# Thoughts on NTA vs DNA

Public tax and benefit systems redistribute resources across individuals at a point in time (cross-sectional) and over a single individual’s life (life-cycle). If one makes the very rough assumption that social security (pensions), health and education are more about redistributing over the life-cycle whereas progressive taxation, income and welfare support are more about cross-sectional redistribution then it is clear both are important but probably the more dominant objective is to re-distribute over the life-cycle.

It can be argued that the DNA methodology is more suited to investigating cross-sectional redistribution whereas NTA methodology to life-cycle redistribution. The principal advantage of the DNA methodology vs the NTA is the use of detailed administrative and census data. This gives the DNA far more resolution of the top 10 or 1 or even 0.1% of the distribution. For research into income distribution this gives it an unassailable advantage given the high percentage of resources that accrue to high-income households. Also, the DNA methodology focuses on the change in the pre and post distribution of incomes and so is designed to explicitly investigate these cross-sectional distributional issues.

In contrast the NTA methodology is far more suited to researching life-cycle redistribution. In quantifying both inter- and intra-household private redistribution, as well as public, to both the young and old, the NTA methodology has an almost unassailable advantage in this area of research. All the work on NTTA further doubles this advantage. Comparisons across country show how different country can have very different institutional arrangements achieving similar life-cycle redistribution with private substituting for public and visa-versa. We should definitely do more formal analysis of this public vs private substitution across countries.

If you buy into this distinction between the NTA and the DNA, then I believe this has two implications for the design of future research for the NTA consortium:

1. A deeper analysis of the capital account is essential. In the UK, roughly 6-10% of GDP per year is transferred across the generations in the form of Inheritances, and some researchers believe a similar amount is transferred in inter-vivos gifts (though this is very poorly measured). We need to have a better handle on these large flows.
2. Research on inequality should focus more on Socio-economic mobility and life-cycle redistribution by socio-economic class. These processes occur over many life-cycles and are therefore far better suited to inclusion within the NTA framework rather than the DNA. One can investigate the life-cycle redistribution by socio-economic class and with a socio-economic class transition (or mobility) matrix redistribution over many life-times (subject to the normal endless list of qualifications).