

Distributional National Accounts

Overview and Lessons for Portugal

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“Desigualdades Económicas e Redistribuição em Portugal”

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The logo for the World Inequality Lab is positioned in the bottom right corner. It features two overlapping teal circles. The text 'WORLD INEQUALITY LAB' is displayed in white, with 'WORLD' on the top line, 'INEQUALITY' in a larger font in the middle, and 'LAB' on the bottom line. To the right of the text is a vertical column of white dots of varying sizes, arranged in a pattern that suggests a staircase or a data visualization.

WORLD INEQUALITY LAB

What Do We Know about Inequality?

Data on the distributions of income and wealth across the world is scattered across a variety of sources:

- **National Accounts**

- Income & wealth concept of reference
- Inequality *between* countries, but not *within* countries

- **Household Surveys**

- Microdata: good geographical coverage, but only in recent years
- Tabulations: better coverage in older years, but inconsistent concepts and units
- Covers the whole distribution, but with large biases at the top

- **Tax Data**

- Better at covering the top of the distribution
- Sometimes it *only* covers the top of the distribution
- Inconsistent concepts and units

/...

What Do We Know about Inequality?

- **Wealth Rankings**

- Rich lists e.g. Forbes Billionaire list
- Covers *only* the very summit top of the distribution

- **Offshore Wealth**

- Absent from “official statistics”
- Data from leaks (Luxleaks, Panama/Paradise Papers...) & official fiscal amnesties

The limits of abundant but scattered data

Disparate set of indicators make it hard to:

- Compare
- Aggregate
- Tell consistent stories

) **Literature has struggled to answer simple questions:**

- Is the world becoming more or less unequal? What have been the effects of globalisation?
- Is regional inequality driven by the distribution of income *between* or *within* countries?
- Which parts of the distribution have benefited the most from growth?

) **Problematic monitoring of internationally agreed goals**

- Sustainable Development Goals adopted by UN (2015)
- EU Pillar of Social Rights (2017)

What are Distributional National Accounts (DINA)?

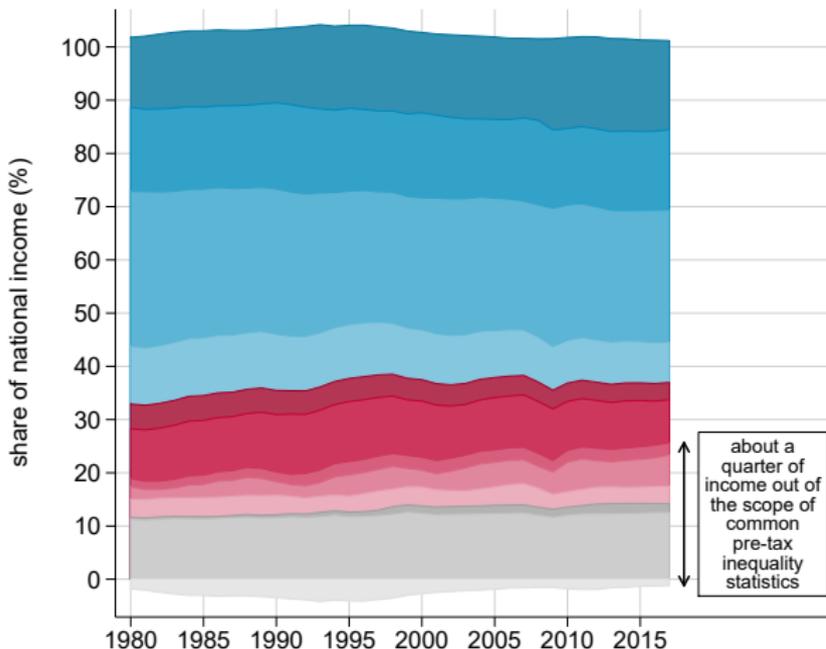
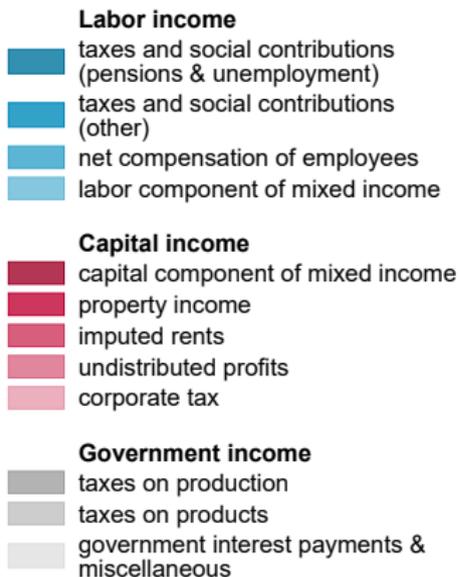
- Distributional measures into the System of National Accounts (SNA)
- Combines different data sources (surveys, tax data, SNA)
- Entire distribution: from the bottom to the very top
- All income: pre-tax, disposable, post-tax in SNA
- Reconcile micro (inequality) and macro (growth) statistics and research

How does DINA compare to other harmonised initiatives?

- EU-SILC: household surveys (sometimes mixed with register data)
- OECD Expert Group on Disparities in a National Accounts Framework (EG-DNA) since 2011
- "Experimental Statistics" published by Eurostat (2018)
- Data mainly from voluntary self-reported surveys
- Restricted to income from household sector only
- Only cover a limited fraction of national income

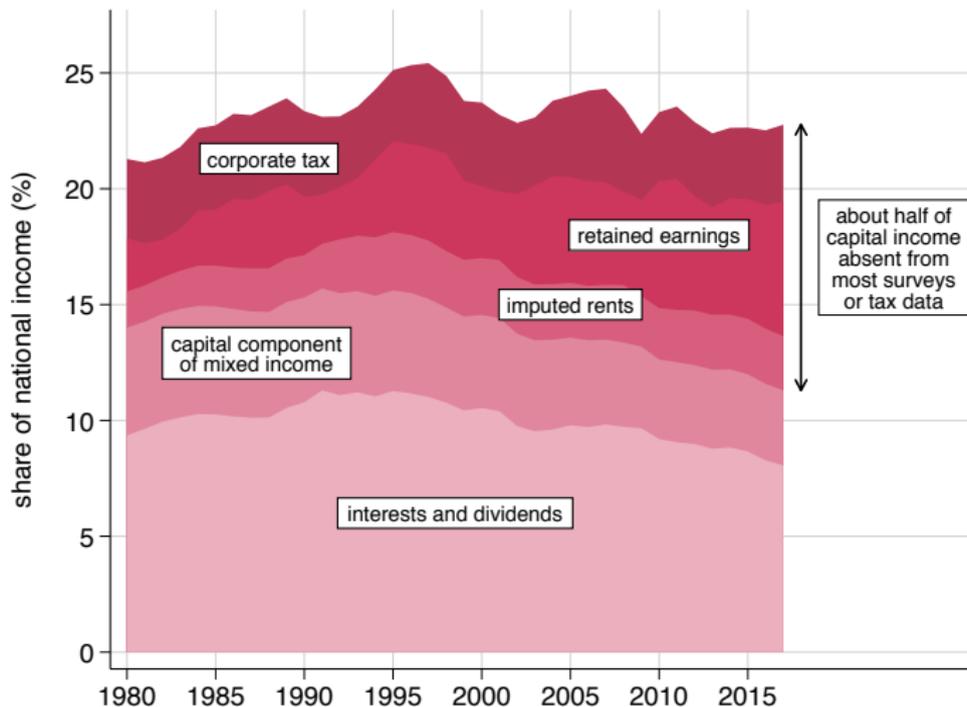
Why it's important to account for all national income

Decomposition of National Income in Europe, 2017



Why it's important to account for all national income

Decomposition of National Capital Income in Europe, 2017



Database on the historical evolution of income and wealth distributions, managed by the World Inequality Lab at the Paris School of Economics

Goal: harmonised statistics covering all percentiles of the distribution (bottom 1% to top 0.001%), across different concepts

Distributional National Accounts Guidelines available to download from <https://wid.world>

- ^ Aggregate income concept
 - ^ net national income of total economy
 - ^ = GDP after net foreign income and capital depreciation
 - ^ Not just household sector income
 - ^ We also distribute corporate sector income and government income
- ^ Distributional income concepts
 - ^ "Pre-tax national income"
 - ^ "Post-tax disposable income"
 - ^ "Post-tax national income"
- ^ Population unit
 - ^ Individual adults
 - ^ Equal-split adults (benchmark)
 - ^ Household-level measures (per capita, equivalised adults, square root...)

Portugal

Decomposing net national income (pre-tax) in Portugal

Decomposing net national income (post-tax) in Portugal

Top 10% income share in Portugal:
raw surveys vs. corrected surveys vs. DINA

Top 10% income share in Portugal:
pre-tax national income vs. post-tax disposable vs. post-tax national income

Growth incidence curve in Portugal, 1980{2017

Recommendations

- ^ Link survey to information from tax data, or provide a sample of tax data as "new survey data"
- ^ Make administrative data as comprehensive and unified as possible (incl. tax exempt personal incomes declared)
- ^ Progress towards an internal construction of DINA: collaboration between Statistics Office, Ministry for Finance, Central Bank
- ^ Ensure micro aggregates match macro aggregates for each income component ("rescaling") { not done to date}
- ^ Continue collaborations with international organisations (OECD, UN) on DINA-related initiatives...
- ^ ...but important to go beyond efforts to just distribute household-sector income

) <https://wid.world/>

Top 10% income share in Portugal

From raw survey to corrected survey

Top 10% income share in Portugal:
survey data vs. fiscal data vs. corrected survey

