

SNA/M1.06/31.2

**Fourth meeting of the Advisory Expert Group on National Accounts
30 January – 8 February 2006, Frankfurt**

Clarification C10

Measurement of non-market output

**REPORT ON e-DISCUSSION ON
MEASUREMENT OF NON-MARKET VOLUME OUTPUT**

United Nations Statistics Division

Update of the 1993 SNA –Issue for Clarification No. 10
Jan-Feb 2006 AEG meeting, Frankfurt

Report on e-discussion on Measurement of Non-Market Volume Output

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Introduction

1. The *Atkinson Review Report* and the Eurostat *Handbook on Price and Volume Measures* have confirmed the objective of the 1993 SNA to measure the volume output of the general government using direct output indicators. Moreover, they propose principles for the measurement that would be useful to include in the revised SNA, as they will clarify the conditions of a good measurement of non market output. Building on the experience of the *Atkinson Report* and the *Eurostat Handbook*, it is proposed that the revised SNA should elaborate a more on the theory of non market prices and include more practical descriptions of acceptable output indicators, particularly for education and health.

Response received

2. The proposals (document no. SNA/M1.06/31.1) relating to measurement of non-market volume output were referred to the AEG members soliciting their opinions through a questionnaire. The questions asked of AEG members and responses received through e-discussions have been summarized in the following table.

Table: Questions asked of the AEG members and response received as on 24 January 2006

No.	Question(s)	Response received			
		Total	Agree	Disagree	No opinion
1	Do you support the inclusion of new sentences in Chapter 16 of the SNA discussing the importance in theory of taking into account marginal benefits to households in the estimation of the volume change of non market services?	23	11	12	-
2	Do you support the inclusion in the new SNA of more precise definitions of “input”/”output”/”outcome”?	23	22	1	-
3	Do you agree to include in the new SNA positive and practical descriptions of acceptable output indicators, in particular for education and health?	23	20	3	-
4	Do you agree to revise paragraph 16.139 of the 1993 SNA to give it a more positive tone and reflect current thinking?	23	22	1	-

Conclusions

3. The AEG members participating in the e-discussion overwhelmingly support three of the four proposals relating to measurement of non-market volume output. They were about equally divided on the proposal to include new sentences in the SNA discussing the importance in theory of taking into account marginal benefits to households in the estimation of the volume change of non-market services.

An extract of comments made by AEG members is annexed.

Extract of Comments Made by AEG Members in the Questionnaire

The original response and full comments are available on the UN website¹. The objective of this annex is only to give limited extracts to encourage readers to read the full comments of the AEG members.

Question 1

- Such a discussion is likely to confuse the reader. Although economists would like all values to be measured by marginal prices, in practice they are all measured by average prices or average costs. Any theoretical discussion that emphasizes marginal valuation is likely to further confuse the reader about what types of values are consistent with the estimates already recorded in the accounts.
- In view of July 2005 AEG decision - "there was sufficient concern amongst AEG members about the concept of 'willingness to pay' and it should be dropped from the updated paper". It is surprising to raise this question.
- Issues of willingness to pay/marginal benefit relate to nominal values (and not volume measures). If such concepts were to be introduced into nominal measures (although there is no proposal to do so, not the least because of the measurement problems that would need to be overcome), then changes over time in willingness to pay would, represent a price and not volume change. Much more work is required before the SNA can be 'clarified' in the manner suggested in this proposal.
- It is not correct to suggest that the volume change of non-market services would be exclusively determined by the marginal benefits to households. Benefits to the community as a whole should also be taken into account.

Question 2

- Measurement in practice is much more difficult than writing down the preferable theoretical and conceptual framework. As a consequence, measurement using detailed input data may prove to give "better" results than output methods.

Question 3

- Descriptions should be only as an illustration of the general principles and should emphasize that the indicators may be appropriate in some countries and not in others. It should be clear that they are intended as examples, not as requirements. Best practice in measurement of price and volume changes over time.

Question 4

- Much of the work on output indicators for collective services is still 'experimental' in nature and that not all approaches may be universally appropriate or indeed feasible.

¹ <http://unstats.un.org/unsd/sna1993/clarviewvote.asp?cID=10>