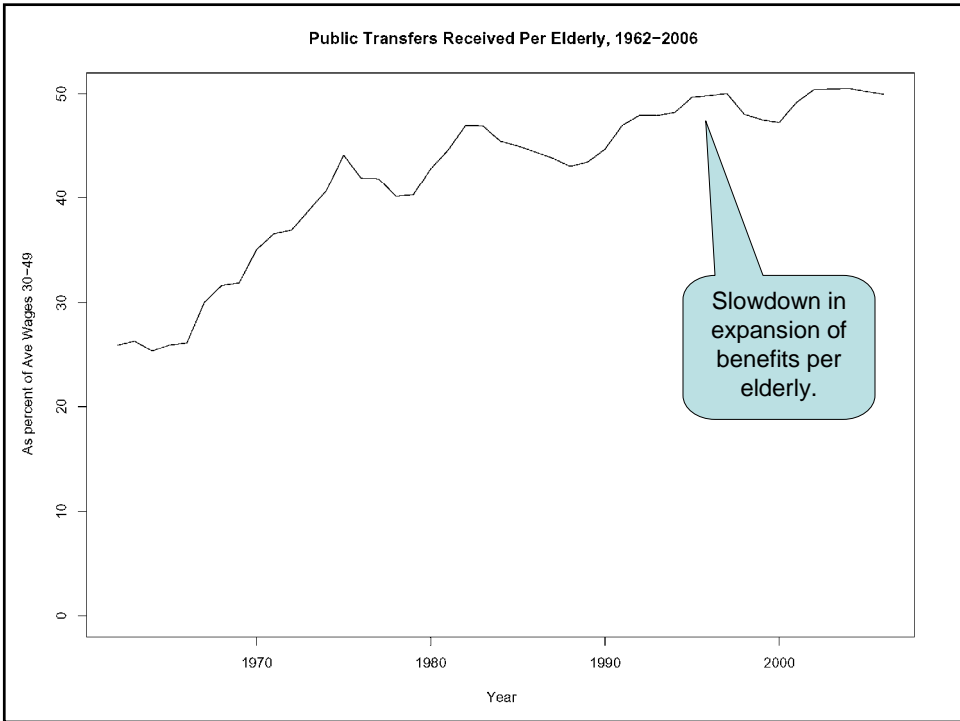
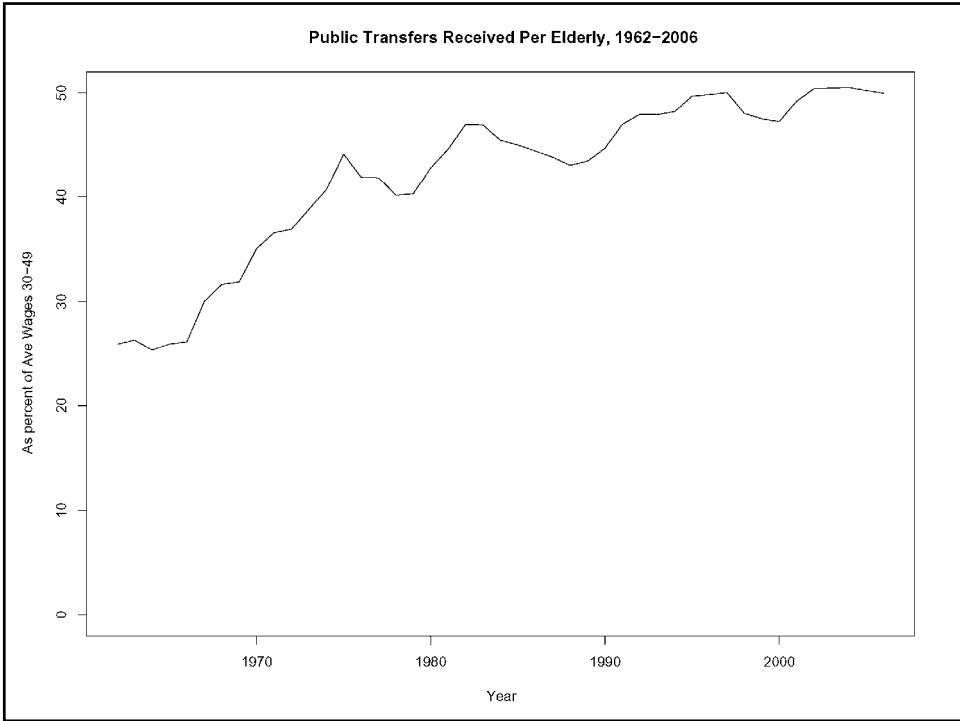
Young and Old Age Dependency Ratios, 1962-2006

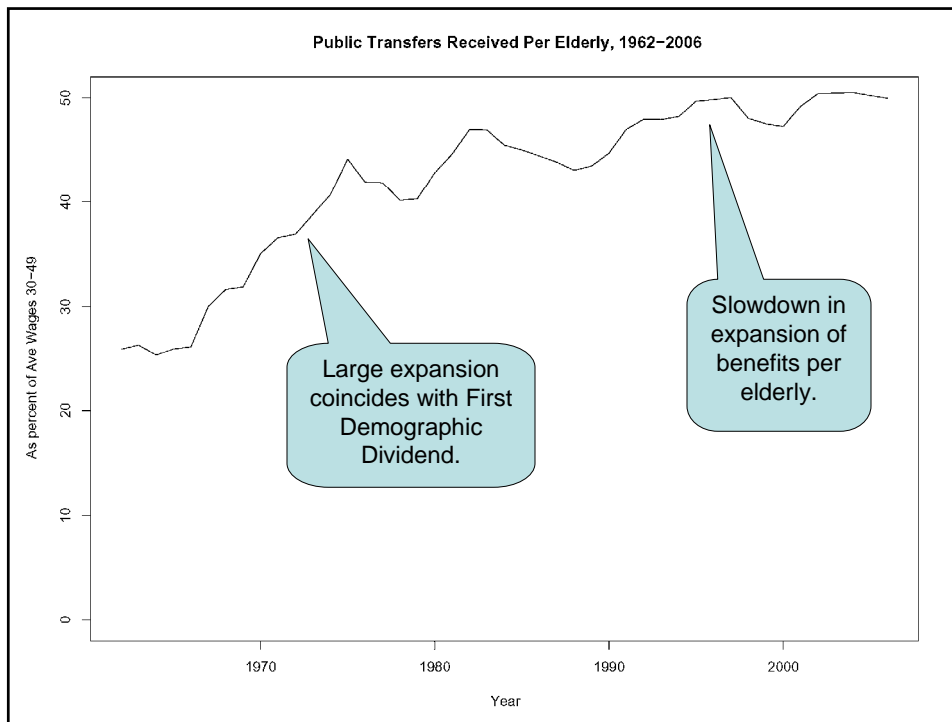












## Future directions.

- Should public cash transfers be assigned to children?
- Should we attempt to assign completed education level to children?
- Calculations of Education Dividend along side of Demographic Dividend.
- Full US NTA by level of education (as done for Brazil by Turra and Queiroz, 2005).