Manual on National Transfer Accounts: Private Reallocations (Chapter 6)

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Outline

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6.1 Introduction

6.2 Constructing macro controls

6.3 Estimating the age patterns

6.4 Finalizing age profiles

6.1 Introduction

- **The accounts**
  - **Private transfers**
    - Inter-household transfers (between households)
      - Inflows and outflows
    - Intra-household transfers (within households)
      - Inflows and outflows
      - Separated by reason for transfer: education, health, other private consumption, transfers of saving to household head
  - **Private asset-based reallocations**
    - Private asset income
      - Capital income (also known as operating surplus)
      - Property income
    - Private saving

6.1 Introduction

- Aspects of the accounts
  - Inter-household transfers
    - Includes flows between private households, and those with non-profits as intermediaries
      - Direct gifts
      - Charitable donations, receipt of charity
      - Alimony and child support
    - Transfers of current income only, not accumulated capital
    - Calculated in the usual way
      - age pattern from survey, adjusted to macro control

6.1 Introduction

- Aspects of the accounts
  - Intra-household: within households
    - Not part of national accounts
    - One of NTAs big innovations
    - Model based (assumptions + other NTA age profiles)
      - Estimate in other NTA age profiles how much each person consumes and how much cash he has to pay for that consumption
      - Some in household have cash surplus, some have deficit
      - Use an assumed model of equal sharing by which those with cash surplus make transfers to cover the needs of those with deficits

6.1 Introduction

- Aspects of the accounts
  - Private capital income
    - Return to corporate and household capital
    - Also called operating surplus
    - Accrues to owners of corporations (shareholders) and households (home owners)
    - Calculated in the usual way
  - Private property income
    - Distributed to the owners of assets
    - Dividends, interest, rents
    - Inflows and outflows must balance, but there may be net ROW flow
    - Calculated in the usual way

6.1 Introduction

- Aspects of the accounts
  - Private saving
    - Final balancing item:

      Private saving = Labor income

           + Asset income (public and private)

           + Net Transfers (public and private)

   - Consumption (public and private)

           - Public saving

    - Accumulates all estimation errors of other age profiles
    - Macro control is net private saving from SNA

Variables	All Ages	Age Group 0-14	15-29	30-44	45-64	65-89	90+	ROW
Per Capita Values (US$ 000's)								
Private Reallocations	5.4	12.1	5.9	(7.1)	3.5	19.3	22.3	na
Transfers	(0.2)	12.3	6.6	(8.9)	(7.5)	(2.7)	(4.9)	na
Interhousehold Transfers	(0.2)	-	0.3	0.0	(0.6)	(0.9)	(1.1)	na
Inflows	0.3	-	0.4	0.5	0.3	0.1	-	na
Less: Outflows	0.5	-	0.1	0.5	0.9	1.0	1.1	na
Intrahousehold Transfers	-	12.3	6.3	(8.9)	(6.9)	(1.9)	(3.8)	na
Inflows	11.2	12.3	11.2	10.9	12.9	6.5	0.7	na
Less: Outflows	11.2	-	5.0	19.8	19.8	8.4	4.5	na
Asset-Based Reallocations	5.6	(0.2)	(0.7)	1.8	11.0	22.0	27.2	na
Asset Income	7.7	-	1.0	5.0	14.6	24.0	15.8	na
Capital Income	6.8	-	1.3	7.0	12.9	15.6	10.0	na
Property Income	0.9	-	(0.3)	(2.0)	1.7	8.4	5.8	na
Less: Saving	2.1	0.2	1.7	3.2	3.6	2.0	(11.4)	na
Aggregate Values (US$ billions)								
Private Reallocations	1,568	734	353	(460)	242	662	38	na
Transfers	(51)	746	395	(578)	(512)	(94)	(8)	51
Interhousehold Transfers	(51)	-	18	2	(39)	(30)	(2)	51
Inflows	81	-	23	32	22	4	-	unk
Less: Outflows	132	-	6	31	61	33	2	unk
Intrahousehold Transfers	-	746	377	(580)	(473)	(64)	(6)	0
Inflows	3,237	746	675	708	884	223	1	0
Less: Outflows	3,237	-	298	1,287	1,357	287	8	0
Asset-Based Reallocations	1,619	(12)	(42)	118	754	755	46	na
Asset Income	2,235	-	61	325	999	823	27	na
Capital Income	1,971	-	77	455	886	535	17	na
Property Income	265	-	(16)	(130)	114	288	10	(265)
Less: Saving	616	12	103	207	245	68	(19)	na

Table is changed from one in the manual chapter
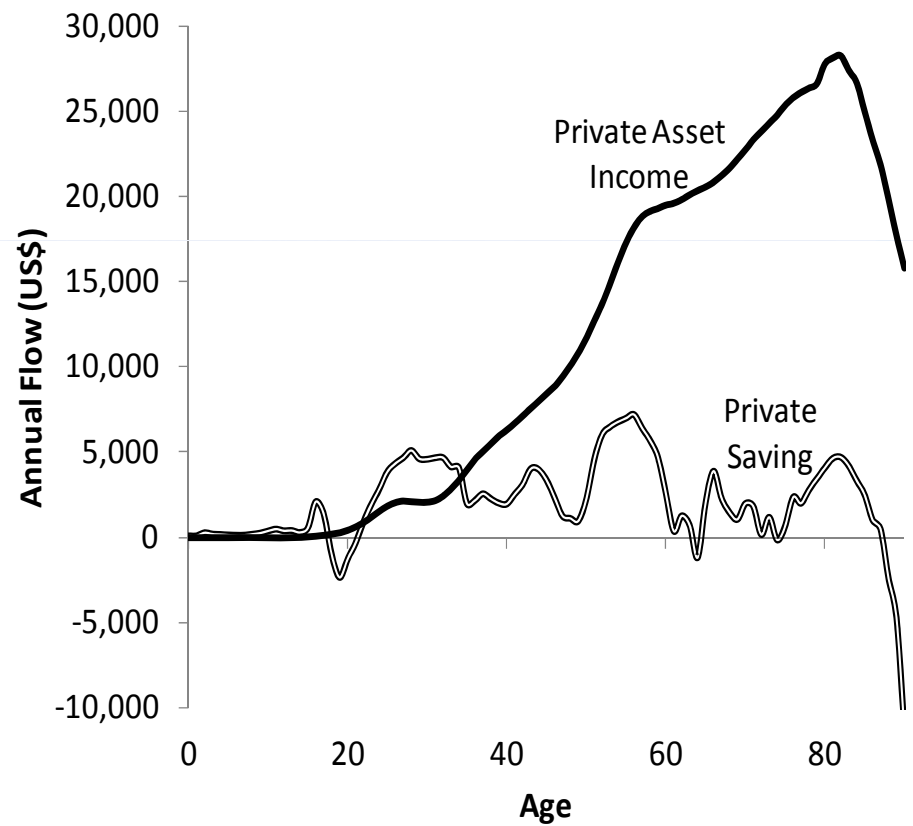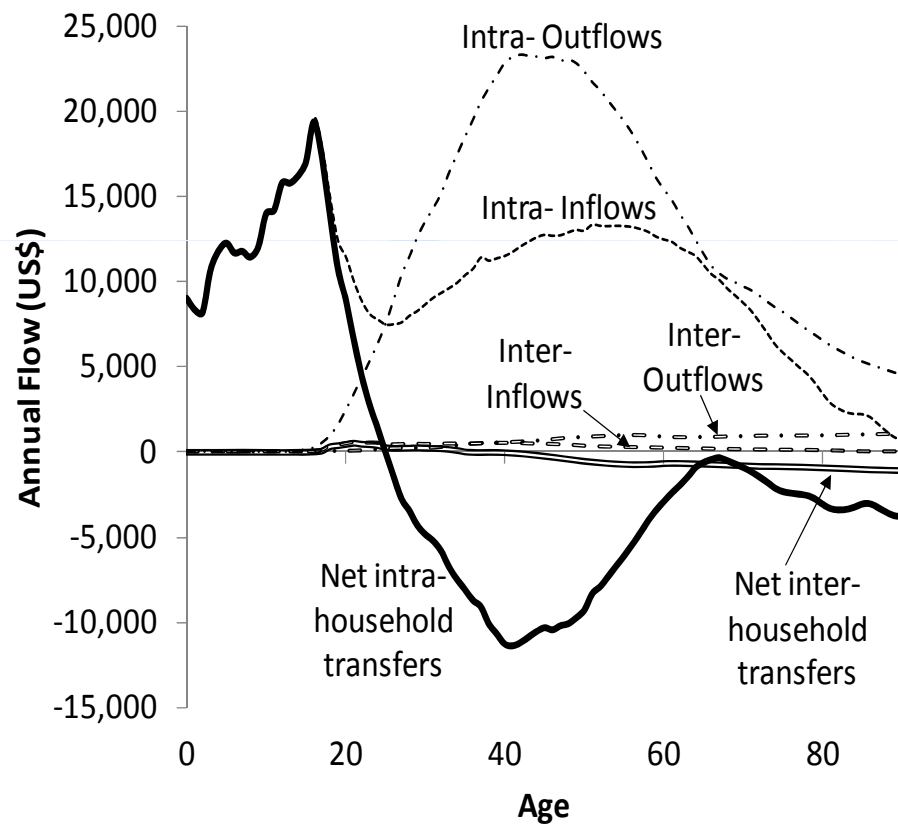
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6.1 Introduction

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6.2 Constructing macro controls

- Intra-household transfers
  - Aggregate net flow is zero by definition
  - No macro control for gross flows
- Inter-household transfers
  - Total net transfers macro control is the difference between National Income and Disposable Income
  - Subtract public portion of that for private net intra-household transfer macro control

6.2 Constructing macro controls

- Capital income
    1. Net operating surplus of corporations and non-profit institutions serving households (NPISH)
    2. Net operating surplus of households
    3. Capital's share of net mixed income (1/3 gross mixed income minus consumption of fixed capital)
    4. Capital's share of indirect taxes less subsides

- Property income
    - Many pieces of property income, but only need to identify those with different age profiles
        1. Property income inflow, interest
        2. Property income inflow, non-interest
        3. Property income outflow, interest, households to government
        4. Property income outflow, interest, households to consumer creditors
        5. Property income outflow, non-interest
    - Often no data on #3, so use only one interest outflow macro control

6.2 Constructing macro controls

- Private saving
  - Same as SNA net national saving by private sectors (corporations, households, non-profits)

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6.3 Estimating the age patterns

- Inter-household transfers
  - Attribute all amounts to household head before computing age average
  - Should have survey items on amounts given and received
  - Some inflows will be included in income section
  - Items to look for:
    - Cash gifts, family allowances
    - Alimony and child support
    - Charitable donations
    - Remittances

6.3 Estimating the age patterns

- Intra-household transfers
  - Here is where you need the micro-level database!
  - Start with macro-adjusted, unsmoothed, individual-level amounts for:
    - Private consumption by sectors (education, health, owned housing, other)
    - Labor income
    - Public cash transfer inflows
    - Net inter-household transfers
    - Taxes paid
  - Implement household sharing model (stata code in appendix)

6.3 Estimating the age patterns

- Intra-household transfers
  - The "multiple survey problem"
    - When ingredient variables come from multiple surveys, we only have age averages instead of individual level data
    - This biases the gross flows toward zero, but not the net flows
    - Manual describes procedures for reducing the bias, data permitting

6.3 Estimating the age patterns

- Five age shapes are needed (all attributed to household head):
  1. For some property income pieces and corporate net operating surplus
     - Dividends, interest, rent (land and resource rents, not dwelling rents)
  2. For mixed income
     - Self-employment income
  3. For household net operating surplus
     - Imputed rent
  4. For interest payments from household for consumer credit
     - Interest payments for mortgages, credit cards, and loans to household-owned businesses
  5. For interest payments from households to government
     - Interest on student loan debt, publicly financed business loans
     - If unavailable, use all interest outflows

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6.4 Finalizing the age profiles

- Smoothing
  - See appendix B
- Adjusting to macro control
  - Inter-household transfers
    - Only have a net flow
    - Infinite ways to adjust gross flows to match a net flow, so… chapter gives several possible calculations
      - Choose the one that works best and requires the least adjustment
  - Intra-household transfers
    - Small adjustments necessary to correct for smoothing and differences in aggregate population age distribution compared to survey

6.4 Finalizing the age profiles

- Adjusting to macro control
  - Asset income: combine age shapes with macro controls

Macro Control	Age Shape
CAPITAL INCOME COMPONENTS:	
1. NOS of Corporations and NPISH	Property Income (Div., Int., Rent)
2. NOS of HH	Imputed Rent
3. Mixed Income, Capital Share (MICS)	Mixed Income
4. Indirect Taxes Less Subsidies, Capital Share	[1+2+3, after adjustment]
PROPERTY INCOME COMPONENTS:	
5. Property Income Inflow	Property Income (D,I,R)
6. Interest Outflow, HH to Gov't	Interest Expense, HH to Gov't
7. Interest Outlfow, HH to Consumer Creditors	Int Expense, HH
8. Property Income Outflow, excluding HH interest	Property Income (D,I,R)

6.4 Finalizing the age profiles

- Evaluation
  - Internal consistency checks
  - Activity of children
  - Reasonability
  - External validity checks
  - Private saving estimates and the accumulation of all prior errors