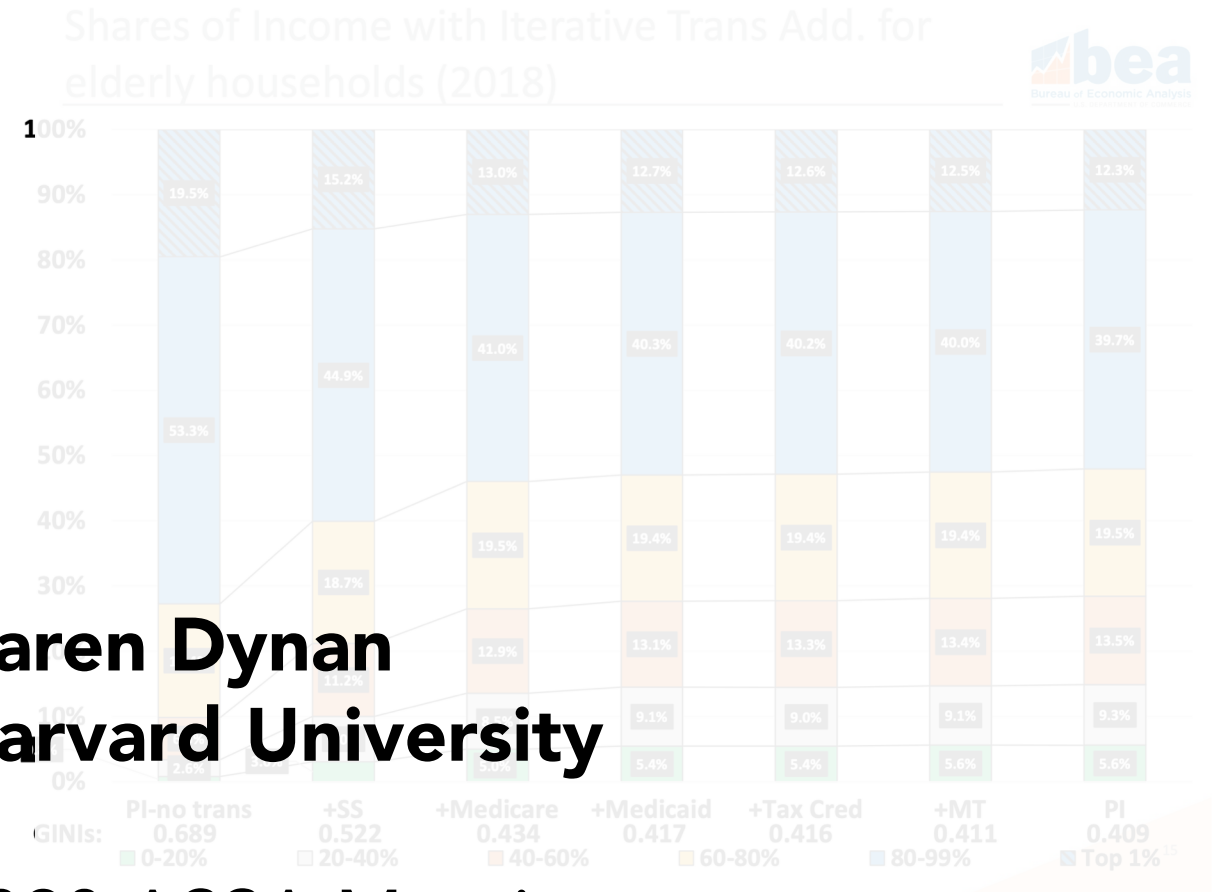


Discussion of:

**“Sharing is Caring:
Inequality, Transfers
and Growth in the
National Accounts”
by Marina
Gindelsky**

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Harvard University**

2020 ASSA Meetings
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Paper analyzes BEA's prototype statistics on the distribution of personal income, with a focus on the link between transfer income and inequality

KEY RESULTS

Transfers significantly lower income inequality

Impact largely attributable to Social Security and Medicare

Transfers rose materially between 2007 and 2018 because of population aging

Population aging has mitigated the rise in income inequality that these data would otherwise show

The BEA prototype statistics on the distribution of personal income are an impressive effort

TABLE 1 – Construction of BEA Prototype Household Income (HI) Statistics

Personal Income (PI) Component and How Allocated to CPS ASEC Persons/Households (code in parens)	Explanation of Allocation Code
Adjusted Money Income (AMI)* (73.5% of Total HI)	(1) PI amount allocated proportionately to corresponding variable in CPS ASEC
Wages and salaries (1, 2)	(2) Adjustment made to allocate proportionately more income to households with AMI of \$500,000 or more, based on IRS/SOI data
Farm income (1, 2)	(3) Allocated using CBO adjustment for underreporting in CPS ASEC
Nonfarm income (1, 2)	(4) Allocated using educational assistance received by CPS ASEC household
Rental income of persons (1, 2)	(5) Allocated using CPS ASEC wages
Interest income (1, 2)	(6) Allocated using imputation from CE data by income bracket
Dividend income (1, 2)	(7) Allocated using imputation from SCF data
Federal cash benefits (Social Security, unemployment insurance (UI), Railroad Retirement, black lung benefits, Pension Benefit Guaranty, veterans' benefits, workmen's compensation (WC)) (1)	(8) Allocated to CPS ASEC households with active military members
State and local cash benefits (e.g., temporary disability insurance, assistance, employment and training, education) (1)	(9) Allocated by assigning state average expenditure (from CMS) to CPS ASEC persons reporting receipt of Medicare
Supplemental Security Income (3)	(10) Allocated to CPS ASEC households reporting SNAP, WIC, other welfare assistance
Transfer receipts from nonprofit institutions (4)	(11) Allocated to CPS ASEC households reporting children covered by CHIP
Financial Items (12.2% of Total HI)	(12) Allocated using imputed FICA value in CPS ASEC
Employer contributions to pensions/profit-sharing (5)	(13) Allocated by total value of CPS ASEC earned income tax credit, child tax credits
Employer contributions to life insurance (5)	(14) Allocated equally to CPS ASEC households
Rental income from owner-occupied housing (6)	
Imputed interest (7)	
Health Items (12.0% of Total HI)	
Employer health insurance contributions (1)	
Military medical insurance (8)	
Medicare (9)	
Medicaid (3)	
Other medical assistance (10)	
Children's Health Insurance Program (CHIP) (11)	
Other Transfers (net) (2.3% of Total HI)	
Employer/employee contributions to OASDI (12)	
Employer contributions to WC/supplemental UI (5)	
Other employer/employee/self-employed contributions to government social insurance (5)	
Military medical insurance ((federal benefits and employee/self-employed contributions) (8)	
Supplemental Nutrition Assistance Program (SNAP) (3)	
Refundable tax credits (13)	
Energy assistance, Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (1)	
Transfer receipts from business (net) (14)	
All other transfers (10)	

SOURCE: Gindelsky (2020).

*AMI: CPS ASEC regular money income minus items not included in PI (e.g., retirement disbursements, certain sources of disability and survivor income).

Lots of careful work

Not surprisingly, source data for allocating the aggregates is limited in various ways, requiring choices and assumptions

Overall, the choices and assumptions seem sound

On my wish list (if we had more Marina's)

Sensitivity analysis around the choices and assumptions

Average household *levels* of real income for the deciles/quintiles

The set of interesting questions goes beyond those that can be answered with ***shares***—e.g. the persistence of the scars from the Great Recession for households at the lower end

Exploration of **whether the data could be more timely**

Latest estimates are for 2018 (a month ago, only had data through 2016)

Fed is using extrapolation to release timely estimates for the Distributional Financial Accounts—what would be the trade-offs to doing that?

Issues for researchers using data of this sort—different income concepts

Table 4. Comparison of Income Concepts

Source	Personal income (BEA)	Disposable personal income (BEA)	Money income (Census)	Pretax/transfer (CBO)	Post-tax/transfer national income (PSZ; AS)	Pretax national income (PSZ; AS) ¹
Employment income	Yes	Yes	Yes	Yes	Yes	Yes
Employer contribution to social security	No ²	No ²	No	Yes	No ³ ; Yes	No ³ ; Yes
Employee contribution to social security	No ²	No ²	Yes	Yes	No ³ ; Yes	No ³ ; Yes
Employer-provided benefits	Yes	Yes	No	Yes	Yes	Yes
Business income (including self-employment)	Yes	Yes	Yes	Yes	Yes	Yes
Investment income	Yes	Yes	Yes	Yes	Yes	Yes
Imputed interest on investments	Yes	Yes	No	No	No	No
Corporate profits (retained earnings and taxes)	No	No	No	No	Yes	Yes
Government cash transfers	Yes	Yes	Yes	Yes ⁴	Yes; No ⁵	Yes; No ⁵
Social security disbursements	Yes	Yes	Yes	Yes	Yes; No ⁶	Yes; No ⁶
In-kind government transfers	Yes	Yes	No	Yes ⁴	No	No
Retirement income disbursements	No	No	Yes	Yes	No	No
Interest on retirement income	Yes	Yes	No	No	No	No
Cash assistance from others	No	No	Yes	Yes	No ⁷	No ⁷
Realized capital gains	No	No	No	Yes	No	No
Imputed rent	Yes	Yes	No	No	Yes	Yes

Screenshot from [Fixler, Gindelsky, Johnson \(2020\)](#)

Issues for researchers using data of this sort— different underlying source data

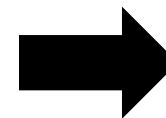
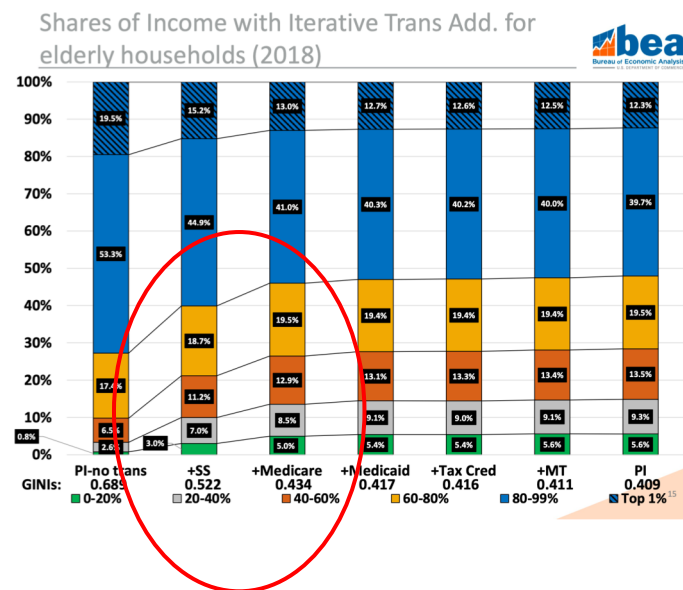
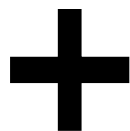
... by using the CPS as the base dataset (with corrections for underreporting of certain transfers), I am able to analyze impacts on many low-income households and non-filers.

[Gindelsky](#) (2020)

In other words, the BEA data has advantages if you want to study what's going on in the lower part of the distribution

Gindelsky results on aging population

Aging
population



Aging
population
is reducing
the rise in
income
inequality as
measured
here

Importance of Social
Security, Medicare at the
lower end

Comments on population aging results (1)

Not so surprising—we know that Social Security and Medicare are a huge part of the federal budget and that the programs have been immensely successful in reducing poverty/hardship

But Gindelsky exercise **really highlights the importance of thinking about compositional issues** when interpreting results from this type of data source

Comments on population aging results (2)

A related issue—population aging (+ fall in income at retirement) causes **the share of life-time “well-off” people in the lower-income deciles to rise**

Mechanically pushes up wealth in the lower-income deciles

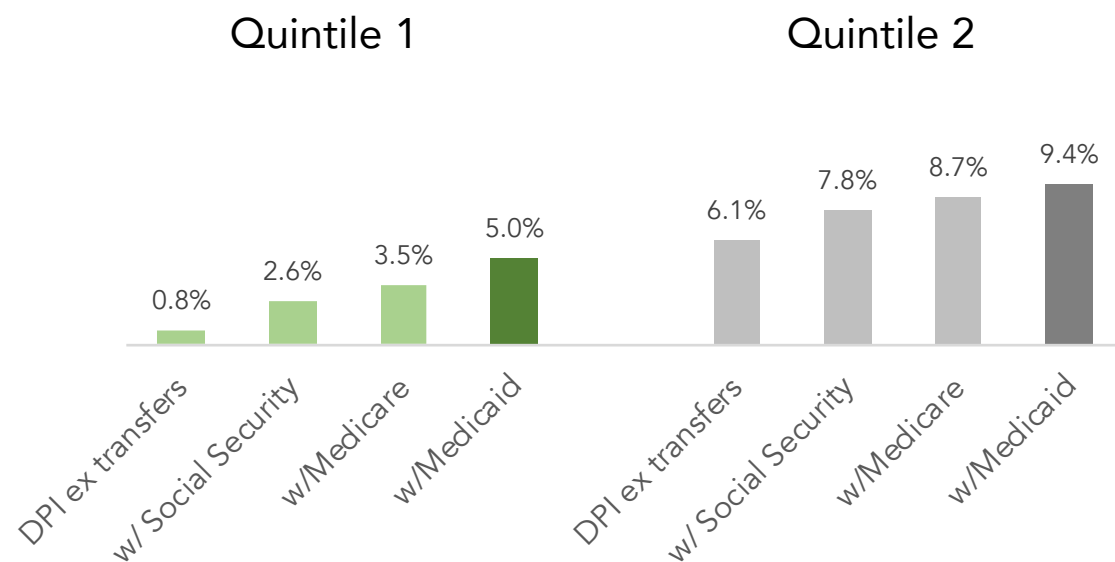
And it raises asset income in lower-income deciles

Both are reasons to be careful about interpreting what’s going on in lower income groups => patterns are not strictly telling you about evolving fortunes of life-time poor households

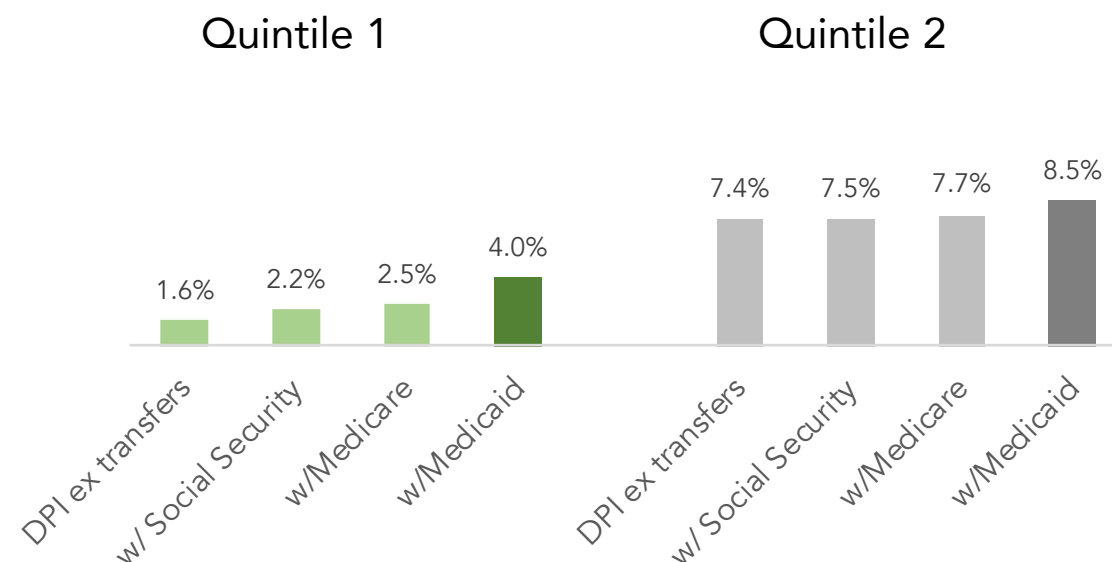
Similar interpretation issues arise with business cycle analysis as higher-income people lose jobs and get pushed down in distribution

Gindelsky results on Medicaid

Effects on shares of adding transfers from selected programs—**overall population**



Effects on shares of adding transfers from selected programs—**non-elderly population**



Data from [Gindelsky](#) (2020)

Comments on Medicaid results

A 60 percent boost to the income share of the lowest quintile non-elderly quintiles is **not trivial**

Of course, a dollar of Medicaid may be “worth” less than a dollar of income to households (e.g. [Finkelstein, Hendren, Luttmer](#), 2019)

The finding that the impact is not large relative to Social Security/Medicare is **consistent with Medicaid being < 10 percent of federal health care support**

These results and the Medicaid expansion analysis in paper need to be **caveated as reflecting specific macro conditions**

In 2018—“hot” economy

Now—pandemic with disproportionate effects on incomes and healthcare needs of households in lower part of distribution

Conclusions

The BEA prototype statistics on the distribution of personal income are an impressive new statistical effort

This paper offers examples of the interesting things that can be learned from this new resource

As with all data of this sort—one really needs to think about how the groups and the macro backdrop are evolving when interpreting the findings