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ABS Comments on Draft Chapter 20 Capital services and the national accounts

The draft chapter 20 presents a clear exposition of capital services and their derivation, and is a very useful introduction to the more rigorously presented material in the OECD manuals. In the SNA context the ABS supports the non-algebraic presentation using examples, especially given that many statistical agencies are at the early stages of their exposure to capital theory. However, if anything the tone in the first paragraph is too apologetic. We see it as an important addition to the SNA and capital services as an economic concept should not be seen as novel or experimental.

Some specific comments follow.

20.1 It could be explained here that the relationship between labour inputs to production and compensation of employees has always been well understood in the System and that it has a counterpart in the theory of capital services which explains the relationship between the value of capital inputs to production and gross operating surplus. This has not been articulated in SNA until now. However, unlike for labour services inputs where the volumes and the prices of different types of labour can be readily observed, capital services inputs have to rely on a model based approach utilising capital theory. Importantly, the theory of capital services provides a theoretical underpinning for gross operating surplus rather than having it described as a residual which was always unsatisfactory.

20.5 The reference in the second last sentence to capital services not being produced services is confusing, and could be deleted. They are most usefully described as a measure of the capital inputs into the production process.

20.10 The choice of real versus nominal interest rate could be explained.

20.11 Last sentence - replace 'if' with 'of'.

20.14 To further clarify the illustration it would be useful to split table 20.2 into two tables - one the basic PIM excluding the top part of the table explained in the first part of the para, and the second that provides the connection to the capital services and income flows explained later in the paragraph.

Table 20.4 needs to be repositioned adjacent to paragraph 20.20

20.30 seems out of place in the discussion of land. It should be covered at the start of the Chapter (see comments above on para 20.1).

20.31 Suggest that the words in the first sentence after 'economic rent' be deleted as the term is widely used in economic literature and legitimately so.

20.34 Second last sentence - should it refer to 'satellite accounts' rather than 'alternative set of national accounts'

20.41 The costs associated with sale of assets (real estate agents commissions, legal costs) should also be mentioned here.

20.52 Is the word 'confront' too strong? This might imply that equivalence is expected (at least in theory) but given issues surrounding unrecorded assets and entrepreneurial luck this is not the case. 'Compare' could be used instead. Also, the issue of unrecorded assets should be mentioned in the list of simplifying assumptions.

Table 20.10: "Principle" should be "Principal"

Yours sincerely,

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